

# ROCKET INTERNET

## **Annual Financial Statements and Management Report for the Parent Company and the Group 2017**

**Rocket Internet SE, Berlin**

*Non-binding convenience translation from German*

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# ROCKET INTERNET

## **Annual Financial Statements 2017**

(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, 2017

Assets	December 31, 2016		Equity and Liabilities	December 31, 2016	
	EUR	EUR		EUR	EUR
<b>A. Fixed Assets</b>			<b>A. Equity</b>		
<b>I. Intangible assets</b>			<b>I. Subscribed capital</b>		
1. Internally generated industrial and similar rights and assets	4	4	1. Contingent Capital EUR 82,546,825 (PY EUR 82,546,825)	165,140,790	165,140,790
2. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	457,451	399,145	2. Treasury shares	-1,035,621	0
		457,455		164,105,169	165,140,790
		399,149	<b>II. Capital reserves</b>	2,782,938,768	2,779,961,691
<b>II. Property, plant and equipment</b>			<b>III. Retained earnings</b>	82,570,395	0
1. Other equipment, operating and business equipment	2,600,573	2,796,372	<b>IV. Unappropriated retained earnings</b>	38,357,093	-32,023,040
2. Advanced payments and assets under constructions	38,990	226,711		3,067,971,425	2,913,079,441
		2,639,563	<b>B. Provisions</b>		
		3,023,083	1. Tax provisions	305,623	305,623
<b>III. Financial assets</b>			2. Other provisions	8,197,947	17,429,971
1. Investments in subsidiaries	1,903,926,611	2,063,695,359		8,503,570	17,735,594
2. Participations	415,024,226	401,150,879	<b>C. Liabilities</b>		
3. Securities held as fixed assets	217,420,299	170,669,586	1. Convertible Bonds thereof convertible EUR 550,000,000 thereof interest liabilities EUR 3,927,617 (PY EUR 4,658,367)	553,927,617	554,658,367
4. Other Receivables	2,843,107	3,626,624	2. Liabilities to banks	369,416	2,860
		2,539,214,243	3. Payments received	8,353	0
		2,642,564,680	4. Trade liabilities	1,004,008	345,583
<b>B. Current Assets</b>			5. Liabilities to subsidiaries	492,243	414,116
<b>I. Inventories</b>			6. Liabilities to companies in which a participation is held	57,203	0
1. Work in progress	1,204,579	256,876	7. Other liabilities thereof for taxes EUR 313,488 (PY EUR 427,433) thereof for social security EUR 28,737 (PY EUR 29,004)	10,669,029	4,556,582
2. Prepayments on investments	0	31,311		566,527,868	559,977,508
		1,204,579	<b>D. Deferred income</b>	22,469	0
<b>II. Receivables and other assets</b>					
1. Trade receivables	481,249	123,317			
2. Receivables from subsidiaries	151,768,479	48,863,010			
3. Receivables from companies in which a participation is held	4,658,225	90,214,668			
4. Other assets	17,952,029	21,147,847			
		174,859,982			
		896,116,616			
<b>III. Cash on hand and bank balances</b>		653,572,027			
		1,072,181,177			
<b>C. Prepaid expenses</b>		28,532,894			
		34,018,807			
		3,643,025,333		3,643,025,333	3,490,792,543

**Rocket Internet SE, Berlin**  
**Income Statement for financial year 2017**

	EUR	EUR	2016 EUR
1. Revenue	17,055,836		28,106,675
2. Increase (PY Decrease) in work in progress	947,703		-808,113
3. Other own work capitalized	0		2,855,176
4. Other operating income	274,159,916		150,579,857
thereof income from currency translation EUR 211,950 (PY EUR 14,328,160)			
		<u>292,163,455</u>	<u>180,733,595</u>
5. Cost of materials			
a) Cost of purchased goods	595,057		684,123
b) Cost of purchased services	7,075,287		10,076,633
6. Personnel expenses			
a) Wages and salaries	52,225,048		47,596,894
b) Social security and other pension costs			
thereof retirement benefits EUR 22,641 (PY EUR 29,232)	2,345,148		3,694,958
7. Depreciation / amortization			
of intangible assets and property, plant and equipment	574,519		7,058,811
8. Other operating expenses	80,372,337		38,163,273
thereof expenses from currency translation EUR 46,452,328 (PY EUR 721,940)			
		<u>143,187,396</u>	<u>107,274,692</u>
9. Income from participations	1,248,914		6,451,815
10. Other interests and similar income	20,990,732		10,129,848
thereof from subsidiaries EUR 15,313,566 (PY EUR 8,026,773)			
thereof from discounted other liabilities EUR 714,279 (PY EUR 994,987)			
11. Write downs on financial assets	3,018,274		29,452,308
12. Interest and similar expenses	15,246,903		19,171,480
thereof from discounted convertible bonds EUR 5,362,893 (PY EUR 5,142,692)			
		<u>3,974,469</u>	<u>-32,042,125</u>
13. Result before tax		<u>152,950,528</u>	<u>41,416,778</u>
14. Income taxes		<u>0</u>	<u>-5,700</u>
15. Net income		152,950,528	41,422,478
16. Loss carried forward from previous year		-32,023,040	-73,445,518
17. Transfers to retained earnings		-82,570,395	0
18. Unappropriated retained earnings		<u>38,357,093</u>	<u>-32,023,040</u>

# ROCKET INTERNET

## **Notes to the Annual Financial Statements 2017**

(prepared in accordance with German GAAP)

**Rocket Internet SE, Berlin**

*Non-binding convenience translation from German*

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**A. General information on the financial statements**

The annual financial statements as of December 31, 2017, 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 criteria.

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 changed in comparison to the previous financial year.

### **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 a value 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. 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.

### **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.

The shares bought back are recorded as treasury shares and result in an open reduction in contingent equity with the nominal amount. The residual value between nominal amount and purchase price of shares bought back will be offset against the capital reserve.

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 of last seven years published by German Federal Reserve Bank (Deutsche Bundesbank). In relation to the lending of foreign currency loans, currency swaps were used for the first time in the financial year to compensate changes in value or cash flows. Currency swaps are used as derivatives without affecting. No valuation units were formed. In the case of unrealized losses, provisions for contingent losses on pending transactions are formed in respect of those transactions.

### **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.

### **Deferred income**

Deferred income include income prior to the reporting date that relates to income for a specified period after the balance sheet date.

### **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. In the profit and loss account, information regarding the foreign currency effects is presented separately in the Other operating income and the Other operating expenses. This contains realized and unrealized effects.

## 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, no development costs of internally generated intangible assets were capitalized (previous year EUR 2,855 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 2017 Rocket Internet SE bought back convertible bonds with a total nominal amount of EUR 55,500 thousand (previous year EUR 196,200 thousand). The cumulative nominal amount of bought back convertible bonds is EUR 251,700 thousand. Accordingly, these repurchased bonds were recognized with their purchase costs of EUR 217,339 thousand under the fixed assets as of Dec 31, 2017.

#### 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 784 thousand (previous year 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)
<b>Germany</b>					
AEH New Africa eCommerce II GmbH, Berlin	DE	71.2	Dec 31, 2016	23,364	-4
Africa Internet Holding GmbH, Berlin	DE	21.7	Dec 31, 2016	391,978	-114,463
Bambino 106. V V UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	18,392	-114
Bambino 53. V V UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	933	-594
Bambino 107. V V UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	-61	-4
Bambino 110. V V UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2016	-15	-5
Bambino 52. V V UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	-19	-3
Bambino 54. V V UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	1	-2
Bambino 55. V V UG (haftungsbeschränkt) i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	1	-2

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
Brillant 1259. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	28	-3
Brillant 1423. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	25	-3
CD-Rocket Holding UG (haftungsbeschränkt) i.L., Berlin	DE	100	Dec 31, 2015	-5	-17
CityDeal Management II UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	10	-14
CityDeal Management UG (haftungsbeschränkt), Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	2	-1
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	775	-1,246
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	2,382	-15
European Founders Fund Investment GmbH, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	579	-5
European Founders Fund Nr. 2 Geschäftsführungs GmbH, Berlin	DE	100	Dec 31, 2016	19	-1
European Founders Fund Nr. 2 Verwaltungs GmbH, Berlin	DE	100	Dec 31, 2016	18	-1
European Founders Fund Nr. 3 Management GmbH, Berlin	DE	100	Dec 31, 2016	19	-1
European Founders Fund Nr. 3 Verwaltungs GmbH, Berlin	DE	100	Dec 31, 2016	18	-1
GFC Global Founders Capital GmbH, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	72,863	2,217
Global Founders Capital Management GmbH, Berlin	DE	100	Dec 31, 2015	104	-5
Global Savings Group GmbH, Munich	DE	16.6	Dec 31, 2014	45	-2,136
HC Brilliant Services GmbH (former: FabFurnish GmbH), Berlin	DE	29.2	Dec 31, 2016	4,447	-1,632
HelloFresh SE, Berlin	DE	44.1	Dec 31, 2015	197,267	-15,229
Home24 AG, Berlin	DE	40.8	Dec 31, 2016	55,713	-128,827
International Rocket GmbH & Co. KG, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	2,003,515	-269
Jade 1085. GmbH, Berlin	DE	100	Dec 31, 2015 <sup>1</sup>	72	-6
Jade 1158. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	37	-2
Jade 1217. GmbH i.L., Berlin	DE	100	Dec 31, 2015 <sup>1</sup>	2,438	-8
Jade 1221. GmbH i.L., Berlin	DE	71.0	Dec 31, 2015 <sup>1</sup>	382	4,307
Jade 1223. GmbH i.L., Berlin	DE	73.8	Dec 31, 2015 <sup>1</sup>	-9	-1
Jade 1231. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	25	-2
Jade 1232. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	25	-2
Jade 1234. GmbH i.L., Berlin	DE	100	Dec 31, 2015 <sup>1</sup>	11	-4
Jade 1238. GmbH i.L., Berlin	DE	73.7	Dec 31, 2015 <sup>1</sup>	5,308	0
Jade 1240. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	30	-2
Jade 1241. i.L. GmbH, Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	25	-1
Jade 1246. GmbH i.L., Berlin	DE	99.5	Dec 31, 2016 <sup>1</sup>	25	-2
Jade 1247. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	25	-2
Jade 1265. GmbH i.L., Berlin	DE	90.1	Dec 31, 2015 <sup>1</sup>	-101	-22
Jade 1279. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	25	-1
Jade 1317. GmbH, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	2,753	-13
Jade 1318. GmbH, Berlin	DE	62.9	Dec 31, 2016	-205	-5
Jade 1319. GmbH i.L., Berlin	DE	99.5	Dec 31, 2016 <sup>1</sup>	25	-2
Jade 1356. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	25	-11
Jade 1366. GmbH i.L., Berlin	DE	86.7	Dec 31, 2015 <sup>1</sup>	-449	-5
Jade 1368. GmbH i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	28	-3
Jade 1371. GmbH, Berlin	DE	100	Dec 31, 2016	26	-7
Jade 1372. GmbH i.L., Berlin	DE	100	Dec 31, 2015 <sup>1</sup>	-18	-37
Jade 940. GmbH i.L., Berlin	DE	100	Dec 31, 2015 <sup>1</sup>	37	-7
Juwel 155. V V UG (haftungsbeschränkt) i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	1	-2
Juwel 156. V V UG (haftungsbeschränkt) i.L., Berlin	DE	100	Dec 31, 2016 <sup>1</sup>	1	-1
Kin Shopping GmbH i.L., Berlin	DE	82.0	Dec 31, 2015 <sup>1</sup>	-706	-737
launchcircle GmbH, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	-195	-155

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
Lindentor 226. V V GmbH, Berlin	DE	100	Dec 31, 2016	24	-1
Lindentor 227. V V GmbH, Berlin	DE	100	Dec 31, 2016	24	-1
MKC Brillant Services GmbH, Berlin	DE	65.0	Dec 31, 2017 <sup>1</sup>	49,677	-244
Netzoptiker GmbH i.L., Limburg a.d.L.	DE	42.8	Dec 31, 2013	-838	-1,044
New Bigfoot Other Assets GmbH i.L., Berlin	DE	29.2	Dec 31, 2015 <sup>1</sup>	14	-9
New Middle East Other Assets GmbH i.L., Berlin	DE	32.7	Dec 31, 2015 <sup>1</sup>	15	-8
Piccolo 22. UG (Haftungsbeschränkt), Berlin	DE	26.6	Dec 31, 2014	300	287
PTH Brillant Services GmbH i.L., Berlin	DE	79.6	Dec 31, 2012	5,010	-15
RCKT GmbH & Co. KG, Berlin	DE	58.0	Dec 31, 2017 <sup>1</sup>	942	783
RCKT Management GmbH, Berlin	DE	100	Dec 31, 2016	207	2
Rocket Internet Marketplace Solutions GmbH i.L., Berlin	DE	100	Dec 31, 2017	n/a	n/a
Rocket Internet Munich GmbH, Munich	DE	100	Dec 31, 2017 <sup>1</sup>	190	25
Rocket Middle East GmbH, Berlin	DE	100	Dec 31, 2016	11	-4
R2 International Internet GmbH, Berlin	DE	59.2	Dec 31, 2017 <sup>1</sup>	479	48
Spark Networks SE, Munich	DE	25.6	Dec 31, 2017	n/a	n/a
VRB GmbH & Co. B-101 (Einhunderteins) KG, Berlin	DE	100	Dec 31, 2017 <sup>1</sup>	0	0
Westwing Group GmbH, Berlin	DE	32.3	Dec 31, 2015	190,192	-3,582
Zanui Holding GmbH, Berlin	DE	28.7	Dec 31, 2017 <sup>1</sup>	n/a	n/a
<b><u>Foreign Countries</u></b>					
Asia Internet Holding S.à r.l., Senningerberg, Luxembourg	LU	50.0	Dec 31, 2016	147,135	12,503
Caterwings Holding S.à r.l., Senningerberg, Luxembourg	LU	75.0	Dec 31, 2017 <sup>1</sup>	7,946	-211
Convenience Food Group S.à r.l., Senningerberg, Luxembourg	LU	62.6	Dec 31, 2017 <sup>1</sup>	29,796	-5,293
Digital Services LI S.à r.l. (in liquidation), Senningerberg, Luxembourg	LU	100	Dec 31, 2015	-130	-145
Digital Services LIII S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	-41	-50
Digital Services LIV S.à r.l., Senningerberg, Luxembourg	LU	69.8	Dec 31, 2017 <sup>1</sup>	5,300	-12
Digital Services LV S.à r.l., Senningerberg, Luxembourg	LU	99.3	Dec 31, 2017 <sup>1</sup>	-372	-406
Digital Services LVII S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2016	11	-4
Digital Services XLIII S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	-3,190	-6,047
Digital Services XLVII S.à r.l., Senningerberg, Luxembourg	LU	59.8	Dec 31, 2016	7	-3
Digital Services XXVIII S.à r.l., Senningerberg, Luxembourg	LU	47.3	Dec 31, 2016	629	-9,101
Digital Services XLIX S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2016	4	-7
Digital Services Holding IV S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2016	-8	-9
Emerging Markets Capital S.à r.l., Luxembourg (City), Luxembourg	LU	100	Dec 31, 2016	-6	-29
Emerging Markets Internet Fund SCS, Luxembourg (City), Luxembourg	LU	66.7	Dec 31, 2016	898	-61
Finverum Capital S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	-1,474	-684

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thousand)
Food Delivery Holding 23 S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2016	0	-8
Food Delivery Holding 27 S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2016	0	-8
GG Fun Ltd., Birkirkara, Malta	MT	100	Dec 31, 2015	3	-4
Global Fashion Group S.A., Senningerberg, Luxembourg	LU	20.2	Dec 31, 2016	997,420	-1,382,416
Global Fin Tech Holding S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	12,982	2,785
Global Growth Capital Advisors Limited , London, United Kingdom	UK	100	Dec 31, 2017 <sup>1</sup>	-31	-40
Global Growth Capital Fund I S.C.Sp., Luxembourg (City), Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	26	-432
Global Growth Capital GP S.à r.l., Luxembourg (City), Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	2	-10
GP Management Ltd., Birkirkara, Malta	MT	99.9	Dec 31, 2015	-13	-3
Helping Group Holding S.à r.l., Senningerberg, Luxembourg	LU	21.8	Dec 31, 2016	75,835	-2,007
Middle East Internet Holding S.à r.l., Senningerberg, Luxembourg	LU	50.0	Dec 31, 2016	44,422	-735
Moneda Top-Holding S.à r.l., Senningerberg, Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	- 79	144
Order-In Pty Ltd, Sydney, Australia	AUS	20.3	Dec 31, 2017	n/a	n/a
RI Capital Advisors Ltd., London, United Kingdom	UK	100	Dec 31, 2017 <sup>1</sup>	306	506
RideLink Global S.A., Senningerberg, Luxembourg	LU	81.5	Dec 31, 2017 <sup>1</sup>	98	-6,294
Rocket Internet Capital Partners Founder SCS, Luxembourg (City), Luxembourg	LU	75	Dec 31, 2017 <sup>1</sup>	38,846	-9,836
Rocket Internet Capital Partners Lux S.à r.l., Luxembourg (City), Luxembourg	LU	100	Dec 31, 2017 <sup>1</sup>	1,183	1,403
Somuchmore Global S.à r.l. (in liquidation), Senningerberg, Luxembourg	LU	73.3	Dec 31, 2015	6,538	10
Vaniday Global S.à r.l., Senningerberg, Luxembourg	LU	43.4	Dec 31, 2016	9,695	-15,702
ZipJet Global S.à r.l., Senningerberg, Luxembourg	LU	47.9	Dec 31, 2016	7,758	1

1) preliminary results

## II. Current assets

### 1. Inventories

Inventories amounting to EUR 1,205 thousand (previous year EUR 257 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, 2017 (EUR thousand)	Dec 31, 2016 (EUR thousand)
Trade receivables	481	123
- thereof due in more than one year	0	0
Receivables from affiliated companies	151,768	48,863
- thereof due in more than one year	0	0
Receivables from associated companies	4,658	90,215
- thereof due in more than one year	0	0
Other receivables	17,952	21,148
- thereof due in more than one year	0	0

Receivables from affiliated companies in the amount of EUR 151,768 thousand (previous year EUR 48,863 thousand) contain loan receivables of EUR 151,292 thousand (previous year EUR 44,922 thousand) and trade receivables of EUR 721 thousand (previous year EUR 3,941 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 246 thousand (previous year EUR 525 thousand).

