Annual Financial Statements and Management Report for the Parent Company and the Group 2016

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Table of Contents

Annual Financial Statements 2016

(prepared in accordance with German GAAP)

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Rocket Internet SE, Berlin
Balance sheet as of December 31, 2016

Assets	EUR	EUR	December 31,2015 EUR
A. Fixed Assets			
I. Intangible assets			
1. Internally generated industrial and similar rights and assets	4		4,010,045
2. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	399,145		302,016
		399,149	4,312,061
II. Property, plant and equipment			
1. Other equipment, operating and business equipment	2,796,372		760,783
2. Advanced payments and assets under constructions	226,711		478,002
		3,023,083	1,238,785
III. Financial assets			
1. Investments in subsidiaries	2,063,695,359		1,178,916,745
2. Participations	401,150,879		410,990,173
3. Securities held as fixed assets	170,669,586		7,617,364
4. Other Receivables	3,626,624		8,692,000
		2,639,142,448	1,606,216,282
		2,642,564,680	1,611,767,128
B. Current Assets			
I. Inventories			
1. Work in progress	256,876		1,064,989
2. Prepayments on investments	31,311		0
		288,187	1,064,989
II. Receivables and other assets			
1. Trade receivables	123,317		0
2. Receivables from subsidiaries	48,863,010		72,600,325
3. Receivables from companies in which a participation is held	90,214,668		9,268,227
4. Other assets	21,147,847		2,047,813
		160,348,842	83,916,365
III. Cash on hand and bank balances		653,572,027	1,720,009,566
		814,209,056	1,804,990,920
C. Prepaid expenses		34,018,807	39,347,229
		3,490,792,543	3,456,105,277

Equity and Liabilities	EUR	EUR	December 31,2015 EUR
A. Equity			
I. Subscribed capital Contingent Capital EUR 82,546,825 (PY EUR 82,546,825)		165,140,790	165,140,790
II. Capital reserves		2,779,961,691	2,765,382,099
III. Unappropriated retained earnings		-32,023,040	-73,445,518
		2,913,079,441	2,857,077,371
B. Provisions			
1. Tax provisions	305,623		0
2. Other provisions	17,429,971		36,879,000
		17,735,594	36,879,000
C. Liabilities			
1. Convertible Bonds thereof convertible EUR 550,000,000 thereof interest liabilities EUR 4,658,367	554,658,367		557,241,667
2. Liabilities to banks	2,860		0
3. Trade liabilities	345,583		2,787,885
4. Liabilities to subsidiaries	414,116		857,298
5. Other liabilities thereof for taxes EUR 427,433 (PY EUR 565,159) thereof for social security EUR 29,004 (PY EUR 46,715)	4,556,582		1,262,056
		559,977,508	562,148,906
		3,490,792,543	3,456,105,277

Rocket Internet SE, Berlin
Income Statement for financial year 2016

	EUR	EUR	2015 EUR
1. Revenue	28,106,675		34,176,001
2. Decrease (PY Increase) in work in progress	-808,113		202,467
3. Other own work capitalized	2,855,176		4,039,142
4. Other operating income	150,579,857		30,477,455
thereof income from currency translation EUR 14,328,160 (PY EUR 3,287,493)			
		180,733,595	68,895,065
5. Material expenses			
a) Cost of purchased goods	684,123		756,882
b) Cost of purchased services	10,076,633		7,796,910
6. Personal expenses			
a) Wages and salaries	47,596,894		72,581,032
b) Social security and other pension costs	3,694,958		4,450,390
thereof retirement benefits EUR 29,232 (PY EUR 28,725)			
7. Depreciation / amortization			
of intangible assets and property, plant and equipment	7,058,811		1,585,818
8. Other operating expenses	38,163,273		48,350,998
thereof expenses from currency translation			
EUR 721,940 (PY EUR 55,648)			
		107,274,692	135,522,030
9. Income from participations	6,451,815		15,288,542
10. Other interests and similar income	10,129,848		1,046,444
thereof from subsidiaries EUR 8,026,773 (PY EUR 711,360)			
thereof from discounted other liabilities EUR 994,987 (PY EUR 0)			
11. Write downs on financial assets	29,452,308		13,997,619
12. Interest and similar expenses	19,171,480		9,652,731
thereof from discounted convertible bonds EUR 5,142,692 (PY EUR 2,188,971)			
		-32,042,125	-7,315,364
13. Result before tax		41,416,778	-73,942,329
14. Income taxes		-5,700	-496,811
15. Net income - / net loss of the year		41,422,478	-73,445,518
16. Loss carried forward from previous year		-73,445,518	0
17. Unappropriated retained earnings		-32,023,040	-73,445,518

Notes to the Annual Financial Statements 2016

(prepared in accordance with German GAAP)

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Contents

A. GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

The annual financial statements as of December 31, 2016, of Rocket Internet SE have been prepared in accordance with statutory accounting provisions of the German Commercial Code (HGB) (HGB, section 242 et seq. and section 264 et seq.) and the supplementary regulations of the German Stock Corporation Act (AktG) in conjunction with Articles 61 EU-VO 2157/2011.

As of the reporting date, Rocket Internet SE is classified as a large corporation according to the size criteria set forth in section 267 (3) HGB; as it is capital market oriented as defined by section 264d HGB, it always qualifies as a large Company regardless of the size critera.

The structure of the balance sheet follows the provisions of section 266 HGB. The income statement has been prepared using the nature of expense method in accordance with section 275 (2) HGB.

The company is domiciled in Berlin and incorporated in the commercial register, Section B, maintained by the local civil Court Berlin-Charlottenburg, under No. 165662.

B. SUMMARY OF ACCOUNTING POLICIES AND VALUATION METHODS

The accounting policies and valuation methods applied comply with German Commercial Code (HGB) provisions (sections 238 to 263 HGB and section 264 et seq.) as well as the special provisions of the AktG ["Aktiengesetz": German Stock Corporation Act]. In addition, the Company considered the supplementary requirements concerning the accounting policies and valuation methods to be applied by large corporations.

The accounting policies and valuation methods have not significantly changed in comparison to the previous financial year.

In this financial year, the Company implements for the first time the changed German Commercial Code (HGB) provisions following the Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – short: BilRUG), as required for the fiscal year commencing on January, 1, 2016. In compliance with BilRUG the classification of the profit and loss statement has changed as well as the revenues allocation due to the new definition of revenues (section 277 HGB – Article 75 (2) EGHGB).

An adaption of the previous year's figures were not made. Disclosures for such items as revenues and material expenses are provided. In compliance with the provisions of the Implementation Act (BilRUG) the classification of the item extraordinary expenses which was separate reported in the previous year, was reclassified in the item other operating expenses.

Intangible assets

Internally generated intangible assets are accounted for in accordance with the relevant capitalization option pursuant to section 248 (2) HGB. Internally generated intangible assets are capitalized at production costs and, if they have a limited life, are amortized over their useful lives. Scheduled amortization is carried out on a straight-line basis over the useful life of five years. A reversal of impairment losses is recognized when there is an indication that the reasons for write-downs recognized in previous years are no longer present.

Intangible assets acquired from third-parties are recognized at acquisition costs including incidental costs and are amortized if they have a limited life. Amortization is charged using the straight-line method over an economic useful life of three to ten years.

Property, plant and equipment

Property, plant and equipment are accounted for at acquisition costs including incidental costs or production costs net of scheduled straight-line depreciation.

Scheduled depreciation is based on the estimated useful live of the respective assets. Property, plant and equipment have estimated useful lives between three to fifteen years.

Advance payments and assets under construction are capitalized at acquisition costs or construction costs.

Tangible fixed assets with acquisition costs of more than EUR 150 but less than EUR 1,000 acquired from 2008 to 2010 were included in a collective item. These assets were written down over five years on a pro rata basis.

Since 2011, tangible fixed assets with a value of up to EUR 410 are fully written off in the year of acquisition.

Financial assets

Shares in subsidiaries, participations and securities are reported under financial assets and are accounted for at the lower of acquisition costs or fair value. A reversal of impairment losses is recognized when there is an indication that the reasons for write-downs recognized in previous years are no longer present.

Other long-term receivables

Other long-term receivables are generally recognized at nominal value. Impairments are recorded, if write-downs are required.

Work in progress

Work in progress is measured at the production costs considering a loss-free valuation. The production costs include the minimum components as prescribed under section 255 (2) HGB and mainly relate to personnel expenses and expenses for external services.

Receivables and other assets

Receivables and other assets are stated at their nominal value. All items subject to risk are written off in full individually.

Cash and cash equivalents

Cash and cash equivalents are recognized at nominal value.

Prepaid expenses

Prepaid expenses include payments made prior to the reporting date that relate to expenses for a specified period after the balance sheet date.

The Company has made use from the option granted under section 250 (3) HGB and recognized the discount resulting from the issuance of convertible bonds. The residual value between issue price and repayment amount is recognized under prepaid expenses and amortized over the term of the liabilities.

Equity

Subscribed capital is recognized at nominal value and fully paid in.

Rocket Internet SE grants her executives equity-settled share-based compensation arrangements, which are subject to certain service and vesting conditions and entitle participants to acquire the shares of the company after the fulfilment of such conditions. There is no explicit guidance in HGB how to account for these arrangements during the vesting period. Therefore, Rocket Internet SE follows the principles of IFRS 2 Share-Based Payment. Consequently, the personnel and other operating expenses related to the share-based compensation plans are recognized in the capital reserve in the current financial year.

Provisions

Provisions for taxes and other provisions consider all uncertain obligations. The provisions are recognized at the settlement value that is deemed appropriate according to reasonable business judgement (i.e. including future increases of prices and costs). Provisions with residual terms of more than one year are discounted applying the interest rate published by German Federal Reserve Bank (Deutsche Bundesbank).

Liabilities

Liabilities are accounted with their respective settlement value. In cases where there is a difference between the issue price and the repayment amount, this difference is recognized under prepaid expenses and amortized over the term of the liabilities. Liabilities with residual terms of more than one year are discounted applying the interest rate published by German Federal Reserve Bank (Deutsche Bundesbank).

Deferred taxes

Deferred taxes are recognized for temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts, or due to tax loss carry forwards, using the company-specific tax rates applicable at the time when such differences reverse. The amounts of any resulting tax charge or benefit are not discounted. Deferred tax assets and liabilities are offset. The option pursuant to section 274 (1) sentence 2 HGB to recognize net deferred tax assets in excess of deferred tax liabilities was not applied.

Currency translation

Generally, assets and liabilities in a foreign currency are translated with the mid spot exchange rate at the balance sheet date. For items with a remaining life of more than one year, the realization principle according to section 252 (1) No. 4 sentence 2 HGB and the historical cost principle according to section 253 (1) sentence 1 HGB have been applied.

C. NOTES TO THE BALANCE SHEET

I. Fixed Assets

The development of the individual items of fixed assets, including amortization, depreciation and write-downs for the financial year, is presented in the statement of changes in fixed assets in appendix of the notes.

1. Internally generated intangible assets

In the financial year, development costs of internally generated intangible assets of EUR 2,855 thousand (previous year EUR 4,039 thousand) were capitalized. The costs mainly relate to personnel expenses and expenses for external services of the development. Furthermore, in the financial year an impairment trigger was identified for internally generated intangible assets. As a result an impairment loss of EUR 4,391 thousand was recognized. Due to sales negotiations and in line with the intention to sale, internally generated intangible assets are reclassified in other financial assets with an amount of EUR 750 thousand.

2. Securities held as fixed assets

In July 2015 Rocket Internet SE has issued convertible bonds with a term of seven years and with a total nominal amount of EUR 550,000 thousand. In the financial year 2016 Rocket Internet SE bought back convertible bonds with a total nominal amount of EUR 196,200 thousand. Accordingly, these repurchased bonds were recognized with their purchase costs of EUR 164,989 under the fixed assets as of Dec 31, 2016.

3. Other Receivables

In the financial year an impairment trigger was identified for other receivables. The impairment loss was recognized in the amount of EUR 5.065 thousand.

4. List of Shareholdings

Rocket Internet SE directly holds at least 20% of the shares in the following companies, furthermore shareholdings of more than 5% of the voting rights are also included:

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
<u>Germany</u>					
AEH New Africa eCommerce II GmbH, Berlin	DE	71.2	Dec 31, 2015[1]	23,368	-5
Affinitas GmbH, Berlin	DE	21.9	Dec 31, 2016[1]	-10,903	978
Affinitas Phantom Share GmbH, Berlin	DE	34.4	Dec 31, 2016[1]	-7	-11
Africa Internet Holding GmbH, Berlin	DE	30.6	Dec 31, 2015[1]	229,406	-1,585
Altigi GmbH, Hamburg	DE	15.0	Dec 31, 2015	44,480	24,433
Bambino 106. V V UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2014	3,647	-22
Bambino 107. V V UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2016[1]	1	-3
Bambino 110. V V UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2016[1]	1	-2
Bambino 52. V V UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2016[1]	1	-5
Bambino 53. V V UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2015[1]	972	352
Bambino 54. V V UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2016[1]	1	-2
Bambino 55. V V UG (haftungsbeschränkt) i.L., Berlin	DE	100.0	Dec 31, 2016[1]	1	-2
Beauty Trend Holding GmbH, Berlin	DE	59.6	Dec 31, 2015	41	-1,372
Brillant 1259. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	28	-3
Brillant 1423. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	25	-3
CD-Rocket Holding UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2015	-5	-17
CityDeal Management II UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2015	-3	-5
CityDeal Management UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2015	-1	4
Delivery Hero GmbH, Berlin	DE	39.3	Dec 31, 2015[1]	765,492	-252,945
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Berlin	DE	100.0	Dec 31, 2015[1]	4,068	459
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Berlin	DE	100.0	Dec 31, 2015[1]	2,589	765
European Founders Fund Investment GmbH, Berlin	DE	100.0	Dec 31, 2015[1]	482	354
European Founders Fund Nr. 2 Geschäftsführungs GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-3
European Founders Fund Nr. 2 Verwaltungs GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-3

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
European Founders Fund Nr. 3 Management GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-3
European Founders Fund Nr. 3 Verwaltungs GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-3
FabFurnish GmbH, Berlin	DE	29.2	Dec 31, 2014	30,876	7
Global Founders Capital Management GmbH, Berlin	DE	100.0	Dec 31, 2015	109	-5
Global Founders Capital Verwaltungs GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-4
Global Savings Group GmbH, Munich	DE	38.1	Dec 31, 2014	45	-2,136
HelloFresh SE, Berlin	DE	55.8	Dec 31, 2015	197,267	-15,229
Home24 AG, Berlin	DE	42.8	Dec 31, 2015	143,986	-65,204
International Rocket GmbH & Co. KG, Berlin	DE	100.0	Dec 31, 2016[1]	1,937,896	-163
Jade 1085. GmbH, Berlin	DE	100.0	Dec 31, 2015	72	-6
Jade 1158. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	37	-2
Jade 1217. GmbH i.L., Berlin	DE	100.0	Dec 31, 2015	2,438	-8
Jade 1221. GmbH, Berlin	DE	71.0	Dec 31, 2016[1]		
Jade 1223. GmbH i.L., Berlin	DE	73.8	Dec 31, 2015[1]	-9	-1
Jade 1231. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	25	-2
Jade 1232. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	25	-2
Jade 1234. GmbH i.L., Berlin	DE	100.0	Dec 31, 2015	11	-4
Jade 1238. GmbH i.L., Berlin	DE	73.7	Dec 31, 2015[1]	5,308	0
Jade 1240. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	30	-2
Jade 1241. GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-1
Jade 1246. GmbH i.L., Berlin	DE	99.5	Dec 31, 2016[1]	25	-2
Jade 1247. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	25	-2
Jade 1265. GmbH i.L., Berlin	DE	90.1	Dec 31, 2015[1]	-101	-22
Jade 1279. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	25	-1
Jade 1317. GmbH, Berlin	DE	100.0	Dec 31, 2015[1]	2,774	-5
Jade 1318. GmbH, Berlin	DE	62.9	Dec 31, 2012	2,493	-31
Jade 1319. GmbH i.L., Berlin	DE	99.5	Dec 31, 2016[1]	25	-2
Jade 1356. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	25	-11
Jade 1366. GmbH i.L., Berlin	DE	86.7	Dec 31, 2015	-449	-5
Jade 1368. GmbH i.L., Berlin	DE	100.0	Dec 31, 2016[1]	28	-3
Jade 1371. GmbH, Berlin	DE	100.0	Dec 31, 2015	15	-9
Jade 1372. GmbH i.L., Berlin	DE	100.0	Dec 31, 2015[1]	-18	-37
Jade 940. GmbH i.L., Berlin	DE	100.0	Dec 31, 2015[1]	37	-7
Juwel 155. V V UG (haftungsbeschränkt) i.L., Berlin	DE	100.0	Dec 31, 2016[1]	1	-2
Juwel 156. V V UG (haftungsbeschränkt), Berlin	DE	100.0	Dec 31, 2016[1]	1	-1
Kin Shopping GmbH, Berlin	DE	82.0	Dec 31, 2015[1]	-706	-737
launchcircle GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	0	0

