ROCKET INTERNET

Consolidated Financial Statements and Management Report for the Parent Company and the Group 2019

Rocket Internet SE, Berlin

Non-binding convenience translation from German

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Consolidated Financial Statements 2019

(prepared in accordance with IFRS as endorsed in the EU)

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Consolidated Statement of Comprehensive Income

for the Period January 1 to December 31, 2019

Income Statement

In EUR million	Note	Jan 1 - Dec 31, 2019	Jan 1 - Dec 31, 2018
Revenue[1)]	6, 10	67.3	44.5
Other operating income		9.7	2.2
Result from deconsolidation of subsidiaries	8, 11	8.4	10.3
Cost of materials and cost of financial services	12	-14.4	-16.1
Employee benefit expenses	13	-41.3	-26.0
Other operating expenses	14	-51.9	-27.4
Share of profit/loss of associates and joint ventures	15	203.8	215.8
EBITDA		**181.6**	**203.3**
Depreciation and amortization	19	-6.0	-1.0
Impairment of non-current assets	4	-5.7	-0.7
EBIT		**169.9**	**201.6**
Financial result		**118.7**	**1.0**
Finance costs	16	-201.1	-206.5
Finance income	16	319.8	207.5
Profit before tax		**288.6**	**202.6**
Income taxes	17	-8.4	-6.6
Profit for the period		**280.3**	**196.0**
Thereof attributable to equity holders of the parent		285.4	201.4
Thereof attributable to non-controlling interests		-5.1	-5.3
Earnings per share (basic and diluted) (in EUR)	**18**	**1.90**	**1.28**

[1)] Thereof EUR 38.5 million interest income (previous year: EUR 17.8 million) in accordance with IAS 1.82(a)

Statement of Comprehensive Income

In EUR million	Jan 1 - Dec 31, 2019	Jan 1 - Dec 31, 2018
Profit for the period	**280.3**	**196.0**
Exchange differences on translation of foreign operations	1.7	3.3
Share of the changes in the net assets of associates/joint ventures that are recognized in OCI of the associates/joint ventures	13.3	-5.6
Deferred taxes on share of the changes in the net assets of associates/joint ventures that are recognized in OCI of the associates/joint ventures	-0.2	0.1
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**14.8**	**-2.2**
Other comprehensive income for the period, net of tax	**14.8**	**-2.2**
Total comprehensive income for the period, net of tax	**295.0**	**193.8**
Thereof attributable to equity holders of the parent	300.2	197.9
Thereof attributable to non-controlling interests	-5.1	-4.1

Consolidated Balance Sheet

as of December 31, 2019

Assets

In EUR million	Note	Dec 31, 2019	Dec 31, 2018
Non-current assets		**1,524.1**	**1,602.8**
Investment properties	19	19.3	0
Right-of-use assets - Investment properties	19, 24	39.8	0
Right-of-use assets - Own use	19, 24	6.0	0
Property, plant and equipment		3.6	2.7
Intangible assets		1.9	7.7
Investments in associates and joint ventures	9	365.6	820.1
Non-current financial assets	26, 27	1,086.8	770.6
Other non-current non-financial assets		1.3	1.6
Current assets		**2,627.5**	**2,509.4**
Inventories		0.1	0.1
Trade receivables	26, 27	4.6	3.7
Other current financial assets	26, 27	949.2	774.4
Other current non-financial assets		3.1	3.2
Income tax assets	17	5.4	8.1
Cash and cash equivalents	20, 26, 27	1,665.1	1,720.0
Total assets		**4,151.7**	**4,112.1**

Equity and Liabilities

In EUR million	Note	Dec 31, 2019	Dec 31, 2018
Equity		**3,978.2**	**3,999.7**
Subscribed capital	21	150.8	152.5
Treasury shares	21	-324.1	-81.9
Capital reserves	21	2,765.6	2,850.0
Retained earnings	21	1,371.8	1,076.8
Other components of equity	21	2.5	-12.3
Equity attributable to equity holders of the parent		3,966.4	3,985.1
Non-controlling interests		11.7	14.6
Non-current liabilities		**117.0**	**88.1**
Lease liabilities	24	52.1	0
Other non-current financial liabilities	26, 27	63.8	77.5
Other non-current non-financial liabilities	23	0.3	10.2
Deferred tax liabilities	17	0.8	0.3
Current liabilities		**56.5**	**24.4**
Lease liabilities	24	4.8	0
Trade payables	26, 27	17.1	8.0
Other current financial liabilities	26, 27	11.9	4.8
Other current non-financial liabilities	23	13.9	9.1
Income tax liabilities	17	8.8	2.4
Total equity and liabilities		**4,151.7**	**4,112.1**

Consolidated Statement of Changes in Equity

for the Period January 1 to December 31, 2019

			Treasury shares	
In EUR million	Note	Subscribed capital	Number	Amount
Equity as of January 1, 2018		**165.1**	**1,035,621**	**-21.1**
Profit for the period				
Other comprehensive income for the period, net of tax	21			
Total comprehensive income for the period, net of tax				
Repurchase of treasury shares	7		13,337,875	-317.3
Transaction costs of repurchase of treasury shares	7			
Redemption of treasury shares	7	-12.6	-12,626,392	256.5
Non-cash dividends to non-controlling interests	22			
Changes in scope of consolidation and other changes in non-controlling interests				
Equity-settled share-based payments (IFRS 2)	21, 25			
		-12.6	**711.483**	**-60.8**
Equity as of December 31, 2018		**152.5**	**1,747,104**	**-81.9**
First time application of IFRS 16	2			
Adjusted equity as of January 1, 2019		**152.5**	**1,747,104**	**-81.9**
Profit for the period				
Other comprehensive income for the period, net of tax	21			
Total comprehensive income for the period, net of tax				
Use of income tax benefits associated with transaction costs				
Repurchase of treasury shares	7		15,076,675	-324.1
Transaction costs of repurchase of treasury shares	7			
Redemption of treasury shares	7	-1.7	-1,747,104	81.9
Proceeds from non-controlling interests				
Changes in scope of consolidation and other changes in non-controlling interests				
Equity-settled share-based payments (IFRS 2)	21, 25			
		-1.7	**13,329,571**	**-242.2**
Equity as of December 31, 2019		**150.8**	**15,076,675**	**-324.1**

	Equity attributable to equity holders of the parent				Non-controlling interests	Total equity
	Capital reserves	Retained earnings	Other components of equity	Total		
	3,100.3	**865.9**	**-8.8**	**4,101.4**	**24.7**	**4,126.1**
		201.4		201.4	-5.3	196.0
			-3.5	-3.5	1.3	-2.2
		201.4	**-3.5**	**197.9**	**-4.1**	**193.8**
				-317.3		-317.3
	-0.2			-0.2		-0.2
	-243.9			0		0
				0	-2.0	-2.0
	-6.2	8.7		2.5	-3.8	-1.3
		0.8		0.8	-0.2	0.7
	-250.3	**210.9**	**-3.5**	**-116.3**	**-10.1**	**-126.4**
	2,850.0	**1,076.8**	**-12.3**	**3,985.1**	**14.6**	**3,999.7**
		-0.9		-0.9		-0.9
	2,850.0	**1,075.9**	**-12.3**	**3,984.2**	**14.6**	**3,998.8**
		285.4		285.4	-5.1	280.3
			14.8	14.8	0	14.8
		285.4	**14.8**	**300.2**	**-5.1**	**295.0**
	0.3			0.3		0.3
				-324.1		-324.1
	-0.1			-0.1		-0.1
	-80.2			0		0
	0.3			0.3	0.3	0.5
	-4.8	4.0		-0.8	2.0	1.2
		6.5		6.5		6.5
	-84.5	**295.9**	**14.8**	**-17.7**	**-2.9**	**-20.6**
	2,765.6	**1,371.8**	**2.5**	**3,966.4**	**11.7**	**3,978.2**

Consolidated Statement of Cash Flows

for the Period January 1 to December 31, 2019

In EUR million		Note	Jan 1 - Dec 31, 2019	Jan 1 - Dec 31, 2018
1.	**Cash flow from operating activities**			
	Profit before tax		288.6	202.6
	Adjustments to reconcile profit before tax to net cash flow:			
+	Depreciation of right-of-use assets, investment properties, property, plant and equipment and amortization of intangible assets		6.0	1.0
+	Impairment of non-current assets		5.7	0.7
+	Equity-settled share-based payment expense	13, 25	6.7	1.2
-/+	Gain/loss from deconsolidations	11	-8.4	-10.3
-/+	Currency translation gain/loss		-5.7	-19.6
-/+	Other non-cash income/expenses		-0.1	0.2
-/+	Fair value adjustments of equity instruments (fvtpl)	16	-97.9	-19.2
-	Other finance income	16	-14.7	-14.7
+	Other finance costs	16	2.3	53.1
-/+	Share of profit or loss of associated companies and joint ventures (equity method)	9, 15	-203.8	-215.8
-/+	Change in trade working capital		7.0	0.2
-/+	Change in other assets and liabilities		-3.4	-15.4
+/-	Adjustments for net change in operating financial assets		-246.1	-153.8
+	Dividends received		9.5	37.6
+	Interest received		37.1	19.6
-	Interest paid		-6.6	-9.1
-/+	Income tax payments		2.0	-1.6
=	**Cash flow from operating activities**		**-222.0**	**-143.4**

	In EUR million	Note	Jan 1 - Dec 31, 2019	Jan 1 - Dec 31, 2018
2.	**Cash flows from investing activities**			
-	Purchase of investment properties and property, plant and equipment		-21.3	-0.6
-	Cash paid for investments in intangible assets		-0.4	0
+	Proceeds from disposal of non-consolidated equity investments		949.1	1,411.9
-	Cash outflows for acquisitions of non-consolidated equity investments		-289.2	-111.8
-	Transaction costs related to disposal of non-consolidated equity investments		0	-4.4
+	Proceeds from sale of subsidiaries[1)]		0	0.7
+	Proceeds from capital withdrawals from non-consolidated companies		0.7	0
+/-	Cash inflows/outflows from changes in scope of consolidation		-0.5	-0.7
+	Cash received in connection with short-term financial management of cash investments		1,070.9	14.0
-	Cash paid in connection with short-term financial management of cash investments		-1,208.3	-610.4
+	Cash received in connection with the repayment of long-term financial assets		0	2.4
-	Cash paid in connection with the acquisition of financial assets and granting of long-term financial assets		0	-4.8
=	**Cash flows from investing activities**		**501.1**	**696.4**
3.	**Cash flows from financing activities**			
-	Purchase of treasury shares including transaction cost	7, 21	-324.2	-317.5
-	Repurchase of convertible bonds	7, 20	0	-325.1
+	Proceeds from non-controlling interests		0.5	0
+	Proceeds from non-controlling interests classified as financial liabilities	20	12.7	75.3
+	Repayment of non-controlling interests classified as financial liabilities	20	-36.9	0
-	Redemption of lease liabilities	20	-4.7	0
+	Proceeds from borrowings		12.0	1.2
-	Repayment of borrowings		-0.2	-1.0
=	**Cash flows from financing activities**		**-340.8**	**-567.2**
4.	**Cash and cash equivalents at the end of the period**			
	Net change in cash and cash equivalents (subtotal of 1 to 3)		-61.7	-14.1
	Net foreign exchange difference		6.7	17.7
	Change of loss allowance within cash and cash equivalents		0.2	-0.2
	Cash and cash equivalents at the beginning of the period		1,720.0	1,716.6
	Cash and cash equivalents at the end of the period	**20**	**1,665.1**	**1,720.0**

[1)] Cash disposed in conjunction with the sale of subsidiaries amounts to EUR 0.4 million (previous period EUR 0.8 million) and is presented in the line item Cash inflows/outflows from changes in scope of consolidation.

Notes to the Consolidated Financial Statements

General Notes

1. Corporate and Group Information

General Information

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

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

Subsidiaries, associated companies, joint ventures as well as the other companies in which the Group holds non-current equity interests in the long term herein are referred to 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.

Business Activities

Rocket Internet identifies and conceives Internet-based business models in order to establish Internet companies and develop them operationally with the goal of achieving market leadership. Besides, it strategically invests in complementary internet and technology companies globally to build out its network. A detailed description of the nature of the Group’s operations and its principal activities are disclosed in section 1 “Fundamentals of the Company and the Group” of the combined management report.

Information about the Consolidated Group

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

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

If Rocket Internet founds a company itself, Rocket Internet usually has control over this entity in the beginning, with some of the shares set aside for equity participations of the management of the respective network company. In subsequent financing rounds, the companies attract the equity financing necessary to expand their business from Rocket Internet and other external investors. The external equity financing is provided by strategic partners and other strategic and financial investors. These investments are either made directly into the company or indirectly into an intermediate holding company. Due to increasing external funding over time as companies grow in size and maturity, Rocket Internet's direct and indirect ownership interest in the companies

decreases. If Rocket Internet no longer controls a subsidiary through this dilution, the entity is accounted for as an associate or joint venture according to the equity method or as other investment at fair value.
As of December 31, 2019, Rocket Internet does not consolidate most of its significant network companies but accounts for them using the equity method or at fair value through profit or loss.

As of December 31, 2019, the consolidated Group comprised 77 (previous year 65) fully consolidated companies in addition to Rocket Internet SE. During the reporting period, the number of fully consolidated companies of the Group has developed as follows:

	Germany	Other countries	Total
As of January 1, 2018	**34**	**56**	**90**
Acquisition	1	0	1
Founding	0	2	2
First-time consolidation	2	11	13
Transition from joint ventures to subsidiaries	0	1	1
Transition from subsidiaries of joint ventures to subsidiaries	1	3	4
Transition to associated companies	-1	-2	-3
Transition to subsidiaries of associated companies	-3	-9	-12
Disposal	0	-1	-1
Deconsolidation of inactive subsidiaries and liquidations	-8	-21	-29
As of December 31, 2018	**26**	**40**	**66**
Founding	8	15	23
First-time consolidation	1	3	4
Transition to associated companies	-1	-1	-2
Merger	0	-5	-5
Deconsolidation of inactive subsidiaries and liquidations	-3	-5	-8
As of December 31, 2019	**31**	**47**	**78**

See note 8 for information on the Group’s principal subsidiaries.

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

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

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

In the financial years 2019 and 2018, there were no major transactions or other events that meet the definition of a business combination.

As of December 31, 2019, the Rocket Internet Group included 42 associated companies and joint ventures (thereof 7 in liquidation; previous year 42, thereof 7 in liquidation) which were accounted for using the at-equity method of accounting or accounted for at fair value through profit or loss (fvtpl). The number of associated companies and joint ventures has developed as follows:

	Germany	Other countries	Total
As of January 1, 2018	**19**	**26**	**45**
Transition of formerly consolidated entities	1	2	3
Transition to other investments	-1	0	-1
Transition from joint ventures to subsidiary	0	-1	-1
Disposal and other changes	0	-4	-4
As of December 31, 2018	**19**	**23**	**42**
Acquisition	2	0	2
Founding	1	1	2
Transition of formerly consolidated entities	1	1	2
Transition to other investments	-3	-2	-5
Disposal and other changes	-2	1	-1
As of December 31, 2019	**18**	**24**	**42**
thereof at equity	14	17	31
thereof at fvtpl	4	7	11

See notes 9, 15, 27 and 32 for information on the Group's investments in associates and joint ventures.

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

2. Basis of Preparation

Statement of Compliance

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in note 3. These policies have been consistently applied to all periods presented. In the financial year 2019, the Group also adopted new and amended IFRSs and IFRS interpretations which have already been endorsed by the EU and which are effective for financial years beginning on January 1, 2019:

- IFRS 16 Leases
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2015-2017 Cycle

IFRS 16 Leases

IFRS 16 establishes new rules for lease accounting. The standard obliges lessees to recognize essentially all leases on the balance sheet. There are no accounting differences between leases and purchases financed by loans. The new standard leads to an increase of non-current assets in the consolidated balance sheet (recognition of right-of-use assets) and an increase in financial liabilities (recognition of the payment obligations as lease liability). According to IFRS 16 basically every leasing or rental arrangement within the scope of IFRS 16 shall be shown on the balance sheet. The standard provides practical expedients for short-term leases with a maturity of up to 12 months and leases of low value assets. In the income statement, interest expenses are recognized on the outstanding lease liabilities and depreciation is recognized for the right-of-use assets. While the depreciation expense is typically evenly spread over time, the interest expense is reduced over the term of the lease. This effect results in a decrease of expenses as the lease progresses compared to the linear distribution of expenses for operating leases in accordance with IAS 17 (frontloading effect).

Rocket Internet is predominantly a lessee of real estate.

Rocket Internet applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective approach without adjusting the prior year period. The lease liability was measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application. The right-of-use assets were measured as if the standard had been applied since the commencement date but discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied at the date of initial application was 2.21%. Rocket Internet recognized as of January 1, 2019 right-of-use assets in the amount of EUR 49.3 million and lease liabilities in the amount of EUR 61.0 million and derecognized lease incentive liabilities in the amount of EUR 10.7 million, since the corresponding incentives were taken into account in the retrospective determination of the right-of-use assets. The cumulative effect of initial application of negative EUR 0.9 million was recognized directly in equity on January 1, 2019. Leases with a contractual maturity of up to 12 months and leases of low value assets were not recognized. The difference between the rental and lease commitments disclosed applying IAS 17 in the reporting period 2018 (EUR 79.1 million) and the lease liabilities recognized according to IFRS 16 as of January 1, 2019 (EUR 61.0 million) is mainly due to ancillary rental costs (EUR 15.4 million), discounting effects (EUR 8.3 million) and renewal options considered under IFRS 16 (negative EUR 4.5 million).

Due to the depreciation of the right-of-use assets and the recognition of interest expenses instead of the recognition of leasing expenses, EBITDA improved by EUR 6.0 million in 2019. There is no significant effect on total profit or loss. In addition, lease payments relating to the principal portion of the lease are no longer recognized in the cash flow from operating activities, but in the cash flows from financing activities. Due to this reclassification the cash flow from operating activities increased by EUR 4.7 million in 2019. The cash flows from financing activities decreased by EUR 4.7 million respectively.

IFRIC 23 Uncertainty over Income Tax Treatments

Rocket Internet recognizes uncertain income tax positions based on IFRIC Interpretation 23. Uncertainties regarding income tax treatments are analyzed on an ongoing basis. If an uncertain tax position is assumed, an appropriate provision for risks is made. This is accounted for as current or deferred income tax. The risk provision also changes as a result of discussions in current tax audits or new developments in jurisdiction. The amount of the risk provision corresponds to the valuation of existing tax uncertainties at the most probable value or at the expected value, even if Rocket Internet disputes the legal opinion represented by the tax authorities and appeals. The tax assessments for the financial years starting in 2011 are not yet final. Any tax assessment that deviates from our previous expectations could lead to an increase in the tax liabilities of Rocket Internet SE and the companies in the Rocket Internet network and could result in additional interest payments and late payment penalties. Furthermore, there are no known uncertain income tax positions in the sense of a contingent liability.

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

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

General Information

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

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

Assets and liabilities are presented using the current and non-current classification. They are classified as current if they are due within one year or less. Current assets and liabilities also include trade receivables and trade liabilities that are sold, consumed or realized as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting period. Current assets and liabilities further include the current portion of non-current financial assets and liabilities.

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

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

The Company’s financial year is the calendar year.

The consolidated financial statements for the year ended December 31, 2019 were prepared and approved by the Management Board by means of a resolution. The Supervisory Board is authorized to amend the financial statements after the approval by the Management Board.

3. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its directly or indirectly controlled network companies (subsidiaries), including certain structured entities. Rocket Internet controls an investee if it has power over the investee, is exposed to, or has rights to, variable returns from the involvement with the investee and has the ability to use its power over the investee to affect the amount of its return.

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

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

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

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

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

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

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

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

Investment in associates and joint ventures

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

Joint ventures are entities over which Rocket Internet and one or more parties have joint control. Joint control requires unanimous consent of the parties sharing control in decision making on relevant activities.

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

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

Investment in associates and joint ventures – Equity method

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

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

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

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

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

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

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

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

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

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

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

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

This method is applied for investees where Rocket Internet is acting as an investor within the meaning of IAS 28.18. Deviating from the associated companies accounted for using the equity method the Group is less involved in the strategic leadership and tactical implementation of the business plans of such companies. Those associated companies are managed and measured based on fair values. Please refer to the accounting policies for financial assets at fair value through profit or loss.

Investment in structured entities

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

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

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

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

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

Foreign currency translation

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

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

The financial information of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each income statement are translated at average exchange rates; and
c) all resulting exchange differences are recognized in other comprehensive income.

Revenue

Revenue from IFRS 15

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

Revenue is recognized when the customer obtains control over the goods or services. Revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, taking into account contractually defined terms of payment and excluding taxes or duty.

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

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

Revenue from the sale of goods is recognized at the point of time when the customer obtains control of the goods, usually upon delivery of the goods. Revenue from the sale of goods is measured net of expected returns, allowances, trade discounts and volume rebates. In case the customer has the right to return goods, revenues are only recognized for goods for which no return is expected. The Group estimates the expected returns based on past experiences taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Revenue from IFRS 9

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

Revenue from IFRS 16 (prior year IAS 17)

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

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

Income from dividends

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

Interest income and expense

Depending on the business model:

- interest income is included in the line item "Revenue" (FinTech loans) or "Finance income" (other financial assets) in the statement of profit or loss;
- interest expense is included in the line item "Cost of materials and cost of financial services" (FinTech loans) or "Finance costs" (other financial assets) in the statement of profit or loss.

Interest income and interest expense are recorded using the effective interest method.

Sales tax (VAT and similar taxes)

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable, or
- When receivables and payables are stated with the amount of sales tax included.

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

Income taxes

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

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

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

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

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

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

Investment Properties

Investment property is property (land or buildings) that is primarily held to earn rentals or for capital appreciation. Rocket Internet owns mixed-use real estate (residential and commercial) that is rented. It is shown as “Investment Properties” in the balance sheet. Furthermore, Rocket Internet’s right-of-use assets from real estate leases are partially owner-occupied and partially rented. The rented right-of-use assets are shown as “Right-of-use assets - Investment properties” in the balance sheet.

Rocket Internet applies the cost model, i.e. investment properties are measured at acquisition or production cost less any accumulated depreciation and impairment losses. “Right-of-use assets - Investment Properties” are additionally adjusted for any remeasurement of the lease liability due to a reassessment or lease modifications.

Investment properties are amortized using the straight-line method over their useful lives:

	Useful lives in years
Investment Properties (Buildings)	50 years
Right-of-use assets - Investment Properties	13 - 15 years

The disclosed fair value of the investment properties is not determined by an independent valuer. The fair value is calculated using the discounted cash flow method.

Leases – Rocket Internet as lessor

Accounting according to IFRS 16 (starting January 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If Rocket Internet is the lessee under a lease, a right-of-use assets and a lease liability are recognized at the beginning of the lease.

The Group recognizes a right-of-use asset at the commencement date of the lease, i.e., the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 2 to 15 years.

At the commencement date of the lease, the Group recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The Group determines the term of the lease based on the non-cancellable basic term of the lease and taking into account the periods resulting from renewal options if it is sufficiently certain that it will exercise this option. After the commencement date, the lease liabilities are measured at amortized cost using the effective interest method.

Leases with a maturity of up to 12 months and leases of low value assets are not recognized in the balance sheet, but the lease payments are expensed on a straight-line basis over the term of the lease.

Rocket Internet is predominantly a lessee of real estate, which is sublet for the most part. The part of real estate used by Rocket Internet itself is shown in the balance sheet as “Right-of-use assets - Own use” and the sublet part of the real estate as “Right-of-use assets - Investment property”.

Accounting according to IAS 17 (till December 31, 2018)

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the Group has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Property, plant and equipment

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

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

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

Goodwill

Goodwill arising in the course of a business combination when applying the purchase method is initially measured at acquisition cost. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill.

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

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

Other intangible assets

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

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

	Useful lives in years
Trademarks	11 years
Customer base	13 years
Acquired other intangible assets	3 - 15 years

Impairment of investment properties, right-of-use assets, property, plant and equipment and intangible assets

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

Cash and cash equivalents

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement of financial assets

A financial asset is recognized when the Group becomes a party to the contractual provisions of the instrument. The Group initially recognizes financial assets on the date on which they are originated. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Financial assets held by the Group are classified, at initial recognition, as financial assets at fair value through profit or loss or financial assets at amortized cost. The Group did not have any financial assets at fair value through other comprehensive income during the years 2019 and 2018.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are measured at fair value at the balance sheet date. The net changes in fair value are presented in the financial result (equity instruments, derivative financial assets and employee loans) or in other operating income/expenses (FinTech loans that do not meet the classification criteria for financial assets at amortized cost).

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

The Group does not have further held for trading financial assets.

Please refer to note 27 for information on the Group’s equity investments at fair value through profit or loss.

Financial assets at amortized cost

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

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

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

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

Impairment of financial assets

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

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

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

Stage 1: Expected credit losses within the next twelve months

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

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

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

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

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

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

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

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

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

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

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

Please refer to note 26 for more information on the credit risk of the Group.

Derecognition of financial assets

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

Financial liabilities

Initial recognition and measurement of financial liabilities

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

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

Subsequent measurement of financial liabilities

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

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

The Group has not designated any financial liability as at fair value through profit or loss as of December 31, 2019 and 2018.

Financial liabilities at amortized cost

This is the category of financial liabilities most relevant to the Group. It includes lease liabilities, trade payables, loans and liabilities to financial institutions including bank overdrafts, non-controlling interests classified as financial liabilities and other financial liabilities.

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

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

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

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

Convertible bonds

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

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

Derecognition of financial liabilities

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

Equity-settled share-based payments

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

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

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

The fair value determined at the grant date is expensed on a straight-line basis over the respective vesting period, based on the Group's estimate of the number of shares that will eventually vest, with a corresponding credit to equity. The vesting period usually starts with the grant date of the award. However, the recognition of expense may start at an earlier service commencement date when awards need to be formally approved after the employee has started providing services.

