VAPIANO®

PASTA | PIZZA | BAR

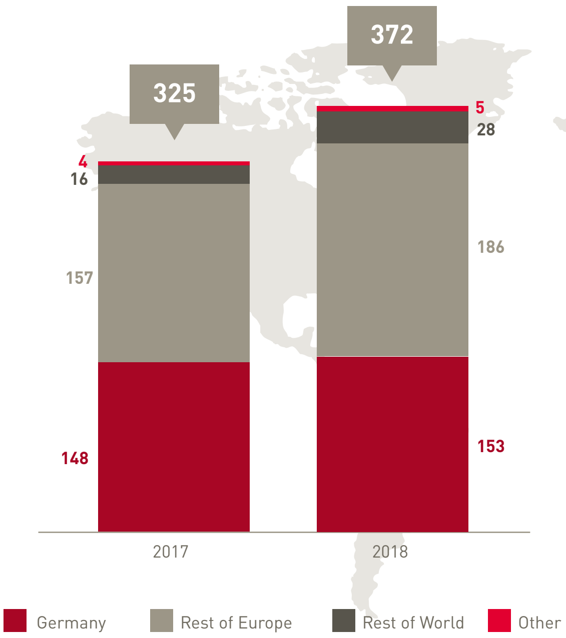
ANNUAL REPORT 2018

KEY FINANCIALS

in EUR million	2018	2017	Change
System sales (corporate, joint venture and franchise restaurants)	532.6	497.8	7.0%
Net sales (corporate and joint venture restaurants)	371.5	324.7	14.4%
Like-for-like sales	-1.0%	4.8%	
Average receipt per guest (EUR)	11.8	11.2	5.4%
Adjusted EBITDA	29.0	38.8	-25.3%
Adjusted EBITDA margin	7.8%	11.9%	
Reported EBITDA	-5.4	15.8	>-100%
Reported EBITDA margin	-1.5%	4.9%	
Adjusted net earnings	-12.9	3.2	>-100%
Adjusted earnings per share (in EUR)	-0.49	0.14	>-100%
Reported net earnings	-101.0	-29.6	>-100%
Reported earnings per share (in EUR)	-3.83	-1.25	>-100%
Cash flow from operating activities before taxes and interest	9.3	20.7	-55.1%
Tangible and intangible assets	63.8	73.0	-12.6%
Investments for acquisitions (less acquired cash and cash equivalents)	0.3	5.0	-94.0%
Cash flow from investing activities	-65.8	-78.5	16.2%
Cash flow from financing activities	78.4	70.9	10.6%

in EUR million	12/31/2018	12/31/2017	Change
Total assets	353.5	350.3	0.9%
Equity	46.9	131.1	-64.2%
Equity ratio in %	13.3%	37.4%	
Net debt	173.7	116.2	49.5%
Net debt/adjusted EBITDA (in years)	6.6	3.0	>100%
Number of restaurants	231	205	12.7%

Net sales by segment in EUR million



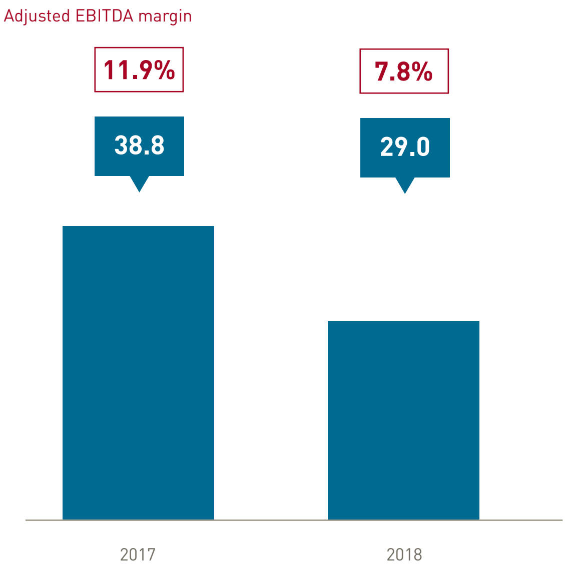
+14.4%

Net sales

-1.0%

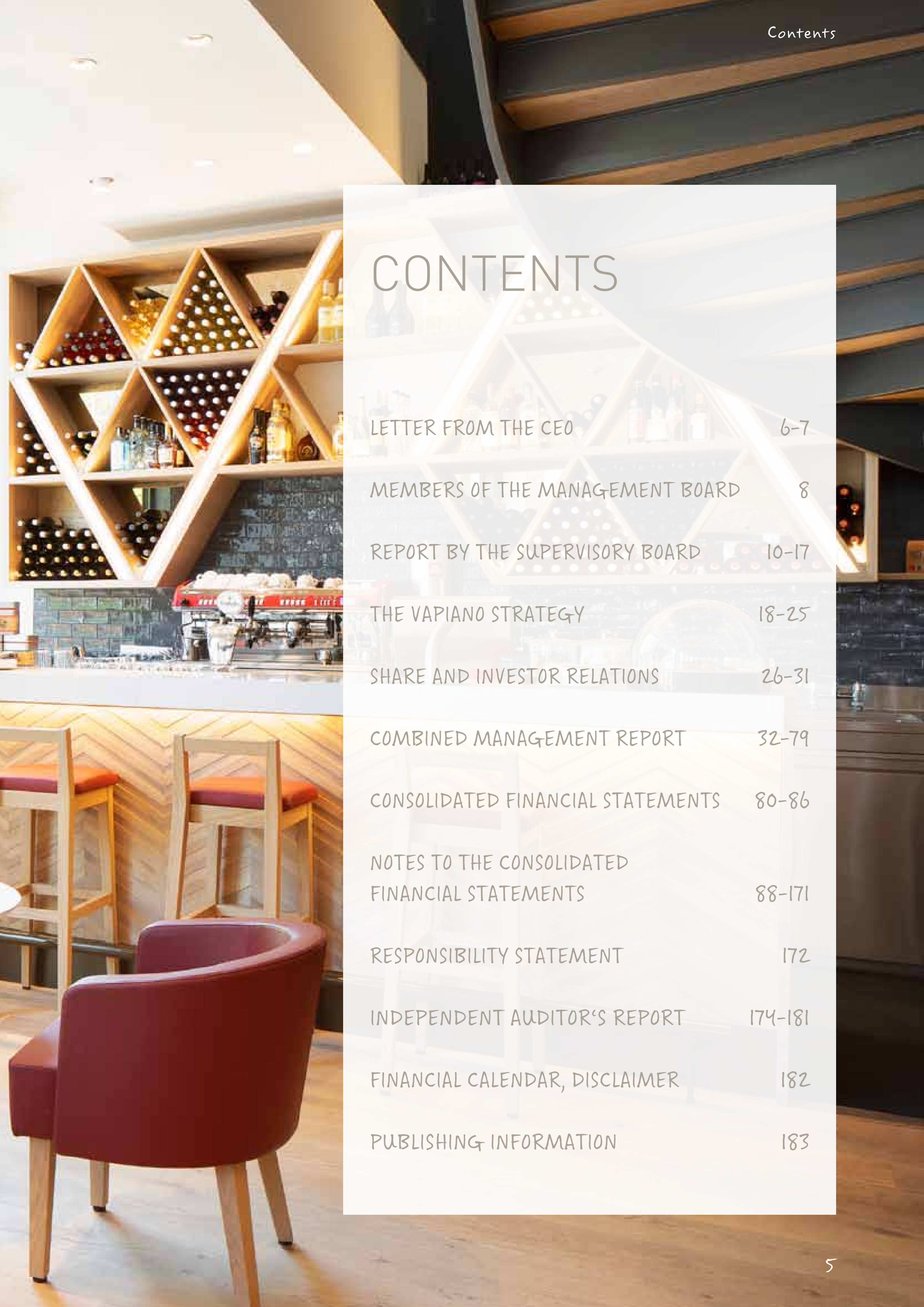
Like-for-Like sales

Adjusted EBITDA in EUR million



-25.3%

Adjusted EBITDA



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LETTER FROM THE CEO

Cornelius Everke
Chief Executive Officer

Dear Shareholders, dear Guests, dear Vapianisti,

2018 was a challenging year for Vapiano. After a positive start to the year, the second and third quarters were particularly disappointing for our company. This was due in particular to the decline in like-for-like sales in our European core markets and the unscheduled development of some newly opened restaurants. This trend also continued in the fourth quarter. The accelerated expansion, following. the IPO in June 2017, and declining developments in parts of our core markets caused our profitability to fall short of plan. Despite the continuing high level of brand awareness, we recorded a decline in visitor numbers to our existing restaurants. For this reason, we significantly adjusted our strategy in the fourth quarter in close coordination with the Supervisory Board. The overall goal is sustainable profitable growth with a simultaneous focus on an optimized guest experience. To this end, we have begun to fundamentally adjust our entire business model and, in particular, to reduce complexity. Accordingly, we regard the current 2019 fiscal year as a strategic transition year.

In the 2018 fiscal year, we increased our consolidated sales by around 14% from EUR 324.7 million to EUR 371.5 million due to a combination of new restaurant openings and acquisitions in Australia. On a like-for-like basis, however, sales were down 1% year-on-year. Our adjusted EBITDA declined from EUR 38.8 million in the previous year to EUR 29.0 million due to the negative developments in the fiscal year. The adjusted EBITDA margin deteriorated accordingly from 11.9% to 7.8%.

In 2018, Vapiano opened 32 further restaurants, thus operating 231 restaurants in 33 countries by the end of the year.

Based on the current development of the economic environment and the new accentuation of our strategy, we anticipate a slight increase in sales between EUR 390 million and EUR 420 million and a decline in adjusted

EBITDA from EUR 20 million to EUR 25 million in the current 2019 fiscal year. Thus, we expect a negative like-for-like in our transition year 2019.

On behalf of the Executive Board, I would like to thank you for your confidence in Vapiano SE and remain with warmest regards,

Your
Cornelius Everke

MEMBERS OF THE MANAGEMENT BOARD

Cornelius Everke, CEO & Chairman of the Management Board

Born in 1964, Cornelius Everke has been a member of the Management Board since May 2018. Since 1 December 2018, he has been Chairman of the Management Board of Vapiano SE.

Cornelius Everke began his professional career in 1987 at Steigenberger Hotels in Constance. After he completed his training in hotel management, he worked for five years in a variety of management positions at the Omni Hotel Group in New York and at the Mandarin Oriental Hotel in Hong Kong. This was followed by positions as Operations Manager at Warner Bros. Movie World and as COO at the VW Autostadt in Wolfsburg. From 2002 to 2008, Cornelius Everke was Managing Director of Starbucks and responsible for the development and management of the German business. He subsequently moved to the British SSP Group. During his ten-year stint at the globally active travel catering company, he worked initially as director on restructuring and refinancing the German business before taking over the responsibility for the DACH region in 2012. Beginning in 2014, as CEO Central Europe, he was also responsible for the company's profitable growth in France, Holland and Belgium and, as a member of the international Management Board, was significantly involved in the IPO of SSP Group plc. in the same year.

