ROCKET INTERNET

Annual Financial Statements and Management Report for the Parent Company and the Group 2018

Rocket Internet SE, Berlin

Non-binding convenience translation from German

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Annual Financial Statements 2018

(prepared in accordance with German GAAP)

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Balance sheet as of December 31, 2018

Assets	EUR	EUR	December 31,2017 EUR
A. Fixed Assets			
I. Intangible assets			
1. Internally generated industrial and similar rights and assets	4		4
2. Purchased concessions, industrial property rights and similar rights and assets and licences in such rights and assets	450,003		457,451
		450,007	457,455
II. Property, plant and equipment			
1. Other equipment, operating and business equipment	2,502,205		2,600,573
2. Advanced payments	26,540		38,990
		2,528,745	2,639,563
III. Financial assets			
1. Investments in subsidiaries	881,049,048		1,903,926,611
2. Participations	395,319,663		415,024,226
3. Securities held as fixed assets	525,289		217,420,299
4. Other Receivables	4,060,000		2,843,107
		1,280,954,000	2,539,214,243
		1,283,932,752	2,542,311,261
B. Current Assets			
I. Inventories			
Work in progress		1,108,311	1,204,579
II. Receivables and other assets			
1. Trade receivables	130,535		481,249
2. Receivables from subsidiaries	509,133,487		151,768,479
3. Receivables from companies in which a participation is held	9,774,880		4,658,225
4. Other assets	18,670,660		17,952,029
		537,709,562	174,859,982
III. Other securities		462,480,429	0
IV. Cash on hand and bank balances		1,028,112,804	896,116,616
		2,029,411,105	1,072,181,177
C. Prepaid expenses		882,942	28,532,894
		3,314,226,800	3,643,025,333

Equity and Liabilities	EUR	EUR	December 31,2017 EUR
A. Equity			
I. Subscribed capital	152,514,398		165,140,790
Contingent Capital EUR 82,546,825 (PY EUR 82,546,825)			
Treasury shares	-1,747,104		-1,035,621
		150,767,294	164,105,169
II. Capital reserves		2,479,447,499	2,782,938,768
III. Retained earnings		82,570,395	82,570,395
IV. Unappropriated retained earnings		572,953,155	38,357,093
		3,285,738,343	3,067,971,425
B. Provisions			
1. Tax provisions	2,098,806		305,623
2. Other provisions	6,559,138		8,197,947
		8,657,944	8,503,570
C. Liabilities			
1. Convertible Bonds	0		553,927,617
thereof convertible EUR 0 (PY EUR 550,000,000)			
thereof interest liabilities EUR 0 (PY EUR 3,927,617)			
2. Liabilities to banks	20		369,416
3. Payments received	0		8,353
4. Trade liabilities	625,302		1,004,007
5. Liabilities to subsidiaries	8,168,640		492,243
6. Liabilities to companies in which a participation is held	64,877		57,203
7. Other liabilities	10,959,503		10,669,029
thereof for taxes EUR 340.670 (PY EUR 313.488)			
thereof for social security EUR 18.817 (PY EUR 28.737)			
		19,818,342	566,527,868
D. Deferred Income		12,171	22,470
		3,314,226,800	3,643,025,333

Rocket Internet SE, Berlin

Income Statement for financial year 2018

			2017
	EUR	EUR	EUR
1. Revenue	14,769,098		17,055,836
2. Decrease (PY Increase) in work in progress	-96,269		947,703
3. Other operating income	238,005,714		274,159,916
thereof income from currency translation EUR 29,625,639 (PY EUR 211,950)			
		252,678,543	292,163,455
4. Cost of materials			
a) Cost of purchased goods	745,650		595,057
b) Cost of purchased services	5,720,035		7,075,287
5. Personnel expenses			
a) Wages and salaries	17,282,261		52,225,048
b) Social security and other pension costs	1,756,349		2,345,148
thereof retirement benefits EUR 13,524 (PY EUR 22,641)			
6. Depreciation / amortization			
of intangible assets and property, plant and equipment	471,086		574,519
7. Other operating expenses	35,425,880		80,372,337
thereof expenses from currency translation EUR 3,287,049 (PY EUR 46,452,328)			
		61,401,261	143,187,396
8. Income from participations	488,545,066		1,248,914
9. Other interests and similar income	20,245,341		20,990,732
thereof from subsidiaries EUR 11,504,445 (PY EUR 15,313,566)			
thereof from discounted other liabilities EUR 0 (PY EUR 714,279)			
10. Write downs on financial assets and securities held as current assets	120,245,799		3,018,274
11. Interest and similar expenses	34,928,857		15,246,903
thereof from discounted convertible bonds EUR 27,526,365 (PY EUR 5,362,893)			
		353,615,751	3,974,469
12. Result before tax		544,893,033	152,950,528
12. Income taxes		2,130,083	0
13. Result after tax		542,762,950	152,950,528
14. Expenses from loss assumption		8,166,888	0
15. Net income		534,596,062	152,950,528
16. Profit carried forward from previous year		38,357,093	0
17. Loss carried forward from previous year		0	-32,023,040
18. Transfers to retained earnings		0	-82,570,395
19. Unappropriated retained earnings		572,953,155	38,357,093

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Notes to the Annual Financial Statements 2018

(prepared in accordance with German GAAP)

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Contents

A. General information on the financial statements

The annual financial statements as of December 31, 2018, 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 middle-sized corporation according to the size criteria set forth in section 267 (2) and (4) No. 1 HGB; as it is capital market oriented as defined by section 264d HGB, it always qualifies as a large Company regardless of the size critera.

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

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

B. Summary of Accounting Policies and valuation methods

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

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

Intangible assets

Internally generated intangible assets are accounted 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 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 800 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.

Securities

Other securities are carried at accounted for at cost or at a lower value resulting from a stock exchange or market price.

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.

Due to the premature repayment and the associated complete loss of the corresponding liability from the convertible bonds issued, an unscheduled write-down of the remaining discount has to be made.

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 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 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 0 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 2018 Rocket Internet SE bought back convertible bonds with a total nominal amount of EUR 298,300 thousand (previous year EUR 55,500 thousand). The cumulative nominal amount of bought back convertible bonds is EUR 550,000 thousand. Accordingly, these repurchased bonds were recognized with their purchase costs of EUR 541,715 thousand under the fixed assets as of Dec 31, 2018.

In July 2018, the total principal amount of the outstanding Notes held by persons other than Rocket Internet SE was less than 15% of the total principal amount of the Notes originally issued. Rocket Internet SE exercised its right to early redemption in 2018 and irrevocably terminated the remaining bonds in their entirety. The convertible bonds with a total redemption value of EUR 541,600 thousand were cancelled on the election redemption date in September 2018.

3. Other Receivables

In the case of other receivables, a need to reinstate original values was identified, which was taken into account in the form of a write-up affecting net income in the amount of EUR 1,217 thousand (previous year EUR -784 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 thou-sand)
<u>Germany</u>					
AEH New Africa eCommerce II GmbH, Berlin	DE	71.2%	Dec 31, 2017	23,380	-14
Atrium 122. Europäische VV SE, Frankfurt am Main	DE	100%	Dec 31, 2018[2]	9,989	-58
Bambino 106. V V UG (limited liability), Berlin	DE	100%	Dec 31, 2018[2]	12,397	-134

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thou-sand)
Bambino 107. V V UG (limited liability), Berlin	DE	100%	Dec 31, 2017	-59	-669
Bambino 110. V V UG (limited liability), Berlin	DE	100%	Dec 31, 2017	-7	1
Bambino 53. V V GmbH, Berlin	DE	100%	Dec 31, 2018[1]	790	167
Bambino 54. V V UG (limited liability), Berlin	DE	100%	Dec 31, 2016	-13	-16
CityDeal Management II UG (limited liability), Berlin	DE	100%	Dec 31, 2018[1]	9	-1
CityDeal Management UG (limited liability), Berlin	DE	100%	Dec 31, 2018[1]	2	1
EMA Emerging Markets GmbH, Berlin	DE	44.0%	Dec 31, 2018[1]	13	0
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Berlin	DE	100%	Dec 31, 2018[1]	999	280
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Berlin	DE	100%	Dec 31, 2018[1]	2,372	-9
European Founders Fund Investment GmbH, Berlin	DE	100%	Dec 31, 2018[1]	573	-5
European Founders Fund Nr. 2 Geschäftsführungs GmbH, Berlin	DE	100%	Dec 31, 2017	18	-2
European Founders Fund Nr. 2 Verwaltungs GmbH, Berlin	DE	100%	Dec 31, 2017	15	-1
European Founders Fund Nr. 3 Management GmbH, Berlin	DE	100%	Dec 31, 2017	15	-2
European Founders Fund Nr. 3 Verwaltungs GmbH, Berlin	DE	100%	Dec 31, 2017	15	-2
GFC Global Founders Capital GmbH, Berlin	DE	100%	Dec 31, 2018[2]	137,937	-7,975
Global Founders Capital Management GmbH, Berlin	DE	100%	Dec 31, 2018[1]	97	-6
Global Savings Group GmbH, Munich	DE	16.0%	Dec 31, 2017	87	-790
HC Brillant Services GmbH, Berlin	DE	29.2%	Dec 31, 2017	4,042	-982
HelloFresh SE, Berlin	DE	30.6%	Dec 31, 2018	546,147	-70,883
home24 SE, Berlin	DE	32.6%	Dec 31, 2017	47,486	-32,585
International Rocket GmbH & Co. KG, Berlin	DE	100%	Dec 31, 2018	797,934	456,473
Jade 1085. GmbH, Berlin	DE	100%	Dec 31, 2017	35	15
Jade 1317. GmbH, Berlin	DE	100%	Dec 31, 2018[1]	2,738	-14
Jade 1318. GmbH, Berlin	DE	62.9%	Dec 31, 2017	-210	-4
Jade 1371. GmbH, Berlin	DE	100%	Dec 31, 2017	13	-31
Jumia Technologies AG (former: Africa Internet Holding GmbH), Berlin	DE	21.7%	Dec 31, 2018	716,066	-7,653
Lindentor 226. V V GmbH, Berlin	DE	22.1%	Dec 31, 2017	22	-1
Lindentor 227. GmbH, Berlin	DE	100%	Dec 31, 2017	22	-152
MKC Brillant Services GmbH, Berlin	DE	65.0%	Dec 31, 2018[1]	21,049	-28,377
R2 International Internet GmbH, Berlin	DE	59.2%	Dec 31, 2018[1]	424	-55
RCKT GmbH & Co. KG, Berlin	DE	58.0%	Dec 31, 2018[1]	1,203	506
RCKT Management GmbH, Berlin	DE	100%	Dec 31, 2016	27	-1
Rocket Internet Munich GmbH, Munich	DE	100%	Dec 31, 2018[1]	151	-72
Rocket Middle East GmbH, Berlin	DE	100%	Dec 31, 2017	20	-2
Spark Networks SE, Munich	DE	26.0%	Dec 31, 2017	n/a	n/a
Westwing Group AG, Berlin	DE	21.3%	Dec 31, 2017	162,230	-72,621
Zanui Holding GmbH, Berlin	DE	28.7%	Dec 31, 2017	11,367	-88
Foreign Countries					
Asia Internet Holding S.à r.l., Senningerberg, Luxembourg	LU	50.0%	Dec 31, 2017	145,385	-20,640
Convenience Food Group S.à r.l., Senningerberg, Luxembourg	LU	62.6	Dec 31, 2018[1]	24,146	-2,582
Digital Services Holding IV S.à r.l, Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	984	-22
Digital Services Italy S.r.l., Mailand, Italia	IT	100%	Dec 31, 2018	n/a	n/a
Digital Services LIII S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	-38	-12
Digital Services LIV S.à r.l., Senningerberg, Luxembourg	LU	69.8%	Dec 31, 2018[1]	-887	-6,188
Digital Services LV S.à r.l., Senningerberg, Luxembourg	LU	99.3%	Dec 31, 2018[1]	-1,589	-1,216
Digital Services LVII S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	-41	-15
Digital Services XLIII S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	-3,360	-6,047
Digital Services XLIX S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2017	-3	-22
Digital Services XLVII S.à r.l., Senningerberg, Luxembourg	LU	44.8%	Dec 31, 2018[1]	8,740	43

Company, location	Country	Shares (%)	Reporting Date	Equity (EUR thousand)	Annual result (EUR thou-sand)
Digital Services XXVIII S.à r.l., Senningerberg, Luxembourg	LU	43.7%	Dec 31, 2018[1]	-2,914	-12
Finverum Capital S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	-1,738	-264
Food Delivery Holding 23 S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	49,986	-9
Food Delivery Holding 27 S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	49,986	-9
Global Fashion Group S.A., Senningerberg, Luxembourg	LU	20.2%	Dec 31, 2018[1]	664,303	20,705
Global Fin Tech Holding S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	24,845	16,128
Global Growth Capital Advisors Limited, London, United Kingdom	UK	100%	Dec 31, 2018[1]	-289	-263
Global Growth Capital Fund I S.C.Sp., Luxembourg (City), Luxembourg	LU	66.7%	Dec 31, 2018[1]	232,620	7,274
Global Growth Capital GP S.à r.l., Luxembourg (City), Luxembourg	LU	100%	Dec 31, 2018[1]	14	12
Global Growth Capital Partners S.C.Sp., Luxembourg (City), Luxembourg	LU	100%	Dec 31, 2018	n/a	n/a
Helpling Group Holding S.à r.l., Senningerberg, Luxembourg	LU	21.8%	Dec 31, 2018[1]	47,681	1,093
Middle East Internet Holding S.à r.l., Senningerberg, Luxembourg	LU	50.0%	Dec 31, 2018[1]	44	-735
Moneda Top-Holding S.à r.l., Senningerberg, Luxembourg	LU	100%	Dec 31, 2018[1]	-4,857	-4,778
RI Capital Advisors Ltd., London, United Kingdom	UK	100%	Dec 31, 2018[1]	370	68
RideLink Global S.A., Senningerberg, Luxembourg	LU	81.5%	Dec 31, 2018[1]	-67	-30
Rocket Internet Capital Partners Founder II SCS, Luxembourg (City), Luxembourg	LU	99.0%	31.12.2018[1]	n/a	n/a
Rocket Internet Capital Partners Founder SCS, Luxembourg (City), Luxembourg	LU	75.0%	Dec 31, 2018[1]	57,431	-3,844
Rocket Internet Capital Partners Lux II S.à r.l., Luxembourg (City), Luxembourg	LU	100%	Dec 31, 2018[1]	244	-68
Rocket Internet Capital Partners Lux S.à r.l., Luxembourg (City), Luxembourg	LU	100%	Dec 31, 2018[1]	1,308	125
Vaniday Global S.à r.l., Senningerberg, Luxembourg	LU	43.4%	Dec 31, 2018[1]	310	-314
ZipJet Global S.à r.l., Senningerberg, Luxembourg	LU	42.0%	Dec 31, 2017	12,092	-410

1) Preliminary results
2) Results before result assumption

The disclosure of 32 subsidiaries and 5 associated companies which are in liquidation and for which it is certain that they will no longer be continued was waived.

II. Current assets
1. Inventories

Inventories amounting to EUR 1,108 thousand (previous year EUR 1,205 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, 2018 (EUR thousand)	Dec 31, 2017 (EUR thousand)
Trade receivables	131	481
- thereof due in more than one year	0	0
Receivables from affiliated companies	509,133	151,768
- thereof due in more than one year	0	0
Receivables from associated companies	9,775	4,658
- thereof due in more than one year	0	0
Other receivables	18,671	17,952
- thereof due in more than one year	0	0

Receivables from affiliated companies in the amount of EUR 509,133 thousand (previous year EUR 151,768 thousand) contain receivables from distribution of profits EUR 451,227 thousand (previous year EUR 0 thousand), loan receivables of EUR 56,750 thousand (previous year EUR 151,292 thousand) and trade receivables of EUR 1,398 thousand (previous year EUR 721 thousand). The loan receivables from affiliated companies are loans were granted for investments in new business models. Individual write-downs were carried out in the amount of EUR 243 thousand (previous year EUR 246 thousand).

Receivables from associated companies amount to EUR 9,775 thousand (previous year EUR 4,658 thousand) and primarily consist of loan receivables of EUR 9,056 thousand (previous year EUR 3,344 thousand) as well as of trade receivables of EUR 945 thousand (previous year EUR 1,512 thousand). Individual risks were accounted in the amount of EUR 226 thousand (previous year EUR 198 thousand).

Other receivables in the amount of EUR 18,671 thousand (previous year EUR 17,952 thousand) mainly contain purchase price claims from participations sold (EUR 8,604 thousand; previous year EUR 7,507 thousand), tax receivables (EUR 7,505 thousand; previous year EUR 8,341 thousand), receivables from deposits (EUR 1,805 thousand; previous year EUR 1,805 thousand) as well as other assets held for sale (EUR 102 thousand; previous year 0).

3. Securities

Other securities held as current assets were subject to impairment, which was recognized in the form of an impairment loss of EUR 115,201 thousand (previous year: EUR 0 thousand).

4. Cash on hand and bank balances

Cash and cash equivalents in the amount of EUR 1,028,113 thousand (previous year EUR 896,117 thousand) relate to cash in hand and bank balances.

Cash balances with banks amounting to EUR 1,351 thousand (previous year EUR 686 thousand) are restricted deposits used as security for rental guarantees. Furthermore, cash and cash equivalents in the amount of EUR 184.334 thousand (previous year EUR 149,929 thousand) is restricted for pledges in relation to networkcompanies.

5. 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 883 thousand (previous year EUR 1,007 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 3,767 thousand (previous year EUR 5,363 thousand). At the end of the financial year, the remaining value of the discount is recognized with an amount of EUR 23,759 thousand (previous year EUR 27,526 thousand). In July 2018 the total nominal amount of the outstanding bonds held by other persons than Rocket Internet SE was less than 15 % of the total nominal amount of the bonds originally issued. Rocket Internet SE exercised its right to early redemption in 2018 and irrevocably terminated the remaining bonds. The convertible bonds with a total redemption value of EUR 541,600 thousand were cancelled on the election redemption date in September 2018.

III. Equity

1. Subscribed capital

Share Capital

The subscribed capital of the company registered in the commercial register with an amount of EUR 152,514,398 (previous year EUR 165,140,790) was fully paid in. The registered share capital is divided into 152,514,398 no-par value bearer shares (shares without a nominal value).

Rocket Internet SE bought back 5,546 bearer shares without nominal value in the period from January 2, 2018 to January 3, 2018. These treasury shares amount to EUR 5,546 which represents 0.003% 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.

As part of a public share buyback offer from April 17, 2018 to May 2, 2018, Rocket Internet SE acquired 9,724,739 bearer shares without nominal value shares in the financial year. These treasury shares amount to EUR 9,724,739 which represents 5.89 % of the share capital at the beginning of the fiscal year and before the capital reduction. 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.