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
Lindentor 226. V V GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-1
Lindentor 227. V V GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-1
MKC Brillant Services GmbH, Berlin	DE	65.0	Dec 31, 2015[1]	79,339	941
Netzoptiker GmbH i.L., Limburg a.d.L.	DE	42.8	Dec 31, 2013[1]	-838	-1,044
New Bigfoot Other Assets GmbH i.L., Berlin	DE	29.2	Dec 31, 2015[1]	14	-9
New Middle East Other Assets GmbH i.L., Berlin	DE	32.7	Dec 31, 2015[1]	15	-8
Plinga GmbH, Berlin	DE	39.3	Dec 31, 2014	300	287
PTH Brillant Services GmbH i.L., Berlin	DE	79.6	Dec 31, 2012	5,010	-15
R2 International Internet GmbH, Berlin	DE	59.2	Dec 31, 2015[1]	442	-15
RCKT GmbH & Co. KG, Berlin	DE	100.0	Dec 31, 2016[1]	207	2
RCKT Management GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	n/a	n/a
Rocket Internet Marketplace Solutions GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	n/a	n/a
Rocket Internet Munich GmbH, Munich	DE	100.0	Dec 31, 2015[1]	103	54
Rocket Labs GmbH & Co. KG, Berlin	DE	100.0	Dec 31, 2016[1]	380	333
Rocket Middle East GmbH, Berlin	DE	100.0	Dec 31, 2016[1]	25	-4
sparks42 GmbH, Berlin	DE	79.0	Dec 31, 2015	1,172	372
VRB GmbH & Co. B-101 (Einhunderteins) KG, Berlin	DE	100.0	Dec 31, 2016[1]	-14	-2
Westwing Group GmbH, Berlin	DE	32.3	Dec 31, 2015	92	-3,582
Zanui Holding GmbH, Berlin	DE	28.7	Dec 31, 2016[1]	n/a	n/a
Foreign Countries					
Asia Internet Holding S.à r.l., Luxembourg	LU	50.0	Dec 31, 2015	124,633	-1,010
Convenience Food Group S.à r.l., Luxembourg	LU	62.6	Dec 31, 2015	6,840	38
Digital Services Holding IV S.à r.l, Luxembourg	LU	100.0	Dec 31, 2015	-9	-7
Digital Services LI S.à r.l. (in liquidation), Luxembourg	LU	100.0	Dec 31, 2015[1]	-130	-145
Digital Services LII S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	8	-7
Digital Services LIII S.à r.l., Luxembourg	LU	100.0	Dec 31, 2016[1]	n/a	n/a
Digital Services LIV S.à r.l., Luxembourg	LU	100.0	Dec 31, 2016[1]	n/a	n/a
Digital Services LV S.à r.l., Luxembourg	LU	100.0	Dec 31, 2016[1]	n/a	n/a

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
Digital Services LVII S.à r.l., Luxembourg	LU	100.0	Dec 31, 2016[1]	n/a	n/a
Digital Services XL S.à r.l., Luxembourg	LU	85.7	Dec 31, 2015	2,533	18
Digital Services XLIII S.à r.l., Luxembourg	LU	83.3	Dec 31, 2015	2,968	-47
Digital Services XLIX S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	7	-8
Digital Services XLVII S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	8	-7
Digital Services XVI S.à r.l., Luxembourg	LU	80.0	Dec 31, 2015	-313	-4,871
Digital Services XVII S.à r.l., Luxembourg	LU	90.9	Dec 31, 2015	-1,129	-2,628
Digital Services XXVII S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	8	-7
Digital Services XXVIII S.à r.l., Luxembourg	LU	70.0	Dec 31, 2015[1]	9,730	25
Digital Services XXXIII S.à r.l. (in liquidation), Luxembourg	LU	100.0	Dec 31, 2015[1]	-5	-20
Emerging Markets Capital S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015[1]	13	-19
Emerging Markets Internet Fund S.C.S., Luxembourg	LU	66.7	Dec 31, 2016[1]	898	-61
Finverum Capital S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	8	-7
Food Delivery Holding 18 S.à r.l., Luxembourg	LU	100,0%	n/a	n/a	n/a
Food Delivery Holding 23 S.à r.l., Luxembourg	LU	100,0%	n/a	n/a	n/a
Food Delivery Holding 27 S.à r.l., Luxembourg	LU	100,0%	n/a	n/a	n/a
Food Delivery Holding 28 S.à r.l., Luxembourg	LU	100,0%	n/a	n/a	n/a
Food Delivery Holding 29 S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	8	-4
Food Delivery Holding 30 S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	8	-4
GFC Global Founders Capital S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	25,697	-315
GG Fun Limited, Malta	MT	100.0	Dec 31, 2015	3	-4
Global Fashion Group S.A., Luxembourg	LU	25.4	Dec 31, 2015	2,049,836	-889,328
Global Fin Tech Holding S.à r.l., Luxembourg	LU	100.0	Dec 31, 2015	31,715	22,397
GP Management Limited, Malta	MT	99.9	Dec 31, 2015	-13	-3
Helpling Group Holding S.à r.l., Luxembourg	LU	26.0	Dec 31, 2015	76,735	-971
Lazada Group S.A., Luxemburg	LU	9,3%	31.12.2015	43	-313
Middle East Internet Holding S.à r.l., Luxembourg	LU	50.0	Dec 31, 2015	40,156	349
Moneda Top-Holding S.à r.l.,	LU	100.0	Dec 31, 2015	-17	-6

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
Luxembourg					
RI Capital Advisors Limited, U.K.	UK	100.0	Dec 31, 2016[1]	n/a	n/a
Rocket Internet Capital Partners Founder S.C.S., Luxembourg	LU	100.0	Dec 31, 2016[1]	n/a	n/a
Rocket Internet Capital Partners Lux Capital S.à r.l., Luxembourg	LU	100.0	Dec 31, 2016[1]	n/a	n/a
Somuchmore Global S.à r.l., Luxembourg	LU	73.3	Dec 31, 2015	6,538	10
Vaniday Global S.à r.l., Luxembourg	LU	43.4	Dec 31, 2015	5,765	-122
ZipJet Global S.à r.l., Luxembourg	LU	72.3	Dec 31, 2015	5,085	98

1) preliminary results

II. Current assets

1. Inventories

Inventories amounting to EUR 288 thousand (previous year EUR 1,065 thousand) primarily comprise work in progress related to the development of websites and internet shops for future business models. Those costs mainly consist of personnel expenses as well as expenses for external services.

2. Receivables and other assets

Receivables and other assets at the balance sheet date are as follows:

	Dec 31, 2016 (EUR thousand)	Dec 31, 2015 (EUR thousand)
Trade receivables	123	0
- thereof due in more than one year	0	0
Receivables from affiliated companies	48,863	72,600
- thereof due in more than one year	0	0
Receivables from associated companies	90,215	9,268
- thereof due in more than one year	0	0
Other receivables	21,148	2,048
- thereof due in more than one year	0	0

Receivables from affiliated companies in the amount of EUR 48,863 thousand (previous year EUR 72,600 thousand) contain loan receivables of EUR 44,922 thousand (previous year EUR 69,914 thousand) and trade receivables of EUR 3,941 thousand (previous year

EUR 2,686 thousand). The loan receivables from affiliated companies are loans granted for investments in new business models. Individual write-downs were carried out in the amount of EUR 525 thousand (previous year EUR 914 thousand).

Receivables from associated companies amount to EUR 90,215 thousand (previous year EUR 9,268 thousand) and primarily consist of trade receivables of EUR 2,534 thousand (previous year EUR 5,345 thousand) and of loan receivables of EUR 87,681 thousand (previous year EUR 3,923 thousand).

Other receivables in the amount of EUR 21,148 thousand (previous year EUR 2,048 thousand) mainly contain tax receivables (EUR 1,743 thousand; previous year EUR 1,097 thousand), Receivables from deposits (EUR 1,805 thousand; previous year EUR 45 thousand), purchase price claims from participations sold (EUR 5,661 thousand; previous year EUR 0 thousand) as well as other assets held for sale (EUR 10,825 thousand; previous year EUR 0 thousand).

III. Cash on hand and bank balances

Cash and cash equivalents in the amount of EUR 653,572 thousand (previous year EUR 1,720,010 thousand) relate to cash in hand and bank balances.

Cash balances with banks amounting to EUR 688 thousand (previous year EUR 685 thousand) are restricted deposits used as security for rental guarantees. Furthermore cash and cash equivalents in the amount of EUR 163,379 thousands is restricted for pledges in relation to affiliated companies.

IV. Prepaid expenses

In the financial year prepaid expenses, that represent expenses for a specific period after the balance sheet date, are recognized in the amount of EUR 1,130 thousand (previous year EUR 1,316 thousand). They mainly consist of prepaid premiums for long-term insurance contracts.

Rocket Internet SE issued convertible bonds in the prior financial year. The issue price is below the repayment amount due to the discounting of future cash flows with a market conforming interest rate. The residual value, which represents the value of the conversion right, is amortized during its maturity period on a straight-line basis. The amortization amount in the financial year was EUR 5,142 thousands. At the end of the financial year, the remaining value of the discount is recognized with an amount of EUR 32,889 thousand (previous year 38,031 thousand).

V. Equity

1. Subscribed capital

The subscribed capital of the Company registered in the commercial register with an amount of EUR 165,140,790 (previous year EUR 165,140,790) was fully paid in. The registered share capital is divided into 165,140,790 no-par value bearer shares (shares without a nominal value).

Authority of the Management Board to issue new shares (Authorized Capital)

By resolution of the general meeting dated August 22, 2014, 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 60,051,127 via the issuance of up to 60,051,127 new no-par value bearer shares with a nominal value of EUR 1.00 against contributions in cash or in kind (Authorized Capital 2014). As of December 31, 2016, the remaining authorized capital totals EUR 15,012,592.

By resolution of the general meeting dated June 23, 2015, the Management Board is authorized to increase the registered capital of the Company until June 22, 2020, 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 with the value of EUR 1.00 against contributions in cash or in kind (Authorized Capital 2015). The authorization of the management board to increase the registered capital dated June 23, 2015 was by resolution of the general meeting dated June 9, 2016 repealed.

By resolution of the general meeting dated June 9, 2016, the Management Board is authorized to increase the registered capital of the Company until June 8, 2021, 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 with the value of EUR 1.00 against contributions in cash or in kind (Authorized Capital 2016).

Conditional Capital

By resolution of the general meeting dated September 8, 2014, the share capital of the Company was conditionally increased by up to EUR 4,541,712 by issuance of new registered no-par value shares (Conditional Capital 2014/I). The conditional capital increase will only be implemented to the extent that such subscription rights will be issued to the member of the Management Board of the Company, Mr. Oliver Samwer, in accordance with the Stock Option Program 2014/I.

By resolution of the general meeting dated September 8, 2014, the share capital of the Company was conditionally increased by up to EUR 6,005,113 by issuance of up to 6,005,113 new registered no-par value shares (Conditional Capital 2014/II). The conditional capital increase will only be implemented to the extent that such subscription rights will be issued in accordance with the Stock Option Program 2014/II to members of the Management Board (except for Mr. Oliver Samwer) and employees of the Company as well as members of the management board and employees of companies affiliated with the Company pursuant to section 15 et seq. AktG.

By resolution of the general meeting dated June 23, 2015, the share capital of the Company was conditionally increased by up to EUR 72,000,000 by issuance of up to 72,000,000 new registered no-par value shares (Conditional Capital 2015). The Management Board is authorized, until to June 22, 2020, with the consent of the Supervisory Board, to issue bearer and/or nominal convertible bonds and/or optional bonds and/or participating rights and/or participating bonds with a nominal amount up to EUR 2,000,000.00, with or without maturity periods. They are authorized to grant the creditors and/or bearer of bonds conversion or option rights regrading new no-par bearer shares of the company with a proportionate share in the equity capital of up to EUR 72,000,000, as provided for in the terms of the options rights, bonds or participating rights.

Resolution of the general meeting dated June 9, 2016 supplemented the resolution dated June 23, 2015. The share capital of the Company was conditionally increased by up to EUR 72,000,000 by issuance of up to 72,000,000 new registered no-par value shares (Conditional Capital 2015/2016). The Management Board is authorized, until June 8, 2021, with the consent of the Supervisory Board, to issue bearer and/or nominal convertible bonds and/or optional bonds and/or participating rights and/or participating bonds (or combinations of these instruments) with a nominal amount up to EUR 2,000,000.00, with or without maturity periods and to grant the creditors and/or bearer of bonds conversion or option rights regrading new no-par bearer shares of the company with a proportionate share in the equity capital of up to EUR 72,000,000, as provided for in the terms of the options rights, bonds or participating rights.

2. Capital reserves

During the financial year the capital reserves increased by EUR 14,580 thousand, from EUR 2,765,382 thousand to EUR 2,779,962 thousand.

In the financial year, expenses in the amount of EUR 14,580 thousand (previous EUR 48,290 thousand) arising from the equity-settled share-based compensation plans are recognized in the capital reserve.

3. Voting rights notification

As defined by §160 (1) No. 8 AktG statements are made and pursuant to §21 (1) or (1a) Securities Trading Act (WpHG) the company was informed.

Baillie Gifford Overseas Ltd., Edinburgh, Scotland, United Kingdom pursuant to §21 (1) WpHG on September 29, 2016, that voting rights in Rocket Internet SE, Berlin, Germany passed 5% thresholds on September 23, 2016, and it now holds 6.53 % of voting rights (voting rights 10.785.648). 6.53% of voting rights are to be allocated to the company within the meaning of Section 22 (1) sentence 1 No. 1 of the WpHG.

VI. Provisions

1. Tax provisions

There are no further tax provisions to be recognized for the current financial year, as the final tax assessments have already been issued. The tax provisions in the financial year relate to a previous year. This tax provision is set against a tax receivable in the other assets.

2. Other provisions

Other provisions in the amount of EUR 12,257 thousand (previous year EUR 32,166 thousand) are short-term and mainly contain provisions for binding income participations (former: call-options) and compensation obligations. In addition, the provisions were recorded to account for outstanding supplier invoices (EUR 3,993 thousand; previous year EUR 3,014 thousand).

VII. Liabilities

The composition of the liabilities and their remaining contractual maturities as of December 31, 2016, are shown in the following schedule:

	Dec 31, 2016 (EUR thousand)	Dec 31, 2015 (EUR thousand)
Convertible Bonds	554,658	557,242
- thereof due in more than five year	550,000	550,000
- thereof due in more than one year	0	0
- thereof due within one year	4,658	7,242
Liabilities to banks	3	0
- thereof due in more than one year	0	0
- thereof due within one year	3	0
Trade liabilities	346	2,788
- thereof due in more than one year	0	0
- thereof due within one year	346	2,788
Liabilities to affiliated companies	414	857
- thereof due in more than one year	0	0
- thereof due within one year	414	857
Other liabilities	4,557	1,262
- thereof due in more than one year	3,806	125
- thereof due within one year	751	1,137

The liabilities arising from convertible bonds relate to the by Rocket Internet SE on July 22, 2015, issued convertible bond with a nominal amount of EUR 500,000 thousand as well as interest liabilities of EUR 4,658 thousand.

The decrease in trade liabilities is primarily due to expenses incurred in connection with the initial public offering of Rocket Internet SE in the previous year.

The other liabilities include financing advantages from a rental agreement. Rocket Internet SE has to be able to meet the related financial obligations at all times.

VIII. Contingent liabilities and other financial obligations

1. Contingent liabilities

As of December 31, 2016, there are unaccounted contingent liabilities according to section 251 HGB.

With the First Close of the Internet Capital Partners Fund in January, 2016, Rocket Internet SE pledged EUR 163,379 thousands as of December 31, 2016. This guarantee represents only a very remote risk, because the limited partners of the Fund are obligated to pay the capital calls by the limited partnership agreement.

The rent-obligations for the long-term-contract of the Berlin-Office are secured with a deposit of EUR 1,805 thousands.

2. Other financial obligations

As of December 31, 2016, other financial obligations of EUR 231,182 thousand are in particular attributable to the following items:

	Up to 1 year (EUR thousand)	1 - 5 years (EUR thousand)	> 5 years (EUR thousand)	Total (EUR thousand)
Rents and similar obligations	3,762	30,442	51,396	85,600
Outstanding investment and capital contribution obligations	100,582	0	0	100,582
Loan commitments	45,000	0	0	45,000
Total	149,344	30,442	51,396	231,182

The short-term outstanding investment, capital contribution obligations as well as loan commitments relate to associated companies.

IX. Related party transactions

Related parties are shareholders with significant influence on Rocket Internet SE, associated companies, non-consolidated subsidiaries, and individuals that exercise significant influence on the financial and business policy of Rocket Internet SE. Persons that exercise significant influence on Rocket Internet SE financial and business policy comprise all individuals in key positions and their close family members. The latter are Rocket Internet SE members of the management board and the supervisory board of the parent company. No transactions at unusual market terms were conducted with related parties in the financial year 2016.

D. NOTES TO THE INCOME STATEMENT

I. Revenue

The following chart shows the composition of revenue by type of services and by region:

	Jan 1- Dec 31, 2016 (EUR thousand)	Jan 1 - Dec 31, 2015 (EUR thousand)
Revenue per type of services		
- Consulting services	18,498	24,083
- Rental income	4,492	0
- Software licenses	2,513	4,076
- Benefits in Kind	2,358	2,980
- Infrastructure services	246	3,037
Total	**28,107**	**34,176**
Revenue per region		
- Germany	18,119	24,597
- Other EU countries	5,743	5,747
- Asia	3,619	3,254
- Rest of the world	378	389
- Australia / Oceania	150	103
- South America	71	31
- Africa	27	55
Total	**28,107**	**34,176**

Due to the first time adoption of the Implementation Act (BilRUG) and associated enlargement of the sales, the rental income is now included in the sales. In previous years the rental income was presented in the other operating income. In detail it relates to rental income due to subletting office space. Due to this change the sales additionally contains EUR 4,492 thousands in the financial year. With corresponding application in previous year, the sales would be higher by EUR 2,037 thousands and would have respectively amounted to EUR 36,213 thousands.

II. Material expenses

Due to the first time adoption of the Implementation Act (BilRUG) certain expenses are reclassified from the other operating expenses into the material expenses in the amount of EUR 4,097 thousands in line with reclassification of rental income from other operating income to sales. In particular, this relates to the rental income due to subletting office space to affiliated and associated companies as well as third parties. With corresponding application in the previous year, the material expenses would have been higher by EUR 1,929 thousands.

III. Other operating expenses

Permanent impairments caused write-downs of receivables of loans- and interests in the amount of EUR 20,113 thousand.

Due to the first time adoption of the Implementation Act (BilRUG), the extraordinary expenses were reclassified to the other operating expenses. With corresponding application in previous year, the other operating expenses would have been higher by EUR 2,852 thousand.