Receivables from associated companies amount to EUR 4,658 thousand (previous year EUR 90,215 thousand) and primarily consist of trade receivables of EUR 1,512 thousand (previous year EUR 2,534 thousand) and of loan receivables of EUR 3,344 thousand (previous year EUR 87,681 thousand). Individually risks were accounted in the amount to EUR 198 thousand (previous year EUR 0 thousand).

Other receivables in the amount of EUR 17,952 thousand (previous year EUR 21,148 thousand) mainly contain tax receivables (EUR 8,341 thousand; previous year EUR 1,743 thousand), Receivables from deposits (EUR 1,805 thousand; previous year EUR 1,805 thousand), purchase price claims from participations sold (EUR 7,507 thousand; previous year EUR 5,661 thousand) as well as other assets held for sale (EUR 0 thousand; previous year EUR 10,825 thousand).

## **3. Cash on hand and bank balances**

Cash and cash equivalents in the amount of EUR 896,117 thousand (previous year EUR 653,572 thousand) relate to cash in hand and bank balances.

Cash balances with banks amounting to EUR 686 thousand (previous year EUR 688 thousand) are restricted deposits used as security for rental guarantees. Furthermore cash and cash equivalents in the amount of EUR 149,929 thousand (previous year EUR 163,379 thousand) is restricted for pledges in relation to affiliated companies.

## **4. 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 1,007 thousand (previous year EUR 1,130 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 5,363 thousand (previous year EUR 5,142 thousand). At the end of the financial year, the remaining value of the discount is recognized with an amount of EUR 27,526 thousand (previous year EUR 32,889 thousand).

### **III. Equity**

#### **1. Subscribed capital**

##### **Share 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).

Rocket Internet SE bought back 1,035,621 bearer shares without nominal value in the period from August 14, 2017 to December 28, 2017. These treasury shares amount to EUR 1,035,621.00 which represents 0.63% of the share capital. In accordance with section § 272 (1a) HGB the capital related to the treasury shares has been openly deducted from the share capital. The repurchased shares of Rocket Internet SE are currently intended to be redeemed, and the share capital of Rocket Internet SE to be reduced accordingly.

##### **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, 2017, the remaining authorized capital totals EUR 15,012,592.

By resolution of the general meeting dated June 2, 2017, the Management Board is authorized to increase the registered capital of the Company until June 1, 2022, with the consent of the Supervisory Board once or repeatedly, by up to a total of EUR 67,557,803 by the issuance of up to 67,557,803 new no-par value bearer shares with the value of EUR 1.00 against contributions in cash or in kind (Authorized Capital 2017).

##### **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 9, 2016, the contingent capital 2014/II was changed while maintaining the amount.

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 regarding 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 regarding 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 2, 2017 supplemented the resolution dated June 9, 2016 to the contingent capital 2015/2016. Moreover the authorization of the Management Board to issues nominal convertible bonds and/or optional bonds and/or participating rights and/or participating bonds (or combinations of these instruments) is terminated.

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 2015/2017). The conditional capital increase serves to grants shares upon the exercising of option and/or conversion rights or the fulfillment of option and/or conversion obligations to the bearers of options and/or creditors based on the basis of the authorizing resolution of the Shareholders' Meeting of June 23, 2015 or based on the basis of the authorizing resolution of the Shareholders' Meeting of June 2, 2017 issued convertible bonds and/or optional bonds and/or participating rights and/or participating bonds (or combinations of these instruments) (hereinafter "Bonds"). New shares shall be issued in accordance on the basis of the authorization resolution of the general meeting of June 23, 2015, or in accordance on the basis of the authorization resolution of the general meeting of June 2, 2017, each conversion or option price to be determined.

## **2. Capital reserves**

During the financial year the capital reserves increased by EUR 2,977 thousand, from EUR 2,779,962 thousand to EUR 2,782,939 thousand.

Regarding the treasury shares which have been bought back, the residual amount between no-par value ordinary bearer shares and the purchase price in an amount of EUR 20,097 thousand is offset with the capital reserve.

In the financial year, expenses in the amount of EUR 23,074 thousand (previous year EUR 14,580 thousand) arising from the equity-settled share-based compensation plans are recognized in the capital reserve.

## **3. Retained earnings**

As defined by § 152 (3) No. 2 AktG in the financial year an amount up to half of the contingent capital (EUR 82,570,395.00) will be transfer in the retained earnings.

## **4. Voting rights notification**

As defined by §160 (1) No. 8 AktG, information received from shareholders pursuant to §21 (1) or (1a) Securities Trading Act (WpHG) old Version regarding their shareholding in the company, has to be disclosed.

Verdere S.à.r.l., Luxembourg (City), Luxembourg notified the company on February 27, 2017 pursuant to §21 (1) WpHG old Version that its voting rights in Rocket Internet SE, Berlin fell below the threshold of 10 % on February 23, 2017 and that it now holds 6.58 % of the voting rights (10.858.482 voting rights). 6.58 % of the voting rights are to be allocated to the company within the meaning of Section 22 (1) sentence 1 No. 1 of the WpHG old Version.

Verdere S.à r.l., Luxembourg (City), Luxembourg notified the company on June 12, 2017 pursuant to §21 (1) WpHG old Version that its voting rights in Rocket Internet SE, Berlin fell below the threshold of 5 % on June 8, 2017 and that it now holds 0.00 % of the voting rights (0 voting right). No more voting rights are to be allocated to the company within the meaning of Section 22 (1) sentence 1 No. 1 of the WpHG old Version.

AI European Holdings S.à r.l., Luxembourg (City), Luxembourg notified the company on September 20, 2017 pursuant to §21 (1) WpHG old Version that its voting rights in Rocket Internet SE, Berlin fell below the threshold of 5 % on September 14, 2017 and that it now holds 4.99 % of the voting rights (8,238,199 voting rights). 4.99 % of the voting rights are to be allocated to the company within the meaning of Section 22 (1) sentence 1 No. 1 of the WpHG old Version.

AI European Holdings S.à r.l., Luxembourg (City), Luxembourg notified the company on December 14, 2017 pursuant to §21 (1) WpHG old Version that its voting rights in Rocket Internet SE, Berlin fell below the threshold of 3 % on December 8, 2017 and that it now holds 2.99 % of the voting rights (4,944,624 voting rights). 2.99 % of the voting rights are to be allocated to the company within the meaning of Section 22 (1) sentence 1 No. 1 of the WpHG old Version.

**IV. 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 provision in the financial year in the amount of EUR 306 thousand 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 5,657 thousand (previous year EUR 12,257 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 1,917 thousand; previous year EUR 3,993 thousand).

**V. Liabilities**

The composition of the liabilities and their remaining contractual maturities as of December 31, 2017, are shown in the following schedule:

	Dec 31, 2017 (EUR thousand)	Dec 31, 2016 (EUR thousand)
Convertible Bonds	553,928	554,658
- 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	3,928	4,658
Liabilities to banks	369	3
- thereof due in more than one year	0	0
- thereof due within one year	369	3
Payments received	8	0
- thereof due in more than one year	0	0
- thereof due within one year	8	0
Trade liabilities	1,004	346
- thereof due in more than one year	0	0
- thereof due within one year	1,004	346
Liabilities to subsidiaries	492	414
- thereof due in more than one year	0	0
- thereof due within one year	492	414
Liabilities to companies in which a participation is held	57	0
- thereof due in more than one year	0	0
- thereof due within one year	57	0
Other liabilities	10,669	4,557
- thereof due in more than one year	9,881	3,806
- thereof due within one year	788	751

The liabilities contain the 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 3,928 thousand.

The increase in trade liabilities is primarily due to the decrease in provisions for outstanding supplier invoices.

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.

## **VI. Contingent liabilities and other financial obligations**

### **1. Contingent liabilities**

As of December 31, 2017, 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 149,929 thousand as of December 31, 2017 (previous year EUR 163,379 thousand). 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 thousand (previous year EUR 1,805 thousand).

### **2. Other financial obligations**

As of December 31, 2017, other financial obligations of EUR 379,766 thousand are in particular attributable to the following items:

	<b>Up to 1 year (EUR thousand)</b>	<b>1 - 5 years (EUR thousand)</b>	<b>&gt; 5 years (EUR thousand)</b>	<b>Total (EUR thousand)</b>
Rents and similar obligations	6,865	33,769	45,363	85,997
Outstanding investment and capital contribution obligations	293,009	0	0	293,009
Loan commitments	675	0	0	675
Shares bought back	85	0	0	85
<b>Total</b>	<b>300,634</b>	<b>33,769</b>	<b>45,363</b>	<b>379,766</b>

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

## **VII. 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 2017.

## 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, 2017 (EUR thousand)	Jan 1 - Dec 31, 2016 (EUR thousand)
<b>Revenue per type of services</b>		
- Consulting services	8,337	18,498
- Rental income	5,997	4,492
- Benefits in Kind	1,803	2,358
- Software licenses	694	2,513
- Infrastructure services	225	246
<b>Total</b>	<b>17,056</b>	<b>28,107</b>
<b>Revenue per region</b>		
- Germany	13,255	18,119
- Other EU countries	3,093	5,743
- Asia	470	3,619
- Rest of the world	142	378
- Australia / Oceania	65	150
- South America	20	71
- Africa	11	27
<b>Total</b>	<b>17,056</b>	<b>28,107</b>

### II. Other operating expenses

Permanent impairments caused write-downs of receivables of loans- and interests in the amount of EUR 4,953 thousand (previous year EUR 20,113 thousand).

### III. Write downs on financial assets

Permanent impairments caused write-downs of financial assets amounting to EUR 3,018 thousand (previous year EUR 29,452 thousand). The impairments are mainly related to the following companies:

	Type of impairment	Dec 31, 2017 (EUR thousand)	Dec 31, 2016 (EUR thousand)
Vaniday Global S.à r.l. <sup>1)</sup>	complete write-off	864	
Other lendings	lower fair value	784	
Piccolo 22. UG limited liability <sup>1)</sup>	complete write-off	399	
Carthero Technologies Private Limited <sup>1)</sup>	complete write-off	307	
Emerging Markets Internet Fund SCS <sup>1)</sup>	complete write-off	280	
Lindentor 227 VV GmbH <sup>1)</sup>	complete write-off	179	
Emerging Markets Capital S.à r.l. <sup>1)</sup>	complete write-off	122	
Wimdu GmbH <sup>1)</sup>	complete write-off		9,147
New Tin Linio II GmbH <sup>1)</sup>	complete write-off		7,353
Other lendings	lower fair value		5,065
Digital Services XXVIII S.à r.l. <sup>1)</sup>	complete write-off		4,730
Somuchmore Global S.à r.l.	lower fair value		1,300
Cuponation Group GmbH	lower fair value		1,262
<b>Total</b>		<b>2,935</b>	<b>28,857</b>

<sup>1)</sup>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.

**IV. Income and expenses attributable to other accounting periods**

Prior-period expenses of EUR 288 thousand (previous year EUR 166 thousand) are mainly attributable to services invoiced late (EUR 103 thousand) as well as VAT corrections (EUR 125 thousand). Prior-period income amounts to EUR 103 thousand (previous year EUR 9,769 thousand) and relates for services from previous year.

**E. OTHER DISCLOSURES**

**I. Management Board**

**1. Members of the Management Board**

The following members were elected into the Management Board:

<b>Name</b>	<b>Position</b>
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 (1) No. 6, and 315e (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 1,749 thousand.

New share options under the existing Stock Option Programs 2014 were granted to the members of the management board in 2017. In financial year 2017, the members of the management board received 2,207,320 share options with a grant date fair value of EUR 17,609 thousand.

**II. Supervisory Board**

**1. Members of the Supervisory Board**

As of December 31, 2017, the Supervisory Board of Rocket Internet SE consists of the following members:

<b>Name</b>	<b>Position</b>	<b>Member since</b>	<b>Mandates to sec. 125 (1) Sentence 5 AktG</b>
Prof. Dr. Marcus Englert - Chairman	Earlierer Management Consultant and Chief New Media Officer – ProSieben Sat.1, Associate Partner of Solon Management Consulting GmbH & Co. KG	August 22, 2014	<u>Other Supervisory Boards:</u> - EDSA European Directories Group (Chairman) - Sixt Leasing AG, Pullach (Vice-Chairman) <u>Other Executive Boards:</u> - iBrothers Capital GmbH, Munich (Director) - iBrothers Media GmbH, Munich (Director) - Pine Hill Capital Europe GmbH & Co. KG, Munich (Shareholder) - Pine Hill Capital LP, Munich (Shareholder)



Name	Position	Member since	Mandates to sec. 125 (1) Sentence 5 AktG
Norbert Lang Vice-chairman,	Management-Consultant	June 23, 2015	<u>Other Supervisory Board:</u> -Drillisch AG, Maintal (Member) -1&1 Drillisch AG, Maintal (Member) -1&1 Telecommunication SE, Maintal (Member)
Prof. Dr. h.c. Roland Berger	Founder and former CEO of Roland Berger Strategy Consultants	August 22, 2014	<u>Other Executive Boards:</u> - ePRICE S.p.A., Milan, Italy (Board of Directors)
Daniel Shinar	CEO of ClalTech	August 22, 2014	<u>Other Executive Board:</u> - LightCyber (Director) - Dynamic Yield (Director) - Tigo Energy Inc., (Director) - CTM Holdings & Initiating Ltd. (Director) - CT-MS Holdco Ltd., (Director) - Global Fashion Group S.A., Luxembourg (Management Board) - Infinity Funds (Management Board) - Neshor Cement Enterprise Ltd (Director) - Mashav Initiating and Development Ltd., (Director)
Prof. Dr. Joachim Schindler	Chartered Auditor and Tax-Adviser	June 23, 2015	<u>Other Executive Boards:</u> - Centogene AG, Rostock (Chair) - Medizinische Hochschule Brandenburg CAMPUS GmbH, Neuruppin (Deputy Chairman) - Zoologischer Garten Berlin AG, Berlin (Supervisory Board) - CORE SE, Berlin (Chair) - Salzgitter AG, Salzgitter (Member) <u>Other Executive Boards:</u> - Institut der Wirtschaftsprüfer (Chairman)
Stefan Krause	Industry and Banking Manager	June, 09, 2016	<u>Other Executive Boards:</u> - Faraday Future Inc. (Management, CFO) - Schmalenbach Gesellschaft für Betriebswirtschaft e.V, Köln (President of the Joint Board)

<b>Name</b>	<b>Position</b>	<b>Member since</b>	<b>Mandates to sec. 125 (1) Sentence 5 AktG</b>
Pierre Louette	Chief Executive Officer of Delegate, General Secretary, Operators (France) and Purchasing at Orange S.A.	June, 09, 2016	<u>Other Supervisory Boards:</u> - 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) <u>Other Executive Boards:</u> - Orange Espagne S.A.U., Madrid, (Management) - Orange Spain Plc., London (Management)
Christopher H. Young	Executive Director of First Pacific Company	June, 02, 2017	<u>Other Supervisory Boards:</u> - Roxas Holdings, Inc. (Director) - Philippine Long Distance Telephone Company (Member) <u>Other Executive Boards:</u> - Ideaspace (Trustee) - PT Indofood Sukses Makmur Tbk (Commissioner) - First Pacific Company Limited (Executive Director)

The former members of the Supervisory Board that were active during the financial year 2017 are as follows:

<b>Name</b>	<b>Position</b>	<b>Since / until</b>	<b>Mandates to sec. 125 (1) Sentence 5 AktG</b>
Napoleon L. Nazareno	CEO of Philippine Long Distance Telephone Company	August 22, 2014/ June, 2, 2017	<u>Other Executive Boards:</u> - 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)
Dr. Martin Enderle	Management-Consultant	June 23, 2015/ June, 2, 2017	<u>Other Executive Boards:</u> - CEWE Stiftung & Co. KGaA Foundation Board) - Egmont Foundation (Foundation Board)

## **2. Remuneration of the Supervisory Board**

Rocket Internet SE has established pro rata provisions for the remuneration of the supervisory board amounting to EUR 275 thousand (previous year EUR 275 thousand). Furthermore, members of the supervisory board claimed reimbursement of travel expenses incurred in conjunction with fulfilment of their duties amounting to EUR 11 thousand (previous year EUR 28 thousand).

## **III. Number of employees**

Rocket Internet SE employed a total of 169 employees as of December 31, 2017 (prior year 263). The average number of employees according to section 267 (5) HGB was as follows:

	<b>Dec 31, 2017</b>	<b>Average 2017</b>
White-collar staff	168	210
Apprentices	1	1
<b>Total</b>	<b>169</b>	<b>211</b>

## **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, 2017, 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. Appropriation of the results of the current financial year**

Supervisory Board and Management Board propose to carry forward in full the unappropriated retained earnings as of December 31, 2017, of EUR 38,357,093.16 to new account.