With the authority of the resolution of the general meeting dated June 2, 2017 the withdrawal of the treasury shares reduced the company's share capital from EUR 10,765,906 to EUR 154,374,884. The capital reduction was effected by entry in the commercial register on June 7, 2018.

Rocket Internet SE acquired 1,860,486 no-par bearer shares in the period from September 25, 2018 to November 30, 2018. These treasury shares amount to EUR 1,860,486 which represents

1.21 % of the share capital after the capital reduction on June 7, 2018. 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.

With the authority of the resolution of the general meeting dated June 8, 2018 the withdrawal of the treasury shares reduced the company's share capital from EUR 1,860,486 to EUR 152,514,398. The capital reduction is entered in the Commercial Register on December 12, 2018.

Rocket Internet SE acquired 1,747,104 no-par bearer shares in the period from December 7, 2018 to December 28, 2018. These treasury shares amount to EUR 1,747,104 which represents 1.15 % after the capital reduction on December 12, 2018. 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, 2018, 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). An authorized capital of EUR 67,557,803 remains by December 31, 2018.

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 regrading new no-par bearer shares of the company with a proportionate share in the equity capital of up to EUR 72,000,000, as provided for in the terms of the options rights, bonds or participating rights.

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

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) was 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 grant shares upon the exercising of options 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

The capital reserves decreased by EUR 303,492 thousand, from EUR 2,782,939 thousand to EUR 2,479,447 thousand in the financial year.

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 303,973 thousand is offset with the capital reserve.

In the financial year 2018, expenses in the amount of EUR 481 thousand (previous year EUR 23,074 thousand) arising from the equity-settled share-based compensation plans are recognized in the capital reserve. Due to the premature departure of some beneficiaries' entitlements expired with the result of lower addition to the capital reserves in the financial year.

3. Retained earnings

In the previous year, in accordance with § 152 (3) No. 2 AktG, up to half of the registered capital at that time with the amount of EUR 82,570,395.00 was transferred in the retained earnings.

4. Voting rights notification

As defined by §160 (1) No. 8 AktG, information received from shareholders pursuant to § 33 (1) Securities Trading Act (WpHG) new Version regarding their shareholding in the company, has to be disclosed.

PLDT Inc., Makati, Philippines notified the company on May 7, 2018 pursuant to § 33 (1) WpHG new Version that its voting rights in Rocket Internet SE, Berlin fell below the threshold of 3 % on May 7, 2018 and that it now holds 1.99 % of the voting rights (3,292,552 voting rights). 1.99 % of the voting rights are to be allocated to the company within the meaning of Section 34 (1) sentence 1 No. 6 of the WpHG new Version.

Oliver Samwer notified the company on July 11, 2018 pursuant to §33 (1) WpHG new Version that his voting right in Rocket Internet SE, Berlin exceeded the threshold of 3 % on July 17, 2018 and that it now holds 3.04 % of the voting rights (3,292,552 voting right). 3.04 % of the voting rights are to be allocated to the proxy in accordance within the meaning of Section 34 (1) sentence 1 No. 6 of the WpHG new Version.

IV. Provisions

1. Tax provisions

Tax provisions in the amount of EUR 1,793 thousand were formed due to the tax result of the financial year. This tax receivable is set against in the amount of EUR 1,127 thousand exists in other assets. 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 4,061 thousand (previous year EUR 5,657 thousand) are short-term and mainly contain provisions compensation obligations. In addition, the provisions were recorded to account for outstanding supplier invoices (EUR 1,936 thousand; previous year EUR 1,917 thousand).

V. Liabilities

The composition of the liabilities and their remaining contractual maturities as of December 31, 2018, are shown in the following schedule:

	Dec 31, 2018 (EUR thousand)	Dec 31, 2017 (EUR thousand)
Convertible Bonds	0	553,928
- thereof due in more than five year	0	550,000
- thereof due in more than one year	0	0
- thereof due within one year	0	3,928
Liabilities to banks	0	369
- thereof due in more than one year	0	0
- thereof due within one year	0	369
Payments received	0	8
- thereof due in more than one year	0	0
- thereof due within one year	0	8
Trade liabilities	625	1,004
- thereof due in more than one year	0	0
- thereof due within one year	625	1,004
Liabilities to subsidiaries	8,169	492
- thereof due in more than one year	0	0
- thereof due within one year	8,169	492
Liabilities to companies in which a participation is held	65	57
- thereof due in more than one year	0	0
- thereof due within one year	65	57
Other liabilities	10,960	10,669
- thereof due in more than five years	9,393	9,881
- thereof due in more than one year	0	0
- thereof due within one year	1,567	788

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 550,000 thousand. In the financial year Rocket Internet SE exercised its right of early repayment and cancelled irrevocably the remaining bonds.

The decrease in trade liabilities is primarily due to the lower utilization of input services.

The liabilities to subsidiaries in the amount of EUR 8,169 thousand (previous year EUR 0 thousand) mainly relate to the profit and loss transfer agreement with the subsidiary GFC Global Founders Capital GmbH, Berlin (EUR 7,975 thousand).

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, 2018, 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 184,334 thousand as of December 31, 2018 (previous year EUR 149,929 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. Fisical unity

Since January 01, 2018, Rocket Internet SE has been the controlling company for corporate and trade tax purposes for its subsidiaries Atrium 122, Europäische VV SE, Frankfurt am Main, Bambino 106, V V UG (haftungsbeschränkt), Berlin and GFC Global Founders Capital GmbH, Berlin.

3. Other financial obligations

As of December 31, 2018, other financial obligations of EUR 188,727 thousand are in particular attributable to the following items:

	Up to 1 year (EUR thousand)	1 - 5 years (EUR thousand)	> 5 years (EUR thousand)	Total (EUR thousand)
Rents and similar obligations	6,865	26,904	45,363	79,132
Outstanding investment and capital contribution obligations	109,372	0	0	109,372
Loan commitments	223	0	0	223
Total	116,460	26,904	45,363	188,727

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 2018.

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, 2018 (EUR thousand)	Jan 1 - Dec 31, 2017 (EUR thousand)
Revenue per type of services		
- Rental income	6,493	5,997
- Consulting services	6,351	8,337
- Benefits in Kind	1,841	1,803
- Infrastructure services	84	225
- Software licenses	0	694
Total	**14,769**	**17,056**
Revenue per region		
- Germany	10,390	13,255
- Other EU countries	4,062	3,093
- Australia / Oceania	23	65
- Asia	15	470
- Africa	12	11
- South America	2	20
- Rest of the world	265	142
Total	**14,769**	**17,056**

II. Personnel expenses

Rocket Internet SE grants its executives equity-set share-based payments with free compensation in equity instruments. Due to the premature departure of some beneficiaries' entitlements expired with the result of lower addition to the capital reserves and set against these will be set against with lower personnel expenses in the financial year.

III. Other operating expenses

Permanent impairments caused write-downs of receivables of loans and interests in the amount of EUR 18,558 thousand (previous year EUR 4,953 thousand).

Rocket Internet SE grants beneficiaries equity-set share-based payments with free compensation in equity instruments. Due to the premature departure of some beneficiaries' entitlements expired with the result of lower addition to the capital reserves and set against these will be set against with lower other operating expenses in the financial year.

IV. Write downs on financial assets

Permanent impairments caused write-downs of financial assets amounting to EUR 5,045 thousand (previous year EUR 3,018 thousand). The impairments are mainly related to the following companies:

	Type of impairment	Dec 31, 2018 (EUR thousand)	Dec 31, 2017 (EUR thousand)
Digital Services XL S.à r.l., Luxembourg[1]	complete write-off	3,197	
Digital Services LIV S.à r.l., Luxembourg[1]	complete write-off	575	
launchcircle GmbH, Berlin[1]	complete write-off	254	
Piccolo 22. UG limited liability, Berlin[1]	complete write-off	190	
Lindentor 226 VV GmbH, Berlin[1]	complete write-off	166	
Digital Guardian Services S.à r.l., Luxembourg[1]	complete write-off	160	
Digital Services LI S.à r.l. , Luxembourg[1]	complete write-off	90	
Vaniday Global S.à r.l., Luxembourg[1]	complete write-off		864
Other lendings	lower fair value		784
Piccolo 22. UG (limited liability), Berlin [1)]	complete write-off		399
Carthero Technologies Private Limited, India [1)]	complete write-off		307
Emerging Markets Internet Fund SCS, Luxembourg [1)]	complete write-off		280
Lindentor 227 VV GmbH, Berlin [1)]	complete write-off		179
Emerging Markets Capital S.à.r.l., Luxembourg [1)]	complete write-off		122
Total		**4,632**	**2,935**

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

V. Income and expenses attributable to other accounting periods

Prior-period expenses of EUR 3 thousand (previous year EUR 228 thousand) are mainly attributable to services invoiced late (EUR 3 thousand).

E. Other disclosures

I. Management Board

1. Members of the Management Board

The following members were elected into the Management Board:

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

*Peter Kimpel left the Management Board of Rocket Internet SE on 2 October 2018

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 1,580 thousand.

No new subscription rights were granted to the members of the Management Board in the 2018 financial year under the stock option programmes in place since 2014.

II. Supervisory Board

1. Members of the Supervisory Board

As of December 31, 2018, the Supervisory Board of Rocket Internet SE consists of the following members:

Name	Position	Member since	Mandates to sec. 125 (1) Sentence 5 AktG
Prof. Dr. Marcus Englert Chairman	Managing Director of Texas Atlantic Partners GmbH, Munich	August 22, 2014	Other Supervisory Boards: - EDSA European Directories Group (Chairman) - Sixt Leasing AG, Pullach (Vice-Chairman) Other Executive Boards: - iBrothers Capital GmbH, Munich (Director) - iBrothers Media GmbH, Munich (Director) - Pine Hill Capital Europe GmbH & Co. KG, Munich (Shareholder) - Pine Hill Capital LP (Shareholder)

Name	Position	Member since	Mandates to sec. 125 (1) Sentence 5 AktG
Prof. Dr. Joachim Schindler Vice-chairman,	Chartered Auditor and Tax-Adviser	June 23, 2015	Other Executive Boards: - Medizinische Hochschule, Brandenburg - CAMPUS GmbH, Neuruppin (Deputy Chairman) - Zoologischer Garten Berlin AG, Berlin (Supervisory Board) - CORE SE, Berlin (Chairman of the Supervisory Board) - Salzgitter AG, Salzgitter (Member)
Norbert Lang	Management-Consultant	June 23, 2015	Other Supervisory Board: -1&1 Drillisch AG; Maintal -Drillisch Online GmbH, Maintal (Member) -1&1 Telecommunication SE, Montabaur (Member)
Pierre Louette	Chief Executive Officer (CEO), Les Echos Le Parisien Group, LVMH	June, 09, 2016	Other Executive Boards: - Réunion des Musées Nationaux (Member)

The former members of the Supervisory Board that were active during the financial year 2018 are as follows:

Name	Position	Since / until	Mandates to sec. 125 (1) Sentence 5 AktG
Prof. Dr. h.c. Roland Berger	Founder and former CEO of Roland Berger Strategy Consultants	August 22, 2014/ June 08, 2018	Other Executive Boards: - ePRICE S.p.A., Milan, Italy (Board of Directors)
Daniel Shinar	Vice President and Head of Technology Investments at Clal Industries Ltd	August 22, 2014/ June 08, 2018	Other Executive Board: - LightCyber (Director) - Dynamic Yield (Director) - Tigo Energy Inc., (Director) - CTM Holdings & Initiating Ltd. (Director) - CT-MS Holdco Ltd., (Director) - Global Fashion Group S.A., Luxembourg (Management Board) - Infinity Funds (Management Board) - Nesher Cement Enterprise Ltd. (Director) - Mashav Initiating and Development Ltd., (Director)

Stefan Krause	Industry and Banking Manager	June, 09, 2016/ June 08, 2018	Other Executive Boards: - Faraday Future Inc. (Management, CFO) - Schmalenbach Gesellschaft für Betriebswirtschaft e.V, Köln (President of the Joint Board)
Christopher H. Young	Executive Director of First Pacific Company	June, 02, 2017/ June 08, 2018	Other Supervisory Boards: - Roxas Holdings, Inc. (Director) - Philippine Long Distance Telephone Company (Member) Other Executive Boards: - Ideaspace (Trustee) - PT Indofood Sukses Makmur Tbk (Commissioner) - First Pacific Company Limited (Executive Director)

2. Remuneration of the Supervisory Board

Rocket Internet SE has established pro rata provisions for the remuneration of the supervisory board amounting to EUR 289 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 33 thousand (previous year EUR 11 thousand).

III. Number of employees

Rocket Internet SE employed a total of 131 employees as of December 31, 2018 (prior year 169). The average number of employees according to section 267 (5) HGB was as follows:

	Dec 31, 2018	Average 2018
White-collar staff	130	150
Apprentices	1	1
Total	**131**	**151**

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, 2018, 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, 2018, of EUR 572,970,608.01 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, 2019

Rocket Internet SE

The Management Board

Oliver Samwer Alexander Kudlich

Rocket Internet SE, Berlin - Appendix to the notes
Development of the fixed assets in 2018

	Acquisition and manufacturing cost					Accumulated amortization, depreciation and write downs					Net book values	
	January 1, 2018 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	December 31, 2018 EUR	January 1, 2018 EUR	Additions EUR	Disposals EUR	Write ups	December 31, 2018 EUR	December 31, 2018 EUR	December 31, 2017 EUR
I. Intangible assets												
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 assets	714,979.73	16,500.00	0.00	0.00	731,479.73	257,528.45	23,948.00	0.00	0.00	281,476.45	450,003.28	457,451.28
	3,257,184.98	16,500.00	0.00	0.00	3,273,684.98	2,799,729.70	23,948.00	0.00	0.00	2,823,677.70	450,007.28	457,455.28
II. Property, plant and equipment												
1. Other equipment, operating and business equipment	4,098,251.30	353,875.16	101,327.79	66,993.19	4,417,791.86	1,497,678.46	447,137.65	29,229.09	0.00	1,915,587.02	2,502,204.84	2,600,572.84
2. Advanced payments	38,989.88	55,849.47	1,305.89	-66,993.19	26,540.27	0.00	0.00	0.00	0.00	0.00	26,540.27	38,989.88
	4,137,241.18	409,724.63	102,633.68	0.00	4,444,332.13	1,497,678.46	447,137.65	29,229.09	0.00	1,915,587.02	2,528,745.11	2,639,562.72
III. Financial assets												
1. Investments in subsidiaries	1,907,604,655.84	353,442,294.00	1,368,254,921.92	-3,754,133.83	889,037,894.09	3,678,044.24	4,784,784.11	407,533.51	66,448.59	7,988,846.25	881,049,047.84	1,903,926,611.60
2. Participations	431,983,302.75	39,512,728.48	63,834,058.21	3,754,133.83	411,416,106.85	16,959,076.72	260,157.13	621,363.75	501,426.25	16,096,443.85	395,319,663.00	415,024,226.03
3. Securities held as fixed assets	219,016,365.10	324,820,719.05	541,715,728.75	0.00	2,121,355.40	1,596,066.34	0.00	0.00	0.00	1,596,066.34	525,289.06	217,420,298.76
4. Other Receivables	8,692,000.00	0.00	0.00	0.00	8,692,000.00	5,848,893.18	0.00	0.00	1,216,893.18	4,632,000.00	4,060,000.00	2,843,106.82
	2,567,296,323.69	717,775,741.53	1,973,804,708.88	0.00	1,311,267,356.34	28,082,080.48	5,044,941.24	1,028,897.26	1,784,768.02	30,313,356.44	1,280,953,999.90	2,539,214,243.21
	2,574,690,749.85	718,201,966.16	1,973,907,342.56	0.00	1,318,985,373.45	32,379,488.64	5,516,026.89	1,058,126.35	1,784,768.02	35,052,621.16	1,283,932,752.29	2,542,311,261.21

ROCKET INTERNET

Management Report for the Parent Company and the Group 2018

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Content

1. Fundamentals of the Company and the Group

1.1 Business Model

1.1.1 General Information

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

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

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

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

This report combines the Group management report of the Rocket Internet Group and the management report of Rocket Internet SE. It should be read in conjunction with the consolidated financial statements and the annual financial statements, including the notes to the financial statements. The consolidated financial statements and the annual financial statements have been prepared on the basis of a number of assumptions and accounting policies explained in greater detail in the respective notes. The consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. The annual financial statements of Rocket Internet SE were prepared in accordance with the German Commercial Code (HGB).

The combined management report contains forward-looking statements about the business, financial condition and earnings performance. These statements are based on assumptions and projections which are based on currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected. Beyond disclosure requirements stipulated by law, Rocket Internet SE does not undertake any obligation to update forward-looking statements.

The combined management report for the financial year 2018 is presented in million euros except where otherwise indicated. Unless otherwise indicated, all values are rounded up or down in accordance with a commercial rounding approach, which may result in rounding differences and percentage figures presented may not exactly reflect the absolute figures they relate to. The reporting period is January 1 to December 31, 2018.

1.1.2 Business Activities

The core of Rocket Internet's business strategy is to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a global, mutually reinforcing network of Internet companies as well as a leading global company for Internet-based business models. Rocket Internet focuses predominantly on four industry sectors of online and mobile retail and services that make up a significant share of consumer spending: Food & Groceries, Home & Living, Fashion and General Merchandise.

We are looking for Internet-based business models that leverage technology to address basic needs of both consumers and companies, and that achieve over time significant scale, attractive levels of profitability and market leading positions. As an operating company in the area of Internet-based business models, our business strategy is focused on consolidating and steadily expanding our position as a global company for Internet-based business models primarily outside China. Rocket Internet pursues this goal through the conception and ongoing development of new business ideas, which are implemented primarily by self-founded subsidiaries. What differentiates us from other companies is our operational expertise, which allows us to both establish new business models as well as to operationally support companies.

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

The functional experts of our network cover the full stack of technology companies including key areas such as product, engineering, customer acquisition, logistics, operations and internationalization. This enables our companies to develop market leading positions in a shorter period of time. During the foundation and the lifecycle of incubated companies, Rocket Internet is responsible for the launch as well as the development of the business activities, e.g. Rocket Internet recruits personnel for the companies, develops with its own IT-experts suitable software for the respective business models, manages customer acquisition and sales channels and, if required, sets up operations as well as logistics structures.

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

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

Through the identification and incubation of Internet-based business models as well as their operational development and strategic investments, Rocket Internet pursues the business strategy of building a global network of different Internet-based companies and different business models. Each individual company of the network should be directly or indirectly connected and complement each other in such a way that each additional part of the network promotes the strength of the network in many possible dimensions, e.g. through economies of scale, cooperation or know-how effects, which in turn have a positive direct or indirect effect on the other companies of the network. The larger and more global the network, the more successful the network and thus Rocket Internet will be which in turn will bring Rocket Internet closer to its goal of building a leading global operational company for Internet-based business models. The occasional sale of participations exclusively pursues strategic reasons, if e.g. certain network companies cannot achieve market leadership in their market segment or are not able to maintain market leadership in the long term due to competition or other changes.