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

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

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

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

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

Cash-settled share-based compensation

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

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

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

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market fluctuations or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

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

Significant Accounting Judgement

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

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

Based on the regulations in the shareholders' agreements the Group assesses whether it has control, joint control or significant influence over a network company.

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

Classification of shares in Westwing Group AG acquired in the fourth quarter of 2019 as associate at fair value through profit or loss

In the past, the Group classified its investment in Westwing as an associate accounted for using the equity method. As of December 31, 2018, Rocket Internet's share amounted to approximately 21.5%. In the first half of 2019, the Westwing shares were completely sold.

In the fourth quarter of 2019, the Group decided to reacquire Westwing shares in several transactions. As of December 31, 2019, Rocket Internet holds approximately 26,4% of Westwing with the result that it regained significant influence. Unlike in the past, the Group now intends to become less involved in strategic management and tactical implementation of Westwing's business plans. The investment is managed and valued on the basis of its fair value. Rocket Internet now acts as an investor in the meaning of IAS 28.18 and accounts for its Westwing shares as associate at fair value through profit and loss. Note 27 contains further information on Westwing.

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

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

The Group has significant influence over the Funds in accordance with IAS 28 through its fund manager role. Therefore, the shares in RICP and RICP II are accounted for as associate using the equity method. Note 9 contains further information on RICP and RICP II.

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

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

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

Notes 8 and 27 contain further information on GGC.

Share-based compensation

The Group has analyzed all the terms and conditions of its share-based payment awards to determine the appropriate classification of the awards recognized under IFRS 2 Share-based Payment. Some of the awards in consolidated subsidiaries include put rights of employees and others providing similar services that may only be exercised at a specified date at a price less than the market value of the interests held by employees. Other terms and conditions of these awards allow a subsidiary to settle the awards in equity or to avoid any cash payment. Based on this analysis, the Group assessed it has two settlement scenarios. One scenario would be considered cash-settled in its entirety, whereas the other scenario would be considered equity-settled in its entirety. Given the exit strategies of the Group that would allow settlement in equity, the Group concluded that it has no present obligation to settle in cash and therefore recognized those share-based payment awards as equity-settled plans. This management judgment is reassessed at each reporting date. For more information reference is made to note 25.

Impairment of non-current assets

The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. During 2019, the market capitalization of the Group developed as follows:

Trading Date	Closing Price[1] EUR per share	Market Capitalization[2] In EUR million
December 28, 2018	20.18	3,042.5
January 31, 2019	22.02	3,319.9
February 28, 2019	20.68	3,117.9
March 29, 2019	22.60	3,407.3
April 30, 2019	23.50	3,543.0
May 31, 2019	23.92	3,606.4
June 28, 2019	25.36	3,823.5
July 31, 2019	25.52	3,847.6
August 30, 2019	25.34	3,820.4
September 30, 2019	23.70	3,573.2
October 31, 2019	23.82	3,591.3
November 29, 2019	22.82	3,440.5
December 30, 2019	22.10	2,998.8

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

As of December 31, 2019, the market capitalization of the Group was below the carrying amount of its equity. The Group tested its non-current assets for impairment and recognized impairment losses of EUR 5.7 million (previous year EUR 0.7 million), thereof EUR 4.5 million (previous year EUR 0.7 million) on goodwill, EUR 1.1 million (previous year EUR 0.1 million) on acquired brands and customer base and EUR 0.2 million (previous year EUR 0 million) on right-of-use assets - own use. The recoverable amount was based on the fair value less costs of disposal. As of December 31, 2019, the Group does not have any material assets within the scope of IAS 36 with the exception of investment properties and right-of-use assets from leases.

Critical Accounting Estimates and Assumptions

Measuring the fair value of financial assets

When the fair values of financial assets recognized in the balance sheet (especially of unlisted equity instruments) cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets as far as possible, but where this is not feasible a degree of management judgement is required in establishing fair values. Judgements include considerations of the input used. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Please refer to note 27 for further disclosures.

Deemed disposals of subsidiaries – Fair value measurement of interest retained

A deemed disposal occurs where the proportionate interest of a parent company in a subsidiary is reduced other than by an actual disposal, for example, by the issuance of shares to a third party investor by the subsidiary. When the Group no longer has control, the remaining interest is measured at fair value as at the date the control was lost. When determining the fair value, the Group takes into account all the facts and circumstances surrounding the transactions such as timing, transaction size, transaction frequency and motivations of the investors. The Group considers whether such a transaction has been made at arm's length. For new share issues, the Group also considers whether, in the event of liquidation or sale, the newly issued shares have preferences to the investee's assets over earlier issued shares. Please refer to note 11.

Deferred income taxes

The Group considers many factors when assessing the likelihood of future realization of deferred tax assets, including recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available for tax reporting purposes, as well as other relevant factors. Due to inherent complexities arising from the nature of the Group's businesses, future changes in income tax laws or variances between the actual and anticipated operating results, the likelihood of future realization of deferred tax assets is based on the Group's judgments and estimates. Therefore, actual income taxes could materially vary from these judgments and estimates. For further information, please refer to note 17.

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

The Group measures the costs of granting share options of the Company to employees by using their fair value at the moment they were granted. Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model (Black-Scholes-option pricing model), which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including especially the expected volatility calculated using data of peer groups and furthermore the anticipated option term, dividend yield and risk-free interest rate. The assumptions and models used for estimating fair value are disclosed in note 25.

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

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

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

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

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

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

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

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

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 25.

5. New Accounting Pronouncements

The following new and revised standards and interpretations, which were not yet mandatory for the financial year or were not yet adopted by the European Union, were not applied earlier. The Group intends to adopt those standards when they become effective within the EU for the first time. The Group does not expect material impact on the consolidated financial statements.

Standard/Interpretation		Mandatory application for financial years starting on	Adopted by the European Union	Possible impact on Rocket Internet
IFRS 17	Insurance Contracts	Jan 1, 2021	no	none
Amendments to IFRS 3	Business Combinations	Jan 1, 2020	no	none
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	Jan 1, 2020	yes	none
Amendments to IAS 1 and IAS 8	Definition of Material	Jan 1, 2020	yes	none
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Jan 1, 2022	no	none
Diverse	Amendments to References to the Conceptual Framework in IFRS Standards	Jan 1, 2020	yes	none

6. Segment Information

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

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

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

Revenue by country

in EUR million	2019	2018
Germany	33.3	20.5
United Kingdom	14.0	12.1
Luxembourg	4.9	4.0
Australia	4.5	1.2
France	3.2	2.9
Finland	1.5	0.6
Other	5.9	3.2
Total	**67.3**	**44.5**

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

In the financial year 2019 revenue from one customer amounted to EUR 7.6 million.

Investment properties, right-of-use assets, intangible assets and property, plant and equipment by country are reported separately as follows:

In EUR million	2019	2018
Germany	68.3	3.0
France	1.5	7.3
Other	0.6	0.1
Total	**70.4**	**10.4**

7. Capital Management

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

The parent Company did not pay dividends in the financial years 2019 and 2018.

On September 29, 2017, Rocket Internet decided to use up to EUR 100 million to further buy back the convertible bonds issued on July 22, 2015, due in 2022. In May 2018, the Group repurchased convertible bonds in an aggregate nominal amount of EUR 9.3 million. In July 2018, the Group repurchased convertible bonds in an aggregate nominal amount of EUR 253.9 million. This acquisition was carried out in course of an invitation to all holders of convertible bonds to offer to sell their convertible bonds for cash (reverse auction process). In September 2018, the Group bought back the remaining outstanding convertible bonds with a total nominal amount of EUR 35.1 million (squeeze out). For this purpose, Rocket Internet exercised the option of early redemption pursuant to § 6 (2) of the Terms and Conditions of the bonds.

On April 16, 2018 Rocket Internet resolved to early terminate the share buy-back program 2017 announced on August 14, 2017. In the period from August 14, 2017 until the early termination of the program on April 16, 2018, a total of 1,041,167 shares (of which 5,546 shares in 2018) were bought back at a volume weighted average price of EUR 20.41.

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

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

On September 20, 2018, Rocket Internet announced a new share buy-back program 2017 with a consideration of up to EUR 150 million and up to 5,500,000 shares. This represented 3.6% of the shares outstanding. The program commenced on September 20, 2018 and ended on September 19, 2019. Until December 31, 2018, the Group repurchased 3,607,590 shares at a volume-weighted average price of EUR 23.23.

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

On October 9, 2019, Rocket Internet announced the redemption of 1,747,104 own shares. Thus, the share capital of the Company was reduced from EUR 152,514,398 by EUR 1,747,104 to EUR 150,767,294.

On December 9, 2019, Rocket Internet resolved to buy back up to 15,076,729 own shares (corresponding to a maximum of up to 10.0% of the Company's registered share capital) through a public share purchase offer against payment of an offer price in the amount of EUR 21.50 per share. It was intended to withdraw the repurchased shares and to reduce the share capital. A total of 15,076,675 shares were bought back on December 27, 2019.

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

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

The objectives, policies and processes for managing capital remained unchanged during the years 2019 and 2018.

8. Principal Subsidiaries

The following table contains the Group's material subsidiaries as of December 31, 2019:

Name of subsidiary	Registered office	Nature of business	Ownership[1)] Dec 31, 2019	Ownership[1)] Dec 31, 2018
Brillant 3087. SE & Co. Verwaltungs KG	Berlin	Interim holding	100%	100%
GFC Global Founders Capital GmbH	Berlin	Interim holding	100%	100%
Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1	Berlin	Interim holding	100%	100%
Global Growth Capital Lux S.A.	Luxembourg	Interim holding	100%	100%
Global Growth Capital S.à r.l.	Luxembourg	FinTech	100%	100%
International Rocket GmbH & Co. KG	Berlin	Interim holding	100%	100%
MKC Brillant Services GmbH	Berlin	Interim holding	65.0%	65.0%
RCKT GmbH & Co. KG	Berlin	Other services	58.0%	58.0%

[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 or RICP II etc.) and may therefore differ from the respective information (in some cases beneficial interest including RICP and RICP II) published on the Company's website which is based on the signing dates.

In addition, we refer to the structured entities controlled by the Group explained below.

The proportions of voting rights in the subsidiaries are the same as the ownership interests presented in the table above. Ownership percentages are calculated on the Group level, considering all non-controlling interests in the lower levels of the multilevel group hierarchy.

The Management has determined that the Group controls the following companies even though Rocket Internet holds less than 50% of the voting rights, because Rocket Internet is exposed, or has rights, to variable returns from its involvement with the companies and has the ability to affect those returns through its power over the companies.

2019	Voting rights
Azapi Desenvolvimento de Software – EIRELI	0%
Kurfürst 1614 GmbH	48.5%
Kurfürst 1633 GmbH	48.5%
Nutrio Holding LLC	0%
PT Grosenia Niaga Indonesia	0%
ZaxApp Holding LLC	0%
Zax Intermediação de Negócios	0%

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

2019	Voting rights	2018	Voting rights
AEH New Africa eCommerce II GmbH	71.2%	AEH New Africa eCommerce II GmbH	71.2%
Jade 1223. GmbH i.L.	73.8%	Jade 1223. GmbH i.L.	73.8%
Linus Debt Invest DACH I GmbH & Co. KG	80.8%	PTH Brillant Services GmbH i.L.	79.6%
PTH Brillant Services GmbH i.L.	78.9%		

In 2019, the Group became a limited partner in Linus Debt Invest DACH I GmbH & Co. KG and paid net capital contributions (after deduction of withdrawals received) of EUR 42.5 million. The Linus Debt Invest DACH I GmbH & Co. KG used these capital contributions to grant loans to third parties. The weighted average interest rate on these loans to third parties was 11.2% p.a.

Structured entities controlled by the Group

As of December 31, 2019, Rocket Internet controlled the following companies in connection with structured entities:

Global Growth Capital Fund

Function	Company name	Registered office	Status
GGC Fund	Global Growth Capital Fund I S.C.Sp.	Luxembourg	Fully consolidated structured entity
Founder Partner	Global Growth Capital Partners S.C.Sp.	Luxembourg	Not fully consolidated structured entity due to immateriality
General Partner	Global Growth Capital GP S.à r.l.	Luxembourg	Fully consolidated subsidiary
GGC Capital or Advisor	Global Growth Capital Advisors Limited	London	Fully consolidated subsidiary
EUR SPV	GGC EUR S.à r.l.	Luxembourg	Fully consolidated subsidiary

RICP und RICP II

Function	Company name	Registered office	Status
Founder Partner	Rocket Internet Capital Partner Founder SCS	Luxembourg	Fully consolidated subsidiary
General Partner	Rocket Internet Capital Partners Lux S.à r.l.	Luxembourg	Fully consolidated subsidiary
Founder Partner	Rocket Internet Capital Partner Founder II SCS	Luxembourg	Fully consolidated subsidiary
General Partner	Rocket Internet Capital Partners Lux II S.à r.l.	Luxembourg	Fully consolidated subsidiary
RI Capital or Advisor	RI Capital Advisors Ltd.	London	Fully consolidated subsidiary

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

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

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

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

In the years 2019 and 2018 the Group deconsolidated some dormant, non-significant subsidiaries as well as some liquidated subsidiaries. The amount of the results from the deconsolidation of such entities is explained in note 11. These deconsolidations had no material effect on the financial statements.

In the financial year 2019 the Group did not receive cash (previous year EUR 0.7 million) for the sale of subsidiaries. Net assets of negative EUR 0.5 million (previous year EUR 1.3 million), thereof cash and cash equivalents of EUR 0.4 million (previous year EUR 0.8 million) were derecognized.

Deconsolidation of subsidiaries due to deemed disposals during the period

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

2019

Name of the former subsidiary	Month of deconsolidation	Transition to
Rocket Internet Capital Partners II SCS	May 2019	Associate
Lindentor 196 V V GmbH (ExpertLead)	September 2019	Associate

2018

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

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

The gains and losses on deemed disposals, regular disposals and liquidation of subsidiaries resulting in a loss of control and accordingly a deconsolidation of subsidiaries are reported as a separate line item in the income statement. The portion of the gains due to measuring any investment retained in the former subsidiaries at its fair value at the date when control is lost is disclosed in note 11.

9. Investments in Associates and Joint Ventures

Investments accounted for using the equity method

In EUR million	Dec 31, 2019	Dec 31, 2018
Investments in associates (including non-consolidated structured entities)	352.5	735.5
Investments in joint ventures	13.0	84.7
Total investments in associates and joint ventures	**365.6**	**820.1**

The main changes in 2019 regarding investments accounted for using the equity method are shown below:

In EUR million	Associated companies	Joint ventures	Total
As of January 1, 2019	**735.5**	**84.7**	**820.1**
Addition	90.4	0.5	90.9
Transition of formerly consolidated entities	4.9	0	4.9
Group's share of the net income (including adjustments made by the Group under the equity method and gains from deemed disposals, excluding impairments and reversal of impairments)	-117.3	4.9	-112.4
Reversal of impairment			
recognized on Group level	18.3	6.0	24.3
Impairment loss			
recognized on Group level	-20.8	-5.2	-26.0
recognized by equity-method investee (pro rata)	-5.4	0	-5.4
Disposal gain	323.3	0	323.3
Share of the changes in the net assets that are recognized in other comprehensive income	13.3	0	13.3
Disposal and reclassification	-691.9	-77.8	-769.8
Currency translation and other changes	2.2	0	2.2
As of December 31, 2019	**352.5**	**13.0**	365.6

In 2019, the Group invested EUR 90.4 million (thereof paid in cash EUR 89.9 million, previous year EUR 45.9 million thereof paid in cash EUR 41.3 million) in associates and EUR 0.5 million (previous year EUR 15.0 million) cash in joint ventures accounted for using the equity method.

Investments in associates (without non-consolidated structured entities)

As of December 31, 2019, the Group, with exception to the RICP Fund, does not have any individually material associates.

The following table contains the Group's material associates accounted for using the equity method as of December 31, 2018:

Trade name	Name of associate	Registered office	Principal activity	Ownership
AEH New Africa II[1)] (Holding for parts of Jumia)	AEH New Africa eCommerce II GmbH	Berlin	eCommerce/ marketplace	71.2%
Global Fashion	Global Fashion Group S.A.	Luxembourg	eCommerce	20.2%
HelloFresh	HelloFresh SE	Berlin	eCommerce	30.6%
home24	home24 SE	Berlin	eCommerce	32.6%
Westwing[2)]	Westwing Group AG	Berlin	eCommerce	21.5%

[1)] No control due to specific regulations in the shareholders' agreement.
[2)] As of December 31, 2019, associate accounted for at fair value through profit or loss.

Formation of B2B Food Group in 2018

In the fourth quarter of 2018, the Group contributed its shares in the former associated company Order-In Pty. Ltd. and the former subsidiary Caterwings Holding S.à r.l. into Lindentor 226. V V GmbH (B2B Food Group). In return, the Group received new shares in B2B Food Group. The contribution of Order-In resulted in a gain of EUR 4.0 million, which relates to the valuation of the Order-In shares at fair value as of the contribution date.

Summarized financial information

Summarized financial information in respect of material associates is set out below. The summarized financial information below represents amounts shown in the associate's financial statements and adjusted by the Group for equity accounting purposes. All material associated companies prepare consolidated financial information in accordance with IFRS.

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

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

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

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

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

Aggregate financial information for individually immaterial associates

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

In EUR million	**Dec 31, 2019**	**Dec 31, 2018**
Aggregate carrying amount of individually immaterial associates	192.7	188.9
Aggregate amounts of Group's share of:		
profit/loss from continuing operations	-203.6	-48.8
other comprehensive income/loss	0	5.2
total comprehensive income/loss	-203.5	-43.6
Dividends received from individually immaterial associates during the year	1.9	0.1

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

In EUR million	**Dec 31, 2018**
HelloFresh SE	306.5
home24 SE	94.7
Westwing AG[1]	77.7
Spark Networks SE	23.2

[1] As of December 31, 2019, associate accounted for at fair value through profit or loss.

Description of the Group's involvement in the associated companies Rocket Internet Capital Partners and Rocket Internet Capital Partners II

The Group has established under the name Rocket Internet Capital Partners the two funds Rocket Internet Capital Partners (RICP) and Rocket Internet Capital Partners II (RICP II). The following companies are part of the fund structure:

Unconsolidated structured entities

Function	Fund	Company name	Ownership of the Group
RICPs or Funds	RICP	Rocket Internet Capital Partners SCS and Rocket Internet Capital Partners (Euro) SCS[1)]	15%[2)]
	RICP II	Rocket Internet Capital Partners II SCS and Rocket Internet Capital Partners (Euro) II SCS[1)]	10%[2)]

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

Fully consolidated subsidiaries

Function	Fund	Company name	Ownership of the Group
Founder Partner	RICP	Rocket Internet Capital Partners Founder SCS	75%
	RICP II	Rocket Internet Capital Partners Founder II SCS	99%
General Partner	RICP	Rocket Internet Capital Partners Lux S.à r.l.	100%
	RICP II	Rocket Internet Capital Partners Lux II S.à r.l.	100%
RI Capital or Advisor	RICP und RICP II	RI Capital Advisors Ltd.	100%

The unconsolidated structured entities are sponsored by the Group. The General Partners of the Funds act as fund manager. RI Capital acts as an advisor of the General Partners. The General Partners and the Advisor are subsidiaries of Rocket Internet SE. Rocket Internet SE has underwritten an amount equal to 15% and 10% respectively, of the subscribed capital of the Fund via its participation in the Founder Partners. The remaining commitments are provided by third parties (institutional investors as well as high net worth individuals).

The Funds invest jointly with Rocket Internet (co-investment ratio: 80% RICP/RICP II; 20% Rocket Internet). The Funds' duration is at least nine years.

The total commitment of the Founder Partner of RICP amounts to approx. EUR 132.8 million (consisting of USD 100.0 million and EUR 43.8 million) (previous year approx. EUR 123.6 million, consisting of USD 100.0 million and EUR 36.3 million) of which a total amount of approx. EUR 106.9 million (previous year approx. EUR 60.8 million) was drawn-down.

The total commitment of the Founder Partner of RICP II amounts to approx. EUR 98.7 million. Until December 31, 2019, there have not yet been any capital calls.

Interests in unconsolidated structured entities that are measured at-equity

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

Maximum credit risk of unconsolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interests in the unconsolidated structured entities. The maximum exposure for equity investments is reflected by their carrying amounts in the consolidated balance sheet. The structured entities are shown in the balance sheet item investments in associates and joint ventures. The Group is not absorbing any risk arising from the variability of returns from the structured entities via other interests such as debt investments, liquidity facilities, guarantees, derivatives, etc. As administrator of the Funds, the general partners bear various administrative expenses. Rocket Internet SE has pledged current financial assets amounting to EUR 327.9 million (previous year EUR 169.9 million) as collateral for short-term credit facility for RICP and RICP II. As of December 31, 2019, RICP and RICP II have drawn down EUR 127,5 million (previous year EUR 96.2 million) of that credit facility. Rocket Internet did not provide further non-contractual support during the financial years 2019 and 2018 to unconsolidated structured entities. The Group is not contractually obliged to provide financial support to these entities in any form.

Profit entitlements derived from involvement with unconsolidated structured entities

The Founder Partners are entitled to a carry for their services in relation to the Funds, provided the Funds reach certain performance targets.

Size of unconsolidated structured entities

The size of the Funds (USD-Fund and EUR-parallel Fund) is determined by the total combined commitments of their investors, which were equal to USD 1,000.0 as of December 31, 2019 (previous year USD 1,000.0 million) for RICP and EUR 986.7 million (previous year EUR 0 million) for RICP II. The Funds’ investments are measured at fair value through profit or loss.

Summarized financial information for the funds for the year ended December 31, 2019 (in millions):

Company	**RICP**	**RICP II**
Currency	EUR	EUR
Revenue	0	0
Profit or loss from continuing operations	115.0	-0.5
Post-tax profit or loss from discontinued operations	0	0
Other comprehensive income	7.0	0
Total comprehensive income	**122.0**	**-0.5**
Dividends received from the associate during the year	1.9	0
Withdrawals	0.7	0
Non-current assets	1,122.7	82.9
Current assets	1.4	13.4
Non-current liabilities	0	0
Current liabilities	35.6	97.2
Net assets	**1,088.4**	**-0.9**

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

For the year ended December 31, 2019 (in millions):

Company Currency	**RICP** EUR	**RICP II** EUR
Net assets of the associate	1,088.4	-0.9
Proportion of the Group's ownership interest in the associate	14.7%	10.0%
Carrying amount of the Group's interest in the associate	**159.8**	**0**

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

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

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

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

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

Investments in joint ventures

As of December 31, 2019, the Group does not have any material joint ventures.

On December 31, 2018 the Group owned 21.7% of the shares in the joint venture Jumia Technologies AG (referred to as Jumia Group).

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

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

Reconciliation of the above summarized financial information to the carrying amount of Jumia Group is set out below.

December 31, 2018 (in millions):

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

Aggregate financial information for individually immaterial joint ventures

Rocket Internet has interests in individually immaterial joint ventures that were accounted for using the equity method.

In EUR million	**Dec 31, 2019**	**Dec 31, 2018**
Aggregate carrying amount of individually immaterial joint ventures	13.0	19.3
Aggregate amounts of Group's share of:		
profit/loss from continuing operations	-0.6	45.6
other comprehensive income/loss	0	-0.1
total comprehensive income/loss[1)]	-0.6	45.5
Dividends received from immaterial joint ventures during the year	5.1	36.9

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

Notes to the Income Statement

10. Revenue

Revenue comprises the following:

In EUR million	**2019**		**2018**	
Revenue from contracts with customers (IFRS 15)	20.6	31%	21.1	47%
Other revenue	46.7	69%	23.4	53%
Total	**67.3**	**100%**	**44.5**	**100%**

Other revenue mainly comprises interest revenue (IFRS 9) in the amount of EUR 39,1 million (previous year period EUR 17.8 million), which is reported as revenue depending on the respective business model of the Group entities, and revenue from the lease of real estate (IFRS 16, previous year IAS 17) in the amount of EUR 7,6 million (previous year period EUR 5.0 million) (excluding service charges).

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

In EUR million	2019		2018	
Type of revenue				
Rendering of services	19,1	93%	19.7	94%
Sale of goods	1,5	7%	1.3	6%
Revenue IFRS 15	**20.6**	**100%**	**21.1**	**100%**
Geographical markets				
Germany	11.2	54%	12.1	58%
Rest of Europe	7.6	37%	6.8	32%
Rest of the World	1.9	9%	2.1	10%
Revenue IFRS 15	**20.6**	**100%**	**21.1**	**100%**
Timing of transfer of goods or services				
At a point in time	11.5	56%	10.9	52%
Over time	9.0	44%	10.1	48%
Revenue IFRS 15	**20.6**	**100%**	**21.1**	**100%**

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

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

11. Result from Deconsolidation of Subsidiaries

In EUR million	2019	2018
Gains from deconsolidation		
Deemed disposal (loss of control when a subsidiary issues shares to third parties)	8.4	9.9
Sale of subsidiaries	0	0.5
Losses from deconsolidation		
Other (liquidation and deconsolidation of dormant subsidiaries)	-0.1	-0.1
Result from deconsolidation of subsidiaries	**8.4**	**10.3**

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

In 2019, the result from deconsolidation of subsidiaries mainly originates from the deemed disposal of ExpertLead.

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

For further information we refer to note 8.