## **VII. 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.

## **VIII. 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. 289f 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 29, 2018

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 2017

	January 1,2017 EUR	Acquisition and manufacturing cost			December 31, 2017 EUR	Accumulated amortization, depreciation and write downs				Net book values		
		Additions EUR	Disposals EUR	Reclassifications EUR		January 1,2017 EUR	Additions EUR	Disposals EUR	Write ups EUR	December 31, 2017 EUR	December 31, 2016 EUR	
<b>I. Intangible assets</b>												
1. Internally generated industrial and similar rights and assets	2.542.205,25	0,00	0,00	0,00	2.542.205,25	2.542.201,25	0,00	0,00	0,00	2.542.201,25	4,00	4,00
2. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and asse	617.516,09	97.463,64	0,00	0,00	714.979,73	218.371,19	39.157,26	0,00	0,00	257.528,45	457.451,28	399.144,90
	3.159.721,34	97.463,64	0,00	0,00	3.257.184,98	2.760.572,44	39.157,26	0,00	0,00	2.799.729,70	457.455,28	399.148,90
<b>II. Property, plant and equipment</b>												
1. Other equipment, operating and business equipment	4.517.752,33	287.519,84	790.012,54	82.991,67	4.098.251,30	1.721.380,20	535.361,51	759.063,25	0,00	1.497.678,46	2.600.572,84	2.796.372,13
2. Advanced payments and assets under constructions	226.711,08	0,00	104.729,53	-82.991,67	38.989,88	0,00	0,00	0,00	0,00	0,00	38.989,88	226.711,08
	4.744.463,41	287.519,84	894.742,07	0,00	4.137.241,18	1.721.380,20	535.361,51	759.063,25	0,00	1.497.678,46	2.639.562,72	3.023.083,21
<b>III. Financial assets</b>												
1. Investments in subsidiaries	2.066.429.352,58	86.150.314,94	244.515.346,85	-459.664,83	1.907.604.655,84	2.733.994,00	971.548,24	27.498,00	0,00	3.678.044,24	1.903.926.611,60	2.063.695.358,58
2. Participations	420.890.984,36	13.392.454,29	2.759.800,73	459.664,83	431.983.302,75	19.740.105,68	1.263.208,55	0,00	4.044.237,51	16.959.076,72	4.15.024.226,03	401.150.878,68
3. Securities held as fixed assets	172.265.652,66	52.350.317,00	5.599.604,56	0,00	219.016.365,10	1.596.066,34	0,00	0,00	0,00	1.596.066,34	217.420.298,76	170.669.586,32
4. Other Receivables	8.692.000,00	0,00	0,00	0,00	8.692.000,00	5.065.375,67	783.517,51	0,00	0,00	5.848.893,18	2.843.106,82	3.626.624,33
	2.668.277.989,60	151.893.086,23	252.874.752,14	0,00	2.567.296.323,69	29.135.541,69	3.018.274,30	27.498,00	4.044.237,51	28.082.080,48	2.539.214.243,21	2.639.142.447,91
	2.676.182.174,35	152.278.069,71	253.769.494,21	0,00	2.574.690.749,85	33.617.494,33	3.592.793,07	786.561,25	4.044.237,51	32.379.488,64	2.542.311.261,21	2.642.564.680,02

# ROCKET INTERNET

## **Management Report for the Parent Company and the Group 2017**

**Rocket Internet SE, Berlin**

*Non-binding convenience translation from German*

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## **1. Fundamentals of the Company and the Group**

### **1.1 Business Model**

#### **1.1.1 General Information**

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

Rocket Internet SE is the parent Company of directly and indirectly held subsidiaries and holds directly or indirectly interest in associates and joint ventures (hereinafter together also referred to as the “Rocket Internet Group“ or the “Group“).

Subsidiaries, associated companies, joint ventures as well as the other companies in which the Group holds equity interests are summarized as “network companies”.

The shares of Rocket Internet SE are admitted to trading in the Prime Standard (the regulated market segment with additional post-admission obligations) of the Frankfurt Stock Exchange and are included in the MDAX-index (until March 19, 2018 SDAX index).

This report combines the Group Management Report of the Rocket Internet Group and the Management Report of Rocket Internet SE. It should be read in conjunction with the Consolidated Financial Statements and the Annual Financial Statements, including the Notes to the Financial Statements. The Consolidated Financial Statements and the Annual Financial Statements have been prepared on the basis of a number of assumptions and accounting policies explained in greater detail in the respective Notes. The Consolidated Financial Statements were prepared in accordance with IFRS as adopted by the European Union. The Annual Financial Statements of Rocket Internet SE were prepared in accordance with 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 2017 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, 2017.

### **1.1.2 Business Activities**

Rocket Internet incubates and invests in Internet companies with proven business models. It provides operational support to its companies and helps them scale internationally. Rocket Internet focuses predominantly on four industry sectors of online and mobile retail and services that make up a significant share of consumer spending: Food & Groceries, Fashion, General Merchandise and Home & Living.

Rocket Internet empowers technology companies to grow. We provide both capital and operational support to the entrepreneurs and companies that we partner with and help them establish defensible market-leading positions internationally. We act on the premise that the offline to online shift will continue to disrupt almost all sectors and fundamentally change business models and entire industries.

We look for companies and business models that leverage technology to address basic needs of both consumers and companies, and that achieve over time significant scale, attractive levels of profitability and defensible market leading positions. We are unique in that our operational know-how enables us to both incubate new business models as well as invest in and support growing businesses.

We have significant capital available, enabling us to support companies over the full lifecycle of their development. Furthermore, we support our companies as they scale by providing deep functional expertise, proprietary technology solutions and access to an extensive ecosystem of global partnerships. This unique blend of operational support provides a competitive advantage to our companies, increases their probability of success and distinguishes us from competitors.

The functional experts of our network cover the full stack of technology companies including key areas such as product, engineering, customer acquisition and internationalization. This enables our companies to develop market leading positions in a shorter period of time. As they mature, companies continue to turn to Rocket Internet for support on special projects to cover temporary high demand or specialist know-how.

Rocket Internet has offices and extensive industry and operational experience around the globe. Our global network helps companies achieve economies of scale and synergies, and our people in target markets worldwide have deep local expertise (e.g. operations and logistics), thus reducing marginal costs for building new companies. Under certain circumstances, growth and a strong market position are more important to us than achieving profitability in the short-term. Since our strategy is focused on high absolute value creation, we understand that it will take several years of development to scale companies and have them reach profitability.

We have established strategic partnerships that offer extensive financial, operational and strategic support to our network of companies. In addition, framework agreements with leading global technology firms provide our companies with competitively priced leading technology and services.

Rocket Internet incubates, invests in and supports companies in the Internet sector worldwide.

### *Four Industry Sectors*

Rocket Internet is focused on proven Internet-based business models that satisfy basic consumer needs across the following four industry sectors<sup>1</sup>:

- 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).

### *New Businesses*

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 also invest in existing companies. The Venture Capital activities of the Rocket Internet Group are conducted by Global Founders Capital (GFC Investments). These investments are geared toward long-term commitments, where we seek to create value in the long-term by developing the business.

### *Services*

Furthermore, Rocket Internet renders a range services, such as commercial consulting, letting of office space, IT systems engineering, product design, online marketing and other services, particularly 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 addition, in its role as Group holding, Rocket Internet fulfils central functions.

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<sup>1</sup>Sectors do not represent reportable segments.

In the case of incubated network companies Rocket Internet typically owns directly or indirectly approximately 80% of its companies<sup>2</sup> at the time of launch, with the remainder set aside for equity participations of the management of the respective network company. In subsequent financing rounds, the companies attract the equity financing necessary to expand their business from Rocket Internet and other external investors. The external equity financing is provided by strategic partners and other strategic and financial investors. These investments are made either directly into the company or indirectly into an intermediate holding company. 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, 2017, 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, 2017 are:

<b>Associated company/joint venture</b>	<b>Consumer brands</b>
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, Zenrooms, Carmudi, Lamudi, Vaniday, Helpling, Shopwings
Middle East Internet Holding S.à r.l.	Jeeny, Wadi, Helpling, Carmudi, Lamudi

As of December 31, 2017 Rocket Internet Group included 90 (previous year 125) fully consolidated companies (including intermediary holdings), of which 56 (previous year 77) companies were located outside of Germany. In addition, Rocket Internet Group held investments in 45 associated companies and joint ventures (thereof 7 in liquidation; previous year 48, thereof 5 in liquidation). 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*

The Group has designated certain associated companies and other equity investments with ownership percentages below 20% as financial assets at fair value through profit or loss. Those equity investments are primarily held under the Global Founders Capital brand and are operated and measured on the basis of fair values in accordance with the risk

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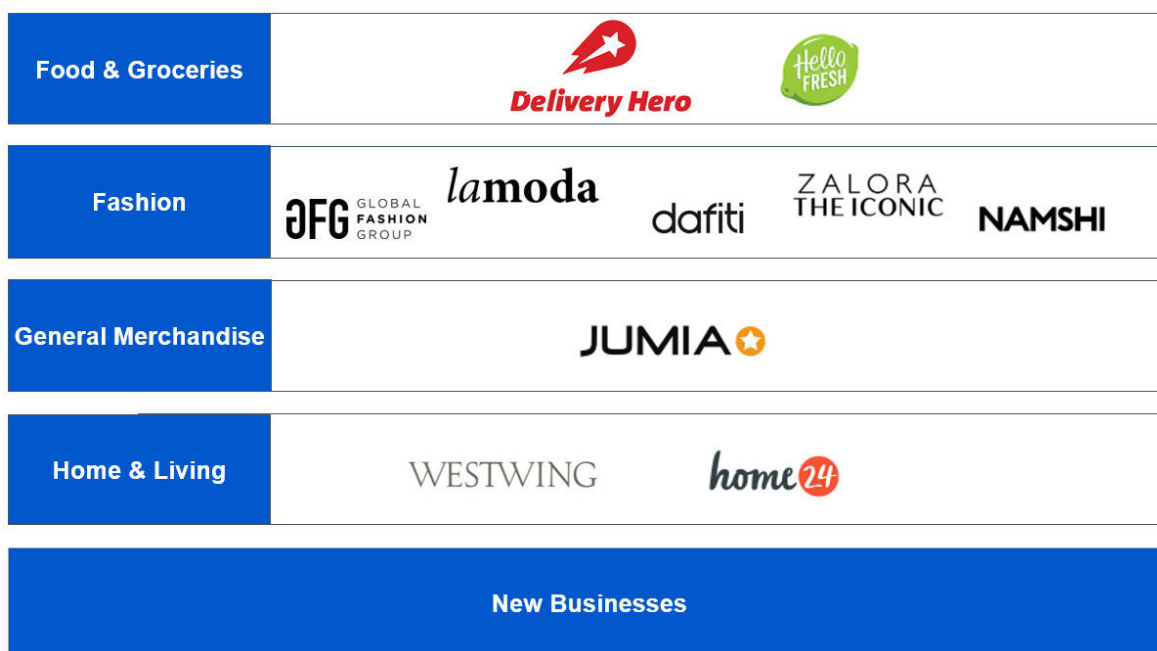
<sup>2</sup> All participation quotas for the network companies shown in the financial statements are based on the Group's ownership calculated pursuant to the respective accounting rules (e.g. reflecting the transaction closing dates, dates of change in control, considering trust shares allocated to 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.

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 in several Internet companies.

As of December 31, 2017 the Group holds a share of approximately 24% (previous year: approximately 40%) of the total outstanding share capital of Delivery Hero AG, Berlin (DH). On September 28, 2017, Rocket Internet agreed to sell 22,359,857 shares in DH for a cash consideration of EUR 659.6 million to the global internet and entertainment group Naspers, which was already an investor in DH. The transaction was subject to regulatory approval and was closed in March 2018. The Group did not obtain representation on the DH's supervisory board as specified in the post IPO Shareholders' Agreement of DH, which precludes Rocket Internet from the participation in financial and business 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.

### 1.1.4 Brands of the Company Network

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



## 1.2 Research and Development

Rocket Internet has developed proprietary technology that provides the network companies with standardized solutions for a range of Internet business models. The modular framework is built to serve the needs of our businesses as it can be adapted to the specific requirements of individual companies and different markets. While stand-alone companies

have to develop their technology from scratch, the companies in the Rocket Internet network have access to a flexible and field-tested framework, which allows our entrepreneurs to focus on their core business models.

All units of the Company, supported by a central strategic product development function, optimize the existing offerings and establish innovative products in the market. Most importantly, this means that the offering spectrum is expanded continuously through innovations.

In its core business, the Group constantly develops new products for the needs of its customers. New developments are subject to user tests on a timely basis. Their experience flows, in turn, into the product optimization.

The entire industry is transitioning from classic desktop-Internet companies to mobile-first and even mobile-only, which requires the development of new products. Mobile people increasingly do their research and make choices on their way from one place to another. Smartphones and tablets are more and more replacing the home desktop PC. Further, new device classes are being added, such as Internet-capable TV sets 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.

A large part of the IT staff not only works to ensure business continuity, but also to further develop the IT solutions that Rocket Internet provides to its network companies. In research and development, Rocket Internet attaches particular importance to providing network companies with convenient, reliable and secure technologies that can easily be scaled and adapted to the individual needs of the particular company. In addition, the change towards the increased use of mobile applications is also covered technologically.

The total expense of the Group in the IT area amounts to EUR 7.3 million (previous year: EUR 8.6 million). This corresponds to 20% of Group revenue in 2017 (previous year: 17%).

In 2017, no development expenses were capitalized in the consolidated financial statements as well as in the Annual Financial Statements of Rocket Internet SE (previous year capitalization of EUR 2.9 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. 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 resources. 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) "World Economic Outlook" (update published in January 2018), global economic activity continues to firm up. Global growth for 2017 is now estimated at 3.7%, 0.1 percentage points higher than projected in the fall and 0.5 percentage points higher than in 2016. The pickup in growth has been broad based, with notable upside surprises in Europe and Asia.

The cyclical upswing underway since mid-2016 has continued to strengthen. Some 120 economies, accounting for three quarters of world GDP, have seen a pickup in growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010. Among advanced economies, growth in the third quarter of 2017 was higher than projected in the fall, notably in Germany, Japan, Korea, and the United States. Key emerging market and developing economies, including Brazil, China, and South Africa, also posted third-quarter growth stronger than the fall forecasts. World trade has grown strongly in recent months, supported by a pickup in investment, particularly among advanced economies, and increased manufacturing output in Asia in the run up to the launch of new smartphone models. Purchasing managers' indices indicate firm manufacturing activity ahead, consistent with strong consumer confidence pointing to healthy final demand.

An improving global growth outlook, weather events in the United States, the extension of the OPEC+ agreement to limit oil production, and geopolitical tensions in the Middle East have supported crude oil prices. These have risen by about 20% between August 2017 and mid-December 2017 to over USD 60 per barrel, with some further increase as of early January 2018. The increase in fuel prices raised headline inflation in advanced economies, but wage and core-price inflation remain weak. The European Central Bank intends, however, to maintain policy rates at current historically low levels until after quantitative easing ends and, should inflation underperform, extend the asset purchase program in amount and duration. Equity prices in advanced economies continued to rally, buoyed by generally favorable sentiment regarding earnings prospects, expectations of a very gradual normalization path for monetary policy in a weak inflation environment, and low expected volatility in underlying fundamentals.

The development of Gross Domestic Product (GDP) and exchange rates in selected countries is as follows:



Country	Currency	Change of GDP		Exchange rates (1 EUR = local currency)		
		2017	2016	Dec 31, 2017	Dec 31, 2016	Change
Australia	AUD	3.1%	2.9%	1.535	1.460	-5.1%
Brazil	BRL	0.2%	-3.3%	3.973	3.431	-15.8%
Germany	EUR	1.6%	1.7%	n/a	n/a	n/a
India	INR	7.2%	7.6%	76.606	71.594	-7.0%
Indonesia	IDR	5.1%	4.9%	16,239.120	14,173.430	-14.6%
Nigeria	NGN	0.8%	-1.7%	426.915	319.272	-33.7%
Russia	RUB	1.4%	-0.8%	69.392	64.300	-7.9%
Saudi Arabia	SAR	0.4%	1.2%	4.490	3.950	-13.7%
Singapore	SGD	2.2%	1.7%	1.602	1.523	-5.2%
United Arab Emirates	AED	1.5%	2.3%	4.399	3.869	-13.7%
United Kingdom	GBP	2.0%	1.8%	0.887	0.856	-3.6%
United States	USD	2.3%	1.6%	1.199	1.054	-13.8%

### 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 innovation. According to the German government-owned development bank KfW, the number of start-up companies in 2017 fell sharply by 115,000 to the record low of 557,000, despite a favorable economic condition. Regardless the decline in start-up activity, the number of economically relevant new entrepreneurs launching market innovation (up 8%) and innovative start-ups (up 31%) engaging in research and development increased.