Rocket Internet's business model is highly cyclical. New Internet business models do not emerge at regular intervals, but depend on the innovation and creativity of Rocket Internet's employees and the company in general, as well as on the general competitive environment of the Internet-based business model market, which is naturally subject to strong fluctuations.

Four Industry Sectors

Rocket Internet is focused on business models that satisfy basic consumer needs across the following four industry sectors:

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

New Businesses

In addition to the companies in the four industry sectors, Rocket Internet identifies and develops Internet-based business models complementary to or outside of the four industrial sectors, incubates Internet companies from them and further develops them operationally with the goal of market leadership. Therefore, Rocket Internet owns stakes in companies at varying maturity stages, ranging from recently launched models to companies that are in the process of establishing leadership positions or still expanding their geographic reach. The majority of these network companies was incubated by the Group.

GFC Investments

Besides founding new companies ourselves, we also provide operational support and invest strategically in complementary existing companies in order to expand the global network of Internet companies, find new business ideas for foundings and benefit from economies of scale, cooperations as well as know-how advantages for our own foundings. GFC investments are complementary to the core of the Rocket Internet strategy and thus support Rocket Internet’s strategy to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a leading global company for Internet-based business models. These activities of the Rocket Internet Group are conducted by Global Founders Capital (GFC Investments). These investments are geared toward long-term commitments, where we seek to create sustainable value by developing the business.

Services

Furthermore, Rocket Internet renders a variety of services, such as IT and software engineering, product design, online marketing, commercial consulting, letting of office space for network companies and other services, mainly for its subsidiaries and non-controlled equity investments. Particularly in the early stage Rocket Internet is involved in the strategic leadership and operational and tactical implementation of the business plans of its subsidiaries, associates and joint ventures.

Rocket Internet has created the Rocket Internet platform to systematize the process of identifying business ideas as well as building and scaling Internet companies around the world. The goal is to identify commonalities within different business models and leverage these via a platform approach to optimize the building and scaling process.

1.1.3 Legal Structure of the Group / Locations

The core of Rocket Internet's business strategy remains to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a leading global company for Internet-based business models in the long term. While Rocket Internet as well as some of its subsidiaries focus on operational development and support by providing services along the different functional areas of an Internet and technology business and on letting of office spaces for network companies in connection with the strategic and operational business strategy of Rocket Internet to incubate and develop network companies, the operational business (B2C, B2B) is carried out exclusively by Rocket Internet’s subsidiaries, associates and joint ventures under the umbrella of specifically created consumer brands. In addition, in its role as the Group holding, Rocket Internet fulfils central functions.

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

As of December 31, 2018, Rocket Internet does not consolidate most of its significant network companies, but accounts for them as associated companies or joint ventures. The

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

most important associated companies and joint ventures in Rocket Internet Group as of December 31, 2018 are:

Associated company/joint venture	Consumer brands
HelloFresh SE	HelloFresh
Global Fashion Group S.A. (GFG)	Dafiti, Lamoda, Zalora & The Iconic, Kanui and Tricae
home24 SE	home24, Mobly
Westwing Group AG	Westwing
Jumia Group (Jumia Technologies AG)	Jumia, Zando

As of December 31, 2018 Rocket Internet Group included 66 (previous year 90) fully consolidated companies (including intermediary holdings), of which 40 (previous year 56) companies were located outside of Germany. In addition, Rocket Internet Group held investments in 42 associated companies and joint ventures (thereof 7 in liquidation; previous year 45, thereof 7 in liquidation). Please refer to note 1 “Corporate and Group Information” in the notes to the consolidated financial statements for further information about the development of the consolidated Group and of the associated companies and joint ventures. The list of Group shareholdings is presented in the notes to the consolidated financial statements.

Group's investments in other companies

The Group has designated certain associated companies and other equity investments with ownership percentages below 20% as financial assets at fair value through profit or loss. These equity investments that complement the business strategy of Rocket Internet are held as GFC Investment and are operated and measured on the basis of fair values in accordance with the risk management and investment strategies. Rocket Internet is acting as an investor (within the meaning of IAS 28.18) and the Group is less involved in the strategic leadership and tactical implementation of the business plans of such companies. Particularly this category includes the numerous shareholdings in several Internet and technology companies that complement the business strategy. In this way a global network of Internet companies is built, new business ideas for incubations are identified and scale and know-how advantages for own incubations are realized. GFC investments are complementary to the core of Rocket Internet’s business strategy and thus support Rocket Internet’s strategy to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership and to create a leading global company for Internet-based business models in the long term.

1.1.4 Brands of the Company Network

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

1.2 Research and Development

In order to achieve its business strategy, i.e. to identify and design Internet business ideas from which Internet-based businesses are incubated and developed operationally to market leadership, Rocket Internet has developed proprietary technology that provides the network companies with standardized solutions for a range of Internet business models. The modular framework is built to serve the needs of our businesses as it can be adapted to the specific requirements of individual companies and different markets. While stand-alone companies have to develop their technology from scratch, the companies in the Rocket Internet network have access to a flexible and field-tested framework, which allows our entrepreneurs to focus on their core business models.

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

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

The entire industry is transitioning from classic desktop-Internet companies to mobile-first and even mobile-only, which requires the development of new products. Mobile people increasingly do their research and make choices on their way from one place to another.

Smartphones and tablets are more and more replacing the home desktop PC. Further, new device classes are being added, such as Internet-capable TV sets, smart watches and smart-home applications. The Group is committed to support its network companies in delivering products and rendering services to all relevant digital devices.

Furthermore, Rocket Internet has developed instruments to analyze essential key performance indicators that allow us to compare the performance of our companies, identify best practices, and share this knowledge within our network of companies.

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

The total expense of the Group in the IT area amounts to EUR 4.6 million (previous year: EUR 7.3 million). This corresponds to 10% of Group revenue in 2018 (previous year: 20%).

In 2018, as in the previous year no development expenses were capitalized in the consolidated financial statements as well as in the annual financial statements of Rocket Internet SE. The amount of research expenses was insignificant.

2. Performance System

In line with our strategy, we have designed our internal performance system, and defined appropriate performance indicators. The performance system involves the consolidated network companies as well as the non-consolidated network companies. We differentiate between financial and non-financial performance indicators in measuring our success in implementing our strategy. These indicators are, or can be, so-called non-GAAP financial measures. Other companies, which use financial measures with a similar designation, may define them differently.

2.1 Most Significant Performance Indicators

Our most significant performance indicators are unchanged from the previous year.

Revenue

We aim to achieve sustainable market positions in the markets and sectors we enter. Profitable growth of revenues (as reported in the income statement) is an important factor for the long-term increase in corporate value.

EBITDA

The Group aims to make its network companies, depending on the type of business model, profitable within six to nine years after their launch. Rocket Internet primarily measures the profitability of its businesses on the basis of EBITDA (operating result). We define EBITDA as result before financial result, income taxes, depreciation, amortization and impairment. At Group level EBITDA comprises the result from deconsolidation of subsidiaries and the share of profit/loss from associates and joint ventures.

EBITDA margin

The EBITDA margin of network companies is defined as EBITDA divided by revenue.

Cash position

Sustained development of revenues and earnings is supported by a solid cash position. Rocket Internet provides companies with the financial means to start up, develop and grow their operations. Typically the network companies are funded through a mix of capital from Rocket Internet and third-party capital. As capital is a key component of growing companies, we strive for a solid financial position. Our primary measure for monitoring and controlling our cash position is the balance sheet line item cash and cash equivalents. Starting from the first half of 2018, the cash position includes, in addition to short-term bank balances, highly liquid listed shares which are easily convertible into cash.

2.2 Auxiliary Performance Indicators

In addition to the above-stated most significant performance indicators, the Group uses various auxiliary indicators in order to measure the economic success of business activities. For an assessment of the revenue potential of the companies, performance indicators such as GMV (gross merchandise value), number of orders, number of transactions, number of customers, number of active customers or number of homepage visitors are used. In the area of eCommerce for instance, Rocket Internet analyzes the turnover ratios of the operational net current assets, return rates in eCommerce and the quality of operational procedures in order to ensure the timely and correct shipping and invoicing of the ordered merchandise as part of the monitoring of operations.

The quality of products and solutions is a critical success factor. In this context among other factors, the reliability, user friendliness and availability of the products mainly offered online play an important role. Availability and interruption-free operation of the service systems as well as the resistance against targeted attacks, from hackers or through manipulation for example, are essential for providing customers with the promised services.

Rocket Internet’s business approach and business policy is oriented towards sustainability. This approach is demonstrated particularly by high investments in customer relations, new fields of business and, accordingly, in future growth. With regard to customer loyalty and satisfaction as well as service quality, aspects relevant to security (e.g. security of cashless payments, data maintenance of bank accounts and other customer data) are considered highly important.

The Group presents the selected performance indicators for the major unlisted network companies on a quarterly basis on the website of the parent Company.

3. Economic Report

3.1 General Economic Conditions

According to the “Global Economic Prospects Report” of the World Bank Group published in January 2019, global growth in 2018 is estimated at 3.0% and has moderated as the recovery in international trade and manufacturing activity lost steam. Despite ongoing negotiations, trade tensions among major economies remain elevated. These tensions, combined with concerns about softening global growth prospects, have weighed on investor sentiment and contributed to declines in global equity prices. Borrowing costs for emerging market and developing economies (EMDEs) have increased, in part as major advanced-economy central banks continue to withdraw policy accommodation in varying degrees. A strengthening USD, heightened financial market volatility, and rising risk premiums have intensified capital outflow and currency pressures in some large EMDEs, with some vulnerable countries experiencing substantial financial stress. Energy prices have fluctuated markedly, mainly due to supply factors, with sharp falls toward the end of 2018. Other commodity prices - particularly metals - have also weakened, posing renewed headwinds for commodity exporters.

Economic activity in advanced economies has been diverging of late. Growth in the United States has remained solid, bolstered by fiscal stimulus. In contrast, activity in the euro area has been somewhat weaker than previously expected, owing to slowing net exports. While growth in advanced economies is estimated to have slightly decelerated to 2.2% last year, it is still above potential and in line with previous forecasts.

EMDE growth edged down to an estimated 4.2% in 2018, 0.3 percentage point slower than previously projected, as a number of countries with elevated current account deficits experienced substantial financial market pressures and appreciable slowdowns in activity. More generally, as suggested by recent high-frequency indicators, the recovery among commodity exporters has lost momentum significantly, largely owing to country-specific challenges within this group. Activity in commodity importers, while still robust, has slowed somewhat, reflecting capacity constraints and decelerating export growth. In low-income countries (LICs), growth is firming as infrastructure investment continues and easing drought conditions support a rebound in agricultural output. However, LIC metals exporters are struggling partly reflecting softer metals prices. Central banks in many EMDEs have tightened policy to varying degrees to confront currency and inflation pressures.

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

		Change of GDP		Exchange rates (1 EUR = local currency)		
Country	**Currency**	**2018[1)]**	**2017**	**Dec 31, 2018**	**Dec 31, 2017**	**Change**
Australia	AUD	3.2%	3.1%	1.622	1.535	-5.7%
Brazil	BRL	1.4%	0.2%	4.444	3.973	-11.9%
China	CNY	6.6%	6.9%	7.865	7,798	-0.9%
Germany	EUR	1.9%	1.6%	n/a	n/a	n/a
Hong Kong SAR	HKD	3.8%	3.8%	8.968	9,372	4.3%
Indonesia	IDR	5.1%	5.1%	16,500.00	16,239.12	-1.6%
Nigeria	NGN	1.9%	0.8%	414.954	426.915	2.8%
Russia	RUB	1.7%	1.4%	79.715	69.392	-14.9%
Saudi Arabia	SAR	2.2%	0.4%	4.285	4.490	4.6%
Singapore	SGD	2.9%	2.2%	1.559	1.602	2.7%
United Arab Emirates	AED	2.9%	1.5%	4.200	4.399	4.5%
United Kingdom	GBP	1.4%	2.0%	0.895	0.887	-0.8%
United States	USD	2.9%	2.3%	1.145	1.199	4.5%

[1)] Source: Knoema Corporation (www.knoema.de)

3.2 Industry-Specific Conditions

Venture Capital Market in Germany

An active market for venture capital plays a vital role in the financing of start-ups and innovations. The economic importance of venture capital is that the innovations open up new opportunities for customers, provide new markets, create sustainable jobs, strengthen competitiveness and ensure prosperity. Venture capital promotes the development of innovative solutions for industry and thus supports the digitization of the economy. The venture capital available in Germany, in Europe and in the world has increased significantly in the last years. This led to an increased competition about business ideas, personnel, technologies, customers and markets.

After the year 2017 with twelve new listings, 18 initial public offerings (IPOs) with total proceeds of approximately EUR 11.6 billion (previous year approximately EUR 2.8 billion) took place in Germany in 2018. Germany gained an 18-year high in terms of IPO proceeds and took over the lead in Europe. While globally the number of IPO deals declined by 21% in 2018 compared to 2017, in contrast, proceeds increased by 6%. In terms of number of deals and proceeds global IPO activity surged in 2018 with 1,359 IPOs raising USD 204.8 billion. In the previous year 1,624 transactions were executed raising USD 188.8 billion.

General Industry Trends[2]

The networking of markets, sectors, industries and society will change radically in the coming years due to the fifth generation in mobile phone and network technology (5G) under development. In the past, infrastructural broadband base networking was the main focus. In the future, it will be about networking of almost everything to form an "Internet of Things" (IoT). Not only millions of smartphones and computers will be networked in the coming years. The 5G technology seeks to fulfill the future communication requirements in this fully networked information society much more comprehensively than before. 5G is a substantial technological basis for the developments in the area of Industry 4.0 and for more general networking in strategically important areas such as mobility (e.g. automated driving), logistics, energy and media distribution. It is estimated that 50 to 500 billion things worldwide will be networked by 2020. The resulting potentials of economic and social development have a huge impact on economic growth and future value creation. In accordance with studies of the International Telecommunication Union (ITU), the attention to the 5G technology increased worldwide sharply. The development focused on enabling a seamlessly connected society in the time frame until 2020 and beyond that bringing together people along with things, data, applications, transport systems and cities in a smart networked communications environment. In Germany, Deutsche Telekom AG estimates that the spread of 5G technology is going to be available at the 2022-2025 time frame.

Digitization through the Internet of Things provides enormous opportunities, but at the same time it bears unforeseeable risks and provides dangerous targets for new forms of cybercrime. In Germany alone, two out of three companies are victims of hacker attacks every year. Cyberattacks are increasingly being implemented with machine learning and artificial intelligence (AI). The so-called “pattern matching”, which means the comparison with known patterns, is no longer sufficient for the defense. Companies should therefore focus on detecting anomalies and use their own artificial intelligence for cyber security. This is how unusual activities are detected early. Large-scale, professional cyberattacks by

[2] Source: Internal industry analysis by Rocket Internet SE.

state actors will continue to increase in 2019. That is why the origin of the provider should be considered when choosing cyber security software.

Another trend is the Big Data Processing & Analysis, as more and more companies want to digitize their processes. This includes the management and storage of data, advanced cloud computing solutions, personalized data analyzing tools and data security. The foundation for predictive, actionable business analytics for regional, store, customer and product levels has the potential to become really powerful.

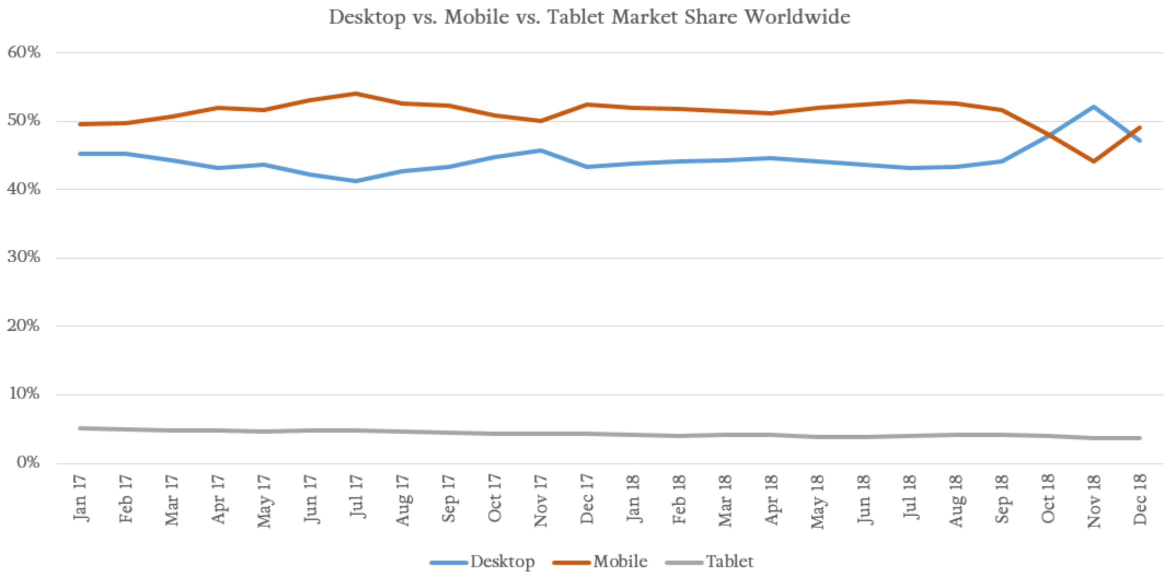
The mobile phone is playing an increasingly important role as a means of payment. With the development of smartphones, the mobile Internet and Near Field Communication (NFC) technology, numerous functions and applications can now be integrated, such as vouchers, tickets, loyalty points and payment services. People are now experiencing a new form of convenience with their mobile phones, such as travelling on public transport using mobile tickets rather than coins or physical tickets, using their smartphones to pay contactless while at the same time redeeming coupons and collecting loyalty points or making secure bank payments. Mobile apps are becoming more valuable for consumers and more integral to their everyday lives. Rakuten Pay is currently developing a face payment system in order to completely eliminate the need for personal devices or credit cards. The system allows users to pay using their face and a PIN code in stores, without the need for cash, credit cards, mobile phones or anything else. The facial recognition technology enables identification of the user, and the PIN code acts as a second factor for added security.

Solutions which allow humans to explore fully immersive computer-generated worlds (VR, Virtual Reality) and to overlay computer graphics onto our view of our immediate environment (AR, Augmented Reality) are both increasingly being adopted. AR and VR used in a variety of both digital and physical settings also are about to change the future of retail. They offer retailers the opportunity to transform shopping experiences such as product selection, elevate customer service, and create a differentiated, personalized customer experience. As smartphones are increasingly compatible with this technology, it will be used by more and more consumers.

