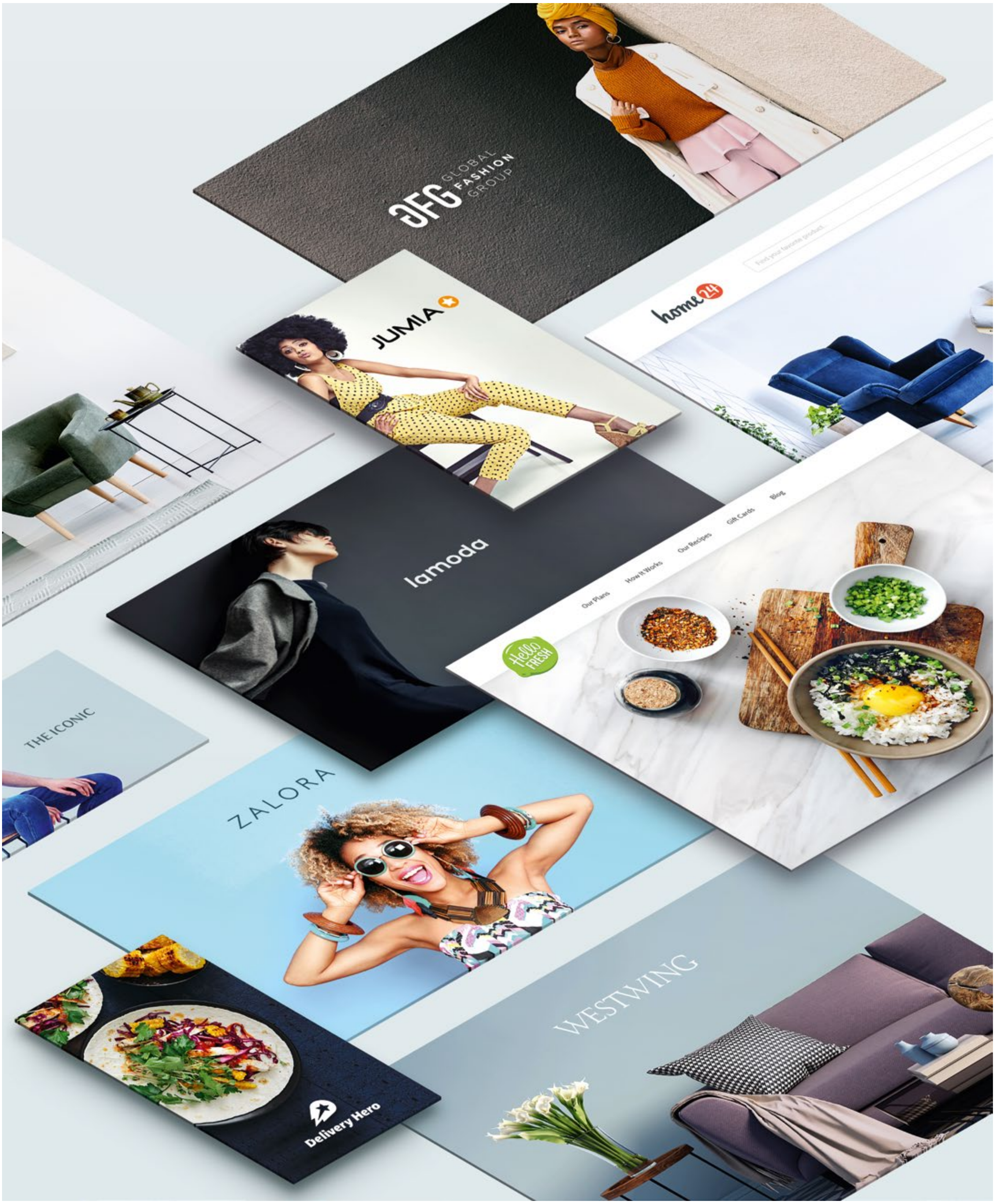
ROCKET INTERNET

Annual Report 2018



Key Figures

Rocket Internet Group (according to IFRS)

Financials (in EUR million)	2018	2017	Change
Revenue	44.5	36.8	21.1%
EBITDA	203.3	(54.8)	n.m.
Cash and cash equivalents	1,720.0	1,716.6	0.2%
Profit/loss for the period	196.0	(6.0)	n.m.
Earnings per share (in EUR)	1.28	0.01	>1,000%

Selected Companies

Revenue (in EUR million)	2018	2017	Change
FOOD & GROCERIES			
HelloFresh	1,279	905	41%
Delivery Hero	687	417	65%
FASHION			
Global Fashion Group	1,156	1,095	6%
GENERAL MERCHANDISE			
Jumia	131	94	39%
HOME & LIVING			
Westwing	254	220	16%
home24	313	276	13%

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Oliver Samwer,
Chief Executive Officer

Dear Shareholders and Friends of Rocket Internet,

2018 has been a year of continuation of the Rocket Internet core strategy to incubate new technology businesses and to develop them to market leadership. Our strategy to build and to develop operationally internet-based business models and to provide capital strategically in order to build out the network of technology companies is unchanged despite strong competition for people, ideas and markets in recent years. Following the successful capital raisings in the public market of our Food & Groceries sector companies Delivery Hero and HelloFresh in 2017, Home & Living sector companies home24 and Westwing pursued listings on the Frankfurt Stock Exchange in 2018.

home24 IPO

EUR 173 million IPO primary proceeds

In June 2018, home24, a leading pure-play Home & Living eCommerce platform among our selected companies, listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The all primary offering resulted in gross proceeds of EUR 173 million for home24 for further growth of the company. Active in Continental Europe and Brazil, home24 offers a broad assortment of over 100,000 article numbers from more than 500 suppliers. The devaluation of technology stocks in the second half of 2018 as well as a slow down in growth due to an exceptionally hot summer 2018 in Europe had a negative impact on the company's share price, which remained below issue price also at year-end.

Westwing IPO

EUR 123 million IPO primary proceeds

Four months later, Westwing, our second incubated company in the Home & Living sector, started trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. Westwing is the leader in inspiration-based eCommerce in Europe, active in eleven countries. Through its 'shoppable magazine', Westwing inspires its loyal, mostly female customers with a curated product selection and combines that with inspiring content. With unparalleled loyalty, Westwing is generating 85 percent of sales from customers who visit the company's sites and apps on average 100 times per year. In the all primary offering in October 2018, Westwing received EUR 123 million for further growth and was also the first out of our selected companies to be adjusted EBITDA positive for an entire fiscal year.

Rocket Internet has a strong net cash position of EUR 2.0 billion as of end of February 2019, despite having retired the convertible bond in the summer of 2018 and various share buy-back programs throughout the year.

EUR 2.0 billion
Cash Position

In 2018, Rocket Internet's consolidated revenue increased by EUR 7.8 million to EUR 44.5 million and the result improved from a consolidated loss of EUR 6.0 million in 2017 to a gain of EUR 196.0 million in 2018. Earnings per share in 2018 were positive at EUR 1.28 (EUR 0.01 in 2017).

EPS
EUR 1.28 per share

For the Rocket Internet share, 2018 was a year of mixed results. The share had a strong first seven months to the year, reaching an intra-year closing high of EUR 31.04 on August 6, 2018 but then, in line with higher volatility for the technology sector, was negatively impacted in the second half. The Rocket Internet share closed the year at EUR 20.18, down 4.5 percent for the year. As of March 2018, our shares have been included in the MDAX index.

MDAX inclusion
As of March 2018

Building and developing operationally great online companies globally requires a team of highly driven and entrepreneurial employees with a strong sense of ownership. I would like to thank all colleagues for their dedication and ingenuity.

At Rocket Internet, our success lies in the combination of people, ideas and capital. For 2019, we are well equipped to leverage these resources to successfully build, develop and support companies in the global technology sector with the objective of creating long-term value for Rocket Internet, its network of companies and its shareholders.

Berlin, April 2019

Oliver Samwer,
Chief Executive Officer, Rocket Internet SE


ROCKETS

CHAPTER 1

About Rocket Internet

We help companies scale by providing operational know-how

Introduction to Rocket Internet

Rocket Internet builds and invests in Internet companies with proven business models. We believe that a single, well executed idea can change the world – that's why we build great companies and invest in promising start-ups. By providing operational support to our companies we help them to scale internationally.

Our operational experts support our companies across all relevant areas

We deploy capital in companies that have the potential to disrupt almost all sectors and fundamentally change business models as well as whole industries. We look for business models and companies that leverage technology to address basic needs in both the B2C and B2B sector. We are able to both successfully incubate and build from scratch new business models as well as support the existing companies we are invested in. Over time, these companies are enabled to achieve significant scale, profitability and market leading positions.

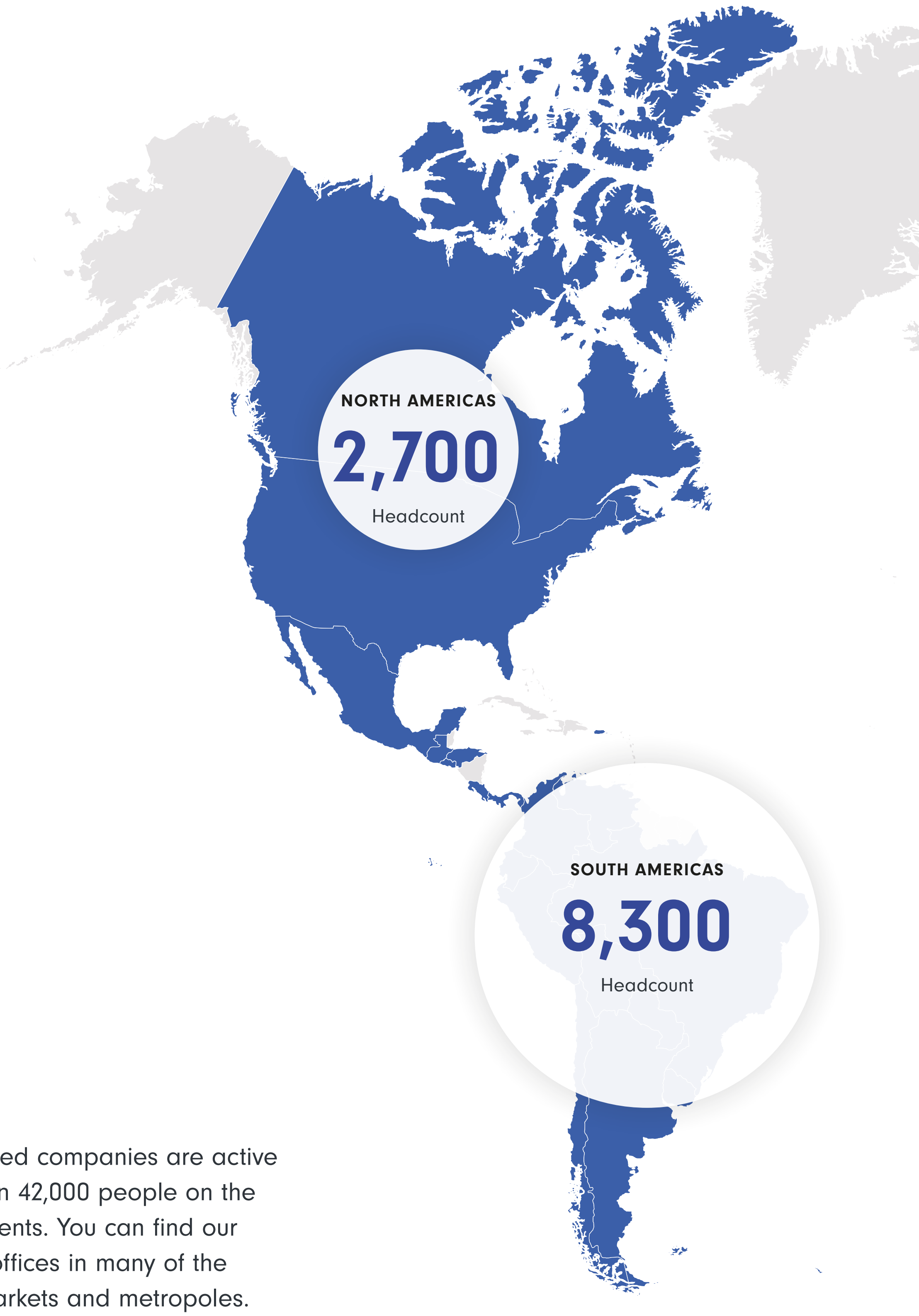
We have strong cash reserves that allow us to provide financing to companies along their full lifecycle. In addition, Rocket Internet supports these companies as they grow, by providing deep functional expertise, proprietary technology solutions and access to an extensive ecosystem of global partnerships. The unique combination of financial and operational support provides a competitive advantage to our portfolio companies and significantly increases their probability of success.

Rocket Internet has a team of functional experts that covers the full range of technologies needed to scale, including main areas such as product, engineering, customer acquisition and internationalization. This enables our companies to become leading players in their markets in a shorter period of time.

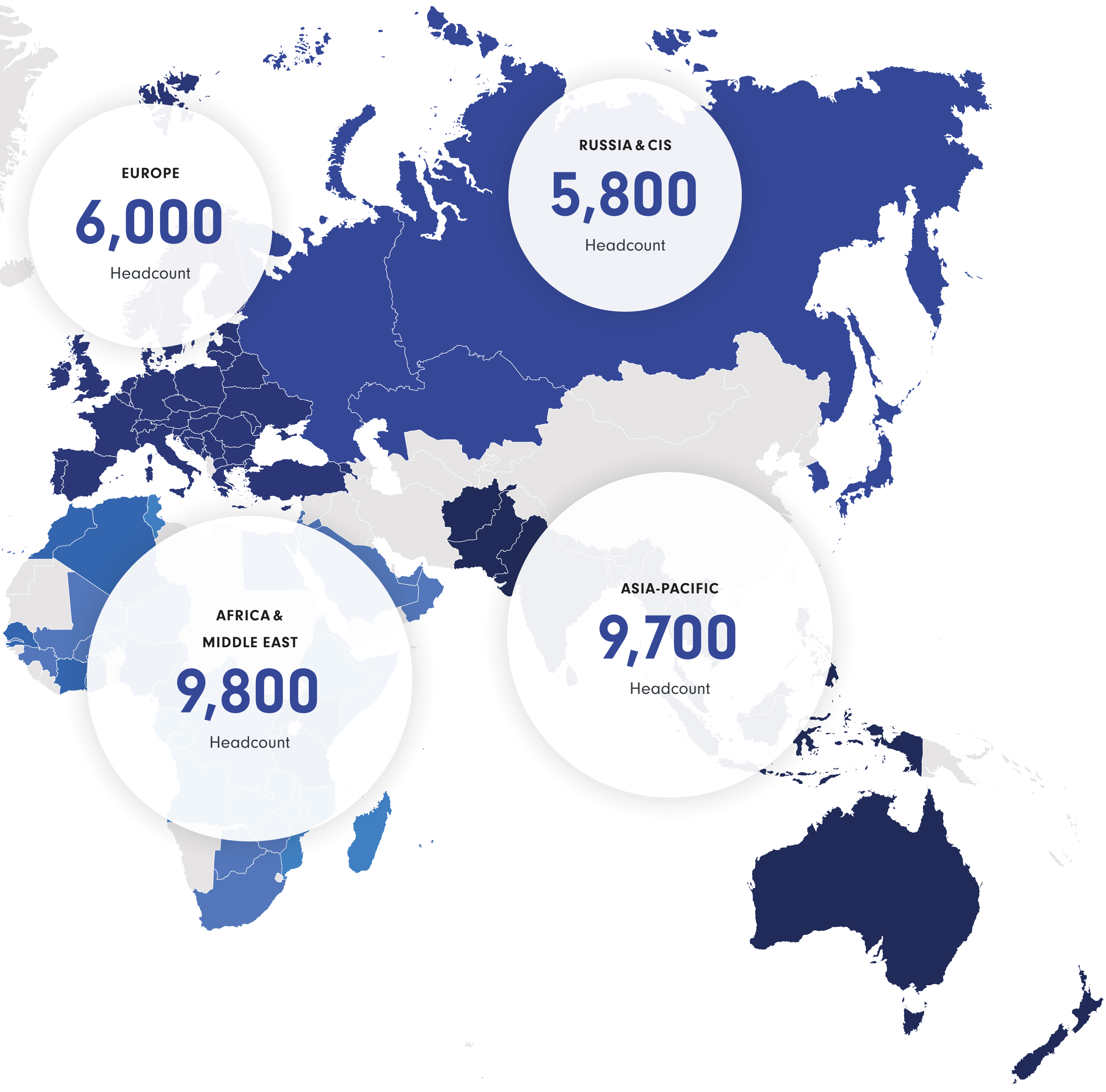
Strategic partnerships, established by Rocket Internet, enable extensive operational support to our network of companies. Furthermore, framework agreements with the leading global technology firms provide our companies with competitively-priced leading technology and services.

Rocket Internet is headquartered in Berlin, Germany, and listed on the Frankfurt Stock Exchange since 2014 and was admitted to the MDAX in 2018.

Our Global Footprint



Rocket Internet's selected companies are active globally with more than 42,000 people on the ground in all six continents. You can find our companies and local offices in many of the world's high growth markets and metropoles.


EUROPE
6,000
Headcount
RUSSIA & CIS
5,800
Headcount
AFRICA &
MIDDLE EAST
9,800
Headcount
ASIA-PACIFIC
9,700
Headcount

Our Employees

Employees at Rocket

Rocket Internet offers a dynamic start-up environment paired with an entrepreneurial and operational global culture.

We are always eager to further strengthen our teams by identifying highly-motivated talent with diverse skill-sets. Our employees are the greatest asset we have. They get the opportunity to make a real impact from the moment they join, irrespective of whether they are working at our headquarters in Berlin or in one of our many offices around the globe. This unique set up fosters a culture of excellence and accountability, not only at Rocket Internet but also in our global network of companies.

Recruitment of Talent

Talent acquisition for Rocket Internet and our network of companies is one of our key priorities. Our central talent acquisition team utilizes cutting edge technologies and processes in order to find highly skilled talent worldwide. This allows us to build exceptional talent pools, which we leverage to help scale teams across our companies. Moreover, the Rocket Internet brand helps attract outstanding talent for our central functions as well as for younger and lesser known companies in the network. At the end of 2018, Rocket Internet's selected companies employed more than 42,000 people, compared to over 33,000 people in 2017.

Talent Retention

Recruiting and retaining top talent is crucial to reach our ambitious goals. Therefore, we base our talent engagement strategy on three pillars:

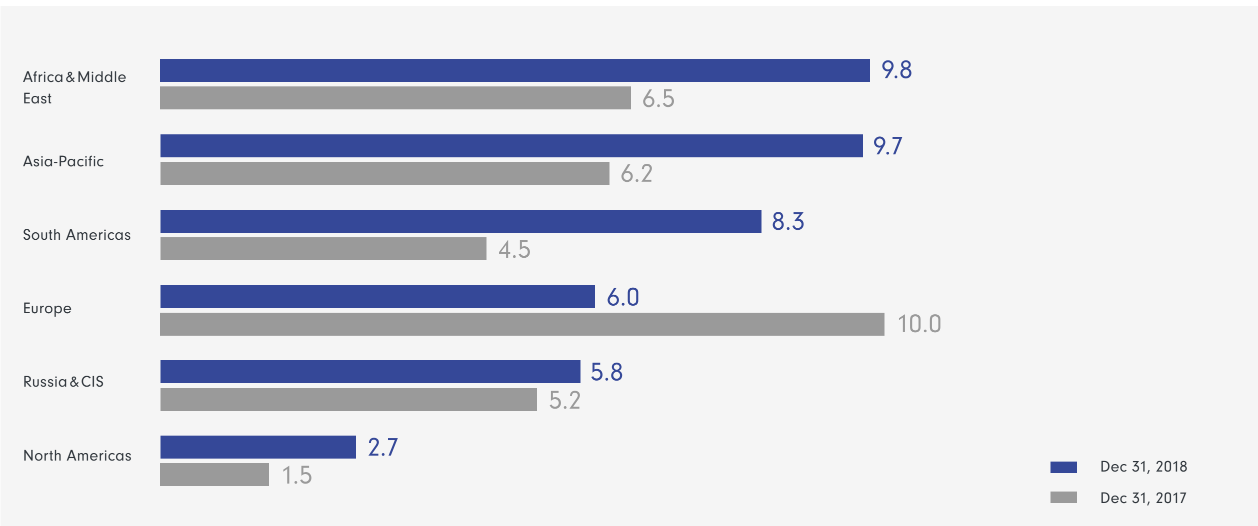
1. We offer impactful and challenging roles at Rocket Internet and within our network and encourage our employees to develop professionally by giving them the responsibility and autonomy to do so.

2. Moreover, our employees benefit from knowledge sharing and career opportunities across our network of companies. The incubation activities connect diverse people from different disciplines such as business development, technology, legal or finance. We promote professional growth by providing access to multiple conferences and workshops, such as the Rocket Internet Marketing Summit or online and on-site trainings with the market leading technology companies and strategic partners. This also includes general training courses on core competencies.

3. We offer competitive compensation. All employees receive a base salary, which depending on position and level of seniority, may be supplemented by a bonus and / or stock options.

Selected Companies' Headcount by Region

numbers in thousand



Talent and Career Network

Rocket Internet's biggest advantage is its global network. Great talent always has the opportunity to develop further either at Rocket Internet's headquarters itself or within the global network of companies. This fluid allocation of talent between Rocket and its network provides opportunities and serves employees at Rocket Internet and our companies well. This exchange of talent strengthens Rocket Internet and its companies alike and helps us to develop entrepreneurs, technology and functional experts of tomorrow.

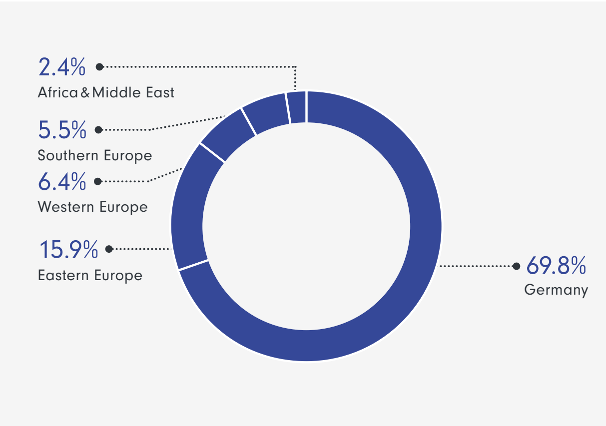
Diversity

At the end of 2018, Rocket Internet employed 126 employees (prior year: 171) at its headquarters in Berlin. Our network companies have generally become more autonomous and therefore require less support. Four of our selected companies were already successfully listed. Additionally, employees from our functional teams joined several of our existing companies and newly launched businesses. However, we have the relevant functional experts on staff to support our recently incubated companies as well as the more mature companies within our network.

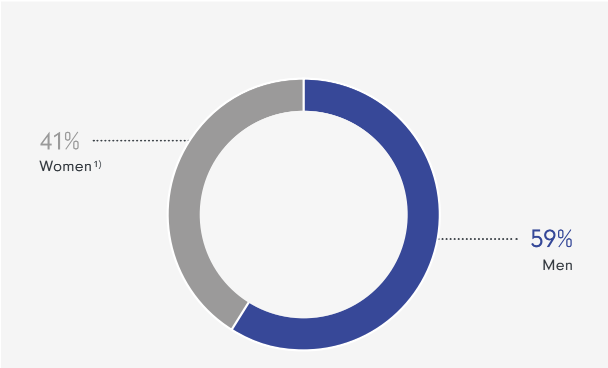
Diversity at Rocket Internet is deeply anchored in its corporate culture. It provides the foundation for creativity and innovation, both of which are crucial factors for the success of the business. We strive to create a diverse workforce in terms of cultural background, gender and skills. Our workforce at Rocket Internet's headquarters in Berlin was comprised of 21 nationalities at the end of 2018. English is therefore our working language.

We provide equal opportunities to all of our employees. Women accounted for more than 41 percent of our workforce (prior year: 42 percent). Without the IT department, for which we tend to receive only few female applications, women represent 53 percent of Rocket Internet's employees. The average age of our workforce is 34 years.

Nationalities



Gender Diversity



1) 53% excluding employees of the IT department

Rocket Internet Stock Information

Rocket Internet's shares are listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange under the ticker symbol RKET. During the year 2018, the shares traded in the range of EUR 19.62 to EUR 31.04. At year-end 2018, the share closed at EUR 20.18 and Rocket Internet had a market capitalization of EUR 3.0 billion.

Since March 19, 2018, Rocket shares have been included in the MDAX index of the Frankfurt Stock Exchange. The inclusion in the MDAX index further increases the relevance of Rocket Internet's shares for institutional investors and the company's visibility in international financial markets.

On April 16, 2018, the Management Board of Rocket Internet resolved, with the approval of the supervisory board, utilizing the authorization of the annual general meeting of June 2, 2017, to buy back up to 15,472,912 shares of the company (corresponding to a maximum of up to 9.37 percent of the company's registered share capital) through a public share purchase offer against payment of an offer price in the amount of EUR 24.00 per share. By May 4, 2018, a total number of 9,724,739 shares had been tendered during the acceptance period. This includes 6,800,000 shares tendered by the PLDT Online Investments Pte. Ltd., corresponding to 67.38 percent of the total number of shares held by PLDT in Rocket Internet. In addition to the tender offer, 1,041,167 shares were bought back through the public share buy-back program set up in August 2017. On May 23, 2018, the total of 10,765,906 own shares acquired were redeemed and thus the share capital of the company was reduced from EUR 165,140,790.00 to EUR 154,374,884.00.

Share Information

as of March 31, 2019

Issuer	**Rocket Internet SE**
TYPE OF SHARES	ORDINARY BEARER SHARES WITH NO PAR VALUE (STÜCKAKTIEN)
STOCK EXCHANGE	FRANKFURT STOCK EXCHANGE, LUXEMBOURG STOCK EXCHANGE
MARKET SEGMENT	REGULATED MARKET (PRIME STANDARD)
TOTAL NUMBER OF SHARES OUTSTANDING	150,767,294 [1)]
ISSUED SHARE CAPITAL	EUR 152,514,398
ISIN	DE000A12UKK6
WKN	A12UKK
TICKER SYMBOL	RKET
COMMON CODE	111314110
THOMSON REUTERS	RKET.DE
BLOOMBERG	RKET:GR

1) Excluding treasury shares.

On July 12, 2018, the management board of Rocket Internet resolved to accept offers to sell from the holders of the convertible bonds due July 22, 2022 issued by the company (ISIN DE000A161KH4) in an aggregate nominal amount of EUR 253.9 million in form of a modified Dutch auction process. The bonds were bought back at a price of 110 percent of the principal amount and were subsequently cancelled. Since the remaining c. EUR 35 million nominal amount convertible bonds were less than the 15 percent of the aggregate nominal amount of the convertible bond initially issued, the company exercised its early redemption right to terminate the convertible bond in whole, with a call redemption date of September 4, 2018.

On September 20, 2018, Rocket Internet announced a new share buy-back program with a consideration of up to EUR 150 million and up to 5,500,000 shares. This represents up to 3.6 percent of shares outstanding. The program will end at the latest on September 19, 2019. The repurchased shares are intended to either be redeemed and Rocket Internet's share capital reduced accordingly or to settle employee stock option grants. The Share Buy-Back Program is executed by an international credit institution. As of March 31, 2019, Rocket Internet bought back 3,607,590 shares, which represents c. 66 percent of the program. On December 6, 2018, the 1,860,486 shares bought back until then were retired to further reduce the company's share capital from EUR 154,374,884.00 to EUR 152,514,398.00. The remaining 1,747,104 shares bought back are held as treasury shares as of March 31, 2019.

Development of the Rocket Internet Stock and Important Stock Market Indices

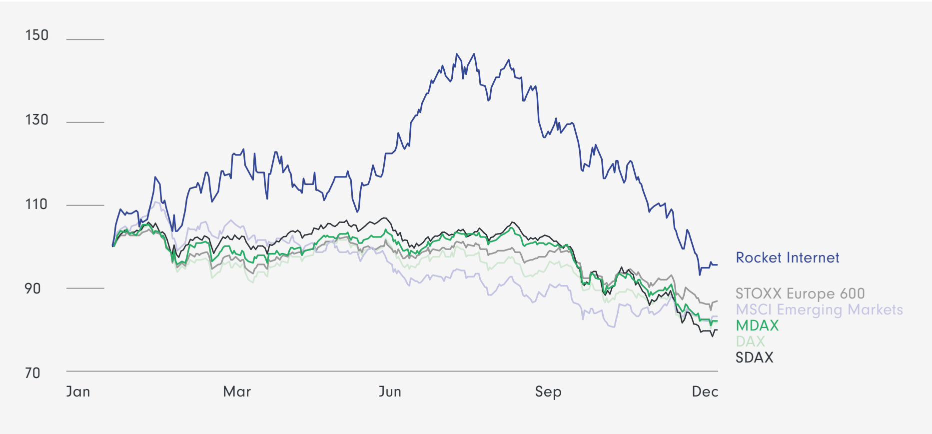
	Dec 31, 18	Dec 31, 17	Change
Rocket Internet share (EUR)	20.18	21.13	(4.5%)
DAX	10,558.96	12,917.64	(18.3%)
MDAX	21,588.09	26,200.77	(17.6%)
SDAX	9,509.15	11,886.85	(20.0%)
STOXX Europe 600	337.65	389.18	(13.2%)
MSCI Emerging Markets Index	965.67	1,158.45	(16.6%)

2018 began with the strongest absolute and risk-adjusted start to a year on record for global equities. The S&P 500 reached its longest streak without a 5 percent correction in history on the back of a significant U.S. tax reform and strong economic growth data. However, many growth stocks recorded their highest share prices for the year in late January 2018. The January peak was followed by a c. 10 percent downward correction in most global equity indices, accompanied by an increase in volatility. Post January, market expectations were more subdued. U.S. and global GDP growth peaked in Q2 2018, but most non-U.S. markets had already peaked in Q1. Concerns surrounding Turkey and Argentina in late Q3 2018 put further pressure on emerging market stocks as both currencies depreciated against the Euro.

In 2018, the US Federal Reserve increased the federal funds rate four times throughout the year – more, than markets had initially anticipated, whereas the European Central Bank kept rates constant, but concluded the asset purchase program in December 2018. Inflation picked up in the US but remained largely at low levels elsewhere. In Europe, Italy contributed to market uncertainty, initially in the context of elections and then in form of budget negotiations. Brexit negotiations caused high volatility for the British pound exchange rate, which moved from a high of 1.43 US Dollar in April to a low of 1.25 US Dollar in December 2018.

Relative Share Price Performance

Jan 1 to Dec 31, 2018, indexed



In the first half of 2018, the Rocket Internet share price increased by more than 25 percent and reached an intra-year closing high of EUR 31.04 on August 6, 2018. Increased volatility in technology and growth stocks during the second half of 2018 also impacted Rocket Internet’s share price performance. The Rocket Internet share finished the year at EUR 20.18, down c. 4.5 percent for the past twelve months.

Annual General Meeting 2017

On June 8, 2018, Rocket Internet SE held its fourth Annual General Meeting in Berlin, A total of 80.31 percent of the capital stock was present. All proposed resolutions were approved with a majority of at least 89.32 percent.

Financial Calendar

May 29, 2019	Q1 2019 Results for Rocket Internet & Selected Companies
Jun 6, 2019	FY 2018 Rocket Internet SE Annual General Meeting
Sep 19, 2019	H1 2019 Results for Rocket Internet & Selected Companies and Capital Markets Day (London)
Nov 26, 2019	9M 2019 Results for Rocket Internet & Selected Companies

Professor Dr. Marcus Englert,
Chairman of the Supervisory Board

Report of the Supervisory Board

of Rocket Internet SE for the Financial Year 2018

Dear Shareholders,

In the financial year 2018, the Supervisory Board of Rocket Internet SE ("**Rocket Internet**" or "**Company**") fulfilled all duties in accordance with statutory law, the articles of association and the rules of procedure in their entirety. It has regularly advised the Management Board on the basis of comprehensive reports of the Management Board, which were given in written as well as in verbal form, on the strategic direction of the Company and continuously oversaw its management. The Supervisory Board was involved in all fundamental decisions of the Company. The Management Board regularly, promptly and comprehensively reported to the Supervisory Board, both during the scheduled meetings and at other times as the situation required. As part of this process, the Management Board informed the Supervisory Board about all relevant matters regarding operative planning and the risks and rewards related therewith. This included matters on the development and pursuit of the business, questions on planned and current investments, the state of the group including its risk position, as well as risk management and compliance. Furthermore, the Management Board aligned the Company's strategic focus with the Supervisory Board. In 2018, the Management Board reported extensively to the Supervisory Board on the Company in the four meetings of the Supervisory Board, including the development of revenue and profitability of the Company, the selected associated companies, as well as the state of the Company and its business policy. The reports were made available to absent members. The content of the reports was discussed intensely with the Supervisory Board. In this context, inter alia, deviations from the actual course of the business to the plan were discussed. The reports of the Management Board met the legal requirements, good corporate governance standards and the requirements of the Supervisory Board with regard to their content and scope. The Supervisory Board has dealt in depth, critically analyzed and evaluated the Management Board's reports and further information provided by the Management Board. Furthermore, the Supervisory Board, until June 8, 2018 mainly through the Audit Committee, received regular reports from the Management Board regarding the internal control system implemented by the Management Board, the group wide risk management and the internal audit system, and dealt with their effectiveness. To the extent an approval of the Supervisory Board was required for decisions or measures of the Management Board in accordance with statutory law, the articles of association or the rules of procedure, the members of the Supervisory Board (in part after preparation by a Committee) approved the proposal after review and discussion.

There have been personal as well as structural changes to the Supervisory Board during the reporting year. Upon the ending of the ordinary annual general meeting on June 8, 2018, the period of office ended for all eight Supervisory Board members, Prof. Dr. Marcus Englert, Prof. Dr. h.c. Roland Berger, Mr. Stefan Krause, Mr. Norbert Lang, Mr. Pierre Louette, Prof. Dr. Joachim Schindler, Mr. Daniel Shinar and Mr. Christopher H. Young. In the ordinary annual general meeting on June 8, 2018 the reduction of the number of Supervisory Board members from eight to four members was decided. Furthermore, Prof. Dr. Marcus Englert, Mr. Norbert Lang, Mr. Pierre Louette and Prof. Dr. Joachim Schindler were reelected to the Supervisory Board in the ordinary annual general meeting on June 8, 2018. The Supervisory Board thanks Prof. Dr. h.c. Roland Berger, Mr. Krause, Mr. Shinar and Mr. Young for their support in the past.

In its constitutive meeting held on June 8, 2018 the Supervisory Board resolved on the restatement of its rules of procedure, which due to the reduction of the number of Supervisory Board members no longer provides for any Committees.

Until the constitutive meeting of the Supervisory Board held on June 8, 2018, the following five Committees existed:

— Audit Committee
— Remuneration Committee
— Nomination Committee
— Executive Committee
— Investment Committee

Key Activities

In addition to the Management Board reporting, in particular with regard to the economic state and the development of the Company and the group and on material business events as well as the statutory regular reporting on intended business policy and fundamental questions with regard to the Company's operative planning and profitability, in particular, the following topics were in depth dealt with by the Supervisory Board:

— The annual financial statements and group financial statements for the financial year 2017 and their review by the Supervisory Board, as well as the result for the first half of the year 2018
— Development of the business during the course of the year
— Rocket Internet's revenue and earnings budget (stand-alone basis) for the year 2019
— Strategic positioning and structuring of the group and business organization
— The development and strategy of Rocket Internet's material investments
— The audit planning and quarterly reports of the internal audit department
— The invitation to and the agenda of the ordinary annual general meeting 2018, including the proposals for resolutions
— The establishment of an Internet sector growth fund and the Company's participation in such fund

- The buyback of the Company's convertible bonds
- The buyback of the Company's shares and the redemption of the Company's shares
- The amount of cash and cash equivalents of the Company, and the cash management strategy
- IPOs of Westwing and home24
- Sale of shares in Delivery Hero and HelloFresh
- Restatements of the rules of procedure for the Supervisory Board and the Management Board
- The departure of a member of the Management Board and the adjustment of the distribution of the departments
- Declaration of conformity to the German Corporate Governance Code ("**GCGC**")
- The election of the new members to the Supervisory Board: Prof. Dr. Marcus Englert, Mr. Norbert Lang, Mr. Pierre Louette and Prof. Dr. Joachim Schindler

Meetings and Attendance

In the financial year 2018, there were four Supervisory Board meetings in which all Management Board members participated, as well as three meetings of the Audit Committee in which the CFO of the Company participated. The average attendance rate at Supervisory Board meetings was 94 percent. The attendance rate at Audit Committee meetings was 78 percent. All absent members voted on all agenda items in writing. In addition to the meetings, a multitude of resolutions were passed in circulation procedure.

Conflicts of Interest

In the financial year 2018, the following indication of a conflict of interest was determined:

Christopher H. Young is the CEO of First Pacific Company Limited. In 2018, the Company repurchased in the course of a public share buy-back offer inter alia 6,800,000 shares of the Company from PLDT Online Investments Pte. Ltd., a subsidiary of First Pacific Company Limited. By way of precaution, Christopher H. Young did neither participate in the discussion nor in the vote in connection therewith.

Corporate Governance

The Supervisory Board and Management Board jointly issued the declaration of conformity with the GCGC, according to section 161 of the German stock corporation act (Aktiengesetz), and published it permanently on the company website. Deviations from the GCGC are laid out in the declaration.

Discussion of the Annual and Group Financial Statements 2018

The ordinary annual general meeting of Rocket Internet resolved on June 8, 2018 to appoint Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin branch, as auditor for the financial year 2018. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the accounting, the annual financial statements according to German GAAP, the group financial statements according to IFRS, as well as the combined management report of Rocket Internet and the group, for the financial year 2018. As part of the audit by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, the early risk recognition system was audited and analyzed. No material weaknesses of the internal control system, early risk recognition system nor of the accounting process were detected. The auditor issued unqualified audit opinions. The Supervisory Board convinced itself of the independence of the auditor and obtained a written declaration thereon.

The listed documentation pertaining to the financial statements and the audit reports of the auditor, as well as the proposal on the appropriation of profit and the non-financial consolidated declaration, the latter prepared and reviewed by the external auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, pursuant to ISAE 3000, were made available to all members of the Supervisory Board in due course. The annual accounts were intensely dealt with in a meeting of the Supervisory Board on March 11, 2019, preparing the Accounts Meeting, and during its Accounts Meeting on April 3, 2019. The auditor took part in the meetings, reported on the material findings of the audit and was present during the discussions to answer supplementary questions and to provide additional information. The Supervisory Board came, on the basis of its own review, to the conclusion that the annual financial statements, combined management report, group financial statements and reports of the auditor, as well as the assessments of the auditor on the internal control and early risk recognition system – especially concerning the accounting process – do not give rise to any objections. Further, the Supervisory Board examined and discussed the non-financial consolidated declaration and declared its agreement with the results of the audit carried out by the external auditors.

The Supervisory Board, with a resolution dated April 3, 2019, confirmed the annual financial statements and the group financial statements of Rocket Internet for the financial year 2018. The annual financial statements of Rocket Internet for the financial year 2018 are thereby approved. On this basis, the Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit.

Personal changes in the Management Board

Peter Kimpel at his own wish left the Management Board of Rocket Internet with effect beginning of October 2018. The Supervisory Board thanks Peter Kimpel for his valuable contribution to the performance of Rocket Internet and wishes him well.

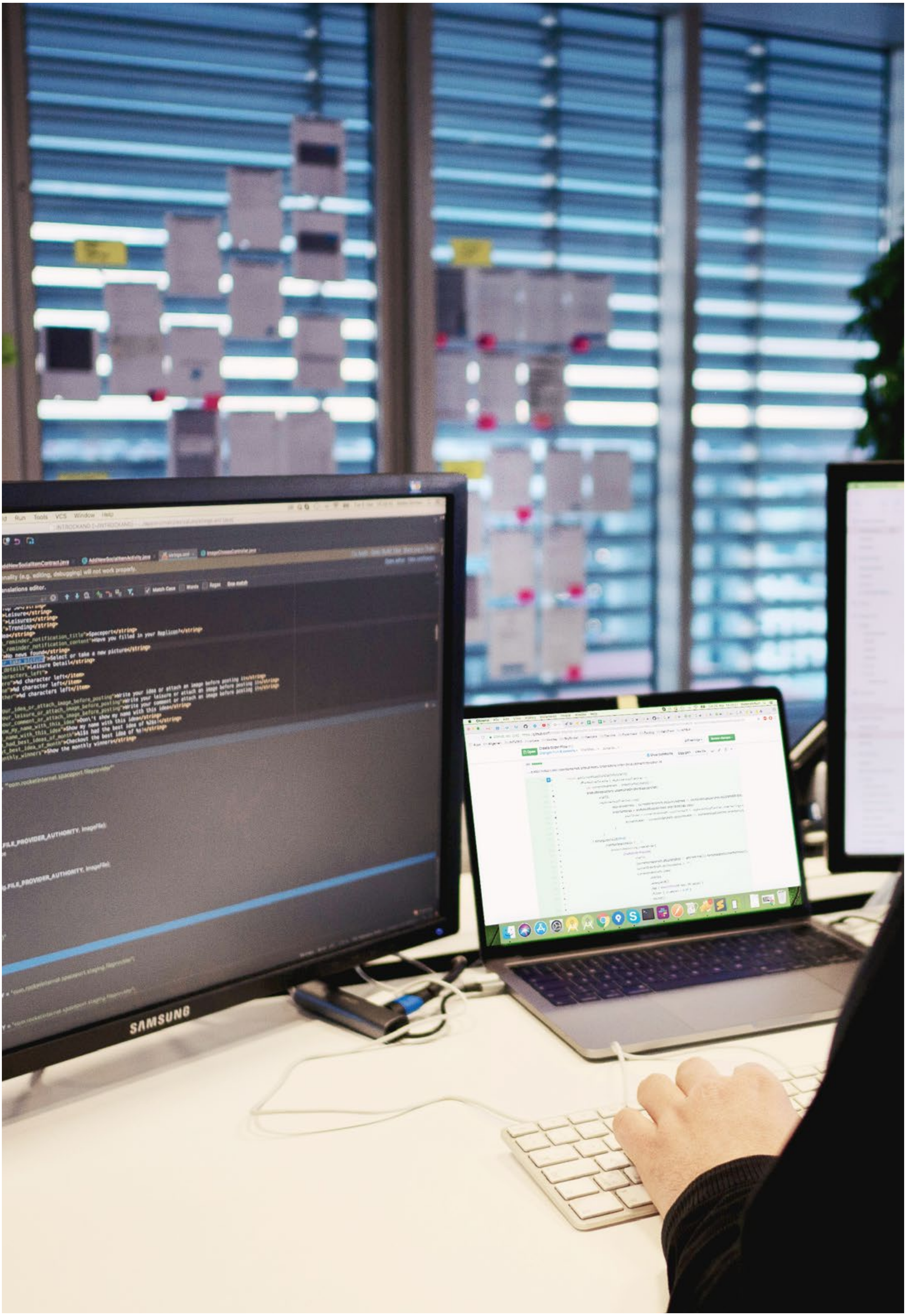
Thanks to the Management Board and Employees

The Supervisory Board thanks the members of the Management Board as well as the employees of Rocket Internet and all group companies for their successful work in the financial year 2018.

Berlin, April 3, 2019

On behalf of the Supervisory Board

Professor Dr. Marcus Englert,
Chairman of the Supervisory Board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CHAPTER 2

Our Companies

Our Companies

Rocket Internet's selected companies are active in various Western countries as well as in several emerging markets across the Food & Groceries, Fashion, General Merchandise and Home & Living sector. Since HelloFresh, Delivery Hero, Westwing and home24 have been listed on the Frankfurt Stock Exchange, they publish their annual reports independently.

Rocket Internet's Selected Companies

Public Companies		
Food & Groceries	Hello FRESH [1)]	Delivery Hero [1)]
Home & Living	WESTWING [1)]	home24 [1)]

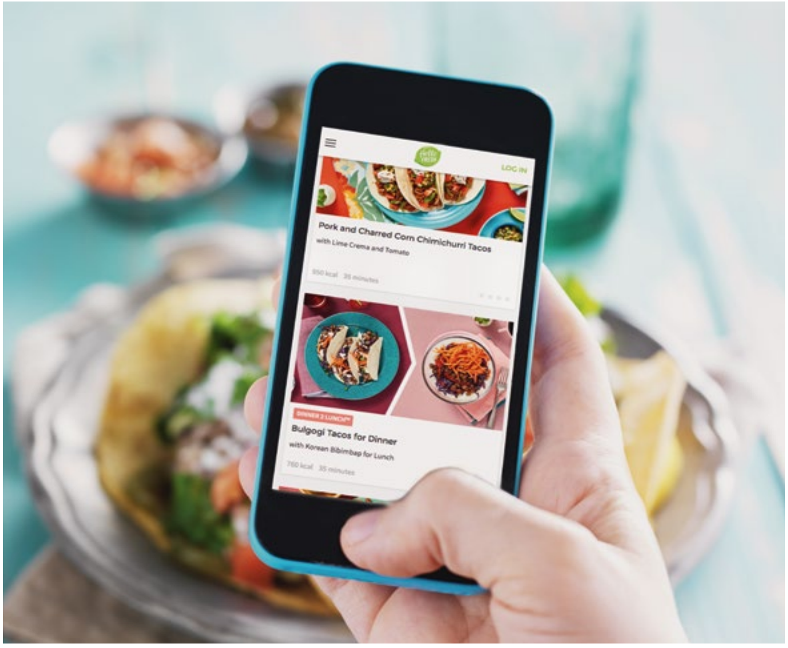
Privately Held Companies	
Fashion	GFG GLOBAL FASHION GROUP [2)]
General Merchandise	JUMIA [1)]

Notes:

1) Rocket Internet economically holds directly, and, where applicable, indirectly through entities over which it may have no control, the following number of shares in the below companies as of February 28, 2019:
   HelloFresh: 47.5 million shares
   Delivery Hero: 8.0 million shares
   Westwing: 4.6 million shares
   home24: 6.6 million shares
   Jumia: 27.1 million shares
2) Rocket Internet's total economic ownership in Global Fashion Group, including stakes held by entities over which Rocket Internet has no control, amounts to 21% as February 28, 2019.

Food & Groceries

Our companies in the Food & Groceries sector are HelloFresh, a leading supplier of fresh, healthy and personalized meal kits, and Delivery Hero, a leading global online marketplace for food deliveries. The market capitalization of both companies amounted to over EUR 7 billion as of year-end 2018.



Hello FRESH

FOUNDED
2011

BUSINESS MODEL
Subscription Commerce

HEADCOUNT
4,276

REGIONS
North America, Europe, Asia-Pacific

SECTOR
Fresh Food at Home

HelloFresh is a leading global provider of fresh food at home. The company operates across the twelve markets United States, United Kingdom, Germany, the Netherlands, Belgium, Luxembourg, Australia, Austria, Switzerland, Canada, New Zealand and France. HelloFresh offers a flexible subscription model for meal kits with all ingredients needed to conveniently prepare healthy meals at home. Consumers can fully customize their own meal plan ahead of every week, by choosing from numerous recipes that will be directly delivered to their doorstep, adjusting for household size, dietary preferences and the desired delivery time. Subscribers can pause, modify or cancel their ongoing subscriptions at any time. HelloFresh's regional nutritionists develop diverse and healthy menus tailored to match local markets' seasonality and consumers' tastes. To ensure the freshness of its ingredients, the food is sourced regionally, processed in HelloFresh's fulfillment centers via a just-in-time model and packaged using insulated packaging. HelloFresh is constantly building and reinventing its global database of recipes, which now counts more than 15,000 entries. As of the end of December 2018, HelloFresh employed 4,276 people.

In 2018, HelloFresh further expanded its international footprint, launching operations in its eleventh and twelfth markets, New Zealand and France, and consolidating its leadership in the North American market by acquiring its competitors GreenChef in March and Chef's Plate in October. Furthermore, the newly launched B2B model HelloFreshGO, that offers healthy and fresh lunches, snacks and drinks, became a rapid success

At year end 2018, HelloFresh's customer base amounted to more than two million households

and is now organized as an independent subsidiary. Throughout the year, HelloFresh put a strong emphasis on optimizing customer experience, introducing new meal options and enhancing customization of meal kits. The company continues on its strong growth path, confirming its position as the leading global provider of meal kits.

HelloFresh's total number of orders increased by 43.1 percent, from 19.0 million in 2017 to 27.1 million in 2018.

The increase in orders resulted in a revenue growth of 41.4 percent from EUR 904.9 million in 2017 to EUR 1,279.2 million in 2018.

Adjusted EBITDA margin improved by 3.4 percentage points in 2018, driven by economies of scale in procurement and fulfilment as well as increased efficiency in the COGS structure.

Key Figures

	FY 2018	FY 2017
Total orders (in million)	**27.1**	**19.0**
% growth	43.1%	
Revenue[1] (in EUR million)	**1,279.2**	**904.9**
% growth	41.4%	
Adjusted EBITDA[2] (in EUR million)	**(54.5)**	**(70.1)**
% margin	(4.3%)	(7.7%)

1) Revenue represents amounts receivable for goods supplied, stated net of promotional discounts, customer credits, refunds and VAT.

2) Adjusted EBITDA is calculated by adjusting EBITDA for special items and, on the segment level, holding fees; special items consist of share based compensation expenses and other special items of a non-recurring nature, which include expenses related to legal advice and other services incurred in connection with M&A-transactions legal and one-off costs and prior period related effects.