Against this backdrop, policies are required to improve venture capital through targeted measures. The coalition agreement between the CDU, CSU and SPD, published on February 7, 2018, emphasizes the promotion of the entrepreneurial culture in Germany with the aim of significantly increasing the volume of the venture capital market, in particular to support companies in the growth phase. These measures include among others the VAT exemption in the first two years after the founding and the de-bureaucratization of application, approval and taxation procedures as defined by the so-called "one-stop-shop". In addition, existing instruments for financing the founding and growth of start-up companies will be continued, refined and opened up to non-academics. The agreement also specifies new instruments such as the Tech Growth Fund, which has been created to supplement state funding instruments in the growth phase of start-ups by providing loans as venture debt. Traditional SME financing via banks needs to be secured and enhanced. Supporting co-operation of start-ups with the mainstream economy in appropriate ways, promoting the international exchange of start-ups and examining new alternatives for employee participation programs are other concerns of the coalition parties.

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 (SMEs) by the Deutsche Börse AG on March 1, 2017.

On July 20, 2017, the new EU Prospectus Regulation entered into force. Their publication in the EU Official Journal took place on June 30, 2017. Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 adopted a new regulatory regime on the prospectus to be drawn up, approved and published when securities are offered to the public or admitted to trading on a regulated market. The reform of the prospectus legislation is closely linked to the Capital Markets Union, planned by the EU by the end of 2019, with the aim of creating uniform, equivalent investor protection at Union level and further developing capital markets on the basis of increased investor confidence. In addition, the administration and costs of preparing the prospectus should be reduced, in particular for SMEs, issuers of secondary issues and long-term issuers. The prospectus regulation makes the preparation of securities prospectuses easier and more flexible than before. Most of the regulations will be effective from July 21, 2019. However, some particularly relevant prospectus exceptions apply from July 20, 2017 and July 21, 2018 respectively.

After the weak year 2016 with only eight new listings, twelve initial public offerings (IPOs) with total proceeds approximately EUR 2.8 billion took place in Germany in 2017. About one third of this amount is attributable to Delivery Hero and about 10% to HelloFresh. Globally 2017 was the best year for IPOs since 2007.

In terms of number of deals and proceeds global IPO activity surged in 2017 with 1,624 IPOs raising USD 188.8 billion. In the previous year 1,093 transactions were executed raising USD 134.5 billion.

### General Industry Trends<sup>3</sup>

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

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<sup>3</sup> Source: internal industry analysis by Rocket Internet SE.

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 reaching targeted consumers at optimal times in optimal locations instead.

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 2017):

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

Country	2013	2014	2015	2016	2017	2018 (Estimate)
Brazil	4.7%	7.9%	11.7%	21.2%	26.4%	30.2%
Germany	9.0%	15.9%	26.3%	33.2%	36.8%	38.7%
United Kingdom	19.0%	27.7%	33.3%	38.6%	43.3%	45.6%
United States	16.0%	19.0%	23.6%	29.1%	34.0%	39.0%

Currently, high investments in online food retailing (OFR) can be observed. The eCommerce share of online food retailing is currently low, especially compared to other categories such as electronics and fashion. However, due to its size, the market offers attractive growth potentials. For example, an increase in the online share of food retailing to only one percentage point in Germany would generate an additional sales volume of approximately EUR 1.9 billion in eCommerce.

Voice search is starting to be a bigger factor. More than half of the Generation Y, according to recent studies, uses voice search at least once a month. It is predicted that 50% of all search will be voice search by 2020 which greatly affects the eCommerce world. It is estimated that 55 million individuals in the US will use a voice-enabled digital assistant at least monthly this year, while Amazon Echo is estimated to have an install base of more than 128 million by 2020. Voice assistants will be the new normal before we know it. These offer companies, especially retailers a whole range of interaction opportunities with their customers and will revolutionize the shopping experience. Many orders from detergents to food delivery and toys can soon be processed via voice recognition through Google Assistant or Siri.

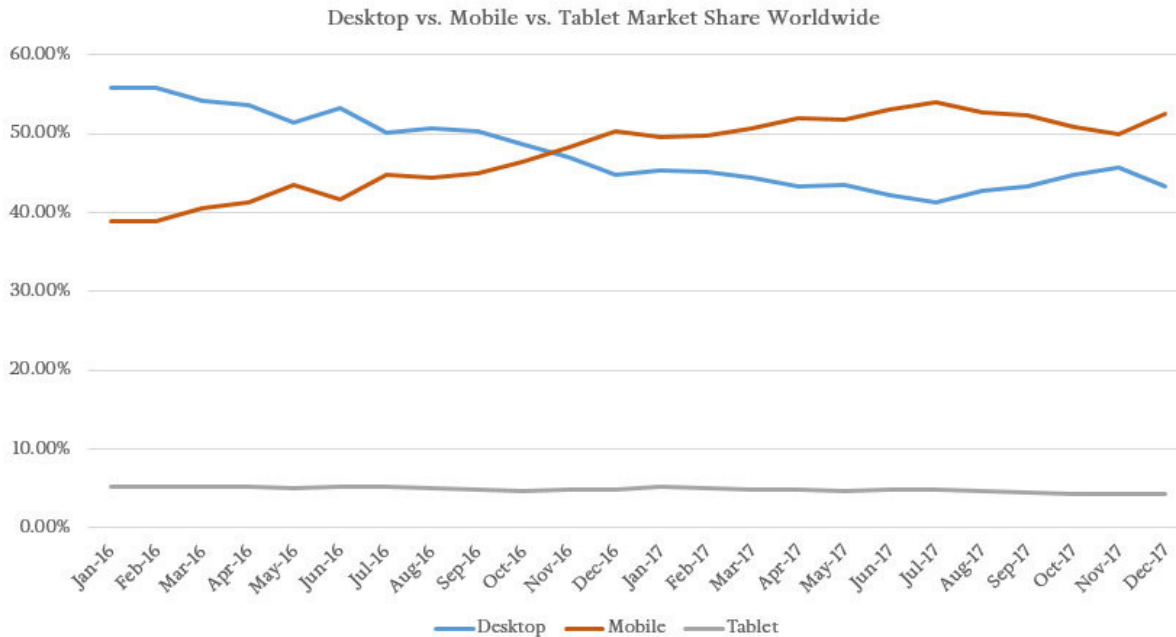
Autonomous vehicles are getting better every day with millions of miles already tested both physically and virtually. Trucking and ocean transportation companies are already putting plans into place with YARA Birkeland — the first autonomous container ship — scheduled next year to sail fertilizer from a production facility to port. Using a combination of GPS, radar, cameras and sensors, the electric ship can navigate itself around other boat traffic and dock on its own. Food delivery services are also in pilot. San Francisco-based DoorDash recently partnered with robotics startup Marble for a test to deliver orders via an unmanned machine. Ford and Domino's are now working on autonomous pizza delivery. And of course, the epic battle of the Amazon vs. Walmart drone delivery patents continues. Especially overseas next step in the delivery process is to have drone delivery via GPS system, where you don't necessarily need roads per se.

Augmented reality and virtual reality used in a variety of both digital and physical settings also are about to change the future of retail. They offer retailers the opportunity to transform shopping experiences such as product selection; elevate customer service; and create a differentiated, personalized customer experience. As smartphones are increasingly compatible with this technology, it will be used by more and more consumers.

Rakuten Institute of Technology's Computational Interaction Group in Tokio has invented a mixed reality (MR) device called MR Shoppingu which is a head mounted device (HMD) being able to display product info, reviews, webpages, and even videos of nearby real world products like supermarket items. Users can interact with this content through natural gestures. MR encompasses both augmented reality, which adds some data or graphics to real-world views, and virtual reality, which is a fully immersive, complete virtual representation of a world. MR allows for responses to what is going on in the physical world. So for example it can be made to recognize and respond to objects and their orientation. While HMDs such as HoloLens are currently rather bulky, they're expected to become as lightweight and unobtrusive as eyeglasses in the future, replacing smartphones as consumers' main mobile devices.

According to the "D21-Digital-Index 2017/2018" by the "Initiative D21", a total of about 81% (previous year 79%) of all Germans (age groups above 14 years old) used the Internet in 2017. The mobile use of the Internet increased by 5 percentage points in 2017 to 64%, the share is 90% in the age group under 30 years old. The share of smartphone owners increased from 66% in 2016 to 70% in 2017. Due to the increasing share of Digital Natives mobile internet will continue to grow in importance requiring a powerful mobile network infrastructure. Activities performed and applications used at least once a week include searching the internet for information and content (74%), while more specific applications are used far less frequently, such as working with office programs like Microsoft Office (45%); watching online videos (42%) and using navigation services like Google Maps (38%). The share of those who engage in online shopping on a regular basis, minimum once a week, amounts to 36%. The share of those who pay online, e.g. via PayPal, Paydirekt or Bitcoin regularly is 30%, while the share in the age group of the 30- to 49-year-old users is even higher with 41%. Significantly more people than in the previous year made use of digital services in 2017. 43% of all Germans booked transport or a hotel room online which represents an increase by 18 percentage points compared to the previous year, 26% of the German population (increase by 16 percentage points) booked private accommodation e.g. via Airbnb and 21% (increase by 8%) made use of a delivery services (meals and food) representing the three most frequently mentioned services.

According to “StatCounter GlobalStats” the global mobile traffic surpasses the traffic via desktop computers and tablets for the first time in 2017 (see chart below).



According to the “Measuring the Information Society Report 2017” by the International Telecommunication Union (ITU) there has been rapid growth in mobile-broadband services. The number of mobile-broadband subscriptions worldwide now exceeds 50 per 100 inhabitants, enabling improved access to the Internet and online services. The introduction of new mobile technologies is accelerating this trend, with LTE or higher capabilities now available to most mobile users. There has been slower growth in the number of fixed-broadband subscriptions worldwide, although this now marginally exceeds that for fixed telephone lines. There is a significant gender digital divide. It is relatively small in developed countries, more pronounced in developing countries and substantial in LDCs (least developed countries), where only one in seven women is using the Internet compared with one in five men. The gender digital divide in Africa appears to have grown significantly over the past five years.

### 3.3 Course of Business

We look back on a year 2017 that was very eventful and successful for our Group. Our focus on Food & Groceries paid off with the two successful IPOs of our selected companies Delivery Hero and HelloFresh. In addition, we have closed further transactions that prove our ability to found, grow and successfully exit Internet companies. The execution of Rocket Internet’s strategy to expand existing significant Selected Companies, to develop new and existing business models and to invest in existing and new businesses was continued in the financial year 2017. Regarding new business models we focused on numerous investments, amongst others in the early-stage segment, due to given market opportunities. The market opportunities for own incubations, however, were lower than in previous years.

the Group focused primarily on investments. On average, Global Founders Capital made one new and one follow-up investment per week and increasingly invested in the United States. By contrast, the incubation played only a minor role in 2017.

In June 2017, Delivery Hero successfully completed its initial public offering raising approximately EUR 465 million (net proceeds) in primary capital. The shares were placed at the upper end of the price range at a price of EUR 25.50 per share. The market capitalization of Delivery Hero at IPO amounted to EUR 4.4 billion. Due to the sale of shares and capital increases at DH the participation quota of the Group decreased to 24% in the financial year 2017. The Group held a share of approximately 40% of DH at the beginning of the year. On September 28, 2017, Rocket Internet agreed to sell 22,359,857 shares in Delivery Hero for a cash consideration of EUR 659.6 million to the global internet and entertainment group Naspers, which was already an investor in Delivery Hero. The transaction was subject to regulatory approval and was closed in March 2018. In accordance with IFRS, the share purchase agreement with Naspers is accounted for as a derivative financial liability in the amount of EUR 78.3 million (carrying amount as of December 31, 2017) and has negatively impacted the financial result in the income statement by this amount. In contrast, the corresponding share price rise of Delivery Hero is recognized in the statement of comprehensive income increasing equity.

On November 2, 2017, HelloFresh was listed at the stock exchange for the first time raising from its IPO approximately EUR 285.5 million (gross proceeds including exercise of the greenshoe option) in primary capital. The shares were sold in the mid-point of the initial price range at a price of EUR 10.25 per share. The market capitalization of HelloFresh after the IPO amounted to EUR 1.6 billion. Due to the capital increase at HelloFresh the participation quota of the Group decreased to 44.0% (considering treasury shares and excluding the shares held as trustee). Immediately prior to the IPO the Group held a share of 53.3% of HelloFresh.

In June 2017, Rocket Internet sold its remaining stake of 8.8% (fully-diluted) in Lazada Group S.A. ("Lazada") to Alibaba Group Holding Limited ("Alibaba") for USD 276 million, equating to an implied USD 3.2 billion valuation of Lazada. Already in April 2016 Rocket Internet divested half of its stake in Lazada to Alibaba. The transaction in 2017 is the result of the exercise of the put-call agreement entered into in conjunction with the sale in April 2016. The sale of Lazada shares contributed a realized gain of EUR 74.6 million to the financial result of the Group.

On July 27, 2017, Traveloka completed a funding round, in which the lead investor Expedia, Inc. made a USD 350.0 million primary minority investment. Expedia and Traveloka also agreed to deepen their existing cooperation on global hotel supply. Over the course of its last two funding rounds, East Ventures, Hillhouse Capital Group, JD.com and Sequoia Capital also contributed funding, bringing the total investment amount to approximately USD 0.5 billion within the last year.

The Rocket Internet Capital Partners Fund (RICP) held its final close on January 18, 2017 which took total combined commitments to USD 1.0 billion (hard cap). The USD 137 million new commitments were subscribed by third party investors and Rocket Internet.

The program for the partial repurchase of the convertible bonds, concluded in February 2016, was continued in 2017. In total, the Group repurchased convertible bonds with a nominal value of EUR 251.7 million (thereof EUR 55.5 million in current financial year) as of December 31, 2017, representing 45.8% of the initial total nominal value of EUR 550.0 million.

Most of Rocket Internet SE's network companies in the four key focus sectors showed two digit revenue growth in 2017 as compared to 2016, particularly HelloFresh (52%), Delivery Hero (60%), Jumia (11%), Home&Living (10%) and GFG (7% or 23% on a like for like basis excluding Namshi operations). Furthermore they showed an improvement of the EBITDA margin, particularly HelloFresh, GFG as well as the Home & Living companies Westwing and Home24.

Overall, HelloFresh's performance in 2017 is within and partially above the forecast. HelloFresh fulfilled the forecasted mid double-digit percentage revenues' expansion with 52% growth in 2017 as compared to 2016 and outperformed EBITDA growth in a high single digit percentage range instead of the forecasted EBITDA decrease in a low double-digit range. Consequently, HelloFresh improved its EBITDA margin from negative 14% to negative 9%, thus for the first time overcoming the negative double-digit percentage range.

Global Fashion Group fulfilled the anticipated low double-digit percentage range revenue growth on a like for like basis (without Namshi), outperformed the forecasted slight improvement in EBITDA by a moderate increase, thereby also improving the EBITDA margin moderately to a high single digit instead of a low double-digit negative percentage range.

Jumia fulfilled the expected revenue growth with a stronger change to marketplace models by a low double-digit percentage during the financial year 2017. However, EBITDA losses increased by a mid-double digit instead of the forecasted increase by a low single-digit percentage range. Accordingly, EBITDA margin moderately decreased instead of slightly improving.

Home & Living fulfilled all forecasted developments of the KPIs: an increase in revenues by a low double-digit percentage, EBITDA improvement by a double-digit percentage and reached the negative EBITDA margin in the single-digit percentage range.

In line with the previous year report's forecast for the financial year 2017, the international expansion of our companies has continued accompanied by the development and acquisition of various new business models. During 2017, the Group made several new and follow-on GFC investments. In contrast to the forecast, no new network companies with new business models were included in the scope of consolidation of the Group apart from the acquisition of the subsidiaries Holidays & Co. S.A.S. ([www.camping-and-co.com](http://www.camping-and-co.com)) and und Vayacamping, S.L.U. ([www.vayacamping.net](http://www.vayacamping.net)). Furthermore, the financial year 2017 was influenced by the selective sale and shut-downs of subsidiaries. Rocket Internet sold amongst others Rocket Labs and sparks42. Furthermore, Carspring, RideLink, Bandist, Zenrooms Brazil and Clickbus Colombia, whose business was not viable anymore, were closed. The number of fully consolidated companies fell by 28% from 125 to 90 and did not remain stable, unlike the forecast for the year 2017 in the Combined Management Report for 2016.

The forecasted slight increase of Group revenue for the financial year 2017 has not occurred, especially due to the small volume of incubations. Contrary to expectations, the Group revenue for all New Businesses fell from EUR 21.2 million in 2016 by 19% to EUR 17.2 million in 2017.

The previous year report's forecast for the financial year 2017 of a significant increase in consolidated revenue of New Businesses for those companies that continued to be fully consolidated after December 31, 2016, was not realized. New Businesses which continued to be consolidated showed in total a decline in revenues. Especially, Carspring in the UK showed an unexpected significant decrease in revenues. The revenue growth realized by

RideLink was far below the forecast. Therefore Carspring and RideLink were considered not to be viable on a long-term and stand alone basis and were discontinued. However, Pflagetiger, Printvenue, Eatfirst, Caterwings, Campsy as well as the two deconsolidated entities Zipjet and Instafreight recorded a growth in revenue. Overall, due to deconsolidations and closings, revenues from New Businesses decreased.

The area of New Businesses realized a negative EBITDA and thus contributed to the projected negative EBITDA. The average EBITDA margin of the Group relating to New Businesses remained negative but improved slightly regarding subsidiaries, which were fully consolidated by the Rocket Internet Group in 2016 and 2017.

The result from deconsolidation of subsidiaries in 2017 in the amount of EUR 11.6 million (previous year EUR 48.3 million) has decreased significantly as it had been forecasted for the year 2017.