The eCommerce industry is not only continuing to grow but is gaining more influence in other areas, from brick-and-mortar retailing to social networks. As combined sales possibilities have become better integrated into stores and there are more digital opportunities to influence online sales (e.g. social media, affiliates, etc.), the importance and complexity of eCommerce in corporate structures will continue to increase. "Social Commerce" will be the biggest source of customer acquisition. In particular, it should be noted that it will be necessary to invest in the eCommerce infrastructure and eCommerce platforms to support differentiated sales models (e.g. pop-ups, stores, events, social buying). Artificial Intelligence and personalization play an increasing role in the transformation of eCommerce branch. The AI software is able to categorize customer emails and to provide the customer service with summarized information and priority tags. Customers will be met in the integrated marketplace: at home, in their workplaces, in their cars or in their hands.

According to the “D21-Digital-Index 2018/2019” by the “Initiative D21”, a total of about 84% (previous year 81%) of all Germans (age groups above 14 years old) used the Internet in 2018. The mobile use of the Internet increased by 4 percentage points in 2018 to 68%, the share is 93% in the age group 20-29 years old. The share of smartphone owners increased from 70% in 2017 to 75% in 2018. One reason for the sharp increase in mobile use and a higher volume of data per user is the growing use of mobile video. This trend will continue: Mobile broadband will continue to supplement or even replace stationary access. New technologies such as 5G will create an essential basis for this, e.g. for mobile VR applications or networked mobility solutions. Activities performed and applications used at least once a week include searching the internet for information and content (75%), while more specific applications are used far less frequently, such as working with office programs like word processing, spreadsheets, presentations (44%), the use of instant-messaging applications like WhatsApp (39%), online shopping (38%) and using navigation services like Google Maps (35%). The share of those who regularly pay online, e.g. via PayPal, Paydirekt or Bitcoin is 38%.

According to "StatCounter GlobalStats" the number of page views using mobile phones maintained its leading position worldwide in 2018 as in 2017 compared to the one via desktop computers and tablets (see chart below for monthly comparison). The development of the number of websites views in 2018 in different regions shows that while the use of desktop computer in Europe, North and South America and Oceania exceeds the use of mobile phone, the number of websites views per mobile phone in Asia and Africa is higher than the one per desktop computer.



Source: StatCounter GlobalStats

According to the "Measuring the Information Society Report 2018" by the International Telecommunication Union (ITU) there has been rapid growth in mobile-broadband services. The number of mobile-broadband subscriptions worldwide continues to grow strongly from approx. 50 per 100 inhabitants in 2017 to approx. 69 per 100 inhabitants in 2018, enabling improved access to the Internet and online services. The introduction of new mobile technologies is accelerating this trend, with LTE or higher capabilities now available to most mobile users. Access to fast Internet becomes essential for many people, and has beneficial effects on the world economy. There has been slower growth in the number of fixed-broadband subscriptions worldwide and decline of the number of fixed telephone lines. Therefore, the number of fixed-broadband subscriptions exceeds now the number of fixed telephone lines more clearly than in the previous year.

3.3 Course of Business

We look back on a year 2018 that was very eventful for our Group. The ability to identify and design new businesses from scratch and to operationally develop and support those businesses through their entire lifecycle remains the focus of Rocket Internet's business strategy, even though the intensity of competition in the startup market has increased. The goal of building and operationally supporting a network of promising Internet and technology companies and thus a leading global company for Internet-based business models was continued in 2018.

In June 2018, home24 SE placed its shares on the regulated market segment (Prime Standard) of the Frankfurt Stock Exchange. The offer price was set at EUR 23.00 per share, which is at the upper end of the price range of EUR 19.50 to EUR 24.50. The gross proceeds from the issuance of 6,521,740 new shares amounted to EUR 150 million. In addition, 978,261 over-allotment shares (primary greenshoe option) were allocated. Considering full exercise of the greenshoe option, home24 SE's total market capitalization amounted to approximately EUR 600 million based on the offer price. As part of the offering, Rocket Internet SE purchased shares for EUR 22 million.

In October 2018, Westwing completed its IPO on the Frankfurt Stock Exchange (Prime Standard) raising approximately EUR 114 million (gross proceeds without exercise of the greenshoe option) in primary capital. The shares were sold at the mid-point of the initial price range at a price of EUR 26.00 per share. The market capitalization of Westwing at IPO amounted to EUR 518 million (assuming no exercise of the greenshoe option). In addition, 311,359 over-allotment shares (primary greenshoe option) were allocated resulting in gross proceeds of EUR 8 million.

The program for the repurchase of the convertible bonds, established in February 2016, was continued and completed in 2018. In September 2018 the Group repurchased the last convertible bonds issued on July 22, 2015. In total, the Group repurchased convertible bonds with a nominal value of EUR 298.3 million in the financial year 2018.

The selected companies showed notable revenue growth in the financial year 2018 compared to the financial year 2017, in particular HelloFresh (41%), Jumia (39%), Westwing (16%), home24 (13%) and GFG (6% and 19% on a constant currency basis, respectively) and most of them an improvement in the adjusted EBITDA margin, in particular Jumia, GFG, HelloFresh and Westwing.

In line with the previous year report’s forecast for the financial year 2018, the international expansion of our network companies has continued. With the first-time consolidation of ExpertLead, which was built by Rocket Internet, a new network company with a new business model was included in the scope of consolidation of the Group. Non-viable operations were discontinued. The number of fully consolidated companies fell by 27% from 90 to 66 as forecast for the year 2018 in the combined management report 2017.

During 2018, the Group made several new and follow-on GFC investments and increased its number and volume in its exposure in debt securities as forecast for the year 2018 in the combined management report 2017.

Revenue of the Rocket Internet Group increased to EUR 44.5 million in the year 2018 compared to EUR 36.8 million in the previous year (+21%). The previous year report’s forecast for the financial year 2018 of a significant increase in consolidated revenue of New Businesses for those companies that continued to be fully consolidated after December 31, 2017, was realized. The Group’s revenue for all New Businesses increased from EUR 17.2

million in 2017 by 67% to EUR 28.8 million in 2018. As expected, the area of New Businesses excluding FinTech entities realized a negative EBITDA. The area of FinTech realized a positive EBITDA and thus, in contrary to the forecast, contributed to the positive EBITDA of the Rocket Internet Group. In line with the previous year report's forecast for the financial year 2018, revenue from other services declined by 19%.

The result from deconsolidation of subsidiaries in 2018 in the amount of EUR 10.3 million (previous year EUR 11.6 million) has decreased as it had been forecast for the year 2018.

Contrary to the previous year report's forecast for the financial year 2018, the share of profit/loss from associates and joint ventures was strongly positive in the financial year 2018. In total, the share of profit/loss from associates and joint ventures improved from EUR 2.6 million by EUR 213.2 million to EUR 215.8 million. The Group's share of profit/loss from associates and joint ventures including adjustments made by the Group using the equity method as well as gains from deemed disposals amounts to EUR 14.0 million (previous year EUR 63.6 million). In 2018, gains from the disposal of associates and joint ventures of EUR 189.4 million (previous year EUR 4.1 million) were recognized. Furthermore, the Group recognized reversals of impairment losses and the net balance of impairment losses and reversals amounted to EUR 12.4 million as compared to a net balance of impairment losses and reversals of negative EUR 65.1 million in the prior-year.

Contrary to the forecast in the combined management report 2017 for the total year 2018 which anticipated the EBITDA to deteriorate, the EBITDA of the Group improved by EUR 258.1 million from negative EUR 54.8 million in 2017 to EUR 203.3 million in 2018.

Overall, the Group generated a profit of EUR 196.0 million for the period (previous year loss of EUR 6.0 million), this despite the fact that the Group's financial result in the fourth quarter of 2018 was adversely affected by turmoil on the capital markets.

The total comprehensive income for the period, net of tax, declined from EUR 371.4 million by EUR 177.6 million to EUR 193.8 million.

As projected for the financial year 2018, payments in the RICP fund were continued in 2018. Investments in the larger network companies did not decline, contrary to the previous year's forecast. This is mainly attributable to the acquisition of new shares (EUR 22.0 million) in conjunction with the initial public offering of home24.

Cash and cash equivalents increased from EUR 1,716.6 million as of December 31, 2017 to EUR 1,720.0 million as of December 31, 2018. The increase is attributable to the proceeds from the sale of non-consolidated shares in the amount of EUR 1,411.9 million (mainly Delivery Hero and HelloFresh shares) that are offset by significant cash outflows from the purchase of own shares, the early redemption of convertible bonds and the purchase of easily convertible into cash listed shares which started in the beginning of 2018 and was continued during the year as a part of the treasury strategy.

In the 2017 combined management report, decreasing revenues from rendering services in a low double digit percentage range were forecast for the parent Company due to the increase in own staff of the bigger network companies. As reflected in the parent Company's annual financial statements, revenues for services rendered by Rocket Internet decreased in line with the forecast from EUR 17.1 million by 13% to EUR 14.8 million. At the Group level the revenues for other services decreased from EUR 19.5 million by 19% to EUR 15.7 million.

In the annual financial statements of the parent Company in 2018, a net profit of EUR 534.6 million (previous year EUR 153.0 million) was recognized, which resulted primarily from profits transferred from subsidiaries of EUR 451.6 million as well as from the gains from disposals of participations and write-ups of non-current financial assets of a total of EUR 201.7 million reported in the line item other operating income. The EBITDA in the annual financial statements 2018 amounts to EUR 191.7 million. Adjusted for one-off effects, EBITDA in the annual financial statements 2018 amounted to EUR -8.6 million, which is above the range stated in the previous year's forecast (from EUR -18 million to EUR -22 million). The deviation is mainly due to personnel cost savings and the postponement of incubation projects, which naturally do not emerge at regular intervals, but depend on the innovation and creativity of Rocket Internet's employees and Rocket Internet in general, as well as on the competitive environment.

3.4 Rocket Internet Share and Share Capital Structure

During the year 2018, the Rocket Internet share price decreased from EUR 21.13 as of December 31, 2017 by EUR 0.95 to EUR 20.18 as of December 31, 2018.

On August 14, 2017, Rocket Internet announced to carry out a share buy-back program with a total maximum consideration (excluding ancillary costs) of up to EUR 100 million and a maximum volume of up to 5,000,000 shares, which represented a maximum of 3.03% of the outstanding share capital of Rocket Internet. On April 16, 2018 Rocket Internet resolved to early terminate the share buy-back program. In the period from August 14, 2017 until the early termination of the program on April 16, 2018, a total of 1,041,167 shares (of which 5,546 shares in fiscal 2018) were bought back at a volume weighted average price of EUR 20.41. This corresponded to a portion of 0.63% of the registered share capital of Rocket Internet SE.

Also on April 16, 2018, Rocket Internet resolved to buy back up to 15,472,912 own shares (corresponding to a maximum of 9.34% of the Company's registered share capital) through a public share purchase offer against payment of an offer price in the amount of EUR 24.00 per share. A total of 9,724,739 shares were tendered during the acceptance period. Thus, all purchase offers could be accepted. This includes 6,800,000 shares tendered by PLDT Online Investments Pte. Ltd.

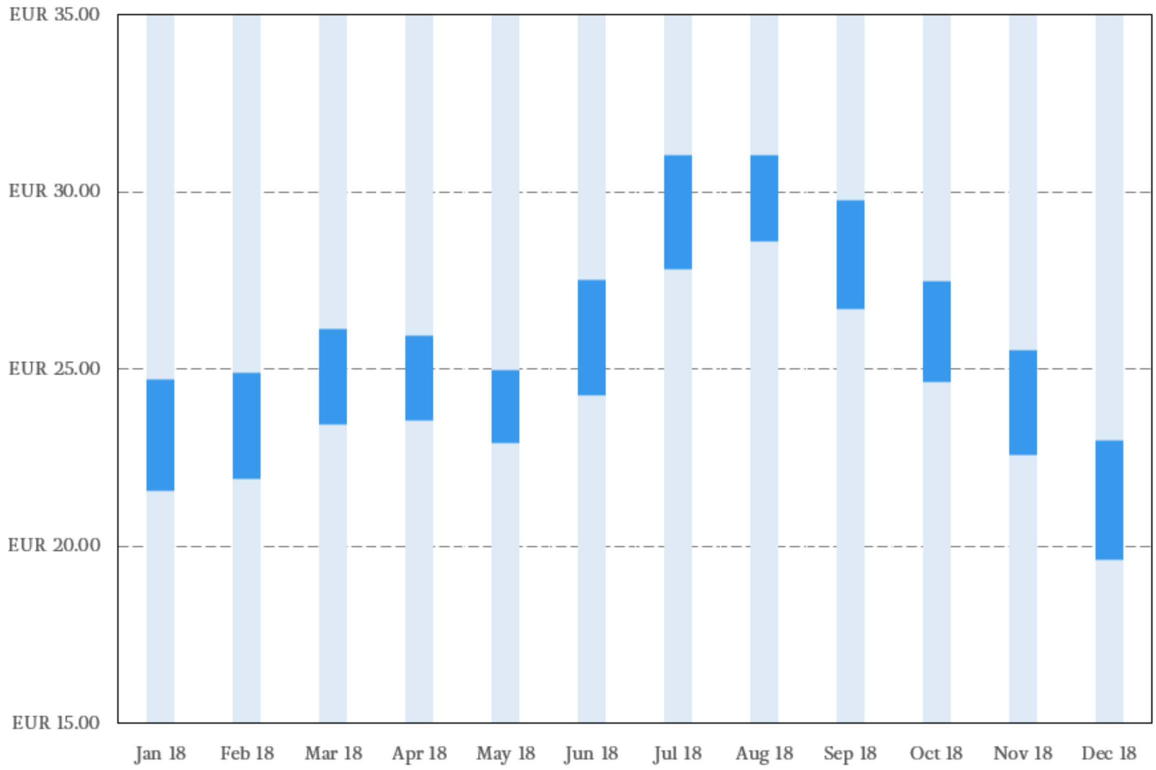
On May 23, 2018, Rocket Internet announced the redemption of 10,765,906 own shares. Thus, the share capital of the Company was reduced from EUR 165,140,790 by EUR 10,765,906 to EUR 154,374,884.

On September 20, 2018, Rocket Internet announced to carry out the share buy-back program 2018 / 2019 with a total maximum consideration (excluding ancillary costs) of up to EUR 150 million and a maximum volume of up to 5,500,000 shares, which represented a maximum of 3.6% of the outstanding share capital of Rocket Internet. The buy-back started on September 20, 2018 and will end at the end of September 19, 2019. Until December 31, 2018, the Group repurchased 3,607,590 shares at a volume-weighted average price of EUR 23.23. On December 12, 2018, 1,860,486 own shares thereof were redeemed. Thus, the share capital of the Company was reduced from EUR 154,374,884 by EUR 1,860,486 to EUR 152,514,398. Please refer to the notes to the annual financial statements and the notes to the consolidated financial statements for further information about the repurchased shares.

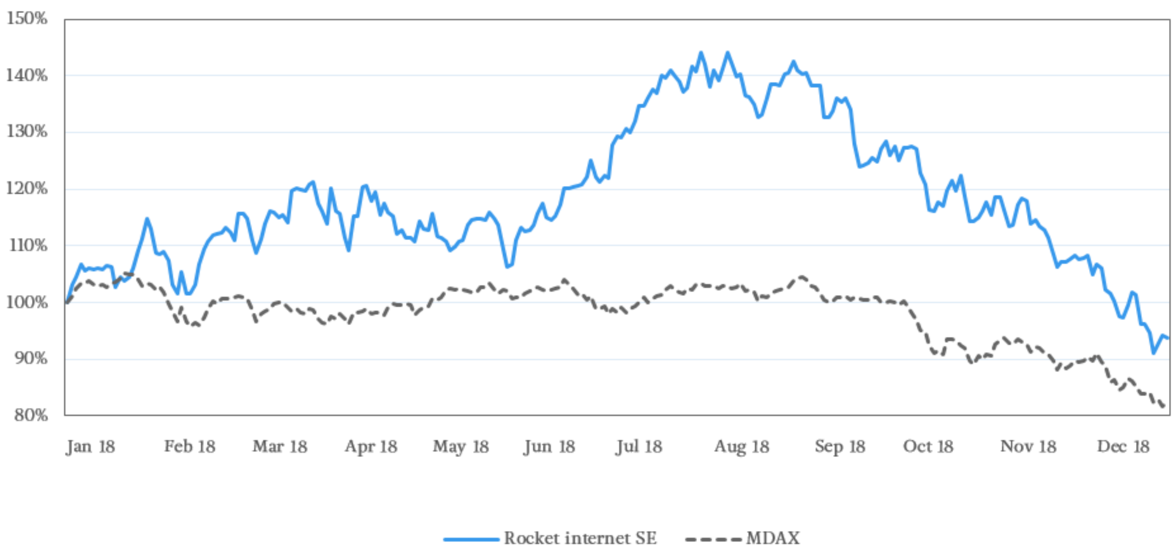
The market capitalization changed from about EUR 3.5 billion on December 31, 2017 to about EUR 3.0 billion on December 31, 2018.

The development of the Xetra closing share prices in 2018 is as follows:

Absolute in EUR



Relative, compared to development of the MDAX



In the financial year 2018, daily trading via the electronic computer trading system Xetra recognized on average 394,000 shares (previous year 434,000 shares) with an average value of EUR 10.0 million (previous year EUR 8.4 million). The ISIN code for the shares is DE000A12UKK6.

The subscribed capital of Rocket Internet SE amounted to EUR 152,514,398 on December 31, 2018 (previous year EUR 165,140,790), and was split into 152,514,398 (previous year 165,140,790) ordinary bearer shares with no-par value *(Stückaktien ohne Nennbetrag)*. Every share grants one vote. Other share classes do not exist. As of December 31, 2018, 150,767,294 shares were outstanding.

Rocket Internet convertible bond

On July 22, 2015, Rocket Internet issued a convertible bond amounting to EUR 550.0 million, maturing in seven years with a nominal interest rate of 3.0% p.a. In September 2018 the Group repurchased the last outstanding convertible bonds. In total, the Group repurchased convertible bonds with a nominal value of EUR 298.3 million in the financial year 2018. As of December 31, 2018 no convertible bonds were outstanding (previous year EUR 298.3 million). The buyback reduces interest expenses and potential shareholder dilution. The reason for the convertible bond buyback is among others that a financing through capital markets does not seem to be necessary anymore, due to the available liquidity of the Company as well as the overall situation of the Group

The bond was listed on the Open Market on the Frankfurt Stock Exchange and was also traded on German stock markets. The ISIN code for the bond was DE000A161KH4.

3.5 Position of the Group

The consolidated financial statements of Rocket Internet were prepared in accordance with IFRS as adopted by the European Union.