Delivery Hero

FOUNDED
2011

BUSINESS MODEL
Marketplace

HEADCOUNT
~ 19,000

REGIONS
Worldwide

SECTOR
Food Takeaway

Delivery Hero is one of the leading global online food ordering and delivery marketplaces across around 40 markets in Europe, the Middle East & North Africa, Latin America and the Asia-Pacific region. In addition, the company also operates its own delivery service. Delivery Hero's online food marketplaces offer convenient and reliable ordering with a large choice of high quality, local restaurants across the world. Partnering with these restaurants, Delivery Hero processes orders via its popular local brands, globally positioned across both developed and emerging markets. Customers can experience inspiration, personalization and variety when placing orders via Delivery Hero by easily browsing thousands of restaurant menus to find their favorite dishes. Being listed on Delivery Hero's marketplaces enables restaurants to access a large and growing customer base, while being provided with broad marketing and visibility tools. The company's own delivery services in addition to the marketplace model fully empowers restaurant's value chain. As of December 2018, the company employed around 19,000 (excluding German operations).

In December 2018, Delivery Hero sold its German businesses that operate under the brands Lieferheld, pizza.de and foodora, to Takeaway.com, the listed Netherlands-based food ordering platform. The transaction consideration at signing amounted to EUR 930 million and consisted of an 18 percent stake in Takeaway.com as well as a EUR 508 million cash consideration. The cash component allows Delivery Hero to increase

In 2018, Delivery Hero processed more than one million orders per day

investments in its core businesses and further strengthen its leading market positions. Earlier in 2018, the company acquired a stake in Glovo, the leading Spanish, on-demand and multi-vertical delivery platform with operations in Spain, Italy, France and many other markets, making Delivery Hero the largest minority shareholder. Furthermore in 2018, the company acquired HipMenu in Romania and iFood's online operations in Argentina and thereby continues to consolidate and expand its leadership position. Apart from its investment activities, Delivery Hero increased its operational efficiency by migrating several operations onto one global platform and by deploying a personalized recommendation service in 18 countries.

Delivery Hero's GMV increased by 42.3 percent from EUR 3,130.8 million in 2017 to EUR 4,454.4 million in 2018.

The number of orders increased by 48.8 percent from 248.3 million in 2017 to 369.4 million in 2018.

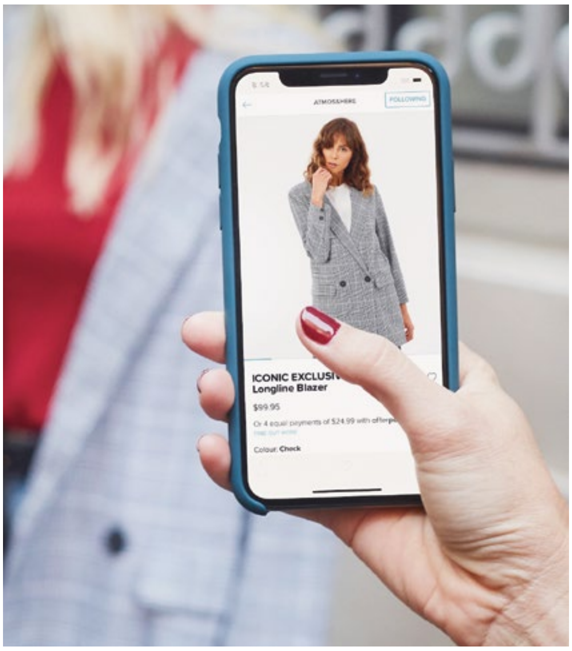
Key Figures

	FY 2018[1)]	FY 2017[1)]
GMV[2)] (in EUR million)	**4,454.4**	**3,130.8**
% growth	42.3%	
Orders (in million)	**369.4**	**248.3**
% growth	48.8%	
Revenue[3)] (in EUR million)	**687.0**	**417.4**
% growth	64.6%	

1) All numbers exclude divestments of India and foodora non-core businesses (Australia, France, Italy, Netherlands) and Germany.
2) Total value of orders (including VAT) transmitted to restaurants.
3) Total segment revenues prior to IFRS 15 and any adjustments for discounts.

Fashion

In the online Fashion sector, our company Global Fashion Group is the leading online fashion and lifestyle destination in growth markets. The company operates globally with its four established eCommerce platforms The Iconic, Zalora, Dafiti and Lamoda.



GFG GLOBAL FASHION GROUP

THE ICONIC ZALORA lamoda dafiti

FOUNDED
2014

BUSINESS MODEL
eCommerce

HEADCOUNT
11,038

REGIONS
Growth Markets

SECTOR
Fashion

Global Fashion Group (GFG) is the leading online fashion and lifestyle destination in Asia-Pacific, Latin America and CIS. The group connects over 8,000 global, local and own brands to a market of more than one billion consumers through four established eCommerce platforms: THE ICONIC (Australia and New Zealand), ZALORA (Southeast Asia), Dafiti (Latin America) and Lamoda (CIS). Enabled by its own technology ecosystem and operational infrastructure, GFG offers its customers an inspiring and seamless experience, from discovery to delivery, and fashion and lifestyle brands the opportunity to enter highly promising economies. For brand partners, GFG is the leading online fashion and lifestyle distributor in growth markets. It offers an attractive customer base, a flexible distribution model and a best-in-class local infrastructure that is fashion-specific and custom-built for local market needs. GFG's established and highly scalable operations include ten fulfilment centers, with locally tailored technical capabilities and last mile delivery options. As of December 2018, the group employed a diverse team of 11,038 people across all its regions.

GFG operates in three geographic segments: Asia-Pacific, the largest segment which contributed EUR 501.9 million to FY 2018 group Net Merchandise Volume (NMV), Latin America which contributed EUR 484.3 million, and CIS which contributed EUR 467.3 million.

In 2018, GFG delivered 28 million orders to over 11 million active customers, generating NMV of approximately EUR 1.5 billion. Throughout the year, the group continued to enhance its customer experience by launching

GFG's branded platforms recorded over 150 million average monthly visits during the year

further service innovations (ApplePay, 15 minutes delivery slots, more personalization capabilities focused on local market needs), and expanding its assortment range (e.g. designated kids category, enhanced premium segment, exclusive designer product collaborations) across some of its segments. From an operational perspective, GFG continues to achieve efficiency gains throughout the group, as a result of specific initiatives, such as the warehouse automation project in Australia, and general efficiencies from scale.

In the first quarter of 2019, GFG sold its remaining stake of 47 percent in the Middle East online fashion retailer Namshi to Emaar Malls, the Dubai-based shopping malls and retail business, which already acquired 51 percent in Namshi in 2017.

Total number of orders increased by 22.2 percent, from 22.5 million in 2017 to 27.5 million in 2018.

Revenue increased by 5.6 percent, from EUR 1,095.0 million in 2017 to EUR 1,155.9 million in 2018. Depreciation across key currencies, specifically the Brazilian Real, Russian Ruble and the Australian Dollar, have adversely impacted absolute Euro growth.

Adjusted EBITDA losses were substantially reduced from EUR -98.0 million in 2017 to EUR -49.8 million in 2018.

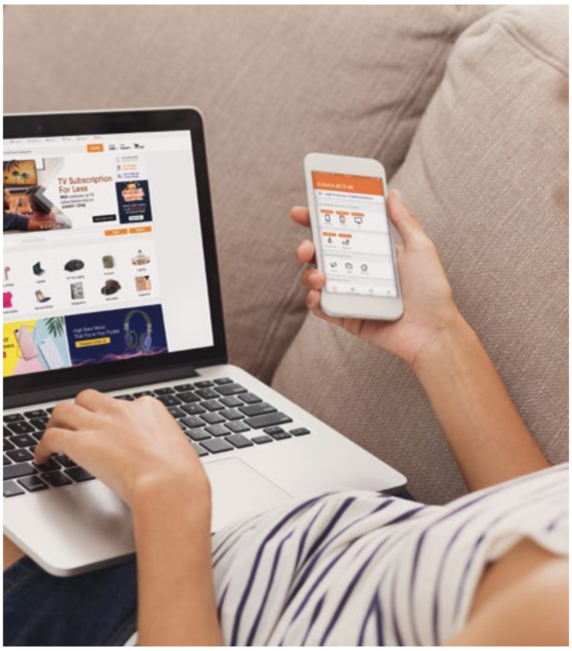
Key Figures

	FY 2018	FY 2017
Total orders[1] (in million)	**27.5**	**22.5**
% growth (pro-forma)	22.2%	
Revenue (in EUR million)	**1,155.9**	**1,095.0**
% growth (FX neutral pro-forma)[2]	18.7%	
% growth (EUR)	5.6%	
Adjusted EBITDA[3] (in EUR million)	**(49.8)**	**(98.0)**
% margin	(4.3%)	(8.9%)

1) Number of orders placed by customers after cancellations, rejections and returns.
2) Growth rate is shown on a constant currency basis and therefore excludes the effect of foreign currency movements.
3) Adjusted EBITDA is calculated as operating profit or loss before depreciation of property, plant and equipment, amortization of intangible assets, impairment losses, share-based payment expenses and a one-off provision release. 2018 adjusted for IFRS 16 impact.

General Merchandise

Jumia is the leading pan-African eCommerce platform. The company's mission is to improve the quality of everyday life in Africa.



JUMIA

FOUNDED
2012

BUSINESS MODEL
eCommerce / Marketplace

HEADCOUNT
5,128

REGIONS
Africa

SECTOR
General Merchandise and Other Business Models

Jumia is the leading pan-African eCommerce platform. The company's mission is to improve the quality of everyday life in Africa by leveraging technology to deliver innovative, convenient and affordable online services to consumers, while helping businesses grow as they use Jumia's platform to reach and serve consumers. Jumia is active in six regions in Africa, which consist of 14 countries. Jumia's platform consists of a marketplace, which connects sellers with consumers, a logistics service, which enables the shipment and delivery of packages from sellers to consumers, and a payment service, which facilitates transactions among participants active on Jumia's platform in selected markets.

Via its marketplace, a large and diverse group of sellers offer goods in a wide range of categories, such as fashion and apparel, smartphones and other electronics, home and living, consumer packaged goods, beauty and perfumes. Jumia also provides consumers with easy access to a number of services, such as restaurant food delivery, hotel and flight booking, classified advertising, airtime recharge and "instant delivery".

The company's logistics service "Jumia Logistics" facilitates the delivery of goods in a convenient and reliable way. It consists of a large network of leased warehouses, pick up stations for consumers and drop off locations for sellers and more than 100 local third-party logistics service providers, whom Jumia integrates and manages through its proprietary technology, data and processes. In 2018, Jumia Logistics handled 13.4 million packages

Jumia's logistics network includes more than 100 partners, from individual entrepreneurs to large corporations

and over 92 percent of Jumia's deliveries in 2018 were made by fully integrated partners using Jumia's technology and processes.

As consumers across Africa traditionally rely on cash to transact, the company designed their own payment service "JumiaPay" to facilitate online transactions between participants on their platform, with the intention of integrating additional financial services in the future. Jumia introduced JumiaPay in four markets, including Nigeria in 2016 and Egypt in 2018, through agreements with locally licensed sponsoring banks. JumiaPay has been adopted rapidly by consumers.

To date, over 81 thousand merchants and a total of four million active consumers use the Jumia platform. As of the end of December 2018, the company employed 5,128 people.

Key Figures

	FY 2018	FY 2017
GMV [1] (in EUR million)	**828.2**	**507.1**
% growth	63.3%	
Active consumers (LTM, in million) [2]	**4.0**	**2.7**
% growth	46.3%	

1) Total value of orders including shipping fees, value-added tax, and before deductions of any discounts or vouchers, irrespective of cancellations or returns.
2) Unique consumers who placed an order on our marketplace within the 12-month period preceding the relevant date, irrespective of cancellations or returns.

Home & Living

Our companies in the Home & Living sector include Westwing, a leading European eCommerce company that offers its customers a curated selection of Home & Living products in eleven markets, and home24, a market leader in Continental Europe and Brazil for online furniture and home accessories. In 2018, both companies were successfully listed on the Frankfurt Stock Exchange.

WESTWING

FOUNDED **2011**	BUSINESS MODEL **eCommerce**
HEADCOUNT **1,143**	REGIONS **Europe**
SECTOR **Home & Living**	

Westwing is a leader in inspiration-based eCommerce in the Home & Living sector, that operates across the DACH region (Germany, Austria, Switzerland) as well as across further eight European markets (Spain, Poland, the Netherlands, France, Czech Republic, Belgium, Italy and Slovakia). The company offers a curated shoppable magazine that promotes decoration proposals by illustrating a variegated selection of home & living accessories, textiles and assorted furniture. Westwing has thereby established a beloved brand in its markets, allowing customers to explore new trends and find personal styles by offering a unique, online and mobile shopping experience. The company has built a highly loyal customer base with 85 percent of sales generated by customers visiting Westwing websites, on average, at least 100 times per year. In addition to the "shoppable magazine" format, Westwing operates a permanent offering platform "WestwingNow" that serves the market end-to-end by designing its own private labels and inspiring its customers. The company positions itself in the market with its lifestyle brand, unique merchandise and content, customer loyalty, modern in-house technology and operational excellence. As of the end of December 2018, the company employed 1,143 people.

In 2018, Westwing could again increase its topline KPIs while reaching profitability on EBITDA level, which underlines the company's focus on profitable growth while fostering customer loyalty with inspiring and exciting content. Key profitability initiatives included increased private label offering, full disposal of its

Westwing generates circa 85% of sales with customers that visit the website 100 times per year

Russian and Brazilian operations and efficiency improvement in growth measures. Furthermore, the company centralized the Dutch business and Berlin non-logistics activities towards the Munich headquarter and achieved general efficiency gains facilitated through technology. Throughout the year, Westwing managed to increase its marketing effectiveness and continued to roll-out its permanent-assortment site, WestwingNow, to further improve the offering for existing customers. The WestwingNow model has been well established in the DACH region and is now being rolled out internationally to further foster growth. On October 9, 2018, Westwing went successfully public on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The public offering consisted of a share placement at EUR 26.0 per share which resulted in EUR 122.5 million gross proceeds for the company, including the exercise of the greenshoe option.

In 2018, the total number of orders increased from 2.2 million in 2017 to 2.4 million.

Westwing's adjusted EBITDA margin also developed positively, rising by 3.1 percentage points from -1.8 percent in 2017 to 1.2 percent in 2018. Alongside strong growth in the DACH region, the positive development in the international segment was also attributable to the strong performance.

Key Figures

	FY 2018	FY 2017
Total orders [1] (in million)	**2.4**	**2.2**
% growth	8.0%	
Revenue (in EUR million)	**253.9**	**219.6**
% growth	15.6%	
Adjusted EBITDA [2] (in EUR million)	**3.1**	**(4.0)**
% margin	1.2%	(1.8%)

1) Defined as total number of valid orders (i.e. orders for which payment has been processed successfully and which have not been cancelled), during the twelve months prior to the relevant period end, irrespective of returns.

2) Adjusted EBITDA is calculated by making adjustments to EBITDA for share based compensations (income)/expenses, IPO costs recognized in profit or loss (for 2018 only) and central costs allocated to discontinued operations (for as long as this cost allocation is done).

home24

FOUNDED
2009

BUSINESS MODEL
eCommerce

HEADCOUNT
1,582

REGIONS
Europe, Latin America

SECTOR
Home & Living

Home24 is a leading pure-play Home & Living eCommerce platform that is available in the seven European markets Germany, France, Austria, the Netherlands, Switzerland, Belgium, and Italy as well as in Brazil, where it operates under the "Mobly" brand. To satisfy the long tail of the Home & Living mass market, home24 has built one of the largest and most relevant online offerings with over 100,000 SKUs of Home & Living products, including broad assortments of small and large furniture items. home24 offers a unique and tailored shopping experience online or in its showroom with superior prices and value for money with free delivery and returns in Europe. The company sources its products across more than 500 suppliers in over 30 different countries. home24's business model is based on two complementary approaches: first, the third party and white label business is based on a non-stock model to minimize inventory risk and enables the collection of rich data on consumption behavior. Complementary, the company pursues an inventory-based model, employed to assure fast supply of its most popular items, most of which marketed under home24's own private labels and manufactured to its precise specifications. The company uses pioneering technology like an end-to-end automated and vertically integrated value chain that allows it to deliver its diverse product offering with reduced delivery times while maintaining low inventory levels. Additionally, home24's ordering system is able to run optimizations based on vast volumes of data collected on a daily basis. As of the end of December 2018, the company employed 1,582 people.

home24 operates a scalable end-to-end automated and vertically integrated value chain

During the year 2018, home24 invested in a new warehouse logistics center in Halle to provide further efficiency gains. Also, to strengthen its market position in a competitive environment, the company continued to invest in marketing strategies, such as well perceived TV campaigns supported by social media formats as well as offline and display marketing channels. In 2018, home24 increased its customer proximity by opening an outlet and new showrooms in Germany, Switzerland and Brazil in which home24 focuses on curated own label offerings. The showrooms and outlet concepts have proven themselves as complementary part of the home24 strategy to strengthen brand awareness. On June 15, 2018, home24 successfully went public and is now listed on the regulatory market (Prime Standard) on the Frankfurt Stock Exchange, raising a total of EUR 172.5 million.

In 2018, total number of orders increased by 23 percent, from 1.6 million in 2017 to 1.9 million. home24's revenue rose by 13 percent from EUR 275.7 million in 2017 to EUR 312.7 million in 2018.

Key Figures

	FY 2018	FY 2017
Number of orders[1)] (in thousand)	**1,907**	**1,556**
% growth	23%	
Revenue (in EUR million)	**312.7**	**275.7**
% growth	13%	
Adjusted EBITDA[2)] (in EUR million)	**(40.0)**	**(21.8)**
% margin	(13%)	(8%)

1) Number of orders placed in the relevant period, regardless of cancellations or returns.

2) Defined as earnings before interest, taxes, depreciation and amortization, adjusted for share-based payment expenses for employees, media services provided to the company and costs incurred in connection with the listing of existing shares and other one-off expenses, mainly services fees for legal and other consulting serves associated with the IPO.

CHAPTER 3

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the Period January 1 to December 31, 2018

Income Statement

In EUR million	Note	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
Revenue [1]	6, 11	44.5	36.8
Other operating income		2.2	1.5
Result from deconsolidation of subsidiaries	12	10.3	11.6
Cost of materials and cost of financial services	13	-16.1	-15.8
Employee benefits expenses	14	-26.0	-63.7
Other operating expenses	15	-27.4	-27.7
Share of profit/loss of associates and joint ventures	16	215.8	2.6
EBITDA		**203.3**	**-54.8**
Depreciation and amortization	20	-1.0	-1.2
Impairment of non-current assets	20	-0.7	-0.7
EBIT		**201.6**	**-56.8**
Financial result		**1.0**	**47.0**
Finance costs	17	-206.5	-180.7
Finance income	17	207.5	227.7
Profit/loss before tax		**202.6**	**-9.8**
Income taxes	18	-6.6	3.8
Profit/loss for the period		**196.0**	**-6.0**
Thereof attributable to equity holders of the parent		201.4	2.3
Thereof attributable to non-controlling interests		-5.3	-8.2
Earnings per share (in EUR)	**19**	**1.28**	**0.01**

1) Thereof EUR 17,8 million interest income (previous year: EUR 4,3 million)

Statement of Comprehensive Income

In EUR million	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
Profit/loss for the period	**196.0**	**-6.0**
Exchange differences on translation of foreign operations	3.3	-4.3
Net gain on available-for-sale (AFS) financial assets	0.0	399.2
Deferred taxes on net gain on available-for-sale (AFS) financial assets	0.0	-0.1
Share of the changes in the net assets of associates/joint ventures that are recognized in OCI of the associates/joint ventures	-5.6	-17.6
Deferred taxes on share of the changes in the net assets of associates/joint ventures that are recognized in OCI of the associates/joint ventures	0.1	0.3
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-2.2**	**377.3**
Other comprehensive income for the period, net of tax	**-2.2**	**377.3**
Total comprehensive income for the period, net of tax	**193.8**	**371.4**
Thereof attributable to equity holders of the parent	197.9	382.5
Thereof attributable to non-controlling interests	-4.1	-11.2

Consolidated Balance Sheet

as of December 31, 2018

Assets

In EUR million	Note	Dec 31, 2018	Dec 31, 2017
Non-current assets		**1,602.8**	**1,803.7**
Property, plant and equipment		2.7	2.9
Intangible assets	20	7.7	8.9
Investments in associates and joint ventures	10	820.1	853.0
Non-current financial assets	21, 31, 32	770.6	937.9
Other non-current non-financial assets		1.6	1.0
Current assets		**2,509.4**	**2,751.6**
Inventories		0.1	0.2
Trade receivables	22, 31, 32	3.7	5.4
Other current financial assets	23, 31, 32	774.4	1,014.2
Other current non-financial assets		3.2	2.2
Income tax assets	18	8.1	13.1
Cash and cash equivalents	24, 31, 32	1,720.0	1,716.6
Total assets		**4,112.1**	**4,555.3**

Equity and Liabilities

In EUR million	Note	Dec 31, 2018	Dec 31, 2017
Equity		**3,999.7**	**4,126.1**
Subscribed capital	25	152.5	165.1
Treasury shares	25	-81.9	-21.1
Capital reserves	25	2,850.0	3,100.3
Retained earnings	25, 26	1,076.8	235.2
Other components of equity	25	-12.3	621.9
Equity attributable to equity holders of the parent		3,985.1	4,101.4
Non-controlling interests	8, 25	14.6	24.7
Non-current liabilities		**88.1**	**298.7**
Non-current financial liabilities	27, 31, 32	77.5	285.1
Other non-current non-financial liabilities	29	10.2	12.5
Deferred tax liabilities	18	0.3	1.2
Current liabilities		**24.4**	**130.5**
Trade payables	31, 32	8.0	12.4
Other current financial liabilities	28, 31, 32	4.8	101.1
Other current non-financial liabilities	29	9.1	16.1
Income tax liabilities	18	2.4	1.0
Total equity and liabilities		**4,112.1**	**4,555.3**

Consolidated Statement of Changes in Equity

for the Period January 1 to December 31, 2018

		Equity attributable to equity holders of the parent		
			Treasury shares	
In EUR million	Note	Subscribed capital	Number	Amount
Jan 1, 2017		**165.1**		
Loss for the period				
Other comprehensive income for the period, net of tax	25			
Total comprehensive loss for the period, net of tax				
Repurchase of treasury shares			1,035,621	-21.1
Release of income tax benefit associated with transaction costs				
Proceeds from non-controlling interests				
Non-cash contributions from non-controlling interests				
Non-cash dividends to non-controlling interests				
Changes in scope of consolidation and other changes in non-controlling interests				
Purchase of non-controlling interests without change in control				
Equity-settled share-based payments (IFRS 2)	25, 30			
			1,035,621	**-21.1**
Dec 31, 2017		**165.1**	**1,035,621**	**-21.1**
Balance as of Dec 31, 2017, as previously reported		**165.1**	**1,035,621**	**-21.1**
First time application of IFRS 9				
Adjusted total equity as of Jan 1, 2018		**165.1**	**1,035,621**	**-21.1**
Profit for the period				
Other comprehensive income for the period, net of tax	25			
Total comprehensive income for the period, net of tax				
Repurchase of treasury shares			13,337,875	-317.3
Transaction costs of repurchase of treasury shares				
Redemption of treasury shares		-12.6	-12,626,392	256.5
Non-cash dividends to non-controlling interests	26			
Changes in scope of consolidation and other changes in non-controlling interests				
Equity-settled share-based payments (IFRS 2)	25, 30			
		-12.6	**711,483**	**-60.8**
Dec 31, 2018		**152.5**	**1,747,104**	**-81.9**

Capital reserves	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
3,099.4	**210.6**	**241.6**	**3,716.8**	**28.3**	**3,745.0**
	2.3		2.3	-8.2	-6.0
		380.3	380.3	-2.9	377.3
	2.3	**380.3**	**382.5**	**-11.2**	**371.4**
			-21.1		-21.1
-1.2			-1.2		-1.2
4.8			4.8	5.2	9.9
0.1			0.1	0.1	0.3
				-0.2	-0.2
-2.8	0.1		-2.7	4.5	1.8
				-0.9	-0.9
	22.2		22.2	-1.1	21.1
0.9	**24.6**	**380.3**	**384.6**	**-3.6**	**381.0**
3,100.3	**235.2**	**621.9**	**4,101.4**	**24.7**	**4,126.1**
3,100.3	**235.2**	**621.9**	**4,101.4**	**24.7**	**4,126.1**
	630.7	-630.7	0.0		0.0
3,100.3	**865.9**	**-8.8**	**4,101.4**	**24.7**	**4,126.1**
	201.4		201.4	-5.3	196.0
		-3.5	-3.5	1.3	-2.2
	201.4	**-3.5**	**197.9**	**-4.1**	**193.8**
			-317.3		-317.3
-0.2			-0.2		-0.2
-243.9			0.0		0.0
				-2.0	-2.0
-6.2	8.7		2.5	-3.8	-1.3
	0.8		0.8	-0.2	0.7
-250.3	**210.9**	**-3.5**	**-116.3**	**-10.1**	**-126.4**
2,850.0	**1,076.8**	**-12.3**	**3,985.1**	**14.6**	**3,999.7**

Consolidated Statement of Cash Flows

for the Period January 1 to December 31, 2018

	In EUR million	Note	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
1.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Profit/loss before tax		202.6	-9.8
	Adjustments to profit/loss before tax to net cash flow:			
+	Depreciation of property, plant and equipment and amortization of intangible assets		1.0	1.2
+	Impairment of non-current assets		0.7	0.7
+	Equity-settled share-based payment expense	14, 30	1.2	20.8
−/+	Gain/loss from deconsolidations	12	-10.3	-11.6
−/+	Currency translation gain/loss		-19.6	46.9
−/+	Other non-cash income/expenses		0,2	0,4
−/+	Fair value adjustments of equity instruments FVTPL	17	-19.2	-99.8
−	Finance income	17	-14.7	-88.5
+	Finance costs	17	53.1	96.0
−/+	Share of profit or loss of associated companies and joint ventures (equity method)	10, 16	-215.8	-2.6
−/+	Change in trade working capital		0.2	5.1
−/+	Change in other assets and liabilities		-15.4	-33.8
+/−	Adjustments for net change in operating financial assets		-153.8	-81.8
+	Dividends received		37.6	4.7
+	Interest received		19.6	24.6
−	Interest paid		-9.1	-10.4
−/+	Income tax payments		-1.6	-10.5
=	**Cash flow from operating activities**		**-143.4**	**-148.2**

	In EUR million	Note	Jan 1– Dec 31, 2018	Jan 1– Dec 31, 2017
2.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
–	Purchase of property, plant and equipment		-0.6	-0.5
–	Cash paid for investments in intangible assets		0.0	-0.1
+	Proceeds from disposal of non-consolidated equity investments		1,411.9	559.1
–	Cash outflows for acquisitions of non-consolidated equity investments		-111.8	-78.3
–	Transaction costs related to disposal of non-consolidated equity investments		-4.4	0.0
+	Proceeds from sale of subsidiaries [1)]		0.7	10.6
–	Acquisition of subsidiaries, net of cash acquired		0.0	-2.8
+/–	Cash inflows/outflows from changes in scope of consolidation		-0.7	-2.3
+	Cash received in connection with short-term financial management of cash investments		14.0	119.1
–	Cash paid in connection with short-term financial management of cash investments		-610.4	-92.8
+	Cash received in connection with the repayment of long-term financial assets		2.4	55.0
–	Cash paid in connection with the acquisition of financial assets and granting of long-term financial assets		-4.8	-12.9
=	**Cash flows from investing activities**		**696.4**	**554.2**
3.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
–	Purchase of treasury shares including transaction cost	25	-317.5	-21.1
–	Repurchase of convertible bonds	27	-325.1	-52.4
+	Proceeds from non-controlling interests		0.0	9.9
+	Proceeds from non-controlling interests classified as financial liabilities	27	75.3	0.0
–	Purchase of non-controlling interest without change in control		0.0	-0.9
+	Proceeds from borrowings		1.2	2.9
–	Repayment of borrowings		-1.0	-0.5
=	**Cash flows from financing activities**		**-567.2**	**-62.1**
4.	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**			
	Net change in cash and cash equivalents (subtotal of 1 to 3)		-14.1	343.9
	Net foreign exchange difference		17.7	-29.0
	Change of loss allowance within cash and cash equivalents		-0.2	0.0
	Cash and cash equivalents at the beginning of the period		1,716.6	1,401.7
	Cash and cash equivalents at the end of the period	**24**	**1,720.0**	**1,716.6**

1) Cash disposed in conjunction with the sale of subsidiaries amounts to EUR 0.9 million (previous period EUR 1.3 million) and is presented in the line item Cash inflows/outflows from changes in scope of consolidation.

Notes to the Consolidated Financial Statements

1. Corporate and Group Information

General Information

Rocket Internet SE, hereinafter also referred to as "Rocket Internet", the "Company" or "parent Company", is registered in the commercial register Charlottenburg of the district court in Berlin (Registration No.: HRB 165662). Rocket Internet SE registered office is at Charlottenstraße 4, 10969 Berlin, Germany.

Rocket Internet SE is the ultimate parent company of directly and indirectly held subsidiaries and holds directly or indirectly interests in associates and joint ventures, hereinafter together also referred to as the "Rocket Internet Group" or the "Group".

The shares of Rocket Internet SE are admitted to trading in the Prime Standard (the regulated market segment with additional post-admission obligations) of the Frankfurt Stock Exchange and are included in the MDAX index (SDAX index till March 2018).

Subsidiaries, associated companies, joint ventures as well as the other companies in which the Group holds non-current equity interests not providing control, significant influence or joint control herein are referred to as "network companies".

Business Activities

Rocket Internet identifies and conceives Internet-based business models in order to establish Internet companies and develop them operationally with the goal of achieving market leadership. Rocket Internet focuses predominantly on four industry sectors of online and mobile retail and services that make up a significant share of consumer spending: Food & Groceries, Home & Living, Fashion and General Merchandise. A detailed description of the nature of the Group's operations and its principal activities are disclosed in section 1.1 Business Model of the combined management report.

Information about the Consolidated Group

Rocket Internet has a large number of network companies in countries that are particularly relevant for online and mobile business.

In its role as group holding, Rocket Internet fulfils central functions including identifying and conceiving Internet-based business models as well as the operational development of network companies, operational and strategic investment management, group controlling, accounting and group financial reporting, press and investor relations, risk management and internal audit as well as human resources.

The other operational business (B2C, B2B) is primarily carried out by Rocket Internet's subsidiaries, associates and joint ventures under the umbrella of specifically created consumer brands.

If Rocket Internet founds the company itself, Rocket Internet initially holds 100% of the shares. In the case of network companies founded by Rocket Internet, the Group typically owns directly or indirectly approximately 70% to 80% of its companies[1] at the time of launch, with the remainder set aside for equity participations of the management of the respective network company. In subsequent financing rounds, the companies attract the equity financing necessary to expand their business from Rocket Internet and other external investors. The external equity financing is provided by strategic partners and other strategic and financial investors. These investments are either made directly into the company or indirectly into an intermediate holding company. The Group usually keeps the majority in its incubated companies in the first financing rounds.

As of December 31, 2018 Rocket Internet does not consolidate most of its significant network companies but accounts for them using the equity method. The most important associated companies and joint ventures in the Rocket Internet Group as of December 31, 2018 are:

Associated company / joint venture	**Consumer brands**
HelloFresh SE	HelloFresh
Global Fashion Group S.A.	Dafiti, Lamoda, Zalora & The Iconic, Kanui und Tricae
home24 SE	home24, Mobly
Westwing Group AG	Westwing
Jumia Technologies AG[2]	Jumia, Zando

As of December 31, 2018 the consolidated Group comprised 65 (previous year 89) fully consolidated companies in addition to Rocket Internet SE. During the reporting period, the number of fully consolidated companies of the Group has developed as follows:

1) All participation quotas for the network companies shown in the financial statements are based on the Group's ownership calculated pursuant to the respective accounting rules (e.g. reflecting the transaction closing dates, dates of change in control, considering trust shares allocated to the Group, excluding stakes indirectly held via Rocket Internet Capital Partners (RICP) etc.) and may therefore differ from the respective information (in some cases beneficial interest including RICP) published on the Company's website which is based on the signing dates.

2) Formerly Africa Internet Holding GmbH

	Germany	Other countries	Total
As of Jan 1, 2017	**48**	**77**	**125**
Acquisitions	0	3	3
Foundings	2	3	5
First-time consolidation	0	2	2
Transition to associated companies/joint ventures	0	-2	-2
Transition to subsidiaries of associated companies/joint ventures	-3	-7	-10
Disposals	-2	0	-2
Deconsolidation of inactive subsidiaries and liquidations	-12	-17	-29
Mergers/Accretions/Other	1	-3	-2
As of Dec 31, 2017	**34**	**56**	**90**
Acquisitions	1	0	1
Foundings	0	2	2
First-time consolidation	2	11	13
Transition from associated companies/joint ventures to subsidiary	0	1	1
Transition from subsidiaries of associated companies/joint ventures to subsidiary	1	3	4
Transition to associated companies/joint ventures	-1	-2	-3
Transition to subsidiaries of associated companies/joint ventures	-3	-9	-12
Disposals	0	-1	-1
Deconsolidation of inactive subsidiaries and liquidations	-8	-21	-29
As of Dec 31, 2018	**26**	**40**	**66**

See note 8 for information on the Group's principal subsidiaries and note 9 for business combinations and acquisitions of subsidiaries.

First-time consolidation relates to formerly dormant subsidiaries that were founded in previous periods and which started operations during the reporting period.

Transition to associated companies/joint ventures occurs when a subsidiary issues shares to third parties and following this, Rocket Internet's interest is diluted, such that the Group no longer controls the subsidiary/group of subsidiaries.

Disposals relate to regular sales of interest in a consolidated subsidiary that give rise to the loss of control of a subsidiary.

As of December 31, 2018 the Rocket Internet Group included 42 associated companies and joint ventures (thereof 7 in liquidation; previous year 45, thereof 7 in liquidation) which were accounted for using the at-equity method of accounting or accounted for at fair value through profit or loss (FVTPL). The number of associated companies and joint ventures has developed as follows:

	Germany	Other countries	Total
As of Jan 1, 2017	**24**	**24**	**48**
Transition of formerly consolidated entities	0	2	2
Transition to other investments	-1	-1	-2
Acquisitions	0	2	2
Disposals and other changes	-4	-1	-5
As of Dec 31, 2017	**19**	**26**	**45**
Transition of formerly consolidated entities	1	2	3
Transition to other investments	-1	0	-1
Transition from associated companies/joint ventures to subsidiary	0	-1	-1
Disposals and other changes	0	-4	-4
As of Dec 31, 2018	**19**	**23**	**42**
thereof at equity	16	16	32
thereof at FVTPL	3	7	10

See notes 10, 16, 32 and 37 for information on the Group's investments in associates and joint ventures.

As a consequence of Rocket Internet's business model there are significant changes year over year in the scope of consolidated subsidiaries, associates and joint ventures. These changes limit to a certain extent the inter-period-comparability of the consolidated financial statements.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretation Committee (IFRS IC) approved by the IASB and in effect and adopted by the European Union (EU) at the reporting date. The requirements of Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code) are also taken into account.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in note 3. These policies have been consistently applied to all periods presented. In the financial year 2018, the Group also adopted new and amended IFRSs and IFRS interpretations which have already been endorsed by the EU and which are effective for financial years beginning on January 1, 2018:

– IFRS 9 Financial Instruments
– IFRS 15 Revenue from Contracts with Customers
– Amendments to IAS 40: Transfers of Investment Property
– Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
– Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
– IFRIC 22 Foreign Currency Transactions and Advance Consideration
– Annual Improvements to IFRS Standards 2014-2016 Cycle

IFRS 9 Financial Instruments provides new guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 takes into account the characteristics of the contractual cash flows and the business model by which these cash flows are managed. The standard also introduces a new impairment model for financial assets that now also accounts for anticipated losses for the calculation of the risk provision as well as new rules on hedge accounting. IFRS 9 is applicable for reporting periods beginning on or after January 1, 2018. Rocket Internet utilizes the option for simplified initial application. The cumulative effect arising from the transition is recognized as an adjustment to the opening balance of equity in the year of initial application. Prior-year comparatives are not adjusted.

Due to the initial application of IFRS 9, the Group measures its equity instruments that were formerly measured at fair value through other comprehensive income, at fair value through profit or loss. Thus, changes in the fair value of those equity instruments are recognized directly in profit or loss. At initial application of IFRS 9 (January 1, 2018) unrealized gains in the amount of EUR 630.7 million (net of income tax) were transferred from other comprehensive income to retained earnings.

The measurement categories according to IAS 39 were transferred into the measurement categories of IFRS 9 as follows:

IAS 39	IFRS 9
Available-for-sale (afs)	Financial assets measured at fair value through profit or loss mandatorily (fvtpl) [1]
Financial assets measured at fair value through profit or loss mandatorily (fvtpl)	
Financial assets measured at fair value through profit or loss under fair value option (fafvo)	
Loans and receivables (lar)	Financial assets measured at amortized cost (faac)
Financial liabilities at fair value through profit or loss (flfvtpl)	Financial liabilities measured at fair value through profit or loss (flfvtpl)
Other financial liabilities (ofl)	Financial liabilities measured at amortized cost (flac)

1) Including associated companies accounted for pursuant to IAS 28.18

The carrying amounts of the financial assets and liabilities did not change due to the initial application of IFRS 9.

According to IFRS 9 impairment losses of financial assets measured at amortized cost are recognized based on expected credit losses (ECL). The expected credit-loss approach uses three stages for allocating impairment losses.

The new provisions on the accounting of impairment losses will result in expected losses having to be recognized earlier in some cases. The first time application of IFRS 9 did not have a material effect on the impairment of financial assets.

Rocket Internet does not apply hedge accounting and therefore the hedge accounting provisions of IFRS 9 are out of scope.

IFRS 15 Revenue from Contracts with Customers is applicable for reporting periods beginning on or after January 1, 2018 and supersedes all revenue recognition requirements in IFRS, especially IAS 11 Construction Contracts, IAS 18 Revenue as well as related interpretations. It applies to all revenues arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group adopted IFRS 15 using the modified retrospective method of adoption, i.e. the cumulative impact of the first-time application is recognized at the date of initial application (January 1, 2018) as an adjustment to the opening balance in equity. Prior-year comparatives are not adjusted.

IFRS 15 has no material impact on the Group upon adoption on January 1, 2018. For the impact assessment, the Group has assessed its current contracts with customers and did not identify performance obligations other than the obligations already used to recognize revenue. Given the nature of Rocket Internet's business model, the concept of control and resulting revenue recognition date does not impact the recognition policy applied by the Group.

The other new and amended IFRSs and IFRS interpretations did not have any or any significant effect on the Group's consolidated financial statements.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are set out in note 5.

General Information

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and associates measured at fair value through profit or loss, derivative financial instruments and liabilities for cash-settled share-based payments that have been measured at fair value.

The profit or loss statement is prepared using the nature of expense method.

Assets and liabilities are presented using the current and non-current classification.

In the statement of cash flows the cash flow from operating activities is derived using the indirect method, whereas the cash flows from investing and financing activities are determined using the direct method.

The consolidated financial statements provide comparative information in respect of the previous period.

The consolidated statements are presented in Euro (EUR). Unless otherwise indicated, all values are rounded to million Euro (EUR million) with one decimal point in accordance with standard commercial practice, which may result in rounding differences and percentage figures presented may not exactly reflect the absolute figures they relate to.

The Company's financial year is the calendar year.

The consolidated financial statements for the year ended December 31, 2018 were prepared and approved by the Management Board by means of a resolution. The Supervisory Board is authorized to amend the financial statements after their approval by the Management Board.

3. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its directly or indirectly controlled network companies (subsidiaries), including certain structured entities.

Specifically, the Group controls a network company if and only if the Group has:

- Power over the network company (i.e. existing rights that give the Group the current ability to direct the relevant activities of the network company),
- Exposure, or rights, to variable returns from its involvement with the network company, and
- The ability to use its power over the network company to affect its returns.

When the Group has less than the majority of the voting or similar rights of a network company, the Group considers all relevant facts and circumstances in assessing whether it has power over a network company, including:

- Contractual agreements with the other shareholders with voting rights of the network company,
- Rights arising from other contractual agreements, and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls a network company if facts and circumstances indicate that there are changes to one or more of the three criteria of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated balance sheet and the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent Company and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated fully on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, the following steps apply:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary,
- Derecognition of the carrying amount of any non-controlling interests,
- Recognition of the fair value of the consideration received,
- Recognition of the fair value of any investment retained,
- Reclassification of the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities and
- Recognition of any resulting difference as a gain or loss in profit or loss.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company.

Business combinations
The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at (a) fair value or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (negative goodwill, bargain purchase) is recognized in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The cost of acquisition for the acquiree is measured at the fair value of the consideration transferred, equity instruments issued and liabilities incurred to former owners, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition-related costs such as legal, advisory, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity. Transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt. All other transaction costs associated with the acquisition are expensed.

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the network company, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for

a) using the equity method or
b) at fair value through profit or loss (FVTPL).

Investment in associates and joint ventures – Equity method
The equity method is applied for network companies with operations that are incubated or actively developed by Rocket Internet. The network companies are often former subsidiaries of the Group, where Rocket Internet has the power to participate in the operating and financial policy decisions. In such network companies Rocket Internet is mostly intensely involved in the operating and strategic leadership and implementation of the business plans.

An investment is accounted for using the equity method from the date it becomes an associate or joint venture. Under the equity method, the investment in an associate or joint venture is initially recognized at cost (including transaction costs and the initial fair value of any contingent consideration agreement). The acquisition of an associate and joint venture is recognized using the same procedures as for the acquisition of a subsidiary (including situations where the equity method is to be applied following a loss of control). Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

In case the Group acquires additional interests in an associate or joint venture and the equity method is still applied (step acquisitions) the additional interest is initially recognized at cost (including transaction costs and the initial fair value of any contingent consideration agreement). The concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted for the acquisition of additional interests in an associate or joint venture. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The income statement reflects the Group's share of the net income of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate.

The expenses resulting from equity-settled share-based payments of associates and joint ventures are offset by the corresponding increase in equity of associates and joint ventures. As a result the total equity of the respective network company remains unchanged. Therefore the equity-settled share-based payments at the level of associates and joint ventures do not have an impact on both, the subsequent measurement of associates and joint ventures in the Group's balance sheet as well as on the share of profit/loss of associates and joint ventures recognized in the statement of comprehensive income. As presently there is no clear guidance from the IASB on this topic, the accounting policy applied currently by Rocket Internet may be subject to changes in the future.

Rocket Internet accounts for a dilution of its investment caused by a share issuance by an equity method investee to a third party as if the Group had sold a proportionate share of its investment (deemed disposal). Besides deemed disposals, the share of profit or loss of associates and joint ventures also includes gains or losses from regular disposals of Rocket Internet's direct or indirect interests in associated companies and joint ventures.

The aggregate of the Group's share of profit or loss of an associate or joint venture is shown on the statement of profit or loss within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture including adjustments made by the Group under the equity method, such as adjustments to the fair value that occurred at the time of acquisition or for adjustments to group-wide accounting policies.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and recognizes it in the line item 'Share of profit/loss of associates and joint ventures' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The shareholders' agreements for associates and joint ventures to which Rocket Internet is a party are important instruments for steering the economic interests among the various investors in these entities and are designed to protect shareholders and to facilitate corporate and transaction issues. In the event of a network company's IPO the shareholders' agreements shall, as from the commencement of trading of the network company's shares on a stock exchange, cease to have effect. The shareholders' agreements include certain waterfall provisions, which stipulate the order for distributing proceeds from a transfer of shares that result in, or is deemed to be, a change of control or in case of liquidation to the shareholders ("liquidation preferences"). Typically, if triggered, the liquidation preference entitles investors who invested in later financing rounds, which generally means at a higher valuation, to recoup their investment before other shareholders are paid out. Investors who invested in the early stage of a company are usually paid out last. As Rocket Internet is typically among the first investors in a network company, Rocket Internet will generally be able to recoup its investments if the transfer or liquidation proceeds equal or exceed the sum of the investments made by all investors in the company. Any remainder over the sum of the investments of all investors is shared among all shareholders of the company pro rata to their shareholdings or – in the case of a share transfer – to the shares transferred by them. Any amount received by an investor prior to the pro rata allocation is typically deducted from such investor's stake in the pro rata allocation. When valuing the shares in associates and joint ventures, the Group carefully assesses the accounting implications of the regulations in the shareholders' agreements. The valuations consider the preferential rights the owned shares have in case of liquidation or sale of the entire network company.

Investment in associates and joint ventures – At fair value through profit or loss (FVTPL)

This method is applied for investees where Rocket Internet is acting as an investor within the meaning of IAS 28.18. Please refer to the accounting policies for financial assets at fair value through profit or loss (FVTPL).

Investment in structured entities

Structured entities are entities where voting or similar rights are not the dominant factor in determining control, such as when the voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

As for other entities, Rocket Internet examines whether it exerts control, significant influence or joint control over the structured entity. Correspondingly, the structured entity is consolidated as subsidiary or accounted as associate or joint venture.

When assessing whether to consolidate or not consolidate a structured entity, the Group evaluates a range of control factors, namely:

- the purpose and design of the entity,
- the relevant activities and how these are managed,
- whether the Group's rights result in the ability to direct the relevant activities,
- whether the Group has exposure or rights to variable returns,
- whether the Group has the ability to use its power to affect the amount of its returns, as well as
- whether an investor that has power over an investee, the decision-maker, is acting as a principal or an agent, including (i) scope of decision-making authority, (ii) rights held by other parties, (iii) remuneration to which the decision-maker is entitled and (iv) exposure to variability of returns.

Unconsolidated structured entities are entities, which are not consolidated because the Group does not control them through voting rights, contracts, funding agreements, or other means. Unconsolidated structured entities under significant influence of the Group are accounted for using the equity method.

Foreign currency translation

The financial statements of each of the Group entities are prepared using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group financial statements are presented in Euro (EUR), which is also the parent Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the respective transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses that relate to cash and cash equivalents are presented net in the income statement within financial result. Foreign exchange gains and losses that relate to loans are presented in the income statement within other operating income or expenses or in financial result depending on the business model. All other foreign exchange gains and losses are presented in the income statement within other operating income or expenses.

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:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income.

Revenue

Revenue from IFRS 15

The Group generates revenues from commissions for rendering intermediation services (specialized online and mobile transaction platforms for goods and services (marketplaces)), from rendering services including consulting services provided for network companies and other customers and from the sale of goods (online and mobile trade (eCommerce)).

The Group applied IFRS 15 "Revenue from contracts with customers" for the first time in financial year 2018. In the prior period revenue was recognized according to the regulations of IAS 18 "Revenue". The change of accounting policies has no material impact (refer to note 2).

Revenue is recognized when the customer obtains control over the goods or services. Within the Group, the date of transfer of control in accordance with IFRS 15 generally corresponds to the date of transfer of risks and rewards previously defined in IAS 18. Revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from commissions is earned and recognized at the point of order fulfilment to the customers. This is the point at which an intermediation service is successfully processed and the Group has no remaining transactional obligations.

Revenue from services is recognized over time based on the labor hours expended until the reporting date relative to the total estimated labor hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Revenue from the sale of goods is recognized at the point of time when the customer obtains control of the goods, usually upon delivery of the goods. Revenue from the sale of goods is measured net of expected returns, allowances, trade discounts and volume rebates. In case the customer has the right to return goods, revenues are only recognized for goods for which no return is expected. The Group estimates the expected returns based on past experiences taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Rocket Internet reduces revenue by the full amount of sales that it estimates will be returned and recognizes a refund liability instead. For the right to recover goods from the customer a right of return asset (and corresponding adjustment of cost) is recognized under other non-financial assets. The amount of the right of return assets corresponds to the cost of the goods delivered for which a return is expected, taking into account the costs incurred for processing the returns and the losses resulting from disposing of these goods.

The Group evaluates whether it is appropriate to record the gross amount of the sale of goods as well as services performed and related costs. When the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, revenue is recorded at the gross sales price. The Group records the net amounts as commissions earned if the Group is not primarily obligated and does not have latitude in establishing prices. Such amounts earned are determined using a fixed percentage, a fixed-payment schedule, or a combination of the two.

Revenue from IFRS 9

Complementary to the business strategy, Rocket Internet provides loans to start-up companies (FinTech Business) in order to realize know-how advantages and strategic network advantages. The interest income derived from those loans is recognized as revenue. The interest is measured using the effective interest rate method.

For further information, please refer to “Interest income and expense”.

Revenue from IAS 17

The Group is a lessor in operating subleases of office space primarily to quickly make space available to its foundings and thus facilitate fast growth. Rental income arising from operating subleases is included in revenue in the statement of profit or loss and is accounted for on a straight-line basis over the lease terms, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income. Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of profit or loss when the right to receive them arises.

Service charges and other such receipts are included in revenue gross of the related costs, as the Group acts as principal in this respect. They are accounted for in accordance with IFRS 15.

Income from dividends

Dividends are recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Interest income and expense

Depending on the business model:

- interest income is included in revenue or finance income in the statement of profit or loss;
- interest expense is included in the line item cost of materials and cost of financial services or finance costs in the statement of profit or loss.

For all financial instruments measured at amortized cost, interest income and interest expense are recorded using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

EIR is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts expected to be paid or received by the Group including expected early redemption fees and related penalties and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument are also taken into account in the calculation.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as "Interest income" for financial assets and "Interest expense" for financial liabilities.

Fees and commissions which are not an integral part of EIR are recognized when the service has been provided.

Sales tax (VAT and similar taxes)

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, or
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other non-financial receivables or payables in the balance sheet.

Income taxes

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge or credit comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, in accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affected neither book nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carryforwards will be utilized.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

The Company controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal (“outside basis differences”). Deferred tax liabilities are not recognized on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Earnings per share

The Company presents basic and diluted earnings (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding to reflect the effects of all potential dilutive ordinary shares, which comprise convertible and redeemable preference shares and share options granted to employees. For more information, please refer to note 19.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, where required.