Contrary to the previous year report's forecast in which a substantial negative result from associates and joint ventures was expected, the overall result is positive. The net gain of EUR 2.6 million reflects the positive earnings development and thus lower proportionate losses of the Group's share of profit/loss from associated companies and joint ventures. Those effects were more than compensated by deemed disposal gains from financing rounds at Traveloka and HelloFresh and by reversal of 2016 impairment losses at Global Fashion Group. Furthermore, the Group also recorded significantly lower impairment losses (net balance of losses and reversals) of EUR 50.8 million (previous year: EUR 568.0 million). In 2017, there were gains from the disposal of associates and joint ventures of EUR 4.1 million (previous year: EUR 177.2 million). In total, the share of profit/loss from associates and joint ventures improved from EUR -539.6 million by EUR 542.2 million to EUR 2.6 million.

According to the prior year forecast for the total year 2017, the EBITDA of the Group improved from EUR -565.3 million in 2016 by EUR 510.5 million to EUR -54.8 million in 2017. This improvement was mainly due to the significantly improved share of profit/loss of associates and joint ventures as well as decreased other operating expenses which is only partially offset by a lower result from deconsolidation of subsidiaries, an increase in employee benefits expenses and a decrease in revenue.

Overall, the Group generated a loss of EUR 6.0 million for the period (previous year loss of EUR 741.5 million).

The total comprehensive income for the period, net of tax, improved significantly from EUR 623.2 million by EUR 994.6 million to a gain of EUR 371.4 million. Apart from the EUR 735.5 billion reduced loss this results mainly from the net gain of available for sale financial instruments recognized in other comprehensive income and reflecting mainly the positive share price development of Delivery Hero.

As projected for the financial year 2017, payments in the RICP fund were increased in 2017. Investments in the larger network companies that are part of the segments decreased as projected.

Cash and cash equivalents of the Group (previous year including balances in assets classified as held for sale) increased from EUR 1,401.7 million as of December 31, 2016 to EUR 1,716.6 million as of December 31, 2017 reflecting the proceeds from disposals of shares in Delivery Hero and Lazada.

In the 2016 Combined Management Report, decreasing revenues from rendering services in a low double digit percentage range was forecast for the parent Company due to the increased individual independence of the network companies. As reflected in the parent



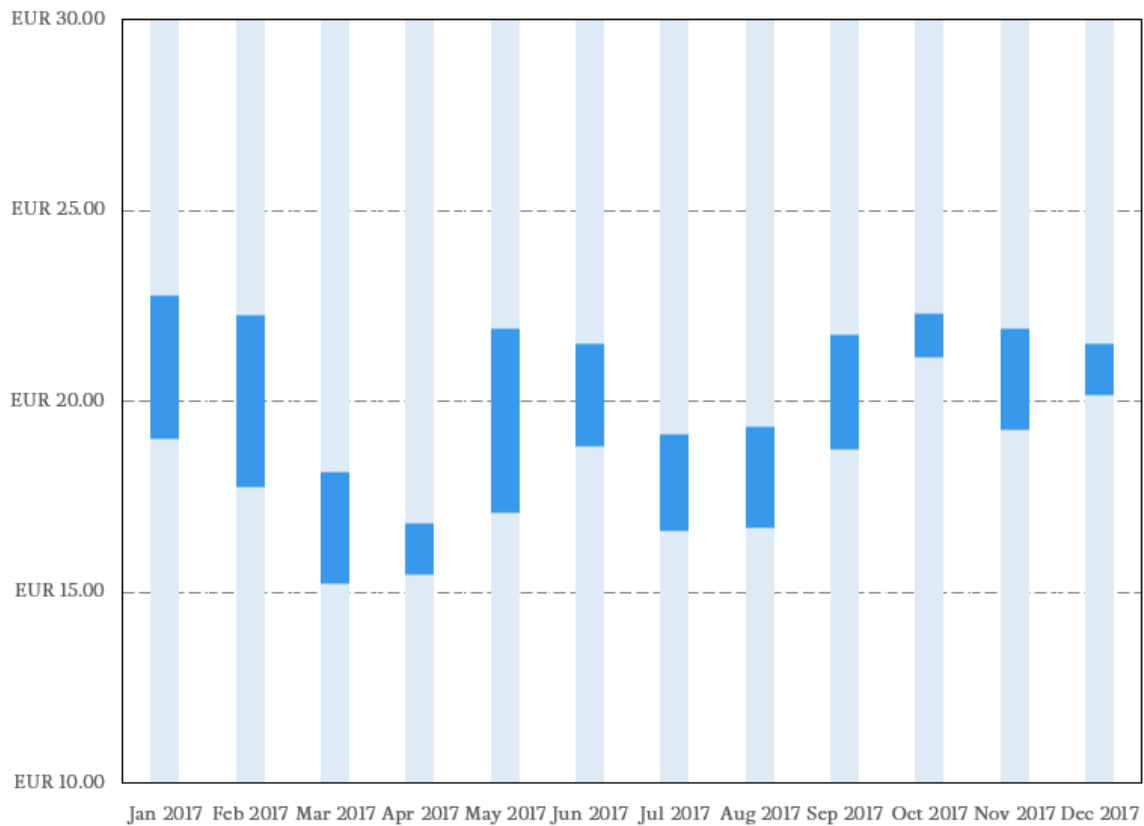
Company's Annual Financial Statements, revenues for services rendered by Rocket Internet decreased more extensively than forecast from EUR 28.1 million by 39% to EUR 17.1 million. At the Group level the revenues for other services decreased from EUR 29.2 million by 33% to EUR 19.5 million.

In the Annual Financial Statements of the parent Company in 2017, a net profit of EUR 153.0 million (previous year net gain of EUR 41.4 million) was recognized, which resulted primarily from the gains from disposals of participations reported in the line item other operating income. Therefore, contrary to the forecast for the financial year 2017 the EBITDA in the Annual Financial Statements was not negative but in total positive with an amount of EUR 149.6 million.

### **3.4 Rocket Internet Share and Share Capital Structure**

During the year 2017, the Rocket Internet share price increased from EUR 19.14 as of December 31, 2016 by EUR 1.99 to EUR 21.13 as of December 31, 2017. On August 14, 2017, Rocket Internet announced to carry out a share buy-back program with a total maximum consideration (excluding ancillary costs) of up to EUR 100 million and a maximum volume of up to 5,000,000 shares, representing a maximum of up to 3.03% of the outstanding share capital of Rocket Internet. The buy-back started on August 14, 2017 and will end on April 30, 2018. The repurchased shares are intended to be redeemed, and Rocket Internet's share capital is intended to be reduced accordingly. Until December 31, 2017, the Group repurchased 1,035,621 shares at a volume-weighted average price of EUR 20.41. Please see the Notes and the Notes to the Financial Statements for further information about the repurchased shares. The market capitalization changed from about EUR 3.2 billion on December 31, 2016 to about EUR 3.5 billion on December 31, 2017.

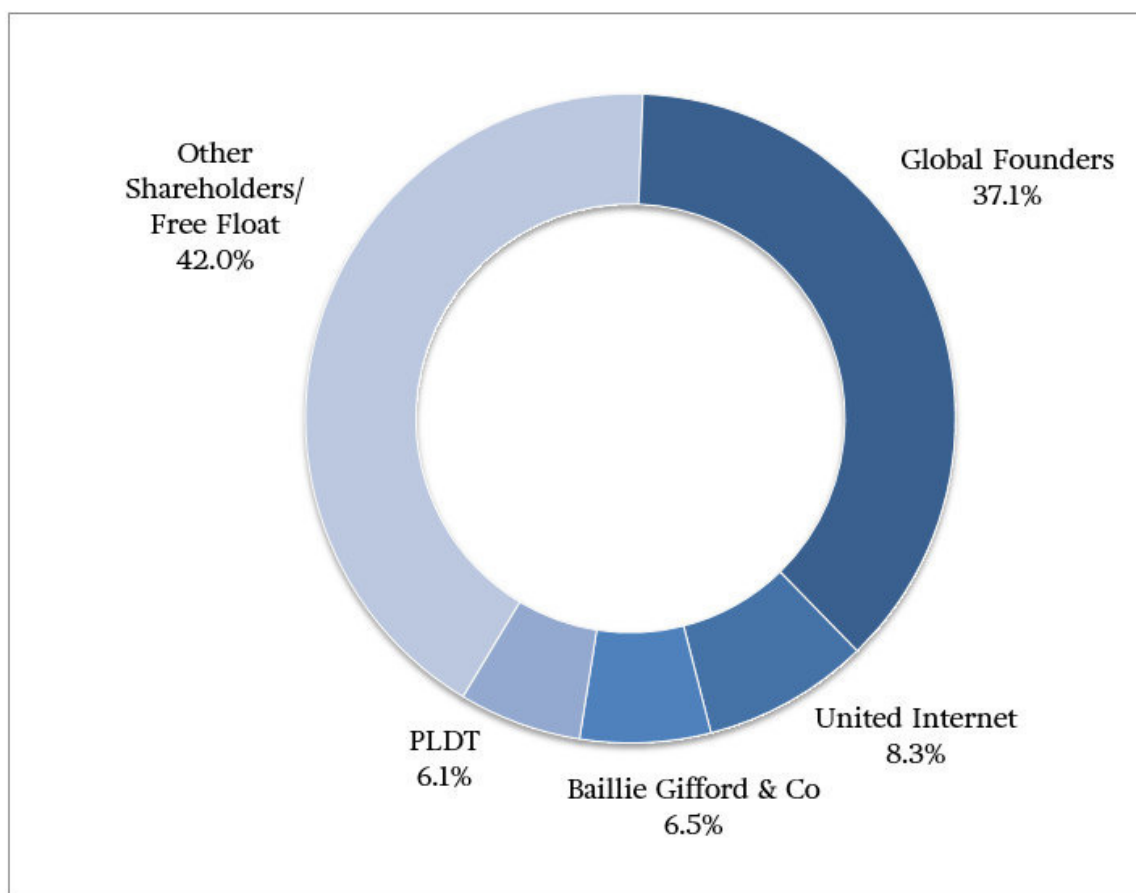
The development of the Xetra closing share prices in 2017 is as follows:



In the financial year 2017, average daily trading via the electronic computer trading system Xetra recognized on average 434,000 shares (previous year 188,000 shares) with an average value of EUR 8.4 million (previous year EUR 3.8 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, 2017 (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. As of December 31, 2017, 164,105,169 shares were outstanding.

*Shareholder structure as of December 31, 2017*



Shareholding percentages are based on the shareholdings as last notified to Rocket Internet by its shareholders pursuant to Sec. 33, 34 German Securities Trading Act (WpHG) in relation to the current registered subscribed capital (treasury shares are not considered). 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, Grünwald, are attributed to its controlling shareholder Rocata GmbH, Grünwald, and to Rocata GmbH's controlling shareholder Zerena GmbH, Grünwald. As a shareholder of Zerena GmbH, Oliver Samwer Familienstiftung indirectly holds the Rocket Internet SE shares previously held by Oliver Samwer through Global Founders GmbH.

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

*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 2017, the Group repurchased convertible bonds with an aggregate principal amount of EUR 55.5 million (previous year EUR 196.2 million). As of December 31, 2017, the aggregate outstanding principal amount of the convertible bonds amounted to EUR 298.3 million (previous year 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 – 2017:

<i>In EUR million</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue	36.8	50.4	128.3	128.2	99.8
Result from deconsolidation of subsidiaries	11.6	48.3	167.0	452.6	0.0
Share of profit/loss of associates and joint ventures	2.6	-539.6	-188.6	75.1	1,449.0
EBITDA	-54.8	-565.3	-200.8	424.4	1,317.8
Financial result	47.0	-168.0	29.7	12.0	91.8
Profit/loss for the period	-6.0	-741.5	-197.8	428.8	1,395.6
Other comprehensive income for the period, net of tax	377.3	118.3	36.4	78.2	9.2
Total comprehensive loss/income for the period, net of tax	371.4	-623.2	-161.4	507.0	1,404.8
<i>Earnings per share (in EUR) – basic = diluted</i>	<i>0.01</i>	<i>-4.22</i>	<i>-1.24</i>	<i>3.24</i>	<i>11.93</i>

*Earnings position of the Group during the reporting period*

<i>In EUR million</i>	<b>2017</b>	<b>2016</b>
Revenue	36.8	50.4
Internally produced and capitalized assets	0.0	2.9
Other operating income	1.5	1.2
Result from deconsolidation of subsidiaries	11.6	48.3
Purchased merchandise and purchased services	-15.8	-24.2
Employee benefits expenses	-63.7	-59.0
Other operating expenses	-27.7	-45.3
Share of profit/loss of associates and joint ventures	2.6	-539.6
<b>EBITDA</b>	<b>-54.8</b>	<b>-565.3</b>
Impairment of non-current assets, depreciation and amortization	-2.0	-13.7
Financial result	47.0	-168.0
Income taxes	3.8	5.5
<b>Profit/loss for the period</b>	<b>-6.0</b>	<b>-741.5</b>
Other comprehensive income for the period, net of tax	377.3	118.3
<b>Total comprehensive income/loss for the period, net of tax</b>	<b>371.4</b>	<b>-623.2</b>

Revenue was structured as follows:

<i>In EUR million</i>	<b>2017</b>		<b>2016</b>	
New Businesses	17.2	47%	21.2	42%
Other Services	19.5	53%	29.2	58%
<b>Total</b>	<b>36.8</b>	<b>100%</b>	<b>50.4</b>	<b>100%</b>

The revenues from other services are mainly comprised of income from consulting services performed for non-consolidated network companies and letting of office space. The decrease of revenues from other services primarily results from transfer of functions and employees from Rocket Internet to non-consolidated network companies as well as from disposals, discontinuance and reduced operations of non-consolidated network companies. Revenue of New Businesses decreased due to deconsolidations, sales and the winding down of fully consolidated subsidiaries.

Of the total consolidated revenues, 54% were generated in Germany (previous year 45%), 19% in the United Kingdom (previous year 25%), 10% in Luxembourg (previous year 7%), 3% in France (previous year 1%), 3% in Australia (previous year 1%), 2% in Mexico (previous year 1%) and 9% in the rest of the world (previous year 20%).

The result from deconsolidation of subsidiaries in the amount of EUR 11.6 million (previous year EUR 48.3 million) has decreased significantly as had been forecast in the 2016 Consolidated Financial Statements. It mainly originated from the deemed disposal of Instafreight (EUR 7.6 million) and Zipjet (EUR 4.3 million). In 2016, the gain from deconsolidation primarily comprised gains from the deconsolidation of Spotcap (EUR 13.4 million), Clickbus Brazil (EUR 12.7 million), Vaniday (EUR 9.5 million) and Everdine (EUR 8.5 million).

The cost of purchased merchandise and purchased services decreased from EUR 24.2 million by 35% to EUR 15.8 million. The decrease is mainly due to the deconsolidation of subsidiaries.

Employee benefits expenses, which amounted to EUR 63.7 million (previous year EUR 59.0 million), included the current remuneration as well as expenses arising from equity-settled and cash-settled share-based payments. The increase by EUR 4.7 million results from the following:

<b>Employee benefits expense reconciliation</b>	<b>Impact on expense in EUR million</b>
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	-14.1
Revaluation of liabilities for cash-settled share-based payments and other incentives mainly driven by the increase in fair value of the underlying equity instruments (primarily Global Fashion Group)	12.7
Increase of expenses for equity-settled share-based payments mainly driven by front-loading recognition of expenses (graded vesting)	6.1
<b>Total</b>	<b>4.7</b>

Other operating expenses included mainly legal and consultancy fees (EUR 5.8 million; previous year EUR 16.6 million), marketing expenses (EUR 3.7 million; previous year EUR 7.5 million), rental, office and IT costs (EUR 6.9 million; previous year EUR 7.1 million), derecognition and impairment of receivables (EUR 2.2 million; previous year EUR 1.9 million), currency translation losses (EUR 2.1 million; previous year EUR 0.3 million) and expenses for external services (EUR 1.3 million; previous year EUR 2.2 million). The total decrease by EUR 17.6 million was mainly due to lower legal and consultancy fees and lower marketing expenses. The high legal and consultancy expenses in 2016 were mainly incurred in connection with the setup of RICP.

The share of profit/loss from associates and joint ventures is overall positive and amounts to EUR 2.6 million (previous year EUR -539.6 million). The significant increase by EUR 542.2 million results from the following:

<b>Share of profit/loss from associates and joint ventures reconciliation</b>	<b>Impact on result in EUR million</b>
Increased Group's share of profit/loss from associates and joint ventures including adjustments made by the Group using the equity method and gains from deemed disposals	198.1
Decrease of impairment losses (net balance of losses and reversals)	517.2
Reduction of gains from disposal	-173.1
<b>Total</b>	<b>542.2</b>

On the one hand the share of profit/loss from associates and joint ventures in 2017 results from positive effects arising from the reversal of impairment losses of the Global Fashion Group and the financing round of HelloFresh of EUR 113.0 million. On the other hand, these positive effects are offset by proportionate operating and impairment losses

attributable to other associated companies and joint ventures. A total of EUR 21.6 million is attributable to the Global Fashion Group, of which EUR 22.5 million relates to impairment reversals and EUR -0.9 million to proportionate operating losses. A gain of EUR 90.5 million was recorded for HelloFresh, which includes both proportionate operating losses and positive effects from the financing round of HelloFresh (deemed disposal). At Group level impairment losses attributable particularly to the Middle East Internet Group (EUR 39.9 million) and Asia Pacific Internet Group (EUR 24.1 million) were recognized. Additionally, the share of profit/loss from associates and joint ventures includes the deemed disposal gain and the proportionate share of operating losses from Traveloka (net gain of EUR 53.4 million), as well as the proportionate share of operating losses from Jumia (EUR 30.4 million), Asia Pacific Internet Group (EUR 36.3 million; thereof proportionate impairment losses of EUR 10.2 million) Middle East Internet Group (EUR 10.0 million) and Westwing (EUR 8.2 million).