IV. Write downs on financial assets

Permanent impairments caused write-downs of financial assets amounting to EUR 29,452 thousand (previous year EUR 13,998 thousand). The impairments are mainly related to the following companies:

	Type of impairment	Dec 31, 2016 (EUR thousand)	Dec 31, 2015 (EUR thousand)
Wimdu GmbH [1]	complete write-off	9,147	
New Tin Linio II GmbH [1]	complete write-off	7,353	
Other lendings	lower fair value	5,065	
Digital Services XXVIII S.à r.l. [1]	complete write-off	4,730	
Somuchmore Global S.à r.l.	lower fair value	1,300	
Cuponation Group GmbH	lower fair value	1,262	
Wimdu GmbH	lower fair value		8,873
Digital Services XXIV S.à r.l.[1]	complete write-off		2,275
Wonga Group Limited[1]	complete write-off		1,596
Fabfurnish GmbH[1]	complete write-off		591
Veliberg GmbH[1]	complete write-off		508
Kin Shopping GmbH[1]	complete write-off		125
Total		**28,857**	**13,998**

1) The impairment up to a reminder value of EUR 1 is carried out if an existing business model is assessed as no longer sustainable by the members of management board.

V. Income and expenses attributable to other accounting periods

Prior-period expenses of EUR 166 thousand (previous year EUR 316 thousand) are mainly attributable to the costs for public sector entities (EUR 108 thousand) as well as services invoiced late (EUR 51 thousand). Prior-period income amounts to EUR 9,769 thousand (previous year EUR 1,000 thousand) and relates to adjustments to the equity-settled share-based compensation plans (EUR 8,813 thousands) as well as revenue recognition of charges for services from previous year (EUR 907 thousand).

VI. Dividend restriction

In accordance with Sec. 268 (8) HGB, distribution of profit is restricted as follows due to the recognition of assets in the balance sheet:

Profit distribution restriction from the capitalization of:	**EUR thousand**
Internally generated intangible assets	750
Total	**750**

VII. Income taxes

The earnings from income taxes are mainly attributable to the reversal of tax provisions, resulting from the final tax assessments for previous periods submitted in the current financial year.

E. OTHER DISCLOSURES

I. Management Board

1. Members of the Management Board

The following members were elected into the Management Board:

Name	Position
Oliver Samwer	Chief Executive Officer (CEO)
Peter Kimpel	Chief Financial Officer (CFO)
Alexander Kudlich	Group Managing Director

2. Remuneration of Managing Directors and the Management Board

According to the shareholder resolution dated August 22, 2014, Rocket Internet SE makes use of the exemption from the requirement for individual disclosure of remuneration of each member of the management board for the financial years 2014 to 2018, according to section 286 (5), 314 (2) sentence 2, and 315a (1) German Commercial Code (HGB).

The members of the management board of Rocket Internet SE received a remuneration in cash and benefits in kind of EUR 3,287 thousand.

New share options under the existing Stock Option Programs 2014 were granted to the members of the management board in 2016. In financial year 2016, the members of the management board received 292,680 share options with a grant date fair value of EUR 2,401 thousand.

II. Supervisory Board

1. Members of the Supervisory Board

As of December 31, 2016, the Supervisory Board of Rocket Internet SE consists of the following members:

Name	**Position**	**Member since**	**Mandates to sec. 125 (1) Sentence 5 AktG**
Prof. Dr. Marcus Englert - Chairman, since December from 16, 2015	Management Consultant and Associate Partner of Solon Management Consulting GmbH & Co. KG	August 22, 2014	Other Supervisory Boards: - EDSA European Directories Group (Chairman) - MEDIA BROADCAST GmbH, Cologne (Chair up to April, 2016) - Sixt Leasing AG, Pullach (Vice-Chairman)
Norbert Lang Vice-chairman, since December from 16, 2015	Management-Consultant	June 23, 2015	Other Supervisory Board: Drillisch AG, Maintal (Member)
Prof. Dr. h.c. Roland Berger	Founder and former CEO of Roland Berger Strategy Consultants	August 22, 2014	Other Supervisory Board: - Schuler AG, Göppingen (Member) Other Executive Boards: - Geox S.p.A., Montebelluna, Treviso, Italy (Board of Directors) - ePRICE S.p.A., Milan, Italy (Board of Directors)
Napoleon L. Nazareno	CEO of Philippine Long Distance Telephone Company	August 22, 2014	Other Executive Boards: - ePLDT, Inc. (Management Board; Chair) - PLDT Communications and Energy Ventures (Management Board; Chair) - SMART e-Money, Inc. (Management Board; Chair) - Smart Broadband, Inc. (Management Board; Chair)
Daniel Shinar	CEO of ClalTech	August 22, 2014	Other Executive Board: - LightCyber (Director) - Dynamic Yield (Director) - Tigo Energy Inc., (Director) - CTM Holdings & Initiating Ltd. (Director) - CT-MS Holdco Ltd., (Director) - Global Fashion Group S.A., Luxemburg (Management Board) - Infinity Funds (Management Board) - Nesher Cement Enterprise Ltd (Director) - Mashav Initiating and Development Ltd., (Director)
Dr. Martin Enderle	Management-Consultant	June 23, 2015	Other Executive Boards: - CEWE Stiftung & Co. KGaA (Foundation Board) - Egmont Foundation (Foundation Board)

Name	Position	Member since	Mandates to sec. 125 (1) Sentence 5 AktG
Prof. Dr. Joachim Schindler	Chartered Auditor and Tax-Adviser	June 23, 2015	Other Executive Boards: - Centogene AG, Rostock (Chair) - Medizinische Hochschule Branden-burg CAMPUS GmbH, Neuruppin (Deputy Chairman) - Zoologischer Garten Berlin AG, Berlin (Supervisory Board) Other Executive Boards: - Institut der Wirtschaftsprüfer (Chairman)
Stefan Krause	Industry and Banking Manager	June, 09, 2016	Other Executive Boards: - Faraday Future Inc. (Management, CFO)
Pierre Louette	Chief Executive Officer Delegate, General Secretary, Operators (France) and Purchasing at Orange S.A.	June, 09, 2016	Other Supervisory Boards: - Orange Group (Vice-chairman) - Orange Middle East and Africa S.A., Paris (Director) - Orange Digital Ventures S.A.S., Paris (President) - Iris Capital Management S.A.S., Paris (Supervisory Board) - Buyin S.A., Brussels (Director) - Dailymotion S.A., Paris (Director) Other Executive Boards: -Orange Espagne S.A.U., Madrid, (Management) - Orange Spain Plc., London (Management)

The former members of the Supervisory Board that were active during the financial year 2016 are as follows:

Name	Position	Since / until	Mandates to sec. 125 (1) Sentence 5 AktG
Lorenzo Grabau Chairman up to December 15, 2015	Chairman of Investment AB Kinnevik	from June 23, 2014/ up to June 09, 2016	Other Executive Boards: - Qliro Group AB, Sweden (Board of directors) - Millicom International Cellular S.A. , Luxemburg (Board of directors) - Lazada Group S.A., Luxembourg, (Board of directors, Chair until April, 2016) - Global Fashion Group S.A., Luxem-bourg (Board of directors, Chair) - Infinity Funds, Atlanta, U.S.A.
Erik Mitteregger	Supervisory board member of Investment AB Kinnevik	from June 23,2014/ up to June 09, 2016	n/a

2. Remuneration of the Supervisory Board

Rocket Internet SE has established pro rata provisions for the remuneration of the supervisory board amounting to EUR 276 thousand (previous year EUR 298 thousand). Furthermore, members of the supervisory board claimed reimbursement of travel expenses incurred in conjunction with fulfilment of their duties amounting to EUR 28 thousand (previous year EUR 7 thousand).

III. Number of employees

Rocket Internet SE employed a total of 263 employees as of December 31, 2016 (prior year 406). The average number of employees according to section 267 (5) HGB was as follows:

	Dec 31, 2016	Average 2016
White-collar staff	262	320
Apprentices	1	1
Total	**263**	**321**

IV. Group relationships

As the ultimate parent company, Rocket Internet SE, Berlin, prepares consolidated financial statements for the financial year from January 1 to December 31, 2016, in accordance with section 290 (1) HGB. The consolidated annual financial statements are published in the electronic Federal Gazette (Bundesanzeiger).

V. Audit and consulting fees

According to section 285 (17) HGB, Rocket Internet SE does not disclose auditor fees. Information is included in the consolidated financial statements.

VI. Research and development costs

Research and development costs amounting to EUR 2,855 thousand (previous year EUR 4,039 thousand) were incurred in the financial year 2016 and were capitalized as internally generate intangible assets. These costs relate to the development of an internet shop system and of the improved flexible technological infrastructure.

VII. Appropriation of the results of the current financial year

Supervisory Board and Management Board propose to carry forward in full the net income as of December 31, 2016, of EUR 41,422,478.48 to new account.

VIII. Subsequent event report

Beyond the foregoing, no other significant events that would have an impact on the balance sheet, financial position and operating results occurred after the balance sheet date.

IX. Corporate Governance Report / Declaration of Conformity

The Management Board and the Supervisory Board of Rocket Internet SE will make publicly available the corporate governance report including the corporate governance declaration in accordance with Sec. 289a HGB, which includes the declaration of conformity required by Sec. 161 AktG, on the website of the parent company under: https://www.rocket-internet.com/investors/corporate-governance

Berlin, March 31, 2017

Rocket Internet SE

The Management Board

Oliver Samwer Peter Kimpel Alexander Kudlich

Rocket Internet SE, Berlin - Appendix to the notes

Development of the fixed assets in 2016

	Acquisition and manufacturing cost					Accumulated amortization, depreciation and write downs					Net book values	
	January 1, 2016 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	December 31, 2016 EUR	January 1, 2016 EUR	Additions EUR	Disposals EUR	Write ups	December 31, 2016 EUR	December 31, 2016 EUR	December 31, 2015 EUR
I. Intangible assets												
1. Internally generated industrial and similar rights and assets	5,100,026.91	2,855,176.28	5,412,997.94	0.00	2,542,205.25	1,089,981.74	6,115,317.45	4,663,097.94	0.00	2,542,201.25	4.00	4,010,045.17
2. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	468,202.65	149,313.44	0.00	0.00	617,516.09	166,186.23	52,184.96	0.00	0.00	218,371.19	399,144.90	302,016.42
	5,568,229.56	3,004,489.72	5,412,997.94	0.00	3,159,721.34	1,256,167.97	6,167,502.41	4,663,097.94	0.00	2,760,572.44	399,148.90	4,312,061.59
II. Property, plant and equipment												
1. Other equipment, operating and business equipment	2,309,506.30	705,964.30	773,056.74	2,275,338.47	4,517,752.33	1,548,723.01	891,308.46	718,651.27	0.00	1,721,380.20	2,796,372.13	760,783.29
2. Advanced payments and assets under constructions	478,001.57	2,024,047.98	0.00	-2,275,338.47	226,711.08	0.00	0.00	0.00	0.00	0.00	226,711.08	478,001.57
	2,787,507.87	2,730,012.28	773,056.74	0.00	4,744,463.41	1,548,723.01	891,308.46	718,651.27	0.00	1,721,380.20	3,023,083.21	1,238,784.86
III. Financial assets												
1. Investments in subsidiaries	1,183,816,850.79	877,617,169.47	4,055,008.76	9,050,341.08	2,066,429,352.58	4,900,106.26	1,386,720.38	3,338,902.85	213,929.79	2,733,994.00	2,063,695,358.58	1,178,916,744.53
2. Participations	426,636,325.32	43,664,116.54	40,359,116.42	-9,050,341.08	420,890,984.36	15,646,151.99	23,000,211.46	18,527,989.66	378,268.11	19,740,105.68	401,150,878.68	410,990,173.33
3. Securities held as fixed assets	9,213,429.96	164,988,692.70	1,936,470.00	0.00	172,265,652.66	1,596,066.34	0.00	0.00	0.00	1,596,066.34	170,669,586.32	7,617,363.62
4. Other Receivables	8,692,000.00	0.00	0.00	0.00	8,692,000.00	0.00	5,065,375.67	0.00	0.00	5,065,375.67	3,626,624.33	8,692,000.00
	1,628,358,606.07	1,086,269,978.71	46,350,595.18	0.00	2,668,277,989.60	22,142,324.59	29,452,307.51	21,866,892.51	592,197.90	29,135,541.69	2,639,142,447.91	1,606,216,281.48
	1,636,714,343.50	1,092,004,480.71	52,536,649.86	0.00	2,676,182,174.35	24,947,215.57	36,511,118.38	27,248,641.72	592,197.90	33,617,494.33	2,642,564,680.02	1,611,767,127.93

Management Report for the Parent Company and the Group 2016

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Content

1. Fundamentals of the Company and the Group

1.1 Business Model

1.1.1 General Information

Rocket Internet SE (until March 18, 2015 Rocket Internet AG) (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").

Since September 26, 2016, 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. Until September 26, 2016, the shares of the Company were included in the non-regulated Entry Standard of the Frankfurt Stock Exchange. The admission to the non-regulated Entry Standard did not represent a stock listing pursuant to Sec. 3 (2) AktG (German Stock Corporation Act).

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

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 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 2016 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, 2016.

1.1.2 Business Activities

Rocket Internet incubates and invests in Internet companies with proven business models. On both incubation and investment, we currently focus on four industry sectors of online and mobile retail and services that make up a significant share of consumer spending: Food & Groceries, Fashion, General Merchandise and Home & Living.

Rocket Internet has industrialized the process of incubation with its platform approach. The access to our know-how and our ability to scale a business quickly provide new companies with a key competitive advantage. They benefit from strong network effects, our technological, functional and regional expertise, strategic partnerships and in-house knowledge sharing. We implement our business strategy through our close involvement in the day-to-day management of many network companies and our hands-on participation in their operational development. We provide these network companies with guidance to develop their operations and we seek to foster their operational development by giving them access to deep functional expertise, proprietary technology and by sharing our proprietary knowledge with them.

We deploy capital on the premise that the offline to online shift will continue to disrupt almost all sectors and fundamentally change business models and industries. We are agnostic to building versus investing in Internet companies and look for companies and business models that can achieve a significant scale, as well as a high level of profitability and defensible market leading positions over time.

Rocket Internet has a flexible and scalable platform, which enables starting several new projects per year in its five target regions

- Europe (excluding Russia and other CIS countries (Commonwealth of Independent States)),
- Africa and Middle East,
- Asia-Pacific (excluding China),
- Russia and other CIS countries, and
- Latin America.

Four Industry Sectors

Rocket Internet is focused on proven Internet-based business models that satisfy basic consumer needs across the following four industry sectors[1]:

- Food & Groceries (individualized fresh food at home and online food delivery and takeaway),
- Fashion (emerging markets online fashion),
- General Merchandise (emerging markets online retail as well as marketplaces for online merchandise) and
- Home & Living (international home & living eCommerce).

Regional Internet Groups

Rocket Internet has created Regional Internet Groups in order to combine the knowledge of local markets with the business model expertise, to foster regional commercial, strategic and investment partnerships especially with mobile operators. Our Regional Internet Groups include Asia Pacific Internet Group, Middle East Internet Group and Jumia Group (former Africa Internet Group).

[1]Sectors do not represent reportable segments.

New Businesses & Investments

In addition to the companies in the four industry sectors, 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.

GFC Investments

Besides founding new companies ourselves, we invest in existing companies (the so-called “GFC Investments” (Global Founders Capital Investments)) by either participating in a financing round or purchasing stakes through secondary transactions. These investments are geared toward long-term commitments, where we seek to create value in the long-term by developing the business.

Services

Furthermore, Rocket Internet Group performs a range of IT systems engineering, product design, online marketing and other services, particularly commercial and technical consulting services for its subsidiaries and non-controlled equity investments. Rocket Internet is involved in the strategic leadership and tactical implementation of the business plans of its subsidiaries, associates and joint ventures, in particular in the early stage.

Rocket Internet has created the Rocket Internet platform to systematize the process of identifying, 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

While Rocket Internet as well as some of its subsidiaries focus on providing services along the different functional areas of an Internet business, the operational business is carried out exclusively by Rocket Internet’s subsidiaries, associates and joint ventures under the umbrella of specifically created consumer brands.

In its role as Group holding, Rocket Internet fulfils central functions including operational investment management, accounting, Group financial reporting, press and investor relations, risk management and internal audit as well as human resources management.

Rocket Internet typically owns directly or indirectly approximately 80% of its companies[2] 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, including existing Rocket Internet shareholders. These investments are made either directly into the company or indirectly into an intermediate holding company or a Regional Internet Group. In practice, this has meant that the direct and indirect stakes of Rocket Internet in a company have diluted over time to less than 50%. Furthermore, for several companies in which Rocket Internet holds a participation of more than 50%, shareholder agreements exist that lead to ongoing restrictions of Rocket Internet’s control over those network companies. Therefore as of December 31, 2016, 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, 2016 are:

[2] 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 (beneficial interest including RICP) published on the Company’s website which is based on the signing dates.

Associated company/joint venture	Consumer brands
HelloFresh SE	HelloFresh
Global Fashion Group S.A.	Dafiti, Lamoda, Zalora & The Iconic, Namshi, Kanui and Tricae
Home24 AG	Home24, Mobly
Westwing Group GmbH	Westwing, Dalani
Jumia Group (Africa Internet Holding GmbH)	Jumia, Zando
Asia Internet Holding S.à r.l	Daraz, Lamudi, Carmudi, Easy Taxi, Kaymu, Helpling, Jovago, Shopwings
Middle East Internet Holding S.à r.l.	Carmudi, Lamudi, Easy Taxi, Helpling, Wadi

As of December 31, 2016 Rocket Internet Group included 125 (previous year 182) fully consolidated companies (including intermediary holdings), of which 77 (previous year 119) companies were located outside of Germany. In addition, Rocket Internet Group held investments in 48 (previous year 51) associated companies and joint ventures. Please see 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 portfolio of 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

During the first half of 2015, the Group successively purchased approximately 44% of the total outstanding share capital of Delivery Hero GmbH (DH). Due to subsequent capital increases performed by DH Rocket Internet’s share decreased until March 31, 2017 to approximately 40% (prior to dilutive effects of convertible instruments issued by DH). Under the terms of the DH Shareholders’ Agreement, the Group’s voting rights are limited to 30%. Furthermore, Rocket Internet did not obtain representation on the DH’s advisory board (as specified in the DH’s articles of incorporation), which precludes Rocket Internet from the participation in policy-making processes of DH. In light of the lack of significant influence, the Group classified its equity investment in DH as available-for-sale financial asset.