Cornelius Everke has been appointed to the Management Board of Vapiano SE until June 30, 2021.

Lutz Scharpe, CFO

Born in 1969 and a member of the Management Board since December 2015.

Lutz Scharpe studied business management at Bayreuth University and began his professional career in 1990 at Commerzbank AG in Düsseldorf, starting out as a banking trainee. Between 1994 and 1997, he participated in a Commerzbank AG trainee program in the area of corporate customer care. In 1998, he worked as corporate finance manager at Mannesmann AG. He was then head of finance at IR.on AG from 2000 to 2003. From 2003 to 2015, he worked in various roles for the Deutsche Lufthansa AG Group, including as Director Controlling Solutions & M&A at LSG Lufthansa Service Holding AG, as Director Merger & Acquisitions for Deutsche Lufthansa AG and as head of finance for Northern and Eastern Europe for LSG-Sky Chefs Denmark AS in Copenhagen. Before joining Vapiano, from 2010 to 2015 he was chief financial officer Europe for LSG Sky Chefs Europe Holdings in London.

Lutz Scharpe has been appointed to the Management Board of Vapiano SE until June 30, 2020.

REPORT BY THE SUPERVISORY BOARD

During the 2018 fiscal year, the Supervisory Board exercised conscientiously and with proper diligence the responsibilities placed upon it by law, corporate charter and company statutes as well as by the German Corporate Governance Code. It supervised the leadership of the Management Board, served in an advisory capacity with respect to the strategic development of the company as well as significant individual business transactions and assured itself of the legality, effectiveness and appropriateness of management activities. The Supervisory Board received regular reports in both written and verbal form concerning the company and group in relation to the organization, the company's business performance, trends in key financial indicators, risk management and compliance as well as on the performance of corporate management and satisfied itself as to the effectiveness of each.

COOPERATION BETWEEN SUPERVISORY BOARD AND MANAGEMENT BOARD

The Management Board provided information to the Supervisory Board on a regular and timely basis with respect to significant developments, the status of Vapiano SE and of the group, corporate planning, basic matters of corporate policy and strategy, investment plans and personnel concerns. It participated in 18 of 25 meetings of the Supervisory Board and provided answers to all Supervisory Board questions. The Supervisory Board was directly involved, in all decisions of significant importance to the company. After thorough consultation on and examination of the documents submitted, the Supervisory Board approved or rejected specific business transactions, where legally required to do so.

Outside of these meetings, the Management Board submitted monthly reports with information on the current status of the business. The chair of the Supervisory Board and the chairs of the committees were in regular written and verbal contact with the Management Board, in particular with the chair of the Management Board, including between meetings of the Supervisory Board, discussed matters relating to strategy, plans for business transactions, the risk situation as well as risk management and compliance, and prepared resolutions for plenary meetings.

THE WORK OF THE SUPERVISORY BOARD

Due to the unsatisfactory business development and several changes in the Supervisory Board and Management Board, the Supervisory Board met a total of 25 times during the 2018 fiscal year. Ten plenary sessions were held, nine sessions were held by phone, six resolutions were passed by way of written circulation. Aside from two excused absences by one member, the Supervisory Board met with all members present.

Key priorities of the supervisory function during the 2018 fiscal year and which therefore constituted a regular part of Supervisory Board meetings included a wide-ranging examination of the business development and the financing and/or liquidity situation of the group, relevant decision-making on expansion plans and capital expenditure, a capital increase from approved capital under exclusion of subscription rights as well as changes to the company Management Board. Furthermore, the Supervisory Board regularly received reports on the status of strategic initiatives and projects. Additional key focus of the meetings of the Supervisory Board can be summarized as follows:

In its meeting of 31.01.2018, the Supervisory Board received reporting on the fourth quarter of 2017 as well as on updates of various strategy projects and the expansion plan for 2018.

In the meeting of 20.02.2018, the Supervisory Board focused on the potential appointment of a Chief Operating Officer (COO) for Vapiano SE, a review of the Management Board compensation in horizontal and vertical comparison as well as Management Board employment contracts.

On 20.03.2018, the Supervisory Board named Cornelius Everke as a new member of the company's Management Board effective from 01.05.2018 and appointed him as COO. Furthermore, the Supervisory Board was updated on the status of the audit for 2017, business performance in the first months of the 2018 fiscal year which reflected a positive like for like trading position. In addition, plans were made for the first regular shareholders meeting following the initial public offering of Vapiano SE.

In its financial meeting of 19.04.2018, the Supervisory Board (after preparations by the Audit Committee) discussed with the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, the group and annual financial statements for Vapiano SE. It obtained information on preparations for the Vapiano SE general shareholders meeting and discussed the draft invitation to the general shareholder meeting and the proposed resolutions included therein. By circular resolution on 23.04.2018 the annual financial statements for Vapiano SE for the year 2017, the group financial statements, the group management report and the report of the Supervisory Board were approved by the Supervisory Board.

In the phone conference on 24.04.2018, the Supervisory Board approved the agenda for the 2018 general shareholders meeting and the proposed resolutions included therein.

On 02.05.2018, the Supervisory Board formed a Nomination Committee by decision of a circular resolution. The Nomination Committee recommends to the Supervisory Board suitable candidates for new Supervisory Board members. The newly formed Nomination Committee was made up of Hinrich Stahl (chair), Dr. Thomas Tochtermann, Helen Jones and Gregor Gerlach.

On 16.05.2018, the Supervisory Board approved a possible purchase of shares in Wedis SG Austria GmbH as an advance resolution. In addition, the Supervisory Board approved the exercise of rental extension options for two restaurants in Munich by circular resolution.

On 05.06.2018, the Supervisory Board was presented with information on results for the first quarter of 2018 as well as April and May and a catalogue of measures to counteract the negative like-for-like development. Further, the Supervisory Board was provided with information on the financing situation and approved adjustments to the loan agreements recommended by the Management Board as well as the proposal to investigate subordinated financing possibilities.

On 03.07.2018, the Supervisory Board reviewed the franchising strategy and revised Guest Journey during its meeting on site at two Berlin restaurants. In addition to the business plan for France, the steps to be taken to counteract the negative business development at new store openings were also discussed.

On 10.07.2018, the Supervisory Board determined to recommend its new member Vanessa Hall for appointment by court order.

In the meeting of 03.09.2018, the Management Board discussed the figures for the first half of 2018 with the Supervisory Board, which were adverse to budget, and possible effects on the capital market communication. Other issues included securing current financing or adherence to the terms underlying the loan agreements. In particular, discussions were held regarding an agreed action plan to support delivery of the revised forecast for the remaining year. In addition, the Supervisory Board discussed the expansion in France of four projects presented, one was approved.

In the telephone conferences of 21.09.2018 and 28.09.2018, the Supervisory Board discussed the financing of the Company.

In the meetings of 15.10.- 16.10.2018, the Supervisory Board reviewed July and August performance and sales development in September. Focus was also directed to improving performance in Sweden, the Netherlands and Germany. Other issues included once again the status of current financing and adherence to the terms underlying the loan agreements as well as the status of implementation of the action plan for complying with the forecast. In their annual strategy meeting the Management Board and Supervisory Board discussed the status of implementation of the current strategy as well as measures to achieve greater franchise growth and reduction in company owned expansion. In this context, the Supervisory Board also approved entering into negotiations regarding the possible sale of the US operations and reducing capital expenditure. Furthermore, the Supervisory Board discussed a market research study of the Vapiano brand and guest feedback.

On 23.10.2018 the Supervisory Board met twice. In the first meeting it approved a capital increase against a cash contribution from authorized capital. In the second meeting, the Supervisory Board approved the issuing price of the capital increase and the change to the articles of association in connection with the capital increase.

On 08.11.2018 the Supervisory Board reviewed the key findings of the preceding „Strategy Day." Market research was reviewed together with an operational improvement plan and an updated organization structure. In addition, a change in the Audit Committee was discussed. Dr. Tochtermann was replaced on the Audit Committee by Vanessa Hall.

On 18.11.2018, the Supervisory Board approved a consultancy agreement with Maryland GmbH for the support of restaurant benchmarking and market positioning by Maryland GmbH. The fee was capped at a maximum €100,000.

On 26.11.2018, the Supervisory Board discussed by telephone a potential change in the organizational structure for Vapiano SE as well as the composition at Management Board level.

On 30.11.2018, the Supervisory Board accepted the resignation of Mr. Jochen Halfmann as Chairman of the Management Board and approved a termination agreement with Mr. Halfmann. Furthermore, it named Mr. Cornelius Everke as new Chairman of the Management Board and after reviewing the sufficiency of his compensation approved an adjustment of his Management Board contract.

In the meeting on 03.12.2018, the Supervisory Board was provided with an update of the current trading in October and November, specific country updates, as well as the status of the financing negotiations. The closure of three restaurants was discussed and agreed to progress for final approval. Key considerations for budget planning in 2019 were presented.

In the meeting of 11.12.2018, budget planning for 2019 was presented and thoroughly discussed. An update on the status of the possible sale of US operations was provided. Approval was given for the closure of one site.

On 31.12.2018, the Supervisory Board approved the sale of the US operations and the signing of a sales and purchase agreement regarding the sale of shares of Vapiano Holding USA LLC.

SUPERVISORY BOARD COMMITTEES AND REPORT ON WORK PERFORMED BY THE COMMITTEES

The Supervisory Board established a Personnel Committee, an Audit Committee and a Nomination Committee which, as of 31.12.2018, consisted of the following members: Members of the Personnel Committee: Hinrich Stahl (chair), Vanessa Hall and Gregor Gerlach. Effective 31.01.2019 Vanessa Hall replaced Dr. Thomas Tochtermann in the Personnel Committee. The members of the Audit Committee: Kristian Wettling (chair), Helen Jones and Dr. Tochtermann. On 08.11.2018 Vanessa Hall took over the seat of Dr. Thomas Tochtermann. The members of the Nominating Committee were Hinrich Stahl (chair), Dr. Thomas Tochtermann, Helen Jones and Gregor Gerlach. The Nomination Committee was dissolved on 15.03.2019. The duties of this committee were taken over as from that time by the Personnel Committee.

The primary responsibility of these committees is to prepare decisions and topics for plenary sessions. The Supervisory Board delegates tasks to the committees to the extent allowed by law. The Supervisory Board receives reports on a regular basis regarding the work of each respective committee.

In 2018 the audit committee held four regular meetings and four meetings were conducted by phone. The committee dealt in particular with all issues relating to the audit of the statutory annual financial statements of Vapiano SE and the group financial statements, along with the group management report and the sustainability report. The auditor reported to the committee that there were no circumstances that would give cause to doubt the auditor's independence; furthermore, the committee reviewed the auditor's qualifications and agreed the audit fees. In addition, the audit committee performed with proper diligence its duty of monitoring the accounting and financial reporting process, the effectiveness of the internal control system, risk management, internal auditing, and also discussed financing and IT matters.