12. Cost of Materials and Cost of Financial Services

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

In EUR million	2019	2018
Purchased services	9.0	8.7
Purchased goods/merchandise	1.1	0.8
Interest expenses (FinTech business)	4.2	2.2
Impairment/reversal of impairment (FinTech business)	0	4.4
Cost of materials and cost of financial services	**14.4**	**16.1**

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

13. Employee Benefit Expenses

Employee benefit expenses comprise the following:

In EUR million	2019	2018
Salaries, bonuses and other short-term employee benefits	25.5	25.4
Social security	3.4	4.0
Equity-settled share-based payments	6.7	1.2
Cash-settled share-based payments (reversal (-), expense (+))	0.2	-1.5
Non-cash-benefits (reversal (-), expense (+)) and other	5.5	-3.1
Employee benefit expenses	**41.3**	**26.0**

Social security costs include contributions to the statutory pension insurance of EUR 1.6 million (previous year EUR 1.8 million).

Regarding the equity- and cash-settled share-based payments, please refer to note 25.

14. Other Operating Expenses

Other operating expenses comprise the following:

In EUR million	2019	2018
Legal and consultancy	24.3	7.7
Currency translation losses	8.3	0.8
Marketing expenses	4.4	4.2
External services	2.5	1.2
Bookkeeping, year-end closing, auditing expenses	2.0	1.8
Rent and occupancy costs	1.7	3.0
Office and infrastructure costs	1.5	1.7
IT costs	1.5	1.3
Other levies/insurance premiums	0.9	0.7
Travel expenses	0.8	0.7
Derecognition and impairment of receivables	0.7	0.6
Other taxes	0.6	1.0
Other	2.9	2.8
Other operating expenses	**51.9**	**27.4**

Legal and consultancy expenses mainly contain expenses incurred in connection with the setup of RICP II.

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

In the reporting period, the share of profit/loss of associates and joint ventures amounts to EUR 203.8 million (previous year EUR 215.8 million). It mainly results from HelloFresh, AEH New Africa II, Jumia and Traveloka (previous year HelloFresh, Traveloka, Westwing, RICP and Jumia).

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

In EUR million	**2019**	**2018**
Impairment losses (Group level)	-26.0	-13.2
Reversals of impairments (Group level)	24.3	25.7
Impairment losses (equity-method investee, pro-rata)	-5.4	0
Sum of impairment losses and reversals of impairments	**-7.1**	**12.4**

In 2019, total impairment losses amount to EUR 31.4 million (thereof EUR 26.0 million on Group level). Approximately 51% are attributable to valuations based on market prices, 38% to valuations based on the DCF-method and 11% to valuations based on recent transactions. Reversal of impairments in the amount of EUR 24.3 million are with approximately 60% attributable to valuations based on market prices, 24% to valuations based on the DCF-method and 16% to valuations based on recent transactions. The impairment losses of EUR 31.4 million are mainly attributable to home24 (EUR 16.1 million) and Middle East Internet Holding (EUR 4.8 million). Reversal of impairments in the amount of EUR 24.3 million mainly relate to Global Fashion Group (EUR 14.7 million) and Asia Internet Holding (EUR 6.0 million).

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

The valuation methods for the determination of the fair values of associates and joint ventures correspond to the methods used for equity instruments measured at fair value. The recoverable amount of the assets corresponds to the fair value less costs to sell, which are taken into account in the amount of 1%. The fair value measurement is allocated to level 1 of the fair value hierarchy for measurements based on stock market prices and to level 3 of the fair value hierarchy for all other measurements. For further information on valuation methods, please refer to note 27.

For further information on associated companies and joint ventures, please refer to note 9.

16. Financial Result

Financial result for the period comprises the following:

In EUR million	2019	2018
Interest and similar expenses (from financial liabilities that are not measured at fair value through profit or loss)	-1.4	-9.0
Loss on financial assets at fair value through profit or loss	-194.5	-148.8
Loss from the repurchase of convertible bonds	0	-39.2
Loss from derivative financial instruments	-0.8	-5.0
Currency translation losses	-4.3	-4.6
Total finance expense	**-201.1**	**-206.5**
Interest and similar income (from financial assets that are not measured at fair value through profit or loss)	13.8	9.5
Gain on financial assets at fair value through profit or loss	292.3	168.0
Dividends received from associates at fair value through profit or loss	0.3	0.2
Other dividends	0.4	0.2
Gain from derivative financial instruments	0.2	4.8
Currency translation gains	12.7	24.9
Total finance income	**319.8**	**207.5**
Net financial result	**118.7**	**1.0**
thereof net gains/losses from financial instruments that are classified as held for trading	-0.6	-0.2

For further information regarding the profit/loss from changes in fair value of financial assets at fair value through profit or loss refer to note 27.

17. Income Tax

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

In EUR million	2019	2018
Current tax expense (-)	-7.8	-7.3
thereof current period	-6.7	-6.9
thereof previous years	-1.1	-0.4
Deferred tax expense (-) / income (+)	-0.5	0.7
thereof current period	-0.5	0.7
thereof previous years	0	0
Income tax expense (-) for the year	**-8.4**	**-6.6**

Reconciliation between the tax expense and profit multiplied by applicable tax rate

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

In EUR million	2019	2018
Income before tax	**288.6**	**202.6**
Tax calculated at domestic tax rates applicable to profits in the respective countries	-84.1	-55.7
Results of associates/joint ventures and deconsolidation	64.1	65.0
Income not subject to tax	75.1	54.5
Expenses not deductible for tax purposes	-50.6	-65.3
Tax losses for which no deferred income tax assets were recognized	-13.8	-6.3
Utilization of tax losses from previous years	6.7	3.1
Share-based payments not deductible for tax purposes	-2.0	-0.3
Temporary differences for which no deferred income tax assets were recognized	-0.6	2.6
Permanent differences	-2.8	-0.9
Other tax effects	-0.4	-3.2
Income tax expense (-) for the year	**-8.4**	**-6.6**

The weighted average applicable tax rate was 29.13% (previous year 27.48%), which was derived from the tax rate in each tax jurisdiction weighted by the relevant pre-tax profit or loss.

Deferred Taxes

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

In EUR million	Dec 31, 2019	Dec 31, 2018
Intangible assets	-0.5	-0.9
Shares in associated companies and joint ventures	-1.5	-3.6
Financial assets	-2.1	0.3
Cash and cash equivalents in foreign currency	-0.6	0.6
Leases	3.4	0
Financial liabilities	-2.4	0.5
Accruals	1.4	0.5
Other	-0.1	0.4
Deferred tax on tax loss carryforwards	1.7	1.8
Net deferred tax liabilities (-)	**-0.8**	**-0.3**
Deferred tax liabilities reported in balance sheet	**-0.8**	**-0.3**

Deferred income tax assets are recognized for tax loss carryforwards and deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable or deferred tax liabilities are recognized. As of December 31, 2019, deferred tax assets for tax loss carryforwards of EUR 1.7 million (previous year EUR 1.8 million) and deferred tax assets for deductible temporary differences of EUR 19.7 million (previous year EUR 3.7 million) have been recognized. Deferred tax assets from deductible temporary differences amounting to EUR 0.3 million (previous year EUR 0.1 million) were not recognized.

Tax loss carryforwards in Germany

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

As of December 31, 2019, the parent Company has corporate income tax loss carryforwards originated and generally usable in Germany in the amount of EUR 90.3 million (previous year EUR 111.0 million) as well as trade income tax loss carryforwards in the amount of EUR 87.0 million (previous year EUR 112.2 million). As of December 31, 2019, unused income tax loss carryforwards of the parent Company for which no deferred tax assets have been recognized relate to corporate income tax loss carryforwards in the amount of EUR 85.8 million (previous year EUR 109.9 million) as well as to trade income tax loss carryforwards in the amount of EUR 82.1 million (previous year EUR 111.2 million).

With regard to Germany, as of December 31, 2019, the consolidated subsidiaries have corporate income tax loss carryforwards originated and generally usable in Germany in the amount of EUR 2.7 million (previous year EUR 5.2 million), as well as usable trade income tax loss carryforwards in the amount of EUR 20.5 million (previous year EUR 6.1 million). For those tax loss carryforwards no deferred tax assets have been recognized.

Tax loss carryforwards in other countries

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

In EUR million	2019	2018	Time of expiration
Luxembourg	279.3	239.4	17 years[1)]
France	5.3	4.6	unlimited
India	4.4	4.2	8 years
Mexico	3.5	3.0	10 years
Singapore	1.8	0	unlimited
United Kingdom	0	4.6	unlimited
Other countries	3.0	0.2	unlimited
Unrecognized unused tax losses	**297.3**	**256.1**	

[1)] Tax loss carryforwards accrued before December 31, 2016 can be carried forward indefinitely.

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

Outside basis differences

Deferred tax liabilities on temporary differences related to the measurement of shares in associated companies and joint ventures of EUR 1.5 million (previous year EUR 3.6 million) were offset against deferred tax assets arising from unused tax loss carryforwards of EUR 0.1 million (previous year EUR 0.1 million), and deferred tax assets from deductible temporary differences of EUR 1.3 million (previous year EUR 3.3 million).

The Group controls the reversal of temporary differences related to taxes chargeable on dividends from subsidiaries or on gains upon their disposal (outside basis differences). For temporary differences of EUR 21.6 million (previous year EUR 57.2 million) deferred tax liabilities are not recognized because the Management expects the temporary differences not to reverse in the foreseeable future.

18. Earnings per Share

Basic earnings per share

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

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

As of December 31, 2019, the subscribed capital amounted to EUR 150.8 million (previous year EUR 152.5 million) and was fully paid-in. The registered share capital was divided into 150,767,294 (previous year 152,514,398) no-par value bearer shares. As of December 31, 2019, the Company held 15,076,675 (previous year 1,747,104) own shares.

During the financial year 2019 15,076,675 (previous year 13,337,875) treasury shares were purchased and 1,747,104 (previous year 12,626,392) treasury shares were redeemed by the Company (see note 7 for more detail).

Basic earnings per share are calculated as follows:

	2019	2018
Profit attributable to equity holders of the parent (in EUR million)	285.4	201.4
Weighted average number of ordinary shares in issue (in million)	150.6	157.3
Earnings per share (basic) in EUR	**1.90**	**1.28**

Diluted earnings per share

Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding to reflect the effects of all potential dilutive ordinary shares, which comprise convertible and redeemable preference shares and share options granted to employees. The calculation of diluted earnings per share excludes potential ordinary shares that would have an antidilutive effect on earnings per share.

Diluted earnings per share are calculated as follows:

	2019	2018
Profit attributable to equity holders of the parent (in EUR million)	285.4	201.4
Weighted average number of ordinary shares in issue (in million)	150.6	157.3
Dilution due to share options (in million)	0	0.2
Weighted average number of ordinary shares in issue (diluted) (in million)	150.6	157.5
Earnings per share (diluted) in EUR	**1.90**	**1.28**

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

	2019	2018
Aktienoptionen des SOP I (in Millionen)	4.5	4.5
Aktienoptionen des SOP II (in Millionen)	3.4	0

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

On January 30, 2020, Rocket Internet announced the redemption of 13,504,335 own shares. Thus, the share capital of the Company was reduced from EUR 150,767,294 by EUR 13,504,335 to EUR 137,262,959.

Notes to the Balance Sheet

19. Investment Properties and Right-of-Use Assets

Investment properties and right-of-use assets developed as follows:

In EUR million	Investment properties	Right-of-use assets – Investment properties	Right-of-use assets – Own use	Total
Cost				
As of January 1, 2019	**0**	**0**	**0**	**0**
First-time application of IFRS 16	0	42.8	6.5	49.3
Addition	19.3	0.6	0.4	20.2
Disposal	0	0	-0.1	-0.1
Change in the basis of consolidation	0	0	-0.2	-0.2
As of December 31, 2019	**19.3**	**43.4**	**6.6**	**69.3**
Amortization and impairment				
As of January 1, 2019	**0**	**0**	**0**	**0**
Amortization charge for the year	0	-3.6	-0.6	-4.3
Impairment	0	0	-0.2	-0.2
Change in the basis of consolidation	0	0	0.2	0.2
As of December 31, 2019	**0**	**-3.6**	**-0.6**	**-4.3**
Net carrying amount				
As of January 1, 2019	0	0	0	0
As of December 31, 2019	19.3	39.8	6.0	65.0
Fair value				
As of January 1, 2019	0	0	n/a	n/a
As of December 31, 2019	20.0	45.2	n/a	n/a

As of December 31, 2019, the investment properties have been pledged to third parties as collateral for liabilities to financial institutions in the amount of EUR 11.6 million (previous year: EUR 0 million).

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

Cash and cash equivalents mainly comprise bank balances.

Additional information to the consolidated statement of cash flows

Cash and cash equivalents

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

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

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

In EUR million	Lease liabilities	Loan liabilities and liabilities to financial institutions	Non-controlling interests classified as financial liabilities
As of January 1, 2019	**0**	**1.4**	**75.3**
First-time application of IFRS 16	61.0	0	0
Non-cash addition	0.7	0	0
Payments received	0	12.0	12.7
Redemption / repayment of liabilities	-4.7	-0.2	-36.9
Change in the scope of consolidation	0	1.8	0
As of December 31, 2019	**57.0**	**15.0**	**51.0**

In EUR million	Liabilities from convertible bonds	Loan liabilities and liabilities to financial institutions	Non-controlling interests classified as financial liabilities
As of January 1, 2018	**283.4**	**1.4**	**0**
Payments received	0	1.2	75.3
Repurchase of convertible bonds/repayment of borrowings	-325.1	-1.0	0
Change in the scope of consolidation	0	-0.2	0
Compounding of long-term debt (effective interest method)	2.6	0	0
Loss on the repurchase of convertible bonds	39.2	0	0
As of December 31, 2018	**0**	**1.4**	**75.3**

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

Non-consolidated equity investments

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

Non-cash investing and financing activities and transactions

In the financial year 2019 non-cash investment activities and transactions in the amount of EUR 3.3 million were carried out. The Group contributed among others shares in Lemoncat GmbH to the associated company B2B Food Group as well as shares in ZipJet into Laundrapp Limited.

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

21. Subscribed Capital and Reserves

As of January 1, 2018, the share capital amounted to EUR 165.1 million and was fully paid in. The registered share capital was divided into 165,140,790 no-par value bearer shares. 1,035,621 treasury shares were held by the Company.

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

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

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

During the financial year 2019, Rocket Internet purchased 15,076,675 and redeemed 1,747,104 own shares. Thus, the share capital of the Company was reduced from EUR 152,514,398 by EUR 1,747,104 to EUR 150,767,294.

As of December 31, 2019, the share capital amounted to EUR 150.8 million and was fully paid in. The registered share capital was divided into 150,767,294 no-par value bearer shares. 15,076,675 treasury shares were held by the Company.

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

In 2018, capital reserves decreased from EUR 3,100.3 million by EUR 250.3 million to EUR 2,850.0 million as of December 31, 2018.

In 2019, capital reserves decreased by EUR 84.5 million to EUR 2,765.6 million as of December 31, 2019.

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

In EUR million	2019	2018
Equity-settled share-based payments recognized as employee benefit expenses of the year	6.7	1.2
Changes due to deconsolidation and allocation to non-controlling interests	-0.2	-0.5
Equity-settled share-based payments (IFRS 2) as presented in consolidated statement of changes in equity	**6.5**	**0.7**

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

	Other components of equity		
In EUR million	Foreign currency differences	Associates and joint ventures	Total
As of January 1, 2018	**-4.6**	**-6.8**	**-11.4**
Net other comprehensive income	3.3	-5.5	-2.2
As of December 31, 2018	**-1.3**	**-12.3**	**-13.6**
Net other comprehensive income	1.7	13.1	14.8
As of December 31, 2019	**0.4**	**0.7**	**1.1**

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

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

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

22. Distributions Made and Proposed

During the financial years 2019 and 2018, no dividends were declared or paid to the shareholders of the parent Company.

In 2019, the Group made no non-cash distributions (previous year EUR 2.0 million) to non-controlling shareholders. During the financial year 2019, fully consolidated subsidiaries paid no cash dividends to non-controlling shareholders as in the previous year.

23. Non-Financial Liabilities

Other non-financial liabilities comprise the following:

In EUR million	Dec 31, 2019	Dec 31, 2018
Operating lease incentives	0	9.8
Other non-financial liabilities	0.3	0.4
Other non-current non-financial liabilities	**0.3**	**10.2**
Liabilities from cash-settled share-based payments and similar liabilities	11.2	5.8
Other non-financial liabilities	2.7	3.3
Other current non-financial liabilities	**13.9**	**9.1**
Total non-financial liabilities	**14.2**	**19.3**

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

24. Leases

The Group is predominantly a lessee of real estate. The leases are included in the balance sheet and income statement of the Group as follows:

In EUR million	Dec 31, 2019
Right-of-use assets - Investment properties	39.8
Right-of-use assets - Own use	6.0
Lease liability > 5 years	32.3
Lease liability 1-5 years	19.8
Lease liability < 1 year	4.8
Income from subleasing	7.5
Expenses for low-value asset lease contracts	-1.2
Depreciation of right-of-use assets - Investment properties	-3.6
Depreciation of right-of-use assets - Own use	-0.6
Interest expenses from lease liabilities	-1.3
Total cash-outflow for leases	-7.1

The maturity analysis for lease liabilities is as follows:

	Cash flows < 1 year		Cash flows 1 - 5 years		Cash flows > 5 years	
In EUR million	Principal	Interest	Principal	Interest	Principal	Interest
December 31, 2019	-4.8	-1.2	-19.8	-3.7	-32.3	-2.3

For information on additions to rights-of-use assets please refer to note 19 and for information on future lease payments to note 29.

25. Share-Based Compensation

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

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

I. Share options in the Company (Stock Option Programs 2014)

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

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

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

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

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

Under the SOP II in accordance with the resolution of the General Meeting of September 8, 2014, amended by the resolution of the General Meeting of June 2, 2017, the Supervisory Board is authorized to grant up to 3,408,342 share options to each other member of the Managing Board (except the CEO), up to 1,201,023 share options to certain employees of the Company, up to 795,237 share options to members of the management of affiliated companies, and up to 600,511 share options to certain employees of affiliated companies. In 2019, no new options (previous year 445,000 options) were granted under SOP II.

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

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

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

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

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

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

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

	2019		2018	
Share options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Options outstanding as of January 1	**EUR 33.60**	**8,033,326**	**EUR 31.36**	**9,627,978**
Granted during the period	EUR 0	0	EUR 24.04	445,000
Forfeited during the period	EUR 20.04	70,000	EUR 21.12	2,039,652
Options outstanding as of December 31	**EUR 33.67**	**7,963,326**	**EUR 33.60**	**8,033,326**
Exercisable as of December 31	EUR 40,41	5,249,058	EUR 43.80	4,483,113

The weighted average remaining contractual life for the share options outstanding as of December 31, 2019, is 4.7 years (previous year 5.5 years).

The parameters applied in the Black Scholes option valuation formula and the related estimated fair values per share option as measured on the grant dates in 2019 and 2018 are as follows:

	2019 SOP II	2018 SOP II
Fair value (EUR per Option)	10.96	10.96
Share price (EUR per Share)	23.53	23.53
Exercise price (EUR per Share)	24.42	24.42
Expected volatility (%)	39.48	39.48
Dividend yield (%)	0.00	0.00
Risk-free interest rate (%)	0.33	0.33
Expected life of share options (years)	9.98	9.98

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

II. Ordinary shares in subsidiaries

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

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

Shares in subsidiaries of the Group have been issued to participants at the nominal value of the shares of EUR 1.00. If the applicable vesting conditions are not met (typically if a participant's employment is terminated), Rocket Internet SE or a subsidiary has a right to reacquire these shares at the nominal value or – if lower – at market value.

Movements in the number of shares are as follows:

	2019	2018
Number of unvested shares as of January 1	**3,785**	**774**
(De-)Consolidation of subsidiaries	-3,309	2,386
Granted during the period	0	875
Vested during the period	305	-130
Forfeited during the period	0	-120
Number of unvested shares as of December 31	**781**	**3,785**
Number of vested shares as of December 31	15,353	15,048

The share prices for subsidiaries were estimated using the share prices paid by investors in past financing rounds. Given that a subsidiary has multiple classes of equity, the hybrid method was employed in order to allocate equity to the various equity classes. The Finnerty Option Pricing Model was used to calculate a liquidity discount for the shares. Based on the estimated fair market value of the relevant shares, the total price paid by the participants for the shares (EUR 1.00 per share) included a purchase discount. The fair value of the share awards reported as a share-based payment expense is calculated as the difference between the estimated fair value and the price paid for the shares.

In the financial year 2019, no new shares (previous year 4,113) were issued. The weighted average grant date fair value of the shares issued in the previous year was EUR 1.00.

III. Share options in subsidiaries

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

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

	2019		2018	
Options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**	**Number of options**
Outstanding options as of January 1	**EUR 1.00**	**951**	**EUR 1.00**	**1,712**
Deconsolidation of subsidiaries	EUR 1.00	0	EUR 1.00	-987
Granted during the period	EUR 1.00	0	EUR 1.00	290
Forfeited during the period	EUR 1.00	0	EUR 1.00	-64
Outstanding options as of December 31	**EUR 1.00**	**951**	**EUR 1.00**	**951**
Exercisable as of December 31	EUR 1.00	663	EUR 1.00	595

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 1.00 per share.

As the options granted have an exercise price of EUR 1.00 per share, the fair values of the options are equal to their intrinsic values. Accordingly, the main parameters applied are as follows:

	2019	2018
Range of share prices (EUR per share)	1.00	1.00
Exercise price (EUR per share)	1.00	1.00

The weighted average grant date fair value of the options granted during 2018 amounts to EUR 1.00 per share. In some cases, the grant date fair values have been estimated because the option agreements have not yet been finalized.

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

IV. Cash-settled awards

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

The carrying amount of the liability from cash-settled awards as of December 31, 2019 was EUR 0.7 million (previous year EUR 1.4 million). The decrease is due mostly to the settlement of liabilities. All cash-settled awards had vested as of December 31, 2019 and 2018, respectively.

Total expense arising from share-based payment transactions

The expense recognized for employee services received during the year is shown in the following table:

In EUR million	2019	2018
Equity-settled share-based payments	6.7	1.2
Cash-settled share-based payments (income (-), expense (+))	0.2	-1.5
Total share-based payment expense (income (-), expense (+))	**6.9**	**-0.3**

26. Financial Risk Management

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

The major financial instruments of Rocket Internet Group are cash and cash equivalents (40% of total assets; previous year 42%) and short-term bank deposits (18% of total assets; previous year 5%), equity instruments at fair value through profit or loss (18% of total assets; previous year 26%) and other non-current financial assets (11% of total assets; previous year 4%). The Group also records trade receivables and trade liabilities as well as loan receivables and loan liabilities, which arise in the ordinary course of business.
The Group places available funds in current accounts seeking to ensure both liquidity and security of principal. The Group purchases highly liquid listed shares which are easily convertible into cash in addition to short-term bank balances as a part of the treasury strategy.

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

The primary objectives of the financial risk management function are to establish risk limits and ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

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

Credit Risk

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

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

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

In EUR million	Dec 31, 2019	Dec 31, 2018
Bank deposits and other deposits	746.6	191.4
Loan receivables and asset backed securities (secured)	500.4	222.3
Loan receivables and other financial assets measured at amortized cost	23.2	46.4
Trade receivables	4.6	3.7
Cash and cash equivalents	1,665.1	1,720.0
Financial assets for which the impairment requirements of IFRS 9 apply	**2,940.0**	**2,183.7**
Other financial assets measured at fair value through profit or loss	4.8	13.9
Maximum exposure to credit risk	**2,944.8**	**2,197.6**

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

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

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

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

All unsecured financial assets measured at amortized cost were rated BBB. For the calculation of the expected credit loss a one-year-global corporate default rate of 0.22% (previous year 0.25%) was used. The calculated expected credit loss has no material effect on the earnings, financial and asset position of the Group.

In 2018, the Group has written-off unsecured loan receivables that are credit impaired due to the difficult financial situation of the creditor. An impairment loss of EUR 4.4 million was recognized.

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

Liquidity Risk

Liquidity risk is the risk that Rocket Internet will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the Management of the Company. The Management Board monitors the Group's cash flows based on monthly rolling forecasts. The liquidity balance and compliance with cash budgets are controlled at regular intervals. In the process, the development of liquidity balances and important movement factors are communicated and discussed internally.

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

As of December 31, 2019, the Group's current assets in the amount of EUR 2,627.5 million (previous year EUR 2,509.4 million) exceeded current liabilities in the amount of EUR 56.5 million (previous year EUR 24.4 million) by an amount of EUR 2,571.0 million (previous year EUR 2,485.0 million). The Group invests the funds mainly in demand deposits and easily convertible into cash listed shares, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The purchase of listed shares is part of the treasury strategy.

The maturity analysis of financial liabilities is as follows:

Dec 31, 2019	Carrying amount	Cash flows < 1 year		Cash flows 1 - 5 years		Cash flows > 5 years	
In EUR million		Principal	Interest	Principal	Interest	Principal	Interest
Non-controlling interests classified as financial liability	52.3	0	-3.6	0	-12.2	-51.0	-1.3
Interest-bearing loans and borrowings	15.0	-3.5	-0.3	-0.5	-1.0	-11.0	-7.0
Other non-current financial liabilities	1.3	0	0	-1.3	0	0	0
Other current financial liabilities	7.0	-7.0	0	0	0	0	0
Trade payables	17.1	-11.6	0	-5.7	0	0	0

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

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

Market risks

Currency risk

The Group is exposed to currency risks due to its international business activities outside the euro zone. Changes in exchange rates can therefore have an impact on the consolidated financial statements. To the extent possible and feasible, hedging is not performed by way of financial engineering measures, but rather through the structuring of existing economic conditions (natural hedging). The Group occasionally enters into foreign currency derivative contracts to mitigate certain foreign currency exposures.

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

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

Rocket Internet has bank accounts in US Dollar (USD) with a credit of USD 425.7 million (previous year USD 528.5 million) and other net financial assets (mostly bank deposits and loan receivables) in the amount of USD 165.6 million (previous year USD 24.1 million).