Costs of minor repairs and maintenance are expensed when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in profit or loss for the year within other operating income or expenses.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives between 2 to 15 years. Leasehold improvements are depreciated over their estimated useful lives or the shorter lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Operating leases

Where 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 Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the Group has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Goodwill

Goodwill is initially measured at acquisition cost. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Gains or losses on the disposal of an operation within a cash generating unit to which goodwill has been allocated, include the carrying amount of goodwill associated with the disposed operation.

Other intangible assets

The Group's intangible assets have definite useful lives and primarily include trademarks, customer bases, acquired computer software and other licenses, and internally developed software.

Acquired computer software and other licenses are capitalized on the basis of the costs incurred to acquire and bring them to use.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Costs that are directly attributable to the design, development and testing of identifiable and unique software products controlled by the Group are recognized as internally developed software when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product mainly include the software development employee cost. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Intangible assets are amortized using the straight-line method over their useful lives:

	Useful lives in years
Trademarks	11 years
Customer base	13 years
Internally developed software	3–5 years
Acquired other intangible assets	3–15 years

Impairment of property, plant and equipment and intangible assets

Whenever events or changes in market or business conditions indicate a risk of impairment of property, plant and equipment or intangible assets or a cash generating unit ("CGU"), if applicable, management estimates the recoverable amount, which is determined as the higher of an asset or CGU's fair value less costs to sell and its value in use. A CGU is defined as the lowest level of identifiable cash inflows. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory is determined based on the weighted average cost. The cost of inventory includes the costs of purchase or production and costs incurred to bring the inventories to their present location and condition such as shipping and handling.

Write-down expenses due to obsolete and slow moving inventory are deducted from the carrying amount of the inventories.

Cash and cash equivalents

Cash and cash equivalents include cash at hand, deposits held on demand with banks, and other short-term highly liquid investments with original maturities of three months or less, for which the risk of changes in value is considered to be insignificant.

Financial instruments

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 Group applied IFRS 9 "Financial instruments" for the first time in financial year 2018. In the prior period financial instruments were recognized and measured according to the regulations of IAS 39 "Financial instruments: Recognition and measurement". The impact of the change of accounting policies is explained in note 2.

Financial assets

Initial recognition and measurement of financial assets

A financial asset is recognized when the Group becomes a party to the contractual provisions of the instrument. The Group initially recognizes financial assets on the date on which they are originated. 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 that the Group commits to purchase or sell the asset.

Financial assets held by the Group are classified, at initial recognition, as financial assets at fair value through profit or loss or financial assets at amortized cost. The Group did not have financial assets at fair value through other comprehensive income during the years ended December 31, 2018.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on its classification.

Financial assets at fair value through profit or loss

The fair value through profit or loss category comprises equity instruments and derivative financial assets. In addition, Rocket Internet designated into this category FinTech loans, that do not meet the classification criteria for financial assets at amortized cost, and employee loans, for which settlement amounts could be partly influenced in some circumstances by the performance of shares in certain associated companies and thus include embedded derivatives.

Financial assets at fair value through profit or loss are recognized in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Even though the Group enters from time to time into foreign currency derivatives to mitigate foreign currency risk, it does not make use of hedge accounting. Therefore, the derivatives are measured at fair value through profit or loss.

Please refer to note 32 for information on the Group's equity investments at fair value through profit or loss.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets that generate only cash flows from principle and interest (contractual cash flow test) and that are held to collect contractual cash flows (business model test).

Financial assets at amortized cost of the Group comprise loans, trade receivables, other financial assets and cash and cash equivalents.

After initial recognition, such financial assets are measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs that are an integral part of the EIR.

Trade receivables are initially recognized at fair value which primarily represents the original invoice amount.

Impairment of financial assets

Impairment losses of financial assets measured at amortized cost are recognized based on expected credit losses (ECL).

The ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collaterals held or other credit enhancements that are integral to the contractual terms.

The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: Expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition. It usually includes new acquisitions and contracts with fewer than 31 days past due date. Expected credit losses resulting from default events possible within the next 12 months are recognized.

Stage 2: Expected credit losses over the lifetime – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to Stage 2.

For trade receivables, the simplified approach is applied whereby all trade receivables are allocated to stage 2 initially.

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of financial assets.

The expected credit loss that results from all possible default events over the expected life of a financial instrument is recognized as impairment.

Stage 3: Expected credit losses over the lifetime – credit impaired

If a financial asset is defined as credit impaired or in default, it is transferred to Stage 3. The lifetime expected credit loss is recognized as impairment. Objective evidence for a credit-impairment or default includes 91 days past due date and other internal or external information indicating that the Group is unlikely to receive the outstanding contractual amounts in full, taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

In stage 1 and 2, the effective interest revenue is calculated based on gross carrying amounts. If a financial asset becomes credit impaired in stage 3, the effective interest revenue is calculated based on its net carrying amount (gross carrying amount adjusted for any loss allowance).

Expected credit losses are measured based on global corporate default rates.

The losses arising from impairment are recognized in the statement of profit or loss in cost of materials and cost of financial services for FinTech loans, in finance costs for loan receivables and in other operating expenses for other financial receivables.

Please refer to note 31 for more information on the credit risk of the Group.

Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

Financial liabilities

Initial recognition and measurement of financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities at amortized cost at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss of the Group contain only derivative financial liabilities that are deemed to be financial liabilities held for trading.

The Group's policy does not permit any trading with financial instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss as of December 31, 2018 and 2017.

Financial liabilities at amortized cost

This is the category of financial liabilities most relevant to the Group. It includes trade payables, loans and borrowings including bank overdrafts, non-controlling interests classified as financial liabilities, liabilities from capital calls, liabilities from convertible bonds and other financial liabilities.

After initial recognition, financial liabilities at amortized cost are measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as a result of the revision of estimated cash flows and through the EIR amortization process.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Financial liabilities are classified as current financial liabilities if payment is due within one year or less. If not, they are presented as non-current financial liabilities.

Financial liabilities at amortized cost contain the non-controlling interests of a consolidated subsidiary whose life is limited by the articles of association. The subsidiary has a contractual obligation to deliver a pro rata share of its net assets on expiry of the specified term. As the obligation is certain to occur and outside the control of the Group, such non-controlling interests are classified as financial liabilities in the consolidated financial statements.

Financial liabilities at amortized cost also contain liabilities from mandatorily redeemable non-controlling interests issued by a consolidated subsidiary. These interests have the legal form of equity but are liabilities due to their economical substance.

Non-controlling interests in partnerships do not constitute equity within the meaning of IAS 32. Consequently, the fair value of the payment obligations in the event of termination of limited partners of subsidiaries is presented as a non-current financial liability.

Convertible bonds

Convertible bonds issued by the Group are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of the relevant portion of the transaction costs) until it is expired on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. The relevant portion of the transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option recognized in equity is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Subscribed capital, treasury shares and capital reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new equity instruments are shown, net of taxes, in equity as a deduction from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in the capital reserves.

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue and cancellation of the Group's own equity instruments.

Dividends

Cash or non-cash distributions are recorded as a liability and deducted from equity in the period in which they are approved by the shareholders and the distribution is no longer at the discretion of the Company.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Equity-settled share-based payments

The Group operates a number of equity-settled share-based compensation arrangements, under which the Company and its subsidiaries receive services from eligible and selected directors or employees and others providing similar services as consideration for the following equity instruments:

- share options in the Company,
- ordinary shares in subsidiaries ("share awards") or
- share options in subsidiaries.

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 made. For share awards, the Group analyses whether the price paid by a participant, if any, is in line with the estimated market price of the underlying shares at the grant date. If a positive difference exists between (i) the estimated market value of the shares and (ii) the purchase price; this results in a fair value to be reported and recognized as a share-based payment expense. For share options granted, the grant date fair value is determined using the Black Scholes option valuation formula.

The fair value determined at the grant date is expensed on a straight-line basis over the respective vesting period, based on the Group's estimate of the number of shares that will eventually vest, with a corresponding credit to equity.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The vesting period usually starts with the grant date of the award. However, the recognition of expense may start at an earlier service commencement date when awards need to be formally approved after the employee has started providing services.

The Group recognizes compensation expense from the beginning of the service period, even when the grant date is subsequent to the service commencement date. During the period between service commencement date and grant date, the share-based payment expense recognized is based on the estimated grant date fair value of the award. Once the grant date has been established, the estimated fair value is revised so that the expense is recognized prospectively based on the actual grant date fair value of the equity instruments granted.

For awards with graded-vesting features, each instalment of the award is treated as a separate grant. This means that each instalment is separately recorded as an expense over the related vesting period. Some instalments vest only upon the occurrence of a specified exit event (e.g. IPO) of the subsidiary or upon the employee still being employed with or providing services to a group entity 12 months after such an event. These instalments are expensed over the expected time to such a vesting event. The share-based payment expenses would be reversed if no such event occurs by the time the awards elapse. Non-market performance and service conditions are included in the assumptions about the number of options and shares that are expected to vest.

No expense is recognized for awards that do not vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the terms of equity-settled awards are modified, as a minimum, the expenses recognized are measured at the grant date fair value, to the extent the non-market vesting conditions attached to the awards are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The expenses related to equity-settled share-based compensation arrangements are recognized as employee benefit expenses.

Cash-settled share-based compensation

The Group recognizes a liability for the services received from its employees in cash-settled share-based payment transactions. The Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period as employee benefit expenses. The liability is recognized over the vesting period (if applicable).

Provisions

Provisions are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Segment reporting

In accordance with IFRS 8 Operating Segments, segment reporting is constructed on the basis of internal management data used for performance analysis of businesses and for the allocation of resources. An operating segment is a distinct component of the Group which is engaged in the supply of distinct products and services and which is exposed to risks and returns different from the risks and the returns of other operating segments. Please refer to note 6 for further information.

4. Critical Accounting Judgments, Estimates and Assumptions in Applying Accounting Policies

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 fluctuations or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year have been discussed below and are also described in the individual notes of the related financial statement line items.

Significant Accounting Judgement

Shareholders' agreements – Assessment of control, joint control or significant influence over network companies

The shareholders' agreements to which Rocket Internet is a party are important instruments for steering the corporate governance of network companies. The shareholders' agreements typically specify that a number of important decisions need to be resolved by the shareholders. These important decisions are referred to as reserved matters. The shareholders' agreements sometimes require a qualified majority of investors and, in certain cases, an unanimous vote of the investors for decisions regarding reserved matters. Sometimes the decision on reserved matters is conferred on an advisory board. This means that the Group sometimes cannot make or block decisions on reserved matters alone, but needs the support of one or more other investors. The reserved matters include fundamental decisions about the relevant entities, its operative and strategic plans and important transactions that exceed certain thresholds.

Based on the regulations in the shareholders' agreements the Group assesses whether

- it controls a network company particularly when it is exposed, or has rights, to variable returns from its involvement with the network company and has the ability to affect those returns through its power over the network company,
- it is a party of an arrangement in which two or more parties have joint control or
- it has the power to participate in the financial and operating policy decisions of the network company but is not in control or joint control of those policies (significant influence).

Whether or not the Group controls a network company depends on an evaluation of a number of factors, including, among others, representation on its board of directors, voting rights and other rights of other investors, including their participation in significant decisions made in the ordinary course of business (e.g. approval of the annual operating budget), as well as the Group's ownership level of the outstanding voting rights of the subsidiary. For more information reference is made to note 8.

Designation of equity instruments as financial assets at fair value through profit or loss

The Group has designated certain associated companies and other equity investments that are not incubated or actively developed by Rocket Internet as financial assets at fair value through profit or loss. Rocket Internet is acting as an investor within the meaning of IAS 28.18 and the Group is less involved in the strategic leadership and tactical implementation of the business plans of such companies. Those associated companies and other equity investments are managed and measured on the basis of fair values. These investments are complementary to the core of Rocket Internet's business strategy as they help to expand the global network of Internet companies, find new business ideas for foundings and help own foundings to benefit from economies of scale, cooperation as well as know-how advantages.

Amongst others, this category includes the numerous shareholdings in several Internet and technology companies of GFC Global Founders Capital GmbH (the so-called "GFC Investments"). Please refer to note 32 for information on the Group's equity investments measured at fair value through profit or loss.

Classification of shares in Rocket Internet Capital Partners Fund as unconsolidated structured entities accounted for as associates under the equity method

When deciding whether or not to consolidate a company, Rocket Internet reviews a range of factors such as voting rights, the object and structure of the entity and the ability to exert influence. The Group does not consolidate the Fund, because the general partner is deemed an agent. The Group does not control it through voting rights, contracts, funding agreements, or other means. The general partner acts as an agent and only exercises decision-making powers, which have been delegated by the passive investors (limited partners of the Fund).

The Group has significant influence over the Fund in accordance with IAS 28 through its fund manager role. Therefore, the shares in Rocket Internet Capital Partners (RICP) is accounted for as associate using the equity method. Note 10 contains further information on RICP.

Classification of shares in Global Growth Capital Fund (GGC) as consolidated structured entities

The Group consolidates the entities of the Global Growth Capital Fund, because as of December 31, 2018 Rocket Internet exercises power over the relevant activities of the Fund and acts primarily on behalf of its own than on behalf of the other investors, i.e. Rocket Internet acts as principal.

Rocket Internet will reassess whether it controls the fund or not at each reporting date. If in future more investors will join the fund, it is possible that Rocket Internet will rather act as agent than as principle and will lose control. In this case Rocket Internet will deconsolidate all entities of the GGC.

Notes 8 and 27 contain further information on GGC.

Share-based compensation

The Group has analyzed all the terms and conditions of its share-based payment awards to determine the appropriate classification of the awards recognized under IFRS 2 Share-based Payment. Some of the awards in consolidated subsidiaries include put rights of employees and others providing similar services that may only be exercised at a specified date more than 10 years from the reporting date, at a price less than the market value of the interests held by employees. Other terms and conditions of these awards allow a subsidiary to settle the awards in equity or to avoid any cash payment. Based on this analysis, the Group assessed it has two settlement scenarios. One scenario would be considered cash-settled in its entirety, whereas the other scenario would be considered equity-settled in its entirety. Given the exit strategies of the Group that would allow settlement in equity, the Group concluded that it has no present obligation to settle in cash and therefore recognized those share-based payment awards as equity-settled plans. This management judgment is reassessed at each reporting date. For more information reference is made to note 30.

Impairment of non-current assets

The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. During 2018, the market capitalization of the Group developed as follows:

Trading Date	Closing Price 1) EUR per share	Market Capitalization 2) In EUR million
Dec 29, 2017	21.13	3,467.5
Jan 31, 2018	23.36	3,833.4
Feb 28, 2018	24.70	4,053.3
Mar 29, 2018	24.92	4,089.4
Apr 30, 2018	24.28	3,984.3
May 31, 2018	24.36	3,760.6
Jun 29, 2018	27.50	4,245.3
Jul 31, 2018	29.72	4,588.0
Aug 31, 2018	29.78	4,597.3
Sep 28, 2018	26.96	4,159.9
Oct 30, 2018	25.52	3,914.7
Nov 30, 2018	22.58	3,436.3
Dec 28, 2018	20.18	3,042.5

1) As per electronic computer trading system Xetra
2) Based on ordinary shares outstanding

As of December 31, 2018, the market capitalization of the Group was below the carrying amount of its equity. The Group tested its non-current assets for impairment and recognized impairment losses of EUR 0.7 million (previous year EUR 0.7 million). As of December 31, 2018 the Group does not have any material goodwill or other material intangible assets. For more information reference is made to note 20.

Critical Accounting Estimates and Assumptions

Measuring the fair value of financial assets

When the fair values of financial assets recognized in the balance sheet (especially of unlisted equity instruments) cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets as far as possible, but where this is not feasible a degree of management judgement is required in establishing fair values. Judgements include considerations of the input used. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Please refer to note 32 for further disclosures.

Deemed disposals of subsidiaries – Fair value measurement of interest retained

A deemed disposal occurs where the proportionate interest of a parent company in a subsidiary is reduced other than by an actual disposal, for example, by the issuance of shares to a third party investor by the subsidiary. When the Group no longer has control, the remaining interest is measured at fair value as at the date the control was lost. When determining the fair value, the Group takes into account all the facts and circumstances surrounding the transactions such as timing, transaction size, transaction frequency, and motivations of the investors. The Group considers whether such a transaction has been made at arm's length. For new share issues, the Group also considers whether, in the event of liquidation or sale, the newly issued shares have preferences to the investee's assets over earlier issued shares. Please refer to note 12.

Deferred income taxes

The Group considers many factors when assessing the likelihood of future realization of deferred tax assets, including recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available for tax reporting purposes, as well as other relevant factors. Due to inherent complexities arising from the nature of the Group's businesses, future changes in income tax laws or variances between the actual and anticipated operating results, the likelihood of future realization of deferred tax assets is based on the Group's judgments and estimates. Therefore, actual income taxes could materially vary from these judgments and estimates. For further information, please refer to note 18.

Share-based compensation – Equity-settled transactions at parent Company level

The Group measures the costs of granting share options of the Company to employees by using their fair value at the moment they were granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model (Black-Scholes-option pricing model), which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including especially the expected volatility calculated using data of peer groups and furthermore the anticipated option term, dividend yield and risk-free interest rate. The assumptions and models used for estimating fair value are disclosed in note 30.

Share-based compensation – Equity-settled transactions at subsidiary level

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. This grant date fair value remains unchanged throughout the life of the award. As the consolidated subsidiaries of the Group are unlisted, estimating fair value for share-based payment transactions (ordinary shares and options) requires the use of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

In determining the fair values of a consolidated subsidiary's ordinary shares, as of each award grant date, three generally accepted approaches were considered: income approach, market approach and cost approach.

The Group has employed the "prior sale of company stock" method, a form of the market approach, to estimate the aggregate enterprise value at the level of some consolidated intermediate holding subsidiaries of the Group. The prior sale of company stock method considers any prior arm's length sales of the Group subsidiary's equity securities. Considerations factored into the analysis include: the type and amount of equity sold, the estimated volatility, the estimated time to liquidity, the relationship of the parties involved, the risk-free rate, the timing compared to the ordinary shares valuation date, and the financial condition and structure of the company at the time of the sale. As such, the Group has benchmarked the value per share to the external transactions of subsidiary shares and external financing rounds. Throughout 2017 and 2018, the respective subsidiaries held a number of financing rounds which resulted in the issuance of new shares. The new shares were transacted with numerous existing and new investors, and therefore the Group considers the pricing a strong indication of fair value.

The Group has applied the income approach to estimate the enterprise value of subsidiaries of an intermediate holding subsidiary. The income approach is a technique by which fair value is estimated based on cash flows expected to be generated in the future. The principle behind this approach is that the value of the subsidiary is equal to its earnings potential. The future cash flows are discounted using a weighted average cost of capital that takes into consideration the stage of development of the business and the industry and geographies in which it operates. The total sum of all equity values based on discounted cash flows of the operating companies were reconciled to the total equity value of the holding company on the basis of financing rounds (i.e. "prior sale of company stock" method).

Given that there are multiple classes of equity at the subsidiary level, the Group employed the hybrid method in order to measure these different categories. The hybrid method is a hybrid between the probability-weighted expected return method ("PWERM") and the option pricing method ("OPM"), which estimates the probability weighted value across certain exit scenarios, but uses the OPM to estimate the remaining unknown potential exit scenarios.

A discount for lack of marketability ("DLOM") was applied, corresponding to the time to exit under the various scenarios, to reflect the increased risk arising from the inability to readily sell the shares. When applying the DLOM, the Finnerty option pricing model was used. Under this method, the cost of the put option, which can hedge the price change before the not publicly traded shares can be sold, was considered as the basis to determine the DLOM.

In addition, the Group is required to estimate share-based compensation expense net of estimated forfeitures. In determining the estimated forfeiture rates for share-based awards, the Group periodically conducts an assessment of the actual number of equity awards that have been forfeited to date as well as those expected to be forfeited in the future. The Group considers many factors when estimating expected forfeitures, including the type of award, the employee class and historical experience. If the actual forfeiture rate is materially different from the estimate, the share-based compensation expense could be significantly different from what was recorded in the current period.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 30.

5. New Accounting Pronouncements

The following new and revised standards and interpretations, which were not yet mandatory for the financial year or were not yet adopted by the European Union, were not applied earlier. The Group intends to adopt those standards when they become effective within the EU for the first time. Standards with the remark "yes" are likely to have an impact on the consolidated financial statements, and their impact is currently being assessed by the Group. Only material impacts will be described in more detail. Standards with the remark "none" are not likely to have a material impact on the consolidated financial statements.

Standard/ Interpretation		Mandatory application for financial years starting on	Adopted by the European Union	Possible impact on Rocket Internet
IFRS 16	Leases	Jan 1, 2019	yes	yes
IFRS 17	Insurance Contracts	Jan 1, 2021	no	none
Amendments to IFRS 3	Business Combinations	Jan 1, 2020	no	none
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Jan 1, 2019	yes	none
Amendments to IAS 1 and IAS 8	Definition of Material	Jan 1, 2020	no	none
Amendments to IAS 19	Plan Amendments, Curtailment or Settlement	Jan 1, 2019	yes	none
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Jan 1, 2019	yes	none
IFRIC 23	Uncertainty over Income Tax Treatments	Jan 1, 2019	yes	none
Diverse	Annual Improvements to IFRS Standards 2015–2017 Cycle	Jan 1, 2019	yes	none
Diverse	Amendments to References to the Conceptual Framework in IFRS Standards	Jan 1, 2020	no	none

IFRS 16 establishes new rules for lease accounting. The standard obliges lessees to recognize essentially all leases on the balance sheet. In future, there will be no accounting difference between leases and purchases financed by loans. The new standard will lead to an increase of non-current assets in the consolidated balance sheet (for the right-of-use assets), and at the same time an increase in financial liabilities (due to the payment obligations). Thus, with the exception of leases for low value assets and short-term leases, every leasing or rental arrangement within the scope of IFRS 16 will be shown on the balance sheet. In the income statement, interest expenses are recognized on the outstanding lease liabilities while depreciation is recognized for the right-of-use assets. While the depreciation expense is typically evenly spread over time, the interest expense is reduced over the term of the lease (frontloading effect). The frontloading effect results in a decrease of expenses as the lease progresses compared to the linear distribution of expenses for operating leases in accordance with IAS 17. However, EBITDA will not improve proportionately to the increase in financial liabilities. As a consequence, the ratio of net financial liabilities to adjusted EBITDA (relative indebtedness) will deteriorate although there has been no economic change. The new accounting standard provides practical expedients for leases with a maturity of up to 12 months and leases of low value items. Rocket Internet is predominantly a lessee accounting for the lease contracts as operating leases at present. Operating leases of the Group mainly refer to rental obligations.

Rocket Internet is going to apply IFRS 16 for the first time as of January 1, 2019 using the modified retrospective approach without adjusting the prior year period. The cumulative effect of initial application is recognized directly in equity on January 1, 2019. The recognition of the right-of-use assets and lease liabilities from the lease contracts previously recognized as operating leases in accordance with IAS 17 will lead to a balance sheet extension. It is expected that the first-time recognition of lease liabilities on the transition date will amount up to EUR 60 million while the right-of-use assets are expected to amount up to EUR 49 million. The difference between right-of-use assets and lease liabilities results from the retrospective measurement of the right-of-use assets, while lease liabilities are determined at the transition date January 1, 2019. Due to the depreciation of the right-of-use assets and the recognition of interest expenses instead of the recognition of leasing expenses, EBITDA will improve. An effect of up to EUR 6 million is expected for the financial year 2019. Overall, no significant effect on total profit or loss is expected. In addition, lease payments relating to the principal portion of the lease will no longer be recognized in the cash flow from operating activities, but in the cash flows from financing activities. In the consolidated statement of cash flows, the reclassification will increase the cash flow from operating activities by up to EUR 5 million and decrease the cash flows from financing activities by up to EUR 5 million respectively.

The difference between the rental and lease commitments disclosed applying IAS 17 in the reporting period 2018 (EUR 79.1 million) and the lease liabilities expected to be recognized according to IFRS 16 as of January 1, 2019 (EUR 60.0 million) is due to ancillary rental costs (EUR 15.0 million), discounting effects (EUR 8.0 million) and renewal options (EUR 4.0 million).

6. Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance of the segments. The function of the CODM is performed by the Board of Management of Rocket Internet SE.

Starting January 2018, in the regular internal reporting to the CODM, results are reported for the Group as a whole. The CODM does not regularly review the results on a lower level to make decisions about allocation of resources and to assess the performance of different parts of the Group. The Group therefore comprises a single operating and reportable segment.

Revenues for each country for which the revenues are material are reported separately as follows:

Revenue by country

in EUR million	2018	2017
Germany	20.5	19.8
United Kingdom	12.1	7.1
Luxembourg	4.0	3.8
France	2.9	1.2
Australia	1.2	1.2
Mexico	1.0	0.8
Other	2.9	2.7
Total	**44.5**	**36.8**

Revenues are attributed to countries on the basis of the customer's location.

The Rocket Internet Group has a diversified customer base.

Intangible assets and property, plant and equipment by country are reported separately as follows:

Intangible assets and property, plant and equipment by country in EUR million	**2018**	**2017**
France	7.3	7.6
Germany	3.0	3.2
Singapore	0	0.7
Other	0.1	0.3
Total	**10.4**	**11.8**

7. Capital Management

The Group regards its total equity as capital. The primary objective of the Group's capital management is to support its operations, to cover the cash burn and to maximize shareholders' value while minimizing financial risks. Historically, the Group has financed its operations primarily through the issuance of equity instruments to third parties and in 2015, through the issuance of convertible bonds. To assist the Management Board in undertaking strategic activities, capital increases and servicing stock option plans, the shareholders of the Company have authorized the future issuance of ordinary shares in specific circumstances with the permission of the Supervisory Board.

The parent Company did not pay dividends in the financial years 2018 and 2017.

On September 29, 2017, Rocket Internet decided to spend further up to EUR 100 million on a program to repurchase convertible bonds which were issued on July 22, 2015 and which are due in 2022. The previous buyback programs initiated in February 2016 were terminated on September 30, 2017. In May 2018, the Group repurchased convertible bonds in an aggregate nominal amount of EUR 9.3 million. In July 2018, the Group repurchased convertible bonds in an aggregate nominal amount of EUR 253.9 million. This acquisition was carried out in course of an invitation to all holders of convertible bonds to offer to sell their convertible bonds for cash (reverse auction process). In September 2018, the Group bought back the remaining convertible bonds with a total nominal amount of EUR 35.1 million (squeeze out). For this purpose, Rocket Internet exercised the option of early redemption pursuant to section 6 (2) of the Terms and Conditions of the bonds. Further information on the convertible bonds can be found in note 27.

On August 14, 2017, Rocket Internet announced to carry out a share buy-back program with a total maximum consideration (excluding ancillary costs) of up to EUR 100 million and a maximum volume of up to 5,000,000 shares, represented a maximum of up to 3.03% of the outstanding share capital of Rocket Internet. On April 16, 2018 Rocket Internet resolved to early terminate the share buy-back program. In the period from August 14, 2017 until the early termination of the program on April 16, 2018, a total of 1,041,167 shares (of which 5,546 shares in 2018) were bought back at a volume weighted average price of EUR 20.41.

Also on April 16, 2018, Rocket Internet resolved to buy back up to 15,472,912 own shares (corresponded to a maximum of up to 9.34% of the Company's registered share capital) through a public share purchase offer against payment of an offer price in the amount of EUR 24.00 per share. A total of 9,724,739 shares were tendered during the acceptance period.

On May 23, 2018, Rocket Internet announced the redemption of 10,765,906 own shares. Thus, the share capital of the Company was reduced from EUR 165,140,790 by EUR 10,765,906 to EUR 154,374,884.

On September 20, 2018, Rocket Internet announced a new share buy-back program with a consideration of up to EUR 150 million and up to 5,500,000 shares. This represented 3.6% of the shares outstanding. The program commenced on September 20, 2018 and will end at the latest on September 19, 2019. Until December 31, 2018, the Group repurchased 3,607,590 shares at a volume-weighted average price of EUR 23.23. The repurchased shares are intended to either be redeemed and Rocket Internet's share capital reduced accordingly or to settle employee stock option grants.

On December 5, 2018, Rocket Internet announced the redemption of 1,860,486 own shares. Thus, the share capital of the Company was reduced from EUR 154,374,884 by EUR 1,860,486 to EUR 152,514,398.

Except for the buyback programs outlined above, which may be prolonged or extended, Rocket Internet SE currently intends to retain all available funds and future earnings, if any, to be able to provide more equity capital to its network companies to support their operations and to position them to grow. Rocket Internet SE currently does not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, Rocket Internet SE's results of operations, financial situation, contractual restrictions and capital requirements. Rocket Internet SE's future ability to pay dividends may be limited by the terms of any future debt or preferred securities.

The capital resources for the Group are also derived from cash payments from non-controlling interests, from operating activities and sales of equity investments.

The objectives, policies and processes for managing capital remained unchanged during the years 2018 and 2017.

8. Principal Subsidiaries

As a result of Rocket Internet being an operational Internet platform, the basis of consolidation is subject to changes in each financial period. Usually, Rocket Internet has control and applies full consolidation when a company is founded. In subsequent financing rounds, the companies attract the equity necessary to further extend operations from Rocket Internet as well as from other external investors. This means that Rocket Internet's direct and indirect share in the entities decreases over time in line with their size and maturity. Please refer to note 1 for further details on corporate structure, consumer brands and Group operations.

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Registered office	Nature of business	Ownership Dec 31, 2018	Ownership Dec 31, 2017
Caterwings Holding S.à r.l.	Luxembourg	interim holding	n/a	48.2%
Caterwings Germany GmbH	Berlin	market place	n/a	48.2%
Caterwings Ltd.	London	market place	n/a	48.2%
Convenience Food Group S.à r.l.	Luxembourg	interim holding	62.6%	62.6%
EatFirst UK Ltd.	London	eCommerce	n/a	43.6%
GFC Global Founders Capital GmbH	Berlin	interim holding	100%	100%
Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1	Berlin	interim holding	100%	100%
Global Online Takeaway Group S.A.	Luxembourg	interim holding	100%	100%
International Rocket GmbH & Co. KG	Berlin	interim holding	100%	100%
Juwel 190. V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG	Berlin	interim holding	68.7%	68.7%
MKC Brillant Services GmbH	Berlin	interim holding	65.0%	65.0%
Moneda Top-Holding S.à r.l.	Luxembourg	FinTech	100%	100%
RCKT GmbH & Co. KG	Berlin	other services	58.0%	58.0%

The proportions of voting rights in the subsidiaries are the same as the ownership interests presented in the table above. Ownership percentages are calculated on the Group level, considering all non-controlling interests in the lower levels of the multilevel group hierarchy. In the table above, "n/a" indicates that the respective company was not a subsidiary as of the respective balance sheet date.

The Management has determined that the Group does not control the following companies even though Rocket Internet holds more than 50% of the voting rights, because Rocket Internet does not have the ability to direct the relevant activities due to specific regulations in the shareholders' agreements:

2018	Voting rights	2017	Voting rights
AEH New Africa eCommerce II GmbH	71.2%	AEH New Africa eCommerce II GmbH	71.2%
Jade 1223. GmbH i.L.	73.8%	Digital Services XLVII S.à r.l.	59.8%
PTH Brillant Services GmbH i.L.	79.6%	ECommerce Holding II S.à r.l.	52.7%
		Jade 1223. GmbH i.L.	73.8%
		PTH Brillant Services GmbH i.L.	79.6%

Structured entities controlled by the Group

As of December 31, 2018, Rocket Internet controlled the following companies in connection with structured entities:

Function	Company name	Registered office	Status
GLOBAL GROWTH CAPITAL FUND			
GGC Fund	Global Growth Capital Fund I S.C.Sp.	Luxembourg	Fully consolidated structured entity
Founder Partner	Global Growth Capital Partners S.C.Sp.	Luxembourg	Not fully consolidated structured entity due to immateriality
General Partner	Global Growth Capital GP S.à r.l.	Luxembourg	Fully consolidated subsidiary
GGC Capital or Advisor	Global Growth Capital Advisors Limited	London	Fully consolidated subsidiary
AUD SPV	GGC AUD S.à r.l.	Luxembourg	Fully consolidated subsidiary of GGC Fund
EUR SPV	GGC EUR S.à r.l.	Luxembourg	Fully consolidated subsidiary of GGC Fund
GBP SPV	GGC GBP S.à r.l.	Luxembourg	Fully consolidated subsidiary of GGC Fund
USD SPV	GGC USD S.à r.l.	Luxembourg	Fully consolidated subsidiary of GGC Fund
ROCKET INTERNET CAPITAL PARTNERS II FUND			
RICP II USD Fund	Rocket Internet Capital Partners II SCS	Luxembourg	Not fully consolidated structured entity due to immateriality
RICP II Euro Fund	Rocket Internet Capital Partners (Euro) II SCS	Luxembourg	Not fully consolidated structured entity due to immateriality
Founder Partner	Rocket Internet Capital Partner Founder II SCS	Luxembourg	Not fully consolidated structured entity due to immateriality
General Partner	Rocket Internet Capital Partners Lux II S.à r.l.	Luxembourg	Not fully consolidated structured entity due to immateriality
RI Capital or Advisor	RI Capital Advisors Ltd.	London	Fully consolidated subsidiary

The ability of the Group to access or use assets and settle the liabilities of structured entities can be subject to legal, regulatory and contractual restrictions.

Each Limited Partner of the GGC Fund (the Group and third parties) agreed to return any distributions received from the Fund if the General Partner requests such return for the purpose of meeting the Fund's obligations, however, not after the second anniversary of the date of such distribution.

Summarized financial information on subsidiaries with material non-controlling interests

The total non-controlling interests in the Group as of December 31, 2018, amount to EUR 14.6 million (previous year EUR 24.7 million).

Set out below is the summarized financial information for the subsidiaries with non controlling interests that, in the opinion of the Management, are material to the Group. The amounts shown are before intercompany eliminations and the elimination of investments in the subordinated subsidiaries.

Summarized balance sheet

December 31, 2018	Assets		Liabilities		Total	
In EUR million	Non-current	Current	Non-current	Current	Net assets	Attributable to NCI
Convenience Food Group S.à r.l.	1.5	0.7	0	1.6	0.7	0.2
Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG	2.1	0	0	0	2.1	0.7
MKC Brillant Services GmbH	43.0	9.0	0	0.5	51.6	18.0

December 31, 2017	Assets		Liabilities		Total	
In EUR million	Non-current	Current	Non-current	Current	Net assets	Attributable to NCI
Caterwings Holding S.à r.l.	8.5	0.9	0	1.5	7.8	4.1
Convenience Food Group S.à r.l.	15.6	0.7	0	1.5	14.7	5.5
EatFirst UK Ltd.	0	0.8	0	0.8	0	0
Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG	3.1	0	0	0	3.1	1.0
MKC Brillant Services GmbH	56.1	9.0	0	0.4	64.7	22.6

Summarized income statement

2018	Revenue	Profit (Loss)		Total comprehensive income	
In EUR million	Total	Total	Attributable to NCI	Total	Attributable to NCI
Caterwings Germany GmbH [1]	0.5	-1.7	-0.7	-1.7	-0.7
Caterwings Ltd. [1]	0.3	-1.2	-0.5	-1.3	-0.5
Convenience Food Group S.à r.l.	0	7.8	2.9	7.8	2.9
EatFirst UK Ltd. [2]	0.6	-0.8	-0.4	-0.9	-0.5
Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG	0	-1.1	-0.4	-1.2	-0.4
MKC Brillant Services GmbH	0	-12.5	-4.4	-13.1	-4.6

1) Until deconsolidation in November 2018.
2) Until deconsolidation in July 2018.

2017	Revenue	Profit (Loss)		Total comprehensive income	
In EUR million	Total	Total	Attributable to NCI	Total	Attributable to NCI
Caterwings Holding S.à r.l.	0	-0.3	-0.2	-0.3	-0.2
Convenience Food Group S.à r.l.	0	-1.8	-0.7	-1.8	-0.7
EatFirst UK Ltd.	1.0	-1.9	-1.1	-2.0	-1.1
Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG	0	-9.2	-2.9	-9.3	-2.9
MKC Brillant Services GmbH	0	0.8	0.3	-6.6	-2.3

Summarized cash flows

2018

In EUR million	Cash flow from operating activities	Cash flows from investing activities	Cash flows from financing activities
Caterwings Germany GmbH 1)	-1.8	0	1.9
Caterwings Ltd. 1)	-0.5	0	0.8
Convenience Food Group S.à r.l.	0	0	0
EatFirst UK Ltd. 2)	-0.7	0	0.2
Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG	0	0	0
MKC Brillant Services GmbH	0.1	0	0

1) Until deconsolidation in November 2018.
2) Until deconsolidation in July 2018.

2017

In EUR million	Cash flow from operating activities	Cash flows from investing activities	Cash flows from financing activities
Caterwings Holding S.à r.l.	-0.3	-4.7	5.1
Convenience Food Group S.à r.l.	-0.1	-1.4	1.5
EatFirst UK Ltd.	-1.9	0	2.2
Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG	0	0	0
MKC Brillant Services GmbH	-0.8	6.1	0

Summarized effect of loss of control of subsidiaries through sale during the period

On July 2, 2018 Rocket Internet SE sold 100% of its shares in the service company R-SC Internet Services Luxembourg S.à r.l.

The sale of 100% of the shares in Rocket Labs GmbH & Co. KG to Global Fashion Group was closed on April 1, 2017. On April 27, 2017, Rocket Internet divested its 79.0% share in sparks42 GmbH.

In the years 2018 and 2017 the Group deconsolidated some dormant, non-significant subsidiaries as well as some liquidated subsidiaries. The amount of the results from the deconsolidation of such entities is explained in note 12. These deconsolidations had no material effect on the financial statements.

For the sale of subsidiaries, the Group received cash in the amount of EUR 0.7 million (previous year EUR 1.3 million).

Analysis of assets and liabilities from subsidiaries over which control was lost through sale during the financial year:

In EUR million	2018	2017
Non-current assets	0.1	0.4
Intangible assets	0.1	0.3
Property, plant and equipment	0	0.1
Other	0	0.1
Current assets	2.2	14.5
Cash and cash equivalents	0.8	1.8
Trade receivables	1.0	0.8
Other	0.4	11.9
Non-current liabilities	0	0.2
Current liabilities	1.0	13.2
Net assets disposed	**1.3**	**1.5**

Result from the sale of:

In EUR million	2018	2017
Consideration received	0.7	1.3
Net assets disposed of	-1.3	-1.5
Non-controlling interests	1.1	-0.2
Reclassification of currency translation effects previously recognized in OCI to profit or loss	-0.1	0.1
Result from deconsolidation	**0.4**	**-0.3**

Deconsolidation of subsidiaries due to deemed disposals during the period

The following former subsidiaries issued shares to third parties, which reduced Rocket Internet's ownership interest in the subsidiaries so that the Group no longer has a controlling financial interest in these subsidiaries.

2018

Name of the former subsidiary	Month of deconsolidation	Transition to
Digital Services XXX S.à r.l. (EatFirst)	July 2018	Associate
Caterwings Holding S.à r.l. [1]	November 2018	Associate

1) In December 2018 contributed into B2B Food Group (Lindentor 226. V V GmbH)

2017

Name of the former subsidiary	Month of deconsolidation	Transition to
ZipJet Global S.à r.l.	May 2017	Associate
Digital Services XLVII S.à r.l. (Instafreight)	October 2017	Joint Venture

The gains and losses on deemed disposals, regular disposals and liquidation of subsidiaries resulting in a loss of control and accordingly a deconsolidation of subsidiaries are reported as a separate line item in the income statement. The portion of the gains due to measuring any investment retained in the former subsidiaries at its fair value at the date when control is lost is disclosed in note 12.

Effects of changes in ownership without loss of control

The changes in equity attributable to owners of the parent Company without loss of control relate mainly to financing rounds.

In financial year 2018 and 2017 there were no material changes in Group ownership interest in subsidiaries that did not result in a loss of control.

The investment rounds at subsidiaries resulted in the following movements in equity:

Capital reserves
(Proceeds and non-cash contributions from non-controlling interests)

	attributable to		
In EUR million	Shareholders of the parent	Non-controlling interests	Total
2018	0	0	0
2017	4.9	5.3	10.2

9. Business Combinations

In 2018, there were no major transactions or other events that meet the definition of a business combination.

On May 23, 2017, the Group acquired 100% shares in the French company Holidays & Co. S.A.S., Saint-Malo, France (www.camping-and-co.com). The purchased subsidiary was founded in 2007 and offers online reservation of camping tours and travel packages. The Group acquired Holidays & Co. S.A.S. for a total consideration of EUR 7.5 million consisting of cash paid in May 2017 and cash payable in future periods as well as of non-cash consideration (issuance of shares by a consolidated subsidiary to non-controlling shareholders). Goodwill arising on this acquisition amounts to EUR 4.5 million.

On November 14, 2017, the Group acquired 100% of shares in Vayacamping S.L.U. (www.vayacamping.net) for a total consideration of EUR 0.1 million. The purchased subsidiary is based in Barcelona, Spain, operates since 2000 and offers online reservation of camping and bungalows in Spain, France, Portugal, Switzerland, Italy and Croatia.

Both business combinations were immaterial for the Group.

10. Investments in Associates and Joint Ventures

Investments accounted for using the equity method

In EUR million	Dec 31, 2018	Dec 31, 2017
Investments in associates (including non-consolidated structured entities)	735.5	693.7
Investments in joint ventures	84.7	159.4
Total investments in associates and joint ventures	**820.1**	**853.0**

The main changes in 2018 regarding investments accounted for using the equity method are shown below:

In EUR million	Associated companies	Joint ventures	Total
As of Jan 1, 2018	**693.7**	**159.4**	**853.0**
Additions	45.9	15.0	60.9
Transition of formerly consolidated entities	2.3	0	2.3
Group's share of the net income (including adjustments made by the Group under the equity method and gains from deemed disposals)	43.8	-29.9	14.0
Reversals of impairments			
recognized on Group level	22.3	3.4	25.7
Impairment losses			
recognized on Group level	-1.5	-11.7	-13.2
Disposal gains	179.7	9.6	189.4
Share of the changes in the net assets that are recognized in other comprehensive income	-6.4	0.8	-5.6
Disposals and reclassifications	-247.7	-61.9	-309.6
Reorganizations and other changes	3.3	0	3.3
As of Dec 31, 2018	**735.5**	**84.7**	**820.1**

In 2018, the Group invested EUR 15.0 million (previous year EUR 8.5 million) cash in joint ventures and EUR 45.9 million (previous year EUR 39.5 million) in associates accounted for using the equity method; thereof paid in cash EUR 41.3 million (previous year EUR 39.3 million).

Investments in associates (without non-consolidated structured entities)
Details of the Group's material associates at the end of the reporting period are as follows:

				Ownership	
Trade name	**Name of associate**	**Registered office**	**Principal activity**	**Dec 31, 2018**	**Dec 31, 2017**
AEH New Africa II [1] (holding for parts of Jumia)	AEH New Africa eCommerce II GmbH	Berlin	eCommerce/ marketplace	71.2%	71.2%
Global Fashion	Global Fashion Group S.A.	Luxembourg	eCommerce	20.2%	20.2%
HelloFresh	HelloFresh SE	Berlin	eCommerce	30.6%	44.0%
home24	home24 SE	Berlin	eCommerce	32.6%	40.8%
Westwing	Westwing Group AG	Berlin	eCommerce	21.5%	32.3%

1) No control due to specific regulations in the shareholders' agreement.

Formation of B2B Food Group in 2018

In the fourth quarter of 2018, the Group contributed its shares in the former associated company Order-In Pty. Ltd. and the former subsidiary Caterwings Holding S.à r.l. into Lindentor 226. V V GmbH (B2B Food Group). In return, the Group received new shares in B2B Food Group. As of December 31, 2018, the Group's stake in B2B Food Group is approximately 22% and the carrying amount as of the balance sheet date amounts to EUR 9.5 million. The contribution of Order-In resulted in a gain of EUR 4.0 million, which relates to the valuation of the Order-In shares at fair value as of the contribution date.

Merger of Affinitas GmbH and Spark Networks, Inc. in 2017

In the fourth quarter of 2017, Affinitas GmbH ("Affinitas", an associated company of Rocket Internet) and Spark Networks, Inc. ("Spark", a third-party from perspective of Rocket Internet) merged in a stock-for-stock transaction that resulted in Affinitas stockholders owning approximately 75% of the new listed holding company Spark Networks SE and Spark stockholders owning approximately 25%. From the perspective of Affinitas, the transaction is accounted for using the acquisition method for business combinations under IFRS, with Affinitas treated as the accounting acquirer and the accounting predecessor of Spark Networks SE. Consequently, Rocket Internet accounted for the transaction as a deemed disposal under the equity method because the associated company Affinitas (now Spark Networks SE) acquired the subsidiary Spark. Consequently, Rocket Internet's interest in Affinitas was diluted by the issuance of new shares.

Summarized financial information

Summarized financial information in respect of material associates is set out below. The summarized financial information below represents amounts shown in the associate's financial statements and adjusted by the Group for equity accounting purposes. All of the material associated companies prepare consolidated financial information in accordance with IFRS. Summarized financial information is presented for both, the Groups direct investments in associates being operating network companies (e.g. HelloFresh, home24, Westwing) as well as for associates being intermediate holding companies (e.g. AEH New Africa II, Global Fashion). During the financial years 2018 and 2017, the intermediate holding companies did not fully consolidate all of their operating network companies for the whole period.

Summarized financial information for the year ended December 31, 2018 (in millions):

Company Currency	**AEH New Africa II** EUR	**Global Fashion** EUR	**HelloFresh** EUR	**home24** EUR	**Westwing** EUR
Revenue	0	1,155.9	1,279.2	312.7	253.9
Profit or loss from continuing operations	14.9	-207.8	-90.4	-83.3	-39.9
Post-tax profit or loss from discontinued operations	0	0	0	0	23.6
Other comprehensive income	0	-35.1	-7.8	0.8	0.4
Total comprehensive income	**14.9**	**-242.9**	**-98.2**	**-82.5**	**-15.9**
Dividends received from the associate during the year	0	0	0	0	0
Non-current assets	124.0	618.0	209.0	142.3	57.3
Current assets	0	416.1	252.4	168.1	164.2
Non-current liabilities	1.5	52.4	32.2	43.6	35.6
Current liabilities	0	316.9	144.9	90.0	60.2
Net assets	**122.5**	**664.7**	**284.4**	**176.9**	**125.7**

Reconciliation of the above summarized financial information to the carrying amount of the interest in associates recognized in the consolidated financial statements is set out below. Other adjustments reflect non-controlling interests of the associates.

For the year ended December 31, 2018 (in millions):

Company Currency	**AEH New Africa II** EUR	**Global Fashion** EUR	**HelloFresh** EUR	**home24** EUR	**Westwing** EUR
Net assets of the associate	122.5	664.7	284.4	176.9	125.7
Proportion of the Group's ownership interest in the associate	71.2%	20.2%	30.6%	32.6%	21.5%
Goodwill	0	29.1	60.0	12.8	3.6
Impairment charge on Group level	0	-53.5	0	0	0
Other adjustments	0	-0.6	0.2	4.2	0.5
Carrying amount of the Group's interest in the associate	**87.2**	**109.3**	**147.3**	**74.7**	**31.2**

Summarized financial information for the year ended December 31, 2017 (in millions):

Company Currency	**AEH New Africa II** EUR	**Global Fashion** EUR	**HelloFresh** EUR	**home24** EUR	**Westwing** EUR
Revenue	0	1,095.0	904.9	275.7	265.8
Profit or loss from continuing operations	0	-151.4	-112.3	-53.8	-30.4
Post-tax profit or loss from discontinued operations	0	137.4	0	0	0
Other comprehensive income	-2.0	-47.6	-1.2	0.6	0.4
Total comprehensive income	**-2.1**	**-61.5**	**-113.6**	**-53.1**	**-30.0**
Dividends received from the associate during the year	0	0	0	0	0
Non-current assets	107.6	648.3	139.2	95.7	40.3
Current assets	0	538.4	386.8	64.7	54.0
Non-current liabilities	0	34.9	61.3	13.7	57.1
Current liabilities	0	291.6	108.0	70.1	76.2
Net assets	**107.6**	**860.2**	**356.6**	**76.7**	**-39.0**

Reconciliation of the above summarized financial information to the carrying amount of the interest in associates recognized in the consolidated financial statements is set out below. Other adjustments reflect non-controlling interests of the associates.

For the year ended December 31, 2017 (in millions):

Company Currency	**AEH New Africa II** EUR	**Global Fashion** EUR	**HelloFresh** EUR	**home24** EUR	**Westwing** EUR
Net assets of the associate	107.6	860.2	356.6	76.7	-39.0
Proportion of the Group's ownership interest in the associate	71.2%	20.2%	44.0%	40.8%	32.3%
Goodwill	0	29.1	86.3	16.1	5.3
Impairment charge on Group level	0	-68.0	0	0	0
Other adjustments	0	-4.4	0.1	4.7	11.5
Carrying amount of the Group's interest in the associate	**76.6**	**130.7**	**243.3**	**52.0**	**4.3**

Aggregate financial information for individually immaterial associates

In addition to the interests in associates disclosed above and RICP, Rocket Internet has also interests in a number of individually immaterial associates that are accounted for using the equity method.