The Personnel Committee held three regular meetings and one by phone in 2018. The committee prepared and made resolutions on all subjects conferred upon it in line with their competences by the Supervisory Board. Specifically, the committee orchestrated the search for a COO, agreements on objectives for the Management Board and for the directors for 2017 and 2018, discussed a personnel strategy and the organizational structure of the Company.

The Nomination Committee was formed in 2018 and held three meetings. The Nomination Committee selected and interviewed candidates for the vacancy on the Supervisory Board following the departure of Dr. Fischer and subsequently provided the Supervisory Board with recommendations regarding suitable candidates for this position.

CONFLICTS OF INTEREST

Conflicts of interest on the part of members of Management and Supervisory Boards did not arise during the reporting period.

AUDIT OF ANNUAL AND GROUP FINANCIAL STATEMENTS

The auditor appointed by the general shareholders meeting on 6 June 2018 to audit the financial statements for the 2018 fiscal year, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, conducted an audit of the annual financial statements and the summarized management report for Vapiano SE for fiscal year 2018 prepared by the Management Board as per the rules set forth in the Commercial Code (HGB).

The group financial statements and accompanying summarized group management report for fiscal 2018 was prepared pursuant to 315(a) of the Commercial Code on the basis of the International Financial Reporting Standards (IFRS). The statutory annual financial statements and the consolidated financial statements along with the summarized management report were each approved without reservation by the auditor. The auditor further determined that the Management Board has generally established an appropriate information and monitoring system, which in terms of its design and use is suited to identify in a timely manner developments that could pose a threat to the continued existence of the company.

The audit areas of focus stipulated by the Supervisory Board for fiscal 2018 were to review incoming cash and/or non-cash receipts by the restaurants, including receipts by Vapiano SE through external third-party supply services. Another audit area of focus stipulated was the review and evaluation of the adequacy of the internal control system for preventing cases of fraud in the restaurant.

The documentation pertaining to the financial statements and the auditing reports by the auditor for fiscal year 2018 were each forwarded to the Supervisory Board members immediately following their preparation and review and were thoroughly discussed and examined by the Audit Committee and the Supervisory Board as a whole. The Management Board presented the documents in the meeting of the Audit Committee on 23.04.2019 and in the meeting of the whole of the Supervisory Board on 25.04.2019 and on 14.06.2019, and they were subsequently discussed in depth in the committee and in the plenary session. Representatives of the auditor were present at the meetings on 22.05.2019 and 17.06.2019 and reported on the scope, main points and main results of the audit. The auditor's representatives provided information in particular on determinations regarding key audit matters, on the internal control system as well as on the risk management system and were available to answer questions from Supervisory Board members. Lastly, the auditors also reported on the nature and scope of other non-audit services provided. Following discussion and review by the Supervisory Board of the annual and group financial statements and the summarized group management report, no objections were raised, therefore the Supervisory Board followed the recommendation of the Audit Committee and approved the auditor's findings without reservation. The Supervisory Board approved the statutory annual financial statements and consolidated financial statements and the summarized group Management Report of 31 December 2018 prepared by the Management Board and approved on 17 June 2019. The statutory annual financial statements of 31 December 2018 is therefore adopted.

CORPORATE GOVERNANCE

The annual statement of compliance with the German Corporate Governance Code per § 161 of the Stock Corporation Act (Aktiengesetz (AktG)) was prepared and discussed in the Audit Committee meeting on 23 April 2019 in cooperation with the Management Board and adopted by the Supervisory Board in its meeting on 17 June 2019. The current statement of compliance and prior year statements of compliance are permanently available to the public on the Vapiano SE website at http://ir.vapiano.com. The current statement of compliance as well as further information on corporate governance are also available in the corporate governance section of the summarized management report. The Management Board and the Supervisory Board each prepared a separate report on the topic of corporate governance.

The report prepared by the Management Board per § 312 of the Stock Corporation Act (AktG) on the relationship of the company to affiliated companies (dependency report) was reviewed by the PwC. The auditor issued the following opinion on the report on 23 April 2019:

After a dutiful review and assessment, it was confirmed that:

1. The factual descriptions of the report are correct
2. Payments made by the company for transactions described in the report are not unreasonably high.

The draft of the dependency report was forwarded in a timely manner to the members of the Audit Committee together with the other financial statement documents and drafts of the audit report. During this meeting, the audit committee focused in depth on the draft dependency report and acknowledged the report by the auditor, who provided information on the key findings of his audit and was available to take questions. After conducting its own careful review, the Audit Committee had no objections to the dependency report. Lastly, the completed dependency report was forwarded in a timely manner to the members of the Supervisory Board on 23.04.2019 for their review prior to the accounts meeting on 25.04.2019. The auditor also participated in the discussions regarding the report that took place during the Audit Committee meeting on 23.04.2019 and reported on the key findings of the audit. In addition, the chair of the Audit Committee reported on the review of the dependency report by the Audit Committee. Taking into account the findings of the auditor and the Audit Committee, the Supervisory Board submitted the dependency report to a thorough examination in terms of completeness and accuracy, approved the auditor's findings and reached the conclusion that it had no objections to the statement of the Management Board included at the end of the report on the relationship to affiliated companies.

STAFFING OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

On 20.03.2018, Cornelius Everke was named as a new member of the company's Management Board effective 01.05.2018 and was appointed as COO.

Dr. Fischer left the Supervisory Board due to his resignation on 30.06.2018. Subsequently on 10.07.2018, the Supervisory Board determined to recommend Ms. Vanessa Hall for appointment by court order.

With effect from 30.11.2018, Jochen Halfmann resigned from his board position of Chief Executive Officer of Vapiano SE and the Supervisory Board appointed Cornelius Everke as the new CEO Vapiano SE with effect as from 01.12.2018. Jochen Halfmann has been a member of the company's Management Board since June of 2015 and served as its chair since September 2015.

On 02.01.2019, Dr. Thomas Tochtermann relinquished his office as Chairman of the Supervisory Board for Vapiano SE with effect from 31.01.2019 for personal reasons. He was a member of the company's Supervisory Board since January 2016. In its meeting of 29.01.2019, the Supervisory Board elected Vanessa Hall as new Chairman of the Supervisory Board with effect as from 01.02.2019. Since that time the Supervisory Board has consisted of five members. No former members of the company's Management Board are members of the Supervisory Board.

The Supervisory Board wishes to thank the Management Board as well as the employees for their commitment in 2018.

London, 17 June 2019

For the Supervisory Board

Vanessa Hall
(Chair)

Vapiano in transition

Focus on profita

Strategy 2017 – 2018
Focus on growth

Geographical focus
Globale Expansion

Business model
Focus on Corporate Markets & Corporate Restaurants

Operations
Focus on rapid growth, innovation and product expansion

Investments
Digitization, take away & delivery

strategic phase – ble growth

Strategy 2019 – 2022
Focus on profitability

Geographical focus
Focus on European core markets, Germany, Austria, France, Sweden and the Netherlands

Business model
Growth through franchising and joint ventures in European core markets

Divestment or franchising in markets outside Europe

Operations
Focus on operational excellence and customer satisfaction

Investments
Stabilization of IT and only selective expansion of take away & delivery

Back to the roots of fast casual Italian dining

Vapiano is ...

... „Italian Fast Casual Dining"

... „a strong brand with 77% brand awareness“

... „Dining in a pleasant atmosphere with friends and family“


IANO

Future focus on 231 restaurants

32 new openi

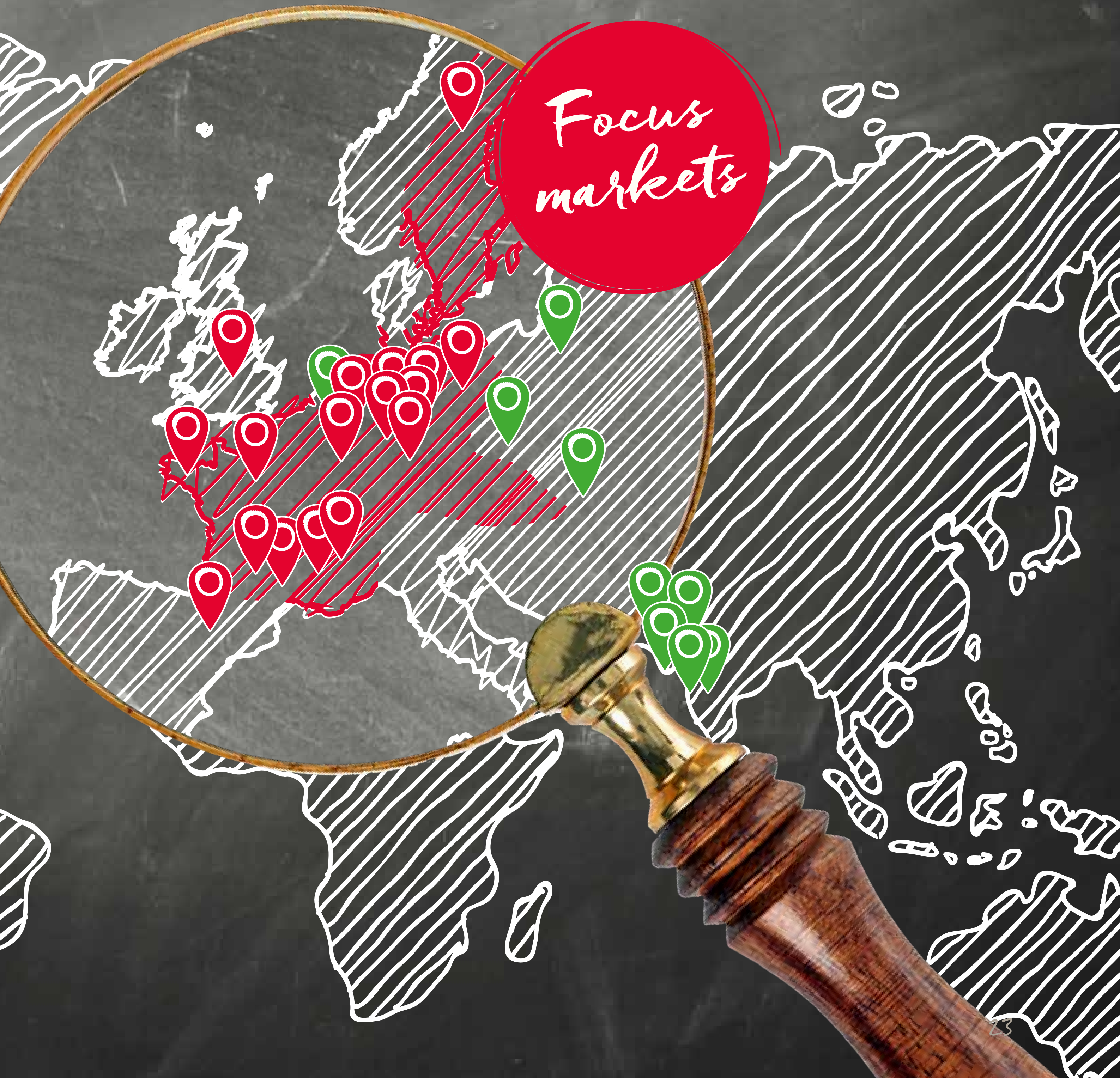
141
Corporate / JV Restaurants

90
Franchise Restaurants

core markets

in 33 countries

ngs in 2018



Vapianos future goals

Sustainable and focused expansion

Increase of operational excellence and focus on the guest experience

Reduction of complexity

Focus on the Italian roots of "Fast Casual Dining"


VAPIANO®
PASTA | PIZZA | BAR
VAPIANO
VAPIANO

SHARE AND INVESTOR RELATIONS

The Vapiano SE share has been listed on the Prime Standard of the Frankfurt Stock Exchange since June 27, 2017. Vapiano understands the capital market and its players – shareholders, institutional and private investors, banks, and brokers – as equal partners. The goal of investor relations activities is to raise Vapiano's visibility and to consolidate and develop the perception of the Vapiano share as a growth stock. To achieve this, the Management Board and the Investor Relations department communicate Vapiano's development and strategic alignment continuously, reliably and transparently. The aim is to strengthen investor confidence in the share and to achieve a realistic and fair valuation of the share in the capital market.