3.5.1 Earnings Position of the Group

General remark on the earnings position of the Group

Driven by the business model of Rocket Internet, the earnings position can vary substantially from year to year, which can be demonstrated by the actual performance of the Group in the financial years 2013 – 2018:

In EUR million	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Revenue	44.5	36.8	50.4	128.3	128.2	99.8
Result from deconsolidation of subsidiaries	10.3	11.6	48.3	167.0	452.6	0
Share of profit/loss of associates and joint ventures	215.8	2.6	-539.6	-188.6	75.1	1,449.0
EBITDA	203.3	-54.8	-565.3	-200.8	424.4	1,317.8
Financial result	1.0	47.0	-168.0	29.7	12.0	91.8
Profit/loss for the period	196.0	-6.0	-741.5	-197.8	428.8	1,395.6
Other comprehensive income for the period, net of tax	-2.2	377.3	118.3	36.4	78.2	9.2
Total comprehensive income/loss for the period, net of tax	193.8	371.4	-623.2	-161.4	507.0	1,404.8
Earnings per share (in EUR) – basic = diluted	*1.28*	*0.01*	*-4.22*	*-1.24*	*3.24*	*11.93*

Earnings position of the Group during the reporting period

In EUR million	2018	2017
Revenue	44.5	36.8
Other operating income	2.2	1.5
Result from deconsolidation of subsidiaries	10.3	11.6
Cost of materials and cost of financial services	-16.1	-15.8
Employee benefits expenses	-26.0	-63.7
Other operating expenses	-27.4	-27.7
Share of profit/loss of associates and joint ventures	215.8	2.6
EBITDA	**203.3**	**-54.8**
Impairment of non-current assets, depreciation and amortization	-1.7	-2.0
Financial result	1.0	47.0
Income taxes	-6.6	3.8
Profit/loss for the period	**196.0**	**-6.0**
Other comprehensive income for the period, net of tax	-2.2	377.3
Total comprehensive income/loss for the period, net of tax	**193.8**	**371.4**

Revenue was structured as follows:

In EUR million	2018		2017	
New Businesses	28.8	65%	17.2	47%
Other Services	15.7	35%	19.5	53%
Total	**44.5**	**100%**	**36.8**	**100%**

Revenues of the New Businesses increased significantly by 67% from EUR 17.2 million in 2017 to EUR 28.8 million in 2018. This results primarily from a higher volume of FinTech operations.

The revenues from other services are mainly comprised of income from consulting services performed for non-consolidated network companies and letting of office space. The decrease of revenues from other services primarily results from transfer of functions and employees from Rocket Internet to non-consolidated network companies as well as from disposals, discontinuance and reduced operations of non-consolidated network companies.

Of the total consolidated revenues, 46% were generated in Germany (previous year 54%), 27% in the United Kingdom (previous year 19%), 9% in Luxembourg (previous year 10%), 7% in France (previous year 3%), 3% in Australia (previous year 3%), 2% in Mexico (previous year 2%) and 6% in the rest of the world (previous year 9%).

The result from deconsolidation of subsidiaries in the amount of EUR 10.3 million (previous year EUR 11.6 million) has decreased as had been forecast in the consolidated financial statements 2017. It mainly originated from the deconsolidation of Caterwings (EUR 8.9 million) in conjunction with the establishment of the B2B Food Group, from the deemed disposal of EatFirst (EUR 0.4 million) and the sale of a service company in Luxembourg (EUR 0.5 million). In 2017, the gain from deconsolidation primarily comprised gains from the deconsolidation (deemed disposal) of Instafreight (EUR 7.6 million) and Zipjet (EUR 4.3 million).

The position cost of materials and cost of financial services slightly increased from EUR 15.8 million by 2% to EUR 16.1 million. On the one hand, this figure includes for the first time interest and impairment losses of the FinTech operations amounting to EUR 6.6 million (previous year EUR 0 million). On the other hand, expenses for purchased goods and services declined, mainly due to the deconsolidation of subsidiaries in the eCommerce sector.

Employee benefits expenses, which amounted to EUR 26.0 million (previous year EUR 63.7 million), included the current remuneration as well as expenses arising from equity-settled and cash-settled share-based payments. The decrease by EUR 37.7 million results from the following:

Employee benefits expense reconciliation	Impact on expense in EUR million
Reduced expenses for salaries, bonuses and social security due to decreased average number of own staff employed by consolidated companies mainly driven by the deconsolidation of subsidiaries as well as the reduction of expenses for non-cash compensation	-15.5
Revaluation of liabilities for cash-settled share-based payments and other incentives mainly driven by the decrease in fair value of the underlying equity instruments	-2.6
Decrease of expenses for equity-settled share-based payments mainly driven by the lower number of instruments granted than in the previous year as well as the departure of beneficiaries for which in the previous years front-loading recognition of expenses (graded vesting) took place	-19.6
Total	**-37.7**

Other operating expenses included mainly legal and consultancy fees (EUR 7.7 million; previous year EUR 5.8 million), rental, office and IT costs (EUR 6.0 million; previous year EUR 6.9 million), marketing expenses (EUR 4.2 million; previous year EUR 3.7 million), expenses for external services (EUR 1.2 million; previous year EUR 1.3 million) and currency translation losses (EUR 0.8 million; previous year EUR 2.1 million).

The share of profit/loss from associates and joint ventures amounts to EUR 215.8 million (previous year EUR 2.6 million). The significant increase by EUR 213.2 million results from the following:

Share of profit/loss from associates and joint ventures reconciliation	Impact on result in EUR million
Decreased Group's share of profit/loss from associates and joint ventures including adjustments made by the Group using the equity method and gains from deemed disposals	-49.7
Increase of reversals of impairment losses (net balance of losses and reversals)	77.6
Increase of gains from disposal	185.3
Total	**213.2**

In 2018, the share of profit/loss from associates and joint ventures is particularly characterized by sales of HelloFresh shares, which generated disposal gains of EUR 172.6

million. Further positive effects include the deemed disposal gains reduced by the proportionate share of losses attributable to the financing rounds of Traveloka (EUR 52.0 million) and the Westwing IPO (EUR 24.7 million). Furthermore, pro rata gains from RICP (EUR 23.8 million) were recognized. The impairment charges recognized in connection with Asia Pacific Internet Group (EUR 10.9 million) were offset by the proportionate share of profit of Asia Pacific Internet Group (EUR 14.7 million). Negative effects mainly include the proportionate share of losses of Jumia (EUR 39.8 million), HelloFresh (EUR 28.4 million) and GFG (EUR 29.2 million), which were partially offset by the reversal of impairments in connection with GFG (EUR 14.4 million).

The share of profit/loss from associates and joint ventures in 2017 results on the one hand from positive effects arising from the reversal of impairment losses of GFG and the financing round of HelloFresh of EUR 113.0 million. On the other hand, these positive effects are offset by proportionate operating and impairment losses attributable to other associated companies and joint ventures. A total of EUR 21.6 million is attributable to GFG, of which EUR 22.5 million relates to impairment reversals and EUR -0.9 million to proportionate operating losses. A gain of EUR 90.5 million was recorded for HelloFresh, which includes both proportionate operating losses and positive effects from the IPO and the financing round of HelloFresh (deemed disposal). At Group level impairment losses attributable particularly to the Middle East Internet Group (EUR 39.9 million) and Asia Pacific Internet Group (EUR 24.1 million) were recognized. Additionally, the share of profit/loss from associates and joint ventures includes the deemed disposal gain and the proportionate share of operating losses from Traveloka (net gain of EUR 53.4 million), as well as the proportionate share of operating losses from Jumia (EUR 30.4 million), Asia Pacific Internet Group (EUR 36.3 million; thereof proportionate impairment losses of EUR 10.2 million) Middle East Internet Group (EUR 10.0 million) and Westwing (EUR 8.2 million).

EBITDA improved significantly from the loss of EUR 54.8 million in 2017 to the gain of EUR 203.3 million in 2018. This improvement was mainly due to the significantly improved share of profit/loss of associates and joint ventures as well as decreased employee benefits expenses and an increase in revenue.

The impairments of non-current assets and the depreciation and amortization amount in total to EUR 1.7 million (previous year EUR 2.0 million). Depreciation and amortization decreased from EUR 1.2 million to EUR 1.0 million. In 2018 the impairment charges of EUR 0.7 million (previous year EUR 0.7 million) mainly relate to goodwill.

The financial result of EUR 1.0 million (previous year EUR 47.0 million) primarily includes net changes (gains and losses) in fair value of equity instruments accounted for at fair value through profit or loss of EUR 19.2 million (previous year EUR 99.8 million), net foreign exchange gains of EUR 20.3 million (previous year loss of EUR 45.3 million) that relate to loans as well as to cash and cash equivalents and mainly reflect the development of the USD exchange rate, interest income of EUR 9.5 million (previous EUR 16.1 million), the buyback-losses from convertible bonds of EUR 39.2 million (previous EUR 0 million) and interest expense from convertible bonds of EUR 7.6 million (previous year EUR 12.6 million). The financial result in the fourth quarter of 2018 was adversely affected by turmoil on the capital markets. The negative capital market effect largely neutralized both, the in the course of the year realized disposal gains (mainly from sales of shares in Delivery Hero) as well as the valuation gains recognized in the first three quarters of 2018. Due to the first-time application of IFRS 9, all valuation changes (both realized gains and unrealized value changes) of Delivery Hero are reported in the financial result starting January 1, 2018. In the previous year, the financial result only included the realized disposal gains, while the unrealized valuation gains were reported in other comprehensive income (OCI). Furthermore, the agreement with Naspers to sell 22,359,857 shares in Delivery Hero that was accounted for as a derivative financial liability hit the financial result by negative EUR 78.3 million in 2017. In contrast, the corresponding share price rise of Delivery Hero SE was recognized in 2017 in the statement of comprehensive income increasing equity.

Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods in the amount of negative EUR 2.2 million (previous year EUR 377.3 million) in 2018 includes exchange differences on translation of foreign operations in the amount of EUR 3.3 million (previous year negative EUR 4.3 million) and the share of the changes in the net assets of associates / joint ventures that are recognized in OCI of the associates / joint ventures, net of tax, of negative EUR 5.5 million (previous year negative EUR 17.4 million). In the financial year 2017 it also included the net gain on available-for-sale financial assets (AFS) of EUR 399.2 million which refers almost exclusively to Delivery Hero. Due to the first-time application of IFRS 9, starting January 1, 2018, all valuation changes (both realized gains and unrealized value changes) of AFS are reported in the financial result.

3.5.2 Financial Position of the Group

3.5.2.1 Cash flows and Cash Position

In EUR million	**2018**	**2017**
Cash flow from operating activities	-143.4	-148.2
Cash flows from investing activities	696.4	554.2
Cash flows from financing activities	-567.2	-62.1
Net change in cash and cash equivalents	**-14.1**	**343.9**
Net foreign exchange difference and change in loss allowance in cash and cash equivalents	17.5	-29.0
Cash and cash equivalents at the beginning of the period	1,716.6	1.401.7
Cash and cash equivalents at the end of the period	**1,720.0**	**1.716.6**

Due to exchange rate changes, the cash and cash equivalents of the Group increased by EUR 17.7 million (previous year decrease of EUR 29.0 million).

The negative cash flow from operating activities is typical for the industry and is mainly attributable to the start-up losses incurred by consolidated subsidiaries. On the one hand, the improvement of the negative operating cash flow in 2018 compared with the previous year is due to higher proceeds from dividends of EUR 37.6 million which mainly relate to Asia Pacific Internet Holding. On the other hand, start-up losses of the New Businesses decreased and outflows for cash-settled share based payments were reduced. Opposing effects mainly include higher cash outflows for the acquisition of operating financial assets (FinTech loans).

The cash flows from investing activities consist on the one hand of the cash-outflows for the Group's acquisitions of non-consolidated equity investments and the participation in financing rounds of network companies. In total, payments in the amount of EUR 111.8 million (previous year EUR 78.3 million) were made for acquisitions of non-consolidated companies of which EUR 22.0 million relate to home24, EUR 17.6 million to RICP fund, EUR 15.0 million to Jumia Group, EUR 12.5 million to Awaytravel and EUR 44.7 million to various network companies.

On the other hand, investing activities contain the cash-inflows from the sale of subsidiaries as well as from the sale of non-consolidated equity investments. In total, the Group received in 2018 EUR 1,411.9 million (previous year EUR 559.1 million) in cash for the sale of non-consolidated equity investments, which mainly relate to the sale of Delivery Hero and HelloFresh (previous year Lazada and Delivery Hero). Cash paid in connection with short-term financial management of cash investments in the amount of EUR 610.4 million (previous year EUR 92.8 million) mainly relate to payments for the highly liquid, easily convertible into cash listed shares as a part of the Group's treasury strategy of EUR 573.0 million (previous year EUR 0 million) as well as to cash outflows in connection with short-term bank deposits. The cash flows from investing activities also include cash received in connection with short-term financial management of cash investments in the amount of EUR 14.0 million (previous year EUR 119.1 million) that relate to the repayments of short-term loans to associates, joint ventures and other network companies. In 2018, cash from repayment of long-term loans granted to network companies in the amount of EUR 2.4 million (previous year EUR 55.0 million) was also received. In 2018, the Group made payments for acquisition of non-current financial assets of EUR 4.8 million (previous year EUR 12.9 million).

Cash flows from financing activities include the cash-outflows for the repurchase of convertible bonds in the amount of EUR 325.1 million (previous year EUR 52.4 million) as well as cash-outflows from the repurchase of treasury shares including transaction costs of EUR 317.5 million (previous year EUR 21.1 million). Moreover, during 2018, the Group received payments from non-controlling interests classified as financial liabilities in the course of the equity capital increases at the level of consolidated subsidiaries totaling EUR 75.3 million (previous year EUR 0 million). In 2018, consolidated subsidiaries received loans in the amount of EUR 1.2 million (previous year EUR 2.9 million).

The Group continues to maintain a very good cash position, with available cash and cash equivalents of EUR 1,720.0 million (previous year EUR 1,716.6 million) as of December 31, 2018. In addition to cash and cash equivalents, the Group had short-term bank deposits of EUR 185.1 million (previous year EUR 150.0 million) as well as easily convertible into cash listed shares of EUR 462.5 million (previous year EUR 0.0 million) as of December 31, 2018.

The Group was able to meet all its payment obligations at all times.

3.5.2.2 Capital Structure

The capital structure as of the balance sheet date is characterized by a high equity ratio of 97.3% (previous year 90.6%). Historically, the Group obtained its financing primarily through equity capital financing both at the level of the parent Company and through attracting investors at the level of subsidiaries (non-controlling interests). In 2015 the Group issued convertible bonds (a cash inflow of EUR 550.0 million, less transaction costs totaling EUR 2.8 million, of which an amount of EUR 37.7 million was recorded as an equity component). During 2018, the Group has prematurely repurchased all outstanding bonds with a principal amount of EUR 298.3 million (previous year EUR 55.5 million).

3.5.2.3 Investments

The investment activities undertaken in the financial years 2018 and 2017 are as follows:

In EUR million	2018	2017
Cash investing activities	-696.4	-554.2
Non-cash investing activities	34.8	0
Total divestments	**-661.6**	**-554.2**

For further details concerning cash investing activities, please refer to the information regarding the cash flows from investing activities. In 2018 and 2017, the proceeds from divestments exceeded the cash outflows for investing activities.

Significant non-cash investing activities in the year 2018 relate to the contribution of shares of Altigi GmbH (Goodgame Studios) into Stillfront Group AB (EUR 23.2 million) and the contribution of Caterwings and Order-In into the B2B Food Group (EUR 11.6 million). In 2017, the Group did not perform any significant non-cash investing activities.

The capital contribution obligations as of December 31, 2018 totaling EUR 69.3 million (previous year EUR 79.2 million) will be financed by existing cash and cash equivalents. They result from contracts concluded before the reporting date and primarily relate to commitments to RICP Fund.

3.5.3 Asset Position of the Group

Assets

In EUR million	Dec 31, 2018		Dec 31, 2017	
Non-current assets	1,602.8	39%	1,803.7	40%
Current assets	2,509.4	61%	2,751.6	60%
Total	**4,112.1**	**100%**	**4,555.3**	**100%**

Equity and Liabilities

In EUR million	Dec 31, 2018		Dec 31, 2017	
Equity	3,999.7	97%	4,126.1	91%
Non-current liabilities	88.1	2%	298.7	6%
Current liabilities	24.4	1%	130.5	3%
Total	**4,112.1**	**100%**	**4,555.3**	**100%**

The Company’s largest asset items are cash and cash equivalent (42% of the balance sheet total; previous year 38% of the balance sheet total), shares in associates and joint ventures, accounted for using the equity method (20% of the balance sheet total; previous year 19% of the balance sheet total), non-current equity instruments (15% of the balance sheet total; previous year period 19% of the balance sheet total including AFS equity investments) as well as current equity instruments (11% of the balance sheet total; previous year period 17% of the balance sheet total including AFS equity investments).

Non-current assets decreased from EUR 1,803.7 million by EUR 201.0 million to EUR 1,602.8 million. Non-current financial assets decreased from EUR 937.9 million by EUR 167.3 million to EUR 770.6 million. The decrease is mainly attributable to the sale of shares (in particular Delivery Hero) as well as the fair value changes of equity instruments. The growth of business activities regarding FinTech (loans) as well as investments in new and existing network companies had an increasing effect.

The decrease of investments in joint ventures from EUR 159.4 million by EUR 74.7 million to EUR 84.7 million is mainly driven by the proportionate share of losses of Jumia (EUR 39.8 million) as well as dividends received from Asia Internet Holding (EUR 36.9 million). In contrast, the increase of investments in associates from EUR 693.7 million by EUR 41.8 million to EUR 735.5 million is mainly attributable to the above-mentioned deemed disposal gains (net of the proportionate share of losses) of the financing round of Traveloka and the IPO of Westwing. Investments in home24 during the IPO (EUR 22.0 million) and in the RICP fund (EUR 17.6 million) as well as the proportionate share of profit of the RICP fund (EUR 23.8 million) had an additional increasing effect. The sales of HelloFresh shares (carrying amount of EUR 66.6 million disposed of) and the proportionate share of loss of HelloFresh (EUR 28.4 million) had a decreasing effect.

The decrease of intangible assets from EUR 8.9 million by EUR 1.2 million to EUR 7.7 million was mainly attributable to amortization (EUR 0.3 million) and impairments (EUR 0.7 million).

Current assets decreased from EUR 2,751.6 million by EUR 242.3 million to EUR 2,509.4 million. The change is mainly attributable to the decrease of current securities due to the closing of the Delivery Hero share sale to Naspers agreed in 2017 in the amount of EUR 737.9 million. The first-time recognition of easily convertible into cash listed shares of EUR 462.5 million as well as the increase of current bank deposits from EUR 150.0 million by EUR 35.1 million to EUR 185.1 million had an increasing effect. For details concerning the development of liquidity, refer to section 3.5.2 “Financial Position of the Group”.

Total consolidated equity decreased from EUR 4,126.1 million by EUR 126.4 million to EUR 3,999.7 million. On the one hand, the positive total comprehensive income of EUR 193.8 million increased equity. On the other hand, the purchase of treasury shares in the amount of EUR 317.5 million including transaction costs decreased equity.