In EUR million	**Dec 31, 2018**	**Dec 31, 2017**
Aggregate carrying amount of individually immaterial associates	188.9	186.7
Aggregate amounts of Group's share of:		
profit / loss from continuing operations	-48.8	-45.1
other comprehensive income / loss	5.2	-0.1
total comprehensive income / loss	-43.6	-45.2

Unrecognized share of losses of associates

In EUR million	**Dec 31, 2018**	**Dec 31, 2017**
Cumulative share of loss of associates	-2.6	-2.9
The unrecognized share of profit / loss of associates for the period (financial year ending Dec 31)	0.3	-0.1

Fair value of Group's investment in listed associates accounted for using the equity method

In EUR million	Dec 31, 2018	Dec 31, 2017
HelloFresh SE	306.5	812.1
home24 SE	94.7	n/a
Westwing AG	77.7	n/a
Spark Networks SE	23.2	35.0

Description of the Group's involvements in the associated company Rocket Internet Capital Partners Fund

In the first half of 2016 a Fund named Rocket Internet Capital Partners ("RICP") was established. As of December 31, 2018 as well as in the previous year the following companies of the Group are part of the fund structure:

Function	Company name	Registered office	Ownership of the Group	Status
RICP or Fund	Rocket Internet Capital Partners SCS and Rocket Internet Capital Partners (Euro) SCS [1)]	Luxembourg	14% [2)]	Unconsolidated structured entities
Founder Partner	Rocket Internet Capital Partner Founder SCS	Luxembourg	75%	Fully consolidated subsidiary
General Partner	Rocket Internet Capital Partners Lux S.à r.l.	Luxembourg	100%	Fully consolidated subsidiary
RI Capital or Advisor	RI Capital Advisors Ltd.	London	100%	Fully consolidated subsidiary

1) USD-Fund and EUR-parallel Fund (investors have the option to invest in USD and/or in EUR).
2) Quota relates to the total Fund (USD-Fund and EUR-parallel Fund).

Both unconsolidated structured entities are sponsored by the Group. The General Partner of the Fund acts as a fund manager. RI Capital acts as an advisor of the General Partner. The General Partner and the Advisor are subsidiaries of Rocket Internet SE. Rocket Internet SE has underwritten an amount equal to 14% of the subscribed capital of the Fund via its participation in the Founder Partner. The remaining commitments are provided by third parties (institutional investors as well as high net worth individuals).

The Fund invests jointly with Rocket Internet (co-investment ratio: 80% RICP; 20% Rocket Internet). The Fund duration is at least nine years.

The total commitment of the Founder Partner amounts to approx. EUR 123.6 million (consisting of USD 100.0 million and EUR 36.3 million) (previous year approx. EUR 119.7 million, consisting of USD 100.0 million and EUR 36.3 million) of which a total amount of approx. EUR 60.8 million (previous year approx. EUR 41.7 million) was drawn-down.

Interests in unconsolidated structured entities that are measured at-equity

The Group's interests in RICP refer to contractual and non-contractual involvement that exposes the Group to variable returns from the performance of the unconsolidated structured entities. The Group's interests in unconsolidated structured entities solely include equity investments.

Maximum credit risk of unconsolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated structured entity. The maximum exposure for equity investments is reflected by their carrying amounts in the consolidated balance sheet. The structured entities are shown in the balance sheet item Investments in associates and joint ventures. The Group is not absorbing any risk arising from the variability of returns from the structured entities via other interests such as debt investments, liquidity facilities, guarantees, derivatives, etc. As an administrator of the Fund, the general partner bears various administrative expenses. Rocket Internet SE has pledged current financial assets amounting to EUR 169.9 million (previous year EUR 149.9 million) as collateral for RICP's short-term credit facility. As of December 31, 2018, RICP has drawn down EUR 96.2 million (previous year EUR 31.2 million) of that credit facility. Rocket Internet did not provide further non-contractual support during the financial years 2018 and 2017 to unconsolidated structured entities. The Group is not contractually obliged to provide financial support to these entities in any form.

Profit entitlements derived from involvement with unconsolidated structured entities

The Founder Partner is entitled to a carry for its services in relation to the Fund, provided the Fund reaches certain performance targets.

Size of unconsolidated structured entities

The size of the Fund (USD-Fund and EUR-parallel Fund) is determined by the total combined commitments of its investors, which were equal to USD 1,000.0 million as of December 31, 2018 (previous year USD 1,000.0 million). The Fund's investments are measured at fair value through profit or loss.

Summarized financial information for RICP for the year ended December 31, 2018 (in millions):

Company Currency	**RICP** EUR
Revenue	0
Profit or loss from continuing operations	174.8
Post-tax profit or loss from discontinued operations	0
Other comprehensive income	15.7
Total comprehensive income	**190.5**
Dividends received from the associate during the year	0
Non-current assets	794.1
Current assets	1.0
Non-current liabilities	0
Current liabilities	96.8
Net assets	**698.3**

Reconciliation of the above summarized financial information of RICP to the carrying amount recognized in the consolidated financial statements is set out below.

For the year ended December 31, 2018 (in millions):

Currency	EUR
Net assets of the associate	698.3
Proportion of the Group's ownership interest in the associate	13.9%
Carrying amount of the Group's interest in the associate	**96.9**

Investments in joint ventures

Details of the Group's material joint ventures at the end of the reporting period are as follows:

				Ownership	
Trade name	**Name of joint venture**	**Registered office**	**Principal activity**	**Dec 31, 2018**	**Dec 31, 2017**
Jumia Group	Jumia Technologies AG [1)]	Berlin	eCommerce/ marketplace	21.7%	21.7%
Asia Pacific Internet Group [2)]	Asia Internet Holding S.à r.l.	Luxembourg	eCommerce/ marketplace	50.0%	50.0%
Middle East Internet Group [2)]	Middle East Internet Holding S.à r.l.	Luxembourg	eCommerce/ marketplace	50.0%	50.0%

1) Formerly Africa Internet Holding GmbH

2) Immaterial for the Group as of Dec 31, 2018

Summarized financial information in respect of the Group's material joint ventures is set out below and represents amounts shown in the joint venture's consolidated financial statement prepared in accordance with IFRS and adjusted by the Group for equity accounting purposes.

Summarized financial information for the year ended December 31, 2018 (in millions):

Company Currency	**Jumia Group** EUR
Revenue	130.6
Profit or loss from continuing operations	-170.7
Post-tax profit or loss from discontinued operations	0
Other comprehensive income	-0.2
Total comprehensive income	**-171.0**
THE ABOVE PROFIT OR LOSS INCLUDES:	
Depreciation and amortization	-2.5
Interest expense	-0.2
Income tax expense / income	-0.9
Dividends received from the joint venture during the year	0
Non-current assets	9.5
Current assets	135.4
Non-current liabilities	1.0
Current liabilities	92.2
Net assets	**51.6**
ASSETS AND LIABILITIES ABOVE INCLUDE:	
Cash and cash equivalents	100.6
Non-current financial liabilities (excluding trade and other payables and provisions)	0
Current financial liabilities (excluding trade and other payables and provisions)	0

Reconciliation of the above summarized financial information to the carrying amount of the interest in joint venture recognized in the consolidated financial statements is set out below.

December 31, 2018 (in millions):

Company Currency	**Jumia Group** EUR
Net assets of the joint venture	51.6
Proportion of the Group's ownership interest in the joint venture	21.7%
Goodwill	54.1
Carrying amount of the Group's interest in the joint venture	**65.3**

Summarized financial information for the year ended December 31, 2017 (in millions):

Company Currency	**Jumia Group** EUR	**Asia Pacific Internet Group** [1)] EUR	**Middle East Internet Group** EUR
Revenue	93.8	12.6	86.5
Profit or loss from continuing operations	-148.7	-64.5	-33.9
Post-tax profit or loss from discontinued operations	0	-18.8	0.1
Other comprehensive income	-1.2	-0.8	0
Total comprehensive income	**-149.8**	**-84.0**	**-33.8**
THE ABOVE PROFIT OR LOSS INCLUDES:			
Depreciation and amortization	-2.1	-3.4	-0.4
Interest income	0	0.1	0
Interest expense	0	-0.1	0
Income tax expense / income	-0.7	1.3	-0.1
Dividends received from the joint venture during the year	0	0.6	0
Non-current assets	104.4	61.1	0.6
Current assets	188.8	69.2	40.6
Non-current liabilities	1.1	2.7	0.9
Current liabilities	66.5	17.5	27.0
Net assets	**225.6**	**110.1**	**13.3**
ASSETS AND LIABILITIES ABOVE INCLUDE:			
Cash and cash equivalents	29.0	23.6	28.6
Non-current financial liabilities (excluding trade and other payables and provisions)	0	0	0.7
Current financial liabilities (excluding trade and other payables and provisions)	0	0	12.9

1) Profit or loss of Asia Pacific Internet Group includes impairment losses of EUR 20.4 million.

Reconciliation of the above summarized financial information to the carrying amount of the interest in joint ventures recognized in the consolidated financial statements is set out below. Other adjustments reflect non-controlling interests of the joint ventures.

December 31, 2017(in millions):

Company Currency	**Jumia Group** EUR	**Asia Pacific Internet Group** EUR	**Middle East Internet Group** EUR
Net assets of the joint venture	225.6	110.1	13.3
Proportion of the Group's ownership interest in the joint venture	21.7%	50.0%	50.0%
Goodwill	54.1	18.4	29.4
Impairment charge on Group level	0	-26.3	-39.9
Other adjustments	1.9	-4.7	6.5
Carrying amount of the Group's interest in the joint venture	**105.0**	**42.4**	**2.7**

Aggregate financial information for individually immaterial joint ventures

In addition to the interests in joint ventures disclosed above, the Group also had interests in individually immaterial joint ventures that were accounted for using the equity method.

In EUR million	**Dec 31, 2018**	**Dec 31, 2017**
Aggregate carrying amount of individually immaterial joint ventures	19.3	9.2
Aggregate amounts of Group's share of:		
profit / loss from continuing operations	45.6	-2.1
other comprehensive income / loss	-0.1	0
total comprehensive income / loss [1]	45.5	-2.1
Dividends received from immaterial joint ventures during the year	36.9	0

1) The proportionate total comprehensive income of individually immaterial joint ventures essentially includes the proportionate gain of Asia Pacific Internet Group. During the financial year 2018, the Group received a dividend in the amount of EUR 36.9 million from Asia Pacific Internet Group which reduced the carrying amount of the joint venture accordingly. Therefore, the carrying amount of Asia Pacific Internet Group is immaterial for the Group as of December 31, 2018.

Notes to the Income Statement

11. Revenue

Revenue for the financial year 2018 comprises the following:

	2018	
	In EUR million	in %
Revenue from contracts with customers (IFRS 15)	21.1	47
Other revenue	23.4	53
Total	**44.5**	**100**

Other revenue mainly comprises interest revenue (IFRS 9) in the amount of EUR 17.8 million, which is reported as revenue depending on the respective business model of the Group entities, and revenue from the sublease of office space (IAS 17) in the amount of EUR 5.0 million (excluding service charges).

Revenue from contracts with customers (IFRS 15) for the period comprises the following:

	2018	
	In EUR million	in %
TYPE OF REVENUE		
Rendering of services	19.7	94
Sale of goods	1.3	6
Revenue IFRS 15	**21.1**	**100**
GEOGRAPHICAL MARKETS		
Germany	12.1	58
Europe (excluding Germany)	6.8	32
Rest of the World	2.1	10
Revenue IFRS 15	**21.1**	**100**
TIMING OF TRANSFER OF GOODS OR SERVICES		
At a point in time	10.9	52
Over time	10.1	48
Revenue IFRS 15	**21.1**	**100**

Revenue generated from rendering of services primarily results from rendering intermediation services (specialized online and mobile transaction platforms for goods and services (marketplaces)), from consulting services provided to network companies, as well as from reselling services purchased from third parties.

Revenue generated at a point in time mainly refers to the sale of goods and the sale of intermediation services of specialized online and mobile transaction platforms for goods and services (marketplaces). Revenue generated over time mainly refers to the rendering of project-based services and consulting services.

Revenue for the financial year 2017 comprises the following:

	2017	
	In EUR million	in %
Rendering of services	27.8	76
Sale of goods	4.6	13
Interest	4.3	12
Total	**36.8**	**100**

If IAS 18 would still have been applied in the financial year 2018, there would have been no changes compared with the revenue reported in accordance with IFRS 15.

12. Result from Deconsolidation of Subsidiaries

In EUR million	2018	2017
Gains from deconsolidation		
Deemed disposals (loss of control when subsidiary issues shares to third parties)	9.9	11.9
Sales of subsidiaries	0.5	0
Other (liquidations and deconsolidation of dormant subsidiaries)	0	0.2
Losses from deconsolidation		
Other (liquidation and deconsolidation of dormant subsidiaries)	-0.1	-0.4
Result from deconsolidation of subsidiaries	**10.3**	**11.6**

When Rocket Internet loses control over a company, the former subsidiaries are no longer consolidated, but they usually become associated companies or joint ventures. The retained interests are measured at fair value at first time recognition. The gain or loss that results from the deconsolidation and first-time recognition as associated company or joint venture is recognized as gain / loss from deconsolidation.

In 2018, the result from deconsolidation of subsidiaries mainly originates from deemed disposals of Caterwings and EatFirst as well as the sale of a service company in Luxembourg.

In 2017, the result from deconsolidation of subsidiaries mainly originates from deemed disposals of Zipjet and Instafreight.

For further information we refer to note 8.

13. Cost of materials and cost of financial services

Cost of materials and cost of financial services comprise the following:

In EUR million	2018	2017
Purchased services	8.7	11.0
Purchased goods/merchandise	0.8	4.9
Interest expenses (FinTech Business)	2.2	0
Impairment (FinTech Business)	4.4	0
Cost of materials and cost of financial services	**16.1**	**15.8**

Interest expenses and impairment relate to FinTech loans whose interest income is recognized in revenues.

14. Employee Benefit Expenses

Employee benefit expenses comprise the following:

In EUR million	2018	2017
Salaries, bonuses and other short-term employee benefits	25.4	31.4
Social security	4.0	5.2
Equity-settled share-based payments	1.2	20.8
Cash-settled share-based payments (reversal (-), expense (+))	-1.5	1.1
Non-cash-benefits and other (reversal (-), expense (+))	-3.1	5.2
Employee benefit expenses	**26.0**	**63.7**

Social security costs include contributions to the statutory pension insurance of EUR 1.8 million (previous year EUR 2.2 million).

Regarding the equity- and cash-settled share-based payments, please refer to note 30.

15. Other Operating Expenses

Other operating expenses comprise the following:

In EUR million	2018	2017
Legal and consultancy	7.7	5.8
Marketing expenses	4.2	3.7
Rent and occupancy costs	3.0	3.4
Bookkeeping, year-end closing, auditing expenses	1.8	1.0
Office and infrastructure costs	1.7	1.9
IT costs	1.3	1.6
External services	1.2	1.3
Other taxes	1.0	0.5
Currency translation losses	0.8	2.1
Travel expenses	0.7	0.7
Other levies/insurance premiums	0.7	0.5
Derecognition and impairment of receivables	0.6	2.2
Other	2.8	2.9
Other operating expenses	**27.4**	**27.7**

16. Share of Profit/Loss of Associates and Joint Ventures

In the reporting period, the share of profit/loss of associates and joint ventures amounts to EUR 215.8 million (previous year EUR 2.6 million). It mainly results from HelloFresh, Traveloka, Westwing, RICP and Jumia (previous year HelloFresh, Traveloka, Global Fashion Group, Asia Internet Holding, Middle East Internet Holding and Jumia).

Impairment losses and reversals of impairments recognized in the share of profit/loss of associates and joint ventures are as follows for the financial years 2018 and 2017:

In EUR million	2018	2017
Impairment losses (Group level)	-13.2	-86.1
Reversals of impairments (Group level)	25.7	35.7
Impairment losses (equity-method investee, pro-rata)	0	-15.5
Reversals of impairments (equity-method investee, pro-rata)	0	0.8
Sum of impairment losses and reversals of impairments	**12.4**	**-65.1**

In 2018, total impairment losses amount to EUR 13.2 million on Group level. Thereof, approximately 13% are attributable to valuations based on the DCF method and approximately 87% to valuations based on recent transactions. Reversals of impairments in the amount of EUR 25.7 million are with approximately 56% attributable to the DCF method while 44% relate to recent transactions. Impairment losses recognized during the financial year 2018 of EUR 13.2 million on Group level are mainly attributable to Asia Internet Holding (EUR 10.9 million). Reversals of impairments in the amount of EUR 25.7 million mainly relate to Global Fashion Group (EUR 14.4 million), Spotcap (EUR 5.0 million) and Nestpick (EUR 2.2 million).

In 2017, total impairment losses amount to EUR 101.6 million (of which EUR 86.1 million are recognized on Group level). Thereof, approximately 64% are attributable to valuations based on the DCF method and approximately 36% to valuations based on recent transactions. The reversals of impairments of EUR 36.6 million are also with approximately 64% attributable to the DCF method while 36% relate to recent transactions.

During the financial year 2017, Rocket Internet recognized impairment losses of EUR 86.1 million on Group level, which are mainly attributable to Middle East Internet Holding (EUR 39.9 million), Asia Internet Holding (EUR 24.1 million) and Clickbus Brazil (EUR 10.0 million). Moreover, the Group recognized a proportionate share of impairment losses of EUR 15.5 million, which mainly relate to Asia Internet Holding (EUR 10.2 million) and Vaniday (EUR 3.2 million). In 2017, the Group recognized reversals of impairments of EUR 36.5 million which mainly relate to Global Fashion Group (EUR 22.5 million) and Nestpick (EUR 4.1 million).

The valuation methods for the determination of the fair values of associates and joint ventures correspond to the methods used for equity instruments measured at fair value. The recoverable amount of the assets corresponds to the fair value less costs to sell, which are taken into account in the amount of 1%. The fair value measurements are categorized within Level 3 of the fair value hierarchy. For further information on valuation methods, please refer to note 32.

For further information on associated companies and joint ventures, please refer to note 10.

17. Financial Result

Financial result for the period comprises the following:

In EUR million	2018	2017
Interest and similar expenses (from financial liabilities that are not measured at FVTPL)	-9.0	-14.5
Loss from derivative financial instruments	-5.0	-79.2
Loss on financial assets at FVTPL	-148.8	-39.1
Loss from the impairment of AFS equity investments	0	-2.3
Loss from the repurchase of convertible bonds	-39.2	0
Currency translation losses	-4.6	-45.6
Total finance expense	**-206.5**	**-180.7**
Interest and similar income (from financial assets that are not measured at FVTPL)	9.5	16.1
Gain on financial assets at FVTPL	168.0	138.9
Gain from the derecognition of AFS equity investments FVTOCI	0	65.9
Dividends received from associates at FVTPL	0.2	0.4
Other dividends	0.2	3.3
Gain from derivative financial instruments	4.8	2.8
Currency translation gains	24.9	0.3
Total finance income	**207.5**	**227.7**
Net financial result	**1.0**	**47.0**
thereof net gains / losses from financial instruments that are classified as held for trading	-0,2	-76.4

For further information regarding the profit / loss from changes in fair value of financial assets at FVTPL refer to note 32.

18. Income Tax

Income tax expense recorded in profit or loss comprises the following:

In EUR million	2018	2017
Current tax expense (-)/income (+)	-7.3	-0.7
thereof current period	-6.9	-0.2
thereof previous years	-0.4	-0.6
Deferred tax income	0.7	4.6
thereof current period	0.7	2.3
thereof previous years	0	2.2
Income tax expense (-)/income (+) for the year	**-6.6**	**3.8**

Reconciliation between the tax expense/income and profit or loss multiplied by applicable tax rate

The difference between the actual income taxes and the expected income taxes that would arise using the weighted average tax rate to profit or loss before tax relates to the following reconciling items:

In EUR million	2018	2017
Income/loss before tax	**202.6**	**-9.8**
Tax calculated at domestic tax rates applicable to profits in the respective countries	-55.7	2.8
Income not subject to tax	54.5	53.4
Expenses not deductible for tax purposes	-65.3	-7.5
Tax losses for which no deferred income tax assets were recognized	-6.3	-20.2
Utilization of tax losses from previous years	3.1	1.9
Share-based payments not deductible for tax purposes	-0.3	-6.3
Results of associates/joint ventures and deconsolidation	65.0	2.9
Temporary differences for which no deferred income tax assets were recognized	2.6	-2.4
Permanent differences	-0.9	-21.3
Other tax effects	-3.2	0.4
Income tax expense (-)/income (+) for the year	**-6.6**	**3.8**

The weighted average applicable tax rate was 27.48% (previous year 28.82%), which was derived from the tax rate in each tax jurisdiction weighted by the relevant pre-tax profit or loss.

Deferred Taxes

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases. The tax effect of these temporary differences and unused tax loss carryforwards is disclosed below:

In EUR million	Dec 31, 2018	Dec 31, 2017
Intangible assets	-0.9	0
Financial assets	0.3	-4.2
Convertible bonds	0	-6.3
Cash and cash equivalents in foreign currency	0.6	6.2
Accruals	0.5	1.2
Financial liabilities	0.5	0.8
Shares in associated companies and joint ventures	-3.6	-4.9
Deferred tax on tax loss carryforwards	1.8	5.9
Inventory / Contract assets	0.2	0.2
Other	0.2	0.1
Net deferred tax liabilities (-)	**-0.3**	**-1.2**
Deferred tax liabilities reported in balance sheet	**-0.3**	**-1.2**

Deferred income tax assets are recognized for tax loss carryforwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable or deferred tax liabilities are recognized. As of December 31, 2018, deferred tax assets for tax loss carryforwards of EUR 1.8 million (previous year EUR 5.9 million) and deferred tax assets for deductible temporary differences of EUR 3.7 million (previous year EUR 11.0 million) have been recognized. Deferred tax assets from deductible temporary differences amounting to EUR 0.1 million (previous year EUR 2.4 million) were not recognized.

Tax loss carryforwards in Germany

In years of tax profits any tax loss carryforward can be fully used up to an amount of EUR 1.0 million. Any excess tax profit will be reduced with remaining tax loss carryforwards by 60%. Thus, 40% of all tax profits exceeding EUR 1.0 million will be subject to taxation.

As of December 31, 2018, the parent Company has corporate income tax loss carryforwards originated and generally usable in Germany in the amount of EUR 111.0 million (previous year EUR 123.9 million) as well as trade income tax loss carryforwards in the amount of EUR 112.2 million (previous year EUR 120.6 million). As of December 31, 2018, unused income tax loss carryforwards of the parent Company for which no deferred tax assets have been recognized relate to corporate income tax loss carryforwards in the amount of EUR 109.9 million (previous year EUR 123.9 million) as well as to trade income tax loss carryforwards in the amount of EUR 111.2 million (previous year EUR 120.6 million).

With regard to Germany, as of December 31, 2018, the consolidated subsidiaries have corporate income tax loss carryforwards originated and generally usable in Germany in the amount of EUR 5.2 million (previous year EUR 17.5 million), as well as usable trade income tax loss carryforwards in the amount of EUR 6.1 million (previous year EUR 18.7 million). For those tax loss carryforwards no deferred tax assets have been recognized.

Tax loss carryforwards in other countries

The consolidated foreign subsidiaries have unrecognized unused accumulated corporate income tax loss carryforwards for which no deferred tax assets were recognized in the balance sheet as follows:

In EUR million	2018	2017	Time of expiration
Luxembourg	239.4	197.1	17 years
France	4.6	0.7	unlimited
United Kingdom	4.6	18.4	unlimited
India	4.2	4.2	8 years
Mexico	3.0	2.6	10 years
Other countries	0.2	2.8	
thereof	0.2	0.4	unlimited
thereof	0	0.9	5 years
thereof	0	1.5	9 years
Unrecognized unused tax losses	**256.1**	**225.9**	

Tax loss carryforwards are subject to review and possible adjustment by the tax authorities. Furthermore, under current German tax laws, certain substantial changes in the entity ownership and business may further limit the amount of net operating loss carryforwards, which could be utilized annually to offset future taxable income. Given the number of significant mergers, exits, spin-offs and other reorganizational measures, particularly at the level of the Group, there can be no assurance that current tax losses and tax loss carryforwards having originated and being generally usable in Germany or in other countries may have been partially or completely lost. As the majority of the consolidated operating subsidiaries has a loss history and continues to incur substantial tax losses, deferred tax assets were reduced and only recognized to the extent of any tax liabilities.

Outside basis differences

Deferred tax liabilities on temporary differences related to measurement of shares in associated companies and joint ventures of EUR 3.6 million (previous year EUR 4.9 million) were offset against deferred tax assets arising from unused tax loss carryforwards of EUR 0.1 million (previous year EUR 0.2 million), and deferred tax assets from deductible temporary differences of EUR 3.3 million (previous year EUR 3.7 million).

The Group controls the reversal of temporary differences related to taxes chargeable on dividends from subsidiaries or on gains upon their disposal ("outside basis differences"). For temporary differences of EUR 57.2 million (previous year EUR 52.2 million) deferred tax liabilities are not recognized because the Management expects the temporary differences not to reverse in the foreseeable future.

19. Earnings per Share

Basic earnings per share (EPS)

Basic earnings per share are calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

As of December 31, 2018 the subscribed capital amounted to EUR 152.5 million (previous year EUR 165.1 million) and was fully paid-in. The registered share capital was divided into 152,514,398 (previous year 165,140,790) no-par value bearer shares. As of December 31, 2018, the Company held 1,747,104 (previous year 1,035,621) own shares.

During the financial year 2018 13,337,875 (previous year 1,035,621) treasury shares were purchased and 12,626,392 (previous year 0) treasury shares were redeemed by the Company (see note 7 for more detail).

Basic earnings per share are calculated as follows:

	2018	2017
Profit attributable to equity holders of the parent (in EUR million)	201.4	2.3
Weighted average number of ordinary shares in issue (in million)	157.3	165.1
Earnings per share (basic) in EUR	**1.28**	**0.01**

Diluted earnings per share (EPS)

Diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the parent and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The calculation of diluted earnings per share excludes potential ordinary shares that would have an antidilutive effect on earnings per share.

Diluted earnings per share are calculated as follows:

	2018	2017
Profit attributable to equity holders of the parent (in EUR million)	201.4	2.3
Weighted average number of ordinary shares in issue (in million)	157.3	165.1
Dilution due to share options (in million)	0.2	n/a
Weighted average number of ordinary shares in issue (diluted) (in million)	157.5	165.1
Earnings per share (diluted) in EUR	**1.28**	**0.01**

The following instruments were not taken into account when calculating diluted earnings per share as their effect would have been antidilutive.

	2018	2017
Share options from SOP I (in million)	4.5	4.5
Share options from SOP II (in million)	0	5.1
Potential ordinary shares from assumed conversion of the convertible bond (in million) 1)	0	6.3

1) On July 22, 2015, Rocket Internet SE issued 5,500 convertible bonds with a principal amount of EUR 100,000 each. The convertible bond has a term of seven years and an interest rate of 3% per year payable semi-annually. During financial year 2018 the Group repurchased 2,983 (previous year 555) bonds. As of December 31, 2018 no convertible bonds were issued.

Transactions involving ordinary shares between the reporting date and the date of the authorization of these financial statements

There were no transactions involving ordinary shares of the Company after December 31, 2018.

Notes to the Balance Sheet

20. Intangible Assets

Intangible assets developed as follows during the financial years 2017 and 2018:

In EUR million	Goodwill	Internally generated intangible assets	Purchased industrial and similar rights	Total
COST				
As of Jan 1, 2017	**0.7**	**8.5**	**2.3**	**11.5**
Additions	0	0	0.1	0.1
Changes in the basis of consolidation	4.5	-0.7	3.2	7.0
As of Dec 31, 2017	**5.2**	**7.8**	**5.6**	**18.6**
Changes in the basis of consolidation	-0.1	0	-0.2	-0.2
As of Dec 31, 2018	**5.1**	**7.8**	**5.5**	**18.4**
AMORTIZATION AND IMPAIRMENT				
As of Jan 1, 2017	**0**	**-7.8**	**-1.6**	**-9.4**
Amortization charge for the year	0	-0.1	-0.3	-0.4
Impairment 1)	0	-0.6	0	-0.6
Changes in the basis of consolidation	0	0.7	0.1	0.8
As of Dec 31, 2017	**0**	**-7.8**	**-1.9**	**-9.7**
Amortization charge for the year	0	0	-0.3	-0.3
Impairment	-0.7	0	-0.1	-0.7
Changes in the basis of consolidation	0.1	0	0.1	0.2
As of Dec 31, 2018	**-0.6**	**-7.8**	**-2.2**	**-10.7**
NET CARRYING AMOUNT				
As of Jan 1, 2017	**0.7**	**0.7**	**0.7**	**2.1**
As of Dec 31, 2017	**5.2**	**0**	**3.7**	**8.9**
As of Dec 31, 2018	**4.5**	**0**	**3.2**	**7.7**

1) The impairment shown in the asset register does not correspond to the impairment shown in profit/loss. Profit/loss also includes impairment losses on intangible assets classified as held for sale.

As of December 31, 2018 and 2017, no intangible assets have been pledged to third parties as collateral.

For information regarding research and development, please refer to section 1.2 in the combined management report.

Goodwill impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units (CGUs) (network companies) as follows:

In EUR million	Dec 31, 2018	Dec 31, 2017
Holidays & Co. S.A.S.	4.5	4.5
Units without significant goodwill	0	0.7
Total	**4.5**	**5.2**

The following impairment loss was recognized in relation to goodwill:

In EUR million	2018	2017
Printvenue	0.6	0
Vayacamping	0.1	0
Total impairment loss recognized	**0.7**	**0**

The Management Board estimated the recoverable amount of these CGUs as part of the mandatory impairment testing.

Financial year 2018

The goodwill allocated to Printvenue Singapore and Vayacamping with an amount of EUR 0.7 million as well as other intangible assets with an amount of EUR 0.1 million were fully impaired as both subsidiaries discontinued their business activities.

Financial year 2017

In the financial year 2017 the Group did not recognize any goodwill impairment losses. The impairment losses of other intangible assets recognized in profit or loss amounted to EUR 0.7 million. They result from technological or commercial obsolescence and are immaterial for the Group.

21. Non-Current Financial Assets

Non-current financial assets comprise the following:

In EUR million	Dec 31, 2018	Dec 31, 2017
Equity instruments at FVTPL	609.1	129.3
Loan receivables from third parties	136.3	48.3
Loan receivables from associates	15.9	7.7
AFS equity investments	0	733.9
Other	9.3	18.8
Total non-current financial assets	**770.6**	**937.9**

Equity instruments classified as AFS equity investments in financial year 2017 are classified as equity instruments at FVTPL since the first-time application of IFRS 9 as of January 1, 2018 (refer to note 2).

For additional information regarding non-current financial assets, please refer to note 31 and 32.

22. Trade Receivables

Trade receivables comprise the following:

In EUR million	Dec 31, 2018	Dec 31, 2017
Trade receivables from third parties	2.9	4.1
Trade receivables from associated companies and joint ventures	0.6	1.0
Trade receivables from subsidiaries (outside consolidation)	0.2	0.3
Trade receivables	**3.7**	**5.4**
Gross trade receivables	4.5	5.9
Valuation allowance	-0.8	-0.5
Trade receivables	**3.7**	**5.4**

23. Other Current Financial Assets

Other current financial assets comprise the following:

In EUR million	Dec 31, 2018	Dec 31, 2017
Equity instruments at FVTPL	462.5	46.4
Bank deposits	185.1	150.0
Loan receivables from third parties	91.7	45.2
Loan receivables from associated companies and joint ventures	13.4	5.7
Receivables from the sale of investments	9.2	8.8
Asset backed securities issued by associated companies	7.5	7.5
AFS equity investments	0	737.9
Other financial assets	5.0	12.8
Total other current financial assets	**774.4**	**1,014.2**

The current equity instruments at FVTPL contain easily convertible into cash listed shares of EUR 462.5 million (previous year shares in Altigi in the amount of EUR 46.4 million).

The AFS equity investments as of December 31, 2017 relate to the Delivery Hero shares sold in March 2018.

The aging analysis of other current financial receivables is as follows:

			Past due, but not impaired					
In EUR million	Carrying amount	Not past due and not impaired	1–30 days	31–90 days	91–180 days	> 180	Impaired receivables (gross)	Impairment amount
Dec 31, 2018	774.4	774.3	0	0	0	0	0.6	-0.6
Dec 31, 2017	1,014.2	1,010.3	0.5	1.1	0	2.4	0	0

For additional information regarding current financial assets see note 31 and 32.

24. Cash and Cash Equivalents / Consolidated Statement of Cash Flows

Cash and cash equivalents mainly comprise bank balances.

Additional information to the consolidated statement of cash flows

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks shown in the consolidated balance sheet within the line item cash and cash equivalents.

Reconciliation of the opening balance to the year-end balance of financial debt

The reconciliation of liabilities whose payment transactions are classified as cash flows from financing activities in the cash flow statement is as follows:

In EUR million	Liabilities from convertible bonds	Loan and bank liabilities	Non-controlling interests classified as financial liabilities
As of Jan 1, 2017	**332.6**	**2.3**	**0**
Payments received	0	2.9	0
Repurchase of convertible bonds / repayment of borrowings	-52.4	-0.5	0
Deconsolidation of subsidiaries	0	-3.3	0
Compounding of long-term debt (effective interest method)	3.1	0	0
As of Dec 31, 2017	**283.4**	**1.4**	**0**
Payments received	0	1.2	75.3
Repurchase of convertible bonds / repayment of borrowings	-325.1	-1.0	0
Deconsolidation of subsidiaries	0	-0.2	0
Compounding of long-term debt (effective interest method)	2.6	0	0
Loss on the repurchase of convertible bonds	39.2	0	0
As of Dec 31, 2018	**0**	**1.4**	**75.3**

Interest paid is not included in the above table because the Group has classified these payments as operating cash flows.

Non-consolidated equity investments

Non-consolidated equity investments specified in the consolidated statement of cash flows relate to investments in associates and joint ventures and other investments in which Rocket Internet directly or indirectly holds less than 20% of the outstanding voting rights or in which the Group has no significant influence, as well as non-material subsidiaries.

Non-cash investing and financing activities and transactions

In the financial year 2018, non-cash investing and financing activities and transactions of EUR 34.8 million were performed. This relates to the contribution of shares of Altigi GmbH (Goodgame Studios) into Stillfront Group AB (EUR 23.2 million) and the contribution of Caterwings and Order-In into the B2B Food Group (EUR 11.6 million). Both Altigi GmbH as well as in Stillfront Group AB were or are measured at fair value through profit or loss (fvtpl). Before the contribution, Caterwings was a fully consolidated subsidiary while Order-In was an associated company (equity-method). B2B Food group is an associated company (equity method). All contributions were made at fair value.

In the previous year, there were no significant non-cash investing and financing activities and transactions.

25. Subscribed Capital and Reserves

As of January 1, 2017, the share capital amounted to EUR 165.1 million and was fully paid in. The registered share capital was divided into 165,140,790 no-par value bearer shares. No treasury shares were held.

During the financial year 2017, Rocket Internet repurchased 1,035,621 shares in line with the share buy-back program 2017 / 2018.

As of December 31, 2017, the share capital amounted to EUR 165.1 million and was fully paid in. The registered share capital was divided into 165,140,790 no-par value bearer shares. 1,035,621 treasury shares were held.

During the financial year 2018, Rocket Internet repurchased 13,337,875 shares. Thereof, 5,546 shares refer to the share-buy-back program 2017 / 2018, 3,607,590 shares refer to the share-buy-back program 2018 / 2019 and 9,724,739 shares refer to the public share purchase offer against payment of an offer price in the amount of EUR 24.00 per share.

During the financial year 2018, Rocket Internet redeemed 12,626,392 own shares. Thus, the share capital of the Company was reduced from EUR 165,140,790 by EUR 12,626,392 to EUR 152,514,398.

As of December 31, 2018, the share capital amounted to EUR 152.5 million and was fully paid in. The registered share capital was divided into 152,514,398 no-par value bearer shares. 1,747,104 treasury shares were held.

Please refer to note 7 for further information on the repurchased shares.

In 2017, capital reserves increased from EUR 3,099.4 million as of January 1, 2017 by EUR 0.9 million to EUR 3,100.3 million as of December 31, 2017.

In 2018, capital reserves decreased by EUR 250.3 million to EUR 2,850.0 million as of December 31, 2018.

The changes in the equity-settled share-based payments (IFRS 2) are explained in the table below. They are driven by increases in the reserve through the income statement, the deconsolidation of entities and allocation to non-controlling interests.

In EUR million	2018	2017
Equity-settled share-based payments recognized as employee benefit expenses of the year	1.2	20.8
Changes due to deconsolidation and allocation to non-controlling interests	-0.5	0.3
Equity-settled share-based payments (IFRS 2) as presented in consolidated statement of changes in equity	**0.7**	**21.1**

Changes in other components of equity, which are attributable to both, the equity holders of the parent Company and to the non-controlling interest, comprise the following:

	Other components of equity			
In EUR million	**Foreign currency differences**	**Associates and joint ventures**	**Available-for-sale financial assets**	**Total**
As of Jan 1, 2017	**-0.3**	**10.5**	**231.7**	**241.9**
Net other comprehensive income	-4.3	-17.4	399.0	377.3
As of Dec 31, 2017	**-4.6**	**-6.8**	**630.7**	**619.2**
First time application of IFRS 9 (reclassification into retained earnings)	0	0	-630.7	-630.7
As of Jan 1, 2018	**-4.6**	**-6.8**	**0**	**-11.4**
Net other comprehensive income	3.3	-5.5	0	-2.2
As of Dec 31, 2018	**-1.3**	**-12.3**	**0**	**-13.6**

Authorization of the Management Board to issue new shares (authorized capital)

The Management Board is authorized to increase the registered capital of the Company until August 21, 2019, with the consent of the Supervisory Board once or repeatedly by up to a total of EUR 15,012,592 by the issuance of up to 15,012,592 new no-par value bearer shares against contributions in cash or in kind (Genehmigtes Kapital 2014).

The Management Board is authorized to increase the registered capital of the Company until June 1, 2022, with the consent of the Supervisory Board once or repeatedly by up to a total of EUR 67,557,803 by the issuance of up to 67,557,803 new no-par value bearer shares against contributions in cash or in kind (Genehmigtes Kapital 2017).

26. Distributions Made and Proposed

During the financial years 2018 and 2017, no dividends were declared or paid to the shareholders of the parent Company.

The Group made in 2018 non-cash distributions of EUR 2.0 million (previous year EUR 0.2 million) to non-controlling shareholders. During the financial year 2018, fully consolidated subsidiaries paid no cash dividends to non-controlling shareholders as in the previous year.

27. Non-Current Financial Liabilities

Non-current financial liabilities comprise the following:

In EUR million	Dec 31, 2018	Dec 31, 2017
Non-controlling interests classified as financial liabilities	75.3	0
Loan liabilities	1.7	1.6
Liabilities from convertible bonds	0	283.4
Other financial liabilities	0.6	0.2
Total non-current financial liabilities	**77.5**	**285.1**

The non-controlling interests classified as financial liabilities relate to a subsidiary (Global Growth Capital Fund) whose life is limited by the articles of association.

Convertible bonds

On July 22, 2015, Rocket Internet SE issued 5,500 convertible bonds with a principal amount of EUR 100,000 each. The convertible bonds have a term of seven years and an interest rate of 3% per year payable semi-annually on January 22 and July 22.

During 2018 Rocket Internet repurchased all remaining convertible bonds. In total convertible bonds with an aggregate principal amount of EUR 298.3 million (previous year EUR 55.5 million) were repurchased.

Thus, as of December 31, 2018 there are no non-current liabilities from convertible bonds (previous year EUR 283.4 million) and no current liabilities from convertible bonds (previous year EUR 3.9 million) in the balance sheet.

In the period under review, interest in the amount of EUR 7.6 million (previous year EUR 12.6 million) accrued on the convertible bonds.

The contractual cash flows from the convertible bonds are affected by the option of the bondholders of exchanging convertible bonds in the principal amount of EUR 100,000 for 2,103.6909 shares in Rocket Internet SE. The conversion price is EUR 47.5355.

As of the issue date, the convertible bonds had an aggregate fair value of EUR 550.0 million. The fair value of the aggregate convertible bond portfolio is determined based on the market prices quoted on the Frankfurt Stock Exchange for the convertible bonds. The market price was 104% as of December 31, 2017.

The convertible bonds were divided into an equity component and a debt component on the issue date. The fair value of the debt component was determined by discounting the future cash flows while taking into account a market interest rate of 3.51% for a comparable debt instrument. The convertible bonds can be called by Rocket Internet. The value of the call options was not materially different from zero at the issue date and subsequently.

The bond conversion option was recognized in equity at a residual value of EUR 37.7 million upon issue of the bond. The proportion of the equity component does not change.

The debt component is reported at amortized cost using the effective interest method.

28. Other Current Financial Liabilities

Other current financial liabilities comprise the following:

In EUR million	Dec 31, 2018	Dec 31, 2017
Derivative financial liabilities	0	78.3
Liabilities from capital calls	0	15.0
Liabilities from convertible bonds	0	3.9
Other financial liabilities	4.8	3.8
Total other current financial liabilities	**4.8**	**101.1**

29. Non-Financial Liabilities

Other non-financial liabilities comprise the following:

In EUR million	Dec 31, 2018	Dec 31, 2017
Operating lease incentives	9.8	10.8
Other non-financial liabilities	0.4	1.6
Other non-current non-financial liabilities	**10.2**	**12.5**
Liabilities from cash-settled share-based payments and similar liabilities	5,8	10,3
Other non-financial liabilities	3.3	5.8
Other current non-financial liabilities	**9.1**	**16.1**
Total non-financial liabilities	**19.3**	**28.6**

Liabilities from cash-settled share-based payments relate to employees as well as to others providing similar services (as defined in IFRS 2 and IAS 19).

30. Share-Based Compensation

The Group operates share-based compensation arrangements for eligible and selected directors, employees or others providing similar services to the Group ("a participant" or "participants"). These arrangements consist of four different types of awards:

- I. Share options in the Company,
- II. Ordinary shares in subsidiaries,
- III. Share options in subsidiaries or
- IV. Cash-settled awards.

I. Share options in the Company (Stock Option Programs 2014)
Under the Stock Option Programs 2014 ("SOP I" and "SOP II"), one share option grants the holder the right to subscribe for one share of the Company. Rocket Internet has the right, without any obligation, to pay the entitlements in cash instead of in shares.

All share options under the SOP I were granted to the Company's CEO after the listing of the Company's shares on the Open Market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse or the Open Market) on October 2, 2014. These share options have an exercise price of EUR 42.63 per share option and will vest in monthly installments over a five-year vesting period and can be, subject to certain conditions, exercised after a waiting period of four years commencing on the date the share options were granted.

The options granted under the SOP I can only be exercised if among others:

(i) the Company successfully launches an average of at least four companies per year during the four-year waiting period; and

(ii) the stock price reflects, on at least one single trading day within the waiting period, a Company valuation of EUR 4 billion plus the total of all amounts paid in through capital increases or payments into the capital reserves since May 27, 2014 until the relevant trading day.

Under the SOP II in accordance with the resolution of the General Meeting of September 8, 2014, amended by the resolution of the General Meeting of June 2, 2017, the Supervisory Board is authorized to grant up to 3,408,342 share options to each of the other two members of the Managing Board (i.e. the CFO and the General Managing Director), up to 1,201,023 share options to certain employees of the Company, up to 795,237 share options to members of the management of affiliated companies, and up to 600,511 share options to certain employees of affiliated companies. In 2018, a total of 445,000 options (previous year 2,752,320 options) were granted under SOP II.

The SOP II provides for an overall ten-year vesting period with a certain number of share options vesting after an initial four-year vesting term and the remaining share options vesting in yearly installments thereafter. The share options can be, subject to their vesting and certain other conditions, exercised after a four-year waiting period commencing on the date the respective share options are granted.

The exercise price of the share options granted prior to listing of the Company's shares in the Open Market amounts to EUR 26.14 per share option. For share options granted subsequent to the listing of the Company's shares in the Open Market the exercise price per share option corresponds to the volume-weighted average closing price of the shares twenty consecutive trading days prior to the relevant grant date.

The exercise of share options under the SOP II requires that:

(i) the shares of the Company are included in the Open Market until October 31, 2014; and
(ii) the Company successfully launches an average of at least four companies per year during the four-year waiting period.

If the performance targets are not achieved by the end of the waiting period, the share options granted under the Stock Option Programs 2014 will forfeit completely without any further consideration. In addition, the share options are only exercisable within three weeks after publication of interim financial reports or annual financial reports, which follow the end of the waiting period.

The table below provides an overview of the movements in the share option awards, which entitle the employees to purchase shares in Rocket Internet SE if the vesting conditions are met, and their respective weighted average exercise prices:

	2018		2017	
Share options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Options outstanding as of Jan 1	**EUR 31.36**	**9,627,978**	**EUR 36.21**	**6,875,658**
Granted during the period	EUR 24.04	445,000	EUR 19.24	2,752,320
Forfeited during the period	EUR 21.12	2,039,652	-	-
Options outstanding as of Dec 31	**EUR 33.60**	**8,033,326**	**EUR 31.36**	**9,627,978**
Exercisable as of Dec 31	EUR 43.80	4,483,113	-	-

The weighted average remaining contractual life for the share options outstanding as of December 31, 2018, is 5.5 years (previous year 5.4 years).

The parameters applied in the Black Scholes option valuation formula and the related estimated fair values per share option as measured on the grant dates in 2018 and 2017 are as follows:

	2018 SOP II	2017 SOP II
Fair value (EUR per Option)	10.96	7.92
Share price (EUR per Share)	23.53	20.50
Exercise price (EUR per Share)	24.42	19.24
Expected volatility (%)	39.48	38.52
Dividend yield (%)	0.00	0.00
Risk-free interest rate (%)	0.33	0.33
Expected life of share options (years)	9.98	6.28

A best possible estimate was made for the expected life of the share options in line with the factors regarding early exercise contained in IFRS 2.B18.

II. Ordinary shares in subsidiaries

The respective share-based payment arrangements provide for equity participation via a trust relationship. The trustee entity holds a certain amount of shares in accordance with the terms and conditions of a trust agreement for the benefit of the trustor, who can be the participant or an investment entity controlled by such a participant. A separate agreement, between the trustor and the relevant company receiving services, governs certain obligations regarding, inter alia, vesting-rights and non-compete obligations that relate to the indirect shareholding of the relevant participant in the relevant company.

The vesting scheme requires a certain period of continued services. According to the currently mainly applied agreements 50% respectively 66.67% of the participant's shares vest quarterly over a period of typically four years (3.125% respectively 4.167% per quarter) and typically a 6-month or 12-month cliff. Partially the vesting period is only three years. Typically the vesting of 33.33% to 50% of the participant's shares is dependent on a change of control event (i.e. this part vests only in the later of the following events (i) occurrence of a change of control event – in some cases plus 12 months – or (ii) four years after the granting of the shares). If a leaver event occurs prior to the expiration of the cliff period, typically all shares can be clawed back. In the case of a bad leaver event, the Company can usually claw back all vested and unvested shares, while in case of a good leaver event, the Company may only claw back the unvested shares. A bad leaver event is typically triggered, if, for example, the respective service agreement between a participant and subsidiary is terminated by such company for cause, the participant demonstrably committed a criminal offence against the company, or such member breached its non-compete obligation. A good leaver event is typically triggered, if, for example, the service agreement is terminated by either party properly.

Shares in subsidiaries of the Group have been issued to participants at the nominal value of the shares of EUR 1. If the applicable vesting conditions are not met (typically if a participant's employment is terminated), Rocket Internet SE or a subsidiary has a right to reacquire these shares at the nominal value or – if lower – at market value.

Movements in the number of shares are as follows:

	2018	2017
Number of unvested shares as of Jan 1	**774**	**1,514**
(De-)Consolidation of subsidiaries	2,386	-373
Granted during the period	875	540
Vested during the period	-130	-413
Forfeited during the period	-120	-494
Number of unvested shares as of Dec 31	**3,785**	**774**
Number of vested shares as of Dec 31	15,048	14,918

The share prices for subsidiaries were estimated using the shares prices paid by investors in past financing rounds. Given that a subsidiary has multiple classes of equity, the hybrid method was employed in order to allocate equity to the various equity classes. The Finnerty Option Pricing Model was used to calculate a liquidity discount for the shares. Based on the estimated fair market value of the relevant shares, the total price paid by the participants for the shares (EUR 1 per share) included a purchase discount. The fair value of the share awards reported as a share-based payment expense is calculated as the difference between the estimated fair value and the price paid for the shares.

In the financial year 2018, 4,113 (previous year 2,347) shares were issued. The weighted average grant date fair value of the shares issued in 2018 is EUR 1 (previous year EUR 1,830).

III. Share options in subsidiaries

Call option arrangements entitle participants to acquire a pre-defined number of shares in a subsidiary. The currently generally applied agreements correspond typically to the above-mentioned conditions for ordinary shares in subsidiaries. In the case of a change of control event the subsidiary is entitled to request that relevant participants exercise all call options outstanding at such point in time. Upon the occurrence of a bad leaver event, all call options that have not been exercised lapse. In the case of a good leaver event, all call options lapse for which the exercise period has not yet commenced.

Movements in the number of shares options and their related weighted average exercise prices are as follows:

	2018		2017	
Options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding options as of January 1	**EUR 1.00**	**1,712**	**EUR 1.00**	**2,677**
Deconsolidation of subsidiaries	EUR 1.00	-987	EUR 1.00	-991
Granted during the period	EUR 1.00	290	EUR 1.00	2,629
Forfeited during the period	EUR 1.00	-64	EUR 1.00	-2,602
Outstanding options as of December 31	**EUR 1.00**	**951**	**EUR 1.00**	**1,712**
Exercisable as of December 31	EUR 1.00	595	EUR 1.00	812

The contractual lives for the options are not specified in the option agreements. As a result, the weighted average remaining contractual life for the options outstanding at the reporting date is dependent on future exit events. In accordance with individual agreements, the outstanding options have an exercise price of EUR 1 per share.