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

In EUR million	**Dec 31, 2019**	**Dec 31, 2018**
Effect on the balance sheet and profit before tax		
Change in USD rate + 10%	52.6	48.3
Change in USD rate - 10%	-52.6	-48.3

In financial year 2019, a net foreign exchange gain of EUR 5.7 million (previous year EUR 19.6 million) was recognized.

In EUR million	**Dec 31, 2019**	**Dec 31, 2018**
Net Foreign Exchange Gain - Operational	5.5	0.1
Net Foreign Exchange Gain - Financial	12.7	24.7
Net Foreign Exchange Loss - Operational	-8.3	-0.5
Net Foreign Exchange Loss - Financial	-4.3	-4.7
Net Foreign Exchange Gain/Loss	**5.7**	**19.6**

Interest Rate Risk

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

The Group enters mainly into fixed-rate instrument contracts. The Group does not account for fixed-rate financial instruments at fair value through profit or loss except for employee loans in the amount of EUR 3.3 million (previous year EUR 4.1 million) that are designated at fair value through profit or loss. In the previous year a FinTech loan in the amount of EUR 9.2 million was also recognized at fair value through profit or loss. A reasonably possible change in the interest rates does not have a material effect on profit or loss from fair value changes of these instruments.

Share price risk

The Group is exposed to share price risks which are described in note 27.

27. Financial Instruments

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

			Carrying amount		Fair value	
In EUR million	Measured at	Level	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Non-current financial assets			**1,086.8**	**770.6**	**1,086.8**	**770.5**
Equity instruments – listed companies	FV	1	225.5	384.6	225.5	384.6
Equity instruments – unlisted companies	FV	3	413.0	224.4	413.0	224.4
thereof Europe			215.1	126.8	215.1	126.8
thereof United States			177.6	87.4	177.6	87.4
thereof Rest of world			20.2	10.3	20.2	10.3
Loan receivables from third parties	AC	3	423.9	123.0	423.9	123.0
Loan receivables from associated companies	AC	3	16.2	15.9	16.2	15.9
Asset backed securities issued by third parties	AC	3	0	5.7	0	5.7
Other non-current financial assets measured at fair value	FV	3	3.3	13.3	3.3	13.3
Other non-current financial assets	AC	3	5.0	3.6	5.0	3.6
Current financial assets			**949.2**	**774.4**	**949.2**	**774.4**
Equity instruments – listed companies[1)]	FV	1	122.5	462.5	122.5	462.5
Bank deposits[2)]	AC	n/a	741.2	185.1	741.2	185.1
Loan receivables from third parties	AC	n/a	77.9	91.7	77.9	91.7
Loan receivables from associated companies and joint ventures	AC	n/a	2.7	13.4	2.7	13.4
Asset backed securities issued by associated companies	AC	n/a	0	7.5	0	7.5
Receivables from the sale of investments	AC	n/a	0.8	9.2	0.8	9.2
Derivative financial assets	FV	2	1.6	0.7	1.6	0.7
Other current financial assets	AC	n/a	2.6	4.4	2.6	4.4
Trade receivables	**AC**	**n/a**	**4.6**	**3.7**	**4.6**	**3.7**
Cash and cash equivalents	**AC**	**n/a**	**1,665.1**	**1,720.0**	**1,665.1**	**1,720.0**

1) The current equity instruments measured at fair value through profit or loss contain easily convertible into cash listed shares of EUR 122.5 million (previous year EUR 462.5 million).

2) Thereof EUR 347.9 million (December 31, 2018 EUR 184.9 million) pledged as collateral for short-term credit facilities of structured entities.

In EUR million	Measured at	Level	Carrying amount Dec 31, 2019	Carrying amount Dec 31, 2018	Fair value Dec 31, 2019	Fair value Dec 31, 2018
Non-current lease liabilities	**AC**	**n/a**	**52.1**	**0**	**n/a**	**n/a**
Other non-current financial liabilities			**63.8**	**77.5**	**63.8**	**77.5**
Non-controlling interests classified as financial liabilities[1)]	AC	3	51.0	75.3	51.0	75.3
Loan liabilities	AC	3	0	1.7	0	1.7
Liabilities to financial institutions	AC	3	11.5	0	11.5	0
Other non-current financial liabilities	AC	3	1.3	0.6	1.3	0.6
Current lease liabilities	**AC**	**n/a**	**4.8**	**0**	**n/a**	**n/a**
Other current financial liabilities			**11.9**	**4.8**	**11.9**	**4.8**
Non-controlling interests classified as financial liabilities[1)]	AC	n/a	1.3	2.2	1.3	2.2
Loan liabilities	AC	n/a	3.4	1.4	3.4	1.4
Liabilities to financial institutions	AC	n/a	0.1	0	0.1	0
Liabilities from capital calls	AC	n/a	1.3	0	1.3	0
Derivative financial liabilities	FV	2	4.5	0	4.5	0
Other current financial liabilities	AC	n/a	1.2	1.2	1.2	1.2
Trade payables	**AC**	**n/a**	**17.1**	**8.0**	**17.1**	**8.0**
Thereof aggregated according to the measurement categories of IFRS 9						
Financial assets measured at fair value through profit or loss (fvtpl)[2)]			765.7	1,085.5	765.7	1,085.5
Financial assets measured at amortized cost (faac)			2,940.0	2,183.1	2,940.0	2,183.1
Financial liabilities measured at fair value through profit or loss (flfv)			4.5	0	4.5	0
Financial liabilities measured at amortized cost (flac)			145.2	90.4	88.3	90.4

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

[2)] Including associated companies that are measured at fvtpl according to IAS 28.18.

The following measurement methods were used:

AC – Amortized cost,
FV – Fair value.

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

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

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the date of the event or change in circumstances that caused the transfer.

In 2019 the shares of Fiverr International Limited were transferred from Level 3 to Level 1 due to the initial public offering of this company. The effect was insignificant for the Group.

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

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

2019

In EUR million	Equity instruments – unlisted companies	Other non-current financial assets measured at fair value	Total
Opening balance as of January 1, 2019	**224.4**	**13.3**	**237.7**
Addition	94.6	0.7	95.3
Reclassification[1]	2.5	0	2.5
Change in fair value recognized in profit or loss	105.1	2.8	107.9
Disposal	-13.7	-13.4	-27.1
Closing balance as of December 31, 2019	**413.0**	**3.3**	**416.2**
Unrealized change in fair value recognized in profit or loss	102.3	-0.8	101.5

[1] Reclassification of unlisted equity instruments during 2019 mainly relate to the reclassification of ZipJet Global S.à r.l. from associates into unlisted equity instruments.

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

	Equity instruments – unlisted companies			
In EUR million	Europe	USA	Rest of world	Total
Opening balance as of January 1, 2019	**126.8**	**87.4**	**10.3**	**224.4**
Addition	30.2	55.4	9.0	94.6
Reclassification	2.5	0	0	2.5
Change in fair value recognized in profit or loss	59.3	42.5	3.4	105.1
Disposal	-3.6	-7.7	-2.4	-13.7
Closing balance as of December 31, 2019	**215.1**	**177.6**	**20.2**	**413.0**
Unrealized change in fair value recognized in profit or loss	62.5	38.3	1.5	102.3

The change in fair value recognized in profit or loss of unlisted equity instruments of EUR 105.1 million in 2019 predominantly relates to higher valuations for transactions in the underlying shares, e.g. financing rounds or acquisitions. It primarily includes valuation gains of JRSK Inc. in the amount of EUR 27.4 million and SumUp Holdings S.à r.l. in the amount of EUR 24.6 million.

2018 In EUR million	Equity instruments – unlisted companies	Derivative financial assets	Other non-current financial assets measured at fair value	Total
Opening balance as of January 1, 2018	**182.7**	**3.4**	**4.3**	**190.5**
Addition	56.2	0	0	56.2
Reclassification[1]	-42.8	0	9.2	-33.6
Change in fair value recognized in profit or loss	83.2	1.2	1.2	85.6
Disposal	-54.9	-4.7	-1.5	-61.0
Closing balance as of December 31, 2018	**224.4**	**0**	**13.3**	**237.7**
Unrealized change in fair value recognized in profit or loss	76.5	0	1.2	77.8

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

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

	Equity instruments – unlisted companies			
In EUR million	Europe	USA	Rest of world	Total
Opening balance as of January 1, 2018	**156.0**	**21.5**	**5.3**	**182.7**
Addition	18.6	35.9	1.8	56.2
Reclassification	-42.8	0	0	-42.8
Change in fair value recognized in profit or loss	49.1	30.1	4.0	83.2
Disposal	-54.1	-0.1	-0.7	-54.9
Closing balance as of December 31, 2018	**126.8**	**87.4**	**10.3**	**224.4**
Unrealized change in fair value recognized in profit or loss	42.5	30.1	4.0	76.5

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

Fair value measurement

IFRS 13.9 defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

Fair value measurement of unlisted equity instruments

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

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

For companies where no or no significant recent arm's length transactions have been carried out, a valuation is conducted based on future cash flows which are discounted to receive their present value. Inputs used for discounted cash flow (DCF) valuations are business plans, cost of capital plus a risk premium and assumptions used to determine a sales proceed at the end of the detailed planning phase. Costs of capital are derived based on the capital asset pricing model, where capital market data for peer groups, risk-free rates and country specific risk premiums are used. In addition, a risk premium is added to the cost of capital. This risk premium reflects the uncertainty that results from the fact that the companies are still in the start-up or early development phase. The risk-free rate is calculated using the Svensson's method and amounts to 0.20% (previous year 1.00%). Country risk premiums between 0% and 11.28% (previous year 0% and 12.72%) and a small cap premium of 3.39% (previous year 3.67%) are also applied. Long term inflation rates between 1.0% and 15.0% (previous year 0.5% and 13.0%) as estimated by the International Monetary Fund (IMF) are also used in the calculation. For additional risk premiums, surcharges of between 14.5% and 40.2% (previous year 14.5% and 40.2%) are applied, depending on the age and planning risk of each company. To determine the sales proceeds at the end of the detailed planning phase, sales multiples in the range of 0.65x to 24.11x (previous year 0.8x to 13.4x) and/or EBITDA multiples in the range of 2.42x to 38.15x (previous year 5.7x to 29.5x) are applied. The multiples are derived from comparable transactions. Other parameters include an estimate of working capital assumptions, tax rates and assumptions for investment activity and depreciation.

Share price risk

Rocket Internet's operations include the management of shareholdings (equity instruments) measured at fair value comprising investments in a multitude of listed and unlisted companies. The share price and market value of those companies can fluctuate based on a number of different factors. Accordingly, Rocket Internet's asset, financial and earnings position is dependent on how well these companies develop. Rocket Internet's strategy is to be a long-term shareholder. Therefore, Rocket Internet does not actively manage short-term fluctuations in share prices.

On December 31, 2019, 8% (previous year 21%) of Rocket Internet's total assets were listed equity instruments and 10% (previous year 5%) were unlisted equity instruments measured at fair value through profit or loss. The fair value was determined based on market prices or the discounted cash flow method.

On December 31, 2019, 3% (previous year 4%) of the total assets were unlisted equity instruments based on transaction prices, as well as 7% (previous year 1%) of the total assets were unlisted equity instruments measured using the DCF method.

Sensitivity analysis of equity instruments

The share price risk associated with Rocket Internet's listed equity instruments may be illustrated by stating that a 10% change in the share prices of all listed shareholdings at December 31, 2019 would have affected the Group's earnings and shareholders' equity by EUR 34.8 million (previous year EUR 84.7 million).

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

Sensitivity analysis of unlisted equity instruments as of December 31, 2019

Europe In EUR million		Cost of capital +20%	0%	-20%
Probability of occurrence for exit scenarios	-20%	203.4	215.4	260.0
	0%	203.0	**215.1**	260.3
	+20%	203.3	215.5	261.0

United States In EUR million		Cost of capital +20%	0%	-20%
Probability of occurrence for exit scenarios	-20%	166.0	177.4	201.0
	0%	165.4	**177.6**	200.7
	+20%	165.4	177.0	200.9

Rest of world In EUR million		Cost of capital +20%	0%	-20%
Probability of occurrence for exit scenarios	-20%	17.1	20.5	27.3
	0%	16.9	**20.2**	26.9
	+20%	16.7	19.9	26.5

Sensitivity analysis of unlisted equity instruments as of December 31, 2018

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

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

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

Derivative financial instruments measured at fair value through profit or loss

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

Details of material associated companies measured at fair value

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

December 31, 2019

Company	TRUSTED SHOPS	Westwing
Measurement method	DCF	Listed price
Effect on result in EUR million	0.2	-5.6

December 31, 2018

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

There are no significant restrictions on the ability of the associated companies to transfer funds to Rocket Internet in the form of cash dividends or to repay loans or advances made by Rocket Internet. For information on dividends from associated companies, refer to note 16. The following table summarizes the financial information of material associated companies as included in the companies' own financial statements.

Summarized financial information (in millions) for the financial year 2019:

Company	**TRUSTED SHOPS**	**Westwing**
Reporting date	Dec 31, 2019	Dec 31, 2019
Scope of financial statements	Consolidated	Consolidated
GAAP	Local	IFRS
Currency	EUR	EUR
Revenue	37.6	267.0
Profit or loss	1.3	-39.0
Other comprehensive income	0	0
Total comprehensive income/loss	**1.3**	**-39.0**
Dividends received from the associate during the year	0.1	0
Non-current assets	0.8	52.0
Current assets	20.4	114.0
Non-current liabilities	0	27.0
Current liabilities	13.2	64.0
Net assets	**8.0**	**74.0**

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

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

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

During the year 2019 investments of EUR 25.0 million (previous year EUR 0 million) in associated companies accounted for at fair value through profit or loss (IAS 28.18) were made.

Convertible bonds

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

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

Other Notes

28. Balances and Transactions with Related Parties

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

Transactions with shareholders with significant influence

Shareholder with significant influence is

Trade name	Company name	Voting rights Dec 31, 2019	Voting rights Dec 31, 2018
Global Founders	Global Founders GmbH, Grünwald (Germany)[1]	45.1%	40.6%

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

With the participation quota as of December 31, 2019, Global Founders GmbH could gain de-facto control (attendance majority) over Rocket Internet SE at the next Annual General Meeting. 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.

Please refer to the disclosures in Section 7 of the combined management report (shareholdings that exceed 10% of voting rights). No transactions were conducted with Global Founders GmbH in the years 2019 and 2018.

In 2019, the Group recognized consulting revenues of EUR 0.1 million (previous year EUR 0.1 million) based on a cooperation agreement with Zerena GmbH, Grünwald. As of December 31, 2019, the respective receivable amounted to less than EUR 0.1 million (previous year EUR 0.1 million).

Transactions with associated companies, joint ventures and unconsolidated subsidiaries

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

The transactions in 2019 and 2018 and outstanding balances with associates under significant influence of the Group are as follows:

In EUR million	2019	2018
Sales to associates	3.9	6.0
Contribution of non-monetary assets to associates	0	11.6
Purchase of loans granted by associated companies[1)]	111.0	0
Sale of equity interests to associates	0	0.1
Purchases from associates	-0.2	0
Interest income from associates	0.3	0.3
Dividends received from associates	5.1	7.2

[1)] Thereof as of December 31, 2019, EUR 66.6 million already paid out to the borrowers.

In EUR million	Dec 31, 2019	Dec 31, 2018
Receivables from associates		
Non-current loan receivables	16.2	15.9
Trade receivables	1.1	0.4
Other current financial receivables	2.7	12.2
Asset backed securities issued by associated companies	0	7.5
Liabilities to associates		
Other current financial liabilities	1.1	0.9

The transactions in 2019 and 2018 and outstanding balances with joint ventures of the Group are as follows:

In EUR million	2019	2018
Sales to joint ventures	0.3	0.6
Interest income from joint ventures	0	0.1
Dividends received from joint ventures	5.1	36.9

In EUR million	Dec 31, 2019	Dec 31, 2018
Receivables from joint ventures		
Trade receivables	0.1	0.2
Other current financial receivables	0	1.1
Liabilities to joint ventures		
Trade payables	0	0.1

The transactions in 2019 and 2018 and outstanding balances with non-consolidated subsidiaries are as follows:

In EUR million	2019	2018
Sales to non-consolidated subsidiaries	0.2	0,2
Purchases from non-consolidated subsidiaries	-1.2	-0,9

In EUR million	Dec 31, 2019	Dec 31, 2018
Receivables from non-consolidated subsidiaries		
Trade receivables	0.2	0.2
Other current financial receivables	0.4	0.2
Liabilities to non-consolidated subsidiaries		
Trade payables	0	0.1

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

Key management compensation

Remuneration of the Management Board

The members of the Management Board are as follows:

Name	Position held
Oliver Samwer	Chief Executive Officer (CEO) (and CFO since October 2, 2018)
Alexander Kudlich	Group Managing Director (until March 15, 2020)
Peter Kimpel	Chief Financial Officer (CFO) until October 2, 2018

Please refer to note 31 for more information on the changes in the Management Board that occurred in March 2020.

As part of their remuneration, members of the Management Board were granted options of Rocket Internet SE and shares in subsidiaries at the nominal amount of EUR 1.00 under equity-settled share-based payment plans described in more detail in note 25.

The remuneration of the members of the Management Board is as follows :

In EUR million	2019	2018
Short-term benefits (cash and non-cash compensation)	7.9	-1.7
Share-based payments (expense in the reporting period)	4.0	3.8
Total	**11.9**	**2.0**

At the balance sheet date, liabilities from cash-settled share-based payments and similar liabilities to members of the Management Board amounted to EUR 7.4 million (previous year EUR 4.4 million).

In 2019 and 2018, insignificant volume of goods and services was sold to the members of the Management Board. The corresponding receivables were paid in full before the balance sheet date.

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

In the years 2019 and 2018, the members of the Management Board have received no share options under the Stock Option Program 2014/II (modified by resolution of the annual general meeting on June 2, 2017). The total remuneration granted to the members of the Management Board in return for the fulfilment of their duties in the parent Company and its subsidiaries was EUR 1.0 million (previous year EUR 1.6 million).

According to the resolution of an extraordinary shareholders' meeting of Rocket Internet SE held on August 22, 2014, the Group does not disclose the individual compensation for each member of the Management Board in accordance with Secs. 285 No. 9a Sentence 5, 315e (1) and 314 (1) No. 6a Sentence 5 to 8 of the German Commercial Code (Handelsgesetzbuch - HGB) in connection with Sec. 286 (5) and Sec. 314 (3) Sentence 1 German Commercial Code as well as Art. 61 of the SE-Regulation for the financial year 2018.

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

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

Remuneration of the Supervisory Board

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

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

Transactions with members of the key management personnel

2019

In April 2019 Nobert Lang, member of the Advisory Board, received 100,000 shares of Rocket Internet SE in line with the dissolution of NBL Vermögensverwaltung GmbH & Co. KG, whose limited partners were Norbert Lang and his wife.

On December 23, 2019, Oliver Samwer (CEO) sold shares of Rocket Internet SE in an off-market transaction with a volume of EUR 21.9 million for EUR 21.909 per share.

On December 30, 2019, Oliver Samwer acquired shares of Rocket Internet SE in an off-market transaction with a volume of EUR 52.8 million for EUR 21.50 per share.

2018

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

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

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

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

Transactions with close family members of the Management Board

In 2019, the Group, as lender, granted several companies collateralized loans with standard industry interest rates totaling EUR 70.0 million, of which EUR 61.0 million (including accrued interest) are outstanding as of December 31, 2019. The Group recognized interest income of EUR 0.8 million from these loans. The weighted average interest rate on these loans is 9.3% p.a. One family member and other shareholders hold indirect interests in the companies.

From the transactions reported in the previous year, loan receivables in the amount of EUR 6.5 million are still outstanding as of December 31, 2019 (previous year: EUR 8.5 million). In fiscal year 2019, the Group recognized interest income of EUR 0.7 million (previous year: EUR 0.1 million). The weighted average interest rate on these loans is 10.4% p.a.

In addition, we refer to the information on Linus Debt Invest DACH I GmbH & Co. KG in note 8.

29. Contingent Liabilities and other Contractual Obligations

Except for the pledging of current financial assets described in note 9, there are no contingencies for external liabilities as of the reporting date.

The Group has other contractual obligations for the following items:

In EUR million	Dec 31, 2019	Dec 31, 2018
Capital contribution obligations to associated companies	237.5	0
Loans granted to other parties	156.7	32.3
Capital contribution obligations to non-consolidated structured entities	124.6	62.8
Rental and lease agreements (including ancillary costs)	14.1	79.1
Loans granted to non-consolidated subsidiaries	0.2	0
Capital contribution obligations to third parties	0	6.5
Total contractual obligations	**533.1**	**180.8**

Capital contribution obligations to associated companies and to non-consolidated structured entities result from participation agreements concluded prior to the balance sheet date. They mainly result from the commitments to Linus Debt Invest DACH I GmbH & Co. KG as well as to RICP and RICP II.

As of December 31, 2019, rental and lease agreements (including ancillary costs) include only the ancillary costs of lease contracts and obligations from contracts with a maturity of up to 12 months and contracts of low value. All other rental and lease agreements are recognized as liabilities in the balance sheet since the initial application of IFRS 16 as of January 1, 2019 and do not represent contractual obligations anymore.

As of December 31, 2019, total future lease payments receivable under the Group's operating leases amount to EUR 24.4 million (previous year EUR 24.1 million).

In EUR million	**Dec 31, 2019**
Not later than 1 year	8.9
1 – 2 years	7.9
2 – 3 years	5.2
3 – 4 years	2.1
4 – 5 years	0.3
Later than 5 years	0
Total future minimum operating lease payments	**24.4**

The future minimum lease payments under non-cancellable operating lease agreements according to IAS 17 were as follows:

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

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

30. Information regarding the Auditor

The consolidated financial statements and the annual financial statements of Rocket Internet SE for the financial year 2019 were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin Office. The lead auditors were Jan-Menko Grummer (since 2016) and Klaus Beckers (since 2013).

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

Total fees charged for the financial year by the auditor amount to EUR 0.6 million (previous year EUR 0.6 million) and comprise EUR 0.5 million (previous year EUR 0.5 million) for audit services, EUR 0.1 million (previous year EUR 0 million) for tax advisory services and EUR 0 million (previous year EUR 0 million) for other audit-related services.

31. Events after the Reporting Period

On January 30, 2020, Rocket Internet announced the redemption of 13,504,335 own shares. Thus, the share capital of the Company was reduced from EUR 150,767,294.00 by EUR 13,504,335.00 to EUR 137,262,959.00.

On March 2, 2020, Rocket Internet announced changes in the Management Board. The Supervisory Board has appointed Soheil Mirpour as Management Board Member with effect from March 1, 2020. Alexander Kudlich, Member of the Management Board, has informed the Supervisory Board that he will not renew his contract which ends March 15, 2020.

Apart from the threat of a global pandemic (new type of coronavirus) described in the Forecast Report section of the Management Report, no other events of special significance for the asset, financial and earnings position occurred after the end of the financial year.