LESS ENCOURAGING SHARE PRICE PERFORMANCE IN 2018

At the beginning of 2018, the signs on the international stock markets continued to point to growth and the Vapiano share reached a new high of EUR 24.80 on January 5, 2018. In subsequent months, political risks, such as the escalation of the trade conflict between the USA and China and the approach of Brexit in 2019, led to a price adjustment and overall, to increased fluctuations in share prices, particularly in small caps. The Vapiano share was not immune to this development and closed at EUR 20.25 at the end of June 2018.

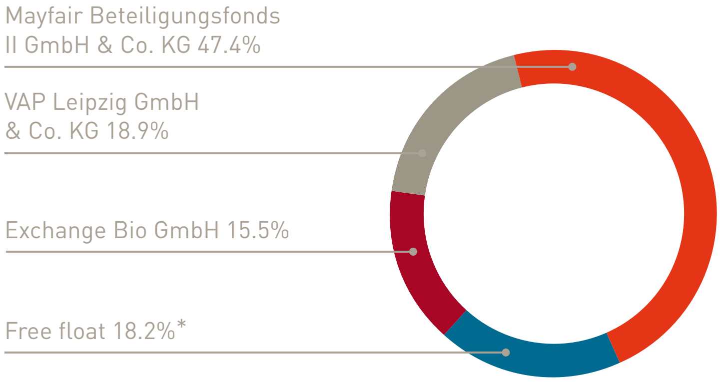
From September onwards, the share came under even more pressure following the adjustment of the forecast for the 2018 financial year, and at the end of September 2018 it stood at just EUR 8.82. The capital increase in October at an issue price of EUR 10.00 for the new shares, which was significantly higher than the share price at that time, could do little to change this. In late November 2018, the company once again adjusted its forecast for the 2018 financial year, resulting in further share price declines.

On the last day of trading in 2018 (December 28, 2018), the Vapiano share closed at EUR 5.85, ending the year with a loss of around 75%. The share's performance was therefore significantly lower than the benchmark index SDAX®, which saw a loss of around 20% in the same period.

CAPITAL INCREASE AND CURRENT SHAREHOLDER STRUCTURE

On October 23, 2018, Vapiano SE decided to carry out a cash capital increase of EUR 2,033,418.00, excluding shareholders' subscription rights. For this purpose, 2,033,418 new bearer shares were issued. The shares were offered as part of an accelerated book building process at a price of EUR 10.00 and were acquired in full by the anchor investors – Mayfair Beteiligungsfonds II GmbH & Co. KG, VAP Leipzig GmbH & Co. KG and Exchange Bio GmbH. As a result, the company's share capital now amounts to EUR 26,063,251.00.

Following the capital increase, the current shareholder structure is as follows:



* Includes shares of management

The current shareholder structure can also be viewed at http://ir.vapiano.com.

At the end of 2018, institutional investors held almost 100% of Vapiano shares; only a few shares were held by private investors. In regional terms, more than 85% of shareholders are based in Germany and the rest in other European countries, predominantly in the United Kingdom.

TRADING VOLUME AND MARKET CAPITALIZATION

Vapiano shares are traded almost exclusively on the electronic trading system Xetra. The average daily turnover traded on the system in 2018 was around 26,800 shares per day. On peak days, more than 200,000 shares changed hands.

At the end of 2018, the Vapiano share had a market capitalization of EUR 152 million.

INTENSIVE DIALOG WITH THE CAPITAL MARKET

Vapiano SE carries out active investor relations work. As part of this work, the Management Board explained the company's business development in detail in four teleconferences. In addition, the Management Board and the investor relations team informed existing and potential investors at several roadshows and investor conferences at all major European and US financial centers and in individual discussions about the current business development and Vapiano's strategic alignment.

On June 12, 2018, the first Vapiano SE Annual General Meeting was held in Cologne, Germany, with around 92% of the share capital represented. Shareholders approved the individual resolutions proposed on the agenda with a clear majority of at least 87% of the votes represented.

Shareholders can obtain information on Vapiano's business development online at any time. Current corporate news, the annual and quarterly financial statements, analysts' appraisals, presentations, and a regularly updated financial calendar are available at http://ir.vapiano.com in both German and English.

In the course of the 2018 financial year, an additional investment house was acquired to publish regular studies and comments (research coverage) on the Vapiano share. Six international investment firms are now publishing regular analyses on the current development of the company and issuing recommendations. The investment recommendations are mixed. At the end of December 2018, one of the six analysts was recommending buying Vapiano shares, four of the recommendations were "hold", and there was one "sell" recommendation.

Barclays	Hold
Berenberg Bank	Hold
Jefferies	Hold
Kepler Cheuvreux	Hold
Pareto Securities	Buy
Royal Bank of Canada	Sell

KEY DATA ON THE VAPIANO SHARE

Share class	Ordinary bearer shares with no nominal value (no-par-value shares)
ISIN	DE000A0WMNK9
WKN	A0WMNK
Ticker symbol	VAO
Stock markets	Frankfurt, XETRA, Düsseldorf, Berlin, Munich, Stuttgart, Tradegate
Primary exchange	XETRA
Initial listing	June 27, 2017
Designated sponsors	Joh. Berenberg, Gossler & Co. KG, Pareto Securities AS, Oddo Seydler Bank AG

THE VAPIANO SHARE ON THE MARKET IN 2018

Shares issued as of the balance sheet date	number of shares	26,063,251
Share capital	in EUR	26,063,251.00
Highest market price (Xetra closing price)	in EUR	24.80 (01/05/2018)
Lowest market price (Xetra closing price)	in EUR	5.57 (12/14/2018)
Price at financial year-end (Xetra closing price)	in EUR	5.85
Free float at financial year-end	approx.	18.20%
Market capitalization at financial year-end	in EUR	152,470,018.35
Average trading volume per day	approx. number of shares	26,800

COMBINED MANAGEMENT REPORT FOR FINANCIAL YEAR 2018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During 2018 fiscal year, the Vapiano Group prepared its first summary management report for the group and for the parent company, Vapiano SE. The backdrop for this relate to the operational business activities of Vapiano SE, which correspond to the other companies in the group with respect to opportunity and risk analysis. In addition, SE bundles together the principal financing activities in the corporate group as well as other business activities so that the opportunities and risks of the group and of Vapiano SE are essential the same.

1. Principles of the Group

1.1. BUSINESS MODEL

Vapiano is a restaurant chain in the system catering's so-called Fast Casual Dining (FCD) segment, offering Italian dishes with fresh ingredients in a stylish setting. As of the reporting date, 231 restaurants in 33 countries were operating under the Vapiano brand.

Vapiano offers its guests a wide selection of high-quality dishes, freshly prepared in front of the guests. The restaurants have a pleasant atmosphere, a unique design and high-quality furnishings. The furnishing concept is based on the design and color concept of the Milan-based designer and architect, Matteo Thun, and is renewed at regular intervals in order to continuously optimize the guests' dining experience. Each restaurant has a bar offering coffee specialties, wines, spirits and non-alcoholic beverages. Throughout the day, a typical Vapiano restaurant transforms from a busy lunchtime restaurant into a relaxed afternoon coffee lounge, then into an attractive evening diner, and finally into a late evening bar.

Depending on the particularities of each market, Vapiano operates its restaurants with a mix of three operating models: corporate restaurants, joint venture restaurants and franchise restaurants. These three operating models give Vapiano the strategic flexibility to enter new markets and adequately develop existing markets (an overview of the restaurants of each operating model can be found later in this section).

Corporate restaurants are the restaurants operated by Vapiano SE and its wholly-owned subsidiaries. Restaurants in which the Vapiano Group has a share of less than 100% are referred to as joint venture restaurants.

The corporate and joint venture restaurants are operated by corresponding state companies in which Vapiano SE directly or indirectly holds a majority interest. These companies operate their restaurants almost exclusively in the country in which their headquarters are located. The only exceptions are Vapiano SE, which also operates a restaurant in Austria, and a company based in France, which operates two restaurants in Luxembourg. Vapiano also uses different formats such as Mini Vapiano, Freestander or the so-called Vapiano 3.0 to address specific location requirements. The Mini Vapiano is a smaller restaurant with an area of up to 400 square meters and open kitchens, which have been introduced at three locations to date. Freestanders are larger free-standing restaurants which operates at prominent traffic junctions outside city centers (currently in Fürth and Toulouse).

The Vapiano 3.0 is a new concept that has most recently been introduced in Berlin and previously in Vienna, Budapest and Utrecht. The evolution of the Vapiano concept is a major reorientation of the guest journey: the guest is offered a synchronized preparation of all dishes while eliminating waiting times at the cooking stations. Vapiano remains true to the classic values of freshness and transparency and offers an open-show kitchen. The guest chooses to order using the method which is most preferable to them – via a mobile app, a digital OrderPoint (kiosk) or by placing a personal order at one of the Vapianisti. During the preparation, the guest, especially in company or groups, can choose his table freely. There he is informed via a pager or his smartphone about the complete preparation of his order.

Franchise restaurants are restaurants operated by franchise partners and are therefore owned by third parties.

Vapiano Franchising SE & Co. KG, Vapiano Franchising International GmbH and other companies charge all restaurant companies a monthly, revenue-based franchise fee for their services.

Vapiano operates its business model globally in 33 countries. Vapiano defines its core markets as Germany, Austria, France, Sweden and the Netherlands. Vapiano is competing in the German market with restaurant concepts such as L'Osteria and Hans im Glück and internationally with Jamie's Italian, Prezzo, Pizza Express, Wagamama and Nando's.

Strategy

Securing sustainable growth and reducing complexity
Vapiano is a recognized brand in the fast casual dining segment aimed at a broad, urban target audience.

In recent years, the company has been focusing on rapid expansion internationally, however this strategy had to undergo critical reevaluation due to the unsatisfactory business development at the end of 2018. As a result, the Management Board, with approval of the Supervisory Board, adopted a strategic action plan that concentrates primarily on continuing to systematically develop the brand core. The goal is to restore Vapiano's relevance and attractiveness and to improve the loyalty of our current clientele.