As the options granted have an exercise price of EUR 1 per share, the fair values of the options are equal to their intrinsic values. Accordingly, the main parameters applied are as follows:

	2018	**2017**
Range of share prices (EUR per share)	1.00	0–25,919
Exercise price (EUR per share)	1.00	1.00

The weighted average grant date fair value of the options granted during 2018 amounts to EUR 1 (previous year EUR 5,554) per share. In some cases, the grant date fair values have been estimated because the option agreements have not yet been finalized.

The consolidated subsidiaries' share prices were estimated using the share price paid by investors in past financing rounds. Given that a subsidiary has multiple classes of equity, the hybrid method was employed in order to allocate equity to the various equity classes. The Finnerty Option Pricing Model was used to calculate a liquidity discount for the shares.

IV. Cash-settled awards

This type of share-based payment award granted by certain Group companies allows the participants to participate in exit-related cash payments via call option arrangements. The notional value and the actual distribution of the relevant call options to the participants are determined by the relevant company's management and are subject to certain shareholders' approvals. The participants are entitled to a cash payment amounting to the difference between the exercise price of the call options and the exit proceeds allocated to each share underlying the call options in case of a change of control or listing of the subsidiary on a stock exchange.

The carrying amount of the liability from cash-settled awards as of December 31, 2018 was EUR 1.4 million (previous year EUR 3.7 million). The decrease is due mostly to the settlement of liabilities. All cash settled awards had vested as of December 31, 2018 and 2017, respectively.

Total expense arising from share-based payment transactions
The expense recognized for employee services received during the year is shown in the following table:

In EUR million	2018	2017
Equity-settled share-based payments	1.2	20.8
Cash-settled share-based payments (income (-), expense (+))	-1.5	1.1
Total share-based payment expense (income (-), expense (+))	**-0.3**	**21.9**

31. Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. The Group's main risks arising from existing financial instruments relate to credit risk, liquidity risk, currency risk and share price risk.

The major financial instruments of Rocket Internet Group are cash and cash equivalents (42% of total assets; previous year 38%) and short-term bank deposits (5% of total assets; previous year 3%), equity instruments at fair value through profit or loss (FVTPL) (26% of total assets; previous year 4% and 32% FVTOCI) and other non-current financial assets (4% of total assets; previous year 2%). The Group also records trade receivables and trade liabilities as well as loan receivables and loan liabilities, which arise in the ordinary course of business.

The Group places available funds in current accounts seeking to ensure both liquidity and security of principal. The Group's policy does not permit any trading with financial instruments. Starting from the first half of 2018, the Group purchases highly liquid listed shares which are easily convertible into cash in addition to short-term bank balances as a part of the treasury strategy.

The risk associated with financial assets is controlled through a sophisticated system of operational monitoring. This applies, in particular, to the equity holdings of Rocket Internet Group, which are accounted for at fair value through profit or loss (FVTPL).

Financial risk comprises credit risk, liquidity risk and market risk (currency risk, interest rate risk and share price risk). The primary objectives of the financial risk management function are to establish risk limits, and ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

The risk management is carried out by a central treasury department under the control of the Management Board. The Management Board establishes the principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and investment of excess liquidity.

Credit Risk

Credit risk is defined as the risk that business partners do not meet their contractual payment obligations leading to a loss for Rocket Internet Group. The credit risk comprises the direct risk of a default and the decrease in the credit worthiness as well as the concentration of credit risks.

The credit risk exists for all financial assets in particular for cash and cash equivalents, bank deposits, loan receivables and trade receivables. The Group's receivables are partly secured. The maximum credit risk corresponds to the book value of the financial assets that are subject to this risk.

The Company's maximum exposure to credit risk by class of financial assets is as follows:

In EUR million	Dec 31, 2018	Dec 31, 2017
Bank deposits and other deposits	191.4	162.7
Loan receivables and asset backed securities (secured)	222.3	105.6
Loan receivables and other financial assets measured at amortized cost	46.4	24.3
Trade receivables	3.7	5.4
Cash and cash equivalents	1,720.0	1,716.6
Financial assets for which the impairment requirements of IFRS 9 (previous year IAS 39) apply	**2,183.7**	**2,014.6**
Other financial assets measured at FVTPL	13.9	5.2
Maximum exposure to credit risk	**2,197.6**	**2,019.7**

The investment of liquidity that is not needed for operational purposes is carried out according to criteria defined by Group policy. Rocket Internet Group, in general, only maintains business relationships with banks of outstanding credit rating. Diversification is another means to minimize risk. The credit worthiness is constantly monitored and evaluated by the Group. The investment of term deposits takes place with banks that are members of the respective bank deposit protection funds and / or that are rated with minimum investment grade rating BBB- (S&P) or Baa3 (Moody's), respectively. Interest rate management focuses on optimized distribution of cash between different banks in order to avoid negative deposit rates.

The control and mitigation of credit risk of loan receivables is carried out by the investment control function. Most of the Group's loan receivables are part of the FinTech-Business and are secured in full. The collaterals held mainly consist of loans against third parties, real estate and other assets of the borrowing entities.

Trade receivables mainly relate to the Group's eCommerce activities. In the eCommerce sector, credit risk is mitigated through a careful review of customer credit ratings in the course of the online order process. In the event of deterioration in the payment habits or in case of other factors that indicate a requirement for impairment, the receivables management function either initiates measures aimed at the collection of the outstanding customer payments or at the return of the delivered merchandise. Customers' credit rating is monitored on a continuous basis. The concentration of credit risks is limited because of the broad and heterogeneous structure of the customer base. Any customer credit risks that are identified, e.g. in the case of discontinued payments, are taken into account through appropriate value adjustments.

Cash and cash equivalents, bank deposits and other deposits consist of bank accounts at well rated banks. The expected credit loss for these financial assets as well as for secured financial assets was assessed as not material.

All unsecured financial assets measured at amortized cost were rated BBB. For the calculation of the expected credit loss a one-year-global corporate default rate of 0.25% was used. The calculated expected credit loss has no material effect on the earnings, financial and asset position of the Group.

The Group has written-off unsecured loan receivables that are credit impaired due to the difficult financial situation of the creditor. An impairment loss of EUR 4.4 million was recognized.

Except the credit impaired loan receivables, there are no financial assets with significant increase in credit risk.

Liquidity Risk

Liquidity risk is the risk that Rocket Internet will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the Management of the Company. The Management Board monitors the Group's cash flows based on monthly rolling forecasts.

The liquidity balance and compliance with cash budgets are controlled at regular intervals. In the process, the development of liquidity balances and important movement factors are communicated and discussed internally.

The Group's capital requirements relate, inter alia, to the financing of new and existing companies and the current capital requirements of the Group's operating business. Rocket Internet Group monitors the risk of liquidity shortages (liquidity risk) on a continuous basis through cash budgets and reforecasts taking into consideration the maturities of financial investments and financial assets (e.g. receivables and other financial assets), as well as expected cash flows from operating activities. In addition to cash and cash equivalents as well as income from the sale of financial assets, future cash flows from operating activities represent another source of liquidity.

As of December 31, 2018, the Group's current assets in the amount of EUR 2,509.4 million (previous year EUR 2,751.6 million) exceeded current liabilities in the amount of EUR 24.4 million (previous year EUR 130.5 million) by an amount of EUR 2,485.0 million (previous year EUR 2,621.1 million). The Group invests the funds mainly in demand deposits and easily convertible into cash listed shares, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The purchase of listed shares is part of the treasury strategy.

The maturity analysis of financial liabilities is as follows:

Dec 31, 2018	Carrying amount	Cash flows <1 year		Cash flows 1–5 years		Cash flows >5 year	
In EUR million		Principal	Interest	Principal	Interest	Principal	Interest
Non-controlling interests classified as financial liability	77.5	0	-3.7	0	-18.1	-75.3	-6.4
Interest-bearing loans and borrowings	3.1	-1.4	0	-1.7	-0.1	0	0
Other non-current financial liabilities	0.6	0	0	-0.6	0	0	0
Other current financial liabilities	1.2	-1.2	0	0	0	0	0
Trade payables	8.0	-6.6	0	-1.7	0	0	0

Dec 31, 2017	Carrying amount	Cash flows <1 year		Cash flows 1–5 years		Cash flows >5 year	
In EUR million		Principal	Interest	Principal	Interest	Principal	Interest
Convertible bond	287.3	0	-8.9	-298.3	-35.8	0	0
Interest-bearing loans and borrowings	3.0	-1.4	0	-1.6	-0.1	0	0
Other non-current financial liabilities	0.2	0	0	-0.2	0	0	0
Other current financial liabilities	95.8	-95.8	0	0	0	0	0
Trade payables	12.4	-11.1	0	0	0	-1.5	0

The amounts disclosed in the tables are the contractual undiscounted cash flows.

Market risks

Currency risk

The Group is exposed to currency risks due to its international business activities outside of the euro zone. Changes in exchange rates can therefore have an impact on the consolidated financial statements. To the extent possible and feasible, hedging is not performed by way of financial engineering measures, but rather through the structuring of existing economic conditions ("natural hedging"). The Group occasionally enters into foreign currency derivative contracts to mitigate certain foreign currency exposures. Effects of exchange rate fluctuations resulting from the translation of the financial statements of subsidiaries having a different functional currency into the reporting currency are recognized in equity in the consolidated financial statements. Foreign exchange differences that result from exchange rate changes when translating monetary balance sheet items in foreign currency are recognized in the income statement in other operating expenses or income and in financial result, respectively.

The individual Group companies mainly operate in their functional currency. Therefore, there are no material foreign currency risks for most of the companies.

In accordance with IFRS 7, currency risks are depicted using sensitivity analyses. These analyses portray the impact of upward / downward revaluations of the euro in relation to all foreign currencies on earnings before income taxes and, if applicable, on equity. These analyses are based on financial instruments that are denominated in a currency different from the local functional currency and are of a monetary nature. In accordance with the requirements of IFRS 7, exchange rate related differences from the translation of financial statements into the Group currency (euro) are not stated. There was no separate impact on equity.

Rocket Internet has bank accounts in US Dollar (USD) with a credit of USD 528.5 million (previous year USD 471.4 million) and other net financial assets (mostly bank deposits and loan receivables) in the amount of USD 24.1 million (previous year USD 75.8 million).

The following table demonstrates the sensitivity to a reasonably possible change in US Dollar (USD) exchange rates, with all other variables remaining unchanged. The Group's exposure to foreign currency changes for all other currencies is not material.

In EUR million	Dec 31, 2018	Dec 31, 2017
EFFECT ON THE BALANCE SHEET AND PROFIT BEFORE TAX		
Change in USD rate +10%	48.3	45.6
Change in USD rate -10%	-48.3	-45.6

In financial year 2018, a net foreign exchange gain of EUR 19.6 million (previous year net loss of EUR 46.9 million) was recognized.

In EUR million	Dec 31, 2018	Dec 31, 2017
Net Foreign Exchange Gain – Operational	0.1	0.5
Net Foreign Exchange Gain – Financial	24.7	0.3
Net Foreign Exchange Loss – Operational	-0.5	-2.1
Net Foreign Exchange Loss – Financial	-4.7	-45.6
Net Foreign Exchange Gain / Loss	**19.6**	**-46.9**

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates.

The Group enters mainly into fixed-rate instrument contracts. The Group does not account for fixed-rate financial instruments at fair value through profit or loss except for employee loans in the amount of EUR 4.1 million that are designated at fair value through profit or loss and a FinTech loan in the amount of EUR 9.2 million. A reasonably possible change in the interest rates does not have a material effect on profit or loss from fair value changes of these instruments.

Share price risk

The Group is exposed to share price risks which are described in note 32.

32. Financial Instruments

The following table shows the carrying amounts and fair values of all financial instruments recognized in the consolidated financial statements as well as their measurement category as per IFRS 9 (previous year IAS 39) and the hierarchy for the determination of fair value according to IFRS 13:

In EUR million	Measured at	Level	Carrying amount Dec 31, 2018	Carrying amount Dec 31, 2017	Fair value Dec 31, 2018	Fair value Dec 31, 2017
NON-CURRENT FINANCIAL ASSETS						
Equity instruments – listed companies	FV	1	384.6	728.9	384.6	728.9
Equity instruments – unlisted companies	FV	3	224.4	136.4	224.4	136.4
thereof Europe			126.8	109.6	126.8	109.6
thereof United States			87.4	21.5	87.4	21.5
thereof Rest of world			10.3	5.3	10.3	5.3
Subsidiaries outside consolidation	C	n/a	n/a	1.4	n/a	n/a
Derivative financial assets	FV	3	0	3.4	0	3.4
Asset backed securities issued by third parties	AC	3	5.7	3.4	5.7	3.4
Receivables from the sale of investments	AC	3	0.3	4.7	0.3	4.7
Loan receivables from associated companies	AC	3	15.9	7.7	15.9	7.7
Loan receivables from third parties	AC	3	123.0	44.0	123.0	43.8
Other non-current financial assets measured at fair value	FV	3	13.3	4.3	13.3	4.3
Other non-current financial assets	AC	3	3.3	3.8	3.3	3.8
CURRENT FINANCIAL ASSETS						
Loan receivables from associated companies and joint ventures	AC	n/a	13.4	5.7	13.4	5.7
Asset backed securities issued by associated companies	AC	n/a	7.5	7.5	7.5	7.5
Receivables from the sale of investments	AC	n/a	9.2	8.8	9.2	8.8
Bank deposits [1]	AC	n/a	185.1	150.0	185.1	150.0
Equity instruments – listed companies	FV	1	462.5	737.9	462.5	737.9
Equity instruments – unlisted companies (Europe)	FV	3	0	46.4	0	46.4
Derivative financial assets	FV	2	0.7	0.8	0.7	0.8
Loan receivables from third parties	AC	n/a	91.7	45.2	91.7	45.2
Other current financial assets	AC	n/a	4.4	12.0	4.4	12.0
Trade receivables	AC	n/a	3.7	5.4	3.7	5.4
Cash and cash equivalents	AC	n/a	1,720.0	1,716.6	1,720.0	1,716.6

1) Thereof EUR 184.9 million (December 31, 2017 EUR 149.9 million) pledged as collateral for short-term credit facilities of structured entities.

In EUR million	Measured at	Level	Carrying amount Dec 31, 2018	Carrying amount Dec 31, 2017	Fair value Dec 31, 2018	Fair value Dec 31, 2017
NON-CURRENT FINANCIAL LIABILITIES						
Liabilities from convertible bonds [1]	AC	3	0	283.4	0	290.3
Non-controlling interests classified as financial liabilities	AC	3	75.3	0	75.3	0
Loan liabilities	AC	3	1.7	1.6	1.7	1.6
Other non-current financial liabilities	AC	3	0.6	0.2	0.6	0.2
INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)						
Liabilities from convertible bonds	AC	n/a	0	3.9	0	3.9
Loan liabilities	AC	n/a	1.4	1.4	1.4	1.4
OTHER CURRENT FINANCIAL LIABILITIES						
Liabilities from capital calls	AC	n/a	0	15.0	0	15.0
Derivative financial liabilities	FV	2	0	78.3	0	78.3
Non-controlling interests classified as financial liabilities	AC	n/a	2.2	1.5	2.2	1.5
Other current financial liabilities	AC	n/a	1.2	0.9	1.2	0.9
Trade payables	AC	n/a	8.0	12.4	8.0	12.4
THEREOF AGGREGATED ACCORDING TO THE MEASUREMENT CATEGORIES OF IFRS 9						
Financial assets measured at fair value through profit or loss mandatorily (fvtpl) [2]			1,085.5		1,085.5	
Financial assets measured at amortized cost (faac)			2,183.1		2,183.1	
Financial liabilities measured at amortized cost (flac)			90.4		90.4	
THEREOF AGGREGATED ACCORDING TO THE MEASUREMENT CATEGORIES OF IAS 39						
Available-for-sale (afs)				1,473.1		1,471.8
Financial assets measured at fair value through profit or loss mandatorily (fvtpl)				4.3		4.3
Financial assets measured at fair value through profit or loss under fair value option (fafvo)				182.1		182.1
Loans and receivables (lar)				2,014.6		2,014.4
Financial liabilities at fair value through profit or loss (flfvtpl)				78.3		78.3
Other financial liabilities (ofl)				320.2		327.2

1) Fair value measurement based on price of the convertible bond as of December 31, 2017 103.88% (Level 3)

2) Including associated companies that are measured at FVTPL according to IAS 28.18

The following **measurement methods** were used:

AC – Amortized cost,
C – Cost,
FV – Fair value.

In accordance with IFRS 13, the following hierarchy is used to determine and disclose the fair value of financial instruments:

Level 1: Fair values based on quoted prices in active markets.

Level 2: Fair values that are determined on the basis of valuation techniques which use inputs that are based on observable market data.

Level 3: Fair values that are determined on the basis of valuation techniques which use inputs that are not based on observable market data.

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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the date of the event or change in circumstances that caused the transfer.

In 2018 the shares of Funding Circle Holdings Plc and Marley Spoon AG were transferred from Level 3 to Level 1 due to the initial public offering of those companies.

In 2017 the shares of Delivery Hero SE were transferred from Level 3 to Level 1 due to the initial public offering of Delivery Hero SE.

Change in financial assets measured at fair value (Level 3, by class)

2018

In EUR million	Equity instru-ment – unlisted companies	Derivative financial assets	Other non-current financial assets measured at fair value	Total
Opening balance as of Jan 1, 2018	**182.7**	**3.4**	**4.3**	**190.5**
Additions	56.2	0	0	56.2
Reclassifications [1]	-42.8	0	9.2	-33.6
Changes in fair value recognized in profit or loss	83.2	1.2	1.2	85.6
Disposals	-54.9	-4.7	-1.5	-61.0
Closing balance as of Dec 31, 2018	**224.4**	**0**	**13.3**	**237.7**
Changes in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	76.5	0	1.2	77.8

1) Reclassifications of unlisted equity instruments during 2018 relate with EUR 42.5 million to the initial public offerings of Funding Circle Holdings Plc and Marley Spoon AG. As a result the shares have been reclassified to Level 1 of the measurement hierarchy.

The following table presents the reconciliation of Level 3 fair value measurements for the abovementioned unlisted equity instruments classified by geographical location:

	Equity instruments – unlisted companies			
In EUR million	Europe	USA	Rest of world	Total
Opening balance as of Jan 1, 2018	**156.0**	**21.5**	**5.3**	**182.7**
Additions	18.6	35.9	1.8	56.2
Reclassifications	-42.8	0	0	-42.8
Changes in fair value recognized in profit or loss	49.1	30.1	4.0	83.2
Disposals	-54.1	-0.1	-0.7	-54.9
Closing balance as of Dec 31, 2018	**126.8**	**87.4**	**10.3**	**224.4**
Changes in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	42.5	30.1	4.0	76.5

The changes in fair value recognized in profit or loss of unlisted equity instruments of EUR 83.2 million in 2018 predominantly relate to higher valuations for transactions in the underlying shares, e.g. financing rounds or acquisitions. They primarily include valuation gains of JRSK Inc. amounting to EUR 25.4 million as well as Iwoca Limited amounting to EUR 10.8 million.

2017

In EUR million	Equity instru- ment – unlisted companies	Derivative financial assets	Other non-current financial assets measured at fair value	Total
Opening balance as of Jan 1, 2017	**1,586.1**	**2.6**	**3.6**	**1,592.3**
Additions	30.0	0	0.4	30.4
Reclassifications [1)]	-1,242.8	0	1.0	-1,241.8
Changes in fair value recognized in profit or loss	95.8	1.0	-0.8	96.0
Changes in fair value recognized in OCI	-6.4	0	0	-6.4
Disposals	-279.9	-0.2	0	-280.0
Closing balance as of Dec 31, 2017	**182.7**	**3.4**	**4.3**	**190.5**
Changes in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	13.0	0.9	-0.8	13.1

1) Reclassifications during 2017 relate with EUR 1,246.6 million to the initial public offering of Delivery Hero SE. As a result the shares in DH have been reclassified to Level 1 of the measurement hierarchy.

The following table presents the reconciliation of Level 3 fair value measurements for the abovementioned unlisted equity instruments classified by geographical location:

	Equity instruments – unlisted companies			
In EUR million	Europe	USA	Rest of world	Total
Opening balance as of Jan 1, 2017	**1,560.0**	**21.7**	**4.4**	**1,586.1**
Additions	18.9	10.2	0.8	30.0
Reclassifications	-1,242.3	-1.0	0.5	-1,242.8
Changes in fair value recognized in profit or loss	105.4	-9.2	-0.5	95.8
Changes in fair value recognized in OCI	-6.4	0	0	-6.4
Disposals	-279.6	-0.2	0	-279.9
Closing balance as of Dec 31, 2017	**156.0**	**21.5**	**5.3**	**182.7**
Changes in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	22.6	-9.2	-0.5	13.0

The changes in fair value recognized in profit or loss of unlisted equity instruments of EUR 95.8 million in 2017 predominantly relate to higher valuations for transactions in the underlying shares, e.g. financing rounds or acquisitions. They primarily include gains realized from the sale of Lazada amounting to EUR 74.6 million and valuation gains of Goodgame Studios amounting to EUR 38.0 million.

Fair value measurement

IFRS 13.9 defines the fair value as 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 majority of trade receivables, other financial assets, cash and cash equivalents, trade payables and other financial liabilities have short maturities. Thus, the carrying amounts of these financial instruments approximated their fair values as of the balance sheet date.

The book values of other non-current financial assets and liabilities measured at amortized cost approximate their fair values, as there were no significant changes in the applicable valuation parameters since these instruments were recognized initially.

The fair value of equity instruments traded on an active market is based on the market prices listed on the balance sheet date. The listed market price used for the Group's financial assets is the current bid price.

When determining the fair value of other financial instruments, the method which allows the best estimation of fair value is selected for each individual case. For assets and liabilities maturing within one year, a nominal value adjusted for interest payments and premiums is assumed to provide a good approximation to fair value.

Fair value measurement of unlisted equity instruments

Rocket Internet's unlisted equity instruments are valued in accordance with IFRS 13 by using the valuation method that is deemed to be most suitable for each individual company.

Firstly, it is considered whether any significant, recent transactions were made at arm's length in the companies (e.g. transaction where shares were issued to a new investor). For new share issues, it is taken into account whether the newly issued shares have better preference to the company's assets than earlier issued shares in the event of sale or liquidation of the company. If preferential rights have a significant impact on the assessment of the respective equity classes, the fair value is determined by using an option pricing model based on the last financing rounds and under consideration of sales and liquidation preferences attached to the respective equity classes as stipulated in the entities' shareholders' agreements. The value of such preferences is dependent on the probability of future exit scenarios. Given that there are multiple classes of equity at the network company level, the Group employs the hybrid method in order to allocate values to the various equity classes. The hybrid method is a hybrid between the probability-weighted expected return method and the option pricing method, which estimates the probability-weighted value across future exit scenarios, but uses the option-pricing-model to estimate the remaining unknown potential exit scenarios. Relevant valuation inputs include assumptions on the allocation of exit proceeds to share classes in future exit scenarios (liquidation preferences), but also consist of peer group assumptions (stock price volatility), dividend yield (estimated at zero) and the risk-free interest rate at the end of the reporting period. Furthermore, exit scenarios in which sales and liquidation preferences were considered relevant to the fair value were estimated with probability percentages that lie between 0% and 100% (previous year between 0% and 100%).

For companies where no or no significant recent arm's length transactions have been carried out, a valuation is conducted based on future cash flows which are discounted to receive their present value. Inputs used for discounted cash flow (DCF) valuations are business plans, cost of capital plus a risk premium and assumptions used to determine a sales proceed at the end of the detailed planning phase. Costs of capital are derived based on the capital asset pricing model, where capital market data for peer groups, risk-free rates and country specific risk premiums are used. In addition, a risk premium is added to the cost of capital. This risk premium reflects the uncertainty that results from the fact that the companies are still in the start-up or early development phase. The risk-free rate is calculated using the Svensson's method and amounts to 1.00% (previous year 1.25%). Country risk premiums between 0% and 12.72% (previous year 0% and 12.08%) and a small cap premium of 3.67% (previous year 3.67%) are also applied. Long term inflation rates between 0.5% and 13.0% (previous year 1.0% and 14.5%) as estimated by the International Monetary Fund (IMF) are also used in the calculation. For additional risk premiums, surcharges of between 14.5% and 40.2% (previous year 7% and 49%) are applied, depending on the age and planning risk of each company. To determine the sales proceeds at the end of the detailed planning phase, sales multiples in the range of 0.8x to 13.4x (previous year 0.6x to 11.5x) and/or EBITDA multiples in the range of 5.7x to 29.5x (previous year 4.7x to 31.8x) are applied. The multiples are derived from comparable transactions. Other parameters include an estimate of working capital assumptions, tax rates and assumptions for investment activity and depreciation.

Share price risk

The Group is exposed to financial risks in respect of share prices, meaning the risk of changes in the value of the shareholdings. Rocket Internet's operations include management of shareholdings (equity instruments) measured at fair value comprising investments in a multitude of unlisted companies. Accordingly, Rocket Internet's asset, financial and earnings position is dependent on how well these companies develop. Rocket Internet's strategy is to be a long-term shareholder. Therefore, Rocket Internet does not actively manage short-term fluctuations in share prices.

Equity instruments measured at fair value through profit or loss

On December 31, 2018, 21%(previous year less than 1%) of Rocket Internet's total assets were listed equity instruments and 5% (previous year 4%) were unlisted equity instruments measured at fair value through profit or loss. The fair value was determined based on market prices or the discounted cash flow method.

On December 31, 2018, 4% (previous year 3%) of the total assets were unlisted equity instruments based on transaction prices, as well as 1% (previous year 1%) of the total assets were unlisted equity instruments measured using the DCF method.

Equity instruments measured at fair value through other comprehensive income (OCI)

As of December 31, 2017, 32% of the total assets of Rocket Internet's balance sheet comprise listed equity instruments that are measured at fair value through OCI.

As of December 31, 2017, less than 1% of the total assets of Rocket Internet's balance sheet comprise unlisted equity instruments that are measured at fair value through OCI, thereof less than 1% of the total assets measured based on transaction prices and 0% of the total assets measured using the DCF method.

Sensitivity analysis of equity instruments of unlisted companies – Impact of valuation parameters

The effects of a change in the critical input factors of the two valuation methods (use of arm's length transactions and DCF valuation technique) on the fair value of unlisted equity instruments measured at fair value through profit or loss is shown in classes (Europe, United States, Rest of world) in the following tables. The sensitivity analysis was carried out for the main input factors: the probability of occurrence for exit scenarios as well as the cost of capital.

Sensitivity analysis as of December 31, 2018

Europe			**Cost of capital**	
In EUR million		**+20%**	**0%**	**-20%**
	-20%	110.5	126.9	163.7
Probability of occurrence for exit scenarios	**0%**	110.5	**126.8**	163.4
	+20%	110.7	127.0	163.9

United States			**Cost of capital**	
In EUR million		**+20%**	**0%**	**-20%**
	-20%	82.7	87.3	97.9
Probability of occurrence for exit scenarios	**0%**	82.8	**87.4**	97.9
	+20%	83.0	87.4	98.0

Rest of world			**Cost of capital**	
In EUR million		**+20%**	**0%**	**-20%**
	-20%	9.7	10.3	11.6
Probability of occurrence for exit scenarios	**0%**	9.8	**10.3**	11.6
	+20%	9.8	10.3	11.6

Sensitivity analysis as of December 31, 2017

Europe		**Cost of capital**		
In EUR million		**+20%**	**0%**	**-20%**
Probability of occurrence for exit scenarios	**-20%**	132.7	141.4	149.9
	0%	147.3	**156.0**	164.5
	+20%	161.4	170.1	178.6

United States		**Cost of capital**		
In EUR million		**+20%**	**0%**	**-20%**
Probability of occurrence for exit scenarios	**-20%**	19.0	19.9	22.5
	0%	20.5	**21.5**	24.1
	+20%	19.3	20.3	22.9

Rest der Welt		**Cost of capital**		
In EUR million		**+20%**	**0%**	**-20%**
Probability of occurrence for exit scenarios	**-20%**	4.9	5.0	5.9
	0%	5.1	**5.3**	6.1
	+20%	5.3	5.4	6.3

Derivative financial instruments measured at fair value through profit or loss

The Group concludes derivative financial instruments with different parties, especially with financial institutions with high credit rating (investment grade). Forward exchange contracts are measured on the basis of valuation techniques which use inputs that are based on observable market data. The valuation techniques most frequently used are forward-price-models that use discounted cash flow valuation. Those models include different parameters, e.g. credit worthiness of the business partners, exchange rates, spot rates and forward rates, yield curves of selected foreign currencies, currency spreads between selected foreign currencies, interest yield curves and forward curves of the underlying foreign currencies. The derivative financial instruments measured at market value (marked-to-market) include an allowance for credit worthiness, which relates to the default risk of the counterparty of the derivative financial instrument. The change of the default risk of the counterparty did not have a material impact on the fair value of the recognized financial instruments.

Details of material associated companies measured at fair value

The following material investments in associated companies are measured at fair value.

December 31, 2018

Company	TRUSTED SHOPS	Yamsafer
Measurement method	DCF	OPM / DCF
Effect on result in EUR million	-6.1	1.3

December 31, 2017

Company	Marley Spoon	TRUSTED SHOPS	Yamsafer
Measurement method	OPM	DCF	OPM / DCF
Effect on result in EUR million	-2.6	2.8	-2.5

There are no significant restrictions on the ability of the associated companies to transfer funds to Rocket Internet in the form of cash dividends or to repay loans or advances made by Rocket Internet. For information on dividends from associated companies, refer to note 17. The following table summarizes the financial information of material associated companies as included in the companies' own financial statements. The summarized financial information below represents amounts shown in the associate's financial statements.

Summarized financial information (in millions) for financial year 2018:

Company Reporting date Scope of financial statements GAAP Currency	**TRUSTED SHOPS** Dec 31, 2018 Consolidated Local EUR	**Yamsafer** Dec 31, 2018 Seperate Local USD
Revenue	32.5	4.8
Profit or loss	1.1	-1.8
Other comprehensive income	0	0
Total comprehensive income / loss	**1.1**	**-1.8**
Dividends received from the associate during the year	0.1	0
Non-current assets	0.7	0
Current assets	18.0	1.3
Non-current liabilities	0	0
Current liabilities	11.6	1.6
Net assets	**7.1**	**-0.3**

Summarized financial information (in millions) for financial year 2017:

Company Reporting date Scope of financial statements GAAP Currency	**Marley Spoon** Dec 31, 2017 Consolidated IFRS EUR	**TRUSTED SHOPS** Dec 31, 2017 Consolidated Local EUR	**Yamsafer** Dec 31, 2017 Consolidated Local USD
Revenue	53.2	26.3	3.6
Profit or loss	-27.9	0.7	-3.3
Other comprehensive income	-0.1	0	0
Total comprehensive income / loss	**-28.0**	**0.7**	**-3.3**
Dividends received from the associate during the year	0	0.1	0
Non-current assets	3.2	0.7	0
Current assets	7.1	14.6	2.2
Non-current liabilities	7.6	0	0
Current liabilities	14.3	8.7	0.4
Net assets	**-11.7**	**6.6**	**1.7**

Investments in associated companies measured at fair value through profit or loss (FVTPL)

In the financial year 2018 and 2017 no investments in associated companies accounted for at FVTPL (IAS 28.18) were made.

33. Balances and Transactions with Related Parties

Related parties are shareholders with significant influence on the Rocket Internet Group, associated companies, joint ventures, unconsolidated subsidiaries and individuals that exercise significant influence on the Group's financial and business policy. Persons who exercise significant influence on the Group's financial and business policy comprise all individuals in key positions and their close family members. Within Rocket Internet Group, this relates to the parent Company's members of the Management Board and the Supervisory Board.

Transactions with shareholders with significant influence

Shareholder with significant influence is

Trade name	Company name	Voting rights Dec 31, 2018	Voting rights Dec 31, 2017
Global Founders	Global Founders GmbH, Grünwald (Germany) [1)]	40.6%	37.1%

1) 33.3% of the shares in Global Founders GmbH are indirectly held by Oliver Samwer Familienstiftung.

Please refer to the disclosures in Section 7 of the combined management report (shareholdings that exceed 10% of voting rights). No transactions were conducted with Global Founders GmbH in the years 2018 and 2017. In 2018, the Group recognized consulting revenues of EUR 0.1 million (previous year none) based on a cooperation agreement with Zerena GmbH, Grünwald. As of December 31, 2018, the respective receivable amounted to EUR 0.1 million (previous year none). Zerena GmbH is the indirect controlling shareholder of Global Founders GmbH.

Transactions with associated companies, joint ventures and unconsolidated subsidiaries

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely the legal form.

The transactions in 2018 and 2017 and outstanding balances with associates under significant influence of the Group are as follows:

In EUR million	2018	2017
Sales to associates	6.0	4.0
Contribution of non-monetary assets to associates	11.6	0
Sale of subsidiaries to associates	0	0.7
Sale of equity interests to associates	0.1	0
Purchases from associates	0	-0.2
Purchase of shares from associates	0	-1.2
Interest income from associates	0.3	3.0
Dividends received from associates	7.2	3.3

In EUR million	Dec 31, 2018	Dec 31, 2017
Receivables from associates		
Non-current loan receivables	15.9	7.7
Trade receivables	0.4	0.5
Other current financial receivables	12.2	1.9
Asset backed securities issued by associated companies	7.5	7.5
Derivative financial instruments (warrant)	0	3.4
Liabilities to associates		
Other current financial liabilities	0.9	0.9

The transactions in 2018 and 2017 and outstanding balances with joint ventures of the Group are as follows:

In EUR million	2018	2017
Sales to joint ventures	0.6	2.5
Purchases from joint ventures	0	-0.1
Interest income from joint ventures	0.1	0
Dividends received from joint ventures	36.9	0.6

In EUR million	Dec 31, 2018	Dec 31, 2017
Receivables from joint ventures		
Trade receivables	0.2	0.6
Other current financial receivables	1.1	3.8
Liabilities to joint ventures		
Trade payables	0.1	0.1
Liabilities from capital calls	0	15.0

The transactions in 2018 and 2017 and outstanding balances with non-consolidated subsidiaries controlled by Rocket Internet are as follows:

In EUR million	2018	2017
Sales to non-consolidated subsidiaries	0.2	0.5
Purchases from non-consolidated subsidiaries	-0.9	-1.4

In EUR million	Dec 31, 2018	Dec 31, 2017
Receivables from non-consolidated subsidiaries		
Trade receivables	0.2	0.3
Other current financial receivables	0.2	0.2
Liabilities to non-consolidated subsidiaries		
Trade payables	0.1	0.1

Receivables and payables are unsecured and payable in cash. Other financial receivables and liabilities in the tables above relate to loans.

Key management compensation

Remuneration of the Management Board

The members of the Management Board are as follows:

Name	Position held
Oliver Samwer	Chief Executive Officer (CEO) (and CFO since October 2, 2018)
Alexander Kudlich	Group Managing Director
Peter Kimpel	Chief Financial Officer (CFO) until October 2, 2018

As part of their remuneration, members of the Management Board were granted options of Rocket Internet SE and shares in subsidiaries at the nominal amount of EUR 1 under equity-settled share-based payment plans described in more detail in note 30. The compensation paid or payable to key management for their services is shown below:

In EUR million	2018	2017
Short-term benefits (cash and non-cash compensation)	-1.7	4.6
Share-based payments (expense in the reporting period)	3.8	18.6
Total	**2.0**	**23.2**

At the balance sheet date, liabilities from cash-settled share-based payments and similar liabilities to members of the Management Board amounted to EUR 4.4 million (previous year EUR 7.7 million).

In 2018, insignificant volume of goods and services was sold to the members of the Management Board. The corresponding receivables were paid almost in full before the balance sheet date.

Additional disclosures on total remuneration pursuant to Sec. 314 (1) No. 6 HGB

In 2018, the members of the Management Board have received no share options (previous year 2,207,320 share options) under the Stock Option Program 2014/II (modified by resolution of the annual general meeting on June 2, 2017). The grant date fair value was EUR 17.6 million in the previous year. The total remuneration granted to the members of the Management Board in return for the fulfilment of their duties in the parent Company and its subsidiaries was EUR 1.6 million (previous year EUR 20.3 million).

According to the resolution of an extraordinary shareholders' meeting of Rocket Internet SE held on August 22, 2014, the Group does not disclose the individual compensation for each member of the Management Board in accordance with Secs. 285 No. 9a Sentence 5, 315e (1) and 314 (1) No. 6a Sentence 5 to 8 of the German Commercial Code (Handelsgesetzbuch – HGB) in connection with Sec. 286 (5) and Sec. 314 (3) Sentence 1 German Commercial Code as well as Art. 61 of the SE-Regulation.

The members of the Management Board have not been granted any advances or loans. At the balance sheet date, there are no contingencies in favor of members of the Management Board.

Further information regarding Sec. 314 (1) No. 6a German Commercial Code can be found in the remuneration report, which is presented as part of the combined management report.

Remuneration of the Supervisory Board

Remuneration (short-term benefits only) of the Supervisory Board of the parent Company for performing its functions at the parent Company and the subsidiaries amounted to EUR 0.3 million (previous year EUR 0.3 million). No loans or advances were granted to the members of the Supervisory Board.

Further information on members of the Supervisory Board and disclosures pursuant to Sec. 314 (1) No. 6a German Commercial Code can be found in the remuneration report, which is presented as part of the combined management report.

Transactions with members of the key management personnel

2018

In June 2018, Oliver Samwer (CEO) acquired shares of Rocket Internet SE in an off market transaction with a volume of EUR 40.8 million for EUR 27.18 per share.

In July 2018, Oliver Samwer (CEO) acquired shares of Rocket Internet SE in an off-market transaction with a volume of EUR 29.0 million for EUR 29.00 per share. After this transaction, Oliver Samwer directly holds approximately 3.0% of the company's shares.

In May 2018, the shareholder PLDT, which is closely associated to the former member of the supervisory board Christopher H. Young, sold shares of Rocket Internet SE with a volume of EUR 163.2 million at a share price of EUR 24.00.

In June 2018, a supervisory board member received a dividend in kind from a consolidated subsidiary amounting to less than EUR 0.1 million.

2017

In December 2017, Oliver Samwer (CEO) acquired shares of Rocket Internet SE in an off market transaction with a volume of EUR 33.8 million for EUR 20.50 per share.

In June 2017, Norbert Lang (member of the Supervisory Board), through an entity owned by him and his wife, sold convertible bonds of Rocket Internet SE with a principal amount of EUR 2.0 million. These convertible bonds were purchased in January 2016. The convertible bonds matured in July 2022 and had an interest rate of 3% per annum payable semi-annually on January 22 and July 22. In February 2017, Norbert Lang, purchased shares of Rocket Internet SE with an aggregated volume of EUR 0.9 million at a share price of EUR 18.40. In June 2017, the entity owned by Norbert Lang and his wife, purchased shares of Rocket Internet SE with an aggregated volume of EUR 1.0 million at a share price of EUR 19.27.

Transactions with close family members of the Management Board

During the first half of 2018 the Group purchased a portion of a newly generated loan receivable of a third party amounting to EUR 3.9 million from an entity controlled by Alexander Samwer. The entity controlled by Alexander Samwer will remain lender for its portion of the loan. The economics of the loan shall be shared proportionally by the lenders and there are no fees payable by the Group to the entity controlled by Alexander Samwer. Furthermore, the Group and the entity of Alexander Samwer entered into a security trust agreement. The decision to nominate an entity controlled by Alexander Samwer as trustee was taken because Alexander Samwer and his entity have the necessary know-how to duly carry out the trustee's duties. The trustee may require to be reimbursed for certain out-of-pocket costs, but does not receive any consideration for its service.

On November 30, 2018, Rocket Internet concluded a loan agreement with Linus Debt Invest 1 GmbH & Co. KG, Berlin, and Linus Debt Invest 3 GmbH & Co. KG, Berlin, (both companies are indirectly controlled by Alexander Samwer) in the amount of EUR 8.5 million to finance real estate projects. The loan was payable in four tranches. At the year-end date, Linus Debt Invest 1 GmbH & Co. KG and Linus Debt Invest 3 GmbH & Co. KG were paid a total of EUR 8.5 million and thus the loan was fully utilized. The loan bears interest varying from 4.6% to 11.0% per year in accordance with the individual real estate loan agreements and are repayable as defined in the respective individual loan agreements.

34. Contingent Liabilities and other Contractual Obligations

Except for the pledging of current financial assets described in note 10, there are no contingencies for external liabilities as of the reporting date.

The Group reports other contractual obligations for the following items:

In EUR million	Dec 31, 2018	Dec 31, 2017
Rental and lease agreements (including ancillary costs)	79.1	86.9
Capital contribution obligations to non-consolidated structured entities	62.8	77.9
Capital contribution obligations to third parties	6.5	1.2
Loans granted to third parties	32.3	16.9
Repurchase of treasury shares	0	0.1
Total contractual obligations	**180.8**	**183.0**

Capital contribution obligations to non-consolidated structured entities result from participation agreements concluded prior to the balance sheet date. They mainly result from capital increases of RICP.

The future minimum lease payments under non-cancellable operating lease agreements are as follows:

In EUR million	Dec 31, 2018	Dec 31, 2017
Not later than 1 year	6.9	6.9
Later than 1 year and not later than 5 years	26.9	27.6
Later than 5 years	45.4	52.3
Total operating minimum lease payment commitments	**79.1**	**86.9**
Lease payments recognized as expense during the period	6.2	6.9

The leasing arrangements include warehouse and office rent as well as rental of IT equipment.

As of December 31, 2018, total future sublease payments receivable under the Group's operating subleases amount to EUR 24.1 million (previous year EUR 7.1 million).

Contractual obligations (except for leasing) were all payable within one year.

Tax Contingencies

Rocket Internet SE's tax audit started in October 2016 covering the financial years 2010 to 2015. In addition, in the following months further tax audits and special VAT audits started on the level of other companies in the Rocket Internet network with comparable audit periods. Given that the financial years from 2010 onwards of Rocket Internet SE's as well as of most of the companies in the Rocket Internet network have not yet been audited or not yet been conclusively audited by the relevant tax authorities, the Group cannot rule out that the respective entities are required to pay significant additional taxes following tax audits. Any tax assessments that deviate from our expectations could lead to an increase in the tax obligations of Rocket Internet SE and the companies in the Rocket Internet network and, additionally, could give rise to interest payable on the additional amount of taxes as well as late filing charges.

It is not practicable to disclose an estimate of financial effects, uncertainties relating to the amount or timing of any cash outflow, and the possibility of any reimbursement for the tax contingencies.

35. Information regarding the Auditor

The consolidated financial statements and the annual financial statements of Rocket Internet SE for the financial year 2018 were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin Office. The lead auditors were Jan-Menko Grummer (since 2016) and Klaus Beckers (since 2013).

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft may audit the financial statements of the Company until 2023, after which the audit has to be put out for tender.

Total fees charged for the financial year by the auditor amount to EUR 0.6 million (previous year EUR 0.7 million) and comprise EUR 0.5 million (previous year EUR 0.6 million) for audit services, EUR 0 million (previous year EUR 0 million) for other audit-related services and EUR 0 million (previous year EUR 0 million) for tax advisory services.

36. Events after the Reporting Period

On February 1, 2019, Rocket Internet announced the first closing of Rocket Internet Capital Partners II Fund. The Group committed c. EUR 88 million to the fund.

On March 12, 2019, Jumia Technologies AG filed with the United States Securities and Exchange Commission (SEC) the non-complete draft of the prospectus (Form F-1 Registration Statement) in conjunction with its pursued initial public offering on the New York Stock Exchange (NYSE).

After the end of the reporting period the Group's stakes in four significant publicly listed companies decreased as follows: Delivery Hero (4%), HelloFresh (28%), home24 (25%) and Westwing (21%).

No other events of special significance occurred after the end of the financial year.