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

No.	Company, registered office	Equity interest in %	via No.
1	Rocket Internet SE, Berlin		
	Fully consolidated subsidiaries		
	Germany		
2	Atrium 122. Europäische VV SE, Berlin	100	5
3	Bambino 106. V V UG (haftungsbeschränkt), Berlin	100	5
4	Bambino 53. V V GmbH, Berlin	100	1
5	Brillant 3087. SE & Co. Verwaltungs KG, Berlin	100	1
6	European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Berlin	100	1
7	European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Berlin	100	1
8	European Founders Fund Investment GmbH, Berlin	100	1
9	European Founders Fund Nr. 3 Beteiligungs GmbH, Berlin	100	7
10	Flash Ventures GmbH (former: Jade 1317. GmbH), Berlin	100	2
11	GFC Global Founders Capital GmbH, Berlin	100	1
12	GFC US Invest I UG (haftungsbeschränkt), Berlin	100	11
13	Global Founders Capital GmbH & Co. Beteiligungs KG Nr. 1, Berlin	100	18
14	Global Founders Lifecycle Investments GmbH, Berlin	100	11
15	Global Realty Capital GmbH, Munich	100	2
16	GRC Germany 1 GmbH, Munich	100	15
17	GRC Germany 2 GmbH, Berlin	100	15
18	International Rocket GmbH & Co. KG, Berlin	100	1
19	Jade 1353. GmbH i.L., Berlin	86.0	4, 27
20	Juwel 131. UG (haftungsbeschränkt) & Co. Erste Verwaltungs KG, Berlin	100	4, 67
21	Juwel 190. V V UG (haftungsbeschränkt) & Co. 15. Verwaltungs KG, Berlin	100	4, 26
22	Juwel 190. V V UG (haftungsbeschränkt) & Co. 32. Verwaltungs KG, Berlin	100	4, 26, 112
23	Kurfürst 1614 GmbH, Munich	48.5	1
24	Kurfürst 1633 GmbH, Berlin	48.5	1
25	Kurfürst 1659 GmbH, Berlin	100	60
26	LIH Subholding Nr. 2 UG (haftungsbeschränkt) & Co. KG, Berlin	100	4, 27
27	MKC Brillant Services GmbH, Berlin	65.0	1
28	RCKT GmbH & Co. KG, Berlin	58.0	1
29	Rocket Asia GmbH & Co. KG, Berlin	100	18
30	Rocket Internet Munich GmbH, Munich	100	1
31	R2 International Internet GmbH, Berlin	59.2	1
	Other countries		
32	Azapi Desenvolvimento de Software – EIRELI, São Paulo, Brazil	100	66
33	Bluenest Pte. Ltd., Singapore, Singapore	100	1

No.	Company, registered office	Equity interest in %	via No.
34	ClickBus Servicios S. de R.L. de C.V., Mexico City, Mexico	78.8	22, 107
35	Convenience Food Group S.à r.l., Senningerberg, Luxembourg	62.6	1
36	Digital Lending Services US Corp., Wilmington, United States	100	39
37	Digital Services Australia II Pty Ltd, Sydney, Australia	100	1
38	Digital Services Australia IV Pty Ltd, Barangaroo, Australia	100	1
39	Digital Services Holding IV S.à r.l., Bertrange, Luxembourg	100	1
40	Digital Services Italy S.r.l., Milan, Italy	77.9	1, 4
41	Digital Services LV S.à r.l., Senningerberg, Luxembourg	99.3	1
42	Digital Services LV Top-Holding S.C.Sp., Senningerberg, Luxembourg	90.6	4, 41
43	Digital Services SG five Pte. Ltd., Singapore, Singapore	100	1
44	Digital Services SG four Pte. Ltd., Singapore, Singapore	100	1
45	Digital Services SG one Pte. Ltd., Singapore, Singapore	100	1
46	Digital Services SG six Pte. Ltd., Singapore, Singapore	100	1
47	Digital Services SG two Pte. Ltd., Singapore, Singapore	100	1
48	Ecommerce Pay Holding S.à r.l., Senningerberg, Luxembourg	84.4	1, 3
49	Finverum Capital S.à r.l., Senningerberg, Luxembourg	100	1
50	Food Delivery Holding 13 S.à r.l. (in liquidation), Senningerberg, Luxembourg	100	4, 60
51	Food Delivery Holding 23 S.à r.l., Senningerberg, Luxembourg	100	1
52	Food Delivery Holding 27 S.à r.l., Senningerberg, Luxembourg	100	1
53	GFC Global Founders Capital Inc., Wilmington, United States	100	69
54	GFC Western Europe S.A.S., Paris, France	100	69
55	GGC EUR S.à r.l., Bertrange, Luxembourg	100	58
56	Global Fin Tech Holding S.à r.l., Senningerberg, Luxembourg	100	1
57	Global Growth Capital Advisors Limited, London, United Kingdom	100	1
58	Global Growth Capital Fund I S.C.Sp., Luxembourg City, Luxembourg	66.7	1, 59
59	Global Growth Capital GP S.à r.l., Luxembourg City, Luxembourg	100	1
60	Global Growth Capital Lux S.A., Bertrange, Luxembourg	100	13
61	Global Growth Capital S.à r.l., Bertrange, Luxembourg	100	1
62	Holidays & Co. S.A.S., Saint-Malo, France	100	42
63	Katoo Digital Services, S.L., Madrid, Spain	100	1
64	Lendico Brazil S.C.Sp., Senningerberg, Luxembourg	100	4, 56
65	Moonshine eServices Pvt. Ltd., Delhi, India	80.0	20, 103
66	Nutrio Holding LLC, Wilmington, United States	0	12
67	Printvenue Asia S.à r.l., Senningerberg, Luxembourg	70.0	3
68	PT Grosenia Niaga Indonesia, Jakarta, Indonesia	0	47
69	RI Capital Advisors Ltd., London, United Kingdom	100	1
70	Rocket Brasil Novos Negocios e Participacoes Ltda., São Paulo, Brazil	100	18, 93
71	Rocket Internet Capital Partners Founder II SCS, Luxembourg City, Luxembourg	99.0	1, 73

No.	Company, registered office	Equity interest in %	via No.
72	Rocket Internet Capital Partners Founder SCS, Luxembourg City, Luxembourg	75.0	1
73	Rocket Internet Capital Partners Lux II S.à r.l., Luxembourg City, Luxembourg	100	1
74	Rocket Internet Capital Partners Lux S.à r.l., Luxembourg City, Luxembourg	100	1
75	R-SC Liquidation Services Luxembourg S.à r.l., Senningerberg, Luxembourg	100	18
76	TAC Special Opportunities I LLC, Wilmington, United States	96.2	13
77	Zax Intermediação de Negócios - EIRELI, São Paulo, Brazil	100	78
78	ZaxApp Holding LLC, Wilmington, United States	0	12
	Other subsidiaries[1)]		
	Germany		
79	Avala IV Sela DH Pool GmbH & Co. KG, Berlin	100	76
80	Bambino 107. V V UG (haftungsbeschränkt), Berlin	100	1
81	Blanko 12. UG (haftungsbeschränkt) & Co. KG, Berlin	99.8	4, 104
82	Blanko 140. SE & Co. KG, Berlin	100	1, 86
83	Brillant 1390. GmbH & Co. Verwaltungs KG, Berlin	88.8	4, 101, 108
84	Brillant 2055. GmbH, Berlin	100	146
85	Brillant 3087. GmbH, Berlin	100	5
86	Brillant 3125. GmbH, Berlin	100	1
87	Carspring Beteiligungs UG (haftungsbeschränkt) i.L., Berlin	100	148
88	CityDeal Management II UG (haftungsbeschränkt), Berlin	100	1
89	CityDeal Management UG (haftungsbeschränkt) & Co. Beteiligungs KG, Berlin	100	88
90	CityDeal Management UG (haftungsbeschränkt), Berlin	100	1
91	Global Founders Capital Verwaltungs GmbH, Berlin	100	18
92	Global Growth Equity GmbH, Munich	100	2
93	Jade 1085. GmbH, Berlin	100	1
94	Jade 1158. GmbH i.L., Berlin	100	1
95	Jade 1207. GmbH & Co. Verwaltungs KG, Berlin	100	4, 96
96	Jade 1231. GmbH i.L., Berlin	100	1
97	Jade 1238. GmbH i.L., Berlin	73.7	1, 4
98	Jade 1265. GmbH i.L., Berlin	90.1	1, 4
99	Jade 1344. GmbH & Co. Verwaltungs KG, Berlin	86.7	4, 19, 110
100	Jade 1348. GmbH, Berlin	100	102
101	Jade 1366. GmbH i.L., Berlin	86.7	1, 4, 27
102	Jade 1371. GmbH i.L., Berlin	100	1
103	Juwel 131. V V UG (haftungsbeschränkt), Berlin	100	67
104	Juwel 156. V V UG (haftungsbeschränkt) i.L., Berlin	100	1
105	Juwel 190. V V UG (haftungsbeschränkt) & Co. 41. Verwaltungs KG, Berlin	100	4, 26
106	Juwel 190. V V UG (haftungsbeschränkt) & Co. 42. Verwaltungs KG, Berlin	100	26
107	Juwel 190. V V UG (haftungsbeschränkt), Berlin	100	27

No.	Company, registered office	Equity interest in %	via No.
108	Juwel 197. V V UG (haftungsbeschränkt) i.L., Berlin	100	101
109	Juwel 200. V V UG (haftungsbeschränkt) & Co. Dritte Verwaltungs KG, Berlin	100	98
110	Juwel 202. V V UG (haftungsbeschränkt) i.L., Berlin	100	19
111	Juwel 219. V V UG (haftungsbeschränkt), Berlin	100	27
112	Juwel 223. V V UG (haftungsbeschränkt), Berlin	100	26
113	Kurfürst 1578 GmbH, Berlin2)	80.0	1
114	Kurfürst 1624 GmbH, Berlin	100	1
115	Lindentor 227. GmbH, Berlin	100	1
116	OCM Online Car Marketplace Global Services GmbH, Berlin	100	144
117	Pflegetiger GmbH, Berlin2)	100	139
118	RCKT Management GmbH, Berlin	100	1
119	Rocket Middle East GmbH, Berlin	100	1
120	Visito Beteiligungs UG (haftungsbeschränkt), Berlin	100	138
121	Visito GmbH, Berlin2)	100	139
122	VRB GmbH & Co. B-125 (Einhundertfünfundzwanzig) KG, Berlin	98.8	4, 97
123	VRB GmbH & Co. B-154 KG, Berlin	100	18
124	VRB GmbH & Co. B-155 KG, Berlin	100	18
125	VRB GmbH & Co. B-96 (Sechsundneunzig) KG, Berlin	91.3	4, 94
126	Zinsgold GmbH i.L., Berlin	100	132
	Other countries		
127	Digital Services Australia III Pty Ltd, Barangaroo, Australia	100	1
128	Katoo Digital Services S.r.l., Milan, Italy	100	63
129	Beijing VRB B-96 Technology Co., Ltd., Beijing, China	100	125
130	Beijing Ying Nai Le Qi Information Technology Co., Ltd., Beijing, China	100	18
131	Digital Services Italy II S.r.l., Milan, Italy	87.6	1, 4
132	Digital Services L Top-Holding S.C.Sp., Senningerberg, Luxembourg	99.0	4, 49
133	Digital Services LI S.à r.l. (in liquidation), Senningerberg, Luxembourg	100	1
134	Digital Services LI Top-Holding S.C.Sp., Senningerberg, Luxembourg	99.0	4, 133
135	Digital Services LIII S.à r.l., Senningerberg, Luxembourg	100	1
136	Digital Services LIII Top-Holding S.C.Sp., Senningerberg, Luxembourg	100	4, 135
137	Digital Services LIV (GP) S.à r.l., Senningerberg, Luxembourg	100	138
138	Digital Services LIV S.à r.l., Senningerberg, Luxembourg	69.8	1
139	Digital Services LIV Top-Holding S.C.Sp., Senningerberg, Luxembourg	73.6	4, 120, 138
140	Digital Services LV (GP) S.à r.l., Senningerberg, Luxembourg	100	41
141	Digital Services SG Eight Pte. Ltd., Singapore, Singapore	100	114
142	Digital Services SG one Holding Pte. Ltd., Singapore, Singapore	100	45
143	Digital Services XL (GP) S.à r.l., Senningerberg, Luxembourg	100	190
144	Digital Services XL Top-Holding S.C.Sp., Senningerberg, Luxembourg	97.7	4, 190

No.	Company, registered office	Equity interest in %	via No.
145	Digital Services XL 1 S.C.Sp., Senningerberg, Luxembourg	100	4, 144
146	Digital Services XL 2 S.C.Sp., Senningerberg, Luxembourg	100	4, 144
147	Digital Services XL 4 S.C.Sp., Senningerberg, Luxembourg	100	4, 144
148	Digital Services XLIII S.à r.l., Senningerberg, Luxembourg	100	1
149	Digital Services XLIII Top-Holding S.C.Sp., Senningerberg, Luxembourg	96.2	4, 87, 148
150	Digital Services XLIII 1 S.C.Sp., Senningerberg, Luxembourg	100	4, 149
151	Digital Services XLIX (GP) S.à r.l., Senningerberg, Luxembourg	100	56
152	Digital Services XLIX S.à r.l., Senningerberg, Luxembourg	100	1
153	Digital Services XVII Top-Holding S.C.Sp., Senningerberg, Luxembourg	99.6	4, 75
154	Digital Services XVIII (GP) S.à r.l., Senningerberg, Luxembourg	100	49
155	Digital Services XXI Germany Holding S.C.Sp., Senningerberg, Luxembourg	100	4, 156
156	Digital Services XXI Top-Holding S.C.Sp., Senningerberg, Luxembourg	97.9	4, 35
157	Digital Services XXIII Top-Holding S.C.Sp., Senningerberg, Luxembourg	96.7	4, 35
158	Digital Services XXIII 2 S.C.Sp., Senningerberg, Luxembourg	100	4, 157
159	Digital Services XXIII 3 S.C.Sp., Senningerberg, Luxembourg	100	4, 157
160	Digital Services XXIV 2 S.C.Sp., Senningerberg, Luxembourg	100	4, 200
161	Digital Services XXIV 3 S.C.Sp., Senningerberg, Luxembourg	100	4, 200
162	Digital Services XXXVII (GP) S.à r.l., Senningerberg, Luxembourg	100	167
163	Digital Services XXXVII Top-Holding S.C.Sp., Senningerberg, Luxembourg	95.8	4, 167
164	Digital Services XXXVII 1 S.C.Sp., Senningerberg, Luxembourg	99.7	4, 163
165	DS XL UK Ltd., London, United Kingdom	100	144, 145
166	Edisupa - Sociedade de Construcoes, S.A., Lissabon, Portugal[2)]	100	187
167	Everdine Holding S.à r.l., Senningerberg, Luxembourg	100	4, 35
168	Franksmile AB, Stockholm, Sweden[2)]	100	113
169	Franksmile Iberia S.L., Madrid, Spain	100	114
170	Franksmile, Unipessoal, Lda., Lissabon, Portugal	100	114
171	Furniture E-Services Taiwan Co., Ltd., Taipei, Taiwan	100	109
172	Global Growth Capital Manager S.à r.l., Bertrange, Luxembourg	100	60
173	Global Growth Capital Partners S.C.Sp., Senningerberg, Luxembourg	100	1, 59
174	Global Realty Capital Spain S.L., Madrid, Spain	100	15
175	Goldstar eServices Pvt. Ltd., Haryana, India	100	200, 201
176	International Rocket Corporate Ltd., Road Town, British Virgin Islands	100	18
177	Internet Services Polen sp. z o.o, Warsaw, Poland	100	18
178	Inversiones Bazaya C.A., Caracas, Venezuela	100	18
179	Jade E-Services Azerbaijan MMC, Baku, Azerbaijan	100	81
180	Kaymu Azerbaijan MMC, Baku, Azerbaijan	100	181
181	Kaymu Azerbaijan S.C.Sp., Senningerberg, Luxembourg	100	4, 183
182	Kaymu Belarus S.C.Sp., Senningerberg, Luxembourg	100	4, 183

No.	Company, registered office	Equity interest in %	via No.
183	Kaymu Top-Holding S.C.Sp., Senningerberg, Luxembourg	92.9	4, 75
184	Kurfuerst 1578 Ltd, Bristol, United Kingdom2)	100	113
185	Kurfürst 1578 S.A.S., Paris, France2)	100	113
186	Place Mniej sp. z o.o., Warsaw, Poland	87.5	31
187	Poentescala- S.A., Vilar do Pinheiro, Portugal2)	100	15
188	PT Digital Services Indonesia SATU, Jakarta, Indonesia	100	45, 142
189	PT Sembilan Puluh Enam Derajat, Jakarta, Indonesia	0	44
190	RideLink Global S.A., Senningerberg, Luxembourg	81.5	1, 4
191	Rocket eServices Pvt. Ltd., Delhi, India	100	18, 93
192	R-SC Egypt for Import and Export, Cairo, Egypt	99.0	193
193	R-SC Internet Services Egypt LLC, Cairo, Egypt	100	18, 93
194	R-SC Internet Services France SAS, Paris, France	100	18
195	RSC Internet Services Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100	160
196	R-SC Liquidation Services Luxembourg (GP) S.à r.l., Senningerberg, Luxembourg	100	75
197	Tripda Brazil Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 200
198	Tripda Chile Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 200
199	Tripda Chile S.p.A., Santiago de Chile, Chile	100	198
200	Tripda Group Holding S.C.Sp., Senningerberg, Luxembourg	98.0	4, 75
201	Tripda India Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 200
202	Tripda USA Holding S.C.Sp., Senningerberg, Luxembourg	99.9	4, 200
	Associated companies and joint ventures		
	Germany		
203	AEH New Africa eCommerce II GmbH, Berlin2)	71.2	1
204	Aitme GmbH, Berlin	33.4	1
205	EMA Emerging Markets GmbH, Berlin	44.0	1
206	HC Brillant Services GmbH, Berlin	29.2	1
207	Lindentor 196. V V GmbH, Berlin	44.0	1
208	Lindentor 226. V V GmbH, Berlin	18.5	1, 35
209	Linus Debt Invest DACH I GmbH & Co. KG, Berlin2)	80.8	61
210	Paymill Holding GmbH, Berlin	48.3	48
211	TravelTrex GmbH, Cologne	25.0	6
212	TRUSTED SHOPS GmbH, Cologne	25.0	13
213	Westwing Group AG, Berlin	26.4	1
214	Zanui Holding GmbH, Berlin	28.7	1
	Other countries		
215	Asia Internet Holding S.à r.l., Senningerberg, Luxembourg	50.0	1
216	Bus Servicos de Agendamento S.A., São Paulo, Brazil	50.0	21
217	Casavo Beta S.p.A., Milan, Italy	26.0	61

No.	Company, registered office	Equity interest in %	via No.
218	Clariness AG, Baar, Switzerland	28.8	13
219	Digital Services XLVII S.à r.l., Senningerberg, Luxembourg	34.3	1
220	Digital Services XXVIII S.à r.l., Senningerberg, Luxembourg	43.7	1
221	Digital Services XXX S.à r.l., Luxembourg City, Luxembourg	26.2	35
222	Enuygun Com Internet Bilgi Hizmetleri Teknoloji ve Ticaret A.S., Istanbul, Turkey	47.2	31
223	Girl Meets Dress Ltd., St. Albans, United Kingdom	23.7	13
224	GoWorkaBit Ltd., London, United Kingdom	27.8	11
225	Helpling Group Holding S.à r.l., Senningerberg, Luxembourg	21.7	1
226	Middle East Internet Holding S.à r.l., Senningerberg, Luxembourg	50.0	1
227	Rocket Internet Capital Partners (Euro) II SCS, Luxembourg City, Luxembourg	39.9	71, 73
228	Rocket Internet Capital Partners (EURO) SCS, Luxembourg City, Luxembourg	12.8	72
229	Rocket Internet Capital Partners II SCS, Luxembourg City, Luxembourg	0	71, 73
230	Rocket Internet Capital Partners SCS, Luxembourg City, Luxembourg	15.7	72, 74
231	Spotcap Global S.à r.l., Senningerberg, Luxembourg	38.9	56
232	TravelBird Holding B.V., Amsterdam, Netherlands	25.2	13
233	Traveloka Holding Ltd., George Town, Cayman Islands	23.9	3
234	Ulmon GmbH, Vienna, Austria	22.8	11, 13
235	Vaniday Global S.à r.l., Senningerberg, Luxembourg	28.5	1
236	Voopter Internet do Brasil S.A., São Paulo, Brazil[3)]	49.3	13
237	Yamsafer, Inc., Wilmington, United States	23.6	11

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

No.	Company, registered office	Equity interest in %	via No.	Currency	Net result in million	Equity in million
	Other investments pursuant to Sec 313 (2) No. 4 HGB					
	Germany					
238	Billie GmbH, Berlin[4)]	3.1	11, 13	EUR	-5.0	5.1
239	Global Savings Group GmbH, Munich[5)]	15.2	1	EUR	-0.8	31.9
240	HeyJobs GmbH, Berlin[4)]	9.3	13	EUR	-2.3	1.6
241	home24 SE, Berlin[6)]	10.6	1	EUR	-61.8	158.7
242	Jumia Technologies AG, Berlin[11)]	9.2	5	EUR	-226.3	182.5
243	Personio GmbH, Munich[4)]	4.9	11	EUR	-5.1	3.6
244	Tele Columbus AG, Berlin[6)]	10.0	1	EUR	-161.4	354.7
245	Thermondo GmbH, Berlin[5)]	4.4	11	EUR	-11.8	20.3
246	tink GmbH, Berlin[5)]	5.4	11	EUR	-2.4	2.1
247	Urban Sports GmbH, Berlin[7)]	3.2	1	EUR	-0.3	-0.3

No.	Company, registered office	Equity interest in %	via No.	Currency	Net result in million	Equity in million
	Other countries					
248	Ace and Tate Holding B.V., Amsterdam, Netherlands[8)]	3.5	11, 13	EUR	-6.1	22.5
249	Canva, Inc., Wilmington, United States[9)]	0.4	11	USD	n/a	n/a
250	Global Fashion Group S.A., Senningerberg, Luxembourg[11)]	18.6	1, 27, 119	EUR	-147.5	649.5
251	Iwoca Ltd., London, United Kingdom[4)]	4.9	11, 13	GBP	1.3	29.0
252	JRSK, Inc., Wilmington, United States[9)]	8.9	11	USD	n/a	n/a
253	Maxi Mobility Inc., Camden, United States[9)]	2.7	27	USD	n/a	n/a
254	Meero S.A.S., Paris, France[5)]	4.0	11	EUR	-3.3	6.6
255	Nium PTE Limited (former: InstaRem PTE Limited), Newtown, Singapore[9)]	7.6	11	SGD	n/a	n/a
256	Proprioo S.A.S., Paris, France[9)]	11.9	11	EUR	n/a	n/a
257	SME Credit Realisation Fund Limited, Saint Peter Port, Guernsey[10)]	9.0	1	GBP	-0.6	308.3
258	SpotHero, Inc., Dover (Delaware), United States[9)]	2.1	11	USD	n/a	n/a
259	SumUp Holdings S.à r.l., Luxembourg City, Luxembourg[8)]	3.3	48	EUR	-1.6	105.6
260	WP XII Venture Holding S.à r.l., Luxembourg City, Luxembourg[4)]	0.9	11	EUR	-0.8	427.6

[4)] Values according to the last available unconsolidated annual financial statements (local GAAP) as of December 31, 2018.
[5)] Values according to the last available unconsolidated annual financial statements (local GAAP) as of December 31, 2017.
[6)] Values according to the last available consolidated financial statements (IFRS) as of December 31, 2018.
[7)] Values according to the last available unconsolidated annual financial statements (local GAAP) as of December 31, 2016.
[8)] Values according to the last available consolidated annual financial statements (local GAAP) as of December 31, 2018.
[9)] The company does not publish its financial statements.
[10)] Values according to the last available unconsolidated annual financial statements (local GAAP) as of March 31, 2019.
[11)] Values according to the last available consolidated financial statements (IFRS) as of December 31, 2019.

The disclosure of 76 subsidiaries and 7 associated companies, which are in liquidation stage, and which are known to be no longer continued, has been waived.

33. Number of Employees pursuant to Sec. 314 (1) No. 4 HGB

The average number of staff employed was as follows:

	2019
Germany	209
Other countries	163
Total	**372**

As of December 31, 2019, the Group employed a total of 404 employees (previous year 312), thereof 234 abroad (previous year 91).

34. Declaration of Compliance with German Corporate Governance Code

The declaration by the Management Board and the Supervisory Board of Rocket Internet SE regarding the German Corporate Governance Code pursuant to Sec. 161 German Stock Corporations Act ("Aktiengesetz" – AktG) is published on the parent Company's website https://www.rocket-internet.com/investors/corporate-governance.

35. Authorization of the Financial Statements for Issue

The Management Board authorized the issue of the consolidated financial statements on March 31, 2020.

Berlin, March 31, 2020

The Management Board

Oliver Samwer

Soheil Mirpour

ROCKET INTERNET

Management Report for the Parent Company and the Group 2019

Rocket Internet SE, Berlin

Non-binding convenience translation from German

Content

1. Fundamentals of the Company and the Group

Business Model

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.

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 based on 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 2019 is presented in Euro (EUR), the functional currency of Rocket Internet SE. Unless otherwise indicated, all values are rounded to million Euro (EUR million) with one decimal point in accordance with standard commercial practice, which may result in rounding differences and percentage figures presented may not exactly reflect the absolute figures they relate to. The reporting period is January 1 to December 31, 2019.

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.

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 partners. This 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 wide range 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 of the business activities as well as the development of the companies, 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, 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 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 many factors, i.a. 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 and general economic development. These diverse factors are naturally subject to very strong fluctuations.

New Businesses

Rocket Internet identifies and develops Internet-based business models, 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 market leadership positions or still expanding their geographic reach. The majority of these network companies was incubated by the Group. Complementary to the business strategy, Rocket Internet provides loans to start-up companies (FinTech loans) in order to realize know-how advantages and strategic network advantages. In the second half of 2019, the Group acquired two mixed-used (residential and commercial) properties that are rented.

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. Each additional part of the network increases 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 effect, directly or indirectly, on the other companies in the network. The larger and more global the network, the more successful the network and thus Rocket Internet will be and the closer it will come to achieving its business strategy. These activities of the Rocket Internet Group are conducted by Global Founders Capital (GFC Investments).

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 and other services, both for network companies and for third parties. Particularly in the early stage, Rocket Internet is responsible for 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.

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 founds a company itself, Rocket Internet has usually control over this entity in the beginning, with some of the shares 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 accounts for network companies as associated companies/joint ventures at equity or as other investments at fair value when a subsidiary issues shares to third parties and following this, Rocket Internet's interest is diluted, such that the Group no longer controls the subsidiary/group of subsidiaries.

As of December 31, 2019, Rocket Internet Group included 78 (previous year 66) fully consolidated companies (including intermediary holdings), of which 47 (previous year 40) 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 42, 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 complementary companies

The Group has designated certain associated companies and other equity investments with ownership percentages[1] 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] 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 and RICP II etc.) and may therefore differ from the respective information (in some cases beneficial interest including RICP and RICP II) published on the Company's website which is based on the signing dates.

Brands of the Company Network

The following illustration shows a selection of the most important brands used during 2019 financial year by network companies (Jumia was disposed in the first quarter of 2020):

Public companies		
Home & Living	Fashion	General Merchandise
home24	GFG GLOBAL FASHION GROUP	JUMIA

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 field tested framework, which allows our entrepreneurs to focus on their core business models.

The network companies, 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 network 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 technologies that can 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 2.7 million (previous year: EUR 4.6 million). This corresponds to 4% of Group revenue in 2019 (previous year: 10%).

In 2019, 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.

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. The cash position includes, in addition to short-term bank balances, highly liquid listed shares which are easily convertible into cash.

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, number of homepage visitors or lettable area and vacancy rate 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 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 important.

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

3. Economic Report

General Economic Conditions

According to the “Global Economic Prospects Report” of the World Bank Group published in January 2020, global growth weakened to an estimated 2.4% in 2019 - the lowest rate of expansion since the global financial crisis in 2008. Worldwide growth decelerated markedly in 2019, with continued weakness in global trade and investment. This weakness was widespread, affecting both advanced economies - particularly the Euro Area - and emerging market and developing economies (EMDEs). Various key indicators of economic activity declined in parallel, approaching their lowest levels since the global financial crisis. In particular, global trade in goods was in contraction for a significant part of 2019, and manufacturing activity slowed markedly over the course of the year. To a lesser extent, services activity also moderated. A broad range of economies have experienced feeble growth, with close to 90% of advanced economies and 60% of EMDEs going through varying degrees of deceleration in 2019. The rising trade disputes between United States and China have heightened policy uncertainty and weighed on international trade, confidence and investment. As a result of the increase of tariffs between the two countries over the past couple of years, a substantially higher share of world trade has become subject to protectionist measures. Financial market sentiment improved appreciably toward the end of 2019 along with the alleviation of trade tensions. That said, it had been fragile for most of 2019. Concerns about growth prospects triggered widespread monetary policy easing by major central banks, as well as flight to safety flows into advanced-economy bond markets. In a context of subdued inflation, this pushed global yields down -

in some advanced economies, further into negative territory - for most of 2019. Heightened risk aversion contributed to subdued EMDE capital inflows in the second half of 2019, as a number of EMDEs faced renewed currency and equity price pressures.