The following summarizes the primary goals aimed at enhancing Vapiano's competitive advantage and ensuring medium- and long-term stability and profitability. 2019 is considered a transition year.

Goal: Sustainable and targeted expansion

Vapiano has revised his growth strategy. In consequence to this, the pace of growth will be reduced and higher requirements of the location criteria will be implemented consistently. In Europe, the emphasis will be on corporate restaurants and joint venture restaurants in major cities in order to ensure ideal size and location that corresponds with the respective demographic target group. Outside Europe, the franchising segment is to be expanded while seeking to consolidate existing corporate and joint venture markets.

All future investments will be reviewed in order to achieve higher rates of return from newly opened locations, meanwhile investment will be put toward renovating older restaurants.

Going forward, the aim is to also develop smaller formats and enter into new partnerships.

Goal: Increasing operational excellence and focusing on the guest experience

The shared goal of the organization as a whole should be on enhancing guest satisfaction. This involves improving operational processes as a whole and reorganizing the support center. To make this happen, Vapiano is refocusing on its core: fresh and premium-quality Italian cuisine at affordable prices for a broad target audience. Waiting times should be reduced, especially at mid-day, while increasing appeal and atmosphere in the evening hours through targeted marketing measures.

This must be based in particular on improving the processes and procedures in the restaurants as well as the apps and terminal solutions introduced in previous years so as to harmonize the use of digital systems with direct contact with guests. In connection with this, take away will be expanded and home delivery services will be reviewed and modified. Starting immediately, take away and home delivery services will be incorporated only at suitable locations instead of across-the-board at all new locations.

Goal: Strengthening Vapiano's original DNA

Vapiano stands for consistent freshness of all ingredients and Italian fast casual dining in an innovative restaurant format.

According to a market study commissioned in 2018 (Innofact), 85% of those surveyed appreciate Vapiano's uniqueness most of all. The recently introduced "category management" will serve to assist in providing a thoroughgoing assessment of the Vapiano menu so that going forward Vapiano can again place greater focus on Italian cuisine and therefore on typical and consistently popular Vapiano core dishes. In addition, an effort will be made to reduce specials in order to simplify our menu, thereby highlighting the core of Vapiano's DNA.

Targeted innovations of the restaurant format, such as mini and freestanding restaurants as well as Vapiano 3.0 should systematically strengthen the Vapiano DNA along with the guest experience.

Goal: Strengthening Vapiano culture

Our employees together with a stronger focus on guest satisfaction are the basis of any change. This should include, more than anything else, optimizing procedures and reducing complexity. Vapiano already places great importance on efficient operations. Accordingly, Vapiano aims to provide for an improved and more efficient exchange of information between the support center and restaurant operations. Beyond that, the focus is on enhancing individual responsibility in order to direct our joint efforts at the company's shared goal of sustained profitability and to increase the motivation of our employee.

The achievement of these goals should improve the guest experience at Vapiano, reduce costs and make the company sustainably profitable.

Organizational structure of the Group

Legal structure of the Group
Vapiano SE ("Company", "SE") is the parent company of the Vapiano Group ("Vapiano", "Group", "Company"). In addition to operating 22 of its own restaurants in Germany and Austria (previous year: 19 restaurants), the business activities of Vapiano SE also include the management of the Vapiano Group and the further development of the Vapiano concept. The head office is located in Cologne from where Vapiano SE operates its central administrative functions. In addition, it is represented at other locations in Germany and abroad in the form of corporate restaurants or joint ventures. The consolidated companies and the corresponding legal structures are described in detail in Section 1.5. of the Notes to the Consolidated Financial Statements. The franchise business is handled by the subsidiaries Vapiano Franchising SE & Co. KG (based in Schönefeld) and Vapiano Franchising International GmbH (administrative headquarter in Luxembourg).

Changes in the scope of consolidation
The scope of consolidation has changed as follows compared to the previous year:

With effect from April 5, 2018, Vapiano SE acquired a majority (75%) stake in an Australian company whose subsidiaries operate seven restaurants in Australia. The Australian restaurants have been fully consolidated in the consolidated financial statements of Vapiano SE since the date of acquisition.

With effect from December 14, 2018, the two restaurants operated by VAP Darmstadt GmbH, which were also included at equity to date, are now fully consolidated in the consolidated financial statements.

In addition, the scope of consolidation was expanded by nine new companies. In total, the number of fully consolidated Group companies increased to 106 (previous year: 90).

With regard to the effects of these acquisitions and newly established companies on the net assets, financial position and results of operations of the Vapiano Group, reference is made to the explanations in section 2.3. above.

Organizational structure of the restaurant business
With regard to the organizational structure of the restaurant business, there are differences between corporate restaurants, joint venture restaurants and franchise restaurants as described under Section 1.1.

As of December 31, 2018, 231 restaurants worldwide (32 new openings and 6 closures) were operated under the Vapiano brand, including 74 corporate restaurants (previous year: 64), 67 joint venture restaurants (previous year: 54) and 90 franchise restaurants (previous year: 87). These are broken down as follows:

	Corporate	Joint Venture	Franchise	Total
Germany	44	12	25	81
Rest of Europe	23	48	33	104
- United Kingdom	8	-	-	8
- Austria	13	2	1	16
- France	-	24	-	24
- Sweden	-	9	-	9
- Benelux	-	11	2	13
- Other	2	2	30	34
Rest of World	7	7	32	46
- USA	6	-	4	10
- Australia	-	7	-	7
- Other	1	-	28	29
	74	67	90	231

At the end of 2018, a Letter of Intent was signed which provides for the sale of the US business and the future franchisee. The corresponding letter was signed in January 2019, which is referred to in the supplementary report of the Notes.

Employees
Highly motivated and service-oriented employees are one of the most important success factors for Vapiano. In 2018 fiscal year, Vapiano continued to expand its employee recruitment and long-term retention initiatives. The Company strives to hire and retain employees who are communicative and hospitable, who share a passion for performance, who think competitively, who have an entrepreneurial spirit and who run restaurants to high standards. The interests of the Vapiano employees, the “Vapianisti“, are therefore very important to the Company. The human resources department, headed by Vapiano SE, is responsible for recruiting and training new employees, for training and development activities and for providing employment-law support for the sites.

Vapiano employed an annual average of 7,225 people throughout the Group in 2018 (previous year: 6,400 employees). The increase is attributable to the expansion in the years 2017 and 2018. Vapiano SE employed an annual average of 1,281 people (previous year: 1,367 employees).

It is important for Vapiano to reward performance fairly and equitably and to focus on diversity and equal opportunities for all employees. The Company attaches particular importance to gender equality and ethnic, religious, age-related and cultural diversity in line with the broad spectrum of guests. This includes ensuring that no one is discriminated against because of their sexual orientation.

System catering also offers good entry and promotion opportunities for unskilled workers. Vapiano helps refugees with subsidiary status to obtain work permits and acquire the necessary language skills by attending German courses.

Vapiano gives all employees at all locations, no matter in which area or function, the opportunity for further development in order to develop specialists and managers from within the Company, on the one hand, and to reduce the typically high staff turnover in the restaurant business, on the other. As of the balance sheet date, the Company was training 62 trainees and 56 dual students to become system caterers in its Bachelor's degree course.

Vapiano uses a variety of programs for the training and in-service training of its junior staff. The internal training center, the Vapiano Academy, develops and supports Vapianisti from all over the world both professionally and personally under the guidance of professional trainers and instructors. Furthermore, Vapiano issues management qualifications to the young talents in the Company with the help of the Management Training Program GROW. "E-Learning" also enables all employees to take part in digital training courses. The employees will participate in compulsory training to ensure the quality of restaurants with online certifications.

In the year under review, Vapiano further intensified its so-called "Talent Days". Vapiano invited 90 students and trainees to participate in the "Talent Days". Vapiano wants to actively support young talents in developing their career path. In this role, it takes on the role of an agile partner and coach in order to discover outstanding talents at an early stage and develop them further in their careers.

Restaurant management and operation
Each restaurant typically has a restaurant manager, a deputy manager, up to three shift leaders and a number of team members. The Company trains employees in an effort to create and foster a deep understanding of critical restaurant functions. Vapiano has regional managers (each responsible for three to six restaurants) and country directors (each responsible for restaurant operations in a particular country) to lead its restaurant management teams. Vapiano provides an incentive for certain employees by offering a mix of individual and team-based bonus programs that reward service and quality as well as the achievement of financial goals.

Quality management
Vapiano has very high-quality standards and a comprehensive quality management concept. The documentation of the quality assurance measures is carried out by an established auditing software. Furthermore, strict complaint management contributes to quality assurance.

With regard to Vapiano foods, the following quality assurance measures have been implemented:

- Regular food tests based on a detailed sampling plan by external accredited laboratories (e.g., SGS INSTITUT FRESENIUS) and associated performance compensation)

- Regular "Mystery shopping" tests and evaluations by an external partner (ISC) during which quality, service and cleanliness are checked
- Annual review of the HACCP[1] concept and, if necessary, adjustment
- Implementation and logging of daily self-monitoring (including best-before dates, restaurant and personal hygiene) in the HACCP calendar as well as logging these in the HACCP calendar
- Annual update of staff manuals (including hygiene and training) and definition of operational instructions
- Regular training on quality standards and assurance for our employees (including documentation)
- Regular hygiene training and follow-up training according to the Federal Infection Protection Act
- Compliance with the strict safety and quality requirements is a prerequisite for the granting of additional bonus payments.

Procurement
The strategic purchasing department is in charge of contacts with the various suppliers of the Vapiano Group and negotiates conditions with them. In addition, the department supports the development of new products. Operational purchasing (procurement and delivery of purchased goods) is essentially carried out by an external logistics service provider, whose cooperation is regulated in a comprehensive framework agreement, which will be terminated by December 2019 in its present form. The new agreement is expected to be concluded in the second quarter of 2019. When selecting suppliers and dealers, the quality of the food is one of the most important criteria. Vapiano suppliers are randomly inspected annually by the Company, local supervisory authorities or other institutions. This ensures that suppliers comply with all relevant legal requirements and quality criteria imposed by Vapiano. In addition, purchased ingredients are checked regularly to ensure that all quality standards are met.

Investments
The majority of the Group's capital expenditure regularly relates to the opening of new restaurants and the modernization of existing restaurants. The latter are divided into regular replacement investments, which are made during ongoing operations (maintenance CAPEX), and fundamental investments in the renovation of a restaurant (remodeling CAPEX). A restaurant remodeling takes place on average nine years after opening.

As part of the revised corporate strategy, the investment volume for new openings will be significantly reduced. In addition, Vapiano will be separating itself from losing-yield or low-yield restaurants.

Finance Management
Financing is negotiated and secured by the Management Board directly with the respective creditors. The aim of financial management operated by the Treasury department is to plan and monitor the operational and strategic financial requirements of the Group companies. In addition, the Treasury department supports the optimization of financial relationships with customers, suppliers and service providers. It manages the granted securities, such as rental guaranties and letters of patronage. Vapiano collects liquidity surpluses from Group companies through central or regional cash pooling and covers the financing needs of subsidiaries wherever possible through internal loan relationships.