37. List of Group Shareholdings pursuant to Sec. 313 (2) HGB

No.	Company, registered office	Equity interest in %	via No.
1	Rocket Internet SE, Berlin		
	FULLY CONSOLIDATED SUBSIDIARIES		
	GERMANY		
2	Atrium 122. Europäische VV SE, Frankfurt on the Main	100	1
3	Bambino 106. V V UG (haftungsbeschränkt), Berlin	100	1
4	Bambino 53. V V GmbH, Berlin	100	1
5	Campinga GmbH i.L., Berlin	100	32
6	European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Berlin	100	1, 79
7	European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Berlin	100	1, 81
8	European Founders Fund Investment GmbH, Berlin	100	1
9	European Founders Fund Nr. 3 Beteiligungs GmbH, Berlin	100	7
10	Everdine SSC GmbH, Berlin	100	35
11	GFC Global Founders Capital GmbH, Berlin	100	1
12	GFC US Invest I UG (haftungsbeschränkt), Berlin	100	11
13	Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1, Berlin	100	14
14	International Rocket GmbH & Co. KG, Berlin	100	1
15	Jade 1317. GmbH, Berlin	100	2
16	Jade 1353. GmbH i.L., Berlin	86.0	4, 22
17	Juwel 131. UG (haftungsbeschränkt) & Co. Erste Verwaltungs KG, Berlin	100	4, 59
18	Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG, Berlin	100	4, 20
19	Juwel 190. V V UG (haftungsbeschränkt) & Co. 32. Verwaltungs KG, Berlin	100	4, 20, 107
20	LIH Subholding Nr. 2 UG (haftungsbeschränkt) & Co. KG, Berlin	100	4, 22
21	Lindentor 196. V V GmbH, Berlin	100	33
22	MKC Brillant Services GmbH, Berlin	65.0	1
23	RCKT GmbH & Co. KG, Berlin	58.0	1
24	Rocket Asia GmbH & Co. KG, Berlin	100	14
25	Rocket Internet Munich GmbH, Munich	100	1
26	R2 International Internet GmbH, Berlin	59.2	1
	OTHER COUNTRIES		
27	ClickBus Servicios S. de R.L. de C.V., Mexico City, Mexico	83.9	19, 102
28	Convenience Food Group S.à r.l., Senningerberg, Luxembourg	62.6	1
29	Digital Lending Services US Corp., Wilmington, United States	100	30
30	Digital Services Holding IV S.à r.l, Senningerberg, Luxembourg	100	1
31	Digital Services LV S.à r.l., Senningerberg, Luxembourg	99.3	1
32	Digital Services LV Top-Holding S.C.Sp., Senningerberg, Luxembourg	90.6	4, 31
33	Digital Services LVII (GP) S.à r.l., Senningerberg, Luxembourg	90.0	4, 34
34	Digital Services LVII S.à r.l., Senningerberg, Luxembourg	100	1

No.	Company, registered office	Equity interest in %	via No.
35	Digital Services XXXVII Top-Holding S.C.Sp., Senningerberg, Luxembourg	95.8	4, 38
36	Digital Services XXXVII 1 S.C.Sp., Senningerberg, Luxembourg	99.7	4, 35
37	Ecommerce Pay Holding S.à r.l., Senningerberg, Luxembourg	100	3
38	Everdine Holding S.à r.l., Senningerberg, Luxembourg	100	4, 28
39	Everdine UK Ltd., London, United Kingdom	100	36
40	Finverum Capital S.à r.l., Senningerberg, Luxembourg	100	1
41	Food Delivery Holding 13 S.à r.l. (in liquidation), Senningerberg, Luxembourg	100	4, 54
42	Food Delivery Holding 23 S.à r.l., Senningerberg, Luxembourg	100	1
43	Food Delivery Holding 27 S.à r.l., Senningerberg, Luxembourg	100	1
44	GFC Global Founders Capital Inc., Wilmington, United States	100	60
45	GFC Western Europe S.A.S., Paris, France	100	60
46	GGC AUD S.à r.l., Luxembourg City, Luxembourg	100	52
47	GGC EUR S.à r.l., Luxembourg City, Luxembourg	100	52
48	GGC GBP S.à r.l., Luxembourg City, Luxembourg	100	52
49	GGC USD S.à r.l., Luxembourg City, Luxembourg	100	52
50	Global Fin Tech Holding S.à r.l., Senningerberg, Luxembourg	100	1
51	Global Growth Capital Advisors Limited, London, United Kingdom	100	1
52	Global Growth Capital Fund I S.C.Sp., Luxembourg City, Luxembourg	66.7	1, 53
53	Global Growth Capital GP S.à r.l., Luxembourg City, Luxembourg	100	1
54	Global Online Takeaway Group S.A., Senningerberg, Luxembourg	100	13
55	Holidays & Co. S.A.S., Saint-Malo, France	100	32
56	Lendico Brazil S.C.Sp., Senningerberg, Luxembourg	100	4, 50
57	Moneda Top-Holding S.à r.l., Senningerberg, Luxembourg	100	1
58	Moonshine eServices Pvt. Ltd., Gurgaon, India	100	17, 98
59	Printvenue Asia S.à r.l., Senningerberg, Luxembourg	70.0	3
60	RI Capital Advisors Ltd., London, United Kingdom	100	1
61	Rocket Brasil Novos Negocios e Participacoes Ltda., São Paulo, Brazil	100	14, 86
62	Rocket Internet Capital Partners Founder SCS, Luxembourg City, Luxembourg	75.0	1
63	Rocket Internet Capital Partners Lux II S.à r.l., Luxembourg City, Luxembourg	100	1
64	Rocket Internet Capital Partners Lux S.à r.l., Luxembourg City, Luxembourg	100	1
65	R-SC Liquidation Services Luxembourg S.à r.l., Senningerberg, Luxembourg	100	14
66	TAC Special Opportunities I LLC, Wilmington, United States	96.2	13
	OTHER SUBSIDIARIES [1]		
	GERMANY		
67	Avala IV Sela DH Pool GmbH & Co. KG, Berlin	100	66
68	Bambino 107. V V UG (haftungsbeschränkt), Berlin	100	1
69	Bambino 110. V V UG (haftungsbeschränkt), Berlin	100	1
70	Bambino 54. V V UG (haftungsbeschränkt), Berlin	100	1
71	Blanko 12. UG (haftungsbeschränkt) & Co. KG, Berlin	99.8	4, 99

No.	Company, registered office	Equity interest in %	via No.
72	Brillant 1390. GmbH & Co. Verwaltungs KG, Berlin	88.8	4, 96, 103
73	Brillant 2055. GmbH, Berlin	100	140
74	Career Elevator GmbH, Munich	100	11
75	Carspring Beteiligungs UG (haftungsbeschränkt), Berlin	100	142
76	CityDeal Management II UG (haftungsbeschränkt), Berlin	100	1
77	CityDeal Management UG (haftungsbeschränkt) & Co. KG, Berlin	100	76
78	CityDeal Management UG (haftungsbeschränkt), Berlin	100	1
79	European Founders Fund Nr. 2 Geschäftsführungs GmbH, Berlin	100	1
80	European Founders Fund Nr. 2 Verwaltungs GmbH, Berlin	100	1
81	European Founders Fund Nr. 3 Management GmbH, Berlin	100	1
82	European Founders Fund Nr. 3 Verwaltungs GmbH, Berlin	100	1
83	Global Founders Capital Management GmbH, Berlin	100	1
84	Global Founders Capital Verwaltungs GmbH, Berlin	100	14
85	Jade 1085. GmbH & Co. Vierundzwanzigste Verwaltungs KG, Berlin	100	14
86	Jade 1085. GmbH, Berlin	100	1
87	Jade 1158. GmbH i.L., Berlin	100	1
88	Jade 1207. GmbH & Co. Verwaltungs KG, Berlin	100	4, 89
89	Jade 1231. GmbH i.L., Berlin	100	1
90	Jade 1232. GmbH i.L., Berlin	100	1
91	Jade 1238. GmbH i.L., Berlin	73.7	1, 4
92	Jade 1265. GmbH i.L., Berlin	90.1	1, 4
93	Jade 1318. GmbH, Berlin	62.9	1, 4
94	Jade 1344. GmbH & Co. Verwaltungs KG, Berlin	86.7	4, 16, 105
95	Jade 1348. GmbH, Berlin	100	97
96	Jade 1366. GmbH i.L., Berlin	86.7	1, 4, 22
97	Jade 1371. GmbH, Berlin	100	1
98	Juwel 131. V V UG (haftungsbeschränkt), Berlin	100	59
99	Juwel 156. V V UG (haftungsbeschränkt) i.L., Berlin	100	1
100	Juwel 190. V V UG (haftungsbeschränkt) & Co. 41. Verwaltungs KG, Berlin	100	4, 20
101	Juwel 190. V V UG (haftungsbeschränkt) & Co. 42. Verwaltungs KG, Berlin	100	20
102	Juwel 190. V V UG (haftungsbeschränkt), Berlin	100	22
103	Juwel 197. V V UG (haftungsbeschränkt) i.L., Berlin	100	96
104	Juwel 200. V V UG (haftungsbeschränkt) & Co. Dritte Verwaltungs KG, Berlin	100	92
105	Juwel 202. V V UG (haftungsbeschränkt) i.L., Berlin	100	16
106	Juwel 219. V V UG (haftungsbeschränkt), Berlin	100	22
107	Juwel 223. V V UG (haftungsbeschränkt), Berlin	100	20
108	Lindentor 227. GmbH, Berlin	100	1
109	OCM Online Car Marketplace Global Services GmbH, Berlin	100	138
110	Pflegetiger GmbH, Berlin	100	135
111	RCKT Management GmbH, Berlin	100	1
112	Rocket Middle East GmbH, Berlin	100	1
113	Visito Beteiligungs UG (haftungsbeschränkt), Berlin	100	134

No.	Company, registered office	Equity interest in %	via No.
114	Visito GmbH, Berlin	100	135
115	VRB GmbH & Co. B-122 (Einhundertzweiundzwanzig) KG, Berlin	100	90
116	VRB GmbH & Co. B-125 (Einhundertfünfundzwanzig) KG, Berlin	98.8	4, 91
117	VRB GmbH & Co. B-147 KG, Berlin	100	14
118	VRB GmbH & Co. B-153 KG, Berlin	100	14
119	VRB GmbH & Co. B-154 KG, Berlin	100	14
120	VRB GmbH & Co. B-155 KG, Berlin	100	14
121	VRB GmbH & Co. B-96 (Sechsundneunzig) KG, Berlin	91.3	4, 87
122	Zinsgold GmbH, Berlin	100	128
	OTHER COUNTRIES		
123	Beijing VRB B-96 Technology Co., Ltd., Beijing, China	100	121
124	Beijing Ying Nai Le Qi Information Technology Co., Ltd., Beijing, China	100	14
125	Bonativo B.V., Amsterdam, Netherlands	100	153
126	Clickbus Peru S.A.C., Lima, Peru	100	101, 102
127	Digital Services Italy S.r.l., Milan, Italy	100	1
128	Digital Services L Top-Holding S.C.Sp., Senningerberg, Luxembourg	99.0	4, 40
129	Digital Services LI S.à r.l. (in liquidation), Senningerberg, Luxembourg	100	1
130	Digital Services LI Top-Holding S.C.Sp., Senningerberg, Luxembourg	99.0	4, 129
131	Digital Services LIII S.à r.l., Senningerberg, Luxembourg	100	1
132	Digital Services LIII Top-Holding S.C.Sp., Senningerberg, Luxembourg	98.9	4, 131
133	Digital Services LIV (GP) S.à r.l., Senningerberg, Luxembourg	100	134
134	Digital Services LIV S.à r.l., Senningerberg, Luxembourg	69.8	1
135	Digital Services LIV Top-Holding S.C.Sp., Senningerberg, Luxembourg	73.6	4, 113, 134
136	Digital Services LV (GP) S.à r.l., Senningerberg, Luxembourg	100	31
137	Digital Services XL (GP) S.à r.l., Senningerberg, Luxembourg	100	178
138	Digital Services XL Top-Holding S.C.Sp., Senningerberg, Luxembourg	97.7	4, 178
139	Digital Services XL 1 S.C.Sp., Senningerberg, Luxembourg	100	4, 138
140	Digital Services XL 2 S.C.Sp., Senningerberg, Luxembourg	100	4, 138
141	Digital Services XL 4 S.C.Sp., Senningerberg, Luxembourg	100	4, 138
142	Digital Services XLIII S.à r.l., Senningerberg, Luxembourg	100	1
143	Digital Services XLIII Top-Holding S.C.Sp., Senningerberg, Luxembourg	96.2	4, 75, 142
144	Digital Services XLIII 1 S.C.Sp., Senningerberg, Luxembourg	100	4, 143
145	Digital Services XLIX (GP) S.à r.l., Senningerberg, Luxembourg	100	50
146	Digital Services XLIX S.à r.l., Senningerberg, Luxembourg	100	1
147	Digital Services XVII Top-Holding S.C.Sp., Senningerberg, Luxembourg	99.6	4, 65
148	Digital Services XVIII (GP) S.à r.l., Senningerberg, Luxembourg	100	40
149	Digital Services XXI Germany Holding S.C.Sp., Senningerberg, Luxembourg	100	4, 150
150	Digital Services XXI Top-Holding S.C.Sp., Senningerberg, Luxembourg	97.9	4, 28

No.	Company, registered office	Equity interest in %	via No.
151	Digital Services XXIII Top-Holding S.C.Sp., Senningerberg, Luxembourg	96.5	4, 28
152	Digital Services XXIII 2 S.C.Sp., Senningerberg, Luxembourg	100	4, 151
153	Digital Services XXIII 3 S.C.Sp., Senningerberg, Luxembourg	100	4, 151
154	Digital Services XXIV 2 S.C.Sp., Senningerberg, Luxembourg	100	4, 196
155	Digital Services XXIV 3 S.C.Sp., Senningerberg, Luxembourg	100	4, 196
156	Digital Services XXXVII (GP) S.à r.l., Senningerberg, Luxembourg	100	38
157	Furniture E-Services Taiwan Co., Ltd., Taipei, Taiwan	100	104
158	Global Growth Capital Partners S.C.Sp., Luxembourg City, Luxembourg	100	1, 53
159	Goldstar eServices Pvt. Ltd., Gurgaon, India	100	196, 198
160	Humorvale Limited, Dublin, Ireland	100	42, 43
161	International Rocket Corporate Ltd., Road Town, British Virgin Islands	100	14
162	Internet Services Polen sp. z o.o, Warsaw, Poland	100	14
163	Inversiones Bazaya C.A., Caracas, Venezuela	100	14
164	Inversiones RTE Chile Limitada, Santiago de Chile, Chile	100	14, 86
165	Jade E-Services Azerbaijan MMC, Baku, Azerbaijan	100	71
166	Kaymu Albania S.C.Sp., Senningerberg, Luxembourg	100	4, 172
167	Kaymu Azerbaijan MMC, Baku, Azerbaijan	100	168
168	Kaymu Azerbaijan S.C.Sp., Senningerberg, Luxembourg	100	4, 172
169	Kaymu Belarus S.C.Sp., Senningerberg, Luxembourg	100	4, 172
170	Kaymu Georgia S.C.Sp., Senningerberg, Luxembourg	100	4, 172
171	Kaymu LLC, Tbilisi, Georgia	100	170
172	Kaymu Top-Holding S.C.Sp., Senningerberg, Luxembourg	92.7	4, 65
173	KaymuBy (Unitary Enterprise), Minsk, Belarus	100	169
174	Place Mniej sp. z o.o., Warsaw, Poland	87.5	26
175	Printvenue Asia Holding S.C.Sp., Senningerberg, Luxembourg	100	4, 59
176	Printvenue Singapore S.C.Sp., Senningerberg, Luxembourg	100	4, 175
177	Ride Services (PVT.) Limited, Karachi, Pakistan	100	155
178	RideLink Global S.A., Senningerberg, Luxembourg	81.5	1, 4
179	Rocket eServices Ltd., London, United Kingdom	100	14
180	Rocket eServices Pvt. Ltd., Delhi, India	100	14, 86
181	Rocket Internet Capital Partners (Euro) II SCS, Luxembourg City, Luxembourg	100	63, 182
182	Rocket Internet Capital Partners Founder II SCS, Luxembourg City, Luxembourg	99.0	1, 63
183	Rocket Internet Capital Partners II SCS, Luxembourg City, Luxembourg	100	63, 182
184	R-SC Egypt for Import and Export, Cairo, Egypt	99.0	186
185	R-SC Internet Services Chile Limitada, Santiago de Chile, Chile	100	14, 86
186	R-SC Internet Services Egypt LLC, Cairo, Egypt	100	14, 86
187	R-SC Internet Services France SAS, Paris, France	100	14
188	R-SC Internet Services Japan K.K., Tokyo, Japan	100	14
189	RSC Internet Services Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100	154
190	R-SC Internet Services Nigeria Ltd., Lagos, Nigeria	100	14, 86

No.	Company, registered office	Equity interest in %	via No.
191	R-SC Liquidation Services Luxembourg (GP) S.à r.l., Senningerberg, Luxembourg	100	65
192	Solar eServices Pvt. Ltd., Gurgaon, India	100	85, 86
193	Tripda Brazil Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 196
194	Tripda Chile Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 196
195	Tripda Chile S.p.A., Santiago de Chile, Chile	100	194
196	Tripda Group Holding S.C.Sp., Senningerberg, Luxembourg	98.0	4, 65
197	Tripda, Inc., Albany, United States	100	199
198	Tripda India Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 196
199	Tripda USA Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 196
200	Vayacamping, S.L.U., Barcelona, Spain	100	32
201	Wimdu Israel Ltd., Tel Aviv, Israel	100	14
	ASSOCIATED COMPANIES AND JOINT VENTURES		
	GERMANY		
202	AEH New Africa eCommerce II GmbH, Berlin[2)]	71.2	1
203	EMA Emerging Markets GmbH, Berlin	44.0	1
204	HC Brillant Services GmbH, Berlin	29.2	1
205	HelloFresh SE, Berlin	30.6	1
206	home24 SE, Berlin	32.6	1
207	Jumia Technologies AG (former: Africa Internet Holding GmbH), Berlin	21.7	1
208	Lindentor 226. V V GmbH, Berlin	22.1	1
209	Paymill Holding GmbH, Berlin	48.5	37
210	Spark Networks SE, Munich	26.0	1
211	TravelTrex GmbH, Cologne	25.0	6
212	TRUSTED SHOPS GmbH, Cologne	25.0	13
213	Westwing Group AG, Berlin	21.5	1, 15
214	Zanui Holding GmbH, Berlin	28.7	1
	OTHER COUNTRIES		
215	Asia Internet Holding S.à r.l., Senningerberg, Luxembourg	50.0	1
216	Bus Servicos de Agendamento S.A., São Paulo, Brazil	50.0	18
217	Clariness AG, Stans, Switzerland	27.0	13
218	Digital Services XLVII S.à r.l., Senningerberg, Luxembourg	44.8	1
219	Digital Services XXVIII S.à r.l., Senningerberg, Luxembourg	43.7	1
220	Digital Services XXX S.à r.l., Senningerberg, Luxembourg	35.7	28
221	Enuygun Com Internet Bilgi Hizmetleri Teknoloji ve Ticaret A.S., Istanbul, Turkey	48.8	26
222	Girl Meets Dress Ltd., St. Albans, United Kingdom	23.7	13
223	Global Fashion Group S.A., Senningerberg, Luxembourg	20.2	1, 22, 112
224	GoWorkaBit Ltd., London, United Kingdom	27.8	11
225	Helpling Group Holding S.à r.l., Senningerberg, Luxembourg	21.8	1
226	Middle East Internet Holding S.à r.l., Senningerberg, Luxembourg	50.0	1
227	Rocket Internet Capital Partners (EURO) SCS, Luxembourg City, Luxembourg	10.6	62
228	Rocket Internet Capital Partners SCS, Luxembourg City, Luxembourg	15.7	62, 64
229	Spotcap Global S.à r.l., Senningerberg, Luxembourg	40.0	50

No.	Company, registered office	Equity interest in %	via No.
230	TravelBird Holding B.V., Amsterdam, Netherlands	25.2	13
231	Traveloka Holding Ltd., George Town, Cayman Islands	23.9	3
232	Ulmon GmbH, Vienna, Austria	22.8	11, 13
233	Vaniday Global S.à r.l., Senningerberg, Luxembourg	43.4	1
234	Voopter Internet do Brasil S.A., Rio de Janeiro, Brazil 3)	49.3	13
235	Yamsafer, Inc., Wilmington, United States	23.6	11
236	ZipJet Global S.à r.l., Senningerberg, Luxembourg	42.0	1

1) Not consolidated due to immateriality.
2) No control due to contractual arrangements or legal circumstances.
3) Voopter Internet do Brasil S.A.: voting rights of 48.0% differ from equity interest.

No.	Company, registered office	Equity interest in %	via No.	Currency	Net result in million	Equity in million
	OTHER INVESTMENTS PURSUANT TO SEC. 313 (2) NO. 4 HGB					
	GERMANY					
237	Delivery Hero SE, Berlin 4)	5.8	13, 54, 66	EUR	-190.7	2,511.4
238	Global Savings Group GmbH, Munich 6)	12.8	1	EUR	-0.8	31.9
239	Marley Spoon AG, Berlin 4)	14.0	13, 57	EUR	-28.5	-11.7
240	Personio GmbH, Munich 6)	4.9	11	EUR	-2.7	8.7
241	Thermondo GmbH, Berlin 8)	4.4	11	EUR	-10.7	12.5
242	Urban Sports GmbH, Berlin 8)	3.8	1	EUR	-0.3	-0.3
	OTHER COUNTRIES					
243	Ace and Tate Holding B.V., Amsterdam, Netherlands 7)	6.2	11, 13	EUR	-6.4	2.0
244	Funding Circle Holdings Plc, London, United Kingdom 9)	1.5	11, 50	GBP	-49.3	402.4
245	InstaRem PTE Limited, Newtown, Singapore 5)	8.6	11	SGD	n/a	n/a
246	Iwoca Ltd., London, United Kingdom 7)	5.5	11, 13	GBP	-2.5	22.5
247	JRSK, Inc., Wilmington, United States 5)	7.6	11	USD	n/a	n/a
248	Maxi Mobility Inc., Camden, United States 5)	2.4	22	USD	n/a	n/a
249	Stillfront Group AB, Linköping, Sweden 9)	2.7	13	SEK	157.0	1,096.0
250	SumUp Holdings S.à r.l., Strassen, Luxembourg 6)	3.2	37	EUR	-1.7	90.5

4) Values according to the last available consolidated financial statements (IFRS) as of December 31, 2017.
5) The company does not publish its financial statements.
6) Values according to the last available unconsolidated annual financial statements (local GAAP) as of December 31, 2017.
7) Values according to the last available consolidated financial statements (local GAAP) as of December 31, 2017.
8) Values according to the last available unconsolidated annual financial statements (local GAAP) as of December 31, 2016.
9) Values according to the last available consolidated financial statements (IFRS) as of December 31, 2018.

The disclosure of 74 subsidiaries and 7 associated companies, which are in liquidation stage, and which are known to be no longer continued, has been waived.

38. Number of Employees pursuant to Sec. 314 (1) No. 4 HGB

The average number of staff employed was as follows:

	2018
Germany	362
Other countries	119
Total	**481**

As of December 31, 2018, the Group employed a total of 312 employees (previous year 559), thereof 91 abroad (previous year 151).

39. Declaration of Compliance with German Corporate Governance Code

The declaration by the Management Board and the Supervisory Board of Rocket Internet SE regarding the German Corporate Governance Code pursuant to Sec. 161 German Stock Corporations Act ("Aktiengesetz" – AktG) is published on the parent Company's website https://www.rocket-internet.com/investors/corporate-governance.

40. Authorization of the Financial Statements for Issue

The Management Board authorized the issue of the consolidated financial statements on March 29, 2019.

Berlin, March 29, 2019

The Management Board

Oliver Samwer Alexander Kudlich

CHAPTER 4

Combined Management Report

1. Fundamentals of the Company and the Group

1.1 Business Model

1.1.1 General Information

Rocket Internet SE (hereinafter also referred to as "Rocket Internet", the "Company" or "parent Company") is registered in the commercial register Charlottenburg of the district court in Berlin (Registration No.: HRB 165662). The registered office of Rocket Internet SE is at Charlottenstraße 4, 10969 Berlin, Germany.

Rocket Internet SE is the parent Company of directly and indirectly held subsidiaries and holds directly or indirectly interest in associates and joint ventures (hereinafter together also referred to as the "Rocket Internet Group" or the "Group").

Subsidiaries, associated companies, joint ventures as well as the other companies in which the Group holds non-current equity interests are summarized as "network companies".

The shares of Rocket Internet SE are admitted to trading in the Prime Standard (the regulated market segment with additional post-admission obligations) of the Frankfurt Stock Exchange and are included in the MDAX-index (until March 19, 2018 SDAX index).

This report combines the Group management report of the Rocket Internet Group and the management report of Rocket Internet SE. It should be read in conjunction with the consolidated financial statements and the annual financial statements, including the notes to the financial statements. The consolidated financial statements and the annual financial statements have been prepared on the basis of a number of assumptions and accounting policies explained in greater detail in the respective notes. The consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. The annual financial statements of Rocket Internet SE were prepared in accordance with the German Commercial Code (HGB).

The combined management report contains forward-looking statements about the business, financial condition and earnings performance. These statements are based on assumptions and projections which are based on currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected. Beyond disclosure requirements stipulated by law, Rocket Internet SE does not undertake any obligation to update forward-looking statements.

The combined management report for the financial year 2018 is presented in million euros except where otherwise indicated. Unless otherwise indicated, all values are rounded up or down in accordance with a commercial rounding approach, which may result in rounding differences and percentage figures presented may not exactly reflect the absolute figures they relate to. The reporting period is January 1 to December 31, 2018.

1.1.2 Business Activities

The core of Rocket Internet's business strategy is to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a global, mutually reinforcing network of Internet companies as well as a leading global company for Internet-based business models. Rocket Internet focuses predominantly on four industry sectors of online and mobile retail and services that make up a significant share of consumer spending: Food & Groceries, Home & Living, Fashion and General Merchandise.

We are looking for Internet-based business models that leverage technology to address basic needs of both consumers and companies, and that achieve over time significant scale, attractive levels of profitability and market leading positions. As an operating company in the area of Internet-based business models, our business strategy is focused on consolidating and steadily expanding our position as a global company for Internet-based business models primarily outside China. Rocket Internet pursues this goal through the conception and ongoing development of new business ideas, which are implemented primarily by self-founded subsidiaries. What differentiates us from other companies is our operational expertise, which allows us to both establish new business models as well as to operationally support companies.

In particular, we support companies as they scale by providing deep functional expertise, proprietary technology solutions and access to an extensive ecosystem of global network companies and partnerships. This unique blend of ideas, incubation and operational development provides a competitive advantage to our companies and increases their probability of success. We have significant capital available, enabling us to support companies over the full lifecycle of their development.

The functional experts of our network cover the full stack of technology companies including key areas such as product, engineering, customer acquisition, logistics, operations and internationalization. This enables our companies to develop market leading positions in a shorter period of time. During the foundation and the lifecycle of incubated companies, Rocket Internet is responsible for the launch as well as the development of the business activities, e.g. Rocket Internet recruits personnel for the companies, develops with its own IT-experts suitable software for the respective business models, manages customer acquisition and sales channels and, if required, sets up operations as well as logistics structures.

Rocket Internet has offices, extensive industry experience and operational know-how around the globe. Our global network helps companies achieve economies of scale and synergies, and our people in target markets worldwide have deep local expertise (e.g. operations and logistics), thus reducing marginal costs for building new companies. Under certain circumstances, growth and a strong market position are more important to us than achieving profitability in the short-term. Since our strategy is focused on high absolute value creation, we understand that it will take several years of development to scale companies and have them reach profitability.

We have established strategic partnerships that offer extensive operational, strategic, technological and financial support to our global network of companies. In addition, framework agreements with leading global technology firms provide our companies with competitively priced leading technology and services.

Through the identification and incubation of Internet-based business models as well as their operational development and strategic investments, Rocket Internet pursues the business strategy of building a global network of different Internet-based companies and different business models. Each individual company of the network should be directly or indirectly connected and complement each other in such a way that each additional part of the network promotes the strength of the network in many possible dimensions, e.g. through economies of scale, cooperation or know-how effects, which in turn have a positive direct or indirect effect on the other companies of the network. The larger and more global the network, the more successful the network and thus Rocket Internet will be which in turn will bring Rocket Internet closer to its goal of building a leading global operational company for Internet-based business models. The occasional sale of participations exclusively pursues strategic reasons, if e.g. certain network companies cannot achieve market leadership in their market segment or are not able to maintain market leadership in the long term due to competition or other changes.

Rocket Internet's business model is highly cyclical. New Internet business models do not emerge at regular intervals, but depend on the innovation and creativity of Rocket Internet's employees and the company in general, as well as on the general competitive environment of the Internet-based business model market, which is naturally subject to strong fluctuations.

Four Industry Sectors

Rocket Internet is focused on business models that satisfy basic consumer needs across the following four industry sectors:

- Food & Groceries (individualized fresh food at home and online food delivery and takeaway),
- Home & Living (international home & living eCommerce),
- Fashion (emerging markets online fashion) and
- General Merchandise (emerging markets eCommerce as well as marketplaces for online merchandise).

New Businesses

In addition to the companies in the four industry sectors, Rocket Internet identifies and develops Internet-based business models complementary to or outside of the four industrial sectors, incubates Internet companies from them and further develops them operationally with the goal of market leadership. Therefore, Rocket Internet owns stakes in companies at varying maturity stages, ranging from recently launched models to companies that are in the process of establishing leadership positions or still expanding their geographic reach. The majority of these network companies was incubated by the Group.

GFC Investments

Besides founding new companies ourselves, we also provide operational support and invest strategically in complementary existing companies in order to expand the global network of Internet companies, find new business ideas for foundings and benefit from economies of scale, cooperations as well as know-how advantages for our own foundings. GFC investments are complementary to the core of the Rocket Internet strategy and thus support Rocket Internet's strategy to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a leading global company for Internet-based business models. These activities of the Rocket Internet Group are conducted by Global Founders Capital (GFC Investments). These investments are geared toward long-term commitments, where we seek to create sustainable value by developing the business.

Services

Furthermore, Rocket Internet renders a variety of services, such as IT and software engineering, product design, online marketing, commercial consulting, letting of office space for network companies and other services, mainly for its subsidiaries and non-controlled equity investments. Particularly in the early stage Rocket Internet is involved in the strategic leadership and operational and tactical implementation of the business plans of its subsidiaries, associates and joint ventures.

Rocket Internet has created the Rocket Internet platform to systematize the process of identifying business ideas as well as building and scaling Internet companies around the world. The goal is to identify commonalities within different business models and leverage these via a platform approach to optimize the building and scaling process.

1.1.3 Legal Structure of the Group / Locations

The core of Rocket Internet's business strategy remains to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a leading global company for Internet-based business models in the long term. While Rocket Internet as well as some of its subsidiaries focus on operational development and support by providing services along the different functional areas of an Internet and technology business and on letting of office spaces for network companies in connection with the strategic and operational business strategy of Rocket Internet to incubate and develop network companies, the operational business (B2C, B2B) is carried out exclusively by Rocket Internet's subsidiaries, associates and joint ventures under the umbrella of specifically created consumer brands. In addition, in its role as the Group holding, Rocket Internet fulfils central functions.

If Rocket Internet incubates a company itself, it holds 100% of the shares in the beginning. Typically Rocket Internet then owns directly or indirectly approximately 70% to 80% of its companies[1] at the time of launch, with the remainder set aside for equity participations of the management of the respective network company. In subsequent financing rounds, the companies attract the equity financing necessary to expand their business from Rocket Internet and other external investors. The external equity financing is provided by strategic partners and other strategic and financial investors.

1) All participation quotas for the network companies shown in the financial statements are based on the Group's ownership calculated pursuant to the respective accounting rules (e.g. reflecting the transaction closing dates, dates of change in control, considering trust shares allocated to the Group, excluding stakes indirectly held via RICP etc.) and may therefore differ from the respective information (in some cases beneficial interest including RICP) published on the Company's website which is based on the signing dates.

These investments are made either directly into the company or indirectly into an intermediate holding company. The Group usually keeps a majority interest in its incubated companies in the first financing rounds.

As of December 31, 2018, Rocket Internet does not consolidate most of its significant network companies, but accounts for them as associated companies or joint ventures. The most important associated companies and joint ventures in Rocket Internet Group as of December 31, 2018 are:

Associated company / joint venture	Consumer brands
HelloFresh SE	HelloFresh
Global Fashion Group S.A. (GFG)	Dafiti, Lamoda, Zalora & The Iconic, Kanui und Tricae
home24 SE	home24, Mobly
Westwing Group AG	Westwing
Jumia Group (Jumia Technologies AG)	Jumia, Zando

As of December 31, 2018 Rocket Internet Group included 66 (previous year 90) fully consolidated companies (including intermediary holdings), of which 40 (previous year 56) companies were located outside of Germany. In addition, Rocket Internet Group held investments in 42 associated companies and joint ventures (thereof 7 in liquidation; previous year 45, thereof 7 in liquidation). Please refer to note 1 “Corporate and Group Information” in the notes to the consolidated financial statements for further information about the development of the consolidated Group and of the associated companies and joint ventures. The list of Group shareholdings is presented in the notes to the consolidated financial statements.

Group’s investments in other companies

The Group has designated certain associated companies and other equity investments with ownership percentages below 20% as financial assets at fair value through profit or loss. These equity investments that complement the business strategy of Rocket Internet are held as GFC Investment and are operated and measured on the basis of fair values in accordance with the risk management and investment strategies. Rocket Internet is acting as an investor (within the meaning of IAS 28.18) and the Group is less involved in the strategic leadership and tactical implementation of the business plans of such companies. Particularly this category includes the numerous shareholdings in several Internet and technology companies that complement the business strategy. In this way a global network of Internet companies is built, new business ideas for incubations are identified and scale and know-how advantages for own incubations are realized. GFC investments are complementary to the core of Rocket Internet’s business strategy and thus support Rocket Internet’s strategy to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a leading global company for Internet-based business models in the long term.

1.1.4 Brands of the Company Network

The following illustration shows a selection of the most important brands used by network companies:

1.2 Research and Development

In order to achieve its business strategy, i.e. to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership, Rocket Internet has developed proprietary technology that provides the network companies with standardized solutions for a range of Internet business models. The modular framework is built to serve the needs of our businesses as it can be adapted to the specific requirements of individual companies and different markets. While stand-alone companies have to develop their technology from scratch, the companies in the Rocket Internet network have access to a flexible and field tested framework, which allows our entrepreneurs to focus on their core business models.

All units of the Company, supported by a central strategic product development function, optimize the existing offerings and establish innovative products in the market. Most importantly, this means that the offering spectrum is expanded continuously through innovations.

In its core business, the Group constantly develops new products for the needs of its customers. New developments are subject to user tests on a timely basis. Their experience flows, in turn, into the product optimization.

The entire industry is transitioning from classic desktop-Internet companies to mobile-first and even mobile-only, which requires the development of new products. Mobile people increasingly do their research and make choices on their way from one place to another. Smartphones and tablets are more and more replacing the home desktop PC. Further, new device classes are being added, such as Internet-capable TV sets, smart watches and smart-home applications. The Group is committed to support its network companies in delivering products and rendering services to all relevant digital devices.

Furthermore, Rocket Internet has developed instruments to analyze essential key performance indicators that allow us to compare the performance of our companies, identify best practices, and share this knowledge within our network of companies.

A large part of the IT staff not only works to ensure business continuity, but also to further develop the IT solutions that Rocket Internet provides to its network companies. In research and development, Rocket Internet attaches particular importance to providing network companies with convenient, reliable and secure technologies that can easily be scaled and adapted to the individual needs of the particular company. In addition, the change towards the increased use of mobile applications is also covered technologically.

The total expense of the Group in the IT area amounts to EUR 4.6 million (previous year: EUR 7.3 million). This corresponds to 10% of Group revenue in 2018 (previous year: 20%).

In 2018, as in the previous year no development expenses were capitalized in the consolidated financial statements as well as in the annual financial statements of Rocket Internet SE. The amount of research expenses was insignificant.

2. Performance System

In line with our strategy, we have designed our internal performance system, and defined appropriate performance indicators. The performance system involves the consolidated network companies as well as the non-consolidated network companies. 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.

2.1 Most Significant Performance Indicators

Our most significant performance indicators are unchanged from the previous year.

Revenue

We aim to achieve sustainable market positions in the markets and sectors we enter. Profitable growth of revenues (as reported in the income statement) is an important factor for the long-term increase in corporate value.

EBITDA

The Group aims to make its network companies, depending on the type of business model, profitable within six to nine years after their launch. Rocket Internet primarily measures the profitability of its businesses on the basis of EBITDA (operating result). We define EBITDA as result before financial result, income taxes, depreciation, amortization and impairment. At Group level EBITDA comprises the result from deconsolidation of subsidiaries and the share of profit / loss from associates and joint ventures.

EBITDA margin

The EBITDA margin of network companies is defined as EBITDA divided by revenue.

Cash position

Sustained development of revenues and earnings is supported by a solid cash position. Rocket Internet provides companies with the financial means to start up, develop and grow their operations. Typically the network companies are funded through a mix of capital from Rocket Internet and third-party capital. As capital is a key component of growing companies, we strive for a solid financial position. Our primary measure for monitoring and controlling our cash position is the balance sheet line item cash and cash equivalents. Starting from the first half of 2018, the cash position includes, in addition to short-term bank balances, highly liquid listed shares which are easily convertible into cash.

2.2 Auxiliary Performance Indicators

In addition to the above-stated most significant performance indicators, the Group uses various auxiliary indicators in order to measure the economic success of business activities. For an assessment of the revenue potential of the companies, performance indicators such as GMV (gross merchandise value), number of orders, number of transactions, number of customers, number of active customers or number of homepage visitors are used. In the area of eCommerce for instance, Rocket Internet analyzes the turnover ratios of the operational net current assets, return rates in eCommerce and the quality of operational procedures in order to ensure the timely and correct shipping and invoicing of the ordered merchandise as part of the monitoring of operations.

The quality of products and solutions is a critical success factor. In this context among other factors, the reliability, user friendliness and availability of the products mainly offered online play an important role. Availability and interruption-free operation of the service systems as well as the resistance against targeted attacks, from hackers or through manipulation for example, are essential for providing customers with the promised services.

Rocket Internet's business approach and business policy is oriented towards sustainability. This approach is demonstrated particularly by high investments in customer relations, new fields of business and, accordingly, in future growth. With regard to customer loyalty and satisfaction as well as service quality, aspects relevant to security (e.g. security of cashless payments, data maintenance of bank accounts and other customer data) are considered highly important.

The Group presents the selected performance indicators for the major unlisted network companies on a quarterly basis on the website of the parent Company.

3. Economic Report

3.1 General Economic Conditions

According to the "Global Economic Prospects Report" of the World Bank Group published in January 2019, global growth in 2018 is estimated at 3.0% and has moderated as the recovery in international trade and manufacturing activity lost steam. Despite ongoing negotiations, trade tensions among major economies remain elevated. These tensions, combined with concerns about softening global growth prospects, have weighed on investor sentiment and contributed to declines in global equity prices. Borrowing costs for emerging market and developing economies (EMDEs) have increased, in part as major advanced-economy central banks continue to withdraw policy accommodation in varying degrees. A strengthening USD, heightened financial market volatility, and rising risk premiums have intensified capital outflow and currency pressures in some large EMDEs, with some vulnerable countries experiencing substantial financial stress. Energy prices have fluctuated markedly, mainly due to supply factors, with sharp falls toward the end of 2018. Other commodity prices – particularly metals – have also weakened, posing renewed headwinds for commodity exporters.

Economic activity in advanced economies has been diverging of late. Growth in the United States has remained solid, bolstered by fiscal stimulus. In contrast, activity in the euro area has been somewhat weaker than previously expected, owing to slowing net exports. While growth in advanced economies is estimated to have slightly decelerated to 2.2% last year, it is still above potential and in line with previous forecasts.

EMDE growth edged down to an estimated 4.2% in 2018, 0.3 percentage point slower than previously projected, as a number of countries with elevated current account deficits experienced substantial financial market pressures and appreciable slowdowns in activity. More generally, as suggested by recent high-frequency indicators, the recovery among commodity exporters has lost momentum significantly, largely owing to country-specific challenges within this group. Activity in commodity importers, while still robust, has slowed somewhat, reflecting capacity constraints and decelerating export growth. In low-income countries (LICs), growth is firming as infrastructure investment continues and easing drought conditions support a rebound in agricultural output. However, LIC metals exporters are struggling partly reflecting softer metals prices. Central banks in many EMDEs have tightened policy to varying degrees to confront currency and inflation pressures.

The development of Gross Domestic Product (GDP) and exchange rates in selected countries is as follows:

		Change of GDP		Exchange rates (1 EUR = local currency)		
Country	**Currency**	**2018[1)]**	**2017**	**Dec 31, 2018**	**Dec 31, 2017**	**Change**
Australia	AUD	3.2%	3.1%	1.622	1.535	-5.7%
Brazil	BRL	1.4%	0.2%	4.444	3.973	-11.9%
China	CNY	6.6%	6.9%	7.865	7.798	-0.9%
Germany	EUR	1.9%	1.6%	n/a	n/a	n/a
Hong Kong SAR	HKD	3.8%	3.8%	8.968	9.372	4.3%
Indonesia	IDR	5.1%	5.1%	16,500.00	16,239.12	-1.6%
Nigeria	NGN	1.9%	0.8%	414.954	426.915	2.8%
Russia	RUB	1.7%	1.4%	79.715	69.392	-14.9%
Saudi Arabia	SAR	2.2%	0.4%	4.285	4.490	4.6%
Singapore	SGD	2.9%	2.2%	1.559	1.602	2.7%
United Arab Emirates	AED	2.9%	1.5%	4.200	4.399	4.5%
United Kingdom	GBP	1.4%	2.0%	0.895	0.887	-0.8%
United States	USD	2.9%	2.3%	1.145	1.199	4.5%

1) Source: Knoema Corporation (www.knoema.de)

3.2 Industry-Specific Conditions

Venture Capital Market in Germany

An active market for venture capital plays a vital role in the financing of start-ups and innovations. The economic importance of venture capital is that the innovations open up new opportunities for customers, provide new markets, create sustainable jobs, strengthen competitiveness and ensure prosperity. Venture capital promotes the development of innovative solutions for industry and thus supports the digitization of the economy. The venture capital available in Germany, in Europe and in the world has increased significantly in the last years. This led to an increased competition about business ideas, personnel, technologies, customers and markets.

After the year 2017 with twelve new listings, 18 initial public offerings (IPOs) with total proceeds of approximately EUR 11.6 billion (previous year approximately EUR 2.8 billion) took place in Germany in 2018. Germany gained an 18-year high in terms of IPO proceeds and took over the lead in Europe. While globally the number of IPO deals declined by 21% in 2018 compared to 2017, in contrast, proceeds increased by 6%. In terms of number of deals and proceeds global IPO activity surged in 2018 with 1,359 IPOs raising USD 204.8 billion. In the previous year 1,624 transactions were executed raising USD 188.8 billion.

General Industry Trends[2]

The networking of markets, sectors, industries and society will change radically in the coming years due to the fifth generation in mobile phone and network technology (5G) under development. In the past, infrastructural broadband base networking was the main focus. In the future, it will be about networking of almost everything to form an "Internet of Things" (IoT). Not only millions of smartphones and computers will be networked in the coming years. The 5G technology seeks to fulfill the future communication requirements in this fully networked information society much more comprehensively than before. 5G is a substantial technological basis for the developments in the area of Industry 4.0 and for more general networking in strategically important areas such as mobility (e.g. automated driving), logistics, energy and media distribution. It is estimated that 50 to 500 billion things worldwide will be networked by 2020. The resulting potentials of economic and social development have a huge impact on economic growth and future value creation. In accordance with studies of the International Telecommunication Union (ITU), the attention to the 5G technology increased worldwide sharply. The development focused on enabling a seamlessly connected society in the time frame until 2020 and beyond that bringing together people along with things, data, applications, transport systems and cities in a smart networked communications environment. In Germany, Deutsche Telekom AG estimates that the spread of 5G technology is going to be available at the 2022–2025 time frame.

Digitization through the Internet of Things provides enormous opportunities, but at the same time it bears unforeseeable risks and provides dangerous targets for new forms of cybercrime. In Germany alone, two out of three companies are victims of hacker attacks every year. Cyberattacks are increasingly being implemented with machine learning and artificial intelligence (AI). The so-called "pattern matching", which means the comparison with known patterns, is no longer sufficient for the defense. Companies should therefore focus on detecting anomalies and use their own artificial intelligence for cyber security. This is how unusual activities are detected early. Large-scale, professional cyberattacks by state actors will continue to increase in 2019. That is why the origin of the provider should be considered when choosing cyber security software.

Another trend is the Big Data Processing & Analysis, as more and more companies want to digitize their processes. This includes the management and storage of data, advanced cloud computing solutions, personalized data analyzing tools and data security. The foundation for predictive, actionable business analytics for regional, store, customer and product levels has the potential to become really powerful.

The mobile phone is playing an increasingly important role as a means of payment. With the development of smartphones, the mobile Internet and Near Field Communication (NFC) technology, numerous functions and applications can now be integrated, such as vouchers, tickets, loyalty points and payment services. People are now experiencing a new form of convenience with their mobile phones, such as travelling on public transport using mobile tickets rather than coins or physical tickets, using their smartphones to pay contactless while at the same time redeeming coupons and collecting loyalty points or making secure bank payments. Mobile apps are becoming more valuable for consumers and more integral to their everyday lives. Rakuten Pay is currently developing a face payment system in order to

2) Source: Internal industry analysis by Rocket Internet SE.

completely eliminate the need for personal devices or credit cards. The system allows users to pay using their face and a PIN code in stores, without the need for cash, credit cards, mobile phones or anything else. The facial recognition technology enables identification of the user, and the PIN code acts as a second factor for added security.

Solutions which allow humans to explore fully immersive computer-generated worlds (VR, Virtual Reality) and to overlay computer graphics onto our view of our immediate environment (AR, Augmented Reality) are both increasingly being adopted. AR and VR used in a variety of both digital and physical settings also are about to change the future of retail. They offer retailers the opportunity to transform shopping experiences such as product selection, elevate customer service, and create a differentiated, personalized customer experience. As smartphones are increasingly compatible with this technology, it will be used by more and more consumers.

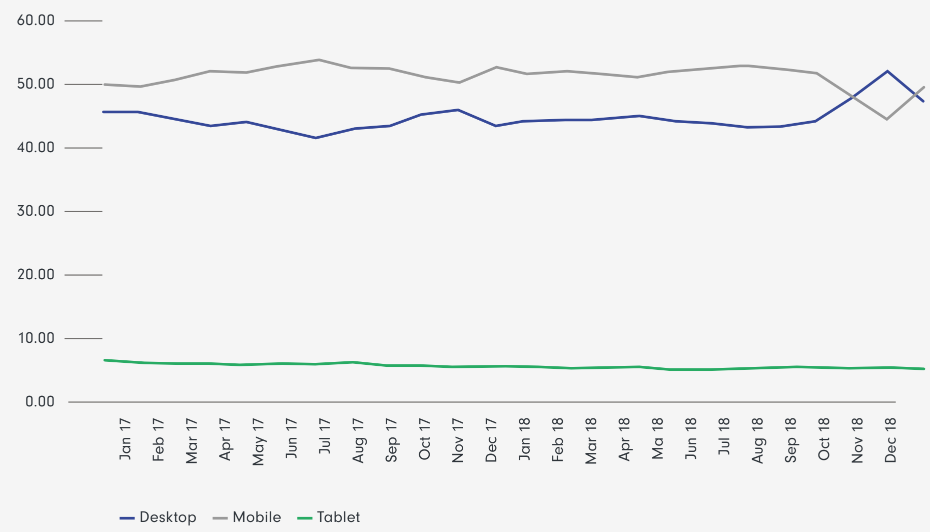
The eCommerce industry is not only continuing to grow but is gaining more influence in other areas, from brick-and-mortar retailing to social networks. As combined sales possibilities have become better integrated into stores and there are more digital opportunities to influence online sales (e.g. social media, affiliates, etc.), the importance and complexity of eCommerce in corporate structures will continue to increase. “Social Commerce” will be the biggest source of customer acquisition. In particular, it should be noted that it will be necessary to invest in the eCommerce infrastructure and eCommerce platforms to support differentiated sales models (e.g. pop-ups, stores, events, social buying). Artificial Intelligence and personalization play an increasing role in the transformation of eCommerce branch. The AI software is able to categorize customer emails and to provide the customer service with summarized information and priority tags. Customers will be met in the integrated marketplace: at home, in their workplaces, in their cars or in their hands.

According to the “D21-Digital-Index 2018/2019” by the “Initiative D21”, a total of about 84% (previous year 81%) of all Germans (age groups above 14 years old) used the Internet in 2018. The mobile use of the Internet increased by 4 percentage points in 2018 to 68%, the share is 93% in the age group 20–29 years old. The share of smartphone owners increased from 70% in 2017 to 75% in 2018. One reason for the sharp increase in mobile use and a higher volume of data per user is the growing use of mobile video. This trend will continue: Mobile broadband will continue to supplement or even replace stationary access. New technologies such as 5G will create an essential basis for this, e.g. for mobile VR applications or networked mobility solutions. Activities performed and applications used at least once a week include searching the internet for information and content (75%), while more specific applications are used far less frequently, such as working with office programs like word processing, spreadsheets, presentations (44%), the use of instant-messaging applications like WhatsApp (39%), online shopping (38%) and using navigation services like Google Maps (35%). The share of those who regularly pay online, e.g. via PayPal, Paydirekt or Bitcoin is 38%.

According to “StatCounter GlobalStats” the number of page views using mobile phones maintained its leading position worldwide in 2018 as in 2017 compared to the one via desktop computers and tablets (see chart below for monthly comparison). The development of the number of websites views in 2018 in different regions shows that while the use of desktop computer in Europe, North and South America and Oceania exceeds the use of mobile phone, the number of websites views per mobile phone in Asia and Africa is higher than the one per desktop computer.

Desktop vs. Mobile vs. Tablet Market Share Worldwide

in %



Source: StatCounter GlobalStats

According to the "Measuring the Information Society Report 2018" by the International Telecommunication Union (ITU) there has been rapid growth in mobile-broadband services. The number of mobile-broadband subscriptions worldwide continues to grow strongly from approx. 50 per 100 inhabitants in 2017 to approx. 69 per 100 inhabitants in 2018, enabling improved access to the Internet and online services. The introduction of new mobile technologies is accelerating this trend, with LTE or higher capabilities now available to most mobile users. Access to fast Internet becomes essential for many people, and has beneficial effects on the world economy. There has been slower growth in the number of fixed-broadband subscriptions worldwide and decline of the number of fixed telephone lines. Therefore, the number of fixed-broadband subscriptions exceeds now the number of fixed telephone lines more clearly than in the previous year.

3.3 Course of Business

We look back on a year 2018 that was very eventful for our Group. The ability to identify and design new businesses from scratch and to operationally develop and support those businesses through their entire lifecycle remains the focus of Rocket Internet's business strategy, even though the intensity of competition in the startup market has increased. The goal of building and operationally supporting a network of promising Internet and technology companies and thus a leading global company for Internet-based business models was continued in 2018.

In June 2018, home24 SE placed its shares on the regulated market segment (Prime Standard) of the Frankfurt Stock Exchange. The offer price was set at EUR 23.00 per share, which is at the upper end of the price range of EUR 19.50 to EUR 24.50. The gross proceeds from the issuance of 6,521,740 new shares amounted to EUR 150 million. In addition, 978,261 over-allotment shares (primary greenshoe option) were allocated. Considering full exercise of the greenshoe option, home24 SE's total market capitalization amounted to approximately EUR 600 million based on the offer price. As part of the offering, Rocket Internet SE purchased shares for EUR 22 million.

In October 2018, Westwing completed its IPO on the Frankfurt Stock Exchange (Prime Standard) raising approximately EUR 114 million (gross proceeds without exercise of the greenshoe option) in primary capital. The shares were sold at the mid-point of the initial price range at a price of EUR 26.00 per share. The market capitalization of Westwing at IPO amounted to EUR 518 million (assuming no exercise of the greenshoe option). In addition, 311,359 over-allotment shares (primary greenshoe option) were allocated resulting in gross proceeds of EUR 8 million.

The program for the repurchase of the convertible bonds, established in February 2016, was continued and completed in 2018. In September 2018 the Group repurchased the last convertible bonds issued on July 22, 2015. In total, the Group repurchased convertible bonds with a nominal value of EUR 298.3 million in the financial year 2018.

The selected companies showed notable revenue growth in the financial year 2018 compared to the financial year 2017, in particular HelloFresh (41%), Jumia (39%), Westwing (16%), home24 (13%) and GFG (6% and 19% on a constant currency basis, respectively) and most of them an improvement in the adjusted EBITDA margin, in particular Jumia, GFG, HelloFresh and Westwing.

In line with the previous year report's forecast for the financial year 2018, the international expansion of our network companies has continued. With the first-time consolidation of ExpertLead, which was built by Rocket Internet, a new network company with a new business model was included in the scope of consolidation of the Group. Non-viable operations were discontinued. The number of fully consolidated companies fell by 27% from 90 to 66 as forecast for the year 2018 in the combined management report 2017.

During 2018, the Group made several new and follow-on GFC investments and increased its number and volume in its exposure in debt securities as forecast for the year 2018 in the combined management report 2017.

Revenue of the Rocket Internet Group increased to EUR 44.5 million in the year 2018 compared to EUR 36.8 million in the previous year (+21%). The previous year report's forecast for the financial year 2018 of a significant increase in consolidated revenue of New Businesses for those companies that continued to be fully consolidated after December 31, 2017, was realized. The Group's revenue for all New Businesses increased from EUR 17.2 million in 2017 by 67% to EUR 28.8 million in 2018. As expected, the area of New Businesses excluding FinTech entities realized a negative EBITDA. The area of FinTech realized a positive EBITDA and thus, in contrary to the forecast, contributed to the positive EBITDA of the Rocket Internet Group. In line with the previous year report's forecast for the financial year 2018, revenue from other services declined by 19%.

The result from deconsolidation of subsidiaries in 2018 in the amount of EUR 10.3 million (previous year EUR 11.6 million) has decreased as it had been forecast for the year 2018.

Contrary to the previous year report's forecast for the financial year 2018, the share of profit/loss from associates and joint ventures was strongly positive in the financial year 2018. In total, the share of profit/loss from associates and joint ventures improved from EUR 2.6 million by EUR 213.2 million to EUR 215.8 million. The Group's share of profit/loss from associates and joint ventures including adjustments made by the Group using the equity method as well as gains from deemed disposals amounts to EUR 14.0 million (previous year EUR 63.6 million). In 2018, gains from the disposal of associates and joint ventures of EUR 189.4 million (previous year EUR 4.1 million) were recognized. Furthermore, the Group recognized reversals of impairment losses and the net balance of impairment losses and reversals amounted to EUR 12.4 million as compared to a net balance of impairment losses and reversals of negative EUR 65.1 million in the prior-year.

Contrary to the forecast in the combined management report 2017 for the total year 2018 which anticipated the EBITDA to deteriorate, the EBITDA of the Group improved by EUR 258.1 million from negative EUR 54.8 million in 2017 to EUR 203.3 million in 2018.

Overall, the Group generated a profit of EUR 196.0 million for the period (previous year loss of EUR 6.0 million), this despite the fact that the Group's financial result in the fourth quarter of 2018 was adversely affected by turmoil on the capital markets.

The total comprehensive income for the period, net of tax, declined from EUR 371.4 million by EUR 177.6 million to EUR 193.8 million.