Very weak manufacturing activity has dampened growth in advanced economies, and policy uncertainty associated with trade tensions has also weighed on activity in the United States and China. Growth in United States has decelerated amid slowing investment and exports. Notwithstanding the recent trade deal with China, rising tariffs have increased trade costs, while policy uncertainty has weighed on investment and confidence. Economic activity in the Euro Area has deteriorated significantly. Several economies were on the verge of recession at some point 2019, with particular weakness in the German industrial sector as it struggled with falling demand from Asia and disruptions to car production. Uncertainty concerning Brexit also weighed on growth. The European Central Bank (ECB) has provided monetary stimulus by pushing its policy rate deeper into negative territory, restarting quantitative easing, and providing inexpensive credit to banks.

EMDEs have continued to experience substantial weakness, with industrial production, trade flows, and investment decelerating sharply in 2019. While services activity has been appreciably more resilient than manufacturing, it has also moderated. Growth has been particularly anemic in EMDEs that have experienced the lingering effects of varying degrees of financial pressures or other idiosyncratic factors in the past couple of years. This weakness has also spread to other economies that had previously shown resilience. In all, growth in about 60% of EMDEs is estimated to have slowed in 2019. In many economies, subdued economic activity has been somewhat cushioned by still-resilient consumption and a shift toward more supportive monetary policy.

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

		Change of GDP[1)]		Exchange rates (1 EUR = local currency)		
Country	**Currency**	**2019**	**2018**	**Dec 31, 2019**	**Dec 31, 2018**	**Change**
Australia	AUD	1.7%	3.2%	1.600	1.622	1.4%
Brazil	BRL	0.9%	1.4%	4.516	4.444	-1.6%
Germany	EUR	0.5%	1.9%	n/a	n/a	n/a
Hong Kong SAR	HKD	0.3%	3.8%	8.747	8.968	2.5%
Indonesia	IDR	5.0%	5.1%	15,595.60	16,500.00	5.5%
Nigeria	NGN	2.3%	1.9%	403.209	414.954	2.8%
Russia	RUB	1.1%	1.7%	69.956	79.715	12.2%
Singapore	SGD	0.5%	2.9%	1.511	1.559	3.1%
United Arab Emirates	AED	1.6%	2.9%	4.117	4.200	2.0%
United Kingdom	GBP	1.2%	1.4%	0.851	0.895	4.9%
United States	USD	2.4%	2.9%	1.123	1.145	1.9%

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

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 exceptional year 2018, in which 18 companies in Germany went public and raised EUR 11.6 billion, the trend in 2019 was downward. 2019, there were six initial public offerings (IPOs) in Germany, three of which were direct listings, i.e. no capital was raised. The IPO of TeamViewer AG and TRATON SE contributed to the total amount of EUR 3,609.1 million with a placement volume of EUR 1,973.5 million and EUR 1,387.2 million respectively. At the beginning of July 2019, Global Fashion Group S.A. (GFG) went public on the Frankfurt Stock Exchange with a placement volume of EUR 194.4 million. In 2017 twelve IPOs with total proceeds of approximately EUR 2.8 billion took place in Germany.

According to the “Start-up Barometer Deutschland” of the auditing firm EY from January 2020, German start-ups were able to collect a total of EUR 6.2 billion from investors in 2019, 36% more than in the previous year. In Germany, the number of financing rounds in 2019 rose compared with the previous year by 13% to 704. Most of the investments went into the area Mobility in 2019. In total, start-ups in this area collected EUR 1,605 million, compared with EUR 407 million in the previous year. Investments in the area FinTech/InsurTech also increased from EUR 676 million to EUR 1,316 million. The area Software & Analytics was also able to record a substantial increase from EUR 671 million to EUR 1,221 million. The leading area in previous years, eCommerce, recorded a sharp decline in capital raised from EUR 1,658 million to only EUR 730 million. The largest five transactions year to date, totaling EUR 1,816 million, included three start-ups headquartered in Berlin. Of these, GetYourGuide collected EUR 428 million, Frontier Car Group EUR 361 million and N26 EUR 266 million. Berlin was once again able to defend its title as Germany's start-up capital. Berlin start-ups received a total of EUR 3.7 billion in 262 financing rounds in 2019. In 2017, start-ups in Germany raised EUR 4.3 billion from investors.

While globally the number of IPO deals declined by 19% in 2019 compared to previous year, proceeds decreased by 4%. In terms of number of deals and proceeds global IPO activity surged in 2019 with 1,115 IPOs raising USD 198.0 billion. In the previous year 1,383 transactions were executed raising USD 205.8 billion. In 2017, there were 1,624 transactions worldwide with total proceeds of USD 188.87 billion.

According to “Venture Pulse Q4 2019 – Global analysis of venture funding” of the auditing firm KPMG from January 2020, global annual Venture Capital investments in 2019 are significantly lower than the record-setting level of Venture Capital investment seen in 2018, but still remained higher than every other year on record considered (2012-2017).

These above-mentioned developments demonstrate that in Germany and worldwide in 2019 a reduced financing volume was available for start-ups in comparison to the record year 2018. However, the volume of financing in 2019 was significantly higher than in 2017, which illustrates the continuing very intense competition for talents, ideas and financing of start-ups, that has a negative impact on Rocket Internet and the achievement of its objectives.

General Industry Trends

The Internet of Things (IoT) bundles technologies of a global infrastructure that connects physical and virtual objects and allows them to communicate with each other using information technology. According to a forecast by Statista, 30.73 billion things will be connected by the end of 2020 and 75.44 billion by the end of 2025. This growth will be supported by the introduction of the fifth generation of mobile and network technology (5G). 5G aims to meet future requirements for communication in a fully connected society much more comprehensively than before. Development is focused on enabling a seamlessly networked society and beyond, bringing people together with things, data, applications, transport systems and cities in an intelligent networked environment.

The technology is also an essential technical basis for developments in the field of Industry 4.0. In Germany, the new 5G network is already available in some major cities.

Another trend driving the development of IoT is edge computing. With the exponential growth in the number of IoT devices, data traffic and the amount of data to be processed is also growing rapidly. Current cloud services will reach their limits in terms of storage space and computing power, which will have an impact on computing and loading times. This is an enormous problem, especially for real-time applications such as autonomous driving. In order to prevent failures and longer loading times, computer applications, data and services are being moved to the edge of the cloud, i.e. to the devices that produce or read the information. This keeps data traffic and processing as local as possible, which in turn reduces latency and enables greater autonomy at the edge of the cloud. At the same time, costs are also reduced due to a less demand of storage space and computing power. Cloud service providers have already tried to counteract this development by distributing public cloud services to different locations.

The artificial Intelligence (AI) is a technology that has already found its way into many business areas. AI is used everywhere where data is collected and analyzed. Whether in administrative processes, in sales or in customer service, AI helps to automate frequently repeated tasks. Today, chatbots are already used in customer service, which can independently answer questions and provide assistance. For the customer, there is no difference whether the answer was written by a service employee or a chatbot. AI is also used in the field of eCommerce to better explore the customer journey and predict customer's wishes. In order to automate such processes and to enable the software to make decisions, it must learn to interact with an unknown environment to reach the best outcome. This means that AI applications learn the optimal behavior as they are used more frequently, improve their decisions continuously and thus achieve better results. Great progress is being made in the application of autonomous things. Autonomous things are physical devices that use AI to automate functions that were previously performed by humans. Probably the most popular forms of such devices are robots, drones or autonomously driving cars. Developers use AI to enable the device to interact with its environment and with humans, so that decisions can be made as naturally as possible.

The development of AI supports the trend of so-called hyperautomation. Hyperautomation is the combination of multiple machine-learning, packaged software and automation tools to completely automate complex tasks. The trend started with the development of RPA applications (Robotic Process Automation). When using RPA, the application can be taught a process that it repeats at a predefined rhythm, e.g. sending generated emails or archiving data. But RPA alone is not hyperautomation. Only the combination of intelligent systems makes it possible to automate complex tasks in which humans are involved.

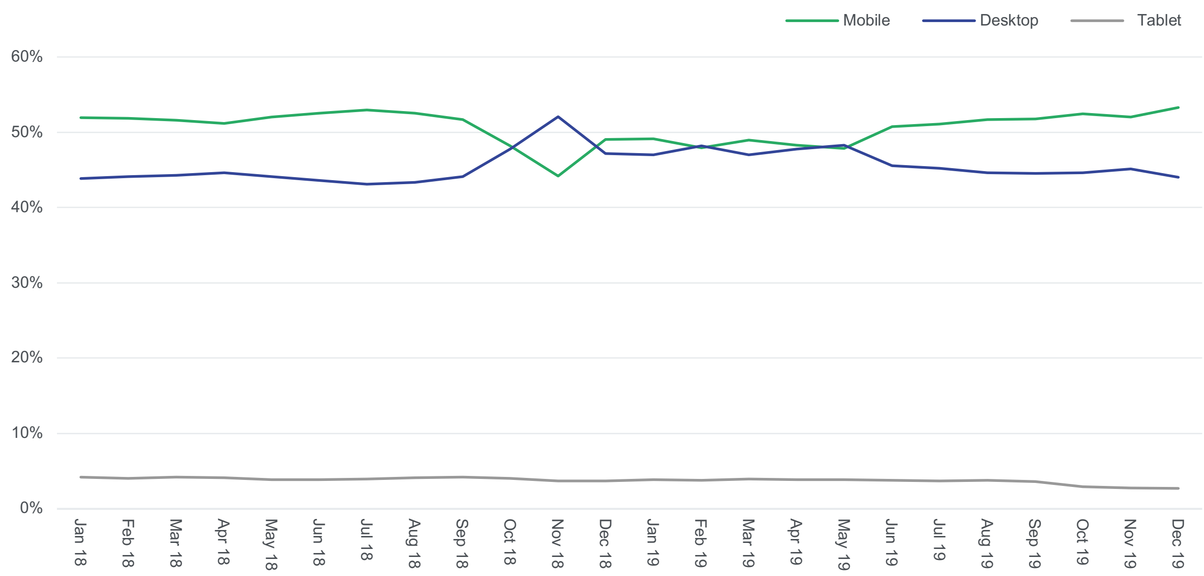
The next big step, which will redefine the interaction between man and machine with the help of AI, is the so-called Emotion AI. Emotion AI refers to AI systems that recognize the emotions and feelings of a human being based on certain characteristics and can react accordingly. This opens up completely new application areas.

The development of smart speaker has already taken the way we communicate with machines to a new level. With the help of voice recognition, machines are able to understand, interpret and react to human statements. By the end of 2019, 147 million smart speakers had already been sold. In the field of eCommerce, voice recognition has already achieved a breakthrough, so-called voice commerce. These devices help companies to bring marketing measures to the attention of their customers in an auditive way and also enable them to order goods or receive offers virtually by telling the speaker what they need. This shortens the purchasing process and offers the customer greater convenience.

The virtual reality (VR) and the augmented reality (AR) are enjoying increasing popularity. VR is a technology in which completely immersive computer-generated worlds are created and the user can move freely in these worlds with the help of VR glasses. This is already used in medicine for the therapy of trauma patients. In this way, the patient can confront his or her fear without actually being exposed to it. AR refers to the technique of projecting computer graphics to our view of the immediate surroundings. Practical applications can be found mainly in industry in the field of repair and maintenance. With the help of special AR glasses, for example, potential weak points of complex machines can be shown to the user, allowing maintenance to be carried out more reliably and in a more targeted manner. Due to technical requirements, these technologies could not be made available to the end user yet. However, this has changed with the technical progress of smartphones, which is why they are increasingly compatible. AR and VR have the potential to fundamentally change the future of retail. Retailers will have the opportunity to offer customers a unique personalized shopping experience and change product decision behavior in order to deepen emotional relationship and increase empathy.

The role of smartphones in society is constantly growing. Due to the development of the mobile Internet and Near Field Communication (NFC) technology, numerous functions and applications can be integrated into mobile phones to make everyday life easier. As a result, people are experiencing a completely new form of comfort, as the smartphone bundles many services in one place that are available at any time. For example, there are already applications that can be used to buy public transport tickets, redeem vouchers, collect loyalty points, make contactless payments or make bank transfers. Mobile apps are becoming increasingly valuable for customers and acceptance is growing. In 2019, 5% of all card transactions worldwide were already made with Apple Pay. A statistic collected by StatCounter GlobalStats, which shows the number of website visits by device in the years 2018 to 2019, also confirms this development. The number of website visits via mobile phones worldwide has maintained its leading position compared to the number of website visits via desktop computers and tablets in 2019 as in 2018 (see graph for monthly comparison). The development of the number of web page views in 2019 in different regions shows that while in Europe, North and South America and Oceania, the use of desktop computers exceeds the use of mobile phones, the number of web page views by mobile phones in Asia and Africa is higher than by desktop computers.

Share of website visits by device (Desktop, Mobile and Tablet)



Source: StatCounter GlobalStats

According to Gartner IT Service Management Company, one of the biggest developments in the coming years will be the practical application of block chain technology. The question will rise how the block chain can be used for specific applications. Leading areas for blockchain applications are financial services and FinTech companies due to their characteristics. But other industries, such as life sciences, healthcare, media, telecommunications or government, are driving block chain initiatives as well. Blockchain offers the potential to completely transform industries by enabling technology to create trust and transparency, share value across ecosystems, reduce costs and shorten transaction processing times.

Course of Business

We look back on a year 2019 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 2019.

Overall, the Group generated a profit for the period of EUR 280.3 million (previous year EUR 196.0 million). The financial result included therein improved to EUR 118.7 million (previous year EUR 1.0 million).

Cash and cash equivalents decreased from EUR 1,720.0 million as of December 31, 2018 by EUR 54.9 million to EUR 1,665.1 million as of December 31, 2019. The decrease is mainly attributable to cash outflows in connection with short term bank deposits (EUR 756.2 million), to payments for the highly liquid, easily convertible into cash listed shares as a part of the Group’s treasury strategy (EUR 433.1 million), to the purchase of treasury shares (EUR 324.2 million), the cash outflows for acquisition of non-consolidated equity investments (EUR 289.2 million) and the negative cash flow from operating activities (EUR 222.0 million). The significant cash inflows from the disposal of non-consolidated equity investments of EUR 949.1 million (mainly HelloFresh, Delivery Hero, Westwing, home24, Jumia and Spark Networks shares), proceeds from the sale of highly liquid, easily convertible into cash listed shares of EUR 859.3 million as well as cash inflows in connection with short term bank deposits of EUR 200.0 million had an increasing effect.

On April 12, 2019, Jumia Technologies AG (Jumia) had its first day of trading on the New York Stock Exchange (NYSE). The primary offering included 13,500,000 American Depositary Shares (ADSs) representing 27,000,000 new ordinary shares. The ADSs were priced at USD 14.50 per ADS. Moreover, the underwriters have exercised their option to purchase additional new 4,050,000 ordinary shares, equivalent to 2,025,000 ADSs, on the same terms as the offering (the Greenshoe). As a result of the offering (including the Greenshoe), the concurrent private placement to Mastercard Europe SA and the issuance of anti-dilution shares to certain existing shareholders, Jumia has issued in aggregate 56,765,518 new ordinary shares and received net proceeds of USD 280 million. Following these transactions, Jumia has a total of 156,816,494 ordinary shares, corresponding to 78,408,247 ADSs, outstanding. Due to the capital increase at Jumia, the participation quota of the Rocket Internet Group decreased below 20%. Since the primary offering the share price of ADS of Jumia decreased by 54% to USD 6,73 as of December 31, 2019. One ADS equals two common shares.

On May 14, 2019, Rocket Internet SE placed its entire shareholding of approx. 43.7 million HelloFresh shares. The placement price per share was set at EUR 8.00. The placement followed an accelerated bookbuild offering to institutional investors only.

In the first half of 2019, the Group sold all of its shares in Westwing Group AG. In the fourth quarter of 2019, the Group has decided to repurchase Westwing shares in several transactions. On Novermber 15, 2019 it was announced that Rocket Internet SE holds 25.36% of the shares of Westwing Group AG.

Rocket Internet's shareholding in home24 decreased from 32.6% to 10.6% during 2019. The share price of home24 decreased from EUR 11.16 at the end of the financial year 2018 by 56% to EUR 4.88 as of December 31, 2019.

As of December 31, 2018, the Group's interest in Delivery Hero amounted to 5.8%. During the financial year 2019, Rocket Internet almost completely disposed of its participation in Delivery Hero SE.

On July 2, 2019, Global Fashion Group S.A. (GFG) shares began trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The shares were issued at EUR 4.50 per share. The initial quotation was EUR 4.47 per share. The placement comprised 40,000,000 new shares from a cash capital increase and 3,210,000 existing shares to cover over-allotments (greenshoe option). Total gross proceeds amounted to EUR 180.0 million (EUR 194.4 million with greenshoe option). Gross proceeds, less commissions and expenses, accrued to GFG alone. Rocket Internet SE purchased shares for approximately EUR 50 million in the offering. Following the IPO, the participation quota of the Group decreased below 20%. The share price of GFG decreased to EUR 2.32 as of December 31, 2019.

On October 24, 2019 it was announced that Rocket Internet SE holds 12.29% of the shares of Tele Columbus AG. The investment of Rocket Internet SE in Tele Columbus AG is used to implement a strategic objective of Rocket Internet SE in the form of a creation and expansion of a global network of technology companies. Rocket Internet SE intends to obtain further voting rights in Tele Columbus AG over the next twelve months by purchase or other means. Rocket Internet SE does not seek to exert influence on the composition of neither the management board nor the supervisory board or any other administrative, managing or governing body of Tele Columbus AG which would exceed the proportion of the voting rights held by Rocket Internet SE in Tele Columbus AG‘s general meeting. Rocket Internet SE does not intend a substantial change in the capital structure of Tele Columbus AG especially with regards to the ratio of internal/outside financing and the dividend policy.

On November 11, 2019 it was announced that Rocket Internet SE holds 5.46% of the shares of United Internet AG. In December 2019, the Group sold 8,135,804 shares of United Internet in the public share buyback offer of United Internet AG against payment of the offer price of EUR 29.65 per share. On December 31, 2019, Rocket Internet SE holds 1.83% of the shares of United Internet AG.

The selected companies showed notable revenue growth in the financial year 2019 compared to the financial year 2018: Jumia (24%), home24 (19%) and GFG (16% and 17% on a constant currency basis, respectively) and an improvement in the adjusted EBITDA margin, especially home24.

In line with the previous year report's forecast for the financial year 2019, the international expansion of our network companies has continued. With the first-time consolidation of entities which were built by Rocket Internet, new network companies with new business models (e.g. Agencasa, Bluenest, Vitable) were included in the scope of consolidation of the Group. Non-viable operations were discontinued. The number of fully consolidated companies increased by 18% from 66 to 78 as forecast for the year 2019 in the combined management report 2018.

The revenue of the Rocket Internet Group increased to EUR 67.3 million in 2019 compared to EUR 44.5 million in the previous year (+51%). The revenue of New Businesses for those companies that continued to be fully consolidated after December 31, 2018, increased in the financial year 2019 contrary to the previous year report's forecast of constant consolidated revenues for the year 2019. The Group's revenue for all New Businesses increased from EUR 28.8 million in 2018 by 74% to EUR 50.2 million in 2019. As expected, the area of New Businesses excluding FinTech entities realized a negative EBITDA of ca. EUR 11 million (forecast: range between negative EUR 3 million and negative EUR 7 million). The area of FinTech realized a positive EBITDA of ca. EUR 28 million (forecast range: between EUR 10 million and EUR 14 million) and thus contributed to the positive EBITDA of the Group. The Group's average EBITDA margin of subsidiaries in the area of New Businesses, which were fully consolidated in the Rocket Internet Group in the financial year 2019, improved as forecast. During 2019, the Group increased its number and volume of debt securities as forecast for the year 2019 in the combined management report 2018. Revenue from other services increased by 9%. This figure is slightly below the forecast for 2019, according to which an increase in the low double-digit percentage range was expected.

The result from deconsolidation of subsidiaries in 2019 in the amount of EUR 8.4 million (previous year EUR 10.3 million) has decreased as it had been forecast for the year 2019.

Contrary to the previous year report's forecast, according to which overall a positive, but clearly below the level of 2018 share of profit/loss of associates and joint ventures was expected, there is only a slight decrease by 6% of the share of profit/loss from associates and joint ventures from EUR 215.8 million to EUR 203.8 million. In line with the forecast, for the most associated companies and joint ventures, there are negative proportionate contributions from their operational results, which were partly compensated by the effects from financing rounds. 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 negative EUR 142.8 million (previous year positive EUR 14.0 million). In 2019, gains from the disposal of associates and joint ventures of EUR 353.7 million (previous year EUR 189.4 million) were recognized. In addition, the Group recorded impairment losses, which amounted to negative EUR 7.1 million net of reversals of impairment losses. In the previous year the balance of impairment losses and reversals of impairment losses amounted to EUR 12.4 million.

In line with the forecast in the combined management report 2018 for the year 2019 which anticipated the EBITDA to deteriorate, the EBITDA of the Group declined by EUR 21.7 million from EUR 203,3 million in 2018 to EUR 181,6 million in 2019.

The total comprehensive income for the period, net of tax, improved from EUR 193.8 million by EUR 101.2 million to EUR 295.0 million.

As projected for the financial year 2019, payments in the Rocket Internet Capital Partners Fund (RICP) were continued in 2019. Several new and follow-on GFC investments were made.

In the combined management report 2018, increasing revenues from rendering services in a low double-digit percentage range were forecast for the parent Company. As reflected in the parent Company's annual financial statements, revenues for services rendered by Rocket Internet increased in line with the forecast from EUR 14.8 million by 20% to EUR 17.7 million.

In the annual financial statements of the parent Company in 2019, a net profit of EUR 1,061.7 million (previous year EUR 534.6 million) was recognized, which resulted primarily from other operating income of EUR 1,460.1 million comprising the gains from disposals of participations and write-ups of current financial assets as well as from income from participations of EUR 354.5 million. In 2019, the EBITDA in the annual financial statements of Rocket Internet SE amounts to EUR 1,376.7 million. Adjusted for one-off effects, EBITDA in the annual financial statements 2019 amounted to negative EUR 8.8 million, which is above the range stated in the previous year's forecast (from negative EUR 21 million to negative EUR 25 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.

Rocket Internet Share and Share Capital Structure

During the year 2019, the Rocket Internet share price increased from EUR 20.18 as of December 31, 2018 by EUR 1.92 to EUR 22,10 as of December 31, 2019.

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.

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 ended on September 19, 2019. Until December 31, 2018, the Group repurchased 3,607,590 shares at a volume-weighted average price of EUR 23.23. 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.

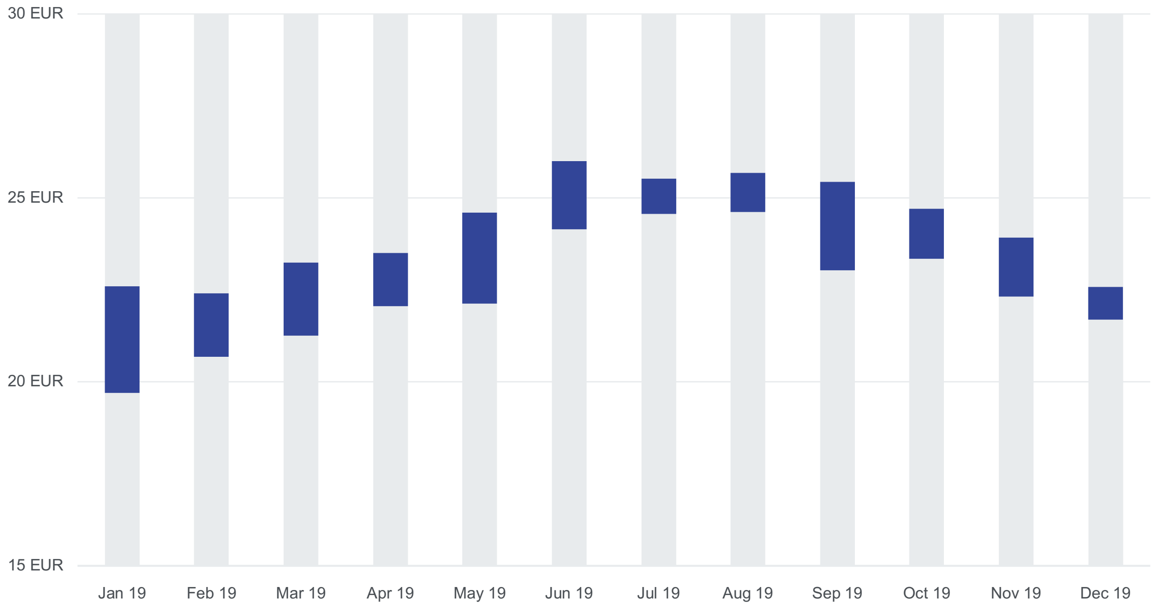
On October 9, 2019, the Group announced the redemption of a total of 1,747,104 treasury shares. The Company's share capital was reduced to EUR 150,767,294. The redeemed shares were repurchased between Novermber 26, 2018 and December 28, 2018, through a public share buyback program.