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 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 at 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 at 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 Helping (EUR 7.1 million). Losses for the period attributable to HelloFresh of EUR 44.0 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.

EBITDA improved significantly from EUR -565.3 million in 2016 to EUR -54.8 million in 2017. This improvement was mainly due to the significantly improved share of profit/loss of associates and joint ventures as well as decreased other operating expenses which is only partially offset by a lower result from deconsolidation of subsidiaries, an increase in employee benefits expenses and a decrease in revenue.

The impairments of non-current assets and the depreciation and amortization amount in total to EUR 2.0 million (previous year EUR 13.7 million). Depreciation and amortization decreased from EUR 4.4 million to EUR 1.2 million primarily due to the decrease of amortization of intangible assets. In 2017 the impairment charges of EUR 0.7 million (previous year EUR 9.3 million) mainly relate to internally generated software.

The financial result improved from negative 168.0 million in 2016 by EUR 214.9 million to positive EUR 47.0 million in 2017 and primarily includes net changes (gains and losses) in fair value of equity instruments accounted for at fair value through profit or loss of EUR 99,8 million (previous year EUR -187.2 million), other comprehensive income reclassified to profit or loss ("OCI recycling") from the partial sales of available-for-sale financial assets (AFS) amounting to EUR 65.9 million (previous year EUR 0.0 million), net foreign exchange losses that relate to loans as well as to cash and cash equivalents of EUR 45.3 million (previous year gain of EUR 13.2 million) and interest expense from convertible bonds of EUR 12.6 million (previous year EUR 18.4 million). The net changes in fair value

of equity instruments accounted for at fair value through profit or loss primarily include gains realized from the sale of Lazada amounting to EUR 74.6 million and valuation gains of Goodgame Studios amounting to EUR 38.0 million. Furthermore, the agreement with Naspers to sell 22,359,857 shares in Delivery Hero that is accounted for as a derivative financial liability hit the financial result by EUR -78.3 million in 2017. In contrast, the corresponding share price rise of Delivery Hero AG is recognized in the statement of comprehensive income increasing equity.

Other comprehensive income for the period, net of tax of EUR 377.3 million (previous year EUR 118,3 million) mainly includes the net gain on AFS amounting to EUR 399.2 million (previous year EUR 96.4 million) recognized in other comprehensive income which almost exclusively reflect the positive share price performance of Delivery Hero measured at fair value. 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 -17.6 million (previous year EUR -21.3 million). Furthermore it includes the share in the changes of net assets of the associates and joint ventures, which were recognized in the other comprehensive income of the associates and joint ventures, in the amount of EUR -17.6 million (previous year EUR 21.3 million).



### 3.5.2 Financial Position of the Group

#### 3.5.2.1 Cash flows and cash position

<i>In EUR million</i>	2017	2016
Cash flow from operating activities	-148.2	-85.7
Cash flows from investing activities	554.2	-123.6
Cash flows from financing activities	-62.1	-162.2
<b>Net change in cash and cash equivalents</b>	<b>343.9</b>	<b>-371.6</b>
Net foreign exchange difference in cash and cash equivalents	-29.0	4.6
Cash and cash equivalents at the beginning of the period	1,401.7	1,768.6
<b>Cash and cash equivalents at the end of the period</b>	<b>1,716.6</b>	<b>1,401.7</b>

Cash and cash equivalents at the end of the previous year comprise cash and cash equivalents that are included in the assets classified as held for sale in the amount of EUR 0.6 million (in 2017: nil). Due to exchange rate changes, the cash and cash equivalents of the Group decreased by EUR 29.0 million (previous year increase of EUR 4.6 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 higher cash outflows in 2017 compared to the previous year are primarily due to the first-time acquisition of operating financial assets and the higher payouts for cash-settled share-based payments. These negative effects were partially offset by the deconsolidation of subsidiaries, the higher interest payments on loans granted and the decrease in cash outflows for the interest on the convertible bond.

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 78.3 million (previous year EUR 59.7 million) were made for acquisitions of non-consolidated companies and of EUR 2.8 million, net of cash acquired (previous year EUR 5.9 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 569.7 million (previous year EUR 226.8 million) in cash for the sale of subsidiaries and non-consolidated equity investments, which mainly relates to the sale of Lazada and Delivery Hero (previous year La Nevera Roja, Pizzabo and Lazada). Cash paid in connection with short-term financial management of cash investments in the amount of EUR 92.8 million (previous year EUR 248.4 million) mainly relates to short-term bank deposits as well as to short-term loans granted to associated companies, joint ventures and other network 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 119.1 million (previous year EUR 56.0 million) that relates to the repayments of short-term loans to associates, joint ventures and other network companies as well as short-term bank deposits. In 2017, the Group made payments for acquisition of non-current financial assets of EUR 12.9 million (previous year EUR 77.0 million). In the course of changes in scope of consolidation, the Group's cash position decreased by EUR 2.2 million (previous year decreased by EUR 9.0 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 52.4 million (previous year EUR 165.0 million) as well as cash outflows for the repurchase of own shares of EUR 21.1 million (previous year EUR 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 9.9 million (previous year EUR 3.3 million). During the reporting period, no cash dividends were paid to non-controlling shareholders of consolidated subsidiaries (previous year EUR 2.3 million). In 2017, consolidated subsidiaries received loans in the amount of EUR 2.9 million (previous year EUR 2.0 million).

The Group continues to be very well funded, with available cash and cash equivalents of EUR 1,716.6 million (previous year EUR 1,401.7 million) as of December 31, 2017. In addition to cash and cash equivalents, the Group had short-term bank deposits of EUR 150.0 million (previous year EUR 163.4 million) as of December 31, 2017.

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 90.6% (previous year 89.5%). 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 2017, the Group has prematurely repurchased bonds with a principal amount of EUR 55.5 million (previous period EUR 196.2 million).

### **3.5.2.3 Investments**

The investment activities undertaken in the financial years 2017 and 2016 are as follows:

In EUR million	2017	2016
Cash investing activities	-554.2	123.6
Non-cash investing activities	0.0	255.2
<b>Total divestments/investments</b>	<b>-554.2</b>	<b>378.8</b>

For further details concerning cash investing activities, please refer to the statements regarding the cash flows from investing activities. In 2017, the proceeds from divestments exceeded the cash outflows for 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 2017, the Group did not perform any significant non-cash investing activities.

The capital contribution obligations as of December 31, 2017 totaling EUR 79.2 million (previous year EUR 77.0 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

Assets				
<i>In EUR million</i>	Dec 31, 2017		Dec 31, 2016	
Non-current assets	1,803.7	40%	2,385.6	57%
Current assets	2,751.6	60%	1,631.6	39%
Assets classified as held for sale	0.0	0%	167.4	4%
<b>Total</b>	<b>4,555.3</b>	<b>100%</b>	<b>4,184.6</b>	<b>100%</b>

Equity and Liabilities				
<i>In EUR million</i>	Dec 31, 2017		Dec 31, 2016	
Equity	4,126.1	91%	3,745.0	90%
Non-current liabilities	298.7	6%	342.6	8%
Current liabilities	130.5	3%	96.5	2%
Liabilities directly associated with assets classified as held for sale	0.0	0%	0.3	0%
<b>Total</b>	<b>4,555.3</b>	<b>100%</b>	<b>4,184.6</b>	<b>100%</b>

The Company's largest asset items are cash and cash equivalent (38% of the balance sheet total; previous year 33% of the balance sheet total), shares in associates and joint ventures, accounted for using the equity method (19% of the balance sheet total; previous year 20% of the balance sheet total), non-current available-for-sale financial assets (16% of the balance sheet total; previous year period 31% of the balance sheet total) ) as well as current available-for-sale financial assets (16% of the balance sheet total; previous year period 0% of the balance sheet total).

Non-current assets went down from EUR 2,385.6 million by EUR 581.9 million to EUR 1,803.7 million. The non-current financial assets decreased from EUR 1,542.1 million by EUR 604.2 million to EUR 937.9 million. The main causes for the decline are the disposal and reclassification of shares of Delivery Hero as well as the fair value changes of available for sale financial assets. The decline of investments in joint ventures from EUR 308.3 million by EUR 148.9 million to EUR 159.4 million mainly results from impairments at the Middle East Internet Group (EUR 39.9 million) and Asia Pacific Internet Group (EUR 34.3 million, thereof EUR 10.2 million proportionate impairment) as well as the proportionate losses of Jumia (EUR 30.4 million) and Clickbus Brazil (EUR 10.2 million). On the other side there is an increase in investments in associates which increased from EUR 529.1 million by EUR 164.5 million to EUR 693.7 million resulting mainly from the positive effects from the financing round of HelloFresh as well as the financing round of Traveloka and the reversal of impairment of the Global Fashion Group on group level.

The increase of intangible assets from EUR 2.1 million by EUR 6.8 million to EUR 8.9 million was mainly attributable to the acquisition of the subsidiary Holidays & Co. S.A.S. ([www.camping-and-co.com](http://www.camping-and-co.com)).

Current assets increased from EUR 1,631.6 million by EUR 1,120.1 million to EUR 2,751.6 million. The change is mainly due to the increase of current securities due to the reclassification of shares of Delivery Hero in other current financial assets in the amount of EUR 737.9 million, the increase of cash and cash equivalents by EUR 315.5 million and the increase of loan receivables against third parties by EUR 44.8 million. An offsetting

effect to the other current financial assets results from the decrease of loan receivables against associated companies by EUR 28.5 million. 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 consisted of shares in Lazada that were sold completely in June 2017.

Total consolidated equity increased from EUR 3,745.0 million by EUR 381.0 million to EUR 4,126.1 million. The increase results from the total comprehensive gain for the period, net of tax of EUR 371.4 million comprising both the loss for the period (EUR 6.0 million) and the other comprehensive income for the period, net of tax (EUR 377.3 million). Other changes in equity primarily result from the repurchases of treasury shares, the proceeds from non-controlling interests, the increase of the reserves for equity-settled share-based payments and changes in the scope of consolidation.

Non-current liabilities decreased from EUR 342.6 million by EUR 43.9 million to EUR 298.7 million. The decrease is mainly due to the decreased liabilities from convertible bonds from EUR 332.6 million by EUR 49.3 million to EUR 283.4 million, arising from the partial buyback of the convertible bonds.

Current liabilities increased from EUR 96.5 million by EUR 34.0 million to EUR 130.5 million. The change mainly results from the increase of derivative financial liabilities of EUR 78.3 million which is partly balanced by the decrease of liabilities from cash-settled share-based payments by EUR 29.6 million as well as from the partial settlement of the liability for capital calls in connection with the acquisition of shares in Jumia of EUR 8.3 million.

### **3.5.4 Key Developments of Reportable Segments**

As of December 31, 2017 the reportable segments HelloFresh, GFG, Jumia and Home & Living 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 2017 with the prior period is affected by the following transactions:

- Effective December 31, 2016, foodpanda was sold to Delivery Hero, thus, ceasing to represent an operating segment starting from 2017.
- On May 24, 2017, GFG announced a strategic partnership with Emaar Malls PJSC, Dubai (a subsidiary of Emaar Properties PJSC, Dubai), which was closed on August 16, 2017. Under the partnership, Emaar Malls acquired a 51% stake in Namshi. The reportable segment GFG classified Namshi (operations in the Middle East) as discontinued operations in 2017.

**HelloFresh** is a leading global online provider of cooking boxes. 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 ten markets including the United States, the United Kingdom, the Netherlands, Australia, Germany, Belgium, Canada, Austria, Switzerland and Luxembourg.

HelloFresh maintained its growth trajectory. Revenue increased from EUR 597.0 million in 2016 by 52% to EUR 904.9 million in 2017. This mainly results from increased number of servings delivered as well as higher number of active customers. Whilst EBITDA saw meaningful growth of 6% with negative EUR 86.2 million in 2016 and negative EUR 80.7 million in 2017, EBITDA margin improved respectfully from negative 14% in 2016 to negative 9% in 2017. Cash and cash equivalents increased from EUR 57.5 million to EUR 339.9 million mainly triggered by IPO proceeds.

**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), and Zalora (Southeast Asia) including The Iconic (Australia and New Zealand). The previously fully consolidated Namshi (Middle East) has become an associate since August 2017.

Revenue increased by 7% from EUR 1,023.1 million in 2016 to EUR 1,095.0 million in 2017. Revenue growth was slower in comparison to previous year given that the 2016 figure includes and the 2017 figure excludes revenues of Namshi. During 2016 Namshi contributed revenues of EUR 136.2 million to the GFG segment. Excluding Namshi revenue of the segment would have increased by 23% in 2017 in comparison to 2016. EBITDA improved by 31% from negative EUR 146.0 million in 2016 to negative EUR 100.3 million in 2017. The EBITDA margin improved respectively from negative 14% in 2016 to negative 9% in 2017. These changes were mostly due to operational improvements. Cash and cash equivalents increased from EUR 244.2 million to EUR 251.4 million primarily due to the financing round in 2017 and the proceeds from the disposal of Namshi offset by negative cash flow from operating activities.

**Jumia** is a leading pan-African eCommerce ecosystem with presence in 14 countries. Jumia core marketplace provides world-class, affordable and convenient products (fashion, beauty, electronics, phones, grocery, etc.) and online services (hotel and flight booking, restaurant delivery, bills payment, airtime top-up, etc.) to consumers in Africa that help them fulfill basic everyday needs. The company's goal is to offer a platform for merchants, brands and SMEs (small and medium-sized entities) and larger companies to grow, connect and transact with the next billion 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.

Revenue of Jumia increased by 11% from EUR 84.4 million in 2016 to EUR 93.8 million in 2017, mainly impacted by customer base growth and increased number of transactions. EBITDA for 2017 of negative EUR 147.0 million (previous year negative EUR 104.5 million) and EBITDA margin of negative 157% (previous year negative 124%) are attributable to the early stage of the contributed businesses. Cash and cash equivalents remained constant with EUR 29.5 million in 2016 and EUR 29.0 million in 2017.

**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 10% from EUR 494.2 million in 2016 to EUR 541.5 million in 2017 driven by strong loyalty of customers and higher average order value (AOV). EBITDA improved by 24% from negative EUR 64.1 million in 2016 to negative EUR 48.7 million in 2017, as a result of operational improvements. The EBITDA margin improved from negative 13% in 2016 to negative 9% in 2017. The change of cash and cash equivalents from EUR 51.9 million to EUR 33.7 million results from operating losses as well as investments in technology and infrastructure partially compensated by proceeds from financing rounds and external borrowings during the reporting period.

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**

2017 has been a successful year for the Group. We delivered on our promise to create sustainable value. Our investment focus on Food & Groceries paid off with the two successful IPOs of our selected companies Delivery Hero and HelloFresh. In addition, we have closed further transactions that prove our ability to found, grow and successfully exit market-leading Internet companies. In June 2017, Rocket Internet sold its remaining 8.8% stake in the leading Southeast Asian online retailer Lazada to the leading Chinese eCommerce company Alibaba. Our selected companies were able to further expand their market positions in their respective markets in 2017. At the same time, they have come closer to reaching break-even in medium-term. Operationally, we continue to work on growing the revenues of our selected companies, while at the same time reducing absolute EBITDA losses. We continued to invest in new business models addressing basic customer needs, limited competition and scalable technology. We invest early and benefit from being close to network companies. The investments were largely supported by co-investments by RICP. Given the strength of Rocket Internet's balance sheet, we are able to make larger investments in promising businesses around the globe and support our network companies in their growth phase with operational expertise and capital.

### 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 – 2017:

<i>In EUR million</i>	2017	2016	2015	2014	2013	2012	2011	2010
Revenue	17.1	28.1	34.2	28.8	26.0	24.3	6.8	5.4
Other operating income	274.2	150.6	30.5	5.9	187.5	176.8	14.7	1.7
EBITDA	149.6	80.5	-65.1	-44.6	161.7	165.7	13.8	0.8
Financial and investment result	4.0	-32.0	-7.3	-0.6	-2.4	215.3	37.3	46.3
Net income/loss for the year	153.0	41.4	-73.5	-45.9	147.1	378.1	50.7	45.3

*Earnings position of the Company during the reporting period*

<i>In EUR million</i>	2017	2016
Revenue	17.1	28.1
Changes in work in progress	0.9	-0.8
Other own work capitalized	0.0	2.9
Other operating income	274.2	150.6
Cost of materials	-7.6	-10.8
Personnel expenses	-54.6	-51.3
Other operating expenses	-80.4	-38.2
<b>EBITDA</b>	<b>149.6</b>	<b>80.5</b>
Amortization/depreciation of property, plant and equipment and of intangible assets	-0.6	-7.1
Financial and investment result	4.0	-32.0
Income taxes, other taxes	0.0	0.0
<b>Net income for the year</b>	<b>153.0</b>	<b>41.4</b>

The Company's revenues have decreased significantly by EUR 11.0 million to EUR 17.1 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 263.0 million (previous year EUR 118.8 million), the majority of which resulted from the sale of Lazada Group S.A. in the amount of EUR 232.6 million, the



sale of shares in Zalando SE in the amount of EUR 26.6 million, the sale of Beauty Trend Holding GmbH in the amount of EUR 1.6 million and the contribution of Affinitas GmbH into Sparks Networks SE in the amount of EUR 1.4 million (previous year Lazada EUR 104.8 million and Zalando EUR 8.0 million).