Non-current liabilities decreased from EUR 298.7 million by EUR 210.7 million to EUR 88.1 million. The change is mainly due to decreased liabilities from convertible bonds following the complete buyback (carrying amount in the previous year of EUR 283.4 million). The first-time recognition of non-controlling interests classified as financial liabilities had an increasing effect of EUR 75.3 million.

Current liabilities decreased from EUR 130.5 million by EUR 106.2 million to EUR 24.4 million. The change mainly results from the decrease of derivative financial liabilities related to the closing of the Delivery Hero share sale to Naspers by EUR 78.3 million, the decrease of liabilities from capital calls towards an joint venture by EUR 15.0 million, the decrease of liabilities from cash-settled share-based payments by EUR 4.6 million, the decrease of trade payables by EUR 4.3 million and the decrease of current liabilities from convertible bonds by EUR 3.9 million.

3.5.4 Key Developments of Selected Companies

The revenue of our selected companies shows ongoing growth compared to the previous year. HelloFresh increased its revenues by 41% from EUR 904.9 million in 2017 to EUR 1,279.2 million in 2018. Revenue of home24 increased by 13% (18% on a constant currency basis), Westwing by 16% on a like-for-like basis (excluding the disposed operations in Brazil, Russia and Kazakhstan) and Global Fashion Group by 6% (19% on a constant currency basis).

The adjusted EBITDA margin of most of our selected companies continued to improve during the fiscal 2018 compared to the previous year. In particular, Westwing achieved a positive adjusted EBITDA margin while HelloFresh was able to improve the adjusted EBITDA margin (excluding Green Chef) towards break-even.

Additional information on the key developments of unlisted selected companies can be found on the website of the parent company: https://www.rocket-internet.com/investors.

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

The earnings position in financial year 2018 was characterized by a markedly improved share of profit/loss of associates and joint ventures. The financial position was primarily characterized by the proceeds from the strategically motivated sale of shares in Delivery Hero and HelloFresh as well as cash outflows from the first-time acquisition of listed shares as part of the treasury strategy and from the repurchase of own shares. Following the completion of the repurchase offer for the outstanding convertible bonds in July 2018 and the subsequent squeeze-out, the Group significantly reduced its financial liabilities. Several investments were made in existing and new complementary business models. Selected companies reported revenue increases.

Based on the solid balance sheet structure we are in a good position to implement our unchanged business strategy, e.g. to continue building companies on the Rocket Internet Platform, to develop our companies operationally to market leadership in their market segment and to support them in order to build a globally linked, leading operating group of many, promising Internet business models.

3.6 Position of the Company

The annual financial statements of Rocket Internet SE were prepared in accordance with German Commercial Code (HGB).

3.6.1 Earnings Position of the Company

General remark on the earnings position of the Company

Driven by the business model of Rocket Internet SE, the earnings position can vary substantially from year to year, which is also due to occasional sales of participations. This can be demonstrated by the actual performance of the Company in the financial years 2010 – 2018:

In EUR million	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue	14.8	17.1	28.1	34.2	28.8	26.0	24.3	6.8	5.4
Other operating income	238.0	274.2	150.6	30.5	5.9	187.5	176.8	14.7	1.7
EBITDA	191.7	149.6	80.5	-65.1	-44.6	161.7	165.7	13.8	0.8
Financial and investment result	353.6	4.0	-32.0	-7.3	-0.6	-2.4	215.3	37.3	46.3
Net income/loss for the year	534.6	153.0	41.4	-73.5	-45.9	147.1	378.1	50.7	45.3

Earnings position of the Company during the reporting period

In EUR million	2018	2017
Revenue	14.8	17.1
Changes in work in progress	-0.1	0.9
Other operating income	238.0	274.2
Cost of materials	-6.5	-7.6
Personnel expenses	-19.0	-54.6
Other operating expenses	-35.4	-80.4
EBITDA	**191.7**	**149.6**
Depreciation/amortization of property, plant and equipment and of intangible assets	-0.5	-0.6
Financial and investment result	353.6	4.0
Income taxes	-2.1	0
Expenses from loss assumption	-8.2	0
Net income for the year	**534.6**	**153.0**

The Company's revenues have decreased by EUR 2.3 million to EUR 14.8 million. The services previously provided by Rocket Internet, now are partly performed by the network companies that increased their own staff. Furthermore, some network companies were sold or closed.

The disposal of participations during the reporting period impacted the other operating income position by EUR 192.6 million (previous year EUR 263.0 million), the majority of which resulted from the sale of HelloFresh shares in the amount of EUR 178.0 million (previous year mainly sales of Lazada EUR 232.6 million and Zalando EUR 26.6 million). Moreover, other operating income also includes foreign currency gains of EUR 29.6 million (previous year: EUR 0.2 million). These mainly consist of foreign currency gains on bank balances (EUR 22.2 million), on marketable securities (EUR 4.7 million) and on loan receivables in foreign currencies (EUR 1.9 million). The development of the USD exchange rate essentially reflects this. Furthermore, Rocket Internet SE made use of its right of early repayment of the convertible bonds in the financial year under review and irrevocably terminated the remaining bonds. The devaluation of the convertible bond generates income of EUR 8.3 million.

The average number of employees during the financial year 2018 decreased in comparison to the previous financial year from 211 to 151. The total personnel expenses decreased by 65% to EUR 19.0 million (previous year EUR 54.6 million). The reduction of the workforce led to decreased current personnel expenses of EUR 14.4 million (previous year EUR 17.2 million). Additionally, the accounting for equity-settled share-based payment plans generated expenses amounting to EUR 3.9 million (previous year EUR 21.3 million), which were recorded as personnel expenses. Moreover, the expenses for compensation obligations of EUR 0.7 million (previous year EUR 16.1 million) were recognized in personnel expenses, too.

Other operating expenses in the financial year include non-cash net dissolutions of equity-settled share-based payment expenses of EUR 3.5 million (previous year EUR -1.8 million). Furthermore, other operating expenses also include foreign currency losses of EUR 3.3 million (previous year EUR 46.5 million). This mainly includes foreign currency losses on bank balances (EUR 1.9 million) and on loan receivables in foreign currencies (EUR 0.6 million). The foreign currency losses result from changes of the USD exchange rate. Moreover, the expenses for compensation obligations generated expenses of EUR 0.6 million (previous year EUR 11.2 million).

The gain from participations in the financial year 2018 amounted to EUR 488.6 million (previous year EUR 1.2 million), the majority of which resulted from the distribution of profits of International Rocket KG, an affiliated company, in the amount of EUR 451.6 million, the distribution from the participation Asia Internet Holding of EUR 36.1 million as well as the distribution in kind from the participation Caterwings Holding through Convenience Food Group in the amount of EUR 0.6 million (previous year distribution received from Global Founders Capital KG Nr. 1 in the amount of EUR 0.9 million and Rocket Labs KG in the amount of EUR 0.3 million). The impairment losses of the other securities held as current assets burdened the result of the financial year by EUR 115.2 million (previous year EUR 0 million). Interest income of EUR 20.2 million (previous year EUR 21.0 million) mainly results from loans granted in the amount of EUR 11.5 million (previous year EUR 15.3 million) and from cash in banks in the amount of EUR 8.7 million (previous year EUR 4.8 million). Interest expenses on convertible bonds amount to EUR 32.5 million (previous year EUR 14.9 million). Due to the premature end of the term and the complete cancellation of the corresponding liability from convertible bonds in the financial year, an unscheduled write-down of the remaining discount in the amount of EUR 23.8 million had to be made. Furthermore, the financial and investment result includes financial asset impairment charges amounting to EUR 5.0 million (previous year EUR 3.0 million).

The net income for the financial year amounts to EUR 534.6 million (previous year EUR 153.0 million). The Company realized a return on equity of 16.3% (previous year 5.0%).

EBIT totaled EUR 191.3 million (previous year EUR 149.0 million) and EBITDA amounted to EUR 191.7 million (previous year EUR 149.6 million).

3.6.2 Financial and Asset Position of the Company

Assets

In EUR million	Dec 31, 2018		Dec 31, 2017	
Fixed assets	1,283.9	39%	2,542.3	70%
Current assets	2,029.4	61%	1,072.2	29%
Prepaid expenses	0.9	0%	28.5	1%
Total	**3,314.2**	**100%**	**3,643.0**	**100%**

Equity and Liabilities

In EUR million	Dec 31, 2018		Dec 31, 2017	
Equity	3,285.7	99%	3,068.0	84%
Provisions	8.7	0%	8.5	0%
Liabilities	19.8	1%	566.5	16%
Total	**3,314.2**	**100%**	**3,643.0**	**100%**

The financial position of the Company can be described as solid. It continues to offer opportunities for investments into new companies and for participations in capital increases in existing ones. The increase of cash and cash equivalents to EUR 1,028.1 million as of December 31, 2018 (previous year EUR 896.1 million) despite the purchase of marketable securities, the repurchase of convertible bonds and own shares mainly results from withdrawals received from affiliated companies as well as the sale of investments. Thus, the Company experienced a positive cash flow of EUR 132.0 million (previous year positive cash flow of EUR 242.5 million).

The Company remains financed mainly through equity with an equity ratio as of December 31, 2018 of 99 % (previous year 84%). No dividends were paid in 2018 and 2017.

The asset position comprises participations amounting to EUR 1,281.0 million (39% of total assets; previous year EUR 2,539.2 million, 70% of total assets), receivables from subsidiaries and companies in which a participation is held in the amount of EUR 518.9 million (16% of total assets; previous year EUR 156.4 million, 4% of total assets) as well as cash and cash equivalents in the amount of EUR 1,028.1 million (31% of total assets; previous year EUR 896.1 million, 25% of total assets).

The decrease of financial assets by EUR 1,258.3 million is mainly due to the withdrawal regarding International Rocket KG in the amount of EUR 1,363.3 million in conjunction with the sales of indirectly held shares in Delivery Hero SE. Moreover, the Company invested into various network companies, mainly in Global Growth Capital Fund I S.C.Sp. in the amount of EUR 150.1 million, in GFC Global Founders Capital GmbH in the amount of EUR 75.7 million and Rocket Internet Capital Partners SCS in the amount of EUR 20.3 million. In the financial year, the financial assets were impaired in the amount of EUR 5.0 million, thereby being slightly above last year's figure (previous year EUR 3.0 million).

In 2018, loan receivables were impaired by EUR 18.6 million (previous year EUR 5.0 million). Opposite to this, there are write-ups on short-term receivables such as loan receivables and other receivables totaled EUR 7.3 million (previous year EUR 4.0 million). The write-ups on other receivables were recognized particularly in line with the global agreement on the purchase price retention of the investment in Lazada amounting to EUR 4.1 million.

3.6.3 Overall Statement with regard to the Earnings, Financial and Asset Position of the Company

Rocket Internet SE has successfully addressed its multifaceted challenges during the financial year 2018. Rocket Internet SE's economic position is characterized by investments and development of its network of companies. The total earnings clearly exceeded the expenses in the financial year. This is mainly attributable to the distribution of profits by affiliated companies, mainly International Rocket KG, and the sold shares of the Hello Fresh SE. The overall business development can be considered as satisfactory. The development of investment activities and expansion of the network companies continued after the reporting date. Based on the Company's solid balance sheet structure, Rocket Internet SE is in a good position to achieve future growth.

4. Forecast Report, Report of Opportunities and Risks

4.1 Forecast Report

The International Monetary Fund (IMF) published its "World Economic Outlook" (update January 2019). According to this report currently the global expansion has weakened and it is projected to grow at 3.5% in 2019 and 3.6% in 2020. The global growth forecast had been revised downward, partly because of the negative effects of tariff increases enacted in the United States and China. An escalation of trade tensions beyond those already incorporated in the forecast remains a key source of risk to the outlook.

Growth in advanced economies is projected to slow from an estimated 2.3% in 2018 to 2.0% in 2019 and 1.7% in 2020. Financial conditions in advanced economies have tightened since fall 2018. Equity valuations, which were stretched in some countries, have been pared back with diminished optimism about earnings prospects amid escalating trade tensions and expectations of slower global growth. Major central banks also appear to be adopting a more cautious approach. While the US Federal Reserve raised the target range for the federal funds rate to 2.25–2.50% in December 2018, it signaled a more gradual pace of rate hikes in 2019 and 2020. The European Central Bank ended its net asset purchases in December 2018. However, it also confirmed that monetary policy would remain amply accommodative, with no increase in policy rates until at least summer 2019, and full reinvestment of maturing securities continuing well past the first rate hike. Growth in the euro area is set to moderate from 1.8% in 2018 to 1.6% in 2019 and 1.7% in 2020. Growth rates have been marked down for many economies, notably Germany (due to soft private consumption, weak industrial production following the introduction of revised auto emission standards, and subdued foreign demand); Italy (due to weak domestic demand and higher borrowing costs as sovereign yields remain elevated); and France (due to the negative impact of street protests and industrial action). There is substantial uncertainty around the baseline projection of about 1.5% growth in the United Kingdom in 2019-2020. Growth in the United States is expected to decline to 2.5% in 2019 and soften further to 1.8% in 2020.

For the emerging market and developing economy group, growth is expected to tick down to 4.5% in 2019 (from 4.6% in 2018), before improving to 4.9% in 2020. Financial conditions in emerging markets have tightened modestly since fall 2018, with notable differentiation based on country-specific factors. Emerging market equity indices have declined over this period, in a context of rising trade tensions and higher risk aversion. Concerns about inflationary effects from earlier oil price increases and, in some cases, closing output gaps or impacts from currency depreciation have led central banks in many emerging market economies (Chile, Indonesia, Mexico, Philippines, Russia, South Africa, Thailand) to raise policy rates since fall. By contrast, central banks in China and India maintained policy rates on hold and acted to ease domestic funding conditions. Growth in emerging and developing Asia will dip from 6.5% in 2018 to 6.3% in 2019 and 6.4% in 2020. Growth in emerging and developing Europe in 2019 is now expected to weaken to 0.7% (from 3.8% in 2018) despite generally buoyant growth in Central and Eastern Europe, before recovering to 2.4% in 2020. In Latin America, growth is projected to recover over the next two years, from 1.1% in 2018 to 2.0% in 2019 and 2.5% in 2020 (0.2 percentage point weaker for both years than previously expected). Growth in the Middle East, North Africa, Afghanistan and Pakistan region is expected to remain subdued at 2.4% in 2019 before recovering to about 3.0% in 2020. In sub-Saharan Africa, growth is expected to pick up from 2.9% in 2018 to 3.5% in 2019 and 3.6% in 2020. Activity in the Commonwealth of Independent States is projected to expand by about 2.3% in 2019–2020.

As the core of its business strategy, Rocket Internet will continue to use its expertise to identify Internet-based business models, incubate new companies and develop them operationally to market leadership, and has the necessary means to seize such opportunities. In 2019, Rocket Internet will continue to expand its number of incubations of interesting and promising online business models.

We expect that the investments in existing network companies and those newly founded by Rocket Internet in the area of New Businesses will increase. Accordingly, we expect the number of fully consolidated companies to increase significantly. Regarding RICP and RICP II, Rocket Internet expects to increase its investment into the funds by means of capital calls.

Exposure in debt securities will probably continue to increase in number and volume and thus make a positive contribution to the FinTech result for 2019.

Regarding New Businesses, Rocket Internet Group expects that the consolidated revenue for the financial year 2019 for those companies that continue to be fully consolidated after December 31, 2018 remain at the prior-year period‘s level. Due to the early stage of our fully consolidated subsidiaries, we continue to expect negative operating results (EBITDA) in the area New Businesses except FinTech entities for 2019 in the range between EUR 3 million to EUR 7 million. In the area FinTech, we expect positive operating results (EBITDA) in the range between EUR 10 million to EUR 14 million.

Due to the lower volume of incubations in 2018 as a result of the cyclical nature of the business, a lower deconsolidation result is expected for 2019.

Results from associated companies and joint ventures are determined by their operations and the consequent results from operational activity on the one hand, and by the conditions agreed with new investors in future financing rounds on the other. For most associated companies and joint ventures, we expect negative proportionate contributions from their operational results, which should be compensated partly by the effects from financing rounds. Overall, we expect a positive but clearly below the level of 2018 share of profit/loss of associates and joint ventures but estimate the degree of predictability to be low given the market movements in our business environment.

The earnings position of the Company and the Group can vary substantially from year to year due to dilution or occasional sales of participations. The earnings position of the Group can also be subject to high volatility due to the results from deconsolidation. Overall, therefore, we estimate the predictability of EBITDA with regard to the timing and its amount to be low, as in previous years. Against this backdrop, corporate planning does not include a quantified projected result for 2019, but EBITDA is forecast to deteriorate for 2019 in comparison with 2018.

Rocket Internet SE expects revenues to increase by a low double-digit percentage in 2019 as compared to 2018. A similar development is expected at Group level for revenues from other services.

Through the provision of essential administrative company functions and the recognition of expenses from share-based payment plans in the income statement we expect a negative operating result (EBITDA) in the range between EUR 21 million to EUR 25 million in the annual financial statements of Rocket Internet SE for the reporting year 2019 provided there are no material divestments of participations and adjusted for special effects (e.g. foreign currency valuation, partial write-downs on loan receivables).

4.2 Risk Report

4.2.1 Risk Management System – Principles and Organization

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

Risk is defined as the possibility of negative deviations of actual business performance from the planned targets or objectives, while opportunities represent the possibility of positive deviations. We do not seek to avoid risks in general, but to carefully weigh the opportunities and risks associated with our decisions and our business activities, from a well-informed perspective. Accordingly, opportunities should be exploited to generate income or increase the Group's value and risks should be assumed only if they remain within appropriate limits that are acceptable to the Group. Thus, risks should be limited to a level deemed acceptable by the Group's management by taking appropriate measures, be transferred to third parties in full or in part, or, in those cases where risk mitigation is not considered advisable, be avoided or monitored closely. All employees are duty-bound to handle risks responsibly within their own area of responsibility. The risk policy principles and risk strategy are coordinated and closely aligned with the business strategy and business objectives.

The concept, organization and task of Rocket Internet SE's risk management system are defined by the Management Board and Supervisory Board and documented in a risk policy. These requirements are regularly adapted to changing legal conditions and continually developed.

The general form of structure and processes in the risk management system at Rocket Internet are based on the internationally recognized "Enterprise Risk Management Framework", a framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This links the risk management process to the internal control system. The use of this holistic, integrated approach should ensure that management and monitoring activities are systematically focused upon the strategic, operational, reporting-related and compliance-related objectives of Rocket Internet Group and their risks.

The risk management department coordinates the implementation and ongoing development of the risk management system. All activities of the risk management department are closely coordinated with the compliance department to ensure appropriate interlinking of individual subsystems (risk management, compliance management and internal control system) as well as related reporting with the aim to establish Group-wide effective monitoring systems. The systematic identification and assessment of opportunities is included in the strategic planning process.