The Group has designated certain associated companies and other equity investments with ownership percentages below 20% that are not closely related to Rocket Internet’s operations as financial assets at fair value through profit or loss. Those equity investments are primarily operated under the Global Founders Capital brand and are managed 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 not intensely involved in the strategic leadership and tactical implementation of the business plans of such companies. Furthermore, Rocket Internet usually does not perform significant commercial and technical consulting services for these companies. Particularly this category includes the portfolio of investments into several Internet companies (e.g. Goodgame Studios, Jimdo, Marley Spoon, TRUSTED SHOPS, TravelBird, NatureBox).

1.1.4 Brands of the Company Network

The following illustration shows a selection of the most important brands used by network companies:

1.1.5 Strategy

Rocket Internet builds and invests in Internet companies that take proven online and mobile business models to new, fast-growing markets. Our companies are “first movers” that quickly capture sizeable market share, the foundation for strong and lasting profitability. In 2016, we further honed and deepened our approach and made it more efficient, identifying opportunities in new regions and markets, and consistently expanding the Rocket Internet network of companies while limiting to operate regionally or discontinuing network companies with business models that were no longer promising.

We have become experts in entering markets that are more difficult to develop due to the lack of basic infrastructure than markets in the industrialized world.

Our strategy is influenced by five key trends that drive growth in our key markets:

- Internet penetration in emerging markets is low but growing quickly, which means demand for online services that meet basic needs is surging exponentially.
- The smartphone revolution is giving ever more people Internet access, a big opportunity for online retailers to exploit new demand in all corners of the world.
- The population in many of our markets is younger and thus potentially more tech-savvy than that in, for example, the US, which increases the scope for online business models.
- The middle class in many emerging market economies is expected to grow strongly, which we expect to raise discretionary consumer spending significantly.
- Bricks-and-mortar retailing in many target markets is underdeveloped, which will allow online retailers to capture more consumers as they leapfrog to Internet shopping.

By monitoring these developments and keeping a close eye on consumer habits in individual markets, Rocket Internet was able to further develop its network of companies in 2016.

Our operational platform and our expanding network of companies have put us in a unique position to capitalize on the growth of Internet commerce in and outside Europe. Technological innovation and rapidly changing consumer habits offer online retailers and service providers significant opportunities as Internet-based business models scale quickly. We invest in select business models and sectors, with the aim of owning significant stakes in companies that have the potential to become leading players in their markets.

Our aim is to achieve long-term leadership in the markets and sectors we enter. To gain a strong market position, we are willing to invest in the early development stages, leading to start-up losses. Long-term value creation is therefore our key focus when starting new businesses. To support this goal, we continue to invest in our product portfolio technology, the customer experience, infrastructure and logistics capabilities. Targeting profitability in the mid-term, our focus for these companies shifts over time to creating equilibrium between growth and market share on the one hand and unit economics and profitability on the other. It is our objective that these companies reach break-even within six to nine years after launch.

We provide companies launched on the Rocket Internet platform with the financial means to start up and develop their operations. Since we are the initiator of the respective company, we own a significant majority and hence we benefit from the so-called “founder economics”. Company growth is typically funded through a mix of own and third party capital, underscoring the attractiveness of and value creation in our network of companies. When we see an investment opportunity in a promising business model, we invest with conviction and provide significant amounts of capital.

Rocket Internet’s network comprises companies at different stages of development. At the time of launch, we typically own directly or indirectly an approximately 80% stake, with the remainder set aside for management equity participation. In subsequent financing rounds, we invest and attract external equity financing, which is provided by our local strategic partners as well as other strategic and financial investors. As we firmly believe in the business models we launch, we seek to retain a large share of the absolute value creation and therefore intend to maintain relatively high ownership stakes and control in many of our companies. We continue to participate in financing rounds of our companies and selectively purchase additional stakes through secondary transactions.

In January 2016, the Rocket Internet Capital Partners (RICP) Fund was launched. Rocket Internet SE has underwritten an amount equal to 10% of the subscribed capital of the Fund via its fully consolidated subsidiary Rocket Internet Capital Partners Founder SCS. The remaining 90% of the 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 has a duration of at least nine years.

Detailed, up to date information on the strategy and the major network companies of Rocket Internet can be found on the website of the parent Company: www.rocket-internet.com.

1.2 Research and Development

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.

Development expenses are capitalized as internally generated intangible assets, whereas maintenance expenditure as well as research expenses are recognized in the income statement.

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 and smart watches. 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.

In 2016, the Group capitalized EUR 2.9 million of development expenses (previous year EUR 5.7 million). Amortization of internally generated intangible assets of the Group amounted to EUR 2.2 million (previous year EUR 3.2 million). In 2016, the impairment losses of internally generated intangible assets of the Group amounted to EUR 6.5 million (previous year EUR 0.0 million). In the Annual Financial Statements of Rocket Internet SE, EUR 2.9 million of development expenses were capitalized in 2016 (previous year EUR 4.0 million). Amortization of internally generated intangible assets of Rocket Internet SE amounted to EUR 1.7 million (previous year EUR 1.0 million). In 2016, the impairment losses of internally generated intangible assets in the Annual Financial Statements amounted to EUR 4.4 million (previous year EUR 0.0 million). 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 at both Group and segment level 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. 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. As capital is a key component in growing companies, we aim to maintain a strong financial position as well as access to funding. 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 and want to secure access to financial ressources. Our primary measure for monitoring and controlling our cash position is the balance sheet line item cash and cash equivalents.

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, the reliability, user friendliness and availability of the products 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 network companies on a quarterly basis on the website of the parent Company.

3. Economic Report

3.1 General Economic Conditions

According to the International Monetary Fund's (IMF) published "World Economic Outlook" (update January 2017), global growth slowed down to 3.1% in 2016. Advanced economies are now estimated to have grown by 1.6% in 2016. Emerging market and developing economies growth is currently estimated at 4.1% in 2016. Among advanced economies, activity rebounded strongly in the United States after a weak first half of 2016, and the economy is approaching full employment. Output remains below potential in a number of other advanced economies, notably in the euro area. Preliminary third-quarter growth figures were somewhat stronger than previously forecast in some economies, such as Spain and the United Kingdom, where domestic demand held up better than expected in the aftermath of the Brexit vote. Growth prospects have marginally worsened for emerging market and developing economies, where financial conditions have generally tightened. Near-term growth prospects were revised up for China, due to expected policy stimulus and for Nigeria reflecting higher oil production due to security improvements, but were revised down for a number of other large economies, most notably India, Brazil and Mexico. Activity was weaker than expected in some Latin American countries currently in recession, such as Argentina and Brazil, as well as in Turkey, which faced a sharp contraction in tourism revenues. Activity in Russia was slightly better than expected, in part reflecting firmer oil prices. The U.S. dollar has appreciated in real effective terms by over 6% since August 2016. The currencies of advanced commodity exporters have also strengthened, reflecting the firming of commodity prices, whereas the euro and especially the Japanese yen have weakened. Several emerging market currencies depreciated substantially in recent months, most notably the Turkish lira and the Mexican peso, while the currencies of several commodity exporters, most notably Russia, appreciated. Long-term nominal and real interest rates have risen substantially since August 2016, particularly in the United Kingdom and in the United States since the November election. Geopolitical risks and a range of other non-economic factors continue to weigh on the outlook in various regions: civil war and domestic conflict in parts of the Middle East and Africa, the tragic plight of refugees and migrants in neighboring countries and in Europe, acts of terror worldwide, the protracted effects of a drought in eastern and southern Africa, and the spread of the Zika virus in Latin America. If these factors intensify, they would deepen the hardship in directly affected countries. Increased geopolitical tensions and terrorism could also take a large toll on global market sentiment and economic confidence.

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**	2016	2015	Dec 31, 2016	Dec 31, 2015	Change
Australia	AUD	2.9%	2.4%	1.460	1.490	-2.0%
Brazil	BRL	-3.3%	-3.8%	3.431	4.312	-20.4%
Germany	EUR	1.7%	1.5%	n/a	n/a	n/a
India	INR	7.6%	7.6%	71.594	72.022	-0.6%
Indonesia	IDR	4.9%	4.8%	14,173.430	15,039.990	-5.8%
Nigeria	NGN	-1.7%	2.7%	319.272	215.545	48.1%
Russia	RUB	-0.8%	-3.7%	64.300	80.674	-20.3%
Saudi Arabia	SAR	1.2%	3.5%	3.950	4.097	-3.6%
Singapore	SGD	1.7%	2.0%	1.523	1.542	-1.2%
United Arab Emirates	AED	2.3%	4.0%	3.869	4.012	-3.6%
United Kingdom	GBP	1.8%	2.2%	0.856	0.734	16.7%
United States	USD	1.6%	2.6%	1.054	1.089	-3.2%

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. In light of this, politicians are asked to improve the venture capital environment in Germany with well-targeted measures. In September 2015, the Federal Government adopted a key issues paper on the promotion of venture capital in Germany, which includes several measures to strengthen the venture capital scene in Germany and to improve the financing situation. The measures of 2016 include primarily the law adopted in December 2016 for the better deductibility of the tax loss carryforwards and the increase of the ERP/EIF-Fund and European Angels Fund in July 2016 by EUR 1.0 billion to EUR 2.7 billion. In the broader perspective, the Federal Government wants to develop Germany into a competitive location for venture capital funds.

One of the most important challenges in Germany is a lack of exit opportunities for venture capitalists, which is partly due to the less developed capital market, compared to the USA. The sale of shares of young companies that still do not generate profits, on secondary markets or the stock exchange often proves to be difficult. This problem could be addressed through the creation of a pan-European stock market segment for growth-oriented companies. The first step is the start of the new segment “Scale” for growth capital for small and medium-sized companies (SME) by the Deutsche Börse AG on March 1, 2017. The creation of a pan-European stock market segment is a core component of the European Capital Markets Union (CMU). European CMU is intended as a long-term project, whose cornerstones are to be placed by the year 2019. The European Commission assumes that the underdeveloped market conditions are the result of structural problems in the European financial system. The propositions of the European Commission involve not only an expanding financial integration, but also promoting capital market-based corporate financing and specific market segments. The Action Plan of the European Commission includes some of the following measures: improving access to public capital markets, promotion of venture capital and private equity financing, promotion of innovative forms of financing and strengthening pan-European approaches to SME financing.

Challenging conditions like the fluctuations of oil prices, the Brexit referendum and the US elections not only resulted in declined IPO activity in Germany but also worldwide. Only eight companies made an IPO in the German Prime Standard in 2016 (previous year 15) and thereby attracted EUR

5.2 billion, 26.8% decrease compared to previous year (EUR 7.1 billion). In 2016, 19 companies were newly listed in all segments of the Frankfurt Stock Exchange (24 in 2015). Overall, the newcomers had a market capitalization of EUR 30.5 billion at initial listing (EUR 40.1 billion in 2015). For the year 2017, up to 10 German IPOs are cautiously expected.

General Industry Trends[3]

According to Retail TouchPoints 2017 E-Commerce Outlook Guide, the eCommerce industry still shows strong growth. This steady growth is supported by the increasing internationalization in the industry as well as a continuously increasing Internet penetration, especially in emerging markets.

However, eCommerce industry continues to not just grow but to exert greater influence on other channels, from brick-and-mortar stores to social networks. As omnichannel capabilities become better integrated into the stores and there are more digital channels influencing online sales (e.g. social, affiliates, etc.), the role of eCommerce within an organization will continue to grow in importance and complexity. Social commerce is becoming the largest customer acquisition source. In particular, investment in the eCommerce infrastructure and platforms to support a more disaggregated retail model (e.g. pop-ups, stores, events, social buying, etc.) will need to expand.

The modern eCommerce is about hardware enablement of seamless commerce everywhere, especially at home. The mCommerce (mobile commerce, eCommerce enabled by new mobile devices) let a ton of hardware enter consumers' homes, such as the Amazon's Dash Buttons and Echo as well as Google Home.

Another trend is the increasing Big Data business, 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.

Chat commerce and AI-powered platforms provide personalized customer service and are becoming a new way to buy. Chat companies as WeChat, ReplyYes or Peachd text offers to shoppers and customers who can quickly text back a quick affirmative response to buy an item. The new mobile tools (e.g. „Macy's On Call") answer questions of the customer about products, services or facilities. The augmented reality finds more and more fields to be used: e.g. virtual try-on solutions for customers as a measure to reduce product return rates in eCommerce fashion; a game having the potential to become an emotional adventure; travelling with a "personal guide"; as well as all links in the value-added chain (research and development, production, marketing, service) using it as a possibility of 3-dimension demonstration.

Internet of Things (IoT), network connectivity of every physical object (such as cars and houses), could revolutionize the targeted marketing of products and services by moving away from the traditional approach of using newspapers or television and instead reaching targeted consumers at optimal times in optimal locations.

The mobile is increasingly becoming 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. This trend can be demonstrated by the development of sales using the Internet via mobile devices for the following countries (according to eMarketer December 2016):

[3] Source: internal industry analysis by Rocket Internet SE.

Share of Mobile Commerce of Retail eCommerce Sales (in %)

Country	2013	2014	2015	2016	2017 (Estimate)
Brazil	4.7%	7.9%	11.7%	16.2%	21.4%
Germany	9.0%	15.9%	26.3%	33.2%	36.8%
United Kingdom	19.0%	27.7%	33.3%	37.1%	40.4%
United States	16.0%	19.0%	26.0%	33.0%	37.0%

A current trend is the creation and development of “Service” start-ups, for example, companies whose purpose is to simplify ordering lunch, help finding cleaners or booking beauty treatments. Examples of Rocket Internet network companies are EatFirst, Helpling and Vaniday.

Another area of expansion in the Internet industry has been “mobile and urban on-demand-services”. Companies in this area want to make life in cities easier. Business models in this area have only recently become possible with the widespread market penetration of GPS smartphones and push messages. These business models work best in densely populated areas, as the services are often time and location-specific. They exhibit elements of vertical integration of logistics and at times an aggregation of the supply side. As consumers can now make secure purchases using their smartphones, mobile devices are becoming the most used platform for seeking information on goods and services, resulting in the rise of retail spending.

Private transport, which in recent decades has shaped the lives of people and the infrastructure of the cities, requires change in order to reduce emissions and relieve urban congestion. The entire technology industry has recognized the mobility sector as a lucrative market. In metropolitan areas, the private car is no longer the sole means of transport and will be displaced increasingly in the future. Short distance trips are going to be dominated by public transport, car sharing and taxi-type services. It will be more convenient to order a car via mobile app than to even look for a parking space. The car of the future will be like an Internet browser, the main interface for the digital life. With the launch of RideLink Rocket Internet has entered this market.

In the start-up scene, the B2B-business is becoming more and more attractive due to high margins, rapid revenue growth, early profitability and real value added to customers, ever since the hype surrounding the B2C start-ups, especially in the realm of eCommerce has decreased.

Artificial intelligence has become part of everyday life since Siri and Cortana. The realm of eCommerce and social networks will also be reinforced by artificial intelligence, in the form of chatbots, which collect valuable information about customers, thus enabling customizing and the transition to social commerce.

According to the “D21-Digital-Index 2016” by the “Initiative D21”, a total of about 79% (previous year 78%) of all Germans (age groups above 14 years old) used the Internet in 2016. The share of smartphone owners increased from 60% in 2015 to 66% in 2016. The use of tablets increased to 37% (previous year 35%). In 2016, the share of owners of so-called wearables (devices that can be worn by a person) is 5%. While 72% of the population regularly search the Internet for content and information via search engines representing the most frequently used application in the Internet, more specific applications are far less frequently used, i.e. by only about half of the Germans. 54% of the population watches videos online via platforms such as YouTube. Online shopping is done by 50% on a regular basis and online training opportunities are frequently used by only 17% of the population. In the realm of eCommerce interesting changes are visible compared to last year. The share of those who shop goods online amounts to 50% of the total population, same as in the previous year (63% of the all Internet users). Men are more likely to buy online regularly, accounting for 57% and representing 14 percentage points more than the women’s share. The use of online services rose significantly in 2016 compared to last year. While nearly a fifth of the population (19%) used this option once or several times a week in 2015, the rate was 36% in 2016. Similar to the online shopping behavior, more men than women are active in this area.

According to the “Measuring the Information Society Report 2016” by the International Telecommunication Union (ITU), the global Internet user rate was 47.1% in 2016. The rate in developed countries amounted to 81.0%, while developing countries had a rate of 40.1%. The 2016 growth rate of the global Internet user rate was 7.5%. The number of Internet users in the developing countries increased by almost 50% in the last five years. Most people have access to Internet services but many do not actually use them. The spread of 3G and 4G networks across the world had brought the Internet to more and more people. In 2016, mobile-broadband networks covered 84% of the world's population, yet with 47.1% Internet user penetration, the number of Internet users remains well below the number of people with network access. While infrastructure deployment is crucial, high prices, poor quality of service and other barriers are serious obstacles to getting more people to enter the digital world. The full potential of the Internet remains untapped, especially for low-income and less educated users. Internet users with higher levels of education make greater use of more advanced services, such as eCommerce and online financial and government services, than Internet users with lower levels of education and income, who use the Internet predominantly for communication and entertainment purposes. The Internet has opened up new communication channels, provided access to information and services, increased productivity and fostered innovation. It has also created an Internet economy, and a number of new leading businesses whose clients are exclusively online. The offline population (3.9 billion people globally) is disproportionally female and elderly, less educated, has lower incomes and lives in rural areas.

Situation in the Specific Regions

For the consolidated subsidiaries of Rocket Internet Group as well as several important associated companies, the regions *Latin America* and *Europe (excluding Russia)* are of particular importance. In the other regions, Rocket Internet Group is mainly represented by its associated companies. The situation differs by region:

Europe (excluding Russia and other CIS countries) with approximately 618.9 million inhabitants at the end of 2016 and an expected population growth of 0.36%[4] in the period between 2016 and 2021 (source: IMF, WEO Database December 2016), has around 486 million Internet users (source: Internetlivestats December 2016; IDC Database January 2017) and an Internet user rate of 78.6%. There are 497.6 million smartphone users living in Europe (source: IMF, WEO Database December 2016; Smartphone Connections Forecast Ovum December 2016), which corresponds to a smartphone user rate of 80.4%. Europe's Business-to-Consumer (B2C) eCommerce volume is estimated at USD 331.3 billion (source: eMarketer December 2016).