[1] Hazard Analysis and Critical Control Points

In selected cases, Vapiano also uses derivative financial instruments such as currency forwards, interest rate swaps and interest rate caps to reduce interest rate and price risks. These transactions are concluded exclusively via the Group parent company and serve to reduce risk and improve planning reliability.

Marketing
In recent years, Vapiano has focused on building a strong brand image through the use of advertising campaigns and promotions. Guests particularly appreciate the processing of fresh ingredients and in-house production. In addition, 77% of the visitors in Germany found a supported market brand.

All Vapiano restaurants, including the joint venture and franchise restaurants, are aligned with the Company's global brand strategy. Franchise partners are allowed to conduct local marketing campaigns in order to meet the needs of local markets. The company also communicates with its guests via social media such as the Vapiano Facebook or Instagram page, the Vapiano YouTube channel and its Twitter feeds. As of December 31, 2018, the company had 413,100 Facebook followers, 29,200 Instagram followers, and 4,550 followers on Twitter.

Vapiano regularly organizes promotions on seasonal menu specials and highlights, various PR events, direct mailings, social media marketing campaigns, in-restaurant events such as the Vapiano Ladies Night, tastings and regional print advertising. These promotions are aimed at encouraging a quick response from consumers and an immediate increase in guest traffic.

Another marketing tool is the Vapiano Loyalty Program. Vapiano guests can use the program to earn points and enjoy benefits every time they visit. The Vapiano App tells them their points balance and also informs them about current promotions and personal offers. The app also offers the option of convenient cashless payment in the restaurant. At the end of 2018, the Vapiano Loyalty Program and the Vapiano App had approximately 266,000 users.

Vapiano also maintains a "webzine" in local languages in many countries on its website, and a blog with articles on food, lifestyle and personalities, as well as articles announcing special events.

1.2. MANAGEMENT SYSTEM

Group organization and Group management
Vapiano SE has a dual system of Management Board and Supervisory Board.

Mr. Cornelius Everke was appointed COO of the Executive Board as of May 1, 2018. On November 30, 2018, Mr. Jochen Halfmann resigned from his position as Chairman of the Management Board in mutual agreement with the Supervisory Board. Mr. Everke succeeded Mr. Halfmann in his position as Chairman of the Management Board on December 1, 2018. Mr. Lutz Scharpe continues to hold the position of CFO of the Company.

On June 30, 2018, Dr. Ing. Rigbert Fischer resigned his seat on the Supervisory Board. Mrs. Vanessa Hall succeeded him on August 13, 2018. On January 2, 2019, Dr. Thomas Tochtermann announced his resignation as Chairman of the Supervisory Board as of January 31, 2019. At the Supervisory Board meeting on January 29, 2019, Vanessa Hall was elected Chairman of the Supervisory Board with effect from February 1, 2019.

The Management Board is responsible for managing the Company and is advised and supervised by the Supervisory Board. The responsibilities and framework conditions for the work of the Management Board are defined by the Articles of Association and rules of procedure and other Group regulations. The Supervisory Board consists of six elected members. Detailed information on the composition of the Management Board and the Supervisory Board as well as the distribution of responsibilities between them can be found in the combined Corporate Governance Report of Vapiano SE and the Vapiano Group, which was published on the Company‘s website and is therefore a part of this report. The condensed corporate governance statement pursuant to § 289f of the HGB (German Commercial Code) and § 315d of the HGB, including the declaration of compliance pursuant to § 161 of the AktG (German Stock Corporation Act), the description of the working methods of the Management Board and Supervisory Board, as well as information on significant corporate governance practices, are published together with the condensed corporate governance report. The detailed curricula vitae of the members of the Supervisory and Management Boards are published on the Vapiano Group‘s website.

The business activities of the Vapiano Group are divided into the geographical segments of Germany, Rest of Europe, Rest of the World and Other. The segments, which are broken down by geographical region, include both the operational restaurant business and the business from franchise activities. The Other segment mainly comprises the centrally incurred administrative expenses of Vapiano SE and the marketing companies.

The Management Board is kept informed of the Group‘s operating performance on an ongoing basis by means of reports at various levels of detail. The actual data are compared with the target data, deviations analyzed and, if necessary, suitable countermeasures initiated.

Financial and non-financial performance indicators

Vapiano uses financial and non-financial performance indicators to effectively manage business activities and measure the achievement of operational and strategic objectives. The financial performance indicators used are geared to the interests and requirements of the investors and form the basis for value-based corporate management.

The financial performance indicators used to control operating activities are sales revenue, like-for-like growth (LfL), EBITDA and adjusted EBITDA.[2]

Like-for-like growth, and thus sales growth on a like-for-like basis, includes all restaurants that have been open for more than twelve months and have not been closed for more than seven days in the last twelve months and the comparison period.

A performance indicator that is relevant to Vapiano’s management purposes is adjusted EBITDA (earnings before interest, taxes, depreciation and amortization). The adjusted EBITDA reflects the Group’s operating performance, as it includes depreciation and amortization, additional non-operating one-off effects as well as costs for the opening of new restaurants (pre-opening costs).

Non-operational one-time effects include in particular:

- Losses from asset disposals;
- Currency translation effects;
- Expenses due to capital measures;
- Consulting expenses for acquisitions;
- Book value effects from value adjustments and unscheduled write-downs;
- Interest-like expenses (e.g. surety costs);
- One-time effects (e.g. income and expenses for prior periods, consulting expenses in connection with the strategic realignment and the associated financing and reorganization).

[2] Like-for-like growth, EBITDA and adjusted EBITDA are alternative performance indicators that are not defined in International Financial Reporting Standards (IFRS). The definitions can be found in the glossary at the end of the consolidated Management Report.

Further financial performance indicators are the financial covenants agreed in the loan agreements, net debt ratio and net equity. The net debt ratio is calculated from the ratio of net debt to the adjusted EBITDA of the Group, which is calculated on a rolling basis over the previous twelve months. The net equity is calculated from the consolidated equity plus subordinated shareholder loans and less goodwill.

In addition to the financial performance indicators, the development of the number of restaurants is monitored overall and separately for corporate restaurants, joint ventures restaurants and franchise restaurants as a significant non-financial indicator for the management of the Group.

1.3. INNOVATION

Optimization and extension of the guest experience and the product range
Vapiano's top priority is to optimize the guest experience. Here Vapiano focuses on innovation. Guests can order and pay for their meals either at the terminal (in selected restaurants), using the app or the chip card. The identification of market conditions, in particular for the selective installation of take away and home delivery, plays a major role here. Take away and delivery services have been available in 129 restaurants since December 31, 2018.

The Vapiano People App underwent further development in 2018 and this latest version is available in Germany, Austria, Sweden and the UK. In addition to the menu, Vapiano Finder and special offers, guests can check in and check out at the restaurant using their mobile phones, pay for and order anything from the bar as well as have themselves brought to their seats. The self-checkout reduces waiting times at exit area to just a few seconds. Vapiano is currently selectively expanding the use of order terminals.

Furthermore, it is now possible to order products via the Vapiano website or the delivery services.

Simplification of the menu selection
Vapiano is responding to the trend towards health-conscious foods. For example, low-carbohydrate products such as the zucchini noodles “zoodles“ are very popular with guests. Seasonal specials complete the offer. Currently, Vapiano is conducting reviewing its menu based on popularity and will be making changes to its selection of special dishes as well as the set menu. The menu should generally be simplified.

1.4. INFORMATION REQUIRED UNDER TAKEOVER LAW

Share capital (subscribed capital)
On October 23, 2018, a capital increase against cash contributions of EUR 2,033,418 (of 2,033,418 shares) was carried out excluding shareholders‘ subscription rights. The share capital of Vapiano SE increased to EUR 26,063,251 as of December 31, 2018. It is divided into 26,063,251 bearer shares with a nominal value of EUR 1.00 per share.

The voting right of each share corresponds to their nominal calculated value. Each share entitles the holder to one vote at the Annual General Meeting. There are no restrictions on voting rights or the transfer of shares. The rights and obligations of the shareholders result from the Stock Corporation Act together with the Articles of Association of the Company, which can be downloaded from
http://ir.vapiano.com/download/companies/vapiano/CorporateGovernance/Articles_of_Association_Vapiano_24102018.pdf
under Corporate Governance.

Amendments to the Articles of Association and appointment and dismissal of the Management Board

Each amendment to the Articles of Association requires a resolution of the Annual General Meeting with a simple majority of the capital represented at the time the resolution is adopted by the shareholders, provided that at least half of the share capital is represented at the Annual General Meeting. This does not apply to changes to the object of the Company, to a transfer of the registered office to another member state of the European Union and to all cases for which a 75% majority of the share capital is mandatory by law.

The following amendment to the Articles of Association was approved in the General Meeting on June 6, 2018: The General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by his Deputy. If he is prevented from attending and if his deputy is prevented from attending, the Chairman of the Supervisory Board shall appoint another member of the Supervisory Board to perform this task. In the event that neither the Chairman of the Supervisory Board nor his deputy nor a member of the Supervisory Board appointed by the Chairman of the Supervisory Board assumes the chair, the Chairman shall be elected by the Supervisory Board.

On November 30, 2018, the Supervisory Board accepted the resignation of Jochen Halfmann as Chairman of the Management Board, and appointed Cornelius Everke as the new Chairman of the Management Board effective December 1, 2018. Mr. Everke has been appointed Chairman of the Management Board until June 2021.

Authorization of the Management Board to issue shares

Authorized and conditional capital

In the year under review, 2,033,418 shares were issued excluding shareholders‘ subscription rights. The Management Board is authorized, with the consent of the Supervisory Board, to increase the Company‘s share capital by a further EUR 2,643,443 in return for cash contributions and/or contributions in kind by the end of May 29, 2022 (Authorized Capital 2017). In principle, shareholders are to be granted a subscription right. Under certain conditions laid down in Section 4.3. of the Articles of Association, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of shareholders in whole or in part. This is particularly permissible in the case of a capital increase against contribution in kind and if the new shares are issued at an issue price that is not significantly lower than the market price of the shares already listed and the proportion of the issued shares amounts to less than 10% of the share capital.

In accordance with the resolution passed by the Annual General Meeting on May 30, 2017, the Company can furthermore repurchase up to 10% of its issued shares. This share buyback can also be used for the employee participation program DRIVE 2.0 and DRIVE 2.1.

As of the reporting date (December 31, 2018), the following information on holdings in Vapiano SE exceeding 10% of the voting rights was available in accordance with the most recent voting rights notification and taking into account the capital increase carried out:

Shareholder	Portion of the share capital
Mayfair Beteiligungsfonds II GmbH & Co. KG	47.4%
VAP Leipzig GmbH & Co. KG	18.9%
Exchange Bio GmbH	15.5%
Free float*	18.2%

* Includes shares of management

2. Analysis of the Business Performance and Position of the Group and of Vapiano SE

2.1. MACROECONOMIC AND INDUSTRY DEVELOPMENT

Macroeconomic development

The positive economic trend at the beginning of the year deteriorated slightly in mid-2018. Political issues in particular – such as the trade dispute between the USA and China, the impending Brexit or the budget dispute between the new Italian government and the EU – had a negative impact on the mood of companies and private households. Although the global economy continued to develop positively at 3.4% compared with the previous year, the assumptions for the year as a whole were slightly reduced in September (Source: IWF).