The examination of the effectiveness and efficiency of the risk management system is generally within the responsibility of the internal audit department. In addition, the Supervisory Board monitors the effectiveness of the internal control, risk management and internal audit system. As part of his statutory auditing obligations for the annual financial statements and consolidated financial statements, the external auditor also examines whether the early risk recognition system is generally suitable for the early identification of risks and developments which might endanger the Group so that suitable countermeasures can be swiftly introduced.

4.2.2 Risk Management System – Methodology and Reporting

The risk management system comprises those measures which enable Rocket Internet SE to identify, assess and monitor from an early stage all possible risks for the attainment of its corporate objectives.

The risk management system covers Rocket Internet SE and generally all significant network companies where risks could occur that might have a material impact on the Rocket Internet Group, independent of their consolidation status. The consolidation group for risk management purposes is hereby derived based on an individual assessment considering the risk-bearing capacity of the Rocket Internet Group and the potential risks per network company.

Due to the limited risk expertise at the network companies and often restricted control over the network companies the individual risks of the network companies that are included in the risk consolidation group are then assessed on Rocket Internet level using a top down approach.

The analysis of the potential risk consolidation group during the last annual risk assessment concluded that no single network company could currently create risks that would materially impact the Rocket Internet Group. As a result no network company was individually included in the risk consolidation group.

Nonetheless, Rocket Internet’s risk register includes overall network company-related risks from its financing and investment activities.

Whilst overall responsibility for risk management lies with the Management Board, the operational management of the individual risks falls primarily within the area of responsibility of the respective company departments or network companies. This includes the early detection and identification, assessment, definition of appropriate measures, the management and monitoring of such measures and adequate documentation and reporting processes.

All risks have to be assessed by using defined classes for likelihood of occurrence and impact on Rocket Internet’s objectives. These classes are used for assessing gross risks, i.e. before mitigation measures are in place, and net risks, i.e. considering mitigation measures already existing, in order to display the effectiveness of the mitigation measures.

The likelihood of occurrence refers to the estimated probability of a risk issue occurring during the time horizon under review. It is stated as percentage. The likelihood of occurrence is determined by choosing one of the given probability ranges which are shown in the following table:

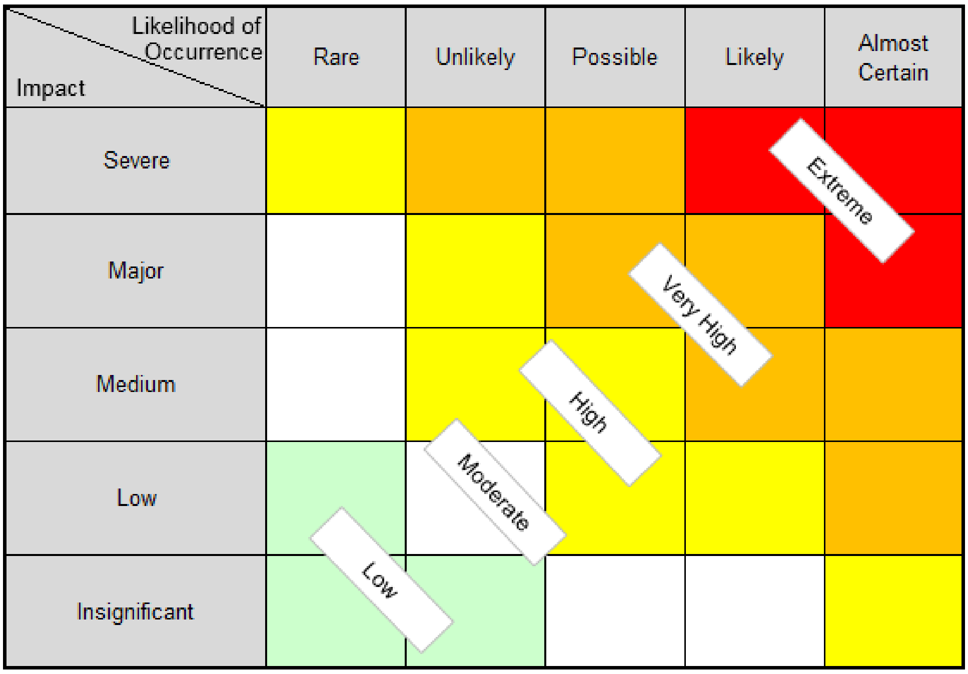
Likelihood of Occurrence	Assessment
Almost Certain	[75% - 100%]
Likely	[50% - 74.9%]
Possible	[25% - 49.9%]
Unlikely	[5% - 24.9%]
Rare	[0% - 4.9%]

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

The quantitative classes are based on a scale relating to the potential EBIT/EBITDA impact and will be adjusted continuously considering Rocket Internet's risk bearing capacity. The qualitative classes are based on criteria considering reputational damage or criminal prosecution impact effects with special focus on compliance-relevant risks.

Impact	Qualitative and quantitative assessment
Insignificant	Insignificant negative impact on business operations, asset, financial and earnings position or reputation < EUR 0.5 million individual risk
Low	Limited negative impact on business operations, asset, financial and earnings position or reputation EUR 0.5 million – EUR 10 million individual risk
Medium	Some negative impact on business operations, asset, financial and earnings position or reputation > EUR 10 million – EUR 50 million individual risk
Major	Substantial negative impact on business operations, asset, financial and earnings position or reputation > EUR 50 million – EUR 100 million individual risk
Severe	Severe damaging negative impact on business operations, asset, financial and earnings position or reputation > EUR 100 million individual risk

Based on the assessment of likelihood of occurrence and impact, all identified risks are classified in a risk matrix.



The risk matrix facilitates the comparison of the risks' relative priority and increases transparency over Rocket Internet's total risk exposure. In addition, the rating of risks from "Low" to "Extreme" is used to determine which risk information needs to be provided in more detail to the Management Board as well as to the Supervisory Board.

The systematic and standardized risk inventory is conducted once a year. However, the risk owners must continuously monitor any changing risk situations within their department or company. Significant changes in the risk situation must be reported immediately to the risk manager or Management Board.

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

4.2.3 Risk Areas

A company with a business model that most notably includes founding, operationally developing and financing newly founded Internet-based business models as well as sometimes the complementary strategic participation in young companies in the Internet sector in order to strengthen the network and to realize advantages for self-founded companies such as for example increasing economies of scale as well as know-how, takes deliberate and notably entrepreneurial risks. The Rocket Internet Group is primarily exposed to operational, investment and valuation risks. These risks are related to the success potential of the business models of the network of companies as well as to the intense competition in the area of online business by other incubators and founders. Moreover, the worldwide expansion particularly into a large number of emerging markets increases the exposure to political, economic, legal as well as other risks and uncertainties. In this context, there is also the risk of target markets and their development deviating from pre-entry expectations.

The overall risk situation is determined by assessing the following risk clusters as the result of a consolidated consideration:

- Investment risk,
- Financing risk,
- Legal and compliance risk,
- Finance and reporting risk,
- Operational risk.

Risk clusters, which from the current perspective could significantly affect the asset, financial and earnings position of the Rocket Internet Group are presented below. These are not necessarily the only risks to which the Group is exposed. Further risks, which could affect our operations are currently not foreseen, or we assess these to be non-substantial.

Below, risks are presented in the order of their priority for the Group and risk assessments are given on a net risk basis considering existing mitigation measures.

Investment Risk

Rocket Internet's business strategy is to identify, incubate and develop internet-based business models. Identification of new, promising business models and proper judgement of the business opportunities are therefore key risks for the Rocket Internet Group. Misjudging the current market environment, demands and competition can lead to missed chances to establish promising businesses or unsuccessful implementation of new business models. All new business concepts and products bear the risk that they are technically, procedurally or organizationally (e.g. availability of service providers) not feasible for implementation.

Rocket Internet's industry experts for certain regions or business models are constantly identifying new opportunities. A structured process for identifying and evaluating new business opportunities based on information on e.g. business models and markets is in place. To assess the risks connected to new business concepts Rocket Internet performs a standardized, tool-based market and competition analysis prior to taking any investment or launch decisions with individual evaluations on the market situation, proper launch date and technical feasibility. Those research tools are constantly extended. However, due to a high uncertainty the risk of wrong investment decisions is considered to be high.

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

Rocket Internet has industrialized the process of incubation with its platform approach. The launch process is standardized which connects the new network company (product) with all departments and provides best practice guidelines and support. Milestones are set and tracked by a dedicated management team which actively supports new network companies from day one. This combines unique launching knowledge with the flexibility to adapt to the individual needs of each network company. The scalability of standard processes and IT platforms hereby reduces implementation costs and time.

We provide guidance to network companies in their business development and seek to accelerate their operational development by giving access to Rocket Internet's technology platform and by exchange of knowledge.

After incubation or strategic investment, the business development of each company is monitored on a regular basis in short intervals by means of key performance indicators (KPIs) and financial data. The analysis is focused on operational performance of the network company thereby benchmarking relevant KPIs compared with other network companies and external competitors, customer needs, market developments and technical performance and innovation to reduce the risks of wrong management decisions.

In addition to the operational support, Rocket Internet provides its network companies with the financial resources to start up, develop and grow their operations. As capital is a key component in growing companies, we aim to maintain a strong financial position as well as easy access to funding. Rocket Internet typically funds the network companies through a mix of own and third-party capital based on a financial budgeting planning including detailed cash planning according to the respective stage of the network company. Regular cash reporting is implemented which ensures an early identification of cash requirements.

All measures taken in regards of investment management, including the launch process, reduce the risks to a moderate level. This does not mean that all launches or strategic investments will be successful.

Required value adjustments are recorded at an early stage to maintain a conservative business view of the asset position at all times.

Financing Risk

Due to the predominant equity financing via public markets, the Group is directly affected by developments and risks relevant to capital markets. The growth and expansion of Rocket Internet continuously requires additional capital. Problems in network company financing may have a negative impact on the ability to further develop network companies. Founding, investing and financing of a company depend on its own financing capability to a particularly high extent, which increases capital procurement risks.

The Group has to rely on the financing capability of its existing and future shareholders and their willingness to invest in the event of a further expansion of the network of companies. A critical success factor is to be able to provide promptly full and reliable information on the status and development of the Group companies. Communication of incorrect or incomplete information can result in reputational damage and might negatively impact the investor relations or even result in the loss of investors.

To properly manage the investor relations the corporate finance team implemented standard capital market communication and due diligence processes to collect all required information. Investment Controlling manages all relevant information regarding the network companies. Although management of due diligence processes on company level are within the responsibility of the local management the experienced Rocket Internet teams support the network companies in providing correct and complete information. In addition, Rocket Internet and the network companies are supported by specialized law firms.

The subsequent financing of new and existing network companies by several co-investors permits the distribution of risks across several parties. The Group also systematically ensures risk diversification by starting and financing businesses in different operational business fields and geographic areas. In addition, the Rocket Internet Group has access to a variety of investors as well as existing strategic partnerships. As a result the investor relation risk could be decreased to a moderate risk.

The Rocket Internet Group has currently a sufficient cash position to fulfil its capital requirements relating to the financing of new and existing companies and the operating business.

Legal and Compliance Risk

The great number of contractual relationships and agreements concluded by the Group on a regular basis give rise to various legal risks. This refers especially to legal risks in corporate law, intellectual property law as well as competition/antitrust law and tax risks in connection with corporate reorganizations and resulting from interaction with the network companies.

These risks are reduced to a moderate level through mandating renowned corporate and tax law firms. A system of contract templates is in place for standard agreements. In addition, specialized law firms often located outside Europe are also increasingly engaged at the level of the company network, with a view to minimizing the risks resulting from legal uncertainty and capital recoverability. However, because of outsourcing, dependencies on the corporate and tax law firms can occur, which can be reduced by the assignment of engagements to multiple professional firms.

Rocket Internet is involved in the strategic leadership and tactical implementation of the business plans of its subsidiaries, associates and joint ventures. It also performs a range of IT, marketing and other services, particularly commercial and technical consulting services for its subsidiaries and non-consolidated equity investments. However, the daily management of the network companies is in the responsibility of the local management. Nonetheless, restrictions on the control of network companies may exist, in particular if there is no shareholding majority and Rocket Internet is exposed to risks related to these network companies as a result of limited control. Rocket Internet is aware that reputational risks can arise for the Rocket Internet Group resulting from non-compliance of network companies with relevant legal or regulatory requirements.

To reduce the risk of non-compliance Rocket Internet prepared guidelines for implementing adequate management systems in various areas, such as compliance management, internal controls, risk management and further standardized processes to apply legal requirements, due diligence requirements and financial statement closing. Business and compliance activities are, where possible, closely monitored through board representation. In addition, key business decisions and corporate changes of the network companies are sometimes subject to investor approval. A standard monitoring and approval process for investor approvals is implemented. However, the risk of network company non-compliance is still considered to be high.

Other compliance-related risks that could possibly result from violation of internal or external laws and regulations, such as capital market or data protection regulations are managed and monitored by Rocket Internet's Compliance department. Rocket Internet established a Group-wide code of conduct which provides guidance on various professional situations, a compliance hotline which should support the detection of relevant infringements as well as training on special topics such as competition issues or the proper handling of insider information. Compliance risks are identified on an ongoing basis and adequate measures implemented as relevant. In consideration of the mentioned awareness-raising measures we classify this risk as moderate.

Finance and Reporting Risk

Finance and Reporting risks mainly comprise:

- the Rocket Internet accounting process,
- the consolidation process, incl. accounting and reporting of network companies,
- the valuation of participations, as well as
- treasury management.

Rocket Internet has implemented an internal risk management system for financial reporting to manage and reduce the finance and reporting risks to a moderate level. Due to limited control over processes at network company level, risks depending on information from network companies, i.e. reporting from network companies and input for valuation of investments, are assessed as high. For details refer to section 6 "Internal Control and Risk Management System for Financial Reporting".

In regard to treasury Rocket Internet is mainly exposed to liquidity and market risks. Rocket Internet has currently a sufficient cash position to finance investment activities. As a result the liquidity risk is considered to be moderate. Currency and interest rate risk resulting from the international business activities are not material and therefore assessed to be low. The risks arising from the use of financial instruments are discussed in detail in note 31 and note 32 of the notes to the consolidated financial statements and in section 5 "Risk Report Concerning the Use of Financial Instruments" in this management report.

Operational Risk

Technology

Rocket Internet has created core technology platforms for the network companies, which allow a "plug and play" setup, and which are used as the starting point in the process of establishing a new company. Rocket Internet provides technology development services for its network companies to adapt those platforms to their individual requirements, optimize the existing offerings or establish innovative products in the market. Delayed developments, developments not addressing future business models or technical innovation as well as changes not meeting business needs might have a negative impact on the economic success of Rocket Internet Group and its network companies.

Rocket Internet manages the program development risks by following a standardized tool supported program development and change management process with a constantly increased amount and sophistication of automated unit-, integration- and functional tests to bring them to a moderate level. Each new project has to pass a technology strategy review for the best possible technical strategy and IT planning is constantly monitored and adapted to the current needs.

Especially due to steadily growing cybercrime, Rocket Internet assesses the risks regarding the availability of the utilized IT systems as well as the confidentiality and integrity of data still as a major risk. The outage of IT systems can lead to disturbances of business operations, but it can also have a reputational impact.

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

Personnel

Berlin is increasingly becoming an established location for Internet and venture capital companies, which leads to increased competition for specialized management staff and functional experts. Rocket Internet has set up an inhouse recruiting team that is successful in discovering candidates for digital business activities. In addition operational departments are in direct contact with top candidates. As an international company which is attractive for many people willing to work in the Internet business and start up environment Rocket Internet can and does recruit many positions globally. Therefore, the recruiting risk is deemed to be moderate.

The individual skills, professional competence, and commitment of our employees contribute greatly to the success of the Rocket Internet Group. As a consequence, the loss of specialist staff and the associated loss of expertise is a moderate risk, the loss of key positions in the top management is a high risk, which we actively look to counter. Both personnel-related risks are addressed through various personnel retention measures, targeted development of employees and motivation through attractive salary and incentive schemes.

4.2.4 Management Board’s Overall Assessment of the Group’s Risk Position

In summary, it should be noted that the Group performs systematic and regular analyses of the business risks based on qualified early risk detection systems and minimizes the risks through deliberate measures such as risk prevention, limitation of risks, risk diversification and risk insurance.

The assessment of the overall level of risk is based on a consolidated view of all significant risk fields and individual risks, also taking account of their interdependencies. At present, there are no discernible risks that could threaten the continued existence of the Rocket Internet Group, or could significantly affect the Group's assets, financial and earnings position in the forecast period 2019.

4.3 Opportunities Report

As mentioned above the risk management system is maintained by the risk management department. A systematic identification and assessment of opportunities is currently included in the strategic planning process. Strategic planning and the management of opportunities is shared between the Management Board, operational managers and the venture development team.

Rocket Internet's business largely depends on the identification of business opportunities. Rocket Internet has independent experts to identify relevant ideas which can preferably be pursued by Rocket Internet itself by creating own companies. Management relies on the work of these experts that propose ideas and prepare investment memos and business plans on the basis of which the decisions are made.

Rocket Internet regularly reviews and weighs opportunities of existing businesses in order to decide if the business activities should be continued or ceased.

Depending on the size of the engagement or divestment, different levels of approval are necessary.

Participation in the growth of the Internet sector

The Internet sector is still one of the fastest growing sectors of the economy. This offers generally good opportunities for companies that can face the current trends as demographic change, urbanization, climate change, globalization, digitalization, artificial intelligence, disruptive technologies, autonomous machines and edge computing with promising business models and establish themselves at an early stage and in new geographic locations. At the same time, the rapid pace of developments in the Internet sector entails risks, too.

Identification of new business models

The Group is very well established in the industry. As a result, it has many opportunities to identify innovations and trends in the Internet market and to participate preferably through founding. Rocket Internet's core competencies include, in particular, the pursuit of new digital business models and trends and the early identification of new markets.

To this end, the Group can rely on a highly qualified workforce. The members of the experienced and dedicated management team have a trained eye for assessing ideas and opportunities in the market with regard to their feasibility and profitability.

Standardized network company founding and development process

The implementation of new business models is carried out using the unique platform approach that Rocket Internet developed. Rocket Internet has standardized the process of building companies. The goal is to start operations within 100 days from the decision of establishing the business model.

The parallel development of various business models enables to benefit from synergies through the exchange of information, knowledge and best-in-class solutions. The internationality of the Group and the staff structure offer the opportunity to access and understand the most diverse international markets quickly. Consequently, Rocket Internet Group can promote one of its key strategies: the initial tapping of new and undersupplied markets and markets that have not yet been explored by competitors, in particular in Africa, Asia, Middle East and Latin America, but also in Europe. Moreover, the Group can generate economies of scope and scale as a result of its targeted international rollouts and its presence on six continents including many complex emerging markets.