At the end of 2016, approximately 606.4 million people lived in *Latin America*. For the period from 2016 to 2021, population growth of 1.0% is expected (source: IMF, WEO Database December 2016). With 370.6 million Internet users (source: IDC Database January 2017, Internetlivestats December 2016), this region has an Internet user rate of 61.1%. There are 335 million smartphone users living in Latin America (source: IMF, WEO Database December 2016; Smartphone Connections Forecast Ovum December 2016), which corresponds to a smartphone user rate of 55.2%. Latin America's B2C eCommerce market is estimated to have a volume of USD 37 billion (source: eMarketer December 2016).

At the end of 2016, approximately 284.6 million inhabitants lived in *Russia and other CIS countries* (source: IMF, WEO Database December 2016). The population growth expectation for the period 2016 to 2021 for this region lies at 0.3% (source: IMF, WEO Database December 2016). With 178 million Internet users (source: Internetlivestats December 2016; IDC Database January 2017), this region has an Internet user rate of 62.5%, and 186.3 million smartphone users (source: IMF, WEO Database December 2016; Smartphone Connections Forecast Ovum December 2016), which corresponds to a smartphone user rate of 65.4%. The B2C eCommerce market volume is estimated at USD 14.2 billion (source: eMarketer December 2016).

At the end of 2016, 2,594.8 million inhabitants lived in the *Asia-Pacific (excluding China)* area (source: IMF, WEO Database December 2016). For the period 2016 to 2021, a population growth of 1.2% is expected (source: IMF, WEO Database December 2016). With 974 million Internet users (source: Internetlivestats December 2016; IDC Database January 2017), the region has an Internet user rate of 38.0%. Furthermore, there are 986.4 million smartphone users in the Asia-Pacific

[4] The population growth is indicated as the Compound Annual Growth Rate (CAGR).

region (source: IMF, WEO Database December 2016; Smartphone Connections Forecast Ovum December 2016), which amounts to a smartphone user rate of 37.5%. Asia-Pacific's B2C eCommerce market volume is estimated at USD 191.0 billion (source: eMarketer December 2016).

Africa and the Middle East with approximately 1,406.5 million inhabitants at the end of 2016 and an expected population growth in the period 2016 to 2021 of 2.4% (source: IMF, WEO Database December 2016), are home to about 393.2 million Internet users (source: Internetlivestats December 2016; IDC Database January 2017), which corresponds to an Internet user rate of 28.0%. The region hosts 408.8 million smartphone users (source: IMF, WEO Database December 2016; Smartphone Connections Forecast Ovum December 2016), which correspond to a smartphone user rate of 29.1%. The B2C eCommerce market volume in Africa and the Middle East is estimated at USD 18.7 billion (source: eMarketer December 2016).

3.3 Course of Business

In the past financial year, we continued our path on the capital market with the stock listing of Rocket Internet SE in the Prime Standard of the Frankfurt Stock Exchange that we started by the admission to the Entry Standard in 2014. The necessary prerequisites were met as planned by the Company as a whole in the announced timeframe.

As a further important step, the Company has moved its headquarters to Charlottenstraße 4, and with much more flexible and customized spaces, has been able to further promote its own corporate culture while bringing the technology fully up to date.

At the beginning of the 2016 financial year, the Rocket Internet Capital Partners Fund established a further pillar of market access and financing within the Company network, and the expertise in the realm of investment was significantly expanded and deepened.

The execution of Rocket Internet's strategy to expand existing major network companies such as HelloFresh, Home24, Global Fashion Group, Jumia and foodpanda, to build new business models (e.g. Campsy, Everdine, Instafreight) and to invest in existing and new businesses such as Ace & Tate, Marley Spoon, Thermondo, Pets Deli, Goldbely, NatureBox and Sonovate was continued in the financial year 2016.

Most of Rocket Internet SE's network companies in our four key focus sectors showed continued revenue growth and demonstrated further progress on the path to profitability in the financial year 2016 in comparison to the financial year 2015.

In April 2016, Rocket Internet divested half of its stake in Lazada (Lazada operates an online shopping and selling destination for assorted merchandise in Southeast Asia) to Alibaba Group Services Limited, Hong Kong (Alibaba), marking its largest divestment since the IPO and thereby confirming that Rocket Internet, in addition to building companies, is in the position to turn value into cash at the right time and at the right price. Lazada's shareholders, including Rocket Internet, have also entered into a put-call agreement with Alibaba, giving the buyer the right to purchase, and the shareholders the right to sell collectively, their remaining stakes at fair market value within the 12 to 18 month period following the closing of the transaction.

In the reportable segment General Merchandise Lazada and Linio (Online retailer in Latin America), ceased to be reportable when Rocket Internet SE sold half of its share in Lazada to Alibaba and lost significant influence over Linio as a result of not participating in the financial round in August 2016. Additionally, the merger of the African General Merchandise business activities with the other marketplaces and classifieds businesses in the region resulted in the creation of the new reportable segment Jumia. For comparability the financial information of the former operating segment Jumia is reclassified into the new reportable segment Jumia.

In 2016, a Fund named Rocket Internet Capital Partners ("RICP" or "Fund") was established. At the end of 2016 the Fund had total commitments of USD 869.2 million. The Fund belongs to Europe's largest early stage and growth capital funds focused on the Internet sector.

On July 22, 2016, the Global Fashion Group announced a funding round of EUR 330.0 million, which has been subscribed by existing investors including Rocket Internet and the Rocket Internet Capital Partners (RICP) Fund. Rocket Internet has invested EUR 18.9 million in cash in July 2016 and received shares from conversion of existing convertible preference shares. The transaction implied a valuation of Global Fashion Group at EUR 1.0 billion following the investment (post-money) leading to significant impairment losses at Global Fashion Group, which were already reflected with its pro rata share in Rocket Internet SE's half year results.

The financial year 2016 was also characterized by selective sales of subsidiaries. During the financial year 2016, Rocket Internet divested La Nevera Roja and Pizzabo.it in line with its strategy of divesting non-core operations that are not market leading, and further reducing the complexity of Rocket Internet. In addition, some of the non-core (e.g. Bonnyprints, FabFurnish) or no longer viable business models (Vendomo, Tripda, Shopkin, Sparklist) were discontinued, sold or limited to operate regionally.

In February 2016, the Management Board of Rocket Internet SE concluded a partial repurchase of the convertible bonds. In line with this program, up to EUR 150.0 million shall be used in order to repurchase not subordinated, unsecured convertible bonds due in 2022 and issued by the Company in the year 2015. In September 2016, the buyback program has been expanded by an additional up to EUR 85.0 million to be spent until September 30, 2017. During the year 2016, the Group repurchased convertible bonds with an aggregate principal amount of EUR 196.2 million.

In September 2016, Rocket Internet SE's shares were approved for admission to the regulated market segment (Prime Standard) of the Frankfurt Stock Exchange. Effective as of October 14, 2016, the shares of Rocket Internet SE were included in the SDAX index.

In December 2016, the Group received newly issued shares in Delivery Hero in exchange for all its shares in foodpanda. As a result of this transaction, foodpanda ceased to represent an associated company and the Group recognized a disposal gain amounting to EUR 79.1 million.

EBITDA of the Group deteriorated mainly driven by non-cash items significantly from negative EUR 200.8 million in 2015 to negative EUR 565.3 million in 2016. This deterioration was mainly due to an impairment-driven decrease in the share of profit/loss of associates (especially impairment losses of stakes in Global Fashion Group and Linio) and joint ventures, lower result from deconsolidation of subsidiaries and a decrease in revenue, which were only partially offset by a decrease in employee benefits expenses, a decrease in expenses for purchased merchandise and purchased services and a decrease in other operating expenses.

The average EBITDA margin of the Group of New Businesses & Investments remained negative but improved significantly regarding subsidiaries, which were fully consolidated by the Rocket Internet Group in 2015 and 2016.

Cash and cash equivalents of the Group including balances in assets classified as held for sale amount to EUR 1,401.7 million (previous year EUR 1,768.6 million) as of December 31, 2016. The decrease of the cash and cash equivalents of the Group is caused by the negative cash flows from financing activities which amounted to EUR -162.2 million, negative cash flows from investing activities which amounted to EUR -123.6 million and negative cash flow from operating activities which amounted to EUR -85.7 million.

Overall, the loss for the period of the Group amounted to EUR 741.5 million (previous year loss of EUR 197.8 million). The total comprehensive loss for the period, net of tax for the financial year 2016 amounted to EUR 623.2 million (previous year total comprehensive loss of EUR 161.4 million).

The forecast sharp decrease in consolidated revenue has materialized in 2016 and is due to deconsolidations, shut-downs and sales of subsidiaries. As projected, overall, the consolidated revenues of New Businesses & Investments decreased from EUR 84.6 million in financial year 2015 by 75% to EUR 21.2 million in 2016.

The previous year report's forecast of a significant increase in consolidated revenue of New Businesses & Investments for those companies that continued to be fully consolidated after December 31, 2015, has been realized. New Businesses & Investments which continued to be consolidated at the end of 2016 have shown significant growth in revenues as predicted. Especially, Carspring in the UK showed significant growth and contributed a significant share of revenues. However, there have been further deconsolidations and closings that cause a reduction in revenues from New Businesses & Investments overall, contributing to the aforementioned sharp decrease in consolidated revenue. As forecast the area of New Businesses & Investments realized a negative EBIT and thus contributed to the expected negative EBIT on Rocket Internet Group level.

The result from deconsolidation of subsidiaries in 2016 in the amount of EUR 48.3 million (previous year EUR 167.0 million) has decreased significantly as had been forecast in the 2015 Combined Management Report. In line with the previous year's report forecast, a substantial negative result occurred from the share of profit/loss from associates and joint ventures. In 2016, the Group's share of the net income of associates or joint ventures including adjustments made by the Group under the equity method as well as gains from deemed disposals amounts to negative EUR 148.8 million. In addition, the Group has recognized impairment losses of EUR 568.0 million, which are partly offset by gains from disposals of associates of EUR 177.2 million.

In line with the previous year report's forecast, mostly international expansion of our companies has continued accompanied by the development and acquisition of various new business models. In 2016 numerous GFC investments have been acquired. At the same time, new network companies have been added to the consolidation Group representing new business models. However, no longer viable business models have been discontinued, sold or limited to operate regionally. As a result, the number of fully consolidated companies has decreased from 182 to 125, as had been predicted in the 2015 Combined Management Report.

In line with our Group strategy, Rocket Internet did not execute dilutive capital increases at the Group level and there were no significant M&A transactions in 2016.

In the 2015 Combined Management Report, the stable or slightly decreasing revenues from rendering services was forecast for the parent Company due to the increased individual independence of the network companies. As reflected in the parent Company's Annual Financial Statements, revenues for services rendered by Rocket Internet decreased more extensive than forecast from EUR 34.2 million by 18% to EUR 28.1 million. At the Group level the revenues for other services decreased from EUR 43.7 million by 33% to EUR 29.2 million.

In the Annual Financial Statements of the parent Company in 2016, a net profit of EUR 41.4 million (previous year net loss of EUR 73.5 million) was recognized, which resulted primarily from the gains from disposals of participations reported in the line item other operating income.

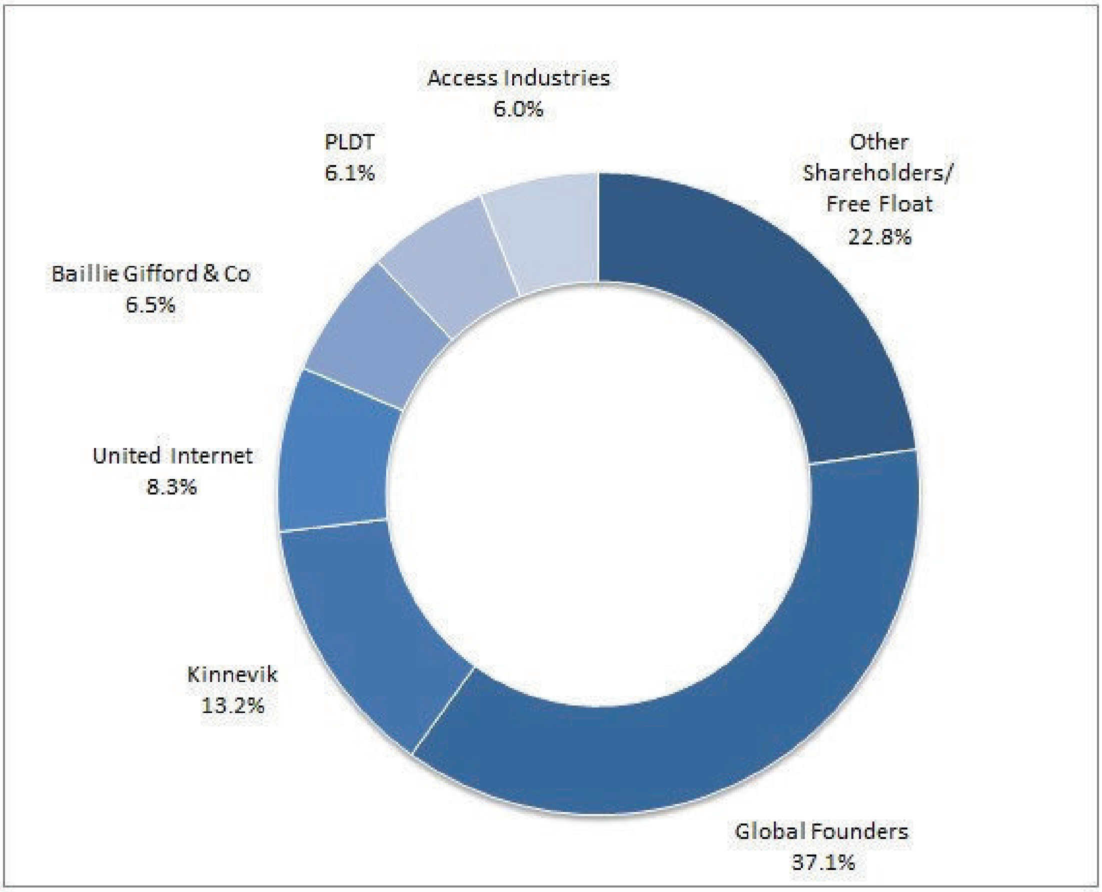
As disclosed in the 2015 Combined Management Report, the earnings position of the Company and the Group can vary substantially from year to year, due to dilution or in some cases as a result of sale of participations. As in the previous years, we assessed the degree of predictability of the occurrence of the respective transactions to be low and therefore we did not present an EBITDA forecast.

3.4 Rocket Internet Share and Share Capital Structure

During the year 2016, the Rocket Internet share price decreased from EUR 28.29 as of December 31, 2015 by EUR 9.15 to EUR 19.14 as of December 31, 2016. The market capitalization changed from about EUR 4.7 billion on December 31, 2015 to about EUR 3.2 billion on December 31, 2016. In the financial year 2016, average daily trading via the electronic computer trading system XETRA recognized on average 188,000 shares (previous year 213,000 shares) with an average value of EUR 3.8 million (previous year EUR 7.0 million) traded daily. The ISIN code for the shares is DE000A12UKK6.

The subscribed capital of Rocket Internet SE amounted to EUR 165,140,790 on December 31, 2016 (previous year EUR 165,140,790), and was split into 165,140,790 (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.

Shareholder structure as of December 31, 2016



Shareholding percentages are generally based on the shareholdings as last notified to Rocket Internet by its shareholders pursuant to Sec. 21, 22 German Securities Trading Act (WpHG). Please note that these shareholding percentages could have changed within the respective thresholds without triggering an obligation of the shareholders to notify Rocket Internet.

The shareholdings of Global Founders GmbH are attributed to its controlling shareholder Rocata GmbH and to Rocata GmbH's controlling shareholder Zerena GmbH. 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.

Other shareholders/Free float refer to shareholdings with less than 3%.

In February 2017, Kinnevik sold half of its stake (6.6% of the outstanding shares of Rocket Internet) increasing the free float to 29.4% from a previous 22.8%.

Rocket Internet convertible bond

In July 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% p.a. The bond has been listed on the Open Market on the Frankfurt Stock Exchange and is also traded on German stock markets. The ISIN code for the bond is DE000A161KH4.

During the year 2016, the Group repurchased convertible bonds with an aggregate principal amount of EUR 196.2 million. As of December 31, 2016, the aggregate outstanding principal amount of the convertible bonds amounted to EUR 353.8 million. The buyback reduces interest expenses and potential shareholder dilution.

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 – 2016:

In EUR million	**2016**	**2015**	**2014**	**2013**
Revenue	50.4	128.3	128.2	99.8
Result from deconsolidation of subsidiaries	48.3	167.0	452.6	0.0
Share of profit/loss of associates and joint ventures	-539.6	-188.6	75.1	1,449.0
EBITDA	-565.3	-200.8	424.4	1,317.8
Financial result	-168.0	29.7	12.0	91.8
Loss / profit for the period	-741.5	-197.8	428.8	1,395.6
Other comprehensive income for the period, net of tax	118.3	36.4	78.2	9.2
Total comprehensive loss/income for the period, net of tax	-623.2	-161.4	507.0	1,404.8
Earnings per share (in EUR) – basic = diluted	*-4.22*	*-1.24*	*3.24*	*11.93*

Earnings position of the Group during the reporting period

In EUR million	2016	2015
Revenue	50.4	128.3
Internally produced and capitalized assets	2.9	5.7
Other operating income	1.2	5.0
Result from deconsolidation of subsidiaries	48.3	167.0
Purchased merchandise and purchased services	-24.2	-64.1
Employee benefits expenses	-59.0	-171.7
Other operating expenses	-45.3	-82.5
Share of profit/loss of associates and joint ventures	-539.6	-188.6
EBITDA	**-565.3**	**-200.8**
Impairment of non-current assets, depreciation and amortization	-13.7	-25.3
Financial result	-168.0	29.7
Income taxes	5.5	-1.4
Loss for the period	**-741.5**	**-197.8**
Other comprehensive income for the period, net of tax	118.3	36.4
Total comprehensive loss for the period, net of tax	**-623.2**	**-161.4**

Revenue was structured as follows:

In EUR million	2016		2015	
New Businesses & Investments	21.2	42%	84.6	66%
Other Services	29.2	58%	43.7	34%
Total	**50.4**	**100%**	**128.3**	**100%**

The sharp decrease in consolidated revenue in 2016 is due to deconsolidations in 2015 (Kanui, Tricae, Zencap, Nestpick, Zocprint) and in 2016 (Spotcap, Clickbus Brazil, Everdine, Vaniday), the sale of Bonnyprints (January 2016), La Nevera Roja (April 2016) and Pizzabo.it (February 2016) as well as closings (Airu, Shopwings, Tripda, Kaymu, Vendomo, Spaceways, Shopkin, EatFirst Germany, Sparklist, Bonativo in both 2015 and 2016), and the decrease of revenues of Printvenue India.