The average number of employees during the financial year 2017 decreased in comparison to the previous financial year from 321 to 211. The total personnel expenses increased by 6.4% to EUR 54.6 million (previous year EUR 51.3 million). The reduction of the workforce led to decreased current personnel expenses of EUR 17.2 million (previous year EUR 24.6 million). Additionally, the accounting for equity-settled share-based payment plans generated expenses amounting to EUR 21.3 million (previous year EUR 21.8 million), which were recorded as personnel expenses. Moreover, the expenses for compensation obligations of EUR 16.1 million (previous year EUR 4.9 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 1.8 million (previous year EUR 1.6 million). Moreover, the expenses for compensation obligations generated expenses of EUR 11.2 million (previous year EUR 3.2 million).

The gain from participations in the financial year 2017 amounted to EUR 1.2 million (previous year EUR 6.5 million), the majority of which resulted from distribution in kind received from Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1 in the amount of EUR 0.9 million and Rocket Labs GmbH & Co. KG in the amount of EUR 0.3. Interest income of EUR 21.0 million (previous year EUR 10.1) mainly results from loans granted (EUR 15.3 million, previous year EUR 8.0 million) and cash on banks (EUR 4.8 million, previous year EUR 0.9 million). Interest expense on convertible bonds amounts to EUR 14.9 million (previous year EUR 19.1 million). Furthermore, the financial and investment result includes financial asset impairment charges amounting to EUR 3.0 million (previous year EUR 29.5 million).

The net income for the financial year amounts to EUR 153.0 million (previous year net income for the year of EUR 41.4 million). The Company realized a return on equity of 5.0% (previous year 1.4%). EBIT totaled EUR 149.0 million (previous year EUR 73.4 million) and EBITDA amounted to EUR 149.6 million (previous year EUR 80.5 million).

### **3.6.2 Financial and Asset Position of the Company**

#### **Assets**

<i>In EUR million</i>	<b>Dec 31, 2017</b>		<b>Dec 31, 2016</b>	
Fixed assets	2,542.3	70%	2,642.6	76%
Current assets	1,072.2	29%	814.2	23%
Prepaid expenses	28.5	1%	34.0	1%
<b>Total</b>	<b>3,643.0</b>	<b>100%</b>	<b>3,490.8</b>	<b>100%</b>

#### **Equity and Liabilities**

<i>In EUR million</i>	<b>Dec 31, 2017</b>		<b>Dec 31, 2016</b>	
Equity	3,068.0	84%	2,913.1	83%
Provisions	8.5	0%	17.7	1%
Liabilities	566.5	16%	560.0	16%
<b>Total</b>	<b>3,643.0</b>	<b>100%</b>	<b>3,490.8</b>	<b>100%</b>



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. The increase of cash and cash equivalents to EUR 896.1 million as of December 31, 2017 (previous year EUR 653.6 million) despite the repurchase of convertible bonds and own shares mainly results from the sale of investments. Thus, the Company experienced a positive cash flow of EUR 242.5 million (previous year negative cash flow of EUR 1,066.4 million).

The Company remains financed mainly through equity with an equity ratio as of December 31, 2017 of 84% (previous year 83%). No dividends were paid in 2017 and 2016.

The asset position comprises participations amounting to EUR 2,539.2 million (70% of total assets; previous year EUR 2,639.1 million, 76% of total assets), receivables from subsidiaries and companies in which a participation is held in the amount of EUR 156.4 million (4% of total assets; previous year EUR 139.1 million, 4% of total assets) as well as cash and cash equivalents in the amount of EUR 896.1 million (25% of total assets; previous year EUR 653.6 million, 19% of total assets).

The decrease in participations by EUR 100.0 million is mainly due to the withdrawal regarding the participation in International Rocket GmbH & Co. KG in the amount of EUR 234.0 in line with the IPO of its indirect participation in Delivery Hero AG. Moreover, the Company invested into the development of diverse new business models, mainly through its participation in Rocket Internet Capital Partners SCS, International Rocket GmbH & Co. KG as well as GFC Global Founders Capital S.à r.l. In the financial year, the financial assets were impaired in the amount of EUR 3.0 million, thereby being clearly below last year's figure (previous year EUR 29.5 million). The impairments resulted primarily from proportionate impairments of Vaniday Global S.à r.l. as well as the liquidation of Emerging Markets Internet Fund SCS and der Piccolo 22. UG. The reversals of impairment losses amounted to EUR 4.0 million (previous year EUR 0.6 million) and mainly result from the sale of the participation in Beauty Trend Holding GmbH in the amount of EUR 2.3 million as well as Global Savings Group GmbH in the amount of EUR 1.3 million after a successful capital round.

In 2017, loan receivables were impaired by EUR 5.0 million (previous year EUR 20.1 million). The majority thereof relate to Finverum Capital S.à r.l., RideLink Global S.A. and Digital Services XLIII S.à r.l., 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 2017. Rocket Internet SE's economic position is characterized by investments and development of its network of companies. The total earnings exceeded the expenses in the financial year. This is mainly attributable 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 2018), in which the stronger momentum experienced in 2017 is expected to carry into 2018 and 2019, with global growth revised up to 3.9% for both years.

For the two-year forecast horizon, the upward revisions to the global outlook result mainly from advanced economies, where growth is now expected to grow by 2.3% in 2018 and 2.2% in 2019. This forecast reflects the expectation that favorable global financial conditions and strong sentiment will help maintain the recent acceleration in demand, especially in investment, with a noticeable impact on growth in economies with large exports. In addition, the U.S. tax reform is expected to temporarily raise U.S. growth to 2.7% in 2018, with favorable demand spillovers for U.S. trading partners - especially Canada and Mexico. Growth rates for many of the euro area economies have been marked up, especially for Germany, Italy, and the Netherlands, reflecting the stronger momentum in domestic demand and higher external demand.

Emerging market and developing economies growth is projected to reach 4.9% for 2018 and further pickup in growth to 5.0% is projected for 2019, with marked differences in the outlook across the regions. Emerging and developing Asia will grow at around 6.5% over 2018 and 2019. The region continues to account for over half of world growth. In emerging and developing Europe activity in 2018 and 2019 is projected to firm up stronger than previously anticipated with a growth rate of about 4%. In Latin America, the recovery is expected to strengthen, with growth of 1.9% in 2018 and 2.6% in 2019. This primarily reflects an improved outlook for Mexico, a firmer recovery in Brazil, and favorable effects of stronger commodity prices and easier financing conditions on some commodity-exporting countries. Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is also expected to pick up in 2018 and 2019, but remains subdued at around 3.5%. While stronger oil prices are helping a recovery in domestic demand in oil exporters, the fiscal adjustment that is still needed is projected to weigh on growth prospects. The growth pickup in Sub-Saharan Africa (from 2.7% in 2017 to 3.3% in 2018 and 3.5% in 2019) is broadly as anticipated, with a modest upgrade to the growth forecast for Nigeria but more subdued growth prospects in South Africa, where growth is now expected to remain below 1% in 2018 and 2019, as increased political uncertainty weighs on confidence and investment. Growth in 2018 and 2019 is projected to remain above 2.0% in the Commonwealth of Independent States, supported by a slight upward revision to growth prospects for Russia in 2018 to 1.7%.

According to eMarketer worldwide retail sales – including in-store and Internet purchases – amounted to USD 22.7 trillion in 2017, up 6.0% from 2016. Retail eCommerce sales, those purchased over the Internet, make up 10.1% of the total retail market worldwide, or USD 2.3 trillion. By 2021, that share will jump to USD 4.5 trillion. eMarketer expects online sales will grow at double-digit rates on average each year (25%) throughout the forecast period through 2021, 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 6.5% on an annual basis from 2017 on until 2021, fueled by new Internet users in Asia-Pacific, Latin America, the Middle East and Africa making digital purchases for the first time.

Regarding RICP, Rocket Internet expects to increase its investment into the fund by means of capital calls.

Investments into most of our larger network companies are expected to decrease to a large extent due to their improving profitability. On the other hand, it is to be expected that investments into existing network companies in the area of New Businesses will remain stable. Consequently, we expect the number of fully consolidated entities to decrease due to models that are not economically viable and therefore discontinued or sold, whereas the number and overall size of the GFC investments will increase.

Exposure in debt securities will probably continue to increase in number and volume and thus make a positive contribution to the financial result for 2018.

Regarding New Businesses, Rocket Internet Group expects a significant increase in consolidated revenue for the financial year 2018 for those companies that continue to be fully consolidated after December 31, 2017. Overall, however, due to deconsolidations of ZipJet (in May 2017) and Instafreight (in October 2017), discontinued business activities of subsidiaries (e.g. Carspring, RideLink) and potentially also by the deconsolidation of further subsidiaries we expect the consolidated revenues of New Businesses to remain at the prior-year period's level. Due to the early stage of our fully consolidated subsidiaries, we continue to expect negative operating results (EBITDA) in the area New Businesses for 2018 in the range between EUR 7 to 14 million.

Due to the decline in incubation activities in 2017, a lower deconsolidation result is expected for 2018.

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 2018, but EBITDA is forecast to deteriorate for 2018 in comparison with 2017.

Rocket Internet SE expects revenues to decrease by a low double-digit percentage in 2018 as compared to 2017 due to the increased individual independence of the network companies. A similar development is expected at Group level for revenues from other services.

Through the provision of essential administrative company functions and the recognition of expenses from share-based payment plans in the income statement we expect a negative operating result (EBITDA) in the range between EUR 18 to 22 million in the Annual Financial Statements of Rocket Internet SE for the reporting year 2018 provided there are no material divestments of participations.

#### Outlook for the segments

Following the changes in the internal reporting to the Chief Operating Decision Maker (CODM) in January 2018 the Company comprises a single operating and reportable segment.

## **4.2 Risk Report**

### **4.2.1 Risk Management System – Principles and Organization**

Rocket Internet has implemented a management system to handle opportunities and risks arising out of its economic activities. The objective of the risk and opportunity management is to develop a risk management strategy and establish goals that create an optimal balance between growth and profitability on the one hand and the related risk on the other.

Risk is defined as the possibility of negative deviations of actual business performance from the planned targets or objectives, while opportunities represent the possibility of positive deviations. We do not seek to avoid risks in general, but to carefully weigh the opportunities and risks associated with our decisions and our business activities, from a well-informed perspective. Accordingly, opportunities should be exploited to generate income or increase the 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 establish Group-wide effective monitoring systems. The systematic identification and assessment of opportunities is included in the strategic planning process.

The examination of the effectiveness and efficiency of the risk management system is generally within the responsibility of the Internal Audit department. In addition, the 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.

#### **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:

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

Risk is defined as the possibility of negative deviations of actual business performance from the planned targets or objectives of Rocket Internet. The impact assessment can be conducted either on a quantitative scale which is the preferred method or a qualitative scale, if risks cannot be quantified or qualitative aspects predominate, e.g. for compliance risks.

The quantitative classes are based on a scale relating to the potential EBIT 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 0.5 million individual risk
Low	Limited negative impact on business operations, financial position and performance or reputation EUR 0.5 million – EUR 10 million individual risk
Medium	Some negative impact on business operations, financial position and performance or reputation > EUR 10 million – EUR 50 million individual risk
Major	Substantial negative impact on business operations, financial position and performance or reputation > EUR 50 million – EUR 100 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.

Likelihood of Occurrence \ Impact	Rare	Unlikely	Possible	Likely	Almost Certain
Severe					Extreme
Major				Very High	
Medium			High		
Low		Moderate			
Insignificant	Low				

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

### **4.2.3 Risk Areas**

Companies with business models that include founding, operational support, 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 Group 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 high uncertainty the risk of wrong investment decisions is considered to be high.

In the fast pacing Internet environment speed is one of the key factors for success. Rocket Internet's goal is to start operations within 100 days from the decision of establishing a business model.

Rocket Internet has industrialized the process of incubation with its platform approach. The launch process is standardized which connects the new network company (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. The Company also systematically ensures risk diversification by starting and financing businesses in different operational business fields and geographic areas. In addition, the Rocket Internet Group has access to a variety of investors as well as existing strategic partnerships. As a result the investor relation risk could be decreased to a moderate risk.

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 34 and Note 35 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 a major risk. The outage of IT systems can lead to disturbances of business operations, but it can also have a reputational impact.

The main causes, complexity of systems and infrastructure as well as external attacks, are mitigated by constant monitoring of all systems as well as the improvement of processes and security measures by a special IT security team. Due to the high dependency on the Internet and constantly evolving cybercrime activities, breaches of network and data security are considered to be a high risk.

#### *Personnel*

Berlin is increasingly becoming an established location for Internet and venture capital companies, which leads to increased competition for specialized management staff and functional experts. 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 2018.

### **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 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 (38% of total assets; previous year 33%) and short-term bank deposits (3% of total assets; previous year 4%), available-for-sale equity investments (32% of total assets; previous year 31%), equity instruments at fair value through profit or loss (FVTPL) (4% of total assets; previous year 8%) and other non-current financial assets (2% of total assets; previous year 2%), as well as liabilities from convertible bonds (6% of total assets; previous year 8%). 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 (25% of the total assets, previous year 19%), investments in subsidiaries (52% of total assets, previous year 59%), participations (11% of total assets, previous year 11%), as well as the liabilities from convertible bonds (15% of total assets, previous year 16%).

For information about the functions and objectives of our financial management, please refer to Note 34 “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. The audit procedures are based on a risk-oriented annual audit plan. In addition, the effectiveness of the financial reporting-related internal control system is subject to the risk-based financial statement audit of the external auditor.

If significant control weaknesses or opportunities for improvement are detected, they are assessed and countermeasures are developed with the responsible persons to further improve the effectiveness of the internal control system. Implementation of the management measures is monitored by the Internal Audit department and may be subject of subsequent audits. In order to ensure the high quality of the accounting-related internal control system the Internal Audit department is closely involved during all stages.

#### **7. Explanatory Report by the Management Board in accordance with Sec. 176 (1) sentence 1 German Stock Corporation Act (AktG) on disclosures relating to takeover law in accordance with Secs. 289a (1) and 315a (1) German Commercial Code (HGB)**

In accordance with Sec. 176 (1) sentence 1 German Stock Corporation Act ("AktG"), the Management Board of Rocket Internet SE has prepared the following explanatory report on the disclosures relating to Takeover law in accordance with Sec. 289a (1) and Sec. 315a (1) German Commercial Code (HGB).

##### *Composition of share capital*

Rocket Internet SE's share capital currently amounts to EUR 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. As of December 31, 2017, the Company held 1,035,621 treasury shares.

##### *Restrictions relating to the voting rights or the transfer of shares*

Rocket Internet SE held treasury shares as of the reporting date with restrictions relating to voting rights according to Sec. 71b AktG. The external shareholders' voting rights are not subject to any restrictions other than any possible statutory prohibitions on voting rights. There are no restrictions regarding the transfer of shares.



*Shareholdings that exceed 10% of the voting rights*

At the end of the financial year 2017 Global Founders GmbH, Grünwald held 37.1% of the shares in Rocket Internet SE.

The Management Board is not aware of further participations in capital exceeding 10% of voting rights. The current notifications of changes in voting rights in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) are also published on the website <https://www.rocket-internet.com/investors/share>.

*Holders of shares with special rights conveying powers of control*

Rocket Internet SE has not issued any shares with special rights conveying powers of control.

*Type of voting rights control for the event that employees hold an interest in the share capital and do not directly exercise their control rights*

In addition, there are no interests held by employees in the share capital under which employees cannot exercise their control rights directly.

*Statutory provisions and provisions of the Articles of Association regarding the appointment and removal from office of Management Board members and modifications of the Articles of Association*

According to Art. 9 (1), Art. 39 (2) and Art. 46 of the SE Regulation, Secs. 84 and 85 AktG and Art. 7 (4) of the Articles of Association, the Supervisory Board appoints the members of the Management Board for a maximum term of five years. Reappointments are allowed. In accordance with Art. 7 (1) of the Articles of Association, the Management Board consists of one or more members. The number of members of the Management Board is determined by the Supervisory Board.

The annual general meeting passes the resolutions to amend the Articles of Association. Sec. 20 (2) sentence 2 of the Articles of Association states that, unless this conflicts with mandatory legal provisions, amendments to the Articles of Association require a majority of two-thirds of the valid votes cast or, if at least one-half of the share capital is represented, the simple majority of the valid votes cast. The Articles of Association thereby make use of the option set out in Sec. 51 of the SE Implementation Act (SEAG), which is based upon Article 59 (1) and (2) of the SE Regulation. A majority of two-thirds of the valid votes cast is required, inter alia, for a change in the corporate object and the relocation of the registered office to another E.U. member state.

*Authority of the Management Board to issue shares*

The Management Board is hereby authorized to increase the registered capital of the Company until August 21, 2019, with the consent of the Supervisory Board once or repeatedly, by up to a total of EUR 15,012,592 by the issuance of up to 15,012,592 new no-par value bearer shares against contributions in cash or in kind (Authorized Capital 2014). In principle, the shareholders are to be offered subscription rights. The new shares may be taken over by one or more banks with the obligation to offer them to the shareholders (so-called indirect subscription right). The subscription right of the shareholders is excluded for one or more capital increases in several circumstances specified in Art. 4 (3) of the Articles of the Association. The new shares shall bear the right to participate in the profits of the Company from the first day of the year in which they have been issued. The Management Board is authorized to determine any further details of the capital increase and its implementation, subject to the Supervisory Board's approval. The Supervisory Board is

authorized to adjust the wording of the Articles of Association accordingly after the utilization of the Authorized Capital 2014 or after the period for the utilization of the Authorized Capital 2014 has expired.