On December 9, 2019, Rocket Internet resolved to buy back up to 10.0% of the Company's share capital through a public share purchase offer against payment of an offer price in the amount of EUR 21.50 per share. On December 27, 2019, in the course of the over-subscribed public share purchase offer a total of 15,076,675 shares were bought back.

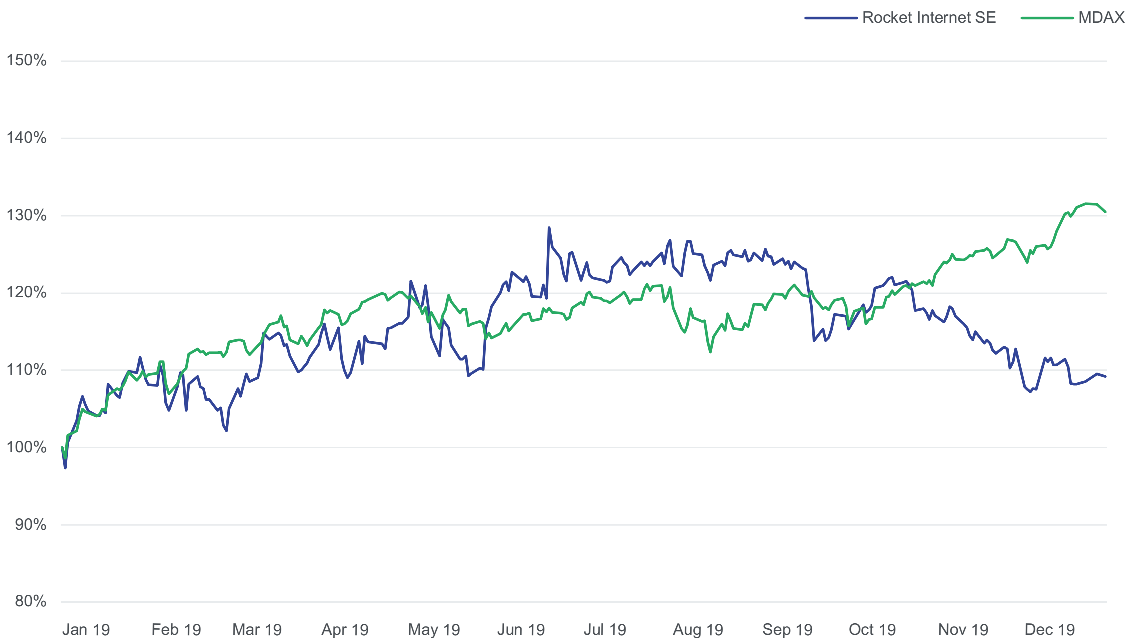
The market capitalization remained unchanged from the previous year with EUR 3.0 billion as of December 31, 2019.

The development of the Xetra closing share prices in 2019 is as follows:

Absolute in EUR



Relative, compared to development of the MDAX



In the financial year 2019, daily trading via the electronic computer trading system Xetra recognized on average 205,000 shares (previous year 394,000 shares) with an average value of EUR 4.8 million (previous year EUR 10.0 million). The ISIN code for the shares is DE000A12UKK6.

The subscribed capital of Rocket Internet SE amounted to EUR 150,767,294 on December 31, 2019 (previous year EUR 152,514,398) and was split into 150,767,294 (previous year 152,514,398) 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, 2019, 135,690,619 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. The buyback reduced interest expenses and potential shareholder dilution. The reason for the convertible bond buyback was among others that a financing through capital markets did 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.

Position of the Group

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

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 – 2019:

In EUR million	2019	2018	2017	2016	2015	2014	2013
Revenue	67.3	44.5	36.8	50.4	128.3	128.2	99,8
Result from deconsolidation of subsidiaries	8.4	10.3	11.6	48.3	167.0	452.6	0
Share of profit/loss of associates and joint ventures	203.8	215.8	2.6	-539.6	-188.6	75.1	1,449.0
EBITDA	181.6	203.3	-54.8	-565.3	-200.8	424.4	1,317.8
Financial result	118.7	1.0	47.0	-168.0	29.7	12.0	91.8
Profit/loss for the period	280.3	196.0	-6.0	-741.5	-197.8	428.8	1,395.6
Other comprehensive income for the period, net of tax	14.8	-2.2	377.3	118.3	36.4	78.2	9.2
Total comprehensive income/loss for the period, net of tax	295.0	193.8	371.4	-623.2	-161.4	507.0	1,404.8
Earnings per share (in EUR) – basic = diluted	**1.90**	**1.28**	**0.01**	**-4.22**	**-1.24**	**3.24**	**11.93**

Earnings position of the Group during the reporting period

In EUR million	2019	2018
Revenue	67.3	44.5
Other operating income	9.7	2.2
Result from deconsolidation of subsidiaries	8.4	10.3
Cost of materials and cost of financial services	-14.4	-16.1
Employee benefits expenses	-41.3	-26.0
Other operating expenses	-51.9	-27.4
Share of profit/loss of associates and joint ventures	203.8	215.8
EBITDA	**181.6**	**203.3**
Impairment of non-current assets, depreciation and amortization	-11.7	-1.7
Financial result	118.7	1.0
Income taxes	-8.4	-6.6
Profit/loss for the period	**280.3**	**196.0**
Other comprehensive income for the period, net of tax	14.8	-2.2
Total comprehensive income/loss for the period, net of tax	**295.0**	**193.8**

Revenue was structured as follows:

In EUR million		2019		2018
New Businesses	50.2	75%	28.8	65%
Other Services	17.2	25%	15.7	35%
Total	**67.3**	**100%**	**44.5**	**100%**

Revenues of the New Businesses increased significantly by 74% from EUR 28.8 million in 2018 to EUR 50.2 million in 2019. 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 increase of revenues from other services results from higher rental income (including service charges) of EUR 9.1 million (previous year EUR 6.3 million). In contrast, revenues from services provided by the Group to non-consolidated network companies decreased.

Of the total consolidated revenues, 49% were generated in Germany (previous year 46%), 21% in the United Kingdom (previous year 27%), 7% in Luxembourg (previous year 9%), 7% in Australia (previous year 3%), 5% in France (previous year 7%), 2% in Finland (previous year 1%) and 9% in the rest of the world (previous year 7%).

The increase of other operating income mainly results from foreign exchange gains on FinTech loans which amount to of EUR 5.5 million (previous year EUR 1.5 million). A further notable effect results from the valuation gain of EUR 3.6 million (previous year EUR 0 million) that relates to loan receivables accounted for at fair value through profit or loss.

The result from deconsolidation of subsidiaries in the amount of EUR 8.4 million (previous year EUR 10.3 million) has decreased as had been forecast in the consolidated financial statements 2018 for 2019. It mainly originated from the deconsolidation (deemed disposal) of Expertlead (EUR 8.1 million). In 2018, the gain from deconsolidation primarily comprised gains the deconsolidation of Caterwings (EUR 8.9 million) in conjunction with the establishment of the B2B Food Group.

The item cost of materials and cost of financial services decreased from EUR 16.1 million by 11% to EUR 14.4 million. This figure mainly includes expenses for purchased goods and services of EUR 10.1 million (previous year EUR 9.5 million) as well as interest of the FinTech operations amounting to EUR 4.2 million (previous year EUR 2.2 million). The increase of expenses for purchased services was partially offset by the effect of the transition to IFRS 16 in the amount of EUR 3.3 million (rental expenses in the comparative period). In the previous year the Group incurred impairment losses of the FinTech operations amounting to EUR 4.4 million.

Employee benefit expenses, which amounted to EUR 41.3 million (previous year EUR 26.0 million), included the current remuneration and variable compensation as well as expenses arising from equity-settled and cash-settled share-based payments. The increase by EUR 15.3 million results from the following:

Employee benefit expense reconciliation	**Impact on expense** in EUR million
Increased expenses for non-cash compensation and higher variable compensation for Group employees were partially offset by reduced expenses for regular salaries and social security due to decreased average number of own staff employed by fully consolidated companies	-8.1
Revaluation of liabilities for cash-settled share-based payments and other incentives mainly driven by the increase in fair value of the underlying equity instruments	-1.7
Increase of expenses for equity-settled share-based payments mainly driven by the reversal of expenses in 2018 due to then occurred departure of beneficiaries for which front-loading recognition of expenses (graded vesting) took place in the previous years	-5,5
Total	**-15.3**

Other operating expenses included mainly legal and consultancy fees (EUR 24.3 million; previous year EUR 7.7 million), currency translation losses (EUR 8.3 million; previous year EUR 0.8 million), rental, office and IT costs (EUR 4.6 million; previous year EUR 6.0 million), marketing expenses (EUR 4.4 million; previous year EUR 4.2 million) and expenses for external services (EUR 2.5 million; previous year EUR 1.2 million). Legal and consultancy fees increased due to expenses incurred in connection with the setup of Rocket Internet Capital Partners II Fund (RICP II).

The share of profit/loss from associates and joint ventures amounts to EUR 203.8 million (previous year EUR 215.8 million). The decrease by EUR 11.9 million (-6%) 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	-156,8
Increase of impairment losses (net balance of losses and reversals)	-19.5
Increase of gains from disposal (including valuation gains upon loss of significant influence)	164.4
Total	**-11.9**

In 2019, 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 negative EUR 142.8 million (previous year positive EUR 14.0 million) and mainly results from AEH New Africa II (Holding for parts of Jumia), Traveloka and GFG. Furthermore, gains from disposals of EUR 353.7 million (previous year EUR 189.4 million) were recognized in 2019. They result from sale of shares in HelloFresh and Westwing as well as valuation gains upon loss of significant influence over Jumia and Spark Networks. Moreover, the Group recognized impairment losses, which, offset by the reversal of impairments, amounted to negative EUR 7.1 million. In the comparative period, the balance of impairment losses and reversals of impairment losses was EUR 12.4 million.

In 2018, the share of profit/loss from associates and joint ventures was particularly characterized by sales of HelloFresh shares, which generated disposal gains of EUR 172.6 million. Further positive effects included 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 Internet Holding S.à r.l. (EUR 10.9 million) were offset by the proportionate share of profit of Asia Internet Holding S.à r.l. (EUR 14.7 million). Negative effects mainly included 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).

EBITDA declined from EUR 203.3 million in the previous year to EUR 181.6 million in 2019. It was mainly due to the significantly increased other operating expenses and employee benefits expenses as well as declined share of profit/loss of associates and joint ventures. By contrast, the revenue and other operating income increased.

The impairments of non-current assets and the depreciation and amortization amount in total to EUR 11.7 million (previous year EUR 1.7 million). Depreciation and amortization increased from EUR 1.0 million to EUR 6.0 million mainly due to the first-time application of IFRS 16 (depreciation of right-of-use assets). In 2019 the impairment charges of EUR 5.7 million (previous year EUR 0.7 million) mainly relate to goodwill.

The financial result of EUR 118.7 million (previous year EUR 1.0 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 97.9 million (previous year EUR 19.2 million), net foreign exchange gains of EUR 8.4 million (previous year gain of EUR 20.3 million) that relate to loans as well as to cash and cash equivalents and mainly reflect the development of the USD exchange rate and interest income of EUR 13.8 million (previous year EUR 9.5 million). Previous year, the buyback-losses from convertible bonds of EUR 39.2 million and interest expense from convertible bonds of EUR 7.6 million were recognized.

Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods in the amount of EUR 14.8 million (previous year negative EUR 2.2 million) includes 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 EUR 13.1 million (previous year negative EUR 5.5 million) and exchange differences on translation of foreign operations in the amount of EUR 1.7 million (previous year EUR 3.3 million) .

Financial Position of the Group

Cash flows and Cash Position

In EUR million	2019	2018
Cash flow from operating activities	-222.0	-143.4
Cash flows from investing activities	501.1	696.4
Cash flows from financing activities	-340.8	-567.2
Net change in cash and cash equivalents	**-61.7**	**-14.1**
Net foreign exchange difference and change in loss allowance in cash and cash equivalents	6.9	17.5
Cash and cash equivalents at the beginning of the period	1,720.0	1,716.6
Cash and cash equivalents at the end of the period	**1,665.1**	**1,720.0**

The deterioration of the negative cash flow from operating activities in 2019 compared with the previous year by EUR 78.6 million is mainly due to higher by EUR 92.3 million net change in operating financial assets (net cash outflows for 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 289.2 million (previous year EUR 111.8 million) were made for acquisitions of non-consolidated companies of which EUR 52.4 million relate to GFG, EUR 45.9 million to RICP, EUR 42.5 million to Linus Debt Invest DACH I GmbH & Co. KG, EUR 26.4 million to SME Credit Realisation Fund Limited, EUR 24.3 million to Westwing, EUR 18.3 million to Awaytravel and EUR 79.4 million to various other 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 2019 EUR 949.1 million (previous year EUR 1,411.9 million) in cash for the sale of non-consolidated equity investments, which mainly relate to the sale of HelloFresh, Delivery Hero, Westwing, home24, Jumia and Spark Networks (previous year Delivery Hero and HelloFresh). Cash paid in connection with short-term financial management of cash investments in the amount of EUR 1,208.3 million (previous year EUR 610.4 million) mainly relate to cash outflows in connection with short term bank deposits of EUR 756.2 million (previous year EUR 33.7 million) as well as to payments for the highly liquid, easily convertible into cash listed shares as a part of the Group's treasury strategy of EUR 433.1 million (previous year EUR 573.0 million). 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 1,070.9 million (previous year EUR 14.0 million) that relate to proceeds from the sale of highly liquid, easily convertible into cash listed shares of EUR 859.3 million (previous year EUR 0 million), to cash inflows in connection with short term bank deposits of EUR 200.0 million (previous year EUR 2.9 million) and to the repayments of short-term loans to associates, joint ventures and other network companies.

Cash flows from financing activities include the cash-outflows from the repurchase of treasury shares including transaction costs of EUR 324.2 million (previous year EUR 317.5 million). Moreover, during 2019, 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 12.7 million (previous year EUR 75.3 million) and repaid non-controlling interests classified as financial liabilities in the course of the redemption of capital at the level of consolidated subsidiaries totaling EUR 36.9 million (previous year EUR 0 million). In 2019, fully consolidated subsidiaries received loans in the amount of EUR 12.0 million (previous year EUR 1.2 million). In 2019, the repayment of lease liabilities is reported for the first time as part of financing activities with the transition to IFRS 16 and amounts to EUR 4.7 million. In financial year 2018, cash flows from financing activities included the cash-outflows for the repurchase of convertible bonds in the amount of EUR 325.1 million.

Due to exchange rate changes, the cash and cash equivalents of the Group increased by EUR 6.7 million (previous year decrease of EUR 17.7 million).

The Group continues to maintain a very good cash position, with available cash and cash equivalents of EUR 1,665.1 million (previous year EUR 1,720.0 million) as of December 31, 2019. In addition to cash and cash equivalents, the Group had short-term bank deposits of EUR 741.2 million (previous year EUR 185.1 million) as well as easily convertible into cash listed shares of EUR 122.5 million (previous year EUR 462.5 million) as of December 31, 2019.

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

Capital Structure

The capital structure as of the balance sheet date is characterized by a high equity ratio of 95.8% (previous year 97.3%). 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 had prematurely repurchased all outstanding bonds with a principal amount of EUR 298.3 million.

Investments

The investment activities undertaken in the financial years 2019 and 2018 are as follows:

In EUR million	**2019**	**2018**
Cash investing activities	-501.1	-696.4
Non-cash investing activities	3.3	34.8
Total divestments	**-497.8**	**-661.6**

For further details concerning cash investing activities, please refer to the information regarding the cash flows from investing activities. In 2019 and 2018, the proceeds from divestments exceeded the cash outflows for investing activities.

In 2019, the Group did not perform any significant non-cash investing activities. Significant non-cash investing activities in the year 2018 related 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).

The capital contribution obligations as of December 31, 2019 totaling EUR 362.1 million (previous year EUR 69.3 million) will be financed by existing cash and cash equivalents. They result from participation contracts concluded before the reporting date.

Asset Position of the Group

Assets

In EUR million	Dec 31, 2019		Dec 31, 2018	
Non-current assets	1,524.1	37%	1,602.8	39%
Current assets	2,627.5	63%	2,509.4	61%
Total	**4,151.7**	**100 %**	**4,112.1**	**100%**

Equity and Liabilities

In EUR million	Dec 31, 2019		Dec 31, 2018	
Equity	3,978.2	96%	3,999.7	97%
Non-current liabilities	117.0	3%	88.1	2%
Current liabilities	56.5	1%	24.4	1%
Total	**4,151.7**	**100%**	**4.112.1**	**100%**

The Company's largest asset items are cash and cash equivalent (40% of the balance sheet total; previous year 42% of the balance sheet total), short-term bank deposits (18% of the balance sheet total; previous year 5% of the balance sheet total), non-current equity instruments (15% of the balance sheet total; previous year period 15% of the balance sheet total) as well as current equity instruments (3% of the balance sheet total; previous year period 11% of the balance sheet total) and shares in associates and joint ventures, accounted for using the equity method (9% of the balance sheet total; previous year 20% of the balance sheet total).

Non-current assets decreased from EUR 1,602.8 million by EUR 78.6 million to EUR 1,524.1 million. The decrease mainly results from the sale of HelloFresh, Delivery Hero and home24 shares as well as from declining share prices of Jumia and GFG.

Non-current financial assets increased from EUR 770.6 million by EUR 316.3 million to EUR 1,086.8 million most importantly due to the granting of long-term loans. Other changes resulted from the reclassification of Jumia from joint ventures and of home24 and GFG from associates to other non-current financial assets, from investments in new and existing network companies as well as from the fair value changes of equity instruments.

The decrease of investments in associates from EUR 735.5 million by EUR 383.0 million to EUR 352.5 million mainly results from the disposal of HelloFresh shares and Westwing shares as well as the pro-rata losses, impairment, disposal and reclassification to equity instruments recognized at fair value through profit or loss of home24 shares and the pro-rata losses and reclassification to equity instruments recognized at fair value through profit or loss of GFG shares. These effects were partially offset by investments in the RICP and Linus Debt Invest DACH I GmbH & Co. KG.

The decline of investments in joint ventures from EUR 84.7 million by EUR 71.6 million to EUR 13.0 million mainly results from the reclassification of Jumia from joint ventures to equity instruments recognized at fair value through profit or loss.

Due to the first-time application of IFRS 16, an increase of the right-of-use assets by EUR 45.7 million is to be noted in 2019. Further information regarding the first-time application of IFRS 16 can be found in note 2 of the notes to the consolidated financial statements. The acquisition of investment properties in 2019 had also an increasing effect on non-current assets.

The decrease of intangible assets from EUR 7.7 million by EUR 5.8 million to EUR 1.9 million was mainly attributable to impairments (EUR 5.6 million) and amortization (EUR 0.7 million).

Current assets increased from EUR 2,509.4 million by EUR 118.2 million to EUR 2.627,5 million. The change is mainly due to the increase of the current financial assets from EUR 774.4 million by EUR 174.8 million to EUR 949.2 million in 2019. On the one hand, short-term bank deposits increased from EUR 185.1 million by EUR 556.1 million to EUR 741.2 million. On the other hand, the amount of the highly liquid, easily convertible into cash listed shares declined from EUR 462.5 million by EUR 340.0 million to EUR 122.5 million. Within the item, a strong shift took place. The decrease mainly due to sales was only partly compensated by purchases of these shares. Furthermore, the decrease of short-term loan receivables by EUR 24.4 million to be noted. Cash and cash equivalents declined to EUR 1,665.1 million (previous year 1,720.0 million). For details concerning the development of liquidity, refer to section “Financial Position of the Group”.

Total consolidated equity decreased from EUR 3,999.7 million by EUR 21.6 million to EUR 3,978.2 million. On the one hand, the positive total comprehensive income of EUR 295.0 million increased equity. On the other hand, the purchase of treasury shares in the amount of EUR 324.2 million including transaction costs decreased equity in 2019.

Non-current liabilities increased from EUR 88.1 million by EUR 28.9 million to EUR 117.0 million. The increase is mainly due to the recognition of lease liabilities as a result of the first-time application of IFRS 16 as of January 1, 2019. The non-controlling interests classified as financial liabilities decreased from EUR 75.3 million to EUR 51.0 million. The recognition of liabilities to financial institutions had an increasing effect of EUR 11.5 million.

Current liabilities increased from EUR 24.4 million by EUR 32.1 million to EUR 56.5 million. The change mainly results from the increase of trade payables by EUR 9.1 million, primarily due to consultancy fees incurred in connection with the setup of RICP II. The surge in current liabilities also results from the recognition of lease liabilities as a result of the first-time application of IFRS 16 as of January 1, 2019, of the increase of income tax liabilities by EUR 6.4 million and of liabilities from cash-settled share-based payments by EUR 5.5 million.

Key Developments of Selected Companies

The revenue of our selected companies shows growth compared to the previous year. Revenue of Jumia increased by 24%, home24 by 19% (20% on a constant currency basis), and GFG by 16% (17% on a constant currency basis).

The adjusted EBITDA margin of our selected companies continued to improve during the fiscal 2019 compared to the previous year. This concerns in particular home24. GFG achieved in the fourth quarter 2019 for the first time a positive adjusted EBITDA margin.

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

The earnings position in financial year 2019 was characterized by a markedly improved financial result. The financial position was primarily characterized by the proceeds from the sale of shares in Delivery Hero and HelloFresh, the expansion of FinTech operations (granting of loans) as well as cash outflows for the repurchase of own shares. The Group incubated new business models and several investments were made in existing and new complementary business models. The second equity Fund (RICP II) was set-up. 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.

Position of the Company

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

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 2013 – 2019:

In EUR million	2019	2018	2017	2016	2015	2014	2013
Revenue	17.7	14.8	17.1	28.1	34.2	28.8	26.0
Other operating income	1,460.1	238.0	274.2	150.6	30.5	5.9	187.5
EBITDA	1,376.7	191.7	149.6	80.5	-65.1	-44.6	161.7
Financial and investment result	-323.8	353.6	4.0	-32.0	-7.3	-0.6	-2.4
Net income/loss for the year	**1,061.7**	**534.6**	**153.0**	**41.4**	**-73.5**	**-45.9**	**147.1**

Earnings position of the Company during the reporting period

In EUR million	2019	2018
Revenue	17.7	14.8
Changes in work in progress	-0.8	-0.1
Other operating income	1,460.1	238.0
Cost of materials	-7.9	-6.5
Personnel expenses	-20.7	-19.0
Other operating expenses	-71.7	-35.4
EBITDA	**1,376.7**	**191.7**
Depreciation/amortization of property, plant and equipment and of intangible assets	-1.3	-0.5
Financial and investment result	-323.8	353.6
Income taxes	-5.1	-2.1
Expenses from loss assumption	-3.4	-8.2
Gains from profit assumption	18.7	0
Net income for the year	**1,061.7**	**534.6**

The Company’s revenues have increased by EUR 2.9 million to EUR 17.7 million. As part of its subletting activities, Rocket Internet SE has been able to increase rental revenues due to increased demand for office space.

In 2019, other operating income increased from EUR 238.0 million by EUR 1222.1 million to EUR 1.460.1 million. This position primarily includes income from the intragroup contribution of various participations (Hello Fresh SE, Jumia Technologies AG, Bambino 106. V V UG (haftungsbeschränkt)/Traveloka as well as Atrium 122. Europäische VV SE/Westwing) into Brillant 3087. GmbH & Co. KG in the amount of EUR 1,242.4 million. In addition, write-ups of EUR 115.2 million were recognized on marketable securities (easily convertible into cash listed shares). The write-up of a loan receivable from a subsidiary amounted to EUR 6.0 million. Furthermore, the disposal of participations during the reporting period impacted the other operating income position by EUR 55.2 million (previous year EUR 192.6 million), the majority of which resulted from the sale of shares in HelloFresh SE in the amount of EUR 32.9 million and shares in Sparks Networks SE in the amount of EUR 14.1 million (previous year mainly sales of HelloFresh shares EUR 178.0 million). Moreover, other operating income also includes foreign currency gains of EUR 23.0 million (previous year EUR 29.6 million). These mainly result from foreign currency gains on marketable securities (EUR 13.8 million), on bank balances (EUR 7.8 million) and on loan receivables (EUR 0.8 million). The development of the USD exchange rate essentially reflects this. In addition, gains of EUR 8.3 million were generated from the sale of marketable securities. It applies in particular to the sale of shares in United Internet AG in the amount of EUR 6.4 million. Regarding financial assets, the write-up on Digital Services XXVIII S.à r.l. amounted to EUR 5.8 million.

The total personnel expenses increased by 8.8% to EUR 20.7 million (previous year EUR 19.0 million). The average number of employees during the financial year 2019 decreased in comparison to the previous financial year from 151 to 109. Accordingly, current personnel expenses decreased and amounted in the fiscal year to EUR 12.1 million (previous year EUR 14.4 million). Additionally, the accounting for equity-settled share-based payment plans generated expenses amounting to EUR 5.8 million (previous year EUR 3.9 million), which were recorded as personnel expenses. Moreover, the expenses for compensation obligations of EUR 2.8 million (previous year EUR 0.7 million) were recognized in personnel expenses.

Corresponding to other operating income, other operating expenses include losses from sales of marketable securities (easily convertible into cash listed shares) amounting to EUR 32.5 million. In addition, the disposal of participation in home24 SE during the reporting period impacted negatively the earnings position with a loss of EUR 21.4 million recognized in the other operating expenses. Furthermore, other operating expenses include foreign currency losses of EUR 5.4 million (previous year EUR 3.3 million). This mainly includes foreign currency losses on marketable securities (EUR 5.0 million). The expenses for compensation obligations generated expenses of EUR 2.8 million (previous year EUR 0.6 million). Moreover, non-cash net dissolutions of equity-settled share-based payment expenses of EUR 0.1 million (previous year gain EUR 3.5 million) were recognized.