New Businesses & Investments which continue to be consolidated at the end of 2016 have shown significant growth in revenues as predicted. However, the abovementioned deconsolidations, disposals and winding downs have caused an overall reduction in revenues of New Businesses & Investments.

The revenues from other services are mainly comprised of income from consulting services performed for network companies. The decrease 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, 45% were generated in Germany (previous year 26%), 25% in the United Kingdom (previous year 3%), 7% in Luxembourg (previous year 3%), 7% Singapore (previous year 4%), 3% in Brazil (previous year 53%) 13% in the rest of the world (previous year 11%). The change in the regional split is mainly caused by the deconsolidation of Kanui and Tricae in September 2015.

Other operating income mainly includes gain on disposal of available-for-sale investments, currency translation gains and recoveries on previously written-off receivables. Other operating income decreased primarily due to a decrease in currency translation gains.

The result from deconsolidation of subsidiaries in the amount of EUR 48.3 million (previous year EUR 167.0 million) has decreased significantly as had been forecast in the 2015 Consolidated Financial Statements. It mainly originated from deemed disposals of Spotcap (EUR 13.4 million), Clickbus Brazil (EUR 12.7 million), Vaniday (EUR 9.5 million) and Everdine (EUR 8.5 million). In 2015, the gain from deconsolidation primarily comprised gains from sales of subsidiaries of EUR 158.4 million, mainly from the sale of Kanui and Tricae in exchange for shares in Global Fashion Group S.A. and the sale of Zencap in exchange for shares in Funding Circle.

The cost of purchased merchandise and purchased services decreased from EUR 64.1 million by 62% to EUR 24.2 million. The decrease is mainly due to the decline of cost of purchased merchandise (EUR 11.0 million; previous year EUR 44.7 million) which is mostly caused by the deconsolidation of Tricae (previous year expense of EUR 18.5 million) and Kanui (previous year expense of EUR 18.2 million) in September 2015. The lower expenses for purchased merchandise were, however, partly offset by higher expenses for purchased services.

Employee benefits expenses, which amounted to EUR 59.0 million (previous year EUR 171.7 million), included the current remuneration as well as expenses arising from equity-settled and cash-settled share-based payments. The significant decrease by EUR 112.7 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 freelancers and temporary agency workers	-43.0
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 (e.g. Global Fashion Group)	-26.4
Decrease of expenses for equity-settled share-based payments mainly driven by deconsolidation of subsidiaries and front-loading recognition of expenses (graded vesting)	-43.2
Total	**-112.7**

Other operating expenses included mainly legal and consultancy fees (EUR 16.6 million; previous year EUR 10.7 million), marketing expenses (EUR 7.5 million; previous year EUR 31.4 million), rental, office and IT costs (EUR 7.1 million; previous year EUR 15.9 million) and expenses for external services (EUR 2.2 million; previous year EUR 4.4 million). The total decrease by EUR 37.2 million was mainly due to lower marketing expenses as a result of deconsolidations. Legal and consultancy expenses increased due to expenses incurred in connection with the setup of RICP.

The Group's negative share of profit/loss of associates and joint ventures in 2016 was primarily driven by impairment losses recognized on the level of associates and joint ventures as well as on Group level. In total, these impairment losses contributed in aggregate EUR 568.0 million (previous year EUR 11.0 million) to the share of profit/loss of associates and joint ventures. The impairment losses were primarily attributable to Global Fashion Group (EUR 424.7 million, thereof EUR 334.2 million proportionate share of impairments recognized on the Global Fashion Group level), Linio (EUR 58.7 million), Asia Internet Holding (EUR 18.5 million, thereof EUR 14.9 million proportionate share of impairments recognized on Asia Internet Holding level), EasyTaxi (EUR 16.9 million), Lendico (EUR 16.6 million), Nestpick (EUR 8.5 million), Zanui (EUR 8.4 million) and Helpling (EUR 7.1 million).

Losses for the period attributable to HelloFresh of EUR 44.0 million (previous year EUR 22.2 million) also contributed to the share of profit/loss of associates and joint ventures in 2016. Lazada contributed a total net gain of EUR 75.1 million in 2016. This amount includes the share of losses for the period according to the equity method amounting to EUR 18.1 million and a disposal gain of EUR 93.2 million, which includes both a gain relating to the portion of shares sold in April 2016 as well as a fair value gain due to the revaluation of the interest retained. In financial year 2015, it mainly included losses attributable to Global Fashion Group of EUR 95.9 million, to Africa Internet Holding of EUR 36.6 million, to foodpanda of EUR 33.0 million, to Linio of EUR 26.4 million, to Asia Internet Holding of EUR 23.3 million and to HelloFresh of EUR 22.2 million.

EBITDA deteriorated significantly from EUR -200.8 million in 2015 to EUR -565.3 million in 2016. This deterioration was mainly due to an impairment-driven decrease in the share of profit/loss of associates and joint ventures, lower result from deconsolidation of subsidiaries and a decrease in revenue, which were only partially offset by a decrease in employee benefits expenses and a decrease in expenses for purchased merchandise and purchased services.

The impairments of non-current assets and the depreciation and amortization amount in total to EUR 13.7 million (previous year EUR 25.3 million). Depreciation and amortization decreased from EUR 7.3 million to EUR 4.4 million primarily due to the decrease of amortization of intangible assets due to the deconsolidation of Pizzabo.it and La Nevera Roja. In 2016 the impairment charges of EUR 9.3 million mainly relate to internally generated software. In 2015 it includes the impairment charges of EUR 18.1 million related to the goodwill of Pizzabo.it and La Nevera Roja.

The financial result deteriorated from positive 29.7 million in 2015 to negative EUR 168.0 million in 2016, which primarily results from net changes (gains and losses) in the fair value of equity instruments accounted for at fair value through profit or loss, which contributed a net loss of EUR 187.2 million in 2016 compared to a net gain of EUR 33.0 million in the previous year. In 2016, the main contributors to the net loss on financial instruments at FVTPL were Goodgame Studios with 76.9 million, TravelBird with 18.2 million, Jimdo with EUR 11.7 million, Craftsvilla with 10.4 million and Movinga with 7.3 million. Interest expense from convertible bonds contributed EUR 18.4 million to the finance costs in 2016. As these convertible bonds were issued on July 22, 2015, the corresponding expense occurred in 2015 was lower with EUR 9.4 million. The interest expense from convertible bonds was offset by a gain from the buyback of convertible bonds of EUR 18.9 million in 2016. The net foreign exchange gains that relate to loans as well as to cash and cash equivalents amounted to EUR 13.2 million (previous year EUR 2.1 million). Losses from impairment of available-for-sale financial assets contributed EUR 7.0 million to the financial result.

Other comprehensive income for the period, net of tax in the amount of EUR 118.3 million (previous year EUR 36.4 million), which is reclassified to profit or loss in subsequent periods, mainly includes the net gain on available-for-sale financial assets of EUR 96.4 million (previous year EUR 135.3 million) which primarily results from fair value measurement of Rocket Internet's investment in Delivery Hero. Furthermore, this line item mainly includes the share of the changes in the net assets of associates/joint ventures that are recognized in the OCI of associates/joint ventures amounting to EUR 21.3 million (previous year EUR -99.0 million).

3.5.2 Financial Position of the Group

3.5.2.1 Cash flows and cash position

In EUR million	2016	2015
Cash flow from operating activities	-85.7	-105.5
Cash flows from investing activities	-123.6	-1,347.8
Cash flows from financing activities	-162.2	1,165.2
Net change in cash and cash equivalents	-371.6	-288.2
Net foreign exchange difference in cash and cash equivalents	4.6	3.3
Cash and cash equivalents at the beginning of the period	1,768.6	2,053.5
Cash and cash equivalents at the end of the period	1,401.7	1,768.6

Cash and cash equivalents at the end of the period comprise cash and cash equivalents in the amount of EUR 0.6 million (previous year EUR 9.7 million), that are included in the assets classified as held for sale. Due to exchange rate changes, the cash and cash equivalents of the Group increased by EUR 4.6 million (previous year EUR 3.3 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. The lower cash outflows in 2016 compared to previous year were mainly due to the deconsolidation of subsidiaries and decreased payments for income taxes which were partially offset by higher cash outflows for interest paid.

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 on the other. In total, payments in the amount of EUR 59.7 million (previous year EUR 1,219.5 million) were made for acquisitions of non-consolidated companies and of EUR 5.9 million, net of cash acquired (previous year EUR 119.7 million) for the acquisition of consolidated 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 EUR 226.8 million (previous year EUR 47.3 million) in cash for the sale of subsidiaries and non-consolidated equity investments, which mainly relates to the sale of La Nevera Roja, Pizzabo.it and Lazada. Cash paid in connection with short-term financial management of cash investments in the amount of EUR 248.4 million (previous year EUR 66.5 million) mainly relates to short-term bank deposits as well as to short-term loans granted to associated companies. 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 56.0 million (previous year EUR 27.5 million) that relates to the repayments of short-term loans to associates and joint ventures. In 2016, the Group made payments for acquisition of non-current financial assets of EUR 77.0 million (previous year EUR 8.7 million). Furthermore, an amount of EUR 6.5 million (previous year EUR 11.6 million) was invested in property, plant and equipment and intangible assets in the reporting period relating, in particular, to business equipment and internally generated software. In the course of changes in scope of consolidation, the Group's cash position decreased by EUR 9.0 million (previous year increased by EUR 2.7 million).

The cash flows from financing activities include the cash outflows for the repurchase of convertible bonds at the level of the parent Company in the amount of EUR 165.0 million (previous year EUR 0.0 million). Moreover, the Group received payments from non-controlling shareholders in the course of the equity capital increases at the level of consolidated subsidiaries totaling EUR 3.3 million (previous year EUR 58.0 million). During the reporting period, non-controlling shareholders of consolidated subsidiaries received a cash dividend of EUR 2.3 million (previous year EUR 8.0 million). In 2016, the Group did not purchase any shares from non-controlling shareholders in a Group subsidiary (previous year EUR 9.6 million) and did not pay transaction cost on issue of shares (previous year EUR 14.9 million).

The Group continues to be very well funded, with available cash and cash equivalents of EUR 1,401.7 million (previous year EUR 1,768.6 million) as of December 31, 2016. In addition to cash and cash equivalents, the Group had short-term bank deposits of EUR 163.4 million as of December 31, 2016.

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 90% (previous year 87%). 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 2016, the Group has prematurely repurchased bonds with a principal amount of EUR 196.2 million.

3.5.2.3 Investments

The investment activities undertaken in the financial years 2016 and 2015 are as follows:

In EUR million	**2016**	**2015**
Cash investing activities	123.6	1,347.8
Non-cash investing activities	255.2	217.9
Total investments	378.8	1,565.7

For further details concerning cash investing activities, please refer to the statements regarding the cash flows from investing activities.

Significant non-cash investing activities in the year 2016 relate to the contribution of foodpanda into Delivery Hero, the exchange of shares in Linio for shares in AEH New Africa eCommerce II GmbH as well as to outstanding payables for investments in a joint venture.

In the financial year 2015, the main non-cash investing activities relate to transactions concerning the acquisition of new shares of the Global Fashion Group via exchange of shares valued at fair value of Kanui and Tricae, as well as the exchange of shares of Yemek Sepeti for shares of Delivery Hero. Furthermore, LIH Subholding Nr. 3 UG (haftungsbeschränkt) & Co. KG was contributed to Carmudi in exchange for shares in this entity, while LIH Subholding Nr. 4 UG (haftungsbeschränkt) & Co. KG was contributed to Lamudi in exchange for shares in this entity. Shares of the crowdfunding platform Zencap were contributed to Funding Circle in exchange for shares in this entity.

The capital contribution and investment obligations as of December 31, 2016 totaling EUR 77.0 million (previous year EUR 61.0 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

In EUR million

Assets	Dec 31, 2016		Dec 31, 2015	
Non-current assets	2,385.6	57%	3,162.2	63%
Current assets	1,631.6	39%	1,816.7	37%
Assets classified as held for sale	167.4	4%	17.1	0%
Total	4,184.6	100%	4,996.0	100%

Equity and Liabilities	Dec 31, 2016		Dec 31, 2015	
Equity	3,745.0	90%	4,352.1	87%
Non-current liabilities	342.6	8%	535.5	11%
Current liabilities	96.5	2%	100.9	2%
Liabilities directly associated with assets classified as held for sale	0.3	0%	7.6	0%
Total	4,184.6	100%	4,996.0	100%

The Company's largest asset items are non-current available-for-sale financial assets (31% of the balance sheet total; previous year 20% 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 34% of the balance sheet total), other non-current financial assets (6% of the balance sheet total; previous year period 7% of the balance sheet total) as well as cash and cash equivalents including balances in assets classified as held for sale (33% of the balance sheet total; previous year 35% of the balance sheet total).

During financial years 2015 and 2016, Rocket Internet invested significant amounts of cash and made contributions in kind in Delivery Hero. As of December 31, 2016 the carrying amount of the shares in Delivery Hero amounted to EUR 1,271.7 million (previous year EUR 978.9 million).

Non-current assets went down from EUR 3,162.2 million by EUR 776.6 million to EUR 2,385.6 million. This results especially from the decrease of investments in associates as well as the decrease of intangible assets. The decline of investments in associates from EUR 1,386.0 million by EUR 856,9 million to EUR 529.1 million is mainly due to the negative result of Global Fashion Group attributable to operating and impairment losses. Furthermore, the impairment and operating loss of Linio, the partial sale and reclassification into assets classified as held for sale of shares in Lazada and the disposal of foodpanda contributed to the decrease of investments in associates. The decrease of the interests in joint ventures from EUR 310.5 million by EUR 2.1 million to EUR 308.3 million mainly results from the proportionate share of losses of Asia Internet Holding of EUR 24.2 million of which EUR 14.9 million relate to impairment losses recognized by Asia Internet Holding as well as the proportionate share of losses of Jumia Group of EUR 25.0 million. On the Group level, additional impairment losses relating to Asia Internet Holding of EUR 3.6 million were recognized. These decreases were partially compensated by the Group's investment in Jumia Group as well as the deconsolidation and transition to joint ventures of Clickbus Brazil and Everdine.

The decline of intangible assets from EUR 129.1 million by EUR 127.1 million to EUR 2.1 million is mainly due to the sale of Pizzabo.it and La Nevera Roja and the corresponding decrease in goodwill, trademarks and customer base as well as to impairment charges.

Current assets decreased from EUR 1,816.7 million by EUR 185.1 million to EUR 1,631.6 million. The change is mainly due to the decrease of cash and cash equivalents by EUR 357.9 million, which was partly offset by higher other current financial assets (EUR 216.3 million, previous year EUR 41.3 million). The change of other current financial assets is mainly due to the increase of short-term bank deposits, the higher loan receivables from associated companies and higher receivables from the sale of investments. For details concerning the development of liquidity, refer to section 3.5.2 Financial Position of the Group.

As of December 31, 2016, assets classified as held for sale mainly consist of shares in Lazada Group S.A.

Total consolidated equity decreased from EUR 4,352.1 million by EUR 607.1 million to EUR 3,745.0 million. The decrease results from the total comprehensive loss for the period, net of tax of EUR 623.2 million comprising both the loss for the period (EUR 741.5 million) and the other comprehensive income for the period (EUR 118.3 million). Other changes in equity result from the increase of the reserves for equity-settled share-based payments, the proceeds from non-controlling interests, dividends paid to non-controlling interests, release of income tax benefit associated with transaction costs and changes in the scope of consolidation.

Non-current liabilities decreased from EUR 535.5 million by EUR 192.8 million to EUR 342.6 million. The decrease is mainly due to the decreased liabilities from convertible bonds from EUR 512.0 million by EUR 179.3 million to EUR 332.6 million, arising from the partial buyback of the convertible bonds. Another effect is the decrease of non-current financial liabilities, mainly due to the settlement and payment of the contingent consideration liability incurred in conjunction with the acquisition of Pizzabo.it.

Current liabilities decreased from EUR 100.9 million by EUR 4.4 million to EUR 96.5 million. The change mainly results from the decrease of liabilities from cash-settled share-based payments by EUR 27.6 million which was partly offset by the incurred liabilities for capital calls in connection with the purchase of shares in network companies, predominantly interest in Africa Internet Holding.

3.5.4 Key Developments of Reportable Segments

As of December 31, 2016 the reportable segments HelloFresh, GFG, Jumia, Home & Living and foodpanda reflect the most mature business activities of Rocket Internet SE. The segment information is presented on a 100% basis (i.e. 100% of the revenues, segment results and cash and cash equivalents). The figures presented in this section have been taken or derived from Segment Information. For further details please refer to Note 6 of the Consolidated Financial Statements.

Comparability of the reportable segments in 2016 with the prior period is affected by the following transactions:

- The reportable segment GFG disposed Jabong (operations in India) in August 2016.
- The new reportable segment Jumia was established following the merger of the general merchandise business activities with the other African marketplace and classifieds businesses combined in Africa Internet Holding GmbH.

HelloFresh is a leading global online provider of personalized fresh food at home. The company delivers recipes and fresh, pre-portioned ingredients to its subscribers to conveniently prepare healthy and delicious home-cooked meals. Founded in 2011, the company is currently active in nine markets including the United States, the United Kingdom, the Netherlands, Australia, Germany, Belgium, Canada, Austria and Switzerland.