This was also reflected in the economic growth of the EU. The growth assumptions for the European Union were withdrawn at the end of the year. The impending prospect of Brexit played a particularly important role here. In 2018, this led to a year-on-year slowdown in GDP growth of 1.8% (previous year: 2.4%). Inflation in the eurozone was low at 1.7% (Source: Eurostat).

Employment is at record levels and consumer prices are stable. In 2018, the German economy grew by 1.5%. Inflation in Germany in 2018 rose to its highest level in six years and is 1.9% for 2018. Real wages rose by 1.3% (Source: Federal Statistical Office).

Industry development

Overall, the solid overall economic development in Germany and worldwide was also reflected in the gastronomy sector.

In Germany, according to DEHOGA Branchenverband, the greatest challenge is the recruitment of suitable personnel and the substantial and ongoing bureaucratic work involved in the minimum wage. Overall, the food-oriented gastronomy sector developed slightly positively and grew by 0.8% in real terms from 2017 to 2018. Supporting trends are health-conscious nutrition and the need for uncomplicated menus, comprehensible ingredients and innovative combinations (Source: DEHOGA).

2.2. BUSINESS DEVELOPMENT OF THE GROUP (FINANCIAL REPORT)

Following a phase of expansion characterized by numerous new store openings, the disappointing earnings contributions of various locations led to a fundamental overhaul of the previous strategy. The development of earnings also resulted in substantial balance sheet adjustments to the carrying amounts of assets, which had a significant negative impact on the consolidated result.

The overall sales development in 2018 was well below the forecasts. The increase in sales to kEUR 371,453 (previous year: kEUR 324,699) is mainly attributable to the opening of new restaurants abroad.

Due to the unsatisfactory development of existing restaurants, the EBITDA of Vapiano fell from kEUR 15,754 in the previous year to kEUR -5,401 in the financial year 2018. This significant decline in EBITDA is mainly attributable to the Germany segment with kEUR -7,380 (kEUR 11,764, previous year: kEUR 19,144) and with kEUR -14,821 to the Rest of Europe segment (kEUR 11,683, previous year: kEUR 26,504).

By contrast, the Other segment improved slightly by kEUR 1,315, but is clearly negative at kEUR -28,966. The Rest of World segment achieved an EBITDA of kEUR 118. The reason for the unsatisfactory development in the restaurants is, on the one hand, the Group-wide slight decline in like-for-like sales, which actually declined from a forecast of -0.5% to +0.5% to -1%. On the other hand, the unscheduled development of some new restaurants, higher rental expenses as well as the higher personnel costs in the Group are having a negative impact on the EBITDA of the individual segments and the Group EBITDA.

Adjusted EBITDA decreased from kEUR 38,820 in 2017 to kEUR 28,997. As a result, the adjusted EBITDA margin amounted to 7.8% in the financial year (previous year: 11.9%). The significantly lower EBITDA used as the starting point could not be offset by significantly larger adjustment amounts either. Further details can be found in the table under item 2.4.4.

Due to the disappointing operating performance and considerable one-off effects, the profit for the period developed significantly negatively, amounting to kEUR -100.991 after kEUR -29.554 in the previous year.

2.3. FORECAST AND ACTUAL BUSINESS PERFORMANCE OF THE GROUP

For the 2018 fiscal year, the Management Board of Vapiano SE had originally assumed 30 to 35 new openings when publishing the 2017 Annual Report and expected a significant increase in sales (driven by new openings and acquisitions) as well as a moderate increase in sales on a like-for-like basis combined with a slight increase in the EBITDA margin (adjusted EBITDA). Vapiano did not meet this forecast. With regard to the forecast made in the previous year and the achievement of targets in 2018, reference is made to the following table.

Forecast 2018	Annual Report Previous Year	Actual
Sales (in EUR million)	390-420	371.5
LfL Growth	1% bis 3%	-1%
Adj. EBITDA (in EUR million after US transaction)	48-54	29.0
EBITDA (in EUR million)	42-48	-5.4
New openings (number)	30-35	32

Recognizable negative developments during the fiscal year were communicated to the capital market during the year.

2.4. POSITION OF THE GROUP

2.4.1. NET ASSETS AND CAPITAL STRUCTURE

As of December 31, 2018, the balance sheet total amounted to kEUR 353,510 (previous year: kEUR 350,317) and thus remained largely constant as opposing effects such as impairments, the increase in debt, the capital increase and the investments of the fiscal year were essentially offset.

Significant changes in key balance sheet items are described below.

Current and non-current assets
As of December 31, 2018, goodwill amounted to kEUR 38,971 (previous year: kEUR 39,287). The share of the balance sheet total was therefore 11.0% (previous year: 11.2%).

Other intangible assets decreased to kEUR 62,255 as of December 31, 2018 (previous year: kEUR 71,374) and mainly include rights acquired in the course of business combinations, like license and territory rights (so-called "reacquired rights"). Amortization on these acquired rights totaled kEUR 9,474 (previous year: kEUR 9,232). Depreciation is offset by investments of kEUR 6,999 in such rights from company acquisitions in the fiscal year.

Property, plant and equipment declined from kEUR 164,143 to kEUR 163,933 and is attributable to two opposing effects: investments in property, plant and equipment, mainly in the establishment of new restaurant locations, the establishment of take away areas in existing restaurants and the regular overhauls of restaurants ("remodeling") totaling kEUR 64,430 were offset by scheduled depreciation of kEUR 31,094 and impairment losses of kEUR 31,478 (previous year: kEUR 1,084). Impairment losses mainly relate to the assets of individual restaurants.

In addition, as of December 31, 2018, intangible assets and property, plant and equipment amounting to kEUR 14,096 were reclassified as "assets held for sale" as a result of the planned sale of the Group's US companies. For further details of the sale, please refer to section 6.3.

The decrease in financial assets accounted for using the equity method (kEUR -1,832) is attributable to further acquisitions of shares in VAP Darmstadt GmbH and in the Australian Group companies. Due to this acquisition of shares, both companies are no longer included at equity in the consolidated financial statements but are fully consolidated.

Other non-current financial and non-financial assets increased to kEUR 2,814 as of the balance sheet date (previous year: kEUR 1,461). The main reason for the increase was an increase in rent deposits deposited in connection with the opening of new restaurants.

Deferred tax assets decreased to kEUR 5,379 (previous year: kEUR 12,246). This is mainly due to recognized value adjustments of deferred taxes on loss carryforwards of kEUR 8,588 in the financial year.

At kEUR 76,972, current assets were above the previous year's level (kEUR 56,483). This was due in particular to the increase in cash and cash equivalents to kEUR 27,562 (previous year: kEUR 14,871). An offsetting factor was the reduction in trade accounts receivable by kEUR 2.624, which was mainly attributable to valuation adjustments formed during the fiscal year in the amount of kEUR 2,585. Other short-term financial and non-financial assets fell from kEUR 25.391 to kEUR 20.816, mainly due to loan receivables from fully consolidated subsidiaries, which were included in this item in the previous year.

Equity

Equity fell to kEUR 46,942 as of December 31, 2018 (previous year: kEUR 131,129). The decline is attributable to the consolidated net loss for the year, which was offset by the capital increase. Accordingly, the equity ratio fell to 13.3% (previous year: 37.4%).

On October 23, 2018, a capital increase was carried out against cash contributions by 2,033,418 shares excluding the subscription rights of the other shareholders. The share capital of Vapiano SE thereby increased to EUR 26,063,251 as of December 31, 2018. It is divided into 26,063,251 bearer shares with a nominal value of EUR 1.00 per share.

The capital reserve increased by kEUR 18,132 net to kEUR 106,907 (i.e. less offset transaction costs) due to the achieved agio.

Current and non-current liabilities

The non-current liabilities have only slightly changed by kEUR 8,376 compared to the previous year. The increase is attributable to, on one hand, non-current financial and non-financial liabilities, which increased on balance from kEUR 5,210 to kEUR 14,502. This is mainly attributable to additional accruals for rental expenses relating to restaurant openings in rent-free periods, the deferral of additional building cost subsidies received in the financial year, franchise fee deferred for the first time in accordance with IFRS 15 and put option exercise liabilities for the acquisition of non-controlling interests received in connection with company acquisitions. In addition, non-current provisions increased by kEUR 4,126 year-on-year, partly due to the addition of the non-current shares of the provision for impending losses from rental agreements.

With regard to the change in the item non-current liabilities, it should be noted that due to non-compliance with the financial covenants, the Revolving Credit Facility in the amount of kEUR 66,000 as of the balance sheet date was reported as current in contrast to the previous year (for further details, please refer to section 2.4.2 – Financial position).

The significant increase of kEUR 79,004 in current liabilities is mainly attributable to the reclassification of the Revolving Credit Facility presented above. Besides, the addition of the current portion of the provisions for impending losses from rental agreements in the amount of kEUR 2,316 was contributed to the increase.

Current liabilities also include kEUR 4,023 in liabilities attributable to the US companies held for sale.

2.4.2 FINANCIAL POSITION

Financing situation of the Group

To finance the targeted growth, Vapiano replaced an existing syndicated loan agreement in 2017 with a new agreement with an extended banking syndicate, which allows a utilization of up to EUR 200 million. A five-year term until May 2022 has been agreed. The agreement consists of a term loan in the amount of EUR 100 million and a revolving credit facility, which can be drawn on in tranches and involves various rights and obligations of the contracting parties.

Financial covenants have been agreed between the banks and Vapiano. This relates to so-called net equity capital (Group equity plus subordinated shareholder loans less goodwill), which may not fall below a contractually defined absolute value. Furthermore, a maximum net debt ratio (defined as net debt at the EBITDA adjusted for one-off effects on a rolling 12-month basis) may not be exceeded.

Individual Group companies abroad have also agreed credit agreements and credit lines of varying amounts with local banks.

As a further financing instrument, major shareholders granted subordinated loans totaling EUR 7.45 million in March 2017.

In 2018, the targets defined by the financial covenants were not met. The rights of the banks associated with these circumstances were taken into account as of the reporting date by having the revolving credit facility in the amount of EUR 66 million classified as current. As of the reporting date and the date of issue, the banks had not exercised their termination rights in this regard, but had signed corresponding declarations postponing the deadlines for the submission of covenant calculations or certificates. The waivers are subject to the following resolutory conditions.

- Vapiano was required to hold EUR 12 million as minimum liquidity in the accounts of the syndicate banks at all times since December 2018. This is offset by an unused overdraft facility of EUR 11.1 million, resulting in an effective minimum liquidity requirement of EUR 0.9 million. This minimum liquidity requirement was reduced to EUR 10 million in March 2019 and completely lifted in April 2019.