The decline of the financial and investment result from EUR 353.6 million by EUR 677.4 million to negative EUR 323.8 million is mainly due to EUR 587.1 million higher impairment losses of financial assets. These mainly originate from the contribution of various participations made into Brillant 3087. GmbH & Co. KG, which have been contributed at fair value during the year and let to impairments in the amount of EUR 605.4 million due to losses from disposal. Furthermore, lower fair values were recorded as of December 31, 2019 compared to the previous year. The total impairment losses of financial assets of EUR 701.4 million were recognized. Additionally, impairment losses of loan receivables of EUR 5.9 million were carried out (previous year EUR 5.0 million).

The gain from participations in the financial year 2019 amounted to EUR 354.5 million (previous year EUR 488.6 million), the majority of which resulted from the distribution of profits of International Rocket KG, an affiliated company, in the amount of EUR 321.6 million (previous year EUR 451.6 million), the distribution from Global Fintech Holding S.à r.l. of EUR 14.5 million, the distribution from Global Growth Capital Fund I S.C.Sp. of EUR 10.3 million, the distribution from Asia Internet Holding S.à r.l. of EUR 5.1 million (previous year EUR 36.1 million) as well as the distribution from Rocket Internet Capital Partners Founder S.C.S. of EUR 2.5 million (previous year distribution in kind from the participation Caterwings Holding through Convenience Food Group in the amount of EUR 0.6 million). The impairment losses of the marketable securities (easily convertible into cash listed shares) burdened the result of the financial year by EUR 0.1 million (previous year EUR 115.2 million).

Interest income of EUR 29.7 million (previous year EUR 20.2 million) mainly results from loans granted in the amount of EUR 18.2 million (previous year EUR 11.5 million) and from cash in banks in the amount of EUR 11.5 million (previous year EUR 8.7 million). Previous year, interest expenses on convertible bonds amounted to EUR 32.5 million.

The net income for the financial year amounts to EUR 1,061.7 million (previous year EUR 534.6 million). The Company realized a return on equity of 26.4% (previous year 16.3%). EBIT totaled EUR 1,375.4 million (previous year EUR 191.3 million) and EBITDA amounted to EUR 1,376.7 million (previous year EUR 191.7 million).

Financial and Asset Position of the Company

Assets

In EUR million	Dec 31, 2019		Dec 31, 2018	
Fixed assets	1,181.3	28%	1,283.9	39%
Current assets	3,025.8	72%	2,029.4	61%
Prepaid expenses	0.9	0%	0.9	0%
Total	**4,208.0**	**100%**	**3,314.2**	**100%**

Equity and Liabilities

In EUR million	Dec 31, 2019		Dec 31, 2018	
Equity	4,029.2	96%	3,285.7	99%
Provisions	13.9	0%	8.7	0%
Liabilities	164.9	4%	19.8	1%
Total	**4,208.0**	**100%**	**3,314.2**	**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 2,002.0 million as of December 31, 2019 (previous year EUR 1,028.1 million) despite the purchase of marketable securities held as current and fixed assets as well as the repurchase of own shares mainly results from withdrawals from affiliated companies and the sale of investments.

The Company remains financed mainly through equity with an equity ratio as of balance sheet date of 96% (previous year 99%). No dividends were paid in 2019 and 2018.

The asset position comprises financial assets mainly in form of participations amounting to EUR 1,178.0 million (28% of total assets; previous year EUR 1,281.0 million, 39% of total assets), receivables from subsidiaries and companies in which a participation is held in the amount of EUR 596.5 million (14% of total assets; previous year EUR 518.9 million, 16% of total assets) as well as cash and cash equivalents in the amount of EUR 2,002.0 million (48% of total assets; previous year EUR 1,028.1 million, 31% of total assets).

The financial assets decreased from EUR 1,281.0 million by EUR 102.9 million to EUR 1,178.0 million. On the one hand, the decline is due to impairments of financial assets, to the withdrawal regarding International Rocket KG in the amount of EUR 321.6 million in conjunction with the sales of indirectly held shares in Delivery Hero SE, to impairments of shares in home24 SE amounting to EUR 82.6 million, to the withdrawal regarding Food Delivery Holding 23 S.à r.l. amounting to EUR 50.0 million as well to the withdrawal regarding Food Delivery Holding 27 S.à r.l. amounting to EUR 50.0 million. On the other hand, the decreasing effects were partially offset by additions from the contributions of various participations made into Brillant 3087. GmbH & Co. KG totaling to EUR 258.5 million as well as from investments into various network companies related to GFG (EUR 52.4 million), to Rocket Internet Capital Partners SCS (EUR 51.8 million), to GFC Global Founders Capital GmbH (EUR 26.0 million), to SME Credit Realisation Fund Limited (EUR 26.4 million), as well as Westwing Group AG (EUR 24.3 million). Furthermore, long term foreign currency loans amounting to EUR 8.9 million have been granted.

In financial year, loan receivables were impaired by EUR 5.9 million (previous year EUR 18.6 million). Opposite to this, there are write-ups on short-term receivables such as loan receivables and other receivables totaling EUR 6.0 million (previous year EUR 7.3 million). It relates to the reversal of the impairment of receivables from Bambino 106. V V UG (haftungsbeschränkt) in the fiscal year.

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 2019. Adjusted for one-off effects as the intergroup contributions and the gains from disposals of participations, the EBITDA is above the range stated in the previous year's forecast. Rocket Internet SE's economic position continued to be characterized by investments and development of its network of companies. The total earnings clearly exceeded the expenses in the financial year. 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

Forecast Report

The prospects for the overall economic development are currently unclear. While the economic effects of the corona crisis initially affected China in particular, the epidemic has been spreading increasingly to Europe and America since March 2020. At the beginning of March 2020, the International Monetary Fund (IMF) annulled its forecast for global economic growth "World Economic Outlook" published in January 2020. According to this report, the global growth was still projected to increase to 3.3% in 2020 and further to 3.4% in 2021. The IMF now assumes that the growth will be lower in 2020 than in the previous year. However, it has not yet been possible to predict how much the economy would decline and to what extent the losses incurred can be recovered in the further course of the year.

In the first quarter of 2020, the spread of the disease caused by the corona virus has sent financial markets into a tailspin despite some of the biggest emergency stimulus measures since the global financial crisis 2008 announced by dozens of central banks across Europe, the Americas, Asia and Australia. The turbulences were clear in stocks, bonds, gold and commodity prices, underlining expectations of severe economic damage from the outbreak. More than three-quarters of economists based in the Americas and Europe polled in March 2020, 31 of 41, said the current global economic expansion had already ended, in response to a question about whether the global economy was already in recession.

According to the “KfW’s Credit Market Outlook” (“KfW-Kreditmarktausblick”) published by KfW (Kreditanstalt für Wiederaufbau) on March 20, 2020, the German economy is well equipped to survive a lean period in connection with the corona crisis. Germany has healthy public finances and thus also far-reaching fiscal policy options, which must now be used in view of the challenges. Medium-sized businesses are now also benefiting from the long-standing strengthening of equity capital: the average equity ratio is above 30%. Banks are also more crisis-proof, not least thanks to the regulatory reforms since the financial crisis 2009. Since the shock does not originate in adverse economic developments, the recovery of which typically takes time, a very rapid catch-up movement is possible if the infection development is stabilized and the containment measures are reduced.

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 2020, 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 slightly. 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 2020.

Regarding New Businesses, Rocket Internet Group expects a moderate increase of the consolidated revenue for the financial year 2020 for those companies that continue to be fully consolidated after December 31, 2019. 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 2020 in the range between EUR 14 million to EUR 18 million. In the area FinTech, we expect positive operating results (EBITDA) in the range between EUR 29 million to EUR 36 million.

The deconsolidation result expected for 2020 will remain at the prior-year period‘s level.

Share of profit or loss of associates and joint ventures is 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 negative 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 2020, but EBITDA is forecast to deteriorate for 2020 in comparison with 2019.

Rocket Internet SE expects revenues to remain at the prior-year period‘s level in 2020. 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 7 million to EUR 11 million in the annual financial statements of Rocket Internet SE for the reporting year 2020 provided there are no material divestments of participations and adjusted for special effects (e.g. foreign currency valuation, partial write-downs on loan receivables).

We expect the novel corona virus (COVID-19) will negatively impact the earnings position of the Company and the Group in the forecast period 2020. Possible implications on the Group are for example lower revenue growth of networks companies and compared to previous years a higher percentage of companies that will be discontinued or limited to operate regionally. But the extent and duration of such impacts over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time. This concerns the severity and transmission rate of the corona virus, the extent and effectiveness of containment actions taken, including mobility restrictions, and the impact of these and other factors on the economy.

Risk Report

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 weigh the opportunities and risks associated with our decisions and our business activities, from a properly 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 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 section coordinates the implementation and ongoing development of the risk management system. Significant activities of the risk management section are closely coordinated with the compliance sectiont 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 assurance of the effectiveness and efficiency of the risk management system is 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.

Risk Management System – Methodology and Reporting

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

Within the risk management system of Rocket Internet SE, also potential risks to the going-concern status of network companies are generally considered, 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 are 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:

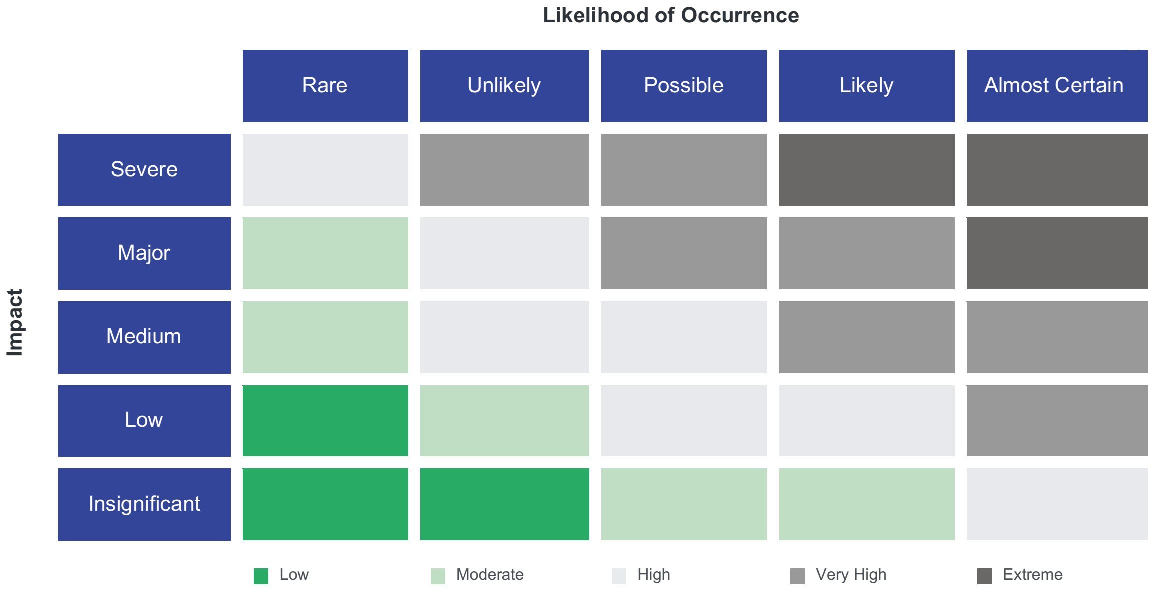
Likelihood of Occurrence	Assessment
Almost Certain	[75% - 100%]
Likely	[50% - 74,9%]
Possible	[25% - 49,9%]
Unlikely	[5% - 24,9%]
Rare	[0% - 4,9%]

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 impact on the assets, liabilities, financial position and profit or loss of the Group and will be adjusted continuously considering Rocket Internet's current situation. 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 prioritize and determine which risk information is 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.

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 still 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 other risks from this area 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.

For addressing this high risk and to properly manage the investor relations the corporate finance team uses standard capital market communication and due diligence processes to collect all required information. Investment Controlling manages 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 is still considered to be moderate.

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 especially refered to legal risks in corporate law as well as competition/antitrust law. Furthermore, there are 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 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 was reduced by the assignment of engagements to multiple professional firms.

Rocket Internet, depending on its respective ownership interest, is more or less 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. Due to mentioned measures, this risk is considered to be moderate.

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 sector. 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, the risks resulting from data protection regulations and handling insider information are considered as high. Other risks are assessed as moderate to low.

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 26 and note 27 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 if needed 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 for selected self-incubated network companies 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. Such new projects have to pass a technology strategy review for the best possible technical strategy. Furthermore, 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 or an external service provider. 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 sector 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 interesting for 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. It will be achieved for example under various personnel retention measures and targeted development of employees and motivation of professional and managerial staff through reasonable salary and incentive schemes.

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. Apart from the risk of a global pandemic (novel corona virus) as described in the forecast report, there are no risks that could significantly affect the Group's assets, financial and earnings position in the forecast period 2020.

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 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 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 South East Asia, Australia 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 several 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 stable 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 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 (e.g. Google, Facebook) 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 Marketplaces, Financial Technology and eCommerce, which enables Rocket Internet Group to expediently set up several companies in parallel and in a timely manner. 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 (40% of total assets; previous year 42%) and short-term bank deposits (18% of total assets; previous year 5%) and equity instruments (18% of total assets; previous year 26%). The Group also records trade receivables and trade liabilities as well as loan receivables and loan liabilities from third parties as well as 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 (48% of the total assets, previous year 31%), investments in subsidiaries (23% of total assets, previous year 27%), participations (3% of total assets, previous year 12%) as well as short-term securities (3% of total assets, previous year 14%).

For information about the functions and objectives of our financial management, please refer to note 26 “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 frameworks 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 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 quality of the accounting-related internal control system the internal audit department is involved.

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 150,767,294. It is divided into 150,767,294 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, 2019, the Company held 15,076,675 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 45.1% of the total number of voting rights as at December 31, 2019. 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 was 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

Remuneration of the Management Board

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

The total remuneration system of the Management Board has a simple and transparent structure. Apart from the usual fringe benefits, it consists of two components: a fixed base salary and a long-term incentive through variable option programs. The long-term renumeration components align the renumeration system with corporate responsibility and the interests of the shareholders.

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.

None of the remuneration components contain discretionary elements. The company does not provide a pension plan for the benefit of members of the Management Board.

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 1,000 thousand in the financial year 2019 (previous year: EUR 1,565 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 2019 (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 Oliver Samwer 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 to 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 was authorized to grant up to 3,408,342 share options to members of the Management Board (excluding Mr. Oliver Samwer).

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 Supervisory Board was authorized to determine the duration of the vesting by resolution of the Annual General Meeting on June 2, 2017. The Supervisory Board exercised this option for 1,500,000 stock options granted to Alexander Kudlich. For 746,851 stock options granted to Alexander Kudlich, the vesting period is ten years with an initial vesting of part of the stock options after a period of four years. For 1,207,320 stock options granted to Alexander Kudlich, the vesting period is four years with an initial vesting of part of the stock options after a period of three years.

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:

	Oliver Samwer		Alexander Kudlich		Total	
	2019		2019		2018[1)]	
Share options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding as of January 1	**EUR 42.63**	**4,541,712**	**EUR 21.09**	**1,954,171**	**EUR 33.54**	**7,950,054**
Granted during the period	-	-	-	-	-	-
Forfeited during the period	-	-	-	-	EUR 21.12	1,272,483
Exercised during the period	-	-	-	-	-	-
Outstanding as of December 31	**EUR 42.63**	**4,541,712**	**EUR 21.09**	**1,954,171**	**EUR 38.28**	**6,677,571**
Exercisable as of December 31	EUR 42.63	4,541,712	EUR 26.14	227,086	EUR 44.44	4,042,124

[1)] 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 for the financial years 2014 - 2018 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.

Furthermore, Alexander Kudlich receives 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 or for equity participation in the respective subsidiary. In the case of the 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. In the case of direct participation, a separate supplementary agreement shall also regulate certain obligations, including exercise rights and non-compete obligations related to indirect participation by the beneficiary in the company concerned.

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 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 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 of shares in subsidiaries issued are as follows:

	Alexander Kudlich	Total
	2019	2018
Number of unvested shares as of January 1	**6**	**107**
Deconsolidation of subsidiaries	-	-79
Granted during the period	-	-
Vested during the period	3	22
Forfeited during the period	-	-
Number of unvested shares as of December 31	**3**	**6**
Number of vested shares as of December 31	561	558

Share options in subsidiaries

Call option arrangements entitle Alexander Kudlich 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 and their related weighted average exercise prices are as follows:

	Alexander Kudlich		Total	
	2019		2018	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding as of January 1	**EUR 1.00**	**11**	**EUR 1.00**	**36**
Deconsolidation of subsidiaries	EUR 1.00	0	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**	**11**
Exercisable as of December 31	EUR 1.00	7	EUR 1.00	6

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 were 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. Please refer to note 31 in the consolidated financial statements for information on the changes in the Management Board that occurred in March 2020.

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 following tables show the remuneration of the Management Board in accordance with the recommendations of the German Corporate Governance Code and the requirements of Sections 314 and 315 of the German Commercial Code (HGB) as determined in German Accounting Standard 17 (hereinafter "GAS 17").

The Code provides specific examples of the recommended presentation of compensation based on the reference tables used below.

According with GAS 17, grants must be reported broken down into performance-related and non-performance-related components and remuneration with a long-term incentive effect must be reported separately.

Contrary to the recommendations of the Code, GAS 17 does not include expenses for pension obligations, i.e. the past service cost according to IAS 19, in the total remuneration. The company does not provide a pension plan for the benefit of members of the Management Board.

The members of the Management Board received in 2019 a total remuneration of EUR 1,041 thousand (prior year: EUR 1,615 thousand).

	Oliver Samwer Entry date July 1, 2014			Alexander Kudlich Entry date September 1, 2011		
In EUR thousand	2019	2019 (min)	2019 (max)	2019	2019 (min)	2019 (max)
Fixed compensation	500	500	500	500	500	500
Fringe benefits	18	18	18	23	23	23
Non-cash compensation	-	-	-	-	-	-
One-year variable compensation	-	-	-	-	-	-
Total short-term compensation	**518**	**518**	**518**	**523**	**523**	**523**
Multi-year variable compensation (share-based payments)	-	-	-	-	-	-
Service cost	-	-	-	-	-	-
Granted compensation – Total	**518**	**518**	**518**	**523**	**523**	**523**

In EUR thousand	2019 Total	2019 (min) Total	2019 (max) Total	2018 Total
Fixed compensation	1,000	1,000	1,000	1,565
Fringe benefits	41	41	41	51
Non-cash compensation	-	-	-	-
One-year variable compensation	-	-	-	-
Total short-term compensation	**1,041**	**1,041**	**1,041**	**1,615**
Multi-year variable compensation (share-based payments)	-	-	-	-
Service cost	-	-	-	-
Granted compensation – Total	**1,041**	**1,041**	**1,041**	**1,615**

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 2019 respectively 2018.

In EUR thousand	Oliver Samwer Entry date July 1, 2014 2019	Alexander Kudlich Entry date September 1, 2011 2019	Total 2019	Total 2018
Fixed compensation *)	500	500	1000	1,565
Fringe benefits *)	18	23	41	51
Non-cash compensation (in 2019 expense, in 2018 income from reversal)	0	6,835	6,835	-3,322
One-year variable compensation	-	-	-	-
Total short-term compensation	**518**	**7,358**	**7,876**	**-1,706**
Multi-year variable compensation (share-based payments)	1,156	2,852	4,009	3,751
Service cost	-	-	-	-
Expenses in the reporting period – Total	**1,674**	**10,210**	**11,885**	**2,045**

*) Cash flow during the reporting period

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 2019 and 2018, the remuneration was as follows:

In EUR thousand	2019	2018
Prof. Dr. Marcus Englert	125	103
Prof. Dr. Joachim Schindler	75	64
Norbert Lang	50	39
Pierre Louette	50	39
Prof. Dr. h.c. Roland Berger (till June 8, 2018)	-	11
Stefan Krause (till June 8, 2018)	-	11
Daniel Shinar ((till June 8, 2018)	-	11
Christopher H. Young ((till June 8, 2018)	-	11
Total fixed annual remuneration	**300**	**289**
Out-of-pocket expenses	20	33
Expenses in the reporting period – Total	**320**	**322**

9. Dependent Company Report

In compliance with Sec. 312 AktG, the Management Board declares that the company received adequate consideration (quid pro quo) for all legal transactions listed in the report on relations with affiliated companies in the light of the circumstances known at the time when such transactions were concluded. During the relevant reporting period, there were no measures which would have been under reporting obligation.

10. Corporate Governance Statement

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

Berlin, March 31, 2020

The Management Board

Oliver Samwer

Soheil Mirpour

Independent auditor's report

To Rocket Internet SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Rocket Internet SE, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Rocket Internet SE, which has been combined with the management report of the Company for the fiscal year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance, which is published on a website cited in the group management report and is a component of the management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019 and of its financial performance for the fiscal year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

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

Basis for the opinions

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

Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Recognition and classification of company shares

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

The purpose of Rocket Internet SE comprises the founding of and investing in shares in companies as well as holding and subsequently selling company shares. This results in regular changes in criteria relevant to decision-making for the classification of company shares, in particular due to dilutive effects, arrangements concerning the exercise of voting rights and share sales.

As criteria relevant to decision-making for the recognition and classification of equity investments, Rocket Internet's executive directors consider in particular shareholdings, voting rights, representation on management and supervisory boards, arrangements concerning voting rights, information and notification rights, transactions requiring approval, provision of major services and other rights from other contractual arrangements. After considering these criteria, the executive directors decide whether the companies are included in accordance with the principles of full consolidation, as a joint venture, as an associate or as a financial investment.

As the assessment of criteria relevant to decision-making is partly dependent on the executive directors' judgment, considers a number of different criteria and the accounting consequences have a material impact on the consolidated financial statements, we determined the recognition and classification of company shares to be a key audit matter.

Auditor's response

As part of our audit, we analyzed the process regarding the recognition and classification of company shares implemented by the executive directors of Rocket Internet SE and gained an understanding of the process steps.

We verified the accounting treatment of the company shares implemented by the executive directors using a sample selected according to risk factors. In this connection, we reviewed all documents relevant in this context, such as articles of association and bylaws, purchase and service agreements as well as meeting minutes and shareholder agreements.

Our audit procedures did not lead to any reservations relating to the recognition and classification of company shares.

Reference to related disclosures

For information on the accounting policies applied, we refer to the disclosures in the notes to the consolidated financial statements in note 2 (Basis of Preparation) and note 3 (Summary of Significant Accounting Policies).

2. Calculation of fair values of company shares and loan receivables

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

Rocket Internet determines the fair values of company shares and loan receivables as of the reporting date. The fair values are used in the measurement of financial investments and associates recognized at fair value. They are also used to review the impairment of shares in associates and joint ventures accounted for using the equity method as well as of loan receivables.

Rocket Internet SE initially determines the fair values using quoted market prices or recent market transactions. If this information is not available, fair values are determined using valuation models based on the Company's business plans for a multi-year period. The executive directors of Rocket Internet SE 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.

The fair values have a material impact on the measurement of financial investments, loan receivables as well as shares in associates and joint ventures in the consolidated financial statements as of 31 December 2019. Against the background of the material significance, the complexity of the valuation models as well as the judgment-based assumptions made by the executive directors, we consider the calculation of fair values of company shares and loan receivables to be a key audit matter.

Auditor's response

In our audit, we analyzed the process implemented by the executive directors of Rocket Internet SE as well as the recognition and measurement policies applied in calculating the fair value of shares and loan receivables and gained an understanding of the process steps. We assessed whether the specific measurement principles in the internal fair value policy were consistent with the relevant IFRSs and examined their implementation by the executive directors of Rocket Internet SE.

We analyzed the forecasts underlying the valuation by comparing them against the actual results achieved in the past and the current development of business figures. We obtained an understanding of the significant assumptions underlying the growth and business performance forecasts through detailed discussions with the executive directors of Rocket Internet SE.

We assessed the other significant valuation assumptions used by the executive directors, such as discount rates or growth rates, with the support of internal valuation experts on the basis of an analysis of market indicators. As even small changes in the discount rate can have a material effect on fair value, we analyzed the inputs used to determine the discount rates and compared these with the general market information available. We reviewed the sensitivity analyses prepared by the executive directors to assess the risk of impairment from changes in significant valuation assumptions. We also checked the mathematical accuracy of the valuation model.

Our audit procedures did not lead to any reservations relating to the calculation of fair values of company shares and loan receivables.

Reference to related disclosures

For information on the recognition and measurement policies applied, we refer to the disclosures in the notes to the consolidated financial statements in note 2 (Basis of Preparation) and note 3 (Summary of Significant Accounting Policies).

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises in particular the corporate governance statement pursuant to Sec. 289f HGB, the responsibility statement in accordance with section 297 (2) sentence 4 HGB, the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG, the report of the Supervisory Board in accordance with section 171 (2) AktG, and the other parts of the annual report. We received a version of the other information before issuing this auditor's report.
Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

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

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

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

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group

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

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

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

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

Other legal and regulatory requirements

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

We were elected as group auditor by the annual general meeting on 6 June 2019. We were engaged by the Supervisory Board on 18 September 2019. We have been the group auditor of Rocket Internet SE without interruption since fiscal year 2013.

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

German Public Auditor responsible for the engagement

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

Berlin, 31 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Responsibility Statement

Pursuant to Secs. 297 (2), 315 (1) HGB 2019

Rocket Internet SE, Berlin

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report (management report for the Group and parent Company) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, March 31, 2020

The Management Board

Oliver Samwer

Soheil Mirpour

About this Document

This document is a part of the Consolidated Annual Financial Report pursuant to Sec. 51 of the Exchange Rules for the Frankfurt Stock Exchange. The Consolidated Annual Financial Report was prepared on March 31, 2020 (editorial deadline) and submitted for publication on April 2, 2020 (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 International Financial Reporting Standards (IFRS) as adopted by the EU. Furthermore, this document includes in IFRS 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 Group as presented in accordance with IFRS. 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.

Imprint

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