Revenue increased strongly from EUR 305.0 million in 2015 to EUR 597.0 million in 2016, driven by continued growth across all geographies. EBITDA margin improved from negative 36% in 2015 to negative 14% in 2016 due to increased efficiencies in procurement and fulfillment, while marketing expenses decreased. EBITDA increased from negative EUR 109.5 million in 2015 to negative EUR 86.2 million in 2016, mainly due to the expansion in North America and the United Kingdom. Cash and cash equivalents decreased from EUR 109.2 million to EUR 57.5 million mainly due to significant investments in physical fulfillment infrastructure and focus on profitability partially compensated by proceeds from capital increases.

foodpanda operated the leading emerging economies online marketplace for food delivery and takeaway. Effective December 31, 2016, foodpanda was sold to DH, thus, ceasing to represent an operating segment starting from 2017.

Revenue increased by 60% from EUR 31.5 million in 2015 to EUR 50.6 million in 2016, mainly due to higher fees and a larger number of orders in key markets. EBITDA improved by EUR 38.1 million from negative EUR 108.7 million in 2015 to negative EUR 70.6 million in 2016, primarily due to higher operational efficiency and lower expenses for marketing measures.

GFG is a leading online fashion destination focused on emerging markets. The company is active in 24 countries across four continents and operates through four branded platforms, uniting the leading fashion eCommerce companies Lamoda (Russia/CIS), Dafiti (Brazil/Latin America), Namshi (Middle East) and Zalora (Southeast Asia) including The Iconic (Australia and New Zealand). During 2016, the segment GFG excludes Jabong (operations in India), which was disposed of in August 2016.

Revenue increased by 10% from EUR 930.1 million in 2015 to EUR 1,023.1 million in 2016. Revenue growth was slower in comparison to previous year given that the 2015 figure includes and the 2016 figure excludes revenues of Jabong. During 2015 Jabong contributed revenues of EUR 122.1 million to the GFG segment. Excluding Jabong revenue of the segment would have increased by 27% in comparison to 2016. EBITDA improved by EUR 172.6 million from negative EUR 318.6 million in 2015 to negative EUR 146.0 million in 2016. The EBITDA margin significantly improved from negative 34% in 2015 to negative 14% in 2016. These changes were due to operational improvements mostly in inventory management, warehousing, delivery and marketing as well as due to the exclusion of operations in India in 2016. Cash and cash equivalents increased from EUR 75.2 million to EUR 244.2 million primarily due to the financing round in 2016 and the proceeds from the disposal of Jabong.

Jumia is a leading online shopping portal in Africa. Customers across the continent can shop from the widest assortment of high quality products with everything from fashion, consumer electronics, and home appliances to beauty products on offer at affordable prices. The company's goal is to offer a platform for merchants, brands and SMEs to connect and transact with African consumers.

On August 30, 2016 the former operating segment Jumia, that represented the general merchandise business by the group under Africa eCommerce Holding GmbH (AEH), was merged into Africa Internet Holding GmbH (AIG). Consequently, starting from September 30, 2016 the performance of the entire African operations (Jumia general merchandise businesses together with other marketplace and classifieds businesses in Africa) is reviewed at AIG-level solely and is subsumed within the new operating segment Jumia. For comparability the financial information of the former operating segment Jumia for the previous year was reclassified from the segment General Merchandise into the new reportable segment Jumia.

Revenue of Jumia decreased by 37% from EUR 134.6 million in 2015 to EUR 84.4 million in 2016, mainly impacted by the continuing shift from eCommerce towards a marketplace business model, by the slowdown of the Nigerian economy and by currency devaluations in June 2016. EBITDA for 2016 of negative EUR 104.5 million (previous year negative EUR 118.9 million) and EBITDA margin of negative 124% (previous year negative 88%) are negatively affected by additional losses related to other marketplace and classifieds businesses contributed by AIG in the merger with AEH. This is particularly attributable to the early stage of the contributed businesses. The increase in cash and cash equivalents from EUR 9.5 million to EUR 29.5 million mainly results from the merger of AIG with AEH and proceeds from capital calls.

Home & Living includes the business of Home24, a leading online retailer for home and living products operating in Europe and Latin America, and Westwing, an online retailer offering a frequently changing, curated selection of home design products in Europe, CIS and Latin America.

Revenue of our Home & Living segment increased by 9% from EUR 452.8 million in 2015 to EUR 494.2 million in 2016. The reduced revenue growth has been driven by an increased focus on profitability. EBITDA improved by EUR 67.6 million from negative EUR 131.7 million in 2015 to negative EUR 64.1 million in 2016, as a result of operational improvements. The EBITDA margin improved from negative 29% in 2015 to negative 13% in 2016. The change of cash and cash equivalents from EUR 64.6 million to EUR 51.9 million results from operating losses as well as investments in technology and infrastructure partially compensated by proceeds from financing rounds during the reporting period.

Historically, the Group reported the segment **General Merchandise** which included operations of Linio, Jumia (AEH) and Lazada. In April 2016, Lazada was partially sold to Alibaba and ceased to represent an operating segment due to the loss of significant influence from thereon. Starting from July 1, 2016, Linio ceased to represent an operating segment, due to the loss of significant influence as a result of non-participation of Rocket Internet SE in the most recent financing round and the corresponding decrease in voting rights to less than 20%. For further discussion please refer to the Note 6 of the Consolidated Financial Statements.

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

The reporting period is characterized by impairment losses of several associated companies, valuation losses of equity instruments accounted for at fair value through profit or loss, divestments of stakes in various companies (Pizzabo.it, La Nevera Roja, Bonnyprints and Lazada), by the expansion of existing companies such as Caterwings and the development of new business models (Campsy, Everdine, Instafreight) as well as investments in existing and new businesses (Ace & Tate, Marley Spoon, Thermondo, Pets Deli, Goldbely, NatureBox and Sonovate). No longer viable business models (Vendomo, Tripda, Shopkin, Sparklist) were discontinued, sold or limited to operate regionally. In addition, the process of raising capital has been optimized by the Rocket Internet Capital Partners Fund which was founded in January 2016. 90% of the equity funding of the Fund was provided by third parties (institutional investors and high net worth individuals) which is crucial for the support of existing and the implementation of new 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 – 2016:

In EUR million	2016	2015	2014	2013	2012	2011	2010
Revenue	28.1	34.2	28.8	26.0	24.3	6.8	5.4
Other operating income	150.6	30.5	5.9	187.5	176.8	14.7	1.7
EBITDA	80.5	-65.1	-44.6	161.7	165.7	13.8	0,8
Financial and investment result	-32.0	-7.3	-0.6	-2.4	215.3	37.3	46.3
Net income / loss for the year	41.4	-73.5	-45.9	147.1	378.1	50.7	45.3

Following the first-time application of the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz – short: BilRuG) regarding the elimination of extraordinary losses, last year's losses are now reported under other operating expenses.

Earnings position of the Company during the reporting period

In EUR million	2016	2015
Revenue	28.1	34.2
Changes in work in progress	-0.8	0.2
Other own work capitalized	2.9	4.0
Other operating income	150.6	30.5
Cost of materials	-10.8	-8.6
Personnel expenses	-51.3	-77.0
Other operating expenses	-38.2	-48.4
EBITDA	**80.5**	**-65.1**
Amortization/depreciation of property, plant and equipment and of intangible assets	-7.1	-1.6
Financial and investment result	-32.0	-7.3
Income taxes, other taxes	0.0	0.5
Net income/loss for the year	**41.4**	**-73.5**

The Company's revenues have decreased significantly by EUR 6.1 million to EUR 28.1 million, due to services previously provided by Rocket Internet being moved inhouse by network companies or those network companies being sold or closed.

The disposal of participations during the reporting period impacted the other operating income position by EUR 118.8 million (previous year EUR 23.7 million), the majority of which resulted from the sale of Lazada shares amounting to EUR 104.8 million and EUR 8.0 million sale of Zalando SE shares (previous year sale of Zalando SE shares amounting to EUR 17.7 million).

The average number of employees during the financial year 2016 decreased in comparison to the previous financial year from 403 to 321. The total personnel expenses decreased by 33% to EUR 51.3 million (previous year EUR 77.0 million). The reduction of the workforce led to a decrease of the regular personnel expenses to EUR 24.6 million (previous year EUR 29.5 million). Additionally, the accounting for equity-settled share-based payment plans generated expenses amounting to EUR 21.8 million (previous year EUR 38.0 million), which were recorded as personnel expenses. Moreover, the expenses for compensation obligations of EUR 4.9 million (previous year EUR 9.5 million) were recognized in personnel expenses as well.

Other operating expenses in the financial year include equity-settled share-based payment plans which generated expenses of EUR 1.6 million (previous year EUR 10.2 million). The expenses decreased in comparison to the previous financial year regarding adjustments for equity-settled share-based payment plans. Moreover, the expenses for compensation obligations generated expenses of EUR 3.2 million (previous year EUR 14.0 million). Following the first-time application of BilRuG regarding the elimination of extraordinary losses, last year's losses are now reported under other operating expenses. Corresponding to Sec. 277 HGB (Art. 13 Sec. 1 in conjunction with appendix 5 and 6 of the European Directive 2013/34/EU) the other operating expenses in the profit and loss statement in previous year amounts to EUR 48.4 million and increased by EUR 2.9 million.

The gain from participations in the financial year 2016 amounted to EUR 6.5 million (previous year EUR 15.3 million), the majority of which resulted from distribution in kind received from a subsidiary. Interest expense on convertible bond amounts to EUR 19.1 million (previous year EUR 9.4 million). Furthermore, the financial and investment result includes financial asset impairment charges amounting to EUR 29.5 million (previous year EUR 14.0 million).

The net income for the financial year amounts to EUR 41.4 million (previous year net loss for the year of EUR 73.5 million). The Company realized a return on equity of 1.4% (previous year -2.6%). EBIT totaled EUR 73.4 million (previous year EUR -66.7 million) and EBITDA amounted to EUR 80.5 million (previous year EUR -65.1 million). Due to the first time adoption of the Implementation Act (BilRUG), the extraordinary expenses are reclassified to the other operating expenses. With corresponding application in the Management Report in the previous year, the EBIT and the EBITDA differ to the prior year by an amount of EUR 2.9 million.

3.6.2 Financial and Asset Position of the Company

In EUR million

Assets	**Dec 31, 2016**		**Dec 31, 2015**	
Fixed assets	2,642.6	76%	1,611.8	47%
Current assets	814.2	23%	1,805.0	52%
Other assets	34.0	1%	39.3	1%
Total	3,490.8	100%	3,456.1	100%

Equity and Liabilities	**Dec 31, 2016**		**Dec 31, 2015**	
Equity	2,913.1	83%	2,857.1	83%
Provisions	17.7	1%	36.9	1%
Liabilities	560.0	16%	562.1	16%
Total	3,490.8	100%	3,456.1	100%

The financial position of the Company can be described as strong. It continues to offer opportunities for investments into new companies and for participations in capital increases in existing ones. Cash and cash equivalents as of December 31, 2016 amounted to EUR 653.6 million (previous year EUR 1,720.0 million). Thus, the Company experienced a negative cash flow of EUR 1,066.4 million (previous year negative cash flow of EUR 277.7 million). The decrease of cash and cash equivalents is primarily a result of investments and repurchases of convertible bonds in the financial year

In the financial year, the Company remains financed mainly through equity with an equity ratio as of December 31, 2016 of 83% (previous year 83%). No dividends were paid in 2016 and 2015.

The asset position comprises participations amounting to EUR 2,639.1 million (76% of total assets; previous year EUR 1,606.2 million, 47% of total assets), receivables from subsidiaries and companies in which a participation is held in the amount of EUR 139.1 million (4% of total assets; previous year EUR 81.9 million, 2% of total assets) as well as cash and cash equivalents in the amount of EUR 653.6 million (19% of total assets; previous year EUR 1,720.0 million, 50% of total assets).

The increase in participations by EUR 1,033.0 million is mainly due to the acquisitions of shares in various companies as well as to the further, mostly international expansion of existing businesses. Moreover, the Company invested into the development of diverse new business models, such as Global Fashion Group S.A. and GFC Global Founders Capital S.à r.l. In the financial year, the financial assets were impaired in the amount of EUR 29.5 million, thereby exceeding last year's figure (previous year EUR 14.0 million), which resulted primarily from proportionate impairments of Wimdu GmbH, New TIN Linio II GmbH, Digital Services XXVIII S.à r.l., (Nestpick), Somuchmore Global S.à r.l. and Global Savings Group GmbH. The reversals of impairment losses amounted to EUR 0.6 million (previous year EUR 0.6 million).

In 2016, loan receivables were impaired by EUR 20.1 million (previous year EUR 5.9 million). The majority thereof relate to Bambino 106. VV UG (Payco & Printvenue), Somuchmore, EasyTaxi and Wimdu, for which the loan receivables became irrecoverable.

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 2016. Rocket Internet SE's economic position is characterized by investment activities and expansion of its network of companies. The total earnings exceeded the expenses earnings in the financial year. This especially applies to the sold shares of the Lazada Group S.A. 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 noticeably solid balance sheet structure, Rocket Internet SE is in a good position to achieve future growth both organically and through future investments.

4. Forecast Report, Report of Opportunities and Risks

4.1 Forecast Report

The International Monetary Fund (IMF) published its "World Economic Outlook" (update January 2017), in which global growth is projected to recover to 3.4% in 2017 and 3.6% in 2018. Advanced economies are now projected to grow by 1.9% in 2017 and 2.0% in 2018. Emerging market and developing economies growth is projected to reach 4.5% for 2017. A further pickup in growth to 4.8% is projected for 2018. After a lackluster outturn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. The outlook for advanced economies has improved for 2017 and 2018, reflecting somewhat stronger activity in the second half of 2016 as well as a projected fiscal stimulus in the United States.

According to eMarketer worldwide retail sales – including in-store and Internet purchases – surpass USD 22.0 trillion in 2016, up 6.0% from 2015. Retail eCommerce sales, those purchased over the Internet, make up 9.0% of the total retail market worldwide, or USD 1.9 trillion. By 2020, that share will jump to USD 4.1 trillion. eMarketer expects online sales will grow at double-digit rates throughout the forecast period through 2020, this includes products or services ordered using the

Internet via any device, regardless of the method of payment or fulfillment and excludes travel and event tickets. The number of digital buyers worldwide increases by 7.9% on an annual basis from 2016 on until 2020, fueled by new Internet users in Asia-Pacific, Latin America, the Middle East and Africa making digital purchases for the first time.

With regard to the worldwide Internet sector, market parties expect a continuation of the shift from traditional sales channels to online and mobile business and an acceleration of the growth in mobile Internet usage. Accordingly, the entire industry goes through a transition from classic desktop-Internet companies to mobile-first and even mobile-only. The emergence of new competitor companies in the incubation business as well as the operational online business and the development of new online business models are very likely. We expect the further expansion of our companies to continue accompanied by the development and investments in various new business models.

Rocket Internet is established in the start-up industry and intends to maintain and advance its position. Our employees, including members of the management team, have attended many congresses and other events not only to advance their own expertise but also to present and share their experience with the industry, current and future entrepreneurs and high potential students. We see it as crucial that Rocket Internet is connected to the moving forces in the start-up industry. Our engagement in the communication with the industry will keep Rocket Internet well informed about market developments.

We believe that Rocket Internet is equipped to identify investment opportunities and has the necessary means to act on opportunities when they arise. Rocket Internet expects to maintain and further expand its grip into the interesting and promising online business opportunities. While we still look for great business ideas that we want to pursue ourselves, we expect to largely invest directly into selective, existing start-ups at early and growth stage in their development during 2017.

Regarding RICP, Rocket Internet will fulfill its commitments from capital calls, and potentially increase its share in the fund.

Investments into most of our larger network companies included in segments are expected to probably, predominantly decrease due to their improving profitability. Investments into existing network companies in the area of Regional Internet Groups and New Businesses & Investments should remain stable. Consequently, we expect the number of fully consolidated entities to remain fairly stable, whereas number and size overall of GFC investments is bound to increase.

Regarding New Businesses & Investments, Rocket Internet Group expects a considerable increase in consolidated revenue for the financial year 2017 for those companies that continue to be fully consolidated after December 31, 2016. Overall, however, due to the sale of Bonnyprints (in January 2016), La Nevera Roja (in April 2016), Pizzabo.it (in February 2016) and Somuchmore (in December 2016) as well as deconsolidation of some other former subsidiaries (Spotcap, Clickbus Brazil, Everdine, Vaniday), discontinued business activities of subsidiaries (Bonativo, Spaceways, Blue Circle), and potentially also by disposal of further subsidiaries a slight increase in consolidated revenue is forecast for the financial year 2017. Due to the early stage of our fully consolidated subsidiaries, we expect negative operating results (EBITDA) in the area New Businesses & Investments for 2017 in the range between EUR 20 to 30 million.

As Rocket Internet aims to keep a larger share of the economic ownership in most of the new companies, a reduced level of result from deconsolidation is expected for 2017.

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 substantial negative result from associated companies 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 2017, but EBITDA is forecast to improve for 2017 in comparison with 2016.

Rocket Internet SE expects revenues to decrease by a low double-digit percentage in 2017 as compared to 2016 due to the increased individual independence of the network companies. 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, and compared with previous year decreased, operating result (EBITDA) in the Annual Financial Statements of Rocket Internet SE for the reporting year 2017 provided there are no material divestments of participations.

<u>Outlook for the segments that continue to be reportable in 2017</u>

In all segments that continue to be reportable in 2017, we expect revenue growth, negative EBITDA and an improvement in the EBITDA margins for the financial year 2017.

<u>HelloFresh</u>

Our segment HelloFresh's revenues should expand by a double-digit percentage in 2017 as compared to 2016. Total operating loss should decrease significantly in 2017 compared to 2016 and the negative EBITDA margin should significantly improve.

<u>GFG</u>

For GFG, we anticipate that revenues will be higher for the financial year 2017 than the prior-year figure by an amount in the low double-digit percentage range. We expect a slight improvement in EBITDA compared to previous year's operating loss, thereby improving the EBITDA margin moderately, but still remaining at a low double-digit negative percentage range.

<u>Jumia</u>

Jumia is expected to grow revenues by a low double-digit percentage during the financial year 2017. When it comes to EBITDA, we forecast it to increase by a low single-digit percentage range. Accordingly, we estimate EBITDA margin should improve slightly.