The share capital of the Company is conditionally increased by up to EUR 4,541,712 by issuance of up to 4,541,712 new registered no-par value shares (Conditional Capital 2014 / I). The Conditional Capital 2014 / I may only be used to fulfil the subscription rights which have been granted to the member of the Management Board of the Company, Mr. Oliver Samwer, in connection with the Stock Option Program 2014 / I in accordance with the resolution of the general meeting on September 8, 2014. The conditional capital increase will only be implemented to the extent that such subscription rights have been or will be issued in accordance with the Stock Option Program 2014 / I as resolved by the general meeting on September 8, 2014, the holder of the subscription rights exercises his rights and the Company does not deliver treasury shares to satisfy the subscription rights, whereas the Supervisory Board shall be exclusively competent regarding the granting and settlement of subscription rights to the member of Management Board. The new no-par value shares participate in the profit from the beginning of the financial year for which at the time of the issue of the new shares no resolution of the general meeting on the application of the balance sheet profit was passed, to the extent legally and factually admissible.

The share capital of the Company is conditionally increased by up to EUR 6,005,113 by issuance of up to 6,005,113 new no-par value bearer shares (Conditional Capital 2014 / II). The Conditional Capital 2014 / II may only be used to fulfil the subscription rights which have been granted to members of the Management Board (except for Mr. Oliver Samwer) and employees of the Company as well as members of the management bodies and employees of companies affiliated with the Company in the meaning of Secs 15 et seq. AktG in connection with the Stock Option Program 2014 / II in accordance with the resolution of the general meeting on September 8, 2014, amended by the general meeting on June 2, 2017. The conditional capital increase will only be implemented to the extent that such subscription rights have been or will be issued in accordance with the Stock Option Program 2014 / II as resolved by the general meeting on September 8, 2014, the holders of the subscription rights exercise their rights and the Company does not deliver treasury shares to satisfy the subscription rights, whereas the Supervisory Board shall be exclusively competent regarding the granting and settlement of subscription rights to the members of Management Board. The new no-par value shares participate in the profit from the beginning of the financial year for which at the time of the issue of the new shares no resolution of the general meeting on the application of the balance sheet profit was passed, to the extent legally and factually admissible.

The basic capital will be conditionally increased by up to EUR 72,000,000 by the issue of up to 72,000,000 new bearer no-par value shares with profit entitlement (Conditional Capital 2015/2017). The conditional capital increase serves the granting of shares on the exercise of conversion or option rights or the fulfilment of conversion or option obligations to the bearer or creditor of conversion bonds, option bonds, profit rights and/or profit bonds (or a combination of these instruments) (hereinafter together "Bonds") issued on the basis of the authorizing resolution of the General Meeting of June 23, 2015 or the authorizing resolution of the General Meeting of June 2, 2017. The issue of new shares is based on the conversion or option price to be determined in accordance with the authorizing resolution of the General Meeting of June 23, 2015 or the authorizing resolution of the General Meeting of June 2, 2017. The conditional capital increase will only be implemented to the extent that the bearers or creditors of Bonds which are issued or guaranteed by the Company or company dependent on or directly or indirectly majority-owned by it on the basis of the

above authorizing resolution of the General Meeting of June 23, 2015 or are issued or guaranteed on the basis of the authorizing resolution of the General Meeting of June 2, 2017 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 1, 2022 by up to EUR 67,557,803 once or several times by the issue of up to 67,557,803 new bearer no-par value shares for cash and/or contributions in kind (Authorized Capital 2017). A subscription right is in principle to be granted to the shareholders. The shares can thereby be taken up according to Sec. 186 (5) Stock Corporation Act even by one or more financial institutions with the obligation to offer them to the shareholders of the Company (indirect subscription right). The Management Board is however authorized to exclude the subscription right of the shareholders with the approval of the Supervisory Board for one or more capital increases in several circumstances specified in Art. 4 (7) of the Articles of Association.

The Management Board is also authorized with the consent of the Supervisory Board to specify the additional content of the rights attached to the shares and the Conditions of the share issue. The Supervisory Board is authorized after the exhaustion of the Authorized Capital 2017 or after expiry of the period for the use of the Authorized Capital 2017, to amend the version of the Articles of Association accordingly.

*Material agreements of the Company that take effect in the event of a change of control following a takeover bid*

There are no material agreements of the Company that take effect in the event of a change of control following a takeover bid.

*Compensation agreements agreed by the Company with members of the Management Board or employees in the event of a takeover bid*

There are no compensation agreements agreed by the Company with the members of the Management Board or employees in the event of a takeover bid.

## 8. Remuneration Report

### 8.1 Remuneration of the Management Board

#### *Basic features of the remuneration system for the members of the Management Board*

Total remuneration consists of a fixed base salary and a long-term incentive through option programs.

The total remuneration is appropriate to the tasks and performance of each member of the Management Board. The criteria used to determine what remuneration is appropriate relate to the responsibilities of the individual members of the Management Board, the personal achievement together with the Company's economic situation, performance and future development. The industry environment and the remuneration structure that otherwise applies in the Company is also considered.

Pursuant to the resolution passed at the Company's extraordinary general meeting held on August 22, 2014, information on the individual remuneration of each member of the Management Board is not disclosed in accordance with Secs. 285 No. 9 a) Sentence 5, 315a (2) and 314 (1) No. 6a Sentences 5 - 8 HGB in conjunction with Secs. 286 (5) and 314 (3) Sentence 1 HGB as well as Art. 61 of the SE Regulation.

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

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

The salaries of the members of the Management Board are paid in monthly installments. The members of the Management Board received in total annual salaries of EUR 1,750 thousand in the financial year 2017 (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 2017 (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 in accordance with the resolution of the General Meeting of September 8, 2014, amended by the resolution of the General Meeting of June 2, 2017, the Supervisory Board is authorized to grant up to 3,408,342 share options to each of the other two members of the Management Board (i.e. the CFO and the Group Managing Director).

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

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

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

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

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

The table below provides an overview of the movements in the share option awards of SOP I and SOP II during the reporting period:

Share options	2017		2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
<b>Outstanding as of January 1</b>	<b>EUR 38.76</b>	<b>5,742,734</b>	<b>EUR 39.88</b>	<b>5,450,054</b>
Granted during the period	EUR 19.96	2,207,320	EUR 17.90	292,680
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
<b>Outstanding as of December 31</b>	<b>EUR 33.54</b>	<b>7,950,054</b>	<b>EUR 38.76</b>	<b>5,742,734</b>
Exercisable as of 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 months – or (ii) four years after the granting of the shares). If a leaver event occurs prior to the expiration of the cliff period, typically all shares can be clawed back. Thereafter, in the case of a bad leaver event, the Company can usually claw back all vested and unvested shares, while in case of a good leaver event, the Company may only claw back the unvested shares. A bad leaver event is typically triggered, if, for example, the respective service agreement between a participant and a subsidiary is terminated by such company for cause, the participant demonstrably committed a criminal offence against the company, or such member breached its non-compete obligation. A good leaver event is typically triggered, if, for example, the service agreement is terminated by either party properly.

Shares in subsidiaries of the Group have been issued to participants at the nominal value of the shares of EUR 1. If the applicable vesting conditions are not met (typically if a participant's 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:

	2017	2016
<b>Number of unvested shares as of January 1</b>	<b>204</b>	<b>519</b>
Deconsolidation of subsidiaries	-50	-228
Granted during the period	-	-
Vested during the period	47	72
Forfeited during the period	-	15
<b>Number of unvested shares as of December 31</b>	<b>107</b>	<b>204</b>
Number of vested shares as of December 31	536	489

- 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:

	2017		2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
<b>Outstanding options as of January 1</b>	<b>EUR 1.00</b>	<b>61</b>	<b>EUR 1.00</b>	<b>332</b>
Deconsolidation of subsidiaries	EUR 1.00	-25	EUR 1.00	-296
Granted during the year	EUR 1.00	0	EUR 1.00	25
Exercised during the year	EUR 1.00	0	EUR 1.00	0
Forfeited during the year	EUR 1.00	0	EUR 1.00	0
<b>Outstanding options as of December 31</b>	<b>EUR 1.00</b>	<b>36</b>	<b>EUR 1.00</b>	<b>61</b>
Exercisable as of December 31	EUR 1.00	20	EUR 1.00	28

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 employment contracts of the Management Board are effective until March 15, 2020. In this period the employment contracts may be terminated for cause. Through the dismissal of a member of Management Board the employment contract does not end automatically.

According to the provisions of the German Stock Companies Act (Aktiengesetz) the members of the Management Board are covered by a directors and officers (“D&O”) insurance policy with a reasonable coverage and a retention of 10% of the damage, but within a year maximum 1.5 times the annual fix salary. The D&O insurance covers financial damages occurred through breach of duty by the members of Management Board in line with their activity as Member of the Management Board and their operating activity.

There are no other service or employment contracts between Alexander Kudlich and 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 2017 a total remuneration of EUR 20,315 thousand (prior year: EUR 5,695 thousand).

<i>In EUR thousand</i>	2017	2017 (min)	2017 (max)	2016
Fixed compensation	1,750	1,750	1,750	1,750
Fringe benefits	47	47	47	21
Non-cash compensation	909	909	909	1,523
One-year variable compensation	-	-	-	-
<b>Total short-term compensation</b>	<b>2,706</b>	<b>2,706</b>	<b>2,706</b>	<b>3,294</b>
Multi-year variable compensation (share-based payments)	17,609	17,609	17,609	2,401
Service cost	-	-	-	-
<b>Granted compensation – Total</b>	<b>20,315</b>	<b>20,315</b>	<b>20,315</b>	<b>5,695</b>



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 2017 respectively 2016.

<i>In EUR thousand</i>	<b>2017</b>	<b>2016</b>
Fixed compensation <sup>1)</sup>	1,750	1,750
Fringe benefits <sup>1)</sup>	47	21
Non-cash compensation	2,777	1,523
One-year variable compensation	-	-
<b>Total short-term compensation</b>	<b>4,574</b>	<b>3,294</b>
Multi-year variable compensation (share-based payments)	18,622	20,728
Service cost	-	-
<b>Expenses in the reporting period – Total</b>	<b>23,196</b>	<b>24,022</b>

<sup>1)</sup> Cash flow during the reporting period

## **8.2 Remuneration of the Supervisory Board**

The remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association. It consists of fixed annual payments based on the responsibility and extent of the function of each member of the Supervisory Board as well as on the economic situation of the Company.

According to the Articles of Association effective at the end of the reporting period each member of the Supervisory board receives a fixed annual remuneration in the amount of EUR 25,000. The chairman of the Supervisory Board receives three times the amount and the chairman of the Audit Committee receives twice the 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 2017 and 2016 the following remuneration was paid:

<i>In EUR thousand</i>	<b>2017</b>	<b>2016</b>
Prof. Dr. Marcus Englert	65	50
Norbert Lang	25	25
Prof. Dr. h.c. Roland Berger	25	25
Stefan Krause (starting June 9, 2016)	25	14
Pierre Louette (starting June 9, 2016)	25	14
Prof. Dr. Joachim Schindler	50	50
Daniel Shinar	25	25
Christopher H. Young (starting June 2, 2017)	15	0
Dr. Martin Enderle (till June 2, 2017)	10	25
Napoleon L. Nazareno (till June 2, 2017)	10	25
Lorenzo Grabau (till June 9, 2016)	0	11
Erik Mitteregger (till June 9, 2016)	0	11
<b>Total fixed annual remuneration</b>	<b>275</b>	<b>275</b>
Out-of-pocket expenses	11	28
<b>Expenses in the reporting period – Total</b>	<b>286</b>	<b>303</b>

## **9. Corporate Governance Statement, Non-financial Consolidated Declaration**

The corporate governance statement issued in accordance with Sec. 289f HGB / Sec. 315d HGB and the non-financial consolidated declaration in accordance with Sec. 315b HGB will be made publicly available separately on the website of the parent Company under: <https://www.rocket-internet.com/investors/corporate-governance>.

Berlin, March 29, 2018

Oliver Samwer

Peter Kimpel

Alexander Kudlich

## **Independent auditor's report**

To Rocket Internet SE

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

#### **Opinions**

We have audited the annual financial statements of Rocket Internet SE, Berlin, which comprise the balance sheet as of 31 December 2017, and the income statement for the financial year from 1 January to 31 December 2017 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Rocket Internet SE, which is combined with the group management report, for the financial year from 1 January to 31 December 2017.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

## **Basis for the opinions**

We conducted our audit of the annual financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the combined management report of the Company and the Group” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

### **Subsequent measurement of shares in affiliates**

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

Rocket Internet SE recognizes shares in affiliates at the lower of cost or net realizable value. In the case of permanent impairment, Rocket Internet SE’s executive directors recognize impairment losses to the lower net realizable value. If the reasons for an impairment loss recorded in prior years no longer apply, the impairment is reversed.

Rocket Internet SE’s executive directors determine the fair values using quoted market prices or recent market transactions. If this information is not available, the fair values are determined using valuation models based on the Company’s business plans for a multi-year period. Rocket Internet SE’s executive directors select the valuation model as well as the underlying assumptions (discount rates, estimate of future cash flows, growth rates and liquidation preferences in particular) which is subject to judgment.

Against the background of the material significance, complexity of the valuation models as well as the judgment-based assumptions made by the executive directors, we consider the calculation of fair values to be a key audit matter.

#### Auditor's response

In our audit, we analyzed the process implemented by the executive directors of Rocket Internet SE as well as the accounting and measurement principles used in calculating the fair value of shares in affiliates and gained an understanding of the process steps and the internal controls in place.

We verified the compatibility of specific measurement principles in the internal Fair Value Policy with German commercial law as well as their implementation by the executive directors of Rocket Internet SE.

We analyzed the business plans by comparing them against the actual results generated in the past and the current development of business figures. We reviewed the major assumptions concerning growth and business development used in business plans by discussing them in detail with Rocket Internet SE's executive directors. Based on this, we assessed the adequacy of these assumptions.

The adequacy of other main valuation assumptions, such as discount rates or growth rates, for example, were tested using input from internal valuation experts on the basis of an analysis of market indicators. As even small changes in the discount rates can have a material effect on fair value, we verified the parameters used in determining discount rates by comparing these with our own market information. We reviewed the risk of changes in fair value from changes in valuation assumptions using sensitivity analyses. Moreover, we checked the mathematical accuracy of the valuation model.

Our audit procedures did not lead to any reservations relating to the calculation of fair values for the subsequent measurement of shares in affiliates.

## Reference to related disclosures

For information about the accounting policies applied, we refer to the disclosures in the notes to the financial statements in section B (Summary of Significant Accounting Policies).

## **Other information**

The supervisory board is responsible for the supervisory board report. In all other respects, the executive directors are responsible for the other information. Other information comprises the other components of the annual report that we expect to receive after we have issued our independent auditor's report, including

- the supervisory board report pursuant to Sec. 171 (2) AktG [“Aktengesetz”: German Stock Corporations Act] and
- the responsibility statement pursuant to Sec. 264 (2) Sentence 3 in conjunction with Sec. 289 (1) Sentence 5 HGB.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, it is our responsibility to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

We are required to disclose material misstatements of the other information that were discovered as part of our work. We have nothing to report in this regard.

## **Responsibilities of the executive directors and the supervisory board for the annual financial statements and the management report**

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, if applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

## **Auditor's responsibilities for the audit of the annual financial statements and of the management report**

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.



- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Other legal and regulatory requirements**

### **Further information pursuant to Art. 10 of the EU Audit Regulation**

We were elected as auditor by the annual general meeting on 2 June 2017. We were engaged by the supervisory board on 9 November 2017. We have been the auditor of Rocket Internet SE without interruption since financial year 2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company or entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report: Services in connection with the enforcement proceedings, review of the interim consolidated financial statements and audit of the non-financial statement.

### **German Public Auditor responsible for the engagement**

The German Public Auditor responsible for the engagement is Jan-Menko Grummer.

Berlin, 29 March 2018

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Grummer  
Wirtschaftsprüfer  
[German Public Auditor]

Beckers  
Wirtschaftsprüfer  
[German Public Auditor]

# ROCKET INTERNET

**Responsibility Statement  
pursuant to Sec. 297 (2) HGB  
2017**

**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 29, 2018

The Management Board

Oliver Samwer

Peter Kimpel

Alexander Kudlich

## **About Rocket Internet**

Rocket Internet incubates and invests in internet and technology companies globally. It provides operational support to its companies and helps them scale internationally. Rocket Internet focuses predominantly on four industry sectors of online and mobile retail and services that make up a significant share of consumer spending: Food & Groceries, Fashion, General Merchandise and Home & Living. Rocket Internet's selected companies are active in a large number of countries around the world with more than 33,000 employees. Rocket Internet holds stakes in two significant publicly listed companies, Delivery Hero and HelloFresh. Rocket InternetSE is listed on the Frankfurt Stock Exchange (ISIN DE000A12UKK6, RKET) and is included in the MDAX index. For further information, please visit [www.rocket-internet.com](http://www.rocket-internet.com).

## **About this Document**

This document is a part of the Consolidated Annual Financial Report pursuant to Sec. 37v WpHG. The Annual Financial Report was prepared on March 29, 2018 (editorial deadline) and submitted for publication on April 13, 2018 (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 InternetSE ("Rocket Internet") and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied 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 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.

## **ROCKET INTERNET**

### **Imprint**

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