Emerging markets engagement

While our network companies have substantial operations in developed markets, they typically strive to expand their emerging market activities. We include these emerging markets because we believe their growth in terms of gross domestic product ("GDP"), population and Internet penetration, combined with the absence of a sophisticated offline retail infrastructure, presents a significant market opportunity to leapfrog the development of traditional brick-and-mortar retail industries, which involves the maintenance of stores and other sales facilities. At the same time, the existence of high barriers of entry in these markets may bar competitors and may allow defending a leading market position. Some of the network companies operate in markets in which logistics, delivery and payment infrastructure do not exist and had to be built from the ground up. Competitors would have to first make similar significant efforts before they could enter the respective market.

Rocket Internet's investor reach

The existing capitalization and access to investors as well as the existing strategic partnerships enable Rocket Internet to establish and finance new companies internationally and over longer periods.

Rocket Internet infrastructure, technology partners and deep knowledge sharing

As soon as a viable idea is identified, Rocket Internet has the necessary infrastructure and staff to enable a quick implementation of the idea. This includes very efficient Group-wide competence centers such as the marketing unit with its CRM (Customer Relationship Management), SEO (Search Engine Optimization) and SEA (Search Engine Advertising) teams. These competence centers support new as well as already existing network companies.

Strong and internationally leading technology partners such as Google, Facebook, Responsys, Sociomantic and Criteo enable Rocket Internet Group to utilize external technologies benefitting from superior terms relative to competitors, which are achieved through bundling service agreements across the Group.

Another success factor is the Group's own core technology developed for different business models like eCommerce, Marketplaces and Financial Technology, which enables Rocket Internet Group to reliably set up several companies in parallel and within a very short time frame. These software solutions can be adapted flexibly to the requirements of the respective company and are scalable. These operational activities are supported by the subletting of office space to network companies and other tenants.

5. Risk Report Concerning the Use of Financial Instruments

The major financial instruments of Rocket Internet Group are cash and cash equivalents (42% of total assets; previous year 38%) and short-term bank deposits (5% of total assets; previous year 3%), equity instruments (26% of total assets; previous year 36% including AFS equity investments) and other non-current financial assets (4% of total assets; previous year 2%). The Group also records trade receivables and trade liabilities as well as loan receivables and loan liabilities mainly from associated companies, joint ventures and other network companies, which arise in the ordinary course of business.

The major financial instruments in the annual financial statements prepared in accordance with German GAAP (HGB) of Rocket Internet SE are cash (31% of the total assets, previous year 25%), investments in subsidiaries (27% of total assets, previous year 52%), short-term securities (14% of total assets, previous year 0%) as well as participations (12% of total assets, previous year 11%).

For information about the functions and objectives of our financial management, please refer to note 31 “Financial Risk Management” in the notes to the consolidated financial statements. The information disclosed therein also applies for the annual financial statements of the parent Company.

6. Internal Control and Risk Management System for Financial Reporting

Rocket Internet Group has a financial reporting-related internal control and risk management system based on the internationally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The reporting-related internal control and risk management system shall ensure the compliance, completeness and reliability of its accounting and related financial reporting as well as compliance with relevant laws and standards.

The financial reporting related internal control and risk management system comprises all organizational regulations and measures aimed to identify, assess and manage all risks that might have a material impact on the (consolidated) financial statements.

However, even an effective, and therefore adequate and well-functioning internal control and risk management system cannot guarantee the prevention or detection of all irregularities or inaccurate disclosures.

We consider the following elements of the internal control and risk management system to be significant with respect to the (consolidated) financial reporting process:

- Identification of all significant financial reporting-related processes and risk areas including supporting IT systems and definition of corresponding key controls.
- Documentation and regular update of risk and controls in a risk-control-matrix for each business process and accounting system comprising control description, control type and frequency and control owner.
- Implementation of entity level, preventive and detective controls (manual and automated controls, 4-eye-principle and segregation of duties).
- Continuing analysis of new or changing accounting principles, laws and other regulations and assessment of their effect on the financial statements. Regular update of Group-wide accounting and reporting directives in the form of accounting guidelines, charts of accounts and reporting procedures.
- Quarterly communication of information to all consolidated Group companies on current developments related to accounting, reporting, and the process of preparing the financial statements as well as the reporting deadlines to be observed.
- Support of Group companies in implementation of adequate accounting processes and systems, e.g. by providing accounting services, guidelines and checklists for financial statement closing as well as key risks and standard controls within the business processes.
- Centralized preparation of the consolidated financial statements (including combined management report), employing manual and automated controls and quality checks.
- Assuring requisite expertise of employees involved in the financial accounting and reporting process by means of appropriate selection procedures and training as well as employing specialists for specific valuation and IFRS topics such as valuation of investments and share-based payments.

- Monthly internal reports in the form of the income statement, the statement of financial position and business evaluations of Rocket Internet and monthly analysis on all cost units, including reporting of significant developments and budget/actual variances.

The internal audit department independently audits effectiveness and efficiency of the accounting related internal control and risk management system. The audit procedures are based on a risk-oriented annual audit plan. In addition, the effectiveness of the financial reporting-related internal control system is subject to the risk-based financial statement audit of the external auditor.

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

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

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

Composition of share capital

Rocket Internet SE's share capital currently amounts to EUR 152,514,398. It is divided into 152,514,398 bearer shares with no-par value (Stückaktien), each such share represents a notional share of EUR 1.00 in the share capital. The share capital has been fully paid in. There are no other share classes. As of December 31, 2018, the Company held 1,747,104 treasury shares.

Restrictions relating to the voting rights or the transfer of shares

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

Shareholdings that exceed 10% of the voting rights

As notified in writing on September 23, 2016, Global Founders GmbH, Grünwald, held 37.1% of the voting rights in the Company in total. The total number of voting rights on this date was 61,210,467. The number of voting rights reported to the company for September 23, 2016, would be equivalent to 40.6% of the total number of voting rights as at December 31, 2018. Please note that the last disclosed number of voting rights might since have changed within the thresholds without the shareholders being obliged to inform the Company. The shareholdings of Global Founders GmbH are attributed to its controlling shareholder Rocata GmbH, Grünwald, and to Rocata GmbH's controlling shareholder Zerena GmbH, Grünwald. As a shareholder of Zerena GmbH, Oliver Samwer Familienstiftung indirectly holds the

Rocket Internet SE shares previously held by Oliver Samwer through Global Founders GmbH.

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

Holders of shares with special rights conveying powers of control

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

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

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

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

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

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

Authority of the Management Board to issue shares

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

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

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

The basic capital will be conditionally increased by up to EUR 72,000,000 by the issue of up to 72,000,000 new bearer no-par value shares with profit entitlement (Conditional Capital 2015/2017). The conditional capital increase serves the granting of shares on the exercise of conversion or option rights or the fulfilment of conversion or option obligations to the bearer or creditor of conversion bonds, option bonds, profit rights and/or profit bonds (or a combination of these instruments) (hereinafter together “Bonds”) issued on the basis of the authorizing resolution of the General Meeting of June 23, 2015 or the authorizing resolution of the General Meeting of June 2, 2017. The issue of new shares is based on the conversion or option price to be determined in accordance with the authorizing resolution of the General Meeting of June 23, 2015 or the authorizing resolution of the General Meeting of June 2, 2017. The conditional capital increase will only be implemented to the extent that the bearers or creditors of Bonds which are issued or guaranteed by the Company or company dependent on or directly or indirectly majority-owned by it on the basis of the above authorizing resolution of the General Meeting of June 23, 2015 or are issued or guaranteed on the basis of the authorizing resolution of the General Meeting of June 2, 2017, avail of their conversion or option right or satisfy the conversion or option obligations under such Bonds or to the extent the Company grants shares in the Company instead of paying the amount due and to the extent the conversion or option rights or conversion or option obligations are not serviced by the Company's own shares but by shares from Authorized Capital or other consideration. The new shares participate in the profit from the beginning of the financial year in which they are created and for all subsequent financial years. In deviation here from, the Management Board can, insofar as legally admissible, with the approval of the Supervisory Board, determine that the new shares participate in profit from the beginning of the financial year for which at the time of the exercise of the conversion or option rights, the fulfilment of the conversion or option obligations or the grant (of shares) instead of the amount of money due a resolution of the General Meeting as to the appropriation of the balance sheet profit has not yet been passed. The Management Board is authorized to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorized to amend Art. 4 (6) and Art. 4 (1) and (2) of the Articles of Association in accordance with the claims in each case on the Conditional Capital and after the expiry of all option and conversion periods.

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

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

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

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

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

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

8. Remuneration Report

8.1 Remuneration of the Management Board

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

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

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

Pursuant to the resolution passed at the Company's extraordinary general meeting held on August 22, 2014, information on the individual remuneration of each member of the Management Board is not disclosed in accordance with Secs. 285 No. 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 1,565 thousand in the financial year 2018 (previous year: EUR 1,750 thousand).

Additionally, Rocket Internet SE bears 50% of the costs of the Management Board members' private health insurance, but no more than the cost that would occur in the public health insurance system. Rocket Internet SE pays a monthly gross amount of the applicable employer's contribution to the statutory pension and unemployment insurance, taking into account the contribution ceiling (Beitragsbemessungsgrenze).

All members of the Management Board received reimbursements of their out-of-pocket expenses, including travel expenses. In the event of a temporary incapacity to work as a result of health reasons, all Management Board members' service agreements provide that the relevant base salary will continue to be paid for up to six weeks, but not beyond the expiry of the service agreement. In the case of a Management Board member's death, the member's surviving spouse, or registered partner, and eligible surviving children are entitled jointly to the relevant base salary for the remainder of the month of death and the following three months.

The members of the Management Board are covered by directors and officers ("D&O") insurance policies with coverage in line with best market practice and a deductible in line with the respective provisions of the AktG. The D&O insurance policies also cover the risk of criminal prosecution.

Share-based payments (long-term incentives)

- Share options in Rocket Internet SE

The members of the Management Board participated in the Stock Option Programs 2014 in financial year 2018 (as well as in the prior year). Under the Stock Option Programs 2014 ("SOP I" and "SOP II"), one share option grants the holder the right to subscribe for one share of the Company. Rocket Internet has the right, without any obligation, to pay the entitlements in cash instead of shares.

All 4,541,712 share options under the SOP I were granted to the Company's CEO after the listing of the Company's shares on the Open Market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse or the "Open Market") on October 2, 2014. These share options have an exercise price of EUR 42.63 per share option and will vest in monthly installments over a five-year vesting period and can be, subject to certain conditions, exercised after a waiting period of four years commencing on the date the share options were granted. The exercise price can change during the vesting period due capital measures.

The options granted under the SOP I can only be exercised if (amongst others):

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

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

Under the SOP II in accordance with the resolution of the General Meeting of September 8, 2014, amended by the resolution of the General Meeting of June 2, 2017, the Supervisory Board is authorized to grant up to 3,408,342 share options to each of the other two members of the Management Board (i.e. the CFO and the Group Managing Director).

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

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

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

(i) the shares of the Company are included in the Open Market until October 31, 2014; and

(ii) the Company successfully launches an average of at least four companies per year during the four-year waiting period.

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

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

Share options	2018		2017	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding as of January 1	**EUR 33.54**	**7,950,054**	**EUR 38.76**	**5,742,734**
Granted during the period	-	-	EUR 19.96	2,207,320
Forfeited during the period	EUR 21.12	1,272,483	-	-
Exercised during the period	-	-	-	-
Outstanding as of December 31	**EUR 38.28**	**6,677,571**	**EUR 33.54**	**7,950,054**
Exercisable as of December 31	EUR 44.44	4,042,124	-	-

Furthermore, members of the Management Board receive shares and share options respectively in single, founded network companies of Rocket Internet SE at their founding.

- Ordinary shares in subsidiaries

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

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

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

Movements in the number of shares in subsidiaries issued to members of the Management Board are as follows:

	2018	2017
Number of unvested shares as of January 1	**107**	**204**
Deconsolidation of subsidiaries	-79	-50
Granted during the period	-	-
Vested during the period	22	47
Forfeited during the period	-	-
Number of unvested shares as of December 31	**6**	**107**
Number of vested shares as of December 31	558	536

- Share options in subsidiaries

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

Movements in the number of share options in subsidiaries granted to members of the Management Board and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding options as of January 1	**EUR 1.00**	**36**	**EUR 1.00**	**61**
Deconsolidation of subsidiaries	EUR 1.00	-25	EUR 1.00	-25
Granted during the year	EUR 1.00	0	EUR 1.00	0
Exercised during the year	EUR 1.00	0	EUR 1.00	0
Forfeited during the year	EUR 1.00	0	EUR 1.00	0
Outstanding options as of December 31	**EUR 1.00**	**11**	**EUR 1.00**	**36**
Exercisable as of December 31	EUR 1.00	6	EUR 1.00	20

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

Other disclosures

During the period of employment most additional jobs of the members of the Management Board outside of the Group require the previous written consent of the Supervisory Board. Additionally, the employment contracts contain non-compete obligations, which prohibit that members of the Management Board work for an entity that is a direct or indirect competitor of the Company or one of its network companies or that is related to one of such competitor. However, each member of the Management Board is allowed to invest in a competitor as long as such an investment does not exceed a certain, individually agreed percentage of the voting rights of this entity.

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

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

There are no other service or employment contracts between Alexander Kudlich and his related parties and the Company or its subsidiaries. Oliver Samwer receives a regular salary of an indirect, wholly owned subsidiary of Rocket Internet, which is completely (100%) subtracted from its salary paid by Rocket Internet SE.

Total compensation

The members of the Management Board received in 2018 a total remuneration of EUR 1,615 thousand (prior year: EUR 20,315 thousand).

In EUR thousand	**2018**	**2018 (min)**	**2018 (max)**	**2017**
Fixed compensation	1,565	1,565	1,565	1,750
Fringe benefits	51	51	51	47
Non-cash compensation	-	-	-	909
One-year variable compensation	-	-	-	-
Total short-term compensation	**1,615**	**1,615**	**1,615**	**2,706**
Multi-year variable compensation (share-based payments)	-	-	-	17,609
Service cost	-	-	-	-
Granted compensation – Total	**1,615**	**1,615**	**1,615**	**20,315**

The following table shows the remuneration during the reporting period for fixed compensation, fringe benefits, non-cash compensation, one-year variable compensation and multi-year variable compensation according to the year of cash flow as well as the service cost. The expenses for share-based payments relate to the share-based payments granted during the current reporting period as well as to those granted in prior years and recognized as expenses during the reporting period 2018 respectively 2017.

In EUR thousand	**2018**	**2017**
Fixed compensation *)	1,565	1,750
Fringe benefits *)	51	47
Non-cash compensation (in 2018 income from reversal, in 2017 expense)	-3,322	2,777
One-year variable compensation	-	-
Total short-term compensation	**-1,706**	**4,574**
Multi-year variable compensation (share-based payments)	3,751	18,622
Service cost	-	-
Expenses in the reporting period – Total	**2,045**	**23,196**

*) Cash flow during the reporting period

8.2 Remuneration of the Supervisory Board

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

According to the Articles of Association effective at the end of the reporting period each member of the Supervisory board receives a fixed annual remuneration in the amount of EUR 50,000. The chairman of the Supervisory Board receives EUR 125,000 and the deputy chairman of the Supervisory Board EUR 75,000. Members of the Supervisory Board who hold their office in the Supervisory Board or who hold the office as chairman of the Supervisory Board or of the Audit Committee only during a part of the financial year receive a corresponding portion of the remuneration. The remuneration for the members of the Supervisory Board is due after the Annual Shareholders' Meeting that decides on the consolidated financial statements for the annual period for which the remuneration is paid.

In addition to the remuneration paid, the Company reimburses the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members as well as the value added tax on their remuneration and out-of-pocket expenses.

The members of the Supervisory Board are covered by a D&O insurance of the Company.

In the financial years 2018 and 2017, the remuneration was as follows:

In EUR thousand	2018	2017
Prof. Dr. Marcus Englert	103	65
Prof. Dr. Joachim Schindler	64	50
Norbert Lang	39	25
Pierre Louette	39	25
Prof. Dr. h.c. Roland Berger (till June 8, 2018)	11	25
Stefan Krause (till June 8, 2018)	11	25
Daniel Shinar (till June 8, 2018)	11	25
Christopher H. Young (June 2, 2017 till June 8, 2018)	11	15
Dr. Martin Enderle (till June 2, 2017)	0	10
Napoleon L. Nazareno (till June 2, 2017)	0	10
Total fixed annual remuneration	**289**	**275**
Out-of-pocket expenses	33	11
Expenses in the reporting period – Total	**322**	**286**

9. Corporate Governance Statement and Non-financial Consolidated Report

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

Berlin, March 29, 2019

Oliver Samwer | Alexander Kudlich

Translation from the German language

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 2018, and the income statement for the financial year from 1 January to 31 December 2018 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 2018.

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 of 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 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 2018. 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 are 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.

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 underlying the valuation method by comparing them against the actual results generated in the past and the current development of business figures. We reviewed the major assumptions concerning growth and business development used in corporate planning by discussing them in detail with Rocket Internet SE’s executive directors.

We tested the other main valuation assumptions used by the executive directors, such as discount rates or growth rates, using input from internal valuation experts on the basis of an analysis of market indicators. As even small changes in the discount rates can have a material effect on fair value, we verified the parameters used in determining discount rates by comparing these with the general market information available. We reviewed the sensitivity analyses prepared by the executive directors with regard to the risk of fair value impairment from changes in valuation assumptions. Moreover, we checked the mathematical accuracy of the valuation model.

Our audit procedures did not lead to any reservations relating to the calculation of fair values 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 Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. Other information primarily comprises the corporate governance statement pursuant to Sec. 289f HGB and the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG as well as the other components of the annual report that we expect to receive after we have issued our independent auditor's report, including:

- the Report of the Supervisory Board pursuant to Sec. 171 (2) AktG ["Aktiengesetz": German Stock Corporations Act].

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, our responsibility is 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the 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 financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, 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 8 June 2018. We were engaged by the Supervisory Board on 20 February 2019. 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: review of the interim consolidated financial statements, tax consulting 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 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

ROCKET INTERNET

Responsibility Statement

Pursuant to Secs. 264 (2) HGB

2018

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Responsibility Statement pursuant to Sec. 264 (2) HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, 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 Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Berlin, March 29, 2019

The Management Board

Oliver Samwer Alexander Kudlich

About this Document

This document is a part of the Financial Report pursuant to Sec. 51 of the Exchange Rules for the Frankfurt Stock Exchange. The Financial Report was prepared on March 29, 2019 (editorial deadline) and submitted for publication on April 4, 2019 (publication date).

Disclaimer and other Notes

This document contains forward-looking statements. These statements are based on the current views, expectations and assumptions of the management of Rocket Internet SE ("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

Rocket Internet SE
Charlottenstraße 4
10969 Berlin
Germany

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

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