As projected for the financial year 2018, payments in the RICP fund were continued in 2018. Investments in the larger network companies did not decline, contrary to the previous year's forecast. This is mainly attributable to the acquisition of new shares (EUR 22.0 million) in conjunction with the initial public offering of home24.

Cash and cash equivalents increased from EUR 1,716.6 million as of December 31, 2017 to EUR 1,720.0 million as of December 31, 2018. The increase is attributable to the proceeds from the sale of non-consolidated shares in the amount of EUR 1,411.9 million (mainly Delivery Hero and HelloFresh shares) that are offset by significant cash outflows from the purchase of own shares, the early redemption of convertible bonds and the purchase of easily convertible into cash listed shares which started in the beginning of 2018 and was continued during the year as a part of the treasury strategy.

In the 2017 combined management report, decreasing revenues from rendering services in a low double digit percentage range were forecast for the parent Company due to the increase in own staff of the bigger network companies. As reflected in the parent Company's annual financial statements, revenues for services rendered by Rocket Internet decreased in line with the forecast from EUR 17.1 million by 13% to EUR 14.8 million. At the Group level the revenues for other services decreased from EUR 19.5 million by 19% to EUR 15.7 million.

In the annual financial statements of the parent Company in 2018, a net profit of EUR 534.6 million (previous year EUR 153.0 million) was recognized, which resulted primarily from profits transferred from subsidiaries of EUR 451.6 million as well as from the gains from disposals of participations and write-ups of non-current financial assets of a total of EUR 201.7 million reported in the line item other operating income. The EBITDA in the annual financial statements 2018 amounts to EUR 191.7 million.

Adjusted for one-off effects, EBITDA in the annual financial statements 2018 amounted to EUR -8.6 million, which is above the range stated in the previous year's forecast (from EUR 18 million to EUR -22 million). The deviation is mainly due to personnel cost savings and the postponement of incubation projects, which naturally do not emerge at regular intervals, but depend on the innovation and creativity of Rocket Internet's employees and Rocket Internet in general, as well as on the competitive environment.

3.4 Rocket Internet Share and Share Capital Structure

During the year 2018, the Rocket Internet share price decreased from EUR 21.13 as of December 31, 2017 by EUR 0.95 to EUR 20.18 as of December 31, 2018.

On August 14, 2017, Rocket Internet announced to carry out a share buy-back program with a total maximum consideration (excluding ancillary costs) of up to EUR 100 million and a maximum volume of up to 5,000,000 shares, which represented a maximum of 3.03% of the outstanding share capital of Rocket Internet. On April 16, 2018 Rocket Internet resolved to early terminate the share buy-back program. In the period from August 14, 2017 until the early termination of the program on April 16, 2018, a total of 1,041,167 shares (of which 5,546 shares in fiscal 2018) were bought back at a volume weighted average price of EUR 20.41. This corresponded to a portion of 0.63% of the registered share capital of Rocket Internet SE.

Also on April 16, 2018, Rocket Internet resolved to buy back up to 15,472,912 own shares (corresponding to a maximum of 9.34% of the Company's registered share capital) through a public share purchase offer against payment of an offer price in the amount of EUR 24.00 per share. A total of 9,724,739 shares were tendered during the acceptance period. Thus, all purchase offers could be accepted. This includes 6,800,000 shares tendered by PLDT Online Investments Pte. Ltd.

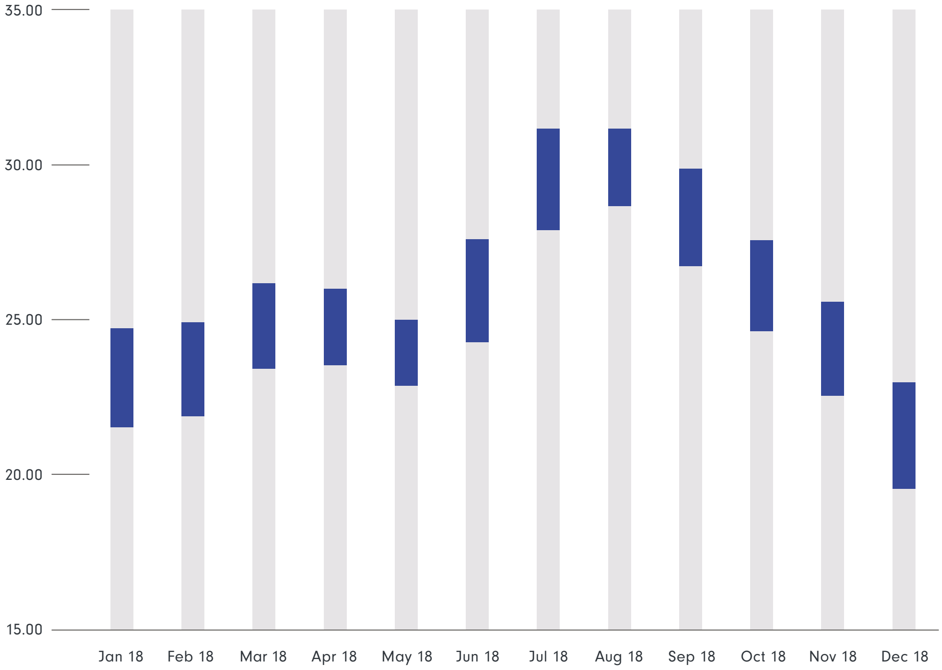
On May 23, 2018, Rocket Internet announced the redemption of 10,765,906 own shares. Thus, the share capital of the Company was reduced from EUR 165,140,790 by EUR 10,765,906 to EUR 154,374,884.

On September 20, 2018, Rocket Internet announced to carry out the share buy-back program 2018/2019 with a total maximum consideration (excluding ancillary costs) of up to EUR 150 million and a maximum volume of up to 5,500,000 shares, which represented a maximum of 3.6% of the outstanding share capital of Rocket Internet. The buy-back started on September 20, 2018 and will end at the end of September 19, 2019. Until December 31, 2018, the Group repurchased 3,607,590 shares at a volume-weighted average price of EUR 23.23. On December 12, 2018, 1,860,486 own shares thereof were redeemed. Thus, the share capital of the Company was reduced from EUR 154,374,884 by EUR 1,860,486 to EUR 152,514,398. Please refer to the notes to the annual financial statements and the notes to the consolidated financial statements for further information about the repurchased shares.

The market capitalization changed from about EUR 3.5 billion on December 31, 2017 to about EUR 3.0 billion on December 31, 2018.

The development of the Xetra closing share prices in 2018 is as follows:

Absolute in EUR



Relative, compared to development of the MDAX

In the financial year 2018, daily trading via the electronic computer trading system Xetra recognized on average 394,000 shares (previous year 434,000 shares) with an average value of EUR 10.0 million (previous year EUR 8.4 million). The ISIN code for the shares is DE000A12UKK6.

The subscribed capital of Rocket Internet SE amounted to EUR 152,514,398 on December 31, 2018 (previous year EUR 165,140,790), and was split into 152,514,398 (previous year 165,140,790) ordinary bearer shares with no-par value (Stückaktien ohne Nennbetrag). Every share grants one vote. Other share classes do not exist. As of December 31, 2018, 150,767,294 shares were outstanding.

Rocket Internet convertible bond

On July 22, 2015, Rocket Internet issued a convertible bond amounting to EUR 550.0 million, maturing in seven years with a nominal interest rate of 3.0% per year In September 2018 the Group repurchased the last outstanding convertible bonds. In total, the Group repurchased convertible bonds with a nominal value of EUR 298.3 million in the financial year 2018. As of December 31, 2018 no convertible bonds were outstanding (previous year EUR 298.3 million). The buyback reduces interest expenses and potential shareholder dilution. The reason for the convertible bond buyback is among others that a financing through capital markets does not seem to be necessary anymore, due to the available liquidity of the Company as well as the overall situation of the Group.

The bond was listed on the Open Market on the Frankfurt Stock Exchange and was also traded on German stock markets. The ISIN code for the bond was DE000A161KH4.

3.5 Position of the Group

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

3.5.1 Earnings Position of the Group

General remark on the earnings position of the Group

Driven by the business model of Rocket Internet, the earnings position can vary substantially from year to year, which can be demonstrated by the actual performance of the Group in the financial years 2013–2018:

In EUR million	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Revenue	44.5	36.8	50.4	128.3	128.2	99.8
Result from deconsolidation of subsidiaries	10.3	11.6	48.3	167.0	452.6	0
Share of profit/loss of associates and joint ventures	215.8	2.6	-539.6	-188.6	75.1	1,449.0
EBITDA	203.3	-54.8	-565.3	-200.8	424.4	1,317.8
Financial result	1.0	47.0	-168.0	29.7	12.0	91.8
Profit/loss for the period	196.0	-6.0	-741.5	-197.8	428.8	1,395.6
Other comprehensive income for the period, net of tax	-2.2	377.3	118.3	36.4	78.2	9.2
Total comprehensive income/loss for the period, net of tax	193.8	371.4	-623.2	-161.4	507.0	1,404.8
Earnings per share (in EUR) – basic = diluted	**1.28**	**0.01**	**-4.22**	**-1.24**	**3.24**	**11.93**

Earnings position of the Group during the reporting period

In EUR million	2018	2017
Revenue	44.5	36.8
Other operating income	2.2	1.5
Result from deconsolidation of subsidiaries	10.3	11.6
Cost of materials and cost of financial services	-16.1	-15.8
Employee benefits expenses	-26.0	-63.7
Other operating expenses	-27.4	-27.7
Share of profit/loss of associates and joint ventures	215.8	2.6
EBITDA	**203.3**	**-54.8**
Impairment of non-current assets, depreciation and amortization	-1.7	-2.0
Financial result	1.0	47.0
Income taxes	-6.6	3.8
Profit/loss for the period	**196.0**	**-6.0**
Other comprehensive income for the period, net of tax	**-2.2**	**377.3**
Total comprehensive income/loss for the period, net of tax	**193.8**	**371.4**

Revenue was structured as follows:

In EUR million	2018		2017	
New Businesses	28.8	65%	17.2	47%
Other Services	15.7	35%	19.5	53%
Total	**44.5**	**100%**	**36.8**	**100%**

Revenues of the New Businesses increased significantly by 67% from EUR 17.2 million in 2017 to EUR 28.8 million in 2018. This results primarily from a higher volume of FinTech operations.

The revenues from other services are mainly comprised of income from consulting services performed for non-consolidated network companies and letting of office space. The decrease of revenues from other services primarily results from transfer of functions and employees from Rocket Internet to non-consolidated network companies as well as from disposals, discontinuance and reduced operations of non-consolidated network companies.

Of the total consolidated revenues, 46% were generated in Germany (previous year 54%), 27% in the United Kingdom (previous year 19%), 9% in Luxembourg (previous year 10%), 7% in France (previous year 3%), 3% in Australia (previous year 3%), 2% in Mexico (previous year 2%) and 6% in the rest of the world (previous year 9%).

The result from deconsolidation of subsidiaries in the amount of EUR 10.3 million (previous year EUR 11.6 million) has decreased as had been forecast in the consolidated financial statements 2017. It mainly originated from the deconsolidation of Caterwings (EUR 8.9 million) in conjunction with the establishment of the B2B Food Group, from the deemed disposal of EatFirst (EUR 0.4 million) and the sale of a service company in Luxembourg (EUR 0.5 million). In 2017, the gain from deconsolidation primarily comprised gains from the deconsolidation (deemed disposal) of Instafreight (EUR 7.6 million) and Zipjet (EUR 4.3 million).

The position cost of materials and cost of financial services slightly increased from EUR 15.8 million by 2% to EUR 16.1 million. On the one hand, this figure includes for the first time interest and impairment losses of the FinTech operations amounting to EUR 6.6 million (previous year EUR 0 million). On the other hand, expenses for purchased goods and services declined, mainly due to the deconsolidation of subsidiaries in the eCommerce sector.

Employee benefits expenses, which amounted to EUR 26.0 million (previous year EUR 63.7 million), included the current remuneration as well as expenses arising from equity-settled and cash-settled share-based payments. The decrease by EUR 37.7 million results from the following:

Employee benefits expense reconciliation	**Impact on expense in EUR million**
Reduced expenses for salaries, bonuses and social security due to decreased average number of own staff employed by consolidated companies mainly driven by the deconsolidation of subsidiaries as well as the reduction of expenses for non-cash compensation	-15.5
Revaluation of liabilities for cash-settled share-based payments and other incentives mainly driven by the decrease in fair value of the underlying equity instruments	-2.6
Decrease of expenses for equity-settled share-based payments mainly driven by the lower number of instruments granted than in the previous year as well as the departure of beneficiaries for which in the previous years front-loading recognition of expenses (graded vesting) took place	-19.6
Total	**-37.7**

Other operating expenses included mainly legal and consultancy fees (EUR 7.7 million; previous year EUR 5.8 million), rental, office and IT costs (EUR 6.0 million; previous year EUR 6.9 million), marketing expenses (EUR 4.2 million; previous year EUR 3.7 million), expenses for external services (EUR 1.2 million; previous year EUR 1.3 million) and currency translation losses (EUR 0.8 million; previous year EUR 2.1 million).

The share of profit / loss from associates and joint ventures amounts to EUR 215.8 million (previous year EUR 2.6 million). The significant increase by EUR 213.2 million results from the following:

Share of profit/loss from associates and joint ventures reconciliation	**Impact on result in EUR million**
Decreased Group's share of profit/loss from associates and joint ventures including adjustments made by the Group using the equity method and gains from deemed disposals	-49.7
Increase of reversals of impairment losses (net balance of losses and reversals)	77.6
Increase of gains from disposal	185.3
Total	**213.2**

In 2018, the share of profit/loss from associates and joint ventures is particularly characterized by sales of HelloFresh shares, which generated disposal gains of EUR 172.6 million. Further positive effects include the deemed disposal gains reduced by the proportionate share of losses attributable to the financing rounds of Traveloka (EUR 52.0 million) and the Westwing IPO (EUR 24.7 million). Furthermore, pro rata gains from RICP (EUR 23.8 million) were recognized. The impairment charges recognized in connection with Asia Pacific Internet Group (EUR 10.9 million) were offset by the proportionate share of profit of Asia Pacific Internet Group (EUR 14.7 million). Negative effects mainly include the proportionate share of losses of Jumia (EUR 39.8 million), HelloFresh (EUR 28.4 million) and GFG (EUR 29.2 million), which were partially offset by the reversal of impairments in connection with GFG (EUR 14.4 million).

The share of profit/loss from associates and joint ventures in 2017 results on the one hand from positive effects arising from the reversal of impairment losses of GFG and the financing round of HelloFresh of EUR 113.0 million. On the other hand, these positive effects are offset by proportionate operating and impairment losses attributable to other associated companies and joint ventures. A total of EUR 21.6 million is attributable to GFG, of which EUR 22.5 million relates to impairment reversals and EUR -0.9 million to proportionate operating losses. A gain of EUR 90.5 million was recorded for HelloFresh, which includes both proportionate operating losses and positive effects from the IPO and the financing round of HelloFresh (deemed disposal). At Group level impairment losses attributable particularly to the Middle East Internet Group (EUR 39.9 million) and Asia Pacific Internet Group (EUR 24.1 million) were recognized. Additionally, the share of profit/loss from associates and joint ventures includes the deemed disposal gain and the proportionate share of operating losses from Traveloka (net gain of EUR 53.4 million), as well as the proportionate share of operating losses from Jumia (EUR 30.4 million), Asia Pacific Internet Group (EUR 36.3 million; thereof proportionate impairment losses of EUR 10.2 million) Middle East Internet Group (EUR 10.0 million) and Westwing (EUR 8.2 million).

EBITDA improved significantly from the loss of EUR 54.8 million in 2017 to the gain of EUR 203.3 million in 2018. This improvement was mainly due to the significantly improved share of profit/loss of associates and joint ventures as well as decreased employee benefits expenses and an increase in revenue.

The impairments of non-current assets and the depreciation and amortization amount in total to EUR 1.7 million (previous year EUR 2.0 million). Depreciation and amortization decreased from EUR 1.2 million to EUR 1.0 million. In 2018 the impairment charges of EUR 0.7 million (previous year EUR 0.7 million) mainly relate to goodwill.

The financial result of EUR 1.0 million (previous year EUR 47.0 million) primarily includes net changes (gains and losses) in fair value of equity instruments accounted for at fair value through profit or loss of EUR 19.2 million (previous year EUR 99.8 million), net foreign exchange gains of EUR 20.3 million (previous year loss of EUR 45.3 million) that relate to loans as well as to cash and cash equivalents and mainly reflect the development of the USD exchange rate, interest income of EUR 9.5 million (previous EUR 16.1 million), the buyback-losses from convertible bonds of EUR 39.2 million (previous EUR 0 million) and interest expense from convertible bonds of EUR 7.6 million (previous year EUR 12.6 million). The financial result in the fourth quarter of 2018 was adversely affected by turmoil on the capital markets. The negative capital market effect largely neutralized both, the in the course of the year realized disposal gains (mainly from sales of shares in Delivery Hero) as well as the valuation gains recognized in the first three quarters of 2018. Due to the first-time application of IFRS 9, all valuation changes (both realized gains and unrealized value changes) of Delivery Hero are reported in the financial result starting January 1, 2018. In the previous year, the financial result only included the realized disposal gains, while the unrealized valuation gains were reported in other comprehensive income (OCI). Furthermore, the agreement with Naspers to sell 22,359,857 shares in Delivery Hero that was accounted for as a derivative financial liability hit the financial result by negative EUR 78.3 million in 2017. In contrast, the corresponding share price rise of Delivery Hero SE was recognized in 2017 in the statement of comprehensive income increasing equity.

Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods in the amount of negative EUR 2.2 million (previous year EUR 377.3 million) in 2018 includes exchange differences on translation of foreign operations in the amount of EUR 3.3 million (previous year negative EUR 4.3 million) and the share of the changes in the net assets of associates / joint ventures that are recognized in OCI of the associates / joint ventures, net of tax, of negative EUR 5.5 million (previous year negative EUR 17.4 million). In the financial year 2017 it also included the net gain on available-for-sale financial assets (AFS) of EUR 399.2 million which refers almost exclusively to Delivery Hero. Due to the first-time application of IFRS 9, starting January 1, 2018, all valuation changes (both realized gains and unrealized value changes) of AFS are reported in the financial result.

3.5.2 Financial Position of the Group

3.5.2.1 Cash flows and Cash Position

In EUR million	2018	2017
Cash flow from operating activities	-143.4	-148.2
Cash flows from investing activities	696.4	554.2
Cash flows from financing activities	-567.2	-62.1
Net change in cash and cash equivalents	**-14.1**	**343.9**
Net foreign exchange difference and change in loss allowance in cash and cash equivalents	17.5	-29.0
Cash and cash equivalents at the beginning of the period	1,716.6	1,401.7
Cash and cash equivalents at the end of the period	**1,720.0**	**1,716.6**

Due to exchange rate changes, the cash and cash equivalents of the Group increased by EUR 17.7 million (previous year decrease of EUR 29.0 million).

The negative cash flow from operating activities is typical for the industry and is mainly attributable to the start-up losses incurred by consolidated subsidiaries. On the one hand, the improvement of the negative operating cash flow in 2018 compared with the previous year is due to higher proceeds from dividends of EUR 37.6 million which mainly relate to Asia Pacific Internet Holding. On the other hand, start-up losses of the New Businesses decreased and outflows for cash-settled share based payments were reduced. Opposing effects mainly include higher cash outflows for the acquisition of operating financial assets (FinTech loans).

The cash flows from investing activities consist on the one hand of the cash-outflows for the Group's acquisitions of non-consolidated equity investments and the participation in financing rounds of network companies. In total, payments in the amount of EUR 111.8 million (previous year EUR 78.3 million) were made for acquisitions of non-consolidated companies of which EUR 22.0 million relate to home24, EUR 17.6 million to RICP fund, EUR 15.0 million to Jumia Group, EUR 12.5 million to Awaytravel and EUR 44.7 million to various network companies.

On the other hand, investing activities contain the cash-inflows from the sale of subsidiaries as well as from the sale of non-consolidated equity investments. In total, the Group received in 2018 EUR 1,411.9 million (previous year EUR 559.1 million) in cash for the sale of non-consolidated equity investments, which mainly relate to the sale of Delivery Hero and HelloFresh (previous year Lazada and Delivery Hero). Cash paid in connection with short-term financial management of cash investments in the amount of EUR 610.4 million (previous year EUR 92.8 million) mainly relate to payments for the highly liquid, easily convertible into cash listed shares as a part of the Group's treasury strategy of EUR 573.0 million (previous year EUR 0 million) as well as to cash outflows in connection with short-term bank deposits. The cash flows from investing activities also include cash received in connection with short-term financial management of cash investments in the amount of EUR 14.0 million (previous year EUR 119.1 million) that relate to the repayments of short-term loans to associates, joint ventures and other network companies. In 2018, cash from repayment of long-term loans granted to network companies in the amount of EUR 2.4 million (previous year EUR 55.0 million) was also received. In 2018, the Group made payments for acquisition of non-current financial assets of EUR 4.8 million (previous year EUR 12.9 million).

Cash flows from financing activities include the cash-outflows for the repurchase of convertible bonds in the amount of EUR 325.1 million (previous year EUR 52.4 million) as well as cash-outflows from the repurchase of treasury shares including transaction costs of EUR 317.5 million (previous year EUR 21.1 million). Moreover, during 2018, the Group received payments from non-controlling interests classified as financial liabilities in the course of the equity capital increases at the level of consolidated subsidiaries totaling EUR 75.3 million (previous year EUR 0 million). In 2018, consolidated subsidiaries received loans in the amount of EUR 1.2 million (previous year EUR 2.9 million).

The Group continues to maintain a very good cash position, with available cash and cash equivalents of EUR 1,720.0 million (previous year EUR 1,716.6 million) as of December 31, 2018. In addition to cash and cash equivalents, the Group had short-term bank deposits of EUR 185.1 million (previous year EUR 150.0 million) as well as easily convertible into cash listed shares of EUR 462.5 million (previous year EUR 0.0 million) as of December 31, 2018.

The Group was able to meet all its payment obligations at all times.

3.5.2.2 Capital Structure

The capital structure as of the balance sheet date is characterized by a high equity ratio of 97.3% (previous year 90.6%). Historically, the Group obtained its financing primarily through equity capital financing both at the level of the parent Company and through attracting investors at the level of subsidiaries (non-controlling interests). In 2015 the Group issued convertible bonds (a cash inflow of EUR 550.0 million, less transaction costs totaling EUR 2.8 million, of which an amount of EUR 37.7 million was recorded as an equity component). During 2018, the Group has prematurely repurchased all outstanding bonds with a principal amount of EUR 298.3 million (previous year EUR 55.5 million).

3.5.2.3 Investments

The investment activities undertaken in the financial years 2018 and 2017 are as follows:

In EUR million	2018	2017
Cash investing activities	-696.4	-554.2
Non-cash investing activities	34.8	0
Total divestments	**-661.6**	**-554.2**

For further details concerning cash investing activities, please refer to the information regarding the cash flows from investing activities. In 2018 and 2017, the proceeds from divestments exceeded the cash outflows for investing activities.

Significant non-cash investing activities in the year 2018 relate to the contribution of shares of Altigi GmbH (Goodgame Studios) into Stillfront Group AB (EUR 23.2 million) and the contribution of Caterwings and Order-In into the B2B Food Group (EUR 11.6 million). In 2017, the Group did not perform any significant non-cash investing activities.

The capital contribution obligations as of December 31, 2018 totaling EUR 69.3 million (previous year EUR 79.2 million) will be financed by existing cash and cash equivalents. They result from contracts concluded before the reporting date and primarily relate to commitments to RICP Fund.

3.5.3 Asset Position of the Group

Assets

In EUR million	Dec 31, 2018		Dec 31, 2017	
Non-current assets	1,602.8	39%	1,803.7	40%
Current assets	2,509.4	61%	2,751.6	60%
Total	**4,112.1**	**100%**	**4,555.3**	**100%**

Equity and Liabilities

In EUR million	Dec 31, 2018		Dec 31, 2017	
Equity	3,999.7	97%	4,126.1	91%
Non-current liabilities	88.1	2%	298.7	6%
Current liabilities	24.4	1%	130.5	3%
Total	**4,112.1**	**100%**	**4,555.3**	**100%**

The Company's largest asset items are cash and cash equivalent (42% of the balance sheet total; previous year 38% of the balance sheet total), shares in associates and joint ventures, accounted for using the equity method (20% of the balance sheet total; previous year 19% of the balance sheet total), non-current equity instruments (15% of the balance sheet total; previous year period 19% of the balance sheet total including AFS equity investments) as well as current equity instruments (11% of the balance sheet total; previous year period 17% of the balance sheet total including AFS equity investments).

Non-current assets decreased from EUR 1,803.7 million by EUR 201.0 million to EUR 1,602.8 million. Non-current financial assets decreased from EUR 937.9 million by EUR 167.3 million to EUR 770.6 million. The decrease is mainly attributable to the sale of shares (in particular Delivery Hero) as well as the fair value changes of equity instruments. The growth of business activities regarding FinTech (loans) as well as investments in new and existing network companies had an increasing effect.

The decrease of investments in joint ventures from EUR 159.4 million by EUR 74.7 million to EUR 84.7 million is mainly driven by the proportionate share of losses of Jumia (EUR 39.8 million) as well as dividends received from Asia Internet Holding (EUR 36.9 million). In contrast, the increase of investments in associates from EUR 693.7 million by EUR 41.8 million to EUR 735.5 million is mainly attributable to the above-mentioned deemed disposal gains (net of the proportionate share of losses) of the financing round of Traveloka and the IPO of Westwing. Investments in home24 during the IPO (EUR 22.0 million) and in the RICP fund (EUR 17.6 million) as well as the proportionate share of profit of the RICP fund (EUR 23.8 million) had an additional increasing effect. The sales of HelloFresh shares (carrying amount of EUR 66.6 million disposed of) and the proportionate share of loss of HelloFresh (EUR 28.4 million) had a decreasing effect.

The decrease of intangible assets from EUR 8.9 million by EUR 1.2 million to EUR 7.7 million was mainly attributable to amortization (EUR 0.3 million) and impairments (EUR 0.7 million).

Current assets decreased from EUR 2,751.6 million by EUR 242.3 million to EUR 2,509.4 million. The change is mainly attributable to the decrease of current securities due to the closing of the Delivery Hero share sale to Naspers agreed in 2017 in the amount of EUR 737.9 million. The first-time recognition of easily convertible into cash listed shares of EUR 462.5 million as well as the increase of current bank deposits from EUR 150.0 million by EUR 35.1 million to EUR 185.1 million had an increasing effect. For details concerning the development of liquidity, refer to section 3.5.2 “Financial Position of the Group”.

Total consolidated equity decreased from EUR 4,126.1 million by EUR 126.4 million to EUR 3,999.7 million. On the one hand, the positive total comprehensive income of EUR 193.8 million increased equity. On the other hand, the purchase of treasury shares in the amount of EUR 317.5 million including transaction costs decreased equity.

Non-current liabilities decreased from EUR 298.7 million by EUR 210.7 million to EUR 88.1 million. The change is mainly due to decreased liabilities from convertible bonds following the complete buyback (carrying amount in the previous year of EUR 283.4 million). The first-time recognition of non-controlling interests classified as financial liabilities had an increasing effect of EUR 75.3 million.

Current liabilities decreased from EUR 130.5 million by EUR 106.2 million to EUR 24.4 million. The change mainly results from the decrease of derivative financial liabilities related to the closing of the Delivery Hero share sale to Naspers by EUR 78.3 million, the decrease of liabilities from capital calls towards an joint venture by EUR 15.0 million, the decrease of liabilities from cash-settled share-based payments by EUR 4.6 million, the decrease of trade payables by EUR 4.3 million and the decrease of current liabilities from convertible bonds by EUR 3.9 million.

3.5.4 Key Developments of Selected Companies

The revenue of our selected companies shows ongoing growth compared to the previous year. HelloFresh increased its revenues by 41% from EUR 904.9 million in 2017 to EUR 1,279.2 million in 2018. Revenue of home24 increased by 13% (18% on a constant currency basis), Westwing by 16% on a like-for-like basis (excluding the disposed operations in Brazil, Russia and Kazakhstan) and Global Fashion Group by 6% (19% on a constant currency basis).

The adjusted EBITDA margin of most of our selected companies continued to improve during the fiscal 2018 compared to the previous year. In particular, Westwing achieved a positive adjusted EBITDA margin while HelloFresh was able to improve the adjusted EBITDA margin (excluding Green Chef) towards break-even.

Additional information on the key developments of unlisted selected companies can be found on the website of the parent company: https://www.rocket-internet.com/investors.

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

The earnings position in financial year 2018 was characterized by a markedly improved share of profit/loss of associates and joint ventures. The financial position was primarily characterized by the proceeds from the strategically motivated sale of shares in Delivery Hero and HelloFresh as well as cash outflows from the first-time acquisition of listed shares as part of the treasury strategy and from the repurchase of own shares. Following the completion of the repurchase offer for the outstanding convertible bonds in July 2018 and the subsequent squeeze-out, the Group significantly reduced its financial liabilities. Several investments were made in existing and new complementary business models. Selected companies reported revenue increases.

Based on the solid balance sheet structure we are in a good position to implement our unchanged business strategy, e.g. to continue building companies on the Rocket Internet Platform, to develop our companies operationally to market leadership in their market segment and to support them in order to build a globally linked, leading operating group of many, promising Internet business models.

3.6 Position of the Company

The annual financial statements of Rocket Internet SE were prepared in accordance with German Commercial Code (HGB).

3.6.1 Earnings Position of the Company

General remark on the earnings position of the Company

Driven by the business model of Rocket Internet SE, the earnings position can vary substantially from year to year, which is also due to occasional sales of participations. This can be demonstrated by the actual performance of the Company in the financial years 2010–2018:

In EUR million	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue	14.8	17.1	28.1	34.2	28.8	26.0	24.3	6.8	5.4
Other operating income	238.0	274.2	150.6	30.5	5.9	187.5	176.8	14.7	1.7
EBITDA	191.7	149.6	80.5	-65.1	-44.6	161.7	165.7	13.8	0.8
Financial and investment result	353.6	4.0	-32.0	-7.3	-0.6	-2.4	215.3	37.3	46.3
Net income/loss for the year	534.6	153.0	41.4	-73.5	-45.9	147.1	378.1	50.7	45.3

Earnings position of the Company during the reporting period

In EUR million	2018	2017
Revenue	14.8	17.1
Changes in work in progress	-0.1	0.9
Other operating income	238.0	274.2
Cost of materials	-6.5	-7.6
Personnel expenses	-19.0	-54.6
Other operating expenses	-35.4	-80.4
EBITDA	**191.7**	**149.6**
Depreciation/amortization of property, plant and equipment and of intangible assets	-0.5	-0.6
Financial and investment result	353.6	4.0
Income taxes	-2.1	0
Expenses from loss assumption	-8.2	0
Net income for the year	**534.6**	**153.0**

The Company's revenues have decreased by EUR 2.3 million to EUR 14.8 million. The services previously provided by Rocket Internet, now are partly performed by the network companies that increased their own staff. Furthermore, some network companies were sold or closed.

The disposal of participations during the reporting period impacted the other operating income position by EUR 192.6 million (previous year EUR 263.0 million), the majority of which resulted from the sale of HelloFresh shares in the amount of EUR 178.0 million (previous year mainly sales of Lazada EUR 232.6 million and Zalando EUR 26.6 million). Moreover, other operating income also includes foreign currency gains of EUR 29.6 million (previous year: EUR 0.2 million). These mainly consist of foreign currency gains on bank balances (EUR 22.2 million), on marketable securities (EUR 4.7 million) and on loan receivables in foreign currencies (EUR 1.9 million). The development of the USD exchange rate essentially reflects this. Furthermore, Rocket Internet SE made use of its right of early repayment of the convertible bonds in the financial year under review and irrevocably terminated the remaining bonds. The devaluation of the convertible bond generates income of EUR 8.3 million.

The average number of employees during the financial year 2018 decreased in comparison to the previous financial year from 211 to 151. The total personnel expenses decreased by 65% to EUR 19.0 million (previous year EUR 54.6 million). The reduction of the workforce led to decreased current personnel expenses of EUR 14.4 million (previous year EUR 17.2 million). Additionally, the accounting for equity-settled share-based payment plans generated expenses amounting to EUR 3.9 million (previous year EUR 21.3 million), which were recorded as personnel expenses. Moreover, the expenses for compensation obligations of EUR 0.7 million (previous year EUR 16.1 million) were recognized in personnel expenses, too.

Other operating expenses in the financial year include non-cash net dissolutions of equity-settled share-based payment expenses of EUR 3.5 million (previous year EUR -1.8 million). Furthermore, other operating expenses also include foreign currency losses of EUR 3.3 million (previous year EUR 46.5 million). This mainly includes foreign currency losses on bank balances (EUR 1.9 million) and on loan receivables in foreign currencies (EUR 0.6 million). The foreign currency losses result from changes of the USD exchange rate. Moreover, the expenses for compensation obligations generated expenses of EUR 0.6 million (previous year EUR 11.2 million).

The gain from participations in the financial year 2018 amounted to EUR 488.6 million (previous year EUR 1.2 million), the majority of which resulted from the distribution of profits of International Rocket KG, an affiliated company, in the amount of EUR 451.6 million, the distribution from the participation Asia Internet Holding of EUR 36.1 million as well as the distribution in kind from the participation Caterwings Holding through Convenience Food Group in the amount of EUR 0.6 million (previous year distribution received from Global Founders Capital KG Nr. 1 in the amount of EUR 0.9 million and Rocket Labs KG in the amount of EUR 0.3 million). The impairment losses of the other securities held as current assets burdened the result of the financial year by EUR 115.2 million (previous year EUR 0 million). Interest income of EUR 20.2 million (previous year EUR 21.0 million) mainly results from loans granted in the amount of EUR 11.5 million (previous year EUR 15.3 million) and from cash in banks in the amount of EUR 8.7 million (previous year EUR 4.8 million). Interest expenses on convertible bonds amount to EUR 32.5 million (previous year EUR 14.9 million). Due to the premature end of the term and the complete cancellation of the corresponding liability from convertible bonds in the financial year, an unscheduled write-down of the remaining discount in the amount of EUR 23.8 million had to be made. Furthermore, the financial and investment result includes financial asset impairment charges amounting to EUR 5.0 million (previous year EUR 3.0 million).

The net income for the financial year amounts to EUR 534.6 million (previous year EUR 153.0 million). The Company realized a return on equity of 16.3% (previous year 5.0%). EBIT totaled EUR 191.3 million (previous year EUR 149.0 million) and EBITDA amounted to EUR 191.7 million (previous year EUR 149.6 million).

3.6.2 Financial and Asset Position of the Company

Assets

In EUR million	Dec 31, 2018		Dec 31, 2017	
Fixed assets	1,283.9	39%	2,542.3	70%
Current assets	2,029.4	61%	1,072.2	29%
Prepaid expenses	0.9	0%	28.5	1%
Total	**3,314.2**	**100%**	**3,643.0**	**100%**

Equity and Liabilities

In EUR million	Dec 31, 2018		Dec 31, 2017	
Equity	3,285.7	99%	3,068.0	84%
Provisions	8.7	0%	8.5	0%
Liabilities	19.8	1%	566.5	16%
Total	**3,314.2**	**100%**	**3,643.0**	**100%**

The financial position of the Company can be described as solid. It continues to offer opportunities for investments into new companies and for participations in capital increases in existing ones. The increase of cash and cash equivalents to EUR 1,028.1 million as of December 31, 2018 (previous year EUR 896.1 million) despite the purchase of marketable securities, the repurchase of convertible bonds and own shares mainly results from withdrawals received from affiliated companies as well as the sale of investments. Thus, the Company experienced a positive cash flow of EUR 132.0 million (previous year positive cash flow of EUR 242.5 million).

The Company remains financed mainly through equity with an equity ratio as of December 31, 2018 of 99 % (previous year 84%). No dividends were paid in 2018 and 2017.

The asset position comprises participations amounting to EUR 1,281.0 million (39% of total assets; previous year EUR 2,539.2 million, 70% of total assets), receivables from subsidiaries and companies in which a participation is held in the amount of EUR 518.9 million (16% of total assets; previous year EUR 156.4 million, 4% of total assets) as well as cash and cash equivalents in the amount of EUR 1,028.1 million (31% of total assets; previous year EUR 896.1 million, 25% of total assets).

The decrease of financial assets by EUR 1,258.3 million is mainly due to the withdrawal regarding International Rocket KG in the amount of EUR 1,363.3 million in conjunction with the sales of indirectly held shares in Delivery Hero SE. Moreover, the Company invested into various network companies, mainly in Global Growth Capital Fund I S.C.Sp. in the amount of EUR 150.1 million, in GFC Global Founders Capital GmbH in the amount of EUR 75.7 million and Rocket Internet Capital Partners SCS in the amount of EUR 20.3 million. In the financial year, the financial assets were impaired in the amount of EUR 5.0 million, thereby being slightly above last year's figure (previous year EUR 3.0 million).

In 2018, loan receivables were impaired by EUR 18.6 million (previous year EUR 5.0 million). Opposite to this, there are write-ups on short-term receivables such as loan receivables and other receivables totaled EUR 7.3 million (previous year EUR 4.0 million). The write-ups on other receivables were recognized particularly in line with the global agreement on the purchase price retention of the investment in Lazada amounting to EUR 4.1 million.

3.6.3 Overall Statement with regard to the Earnings, Financial and Asset Position of the Company

Rocket Internet SE has successfully addressed its multifaceted challenges during the financial year 2018. Rocket Internet SE's economic position is characterized by investments and development of its network of companies. The total earnings clearly exceeded the expenses in the financial year. This is mainly attributable to the distribution of profits by affiliated companies, mainly International Rocket KG, and the sold shares of the Hello Fresh SE. The overall business development can be considered as satisfactory. The development of investment activities and expansion of the network companies continued after the reporting date. Based on the Company's solid balance sheet structure, Rocket Internet SE is in a good position to achieve future growth.

4. Forecast Report, Report of Opportunities and Risks

4.1 Forecast Report

The International Monetary Fund (IMF) published its "World Economic Outlook" (update January 2019). According to this report currently the global expansion has weakened and it is projected to grow at 3.5% in 2019 and 3.6% in 2020. The global growth forecast had been revised downward, partly because of the negative effects of tariff increases enacted in the United States and China. An escalation of trade tensions beyond those already incorporated in the forecast remains a key source of risk to the outlook.

Growth in advanced economies is projected to slow from an estimated 2.3% in 2018 to 2.0% in 2019 and 1.7% in 2020. Financial conditions in advanced economies have tightened since fall 2018. Equity valuations, which were stretched in some countries, have been pared back with diminished optimism about earnings prospects amid escalating trade tensions and expectations of slower global growth. Major central banks also appear to be adopting a more cautious approach. While the US Federal Reserve raised the target range for the federal funds rate to 2.25–2.50% in December 2018, it signaled a more gradual pace of rate hikes in 2019 and 2020. The European Central Bank ended its net asset purchases in December 2018. However, it also confirmed that monetary policy would remain amply accommodative, with no increase in policy rates until at least summer 2019, and full reinvestment of maturing securities continuing well past the first rate hike. Growth in the euro area is set to moderate from 1.8% in 2018 to 1.6% in 2019 and 1.7% in 2020. Growth rates have been marked down for many economies, notably Germany (due to soft private consumption, weak industrial production following the introduction of revised auto emission standards, and subdued foreign demand); Italy (due to weak domestic demand and higher borrowing costs as sovereign yields remain elevated); and France (due to the negative impact of street protests and industrial action). There is substantial uncertainty around the baseline projection of about 1.5% growth in the United Kingdom in 2019-2020. Growth in the United States is expected to decline to 2.5% in 2019 and soften further to 1.8% in 2020.

For the emerging market and developing economy group, growth is expected to tick down to 4.5% in 2019 (from 4.6% in 2018), before improving to 4.9% in 2020. Financial conditions in emerging markets have tightened modestly since fall 2018, with notable differentiation based on country-specific factors. Emerging market equity indices have declined over this period, in a context of rising trade tensions and higher risk aversion. Concerns about inflationary effects from earlier oil price increases and, in some cases, closing output gaps or impacts from currency depreciation have led central banks in many emerging market economies (Chile, Indonesia, Mexico, Philippines, Russia, South Africa, Thailand) to raise policy rates since fall. By contrast, central banks in China and India maintained policy rates on hold and acted to ease domestic funding conditions. Growth in emerging and developing Asia will dip from 6.5% in 2018 to 6.3% in 2019 and 6.4% in 2020. Growth in emerging and developing Europe in 2019 is now expected to weaken to 0.7% (from 3.8% in 2018) despite generally buoyant growth in Central and Eastern Europe, before recovering to 2.4% in 2020. In Latin America, growth is projected to recover over the next two years, from 1.1% in 2018 to 2.0% in 2019 and 2.5% in 2020 (0.2 percentage point weaker for both years than previously expected). Growth in the Middle East, North Africa, Afghanistan and Pakistan region is expected to remain subdued at 2.4% in 2019 before recovering to about 3.0% in 2020. In sub-Saharan Africa, growth is expected to pick up from 2.9% in 2018 to 3.5% in 2019 and 3.6% in 2020. Activity in the Commonwealth of Independent States is projected to expand by about 2.3% in 2019–2020.

As the core of its business strategy, Rocket Internet will continue to use its expertise to identify Internet-based business models, incubate new companies and develop them operationally to market leadership, and has the necessary means to seize such opportunities. In 2019, Rocket Internet will continue to expand its number of incubations of interesting and promising online business models.

We expect that the investments in existing network companies and those newly founded by Rocket Internet in the area of New Businesses will increase. Accordingly, we expect the number of fully consolidated companies to increase significantly. Regarding RICP and RICP II, Rocket Internet expects to increase its investment into the funds by means of capital calls.

Exposure in debt securities will probably continue to increase in number and volume and thus make a positive contribution to the FinTech result for 2019.

Regarding New Businesses, Rocket Internet Group expects that the consolidated revenue for the financial year 2019 for those companies that continue to be fully consolidated after December 31, 2018 remain at the prior-year period's level. Due to the early stage of our fully consolidated subsidiaries, we continue to expect negative operating results (EBITDA) in the area New Businesses except FinTech entities for 2019 in the range between EUR 3 million to EUR 7 million. In the area FinTech, we expect positive operating results (EBITDA) in the range between EUR 10 million to EUR 14 million.

Due to the lower volume of incubations in 2018 as a result of the cyclical nature of the business, a lower deconsolidation result is expected for 2019.

Results from associated companies and joint ventures are determined by their operations and the consequent results from operational activity on the one hand, and by the conditions agreed with new investors in future financing rounds on the other. For most associated companies and joint ventures, we expect negative proportionate contributions from their operational results, which should be compensated partly by the effects from financing rounds. Overall, we expect a positive but clearly below the level of 2018 share of profit/loss of associates and joint ventures but estimate the degree of predictability to be low given the market movements in our business environment.

The earnings position of the Company and the Group can vary substantially from year to year due to dilution or occasional sales of participations. The earnings position of the Group can also be subject to high volatility due to the results from deconsolidation. Overall, therefore, we estimate the predictability of EBITDA with regard to the timing and its amount to be low, as in previous years. Against this backdrop, corporate planning does not include a quantified projected result for 2019, but EBITDA is forecast to deteriorate for 2019 in comparison with 2018.

Rocket Internet SE expects revenues to increase by a low double-digit percentage in 2019 as compared to 2018. A similar development is expected at Group level for revenues from other services.

Through the provision of essential administrative company functions and the recognition of expenses from share-based payment plans in the income statement we expect a negative operating result (EBITDA) in the range between EUR 21 million to EUR 25 million in the annual financial statements of Rocket Internet SE for the reporting year 2019 provided there are no material divestments of participations and adjusted for special effects (e.g. foreign currency valuation, partial write-downs on loan receivables).

4.2 Risk Report

4.2.1 Risk Management System – Principles and Organization

Rocket Internet has implemented a management system to handle opportunities and risks arising out of its economic activities. The objective of the risk and opportunity management is to develop a risk management strategy and establish goals that create an optimal balance between growth and profitability on the one hand and the related risk on the other.

Risk is defined as the possibility of negative deviations of actual business performance from the planned targets or objectives, while opportunities represent the possibility of positive deviations. We do not seek to avoid risks in general, but to carefully weigh the opportunities and risks associated with our decisions and our business activities, from a well-informed perspective. Accordingly, opportunities should be exploited to generate income or increase the Group's value and risks should be assumed only if they remain within appropriate limits that are acceptable to the Group. Thus, risks should be limited to a level deemed acceptable by the Group's management by taking appropriate measures, be transferred to third parties in full or in part, or, in those cases where risk mitigation is not considered advisable, be avoided or monitored closely. All employees are duty-bound to handle risks responsibly within their own area of responsibility. The risk policy principles and risk strategy are coordinated and closely aligned with the business strategy and business objectives.

The concept, organization and task of Rocket Internet SE's risk management system are defined by the Management Board and Supervisory Board and documented in a risk policy. These requirements are regularly adapted to changing legal conditions and continually developed.

The general form of structure and processes in the risk management system at Rocket Internet are based on the internationally recognized "Enterprise Risk Management Framework", a framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This links the risk management process to the internal control system. The use of this holistic, integrated approach should ensure that management and monitoring activities are systematically focused upon the strategic, operational, reporting-related and compliance-related objectives of Rocket Internet Group and their risks.

The risk management department coordinates the implementation and ongoing development of the risk management system. All activities of the risk management department are closely coordinated with the compliance department to ensure appropriate interlinking of individual subsystems (risk management, compliance management and internal control system) as well as related reporting with the aim to establish Group-wide effective monitoring systems. The systematic identification and assessment of opportunities is included in the strategic planning process.

The examination of the effectiveness and efficiency of the risk management system is generally within the responsibility of the internal audit department. In addition, the Supervisory Board monitors the effectiveness of the internal control, risk management and internal audit system. As part of his statutory auditing obligations for the annual financial statements and consolidated financial statements, the external auditor also examines whether the early risk recognition system is generally suitable for the early identification of risks and developments which might endanger the Group so that suitable countermeasures can be swiftly introduced.

4.2.2 Risk Management System – Methodology and Reporting

The risk management system comprises those measures which enable Rocket Internet SE to identify, assess and monitor from an early stage all possible risks for the attainment of its corporate objectives.

The risk management system covers Rocket Internet SE and generally all significant network companies where risks could occur that might have a material impact on the Rocket Internet Group, independent of their consolidation status. The consolidation group for risk management purposes is hereby derived based on an individual assessment considering the risk-bearing capacity of the Rocket Internet Group and the potential risks per network company.

Due to the limited risk expertise at the network companies and often restricted control over the network companies the individual risks of the network companies that are included in the risk consolidation group are then assessed on Rocket Internet level using a top down approach.

The analysis of the potential risk consolidation group during the last annual risk assessment concluded that no single network company could currently create risks that would materially impact the Rocket Internet Group. As a result no network company was individually included in the risk consolidation group.

Nonetheless, Rocket Internet's risk register includes overall network company-related risks from its financing and investment activities.

Whilst overall responsibility for risk management lies with the Management Board, the operational management of the individual risks falls primarily within the area of responsibility of the respective company departments or network companies. This includes the early detection and identification, assessment, definition of appropriate measures, the management and monitoring of such measures and adequate documentation and reporting processes.

All risks have to be assessed by using defined classes for likelihood of occurrence and impact on Rocket Internet's objectives. These classes are used for assessing gross risks, i.e. before mitigation measures are in place, and net risks, i.e. considering mitigation measures already existing, in order to display the effectiveness of the mitigation measures.

The likelihood of occurrence refers to the estimated probability of a risk issue occurring during the time horizon under review. It is stated as percentage. The likelihood of occurrence is determined by choosing one of the given probability ranges which are shown in the following table:

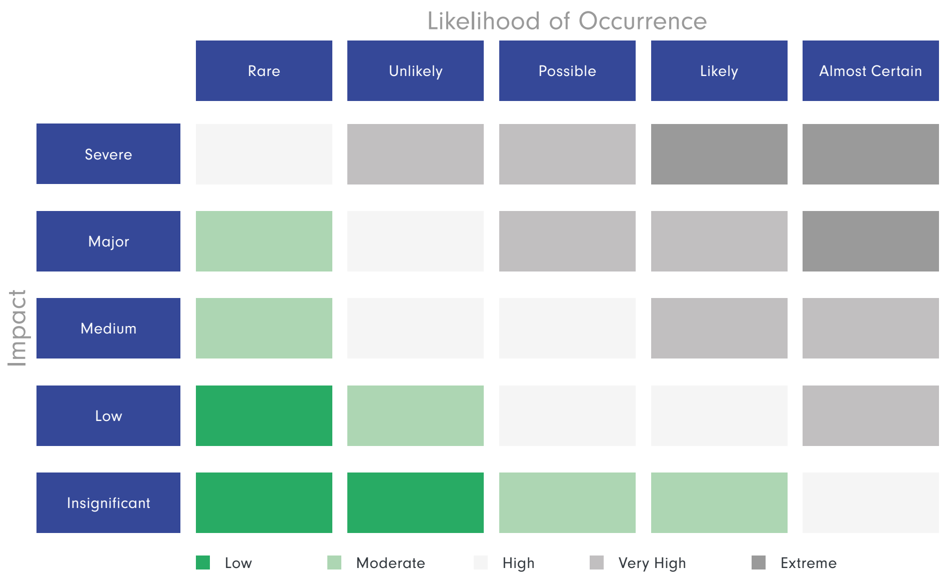
Likelihood of Occurrence	Assessment
Almost Certain	75%–100%
Likely	50%–74.9%
Possible	25%–49.9%
Unlikely	5%–24.9%
Rare	0%–4.9%

Risk is defined as the possibility of negative deviations of actual business performance from the planned targets or objectives of Rocket Internet. The impact assessment can be conducted either on a quantitative scale which is the preferred method or a qualitative scale, if risks cannot be quantified or qualitative aspects predominate, e.g. for compliance risks.