<u>Home & Living</u>

For Home & Living, we expect an increase in revenues by a low double-digit percentage in the financial year 2017 as compared to 2016. EBITDA should improve by a double-digit percentage, albeit staying in the negative zone. Therefore, we expect that the negative EBITDA margin of the Home & Living segment will be in the single-digit percentage range.

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 at all costs, 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 Company's value and risks should be assumed only if they remain within appropriate limits that are acceptable to the Company. Thus, risks should be limited to a level deemed acceptable by the Company's

Management by taking appropriate measures, be transferred to third parties in full or in part, or, in those cases where risk mitigation is not considered advisable, be avoided or monitored closely. All employees are duty-bound to handle risks responsibly within their own area of responsibility. 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 countermeasures 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 implement 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 Audit Committee set up by 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 Company so that suitable countermeasures can be swiftly introduced.

During this financial year certain elements of internal monitoring (Risk Management, Compliance Management, Internal Control and Internal Audit) have been further developed and expanded. In regards of risk management there was particular focus on ensuring the continuous improvement of the quality and completeness of the risk register and the corresponding internal management measures.

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:

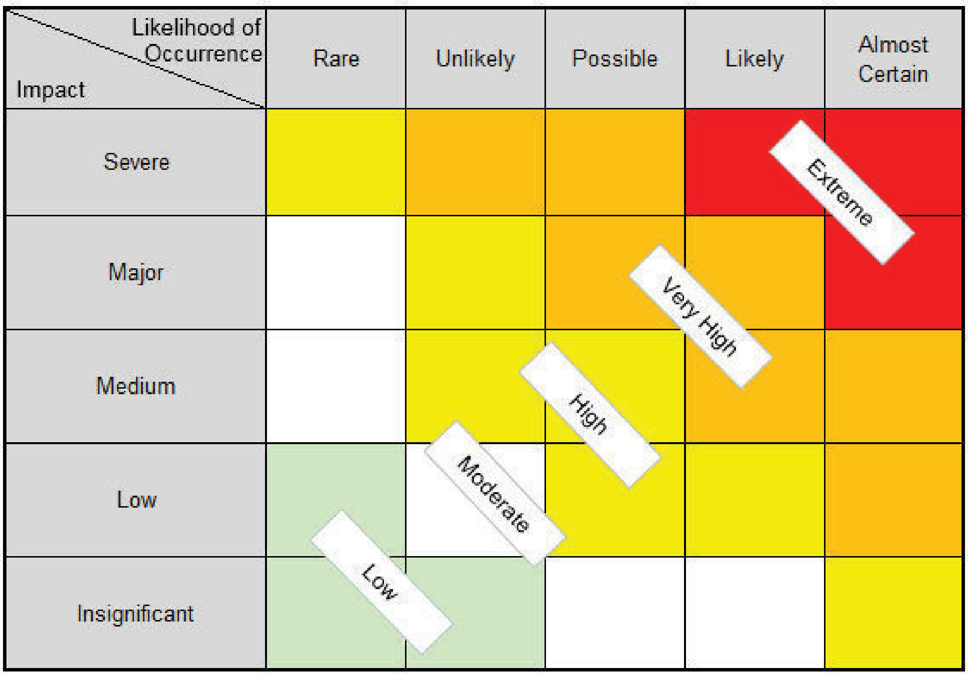
Likelihood of Occurrence	**Assessment**
Almost Certain	[75% - 100%]
Likely	[50% - 74.9%]
Possible	[25% - 49.9%]
Unlikely	[5% - 24.9%]
Rare	[0% - 4.9%]

The impact of risks is considered a potential negative deviation from Rocket Internet's objectives. 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 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, financial position and performance or reputation < EUR 500 thousand individual risk
Low	Limited negative impact on business operations, financial position and performance or reputation > EUR 500 thousand individual risk
Medium	Some negative impact on business operations, financial position and performance or reputation > EUR 10 million individual risk
Major	Substantial negative impact on business operations, financial position and performance or reputation > EUR 50 million individual risk
Severe	Severe damaging negative impact on business operations, financial position and performance or reputation > EUR 100 million individual risk

Based on the assessment of likelihood of occurrence and impact, all identified risks are classified and visualized 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, respectively Audit Committee.

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 reports prepared for the Management Board, Audit Committee and Supervisory Board focus primarily on existential risks and significant risks, along with the countermeasures adopted.

4.2.3 Risk Areas

Companies with business models that include founding, financing and investing in young companies in the Internet sector take deliberate entrepreneurial risks. Rocket Internet 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 results of operations, the financial position and net assets of the Rocket Internet Group are presented below. These are not necessarily the only risks to which the Company is exposed. Further risks, which could affect our operations are currently not foreseen, or we assess these to be non-substantial.

Risks are typically 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 builds and invests in Internet companies that take proven online and mobile business models to new, fast-growing markets. Our companies are “first movers” that quickly capture sizeable market share, the foundation for strong and lasting profitability.

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.

Experienced scouts 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 naturally higher likelihood 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 (or 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.

Guidance to develop their operations and accelerating their operational development is provided to the network companies by giving access to Rocket Internet's technology and by sharing our proprietary knowledge with the network companies.

After investment or incubation, 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 and business decisions.

Rocket Internet provides companies with the financial means 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 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 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 and standardize all required information. An investment controlling department manages relevant information regarding the network companies. Although management of due diligence processes on Group 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 Group companies are supported by specialized law firms.

The financing of new and existing network companies by several co-investors permits the distribution of risks across several parties. Moreover, the Company also systematically ensures risk diversification by starting and financing businesses in different operational business fields and geographic areas. The Rocket Internet Group has access to a variety of investors as well as existing strategic partnerships.

However, as Rocket Internet's business model relies on the capital markets as well as attracting external financing in subsequent financing rounds to expand the network company business the investor relation risk is considered high.

After admission to trading in the Prime Standard, the risk assessment was increased compared to prior year due to increased regulations, additional post-admission obligations and correspondingly changed investor expectations. Furthermore, the general funding environment for growth companies has become more challenging.

Rocket Internet 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, in particular in the early stage. 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 management of the network companies is in the responsibility of the local management. Rocket Internet's control over many network companies is limited as it does not hold shareholding majority in many cases or shareholder agreements exist that lead to ongoing restrictions of Rocket Internet's control over those network companies. Notwithstanding Rocket Internet is aware that reputational risks can arise for 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 subject to investor approval. A standard monitoring and approval process for investor approvals is implemented. However, given the control restrictions 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 investments, as well as
- treasury.

Rocket Internet has implemented a system of internal controls over 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 40 and Note 41 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 as higher than compared to the prior year. 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. Especially IT specialist staff is increasingly in demand, particularly with regards to the increasing digitization of business models. Rocket Internet has set up an in-house recruiting team that is very successful in discovering candidates for digital business activities. 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 management and the associated loss of expertise and the capacity issue is a high risk which we actively look to counter. This personnel-related risk is 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 financial position, financial performance and liquidity in the forecast period 2017.

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 dedicated teams to identify both interesting ideas which can be pursued by Rocket Internet itself in creating a new dedicated network company or promising start-ups where it makes more sense to participate as an investor. Management relies on the work of these independent teams to propose ideas and target entities and to prepare investment memos and business plans on the basis of which the decisions are made.

Rocket Internet also regularly reviews and weighs opportunities of existing businesses in order to decide if the business activities should be continued or ceased. Equally, Rocket Internet scans and evaluates all potential options for exits from an investment and the resulting gain or loss.

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 establish themselves at an early stage and with promising business models in new geographic locations. At the same time, the rapid pace of developments in the Internet sector entails risks.

Identification and implementation of new business models

The Group is very well established in the industry. As a result, it has many opportunities to make use of innovations and trends in the Internet market within a short time frame through the creation of viable businesses. Rocket Internet’s core competencies include, in particular, the pursuit of new digital business models and trends and the early identification of new markets. The implementation of new business models is carried out using the unique platform approach that Rocket Internet developed.

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 development process

Furthermore, 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 also enables 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.

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. Moreover, the Group can generate economies of scope and scale as a result of its parallel international rollouts and its presence on six continents including many complex emerging markets.

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.

5. Risk Report Concerning the Use of Financial Instruments

The major financial instruments of Rocket Internet Group are cash (33% of total assets; previous year 35%) and short-term bank deposits (4% of total assets; previous year 0%), available-for-sale equity investments (31% of total assets; previous year 20%), equity instruments at fair value through profit or loss (FVTPL) (8% of total assets; previous year 6%) and other non-current financial assets (2% of total assets; previous year <1%), as well as liabilities from convertible bonds (8% of total assets; previous year 10%). The Group also records trade receivables and trade liabilities as well as loan receivables and loan liabilities mainly from associated companies and joint ventures, 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 (19% of the total assets, previous year 50%), investments in subsidiaries (59% of total assets, previous year 34%), participations (11% of total assets, previous year 12%), as well as the liabilities from convertible bonds (16% of total assets, previous year 16%).

For information about the functions and objectives of our financial management, please refer to Note 40 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

The (consolidated) financial reporting-related risk management system and the connected internal control system are important elements of the internal management system of Rocket Internet SE.

The concept and organization of these systems is based on the internationally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The effective interplay of the risk management system and internal control system is meant to ensure the effectiveness and efficiency of Rocket Internet's business activities, the completeness and reliability of its financial reporting as well as compliance with relevant laws and standards.

The (consolidated) financial reporting related risk management and internal control system comprise 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 system cannot guarantee the prevention or detection of all irregularities or inaccurate disclosures.

We consider the following elements of the risk management and internal control 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 (income statement, statement of financial position) and monthly reports on all cost units of Rocket Internet, including analysis and reporting of significant developments and budget/actual variances.

The Internal Audit department independently audits effectiveness and efficiency of the accounting related risk management and internal control system by having authorized full, free and unrestricted access to any and all of Rocket Internet's records, physical properties and personnel pertinent to carrying out any engagement. 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. Takeover Law Disclosures Pursuant to Secs. 289 (4) and 315 (4) HGB (German Commercial Code)

Composition of share capital

Rocket Internet SE's share capital currently amounts to EUR 165,140,790. It is divided into 165,140,790 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.

Restrictions relating to the voting rights or the transfer of shares

Rocket Internet SE does not hold any treasury shares as of the reporting date. Therefore, there are no restrictions relating to voting rights according to Sec. 71b AktG.

Similarly, there are no restrictions regarding the transfer of shares.

Shareholdings that exceed 10% of the voting rights

At the end of the financial year 2016 Global Founders GmbH, Grünwald held 37.1% and Kinnevik Internet Lux S.à r.l., Luxembourg (a subsidiary of Kinnevik AB, Stockholm) held 13.2% of the shares in Rocket Internet SE. In February 2017, Kinnevik sold half of its stake in Rocket Internet SE decreasing its share to 6.6%. Please see Section 3.4 Rocket Internet Share and Share Capital Structure for further information.

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.

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 of the Articles of Association, the Supervisory Board appoints the members of the Management Board for a maximum term of five years. In accordance with Art. 7 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. The amendments to the Articles of Association are made in accordance with Secs. 179 and 133 AktG and Art. 20 of the Articles of Association. 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.

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. 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 2015/2016). 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 9,

2016. 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 9, 2016. 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 9, 2016 up to June 8, 2021, 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 8, 2021 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 2016). 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 2016 or after expiry of the period for the use of the Authorized Capital 2016, to amend the version of the Articles of Association accordingly.

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 (9), 315a (1) and 314 (1) HGB in conjunction with Art. 61 of the SE Regulation.

Non-share-based payments (non-performance-based remuneration)

The members of the Management Board receive non-share-based remuneration, such as salaries, non-cash payments and other benefits.

The salaries of the members of the Management Board are paid in monthly installments. The members of the Management Board as a group received annual salaries totaling EUR 1,750 thousand in the financial year 2016 (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 2016 (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 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, the Supervisory Board is authorized to grant up to 1,201,022 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:

Share options	**2016**		**2015**	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Options outstanding at January 1	**EUR 39.88**	**5,450,054**	**EUR 39.88**	**5,450,054**
Granted during the period	EUR 17.90	292,680	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Options outstanding at December 31	**EUR 38.76**	**5,742,734**	**EUR 39.88**	**5,450,054**
Exercisable at the end December 31	-	-	-	-

Furthermore, members of the Management Board receive shares respectively share options in single, incubated portfolio entities of Rocket Internet SE at the date of founding of these portfolio entities.

- 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 month – 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 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 in subsidiaries issued to members of the Management Board are as follows:

	2016	2015
Number of unvested shares at January 1	**519**	**262**
Deconsolidation of subsidiaries	228	-
Granted during the period	-	614
Vested during the period	72	-
Forfeited during the period	15	357
Number of unvested shares at December 31	**204**	**519**
Number of vested shares at December 31	489	417

- 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:

	2016		2015	
	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares
Outstanding options at January 1	**EUR 1,00**	**332**	**EUR 1,00**	**0**
Deconsolidation of subsidiaries	EUR 1,00	296	EUR 1,00	0
Granted during the year	EUR 1,00	25	EUR 1,00	332
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 at December 31	**EUR 1,00**	**61**	**EUR 1,00**	**332**
Exercisable at December 31	EUR 1,00	28	EUR 1,00	22

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 portfolio 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 conditions of the employment contracts between the members of the Management Board and the Company became effective with the transformation of the Company into an Aktiengesellschaft (stock corporation) and were renewed with the transformation into a SE (Societas Europaea). They 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 Peter Kimpel and their 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 2016 a total remuneration of EUR 5,695 thousand (prior year: EUR 7,699 thousand).

In EUR thousand	**2016**	**2016 (min)**	**2016 (max)**	**2015**
Fixed compensation	1,750	1,750	1,750	1,750
Fringe benefits	21	21	21	28
Non-cash compensation	1,523	1,523	1,523	3,395
One-year variable compensation	-	-	-	-
Total short-term compensation	3,294	3,294	3,294	5,173
Multi-year variable compensation (share-based payments)	2,401	2,401	2,401	2,526
Service cost	-	-	-	-
Granted compensation – Total	**5,695**	**5,695**	**5,695**	**7,699**

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 2016 respectively 2015.

In EUR thousand	**2016**	**2015**
Fixed compensation [*)]	1,750	1,750
Fringe benefits [*)]	21	28
Non-cash compensation	1,523	3,395
One-year variable compensation	-	-
Total short-term compensation	3,294	5,173
Multi-year variable compensation (share-based payments)	20,728	37,155
Service cost	-	-
Expenses in the reporting period – Total	**24,022**	**42,328**

[*)] 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 paragraph 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 25,000. The chairman of the Supervisory Board and the chairman of the Audit Committee receive twice this amount. 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 2016 and 2015 the following remuneration was paid:

In EUR thousand	**2016**	**2015**
Prof. Dr. Marcus Englert	50	29
Norbert Lang (starting June 23, 2015)	25	13
Prof. Dr. h.c. Roland Berger	25	25
Dr. Martin Enderle (starting June 23, 2015)	25	13
Stefan Krause (starting June 9, 2016)	14	0
Pierre Louette (starting June 9, 2016)	14	0
Napoleon L. Nazareno	25	25
Prof. Dr. Joachim Schindler (starting June 23, 2015)	50	14
Daniel Shinar	25	25
Ralph Dommermuth (till June 23, 2015)	0	12
Lorenzo Grabau (till June 9, 2016)	11	49
Erik Mitteregger (till June 9, 2016)	11	49
Dr. Erhard Schipporeit (till June 23, 2015)	0	12
Philip Yea (till June 23, 2015)	0	12
Total fixed annual remuneration	275	278
Out-of-pocket expenses	28	27
Expenses in the reporting period – Total	**303**	**305**

9. Corporate Governance Report / Declaration of Conformity

The Management Board and the Supervisory Board of Rocket Internet SE will make publicly available the corporate governance report including the corporate governance declaration in accordance with Sec. 289a HGB, which includes the declaration of conformity required by Sec. 161 AktG, on the website of the parent Company under: https://www.rocket-internet.com/investors/corporate-governance.

Berlin, March 31, 2017

Oliver Samwer Peter Kimpel Alexander Kudlich

Audit Opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report for the Parent Company and the Group of Rocket Internet SE, Berlin for the fiscal year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report for the for the Parent Company and the Group in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report for the for the Parent Company and the Group based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report for the Parent Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report for the Parent Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report for the Parent Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report for the Parent Company and the Group is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Berlin, 31 March 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grummer	Beckers
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement pursuant to Sec. 297 (2) HGB 2016

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Responsibility Statement pursuant to Sec. 297 (2) HGB

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 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 31, 2017

The Management Board

Oliver Samwer | Peter Kimpel | Alexander Kudlich

About Rocket Internet

Rocket Internet builds and invests in Internet companies that take proven online business models to new, fast-growing markets. Rocket Internet focuses on four industry sectors of online and mobile retail and services that make up a significant share of consumer spending: Food & Groceries, Fashion, General Merchandise and Home & Living. Its network of companies operates in a large number of countries around the world with more than 36,000 employees. Rocket Internet SE is listed on the Frankfurt Stock Exchange (ISIN DE000A12UKK6, RKET). For further information please visit www.rocket-internet.com.

About this Document

This document is a part of the Annual Financial Report pursuant to Sec. 37v WpHG. Annual Financial Report was prepared on March 31, 2017 (editorial deadline) and submitted for publication on April 25, 2017 (publication date).

Disclaimer and other Notes

This document contains forward-looking statements. These statements are based on the current views, expectations and assumptions of the management of Rocket Internet SE and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those described in such statements due to, among other things, changes in the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations and competition from other companies, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, and other factors. Rocket Internet SE assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.

The financial figures have been prepared in conformity with German GAAP. Furthermore, this document includes in German GAAP not clearly defined additional financial measures that are or may be so-called non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation or as alternatives to assess the position of the Parent Company as presented in accordance with German GAAP. Other enterprises that report or describe similarly titled financial measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This document is a translation of the original German version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the German original is binding.

ROCKETINTERNET

Imprint

Rocket Internet SE
Charlottenstraße 4
10969 Berlin
Germany

Phone: +49 30 300 13 18-00
Fax: +49 30 300 13 18-99

info@rocket-internet.com
www.rocket-internet.com