The quantitative classes are based on a scale relating to the potential EBIT / EBITDA impact and will be adjusted continuously considering Rocket Internet's risk bearing capacity. The qualitative classes are based on criteria considering reputational damage or criminal prosecution impact effects with special focus on compliance-relevant risks.

Impact	**Qualitative and quantitative assessment**
Insignificant	Insignificant negative impact on business operations, asset, financial and earnings position or reputation <EUR 0.5 million individual risk
Low	Limited negative impact on business operations, asset, financial and earnings position or reputation EUR 0.5 million–EUR 10 million individual risk
Medium	Some negative impact on business operations, asset, financial and earnings position or reputation >EUR 10 million–EUR 50 million individual risk
Major	Substantial negative impact on business operations, asset, financial and earnings position or reputation >EUR 50 million–EUR 100 million individual risk
Severe	Severe damaging negative impact on business operations, asset, financial and earnings position or reputation >EUR 100 million individual risk

Based on the assessment of likelihood of occurrence and impact, all identified risks are classified in a risk matrix.



The risk matrix facilitates the comparison of the risks' relative priority and increases transparency over Rocket Internet's total risk exposure. In addition, the rating of risks from "Low" to "Extreme" 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.

The systematic and standardized risk inventory is conducted once a year. However, the risk owners must continuously monitor any changing risk situations within their department or company. Significant changes in the risk situation must be reported immediately to the risk manager or Management Board.

The annual risk report prepared for the Management Board and Supervisory Board focuses primarily on existential risks and significant risks, along with the counter-measures adopted.

4.2.3 Risk Areas

A company with a business model that most notably includes founding, operationally developing and financing newly founded Internet-based business models as well as sometimes the complementary strategic participation in young companies in the Internet sector in order to strengthen the network and to realize advantages for self-founded companies such as for example increasing economies of scale as well as know-how, takes deliberate and notably entrepreneurial risks. The Rocket Internet Group is primarily exposed to operational, investment and valuation risks. These risks are related to the success potential of the business models of the network of companies as well as to the intense competition in the area of online business by other incubators and founders. Moreover, the worldwide expansion particularly into a large number of emerging markets increases the exposure to political, economic, legal as well as other risks and uncertainties. In this context, there is also the risk of target markets and their development deviating from pre-entry expectations.

The overall risk situation is determined by assessing the following risk clusters as the result of a consolidated consideration:

- Investment risk,
- Financing risk,
- Legal and compliance risk,
- Finance and reporting risk,
- Operational risk.

Risk clusters, which from the current perspective could significantly affect the asset, financial and earnings position of the Rocket Internet Group are presented below. These are not necessarily the only risks to which the Group is exposed. Further risks, which could affect our operations are currently not foreseen, or we assess these to be non-substantial.

Below, risks are presented in the order of their priority for the Group and risk assessments are given on a net risk basis considering existing mitigation measures.

Investment Risk

Rocket Internet's business strategy is to identify, incubate and develop internet-based business models. Identification of new, promising business models and proper judgement of the business opportunities are therefore key risks for the Rocket Internet Group. Misjudging the current market environment, demands and competition can lead to missed chances to establish promising businesses or unsuccessful implementation of new business models. All new business concepts and products bear the risk that they are technically, procedurally or organizationally (e.g. availability of service providers) not feasible for implementation.

Rocket Internet's industry experts for certain regions or business models are constantly identifying new opportunities. A structured process for identifying and evaluating new business opportunities based on information on e.g. business models and markets is in place. To assess the risks connected to new business concepts Rocket Internet performs a standardized, tool-based market and competition analysis prior to taking any investment or launch decisions with individual evaluations on the market situation, proper launch date and technical feasibility. Those research tools are constantly extended. However, due to a high uncertainty the risk of wrong investment decisions is considered to be high.

In the fast pacing Internet environment speed is one of the key factors for success. Rocket Internet's goal is to start operations within 100 days from the decision of establishing a business model.

Rocket Internet has industrialized the process of incubation with its platform approach. The launch process is standardized which connects the new network company (product) with all departments and provides best practice guidelines and support. Milestones are set and tracked by a dedicated management team which actively supports new network companies from day one. This combines unique launching knowledge with the flexibility to adapt to the individual needs of each network company. The scalability of standard processes and IT platforms hereby reduces implementation costs and time.

We provide guidance to network companies in their business development and seek to accelerate their operational development by giving access to Rocket Internet's technology platform and by exchange of knowledge.

After incubation or strategic investment, the business development of each company is monitored on a regular basis in short intervals by means of key performance indicators (KPIs) and financial data. The analysis is focused on operational performance of the network company thereby benchmarking relevant KPIs compared with other network companies and external competitors, customer needs, market developments and technical performance and innovation to reduce the risks of wrong management decisions.

In addition to the operational support, Rocket Internet provides its network companies with the financial resources to start up, develop and grow their operations. As capital is a key component in growing companies, we aim to maintain a strong financial position as well as easy access to funding. Rocket Internet typically funds the network companies through a mix of own and third-party capital based on a financial budgeting planning including detailed cash planning according to the respective stage of the network company. Regular cash reporting is implemented which ensures an early identification of cash requirements.

All measures taken in regards of investment management, including the launch process, reduce the risks to a moderate level. This does not mean that all launches or strategic investments will be successful.

Required value adjustments are recorded at an early stage to maintain a conservative business view of the asset position at all times.

Financing Risk

Due to the predominant equity financing via public markets, the Group is directly affected by developments and risks relevant to capital markets. The growth and expansion of Rocket Internet continuously requires additional capital. Problems in network company financing may have a negative impact on the ability to further develop network companies. Founding, investing and financing of a company depend on its own financing capability to a particularly high extent, which increases capital procurement risks.

The Group has to rely on the financing capability of its existing and future shareholders and their willingness to invest in the event of a further expansion of the network of companies. A critical success factor is to be able to provide promptly full and reliable information on the status and development of the Group companies. Communication of incorrect or incomplete information can result in reputational damage and might negatively impact the investor relations or even result in the loss of investors.

To properly manage the investor relations the corporate finance team implemented standard capital market communication and due diligence processes to collect all required information. Investment Controlling manages all relevant information regarding the network companies. Although management of due diligence processes on company level are within the responsibility of the local management the experienced Rocket Internet teams support the network companies in providing correct and complete information. In addition, Rocket Internet and the network companies are supported by specialized law firms.

The subsequent financing of new and existing network companies by several co-investors permits the distribution of risks across several parties. The Group also systematically ensures risk diversification by starting and financing businesses in different operational business fields and geographic areas. In addition, the Rocket Internet Group has access to a variety of investors as well as existing strategic partnerships. As a result the investor relation risk could be decreased to a moderate risk.

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

Legal and Compliance Risk

The great number of contractual relationships and agreements concluded by the Group on a regular basis give rise to various legal risks. This refers especially to legal risks in corporate law, intellectual property law as well as competition / antitrust law and tax risks in connection with corporate reorganizations and resulting from interaction with the network companies.

These risks are reduced to a moderate level through mandating renowned corporate and tax law firms. A system of contract templates is in place for standard agreements. In addition, specialized law firms often located outside Europe are also increasingly engaged at the level of the company network, with a view to minimizing the risks resulting from legal uncertainty and capital recoverability. However, because of outsourcing, dependencies on the corporate and tax law firms can occur, which can be reduced by the assignment of engagements to multiple professional firms.

Rocket Internet is involved in the strategic leadership and tactical implementation of the business plans of its subsidiaries, associates and joint ventures. It also performs a range of IT, marketing and other services, particularly commercial and technical consulting services for its subsidiaries and non-consolidated equity investments. However, the daily management of the network companies is in the responsibility of the local management. Nonetheless, restrictions on the control of network companies may exist, in particular if there is no shareholding majority and Rocket Internet is exposed to risks related to these network companies as a result of limited control. Rocket Internet is aware that reputational risks can arise for the Rocket Internet Group resulting from non-compliance of network companies with relevant legal or regulatory requirements.

To reduce the risk of non-compliance Rocket Internet prepared guidelines for implementing adequate management systems in various areas, such as compliance management, internal controls, risk management and further standardized processes to apply legal requirements, due diligence requirements and financial statement closing. Business and compliance activities are, where possible, closely monitored through board representation. In addition, key business decisions and corporate changes of the network companies are sometimes subject to investor approval. A standard monitoring and approval process for investor approvals is implemented. However, the risk of network company non-compliance is still considered to be high.

Other compliance-related risks that could possibly result from violation of internal or external laws and regulations, such as capital market or data protection regulations are managed and monitored by Rocket Internet's Compliance department. Rocket Internet established a Group-wide code of conduct which provides guidance on various professional situations, a compliance hotline which should support the detection of relevant infringements as well as training on special topics such as competition issues or the proper handling of insider information. Compliance risks are identified on an ongoing basis and adequate measures implemented as relevant. In consideration of the mentioned awareness-raising measures we classify this risk as moderate.

Finance and Reporting Risk

Finance and Reporting risks mainly comprise:

- the Rocket Internet accounting process,
- the consolidation process, incl. accounting and reporting of network companies,
- the valuation of participations, as well as
- treasury management.

Rocket Internet has implemented an internal risk management system for financial reporting to manage and reduce the finance and reporting risks to a moderate level. Due to limited control over processes at network company level, risks depending on information from network companies, i.e. reporting from network companies and input for valuation of investments, are assessed as high. For details refer to section 6 “Internal Control and Risk Management System for Financial Reporting”.

In regard to treasury Rocket Internet is mainly exposed to liquidity and market risks. Rocket Internet has currently a sufficient cash position to finance investment activities. As a result the liquidity risk is considered to be moderate. Currency and interest rate risk resulting from the international business activities are not material and therefore assessed to be low. The risks arising from the use of financial instruments are discussed in detail in note 31 and note 32 of the notes to the consolidated financial statements and in section 5 "Risk Report Concerning the Use of Financial Instruments" in this management report.

Operational Risk

Technology

Rocket Internet has created core technology platforms for the network companies, which allow a "plug and play" setup, and which are used as the starting point in the process of establishing a new company. Rocket Internet provides technology development services for its network companies to adapt those platforms to their individual requirements, optimize the existing offerings or establish innovative products in the market. Delayed developments, developments not addressing future business models or technical innovation as well as changes not meeting business needs might have a negative impact on the economic success of Rocket Internet Group and its network companies.

Rocket Internet manages the program development risks by following a standardized tool supported program development and change management process with a constantly increased amount and sophistication of automated unit-, integration- and functional tests to bring them to a moderate level. Each new project has to pass a technology strategy review for the best possible technical strategy and IT planning is constantly monitored and adapted to the current needs.

Especially due to steadily growing cybercrime, Rocket Internet assesses the risks regarding the availability of the utilized IT systems as well as the confidentiality and integrity of data still as a major risk. The outage of IT systems can lead to disturbances of business operations, but it can also have a reputational impact.

The main causes, complexity of systems and infrastructure as well as external attacks, are mitigated by constant monitoring of all systems as well as the improvement of processes and security measures by a special IT security team. Due to the high dependency on the Internet and constantly evolving cybercrime activities, breaches of network and data security are considered to be a high risk.

Personnel

Berlin is increasingly becoming an established location for Internet and venture capital companies, which leads to increased competition for specialized management staff and functional experts. Rocket Internet has set up an inhouse recruiting team that is successful in discovering candidates for digital business activities. In addition operational departments are in direct contact with top candidates. As an international company which is attractive for many people willing to work in the Internet business and start up environment Rocket Internet can and does recruit many positions globally. Therefore, the recruiting risk is deemed to be moderate.

The individual skills, professional competence, and commitment of our employees contribute greatly to the success of the Rocket Internet Group. As a consequence, the loss of specialist staff and the associated loss of expertise is a moderate risk, the loss of key positions in the top management is a high risk, which we actively look to counter. Both personnel-related risks are addressed through various personnel retention measures, targeted development of employees and motivation through attractive salary and incentive schemes.

4.2.4 Management Board's Overall Assessment of the Group's Risk Position

In summary, it should be noted that the Group performs systematic and regular analyses of the business risks based on qualified early risk detection systems and minimizes the risks through deliberate measures such as risk prevention, limitation of risks, risk diversification and risk insurance.

The assessment of the overall level of risk is based on a consolidated view of all significant risk fields and individual risks, also taking account of their interdependencies. At present, there are no discernible risks that could threaten the continued existence of the Rocket Internet Group, or could significantly affect the Group's assets, financial and earnings position in the forecast period 2019.

4.3 Opportunities Report

As mentioned above the risk management system is maintained by the risk management department. A systematic identification and assessment of opportunities is currently included in the strategic planning process. Strategic planning and the management of opportunities is shared between the Management Board, operational managers and the venture development team.

Rocket Internet's business largely depends on the identification of business opportunities. Rocket Internet has independent experts to identify relevant ideas which can preferably be pursued by Rocket Internet itself by creating own companies. Management relies on the work of these experts that propose ideas and prepare investment memos and business plans on the basis of which the decisions are made.

Rocket Internet regularly reviews and weighs opportunities of existing businesses in order to decide if the business activities should be continued or ceased.

Depending on the size of the engagement or divestment, different levels of approval are necessary.

Participation in the growth of the Internet sector

The Internet sector is still one of the fastest growing sectors of the economy. This offers generally good opportunities for companies that can face the current trends as demographic change, urbanization, climate change, globalization, digitalization, artificial intelligence, disruptive technologies, autonomous machines and edge computing with promising business models and establish themselves at an early stage and in new geographic locations. At the same time, the rapid pace of developments in the Internet sector entails risks, too.

Identification of new business models

The Group is very well established in the industry. As a result, it has many opportunities to identify innovations and trends in the Internet market and to participate preferably through founding. Rocket Internet's core competencies include, in particular, the pursuit of new digital business models and trends and the early identification of new markets.

To this end, the Group can rely on a highly qualified workforce. The members of the experienced and dedicated management team have a trained eye for assessing ideas and opportunities in the market with regard to their feasibility and profitability.

Standardized network company founding and development process

The implementation of new business models is carried out using the unique platform approach that Rocket Internet developed. Rocket Internet has standardized the process of building companies. The goal is to start operations within 100 days from the decision of establishing the business model.

The parallel development of various business models enables to benefit from synergies through the exchange of information, knowledge and best-in-class solutions. The internationality of the Group and the staff structure offer the opportunity to access and understand the most diverse international markets quickly. Consequently, Rocket Internet Group can promote one of its key strategies: the initial tapping of new and undersupplied markets and markets that have not yet been explored by competitors, in particular in Africa, Asia, Middle East and Latin America, but also in Europe. Moreover, the Group can generate economies of scope and scale as a result of its targeted international rollouts and its presence on six continents including many complex emerging markets.

Emerging markets engagement

While our network companies have substantial operations in developed markets, they typically strive to expand their emerging market activities. We include these emerging markets because we believe their growth in terms of gross domestic product ("GDP"), population and Internet penetration, combined with the absence of a sophisticated offline retail infrastructure, presents a significant market opportunity to leapfrog the development of traditional brick-and-mortar retail industries, which involves the maintenance of stores and other sales facilities. At the same time, the existence of high barriers of entry in these markets may bar competitors and may allow defending a leading market position. Some of the network companies operate in markets in which logistics, delivery and payment infrastructure do not exist and had to be built from the ground up. Competitors would have to first make similar significant efforts before they could enter the respective market.

Rocket Internet's investor reach

The existing capitalization and access to investors as well as the existing strategic partnerships enable Rocket Internet to establish and finance new companies internationally and over longer periods.

Rocket Internet infrastructure, technology partners and deep knowledge sharing

As soon as a viable idea is identified, Rocket Internet has the necessary infrastructure and staff to enable a quick implementation of the idea. This includes very efficient Group-wide competence centers such as the marketing unit with its CRM (Customer Relationship Management), SEO (Search Engine Optimization) and SEA (Search Engine Advertising) teams. These competence centers support new as well as already existing network companies.

Strong and internationally leading technology partners such as Google, Facebook, Responsys, Sociomantic and Criteo enable Rocket Internet Group to utilize external technologies benefitting from superior terms relative to competitors, which are achieved through bundling service agreements across the Group.

Another success factor is the Group's own core technology developed for different business models like eCommerce, Marketplaces and Financial Technology, which enables Rocket Internet Group to reliably set up several companies in parallel and within a very short time frame. These software solutions can be adapted flexibly to the requirements of the respective company and are scalable. These operational activities are supported by the subletting of office space to network companies and other tenants.

5. Risk Report Concerning the Use of Financial Instruments

The major financial instruments of Rocket Internet Group are cash and cash equivalents (42% of total assets; previous year 38%) and short-term bank deposits (5% of total assets; previous year 3%), equity instruments (26% of total assets; previous year 36% including AFS equity investments) and other non-current financial assets (4% of total assets; previous year 2%). The Group also records trade receivables and trade liabilities as well as loan receivables and loan liabilities mainly from associated companies, joint ventures and other network companies, which arise in the ordinary course of business.

The major financial instruments in the annual financial statements prepared in accordance with German GAAP (HGB) of Rocket Internet SE are cash (31% of the total assets, previous year 25%), investments in subsidiaries (27% of total assets, previous year 52%), short-term securities (14% of total assets, previous year 0%) as well as participations (12% of total assets, previous year 11%).

For information about the functions and objectives of our financial management, please refer to note 31 "Financial Risk Management" in the notes to the consolidated financial statements. The information disclosed therein also applies for the annual financial statements of the parent Company.

6. Internal Control and Risk Management System for Financial Reporting

Rocket Internet Group has a financial reporting-related internal control and risk management system based on the internationally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The reporting-related internal control and risk management system shall ensure the compliance, completeness and reliability of its accounting and related financial reporting as well as compliance with relevant laws and standards.

The financial reporting related internal control and risk management system comprises all organizational regulations and measures aimed to identify, assess and manage all risks that might have a material impact on the (consolidated) financial statements.

However, even an effective, and therefore adequate and well-functioning internal control and risk management system cannot guarantee the prevention or detection of all irregularities or inaccurate disclosures.

We consider the following elements of the internal control and risk management system to be significant with respect to the (consolidated) financial reporting process:

- Identification of all significant financial reporting-related processes and risk areas including supporting IT systems and definition of corresponding key controls.
- Documentation and regular update of risk and controls in a risk-control-matrix for each business process and accounting system comprising control description, control type and frequency and control owner.
- Implementation of entity level, preventive and detective controls (manual and automated controls, 4-eye-principle and segregation of duties).
- Continuing analysis of new or changing accounting principles, laws and other regulations and assessment of their effect on the financial statements. Regular update of Group-wide accounting and reporting directives in the form of accounting guidelines, charts of accounts and reporting procedures.
- Quarterly communication of information to all consolidated Group companies on current developments related to accounting, reporting, and the process of preparing the financial statements as well as the reporting deadlines to be observed.
- Support of Group companies in implementation of adequate accounting processes and systems, e.g. by providing accounting services, guidelines and checklists for financial statement closing as well as key risks and standard controls within the business processes.
- Centralized preparation of the consolidated financial statements (including combined management report), employing manual and automated controls and quality checks.
- Assuring requisite expertise of employees involved in the financial accounting and reporting process by means of appropriate selection procedures and training as well as employing specialists for specific valuation and IFRS topics such as valuation of investments and share-based payments.
- Monthly internal reports in the form of the income statement, the statement of financial position and business evaluations of Rocket Internet and monthly analysis on all cost units, including reporting of significant developments and budget/actual variances.

The internal audit department independently audits effectiveness and efficiency of the accounting related internal control and risk management system. The audit procedures are based on a risk-oriented annual audit plan. In addition, the effectiveness of the financial reporting-related internal control system is subject to the risk-based financial statement audit of the external auditor.

If significant control weaknesses or opportunities for improvement are detected, they are assessed and countermeasures are developed with the responsible persons to further improve the effectiveness of the internal control system. Implementation of the management measures is monitored by the internal audit department and may be subject of subsequent audits. In order to ensure the high quality of the accounting-related internal control system the internal audit department is closely involved during all stages.

7. Explanatory Report by the Management Board

in accordance with Sec. 176 (1) sentence 1 German Stock Corporation Act (AktG) on disclosures relating to takeover law in accordance with Secs. 289a (1) and 315a (1) German Commercial Code (HGB)

In accordance with Sec. 176 (1) sentence 1 German Stock Corporation Act (“AktG”), the Management Board of Rocket Internet SE has prepared the following explanatory report on the disclosures relating to takeover law in accordance with Sec. 289a (1) and Sec. 315a (1) German Commercial Code (HGB).

Composition of share capital

Rocket Internet SE’s share capital currently amounts to EUR 152,514,398. It is divided into 152,514,398 bearer shares with no-par value (Stückaktien), each such share represents a notional share of EUR 1.00 in the share capital. The share capital has been fully paid in. There are no other share classes. As of December 31, 2018, the Company held 1,747,104 treasury shares.

Restrictions relating to the voting rights or the transfer of shares

Rocket Internet SE held treasury shares as of the reporting date with restrictions relating to voting rights according to Sec. 71b AktG. The external shareholders’ voting rights are not subject to any restrictions other than any possible statutory prohibitions on voting rights. There are no restrictions regarding the transfer of shares.

Shareholdings that exceed 10% of the voting rights

As notified in writing on September 23, 2016, Global Founders GmbH, Grünwald, held 37.1% of the voting rights in the Company in total. The total number of voting rights on this date was 61,210,467. The number of voting rights reported to the company for September 23, 2016, would be equivalent to 40.6% of the total number of voting rights as at December 31, 2018. Please note that the last disclosed number of voting rights might since have changed within the thresholds without the shareholders being obliged to inform the Company. The shareholdings of Global Founders GmbH are attributed to its controlling shareholder Rocata GmbH, Grünwald, and to Rocata GmbH’s controlling shareholder Zerena GmbH, Grünwald. As a shareholder of Zerena GmbH, Oliver Samwer Familienstiftung indirectly holds the Rocket Internet SE shares previously held by Oliver Samwer through Global Founders GmbH.

The Management Board is not aware of further participations in capital exceeding 10% of voting rights. The current notifications of changes in voting rights in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) are also published on the website https://www.rocket-internet.com/investors/share.

Holders of shares with special rights conveying powers of control

Rocket Internet SE has not issued any shares with special rights conveying powers of control.

Type of voting rights control for the event that employees hold an interest in the share capital and do not directly exercise their control rights

In addition, there are no interests held by employees in the share capital under which employees cannot exercise their control rights directly.

Statutory provisions and provisions of the Articles of Association regarding the appointment and removal from office of Management Board members and modifications of the Articles of Association

According to Art. 9 (1), Art. 39 (2) and Art. 46 of the SE Regulation, Secs. 84 and 85 AktG and Art. 7 (4) of the Articles of Association, the Supervisory Board appoints the members of the Management Board for a maximum term of five years. Reappointments are allowed. In accordance with Art. 7 (1) of the Articles of Association, the Management Board consists of one or more members. The number of members of the Management Board is determined by the Supervisory Board.

The annual general meeting passes the resolutions to amend the Articles of Association. Sec. 20 (2) sentence 2 of the Articles of Association states that, unless this conflicts with mandatory legal provisions, amendments to the Articles of Association require a majority of two-thirds of the valid votes cast or, if at least one-half of the share capital is represented, the simple majority of the valid votes cast. The Articles of Association thereby make use of the option set out in Sec. 51 of the SE Implementation Act (SEAG), which is based upon Article 59 (1) and (2) of the SE Regulation. A majority of two-thirds of the valid votes cast is required, inter alia, for a change in the corporate object and the relocation of the registered office to another EU member state.

Authority of the Management Board to issue shares

The Management Board is hereby authorized to increase the registered capital of the Company until August 21, 2019, with the consent of the Supervisory Board once or repeatedly, by up to a total of EUR 15,012,592 by the issuance of up to 15,012,592 new no-par value bearer shares against contributions in cash or in kind (Authorized Capital 2014). In principle, the shareholders are to be offered subscription rights. The new shares may be taken over by one or more banks with the obligation to offer them to the shareholders (so-called indirect subscription right). The subscription right of the shareholders is excluded for one or more capital increases in several circumstances specified in Art. 4 (3) of the Articles of the Association. The new shares shall bear the right to participate in the profits of the Company from the first day of the year in which they have been issued. The Management Board is authorized to determine any further details of the capital increase and its implementation, subject to the Supervisory Board's approval. The Supervisory Board is authorized to adjust the wording of the Articles of Association accordingly after the utilization of the Authorized Capital 2014 or after the period for the utilization of the Authorized Capital 2014 has expired.

The share capital of the Company is conditionally increased by up to EUR 4,541,712 by issuance of up to 4,541,712 new registered no-par value shares (Conditional Capital 2014/I). The Conditional Capital 2014/I may only be used to fulfil the subscription rights which have been granted to the member of the Management Board of the Company, Mr. Oliver Samwer, in connection with the Stock Option Program 2014/I in accordance with the resolution of the general meeting on September 8, 2014. The conditional capital increase will only be implemented to the extent that such subscription rights have been or will be issued in accordance with the Stock Option Program 2014/I as resolved by the general meeting on September 8, 2014, the holder of the subscription rights exercises his rights and the Company does not deliver treasury shares to satisfy the subscription rights, whereas the Supervisory Board shall be exclusively competent regarding the granting and settlement of subscription rights to the member of Management Board. The new no-par value shares participate in the profit from the beginning of the financial year for which at the time of the issue of the new shares no resolution of the general meeting on the application of the balance sheet profit was passed, to the extent legally and factually admissible.

The share capital of the Company is conditionally increased by up to EUR 6,005,113 by issuance of up to 6,005,113 new no-par value bearer shares (Conditional Capital 2014/II). The Conditional Capital 2014/II may only be used to fulfil the subscription rights which have been granted to members of the Management Board (except for Mr. Oliver Samwer) and employees of the Company as well as members of the management bodies and employees of companies affiliated with the Company in the meaning of Secs 15 et seq. AktG in connection with the Stock Option Program 2014/II in accordance with the resolution of the general meeting on September 8, 2014, amended by the general meeting on June 2, 2017. The conditional capital increase will only be implemented to the extent that such subscription rights have been or will be issued in accordance with the Stock Option Program 2014/II as resolved by the general meeting on September 8, 2014, the holders of the subscription rights exercise their rights and the Company does not deliver treasury shares to satisfy the subscription rights, whereas the Supervisory Board shall be exclusively competent regarding the granting and settlement of subscription rights to the members of Management Board. The new no-par value shares participate in the profit from the beginning of the financial year for which at the time of the issue of the new shares no resolution of the general meeting on the application of the balance sheet profit was passed, to the extent legally and factually admissible.

The basic capital will be conditionally increased by up to EUR 72,000,000 by the issue of up to 72,000,000 new bearer no-par value shares with profit entitlement (Conditional Capital 2015/2017). The conditional capital increase serves the granting of shares on the exercise of conversion or option rights or the fulfilment of conversion or option obligations to the bearer or creditor of conversion bonds, option bonds, profit rights and/or profit bonds (or a combination of these instruments) (hereinafter together "Bonds") issued on the basis of the authorizing resolution of the General Meeting of June 23, 2015 or the authorizing resolution of the General Meeting of June 2, 2017. The issue of new shares is based on the conversion or option price to be determined in accordance with the authorizing resolution of the General Meeting of June 23, 2015 or the authorizing resolution of the General Meeting of June 2, 2017. The conditional capital increase will only be implemented to the extent that the bearers or creditors of Bonds which are issued or guaranteed by the Company or company dependent on or directly or indirectly majority-owned by it on the basis of the above authorizing resolution of the General Meeting of June 23, 2015 or are issued or guaranteed on the basis of the authorizing resolution of the General Meeting of June 2, 2017, avail of their conversion or option right or satisfy the conversion or option obligations under such Bonds or to the extent the Company grants shares in the Company instead of paying the amount due and to the extent the conversion or option rights or conversion or option obligations are not serviced by the Company's own shares but by shares from Authorized Capital or other consideration. The new shares participate in the profit from the beginning of the financial year in which they are created and for all subsequent financial years. In deviation here from, the Management Board can, insofar as legally admissible, with the approval of the Supervisory Board, determine that the new shares participate in profit from the beginning of the financial year for which at the time of the exercise of the conversion or option rights, the fulfilment of the conversion or option obligations or the grant (of shares) instead of the amount of money due a resolution of the General Meeting as to the appropriation of the balance sheet profit has not yet been passed. The Management Board is authorized to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorized to amend Art. 4 (6) and Art. 4 (1) and (2) of the Articles of Association in accordance with the claims in each case on the Conditional Capital and after the expiry of all option and conversion periods.

The Management Board is authorized with the consent of the Supervisory Board to increase the basic capital of the Company in the period up to June 1, 2022 by up to EUR 67,557,803 once or several times by the issue of up to 67,557,803 new bearer no-par value shares for cash and / or contributions in kind (Authorized Capital 2017). A subscription right is in principle to be granted to the shareholders. The shares can thereby be taken up according to Sec. 186 (5) Stock Corporation Act even by one or more financial institutions with the obligation to offer them to the shareholders of the Company (indirect subscription right). The Management Board is however authorized to exclude the subscription right of the shareholders with the approval of the Supervisory Board for one or more capital increases in several circumstances specified in Art. 4 (7) of the Articles of Association.

The Management Board is also authorized with the consent of the Supervisory Board to specify the additional content of the rights attached to the shares and the Conditions of the share issue. The Supervisory Board is authorized after the exhaustion of the Authorized Capital 2017 or after expiry of the period for the use of the Authorized Capital 2017, to amend the version of the Articles of Association accordingly.

Material agreements of the Company that take effect in the event of a change of control following a takeover bid

There are no material agreements of the Company that take effect in the event of a change of control following a takeover bid.

Compensation agreements agreed by the Company with members of the Management Board or employees in the event of a takeover bid

There are no compensation agreements agreed by the Company with the members of the Management Board or employees in the event of a takeover bid.

8. Remuneration Report

8.1 Remuneration of the Management Board

Basic features of the remuneration system for the members of the Management Board

Total remuneration consists of a fixed base salary and a long-term incentive through option programs.

The total remuneration is appropriate to the tasks and performance of each member of the Management Board. The criteria used to determine what remuneration is appropriate relate to the responsibilities of the individual members of the Management Board, the personal achievement together with the Company's economic situation, performance and future development. The industry environment and the remuneration structure that otherwise applies in the Company is also considered.

Pursuant to the resolution passed at the Company's extraordinary general meeting held on August 22, 2014, information on the individual remuneration of each member of the Management Board is not disclosed in accordance with Secs. 285 No. 9a Sentence 5, 315a (2) and 314 (1) No. 6a Sentences 5–8 HGB in conjunction with Secs. 286 (5) and 314 (3) Sentence 1 HGB as well as Art. 61 of the SE Regulation.

Non-share-based payments (non-performance-based remuneration)

The members of the Management Board receive non-share-based remuneration, such as salaries, non-cash payments and other benefits.

The salaries of the members of the Management Board are paid in monthly installments. The members of the Management Board received in total annual salaries of EUR 1,565 thousand in the financial year 2018 (previous year: EUR 1,750 thousand).

Additionally, Rocket Internet SE bears 50% of the costs of the Management Board members' private health insurance, but no more than the cost that would occur in the public health insurance system. Rocket Internet SE pays a monthly gross amount of the applicable employer's contribution to the statutory pension and unemployment insurance, taking into account the contribution ceiling (Beitragsbemessungsgrenze).

All members of the Management Board received reimbursements of their out-of-pocket expenses, including travel expenses. In the event of a temporary incapacity to work as a result of health reasons, all Management Board members' service agreements provide that the relevant base salary will continue to be paid for up to six weeks, but not beyond the expiry of the service agreement. In the case of a Management Board member's death, the member's surviving spouse, or registered partner, and eligible surviving children are entitled jointly to the relevant base salary for the remainder of the month of death and the following three months.

The members of the Management Board are covered by directors and officers ("D&O") insurance policies with coverage in line with best market practice and a deductible in line with the respective provisions of the AktG. The D&O insurance policies also cover the risk of criminal prosecution.

Share-based payments (long-term incentives)

Share options in Rocket Internet SE

The members of the Management Board participated in the Stock Option Programs 2014 in financial year 2018 (as well as in the prior year). Under the Stock Option Programs 2014 ("SOP I" and "SOP II"), one share option grants the holder the right to subscribe for one share of the Company. Rocket Internet has the right, without any obligation, to pay the entitlements in cash instead of shares.

All 4,541,712 share options under the SOP I were granted to the Company's CEO after the listing of the Company's shares on the Open Market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse or the "Open Market") on October 2, 2014. These share options have an exercise price of EUR 42.63 per share option and will vest in monthly installments over a five-year vesting period and can be, subject to certain conditions, exercised after a waiting period of four years commencing on the date the share options were granted. The exercise price can change during the vesting period due capital measures.

The options granted under the SOP I can only be exercised if (amongst others):

(i) the Company successfully launches an average of at least four companies per year during the four-year waiting period; and

(ii) the stock price reflects, on at least one single trading day within the waiting period, a Company valuation of EUR 4 billion plus the total of all amounts paid in through capital increases or payments into the capital reserves since May 27, 2014 until the relevant trading day.

Under the SOP II in accordance with the resolution of the General Meeting of September 8, 2014, amended by the resolution of the General Meeting of June 2, 2017, the Supervisory Board is authorized to grant up to 3,408,342 share options to each of the other two members of the Management Board (i.e. the CFO and the Group Managing Director).

The SOP II provides for an overall ten-year vesting period with a certain number of share options vesting after an initial four-year vesting term and the remaining share options vesting in yearly installments thereafter. The share options can be, subject to their vesting and certain other conditions, exercised after a four-year waiting period commencing on the date the respective share options are granted.

The exercise price of the share options granted prior to listing of the Company's shares in the Open Market amounts to EUR 26.14 per share option. For share options granted subsequent to the listing of the Company's shares in the Open Market the exercise price per share option corresponds to the volume-weighted average closing price of the shares twenty consecutive trading days prior to the relevant grant date.

The exercise of share options under the SOP II requires that:

(i) the shares of the Company are included in the Open Market until October 31, 2014; and

(ii) the Company successfully launches an average of at least four companies per year during the four-year waiting period.

If the performance targets are not achieved by the end of the waiting period, the share options granted under the Stock Option Programs 2014 will forfeit completely without any further consideration. In addition, the share options are only exercisable within three weeks after publication of interim financial reports or annual financial reports.

The table below provides an overview of the movements in the share option awards of SOP I and SOP II during the reporting period:

	2018		2017	
Share options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding as of January 1	**EUR 33.54**	**7,950,054**	**EUR 38.76**	**5,742,734**
Granted during the period	-	-	EUR 19.96	2,207,320
Forfeited during the period	EUR 21.12	1,272,483	-	-
Exercised during the period	-	-	-	-
Outstanding as of December 31	**EUR 38.28**	**6,677,571**	**EUR 33.54**	**7,950,054**
Exercisable as of December 31	EUR 44.44	4,042,124	-	-

Furthermore, members of the Management Board receive shares and share options respectively in single, founded network companies of Rocket Internet SE at their founding.

Ordinary shares in subsidiaries

The respective share-based payment arrangements provide for equity participation via a trust relationship. The trustee entity holds a certain amount of shares in accordance with the terms and conditions of a trust agreement for the benefit of the trustor, who can be the participant or an investment entity controlled by such a participant. A separate agreement, between the trustor and the relevant company receiving services, governs certain obligations regarding, inter alia, vesting-rights and non-compete obligations that relate to the indirect shareholding of the relevant participant in the relevant company.

The vesting scheme requires a certain period of continued services. According to the currently mainly applied agreements 50% respectively 66.67% of the participant’s shares vest quarterly over a period of typically four years (3.125% respectively 4.167% per quarter) with typically a 6-month or 12-month cliff. Partially the vesting period is only three years. Typically the vesting of 33.33% to 50% of the participant’s shares is dependent on a change of control event (i.e. this part vests only in the later of the following events (i) occurrence of a change of control event – in some cases plus 12 months – or (ii) four years after the granting of the shares). If a leaver event occurs prior to the expiration of the cliff period, typically all shares can be clawed back. Thereafter, in the case of a bad leaver event, the Company can usually claw back all vested and unvested shares, while in case of a good leaver event, the Company may only claw back the unvested shares. A bad leaver event is typically triggered, if, for example, the respective service agreement between a participant and a subsidiary is terminated by such company for cause, the participant demonstrably committed a criminal offence against the company, or such member breached its non-compete obligation. A good leaver event is typically triggered, if, for example, the service agreement is terminated by either party properly.

Shares in subsidiaries of the Group have been issued to participants at the nominal value of the shares of EUR 1. If the applicable vesting conditions are not met (typically if a participant's service agreement is terminated), Rocket Internet SE or a subsidiary has a right to reacquire these shares at the nominal value or – if lower – at market value.

Movements in the number of shares in subsidiaries issued to members of the Management Board are as follows:

	2018	2017
Number of unvested shares as of January 1	**107**	**204**
Deconsolidation of subsidiaries	-79	-50
Granted during the period	-	-
Vested during the period	22	47
Forfeited during the period	-	-
Number of unvested shares as of December 31	**6**	**107**
Number of vested shares as of December 31	558	536

Share options in subsidiaries

Call option arrangements entitle the members of the Management Board to acquire a pre-defined number of shares in a subsidiary. The currently generally applied agreements correspond typically to the above-mentioned conditions for ordinary shares in subsidiaries. In the case of a change of control event the subsidiary is entitled to request that the members of Management Board exercise all call options outstanding at such point in time. Upon the occurrence of a bad leaver event, all call options that have not been exercised lapse. In the case of a good leaver event, all call options lapse for which the exercise period has not yet commenced.

Movements in the number of share options in subsidiaries granted to members of the Management Board and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding options as of January 1	**EUR 1.00**	**36**	**EUR 1.00**	**61**
Deconsolidation of subsidiaries	EUR 1.00	-25	EUR 1.00	-25
Granted during the year	EUR 1.00	0	EUR 1.00	0
Exercised during the year	EUR 1.00	0	EUR 1.00	0
Forfeited during the year	EUR 1.00	0	EUR 1.00	0
Outstanding options as of December 31	**EUR 1.00**	**11**	**EUR 1.00**	**36**
Exercisable as of December 31	EUR 1.00	6	EUR 1.00	20

The contractual lives for the options are not specified in the option agreements. As a result, the weighted average remaining contractual life for the options outstanding at the reporting date is dependent on future exit events. In accordance with individual agreements, the outstanding options have an exercise price of EUR 1 per share.

Other disclosures

During the period of employment most additional jobs of the members of the Management Board outside of the Group require the previous written consent of the Supervisory Board. Additionally, the employment contracts contain non-compete obligations, which prohibit that members of the Management Board work for an entity that is a direct or indirect competitor of the Company or one of its network companies or that is related to one of such competitor. However, each member of the Management Board is allowed to invest in a competitor as long as such an investment does not exceed a certain, individually agreed percentage of the voting rights of this entity.

The employment contracts of the Management Board are effective until March 15, 2020. In this period the employment contracts may be terminated for cause. Through the dismissal of a member of Management Board the employment contract does not end automatically.

According to the provisions of the German Stock Companies Act (Aktiengesetz) the members of the Management Board are covered by a directors and officers ("D&O") insurance policy with a reasonable coverage and a retention of 10% of the damage, but within a year maximum 1.5 times the annual fix salary. The D&O insurance covers financial damages occurred through breach of duty by the members of Management Board in line with their activity as Member of the Management Board and their operating activity.

There are no other service or employment contracts between Alexander Kudlich and his related parties and the Company or its subsidiaries. Oliver Samwer receives a regular salary of an indirect, wholly owned subsidiary of Rocket Internet, which is completely (100%) subtracted from its salary paid by Rocket Internet SE.

Total compensation

The members of the Management Board received in 2018 a total remuneration of EUR 1,615 thousand (prior year: EUR 20,315 thousand).

In EUR thousand	2018	2018 (min)	2018 (max)	2017
Fixed compensation	1,565	1,565	1,565	1,750
Fringe benefits	51	51	51	47
Non-cash compensation	-	-	-	909
One-year variable compensation	-	-	-	-
Total short-term compensation	**1,615**	**1,615**	1,615	**2,706**
Multi-year variable compensation (share-based payments)	-	-	-	17,609
Service cost	-	-	-	-
Granted compensation – Total	**1,615**	**1,615**	**1,615**	**20,315**

The following table shows the remuneration during the reporting period for fixed compensation, fringe benefits, non-cash compensation, one-year variable compensation and multi-year variable compensation according to the year of cash flow as well as the service cost. The expenses for share-based payments relate to the share-based payments granted during the current reporting period as well as to those granted in prior years and recognized as expenses during the reporting period 2018 respectively 2017.

In EUR thousand	**2018**	**2017**
Fixed compensation *)	1,565	1,750
Fringe benefits *)	51	47
Non-cash compensation (in 2018 income from reversal, in 2017 expense)	-3,322	2,777
One-year variable compensation	-	-
Total short-term compensation	**-1,706**	**4,574**
Multi-year variable compensation (share-based payments)	3,751	18,622
Service cost	-	-
Expenses in the reporting period – Total	**2,045**	**23,196**

*) Cash flow during the reporting period

8.2 Remuneration of the Supervisory Board

The remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association. It consists of fixed annual payments based on the responsibility and extent of the function of each member of the Supervisory Board as well as on the economic situation of the Company.

According to the Articles of Association effective at the end of the reporting period each member of the Supervisory board receives a fixed annual remuneration in the amount of EUR 50,000. The chairman of the Supervisory Board receives EUR 125,000 and the deputy chairman of the Supervisory Board EUR 75,000. Members of the Supervisory Board who hold their office in the Supervisory Board or who hold the office as chairman of the Supervisory Board or of the Audit Committee only during a part of the financial year receive a corresponding portion of the remuneration. The remuneration for the members of the Supervisory Board is due after the Annual Shareholders' Meeting that decides on the consolidated financial statements for the annual period for which the remuneration is paid.

In addition to the remuneration paid, the Company reimburses the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members as well as the value added tax on their remuneration and out-of-pocket expenses.

The members of the Supervisory Board are covered by a D&O insurance of the Company.

In the financial years 2018 and 2017, the remuneration was as follows:

In EUR thousand	2018	2017
Prof. Dr. Marcus Englert	103	65
Prof. Dr. Joachim Schindler	64	50
Norbert Lang	39	25
Pierre Louette	39	25
Prof. Dr. h.c. Roland Berger (till June 8, 2018)	11	25
Stefan Krause (till June 8, 2018)	11	25
Daniel Shinar (till June 8, 2018)	11	25
Christopher H. Young (June 2, 2017 till June 8, 2018)	11	15
Dr. Martin Enderle (till June 2, 2017)	0	10
Napoleon L. Nazareno (till June 2, 2017)	0	10
Total fixed annual remuneration	**289**	**275**
Out-of-pocket expenses	33	11
Expenses in the reporting period – Total	**322**	**286**

9. Corporate Governance Statement and Non-financial Consolidated Report

The corporate governance statement issued in accordance with Sec. 289f HGB / Sec. 315d HGB and the non-financial consolidated report in accordance with Sec. 315b HGB are publicly available separately on the website of the parent Company under: https://www.rocket-internet.com/investors/corporate-governance.

Berlin, March 29, 2019

Oliver Samwer Alexander Kudlich

Independent auditor's report

To Rocket Internet SE

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

Opinions

We have audited the consolidated financial statements of Rocket Internet SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Rocket Internet SE, which has been combined with the management report of the Company for the financial year from 1 January to 31 December 2018.

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

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and

– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

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

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

1. Recognition and classification of company shares

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

The purpose of Rocket Internet SE comprises the founding of and investing in shares in companies as well as holding and subsequently selling company shares. This results in regular changes in criteria relevant to decision-making for the classification of company shares, in particular due to dilutive effects, arrangements concerning the exercise of voting rights and share sales.

As criteria relevant to decision-making for the recognition and classification of company investments, Rocket Internet SE's executive directors consider in particular shareholdings, voting rights, representation on management and supervisory boards, arrangements concerning voting rights, information and notification rights, transactions requiring approval, provision of major services and other rights from other contractual arrangements. After considering these criteria, the executive directors decide whether the companies are included in accordance with the principles of full consolidation, as a joint venture, as an associate or as a financial investment.

As the assessment of criteria relevant to decision-making is partly dependent on the executive directors' judgment, considers a number of different criteria and the accounting consequences have a material impact on the consolidated financial statements, we determined the recognition and classification of company shares to be a key audit matter.

Auditor's response

As part of our audit, we analyzed the process regarding the recognition and classification company shares implemented by the executive directors of Rocket Internet SE and gained an understanding of the process steps.

We verified the accounting treatment of the company shares implemented by the executive directors using a sample selected according to risk factors. In this connection, we reviewed all documents relevant in this context, such as articles of association, purchase and service agreements as well as meeting minutes and shareholder agreements.

Our audit procedures did not lead to any reservations relating to the recognition and classification of company shares.

Reference to related disclosures

For information about the accounting policies applied, we refer to the disclosures in the notes to the consolidated financial statements in note 2 (Basis of Preparation) and note 3 (Summary of Significant Accounting Policies).

2. Calculation of fair values of company shares and loan receivables

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

Rocket Internet determines the fair values of company shares and loan receivables as of the reporting date. The fair values are used in the measurement of financial investments and associates recognized at fair value. They are also used to review the impairment of shares in associates and joint ventures accounted for using the equity method as well as of loan receivables.

Rocket Internet SE initially determines the fair values using quoted market prices or recent market transactions. If this information is not available, fair values are determined using valuation models based on the Company's business plans for a multi-year period. Rocket Internet SE selects the valuation model as well as the underlying assumptions (discount rates, estimate of future cash flows, growth rates and liquidation preferences in particular), which are subject to judgment.

The fair values have a material impact on the measurement of financial investments, loan receivables as well as shares in associates and joint ventures in the consolidated financial statements as of 31 December 2018. Against the background of the material significance, complexity of the valuation models as well as the judgment-based assumptions made by the executive directors, we consider the calculation of fair values of company shares and loan receivables to be a key audit matter.

Auditor's response

In our audit, we analyzed the process implemented by the executive directors of Rocket Internet SE as well as the recognition and measurement principles used in calculating the fair value of shares and loan receivables and gained an understanding of the process steps. We verified the compatibility of specific measurement principles in the internal Fair Value Policy with IFRSs as well as their implementation by the executive directors of Rocket Internet SE.

We analyzed the business plans underlying the valuation method by comparing them against the actual results generated in the past and the current development of business figures. We reviewed the major assumptions concerning growth and business development used in corporate planning by discussing them in detail with Rocket Internet SE's executive directors and the Company's management.

We tested the other main valuation assumptions used by the executive directors, such as discount rates or growth rates, using input from internal valuation experts on the basis of an analysis of market indicators. As even small changes in the discount rates can have a material effect on fair value, we verified the parameters used in determining discount rates by comparing these with the general market information available. We reviewed the sensitivity analyses prepared by the executive directors with regard to the risk of fair value impairment from changes in valuation assumptions. Moreover, we checked the mathematical accuracy of the valuation model.

Our audit procedures did not lead to any reservations relating to the calculation of fair values of company shares and loan receivables.

Reference to related disclosures

For information about the accounting policies applied, we refer to the disclosures in the notes to the consolidated financial statements in note 2 (Basis of Preparation) and note 3 (Summary of Significant Accounting Policies).

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. Other information primarily comprises the corporate governance statement pursuant to Sec. 289f HGB and the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG as well as the other components of the annual report that we expect to receive after we have issued our independent auditor's report, including:

- the Report of the Supervisory Board pursuant to Sec. 171 (2) AktG ["Aktiengesetz": German Stock Corporations Act].

We received a version of this other information prior to issuing this independent auditor's report.

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 executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

– Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

– Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides.

– Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 8 June 2018. We were engaged by the Supervisory Board on 20 February 2019. We have been the group auditor of Rocket Internet SE without interruption since financial year 2013.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the Supervisory Board pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jan-Menko Grummer.

Berlin, 29 March 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grummer	Beckers
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Combined Management Report (Management Report for the Group and Parent Company) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, March 29, 2019

The Management Board

Oliver Samwer Alexander Kudlich

Imprint

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Forward looking statements and other notes

This annual report contains certain forward-looking statements relating to the business, financial performance and results of Rocket Internet SE, its subsidiaries and its participations (collectively, "Rocket Internet") and / or the industry in which Rocket Internet operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this annual report, including assumptions, opinions and views of Rocket Internet or cited from third party sources, are solely opinions and forecasts which are uncertain and subject to risks. Actual events may differ significantly from any anticipated development due to a number of factors, including without limitation, changes in general economic conditions, in particular economic conditions in the markets in which Rocket Internet operates, changes affecting interest rate levels, changes in competition levels, changes in laws and regulations, environmental damages, the potential impact of legal proceedings and actions and Rocket Internet's ability to achieve operational synergies from acquisitions. Rocket Internet does not guarantee that the assumptions underlying the forward looking statements in this annual report are free from errors nor does it accept any responsibility for the future accuracy of the opinions expressed in this annual report or any obligation to update the statements in this annual report to reflect subsequent events. The forward-looking statements in this annual report are made only as of the date hereof. Neither the delivery of this annual report nor any further discussions of Rocket Internet with any of the recipients thereof shall, under any circumstances, create any implication that there has been no change in the affairs of Rocket Internet since such date. Consequently, Rocket Internet does not undertake any obligation to review, update or confirm recipients' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of the annual report.

All values are rounded in accordance with a commercial rounding approach, which may result in rounding differences. Growth, margin or other ratios are based on the actual numbers, which may also result in differences compared to a corresponding computation using rounded numbers.

This annual report is available for download at https://www.rocket-internet.com/investors

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