- The originally agreed line of EUR 200 million has not been exhausted. In terms of figures, a remaining EUR 12.9 million could be used. The possibility of this utilization was provisionally suspended as of the reporting date.

Furthermore, as of December 31, 2018 key ratios in loan agreements of the Dutch and Australian subsidiaries of the Group were not complied with, so that the financing banks in each case are entitled to special rights which have not yet been exercised due to the ongoing local negotiations on the continuation of the financing. The negotiations are expected to be successfully concluded in the second or third quarter of 2019. Based on the current state of negotiations, Vapiano SE has obligations for short-term support measures of the Dutch subsidiary amounting to approximately EUR 0.7 million, which have been taken into account in the overall financing agreements.

In the meantime, an adjusted medium-term plan has been drawn up for the Group, which provides for a significant slowdown in growth and, as a result, significantly fewer investment requirements for new own restaurants and a corresponding reduction in financing requirements. On this basis, agreements were concluded with the syndicate banks and major shareholders to support the short-, medium- and long-term development and the resulting financing requirements in an appropriate manner.

On 23 May 2019, Vapiano SE and the financing syndicate banks concluded a supplementary agreement (binding term sheet) on the basis of the existing loan commitment, in which the three major shareholders were included. Accordingly, this agreement includes separate loan agreements with the major shareholders, which were signed on 23 May 2019 and which have already been paid out in the agreed tranches. The agreement with the syndicate banks was approved by all banking bodies. The amended or modified syndicated loan agreement was signed by the parties on 13 June 2019. Further details were agreed as follows:

- Provision of additional, subordinated loans from the three major shareholders totaling up to EUR 17.7 million, which will be available in multiple tranches in the financial years 2019 and 2020 after the respective disbursment conditions have been met. The loans are due for repayment on 23 November 2022. As it is standard market practice, they bear interest at staggered rates of 10% to 13% and are due for payment on the final maturity date.

- Opening of the credit commitments available under the existing revolving credit facility, for which the possibility of utilization was temporarily suspended due to non-compliance with the financial covenants. In addition, the interest rate of the entire syndicated loan will be adjusted to market conditions.

- Furthermore, the financial covenants contained in the existing syndicated loan agreement that Vapiano had to comply with were revised and adjusted to the current situation of the Group. This results in significant simplifications for the Group with regard to the financial covenants to be complied with.

Based on the terms agreed in the financing commitments, Vapiano expects interest expenses in fiscal year 2019 to be approximately EUR 2.5 million higher than in the past fiscal year. Taking into account the abovementioned agreements, Vapiano currently has unused credit commitments and unused lines of up to EUR 30.6 million, of which up to EUR 29 million will be mobilised by June 2020 on the basis of a conservative plan.

Cash flow from operating activities
Due to the negative operating business development and newly opened restaurants in the ramp-up phase, operating cash flow declined significantly and amounted to kEUR -915 in the fiscal year (previous year: kEUR 10,914).

Cash flow from investing activities
The cash flow from investing activities decreased from kEUR -78,536 to kEUR -65,820 in the fiscal year. This is mainly attributable to the reduced number of new openings of own restaurants in comparison with the previous year.

Cash flow from financing activities
The cash flow from financing activities amounting to kEUR 79,392 (previous year: 70,861) in 2018 was again characterized by inflows of funds to finance investments and consisted of inflows from capital measures and financing through external loans.

2.4.3. PROFIT SITUATION

In 2018, sales increased by kEUR 46,754 to kEUR 371,453. This corresponds to an increase of 14.4%. The increase in sales is mainly due to the acquisitions in 2017, which were recorded for the first time in the reporting period for a full twelve months and the opening of 32 new corporate restaurants, which were offset by 6 closures.

The absolute year-on-year increase in sales in 2018 was driven by all operative segments in various amounts. While Germany with +3% or kEUR 4,714 could only increase sales slightly, the segments Rest of Europe with +18.8% or kEUR 31,209 and Rest of World with kEUR 13,018 or +71.5% increased their sales contributions. LFL development, however, was negative in all segments except Germany (Germany +0.5%, Rest of Europe -2.8%, Rest of World -0.2%).

The increase in sales in the Rest of Europe segment was particularly supported by the new openings in France. The increase in sales in the Rest of World segment is mainly attributable to the increase due to the acquisition in Australia and the related increase in sales due to full consolidation.

Other operating income amounted to kEUR 9,518 (previous year: kEUR 12,409). The decline was partly due to a decline in income from claims for damages. In addition, the the previous year's figure included income from expenses of the IPO charged to shareholders (kEUR 3,479), which were not incurred in the 2018 fiscal year. This was counteracted by income of kEUR 1,137 from the revaluation of shares already held in the context of the company acquisition in Australia.

The cost of materials rose to kEUR 93,420 in 2018 (previous year: kEUR 81,360), while the cost of materials ratio remained constant at 25.1%.

Personnel expenses increased by kEUR 25,390 to kEUR 163,222 in the fiscal year, resulting in a personnel expense ratio of 43.9% (previous year: 42.4%). The increase is mainly due to the significant increase in the number of employees to 7,985 (previous year: 6,400) as a result of acquisitions and new openings compared to the previous year. Further effects result from the increase in gross fees regulated in the collective wage agreement for system catering in Germany (7.6% spread over a period of 29 months beginning on January 1, 2017).

EBITDA fell to kEUR -5,401 (previous year: kEUR 15,754) in fiscal year 2018. The main reasons for this decline are explained in section 2.2.

Total depreciation and amortization increased from kEUR 41,223 in the previous year to kEUR 79,698. This is due, firstly, to the expansion-related increase in scheduled depreciation on property, plant and equipment invested in restaurants. Secondly, unscheduled depreciations amounting to kEUR 34,576 had to be recorded in the 2018 fiscal year. Most of this reduction related to property, plant and equipment of restaurants whose earnings performance lagged behind the originally expectations and as a result, the budget assumptions for future years were revised and adjusted for them.

Other operating expenses increased significantly by kEUR 24,425 to kEUR 127,552, mainly due to the increase in the number of restaurants operated and the associated increase in ongoing operating costs. This mainly relates to increased rental and leasing expenses, energy and water costs as well as various third-party services. Expenditure for insurance, contributions and levies also increased. In addition, in contrast to the previous year, expenses from the addition to provisions for impending losses amount to kEUR 5,296. Higher advertising and opening costs also contributed to the increase in other operating expenses. In addition, other operating expenses include legal, consulting and accounting costs totaling EUR 7,314 million, which rose significantly due in particular to the necessary renegotiation of the Group's financing.

The financial result of the Group deteriorated from kEUR -6,158 to kEUR -8,630. This is attributable to an increased utilization of the credit line under the syndicated loan agreement and the resulting interest expenses.

The net change of kEUR 8,588 in the Group's tax expenses results primarily from the valuation allowances of kEUR 8,321 made on deferred tax assets in the fiscal year, which were formed on loss carryforwards.

In total, the consolidated net loss for the year for the period before non-controlling interests amounts to kEUR -93,429 and is thus kEUR 65,696 below the corresponding result of the previous year of kEUR -27,733.

Adjusted EBITDA

The adjusted EBITDA fell from EUR 38.8 million to EUR 29.0 million. Compared to the previous year, this breaks down as follows:

In EUR million	2018	2017
EBITDA	**-5.4**	**15.8**
Costs for opening new restaurants (pre-opening costs)	9.6	6.1
Creation of provisions for onerous contracts from rental agreements	5.3	0.0
Value adjustments on trade receivables	3.0	0.9
Legal and consulting fees in connection with the refinancing	1.7	0.0
Severance expenses	0.8	0.0
Expenses for rent guarantees	0.3	0.1
Loss from the sale/disposal of property, plant and equipment	1.0	1.0
Costs in connection with capital market transactions (previous year after deduction of refunds)	0.0	5.8
Other non-recurring items recognized as expenses offset against corresponding income	10.8	6.0
Income/expense items from consolidation transactions (net)	-0.8	0.0
Currency effects (net)	-0.6	3.0
Expenses in connection with the acquisition or disposal of assets (M&A costs)	0.6	0.0
Adjusted EBITDA	26.3	38.7
Operating loss attributable to US business	2.7	0.0
Adjusted EBITDA after US	29.0	38.8

The main adjustments made for the 2018 financial year can be explained as follows.

The **costs for the opening of new restaurants** (EUR 9.6 million) include in particular training, operating and marketing costs incurred prior to the opening of new restaurants. These expenses are adjusted as one-off effects arising outside normal restaurant operations, especially as these expenses are not offset by corresponding income.

The addition of EUR 5.3 million to **provisions for impending losses** for onerous leases at various loss-making restaurant locations. Since the resulting expenses also relate to future periods, they have been adjusted.

The current business development led to **value adjustments on trade receivables** from the franchise business and a related expense of EUR 3.0 million.

Legal and consulting costs of EUR 1.7 million were incurred in **connection with the refinancing** as part of negotiations with lenders, which have now been concluded. In addition, expenses of EUR 0.8 million resulted from restructuring projects and severance agreements resolved as part of the realignment of the strategy. Both items are non-recurring in nature.

As in the previous year, **expenses for rent guarantees** amounting to EUR 0.3 million were adjusted as interest-like costs.

Losses of EUR 1.0 million **from the sale/disposal of property, plant and equipment** were recognised as non-operating one-off effects.
The collective item other non-recurring effects affecting expenses essentially comprises the following items:

- Expenses of EUR 2.7 million relating to previous years had to be taken into account.

- Deferred expenses of EUR 1.4 million were recognised for rent-free periods of longer-term rental agreements. As a rule, rent-free periods are agreed to support the liquidity situation of new restaurants. The adjustment was made to reflect the actual economic development of newly opened restaurants during the ramp-up phase.

- A further EUR 0.8 million had to be taken into account for extraordinary rental costs, such as sales-based rent and ancillary rental costs.

- Tax audits carried out in the current fiscal year resulted in additional payments of EUR 0.7 million for wage tax and social security contributions.

- One-time write-downs of EUR 1.1 million on goods and consumables in the individual restaurants were necessary due to lower replacement prices and limited usability.

- Receivables from money disposal companies and credit card companies had to be adjusted or written off in the amount of EUR 0.6 million.

- In the amount of EUR 0.6 million, costs for legal disputes commenced in the financial year had to be taken into account.

- Further items totalling EUR 2.9 million are derived from various individual items that had to be taken into account as special costs outside the original Vapiano business operations.

In the context of the company acquisitions in Australia and Darmstadt, **income and expense items** of EUR 0.8 million (net) arose from **consolidation processes**, which were adjusted as one-off book profits. Consulting costs of EUR 0.5 million resulting from these projects were adjusted accordingly as one-off expenses (“**M&A costs**“).

As in the past, **currency effects** of (net) EUR 0.6 million were included in the adjustment.

Finally, the operating losses (EBITDA) of the **US business** held for sale incurred in the 2018 financial year were reported separately. The adjustment was made in order to enable a long-term assessment of the sustainable EBITDA development of the Group on a comparable basis.

2.5. GENERAL STATEMENT BY THE MANAGEMENT BOARD ON THE BUSINESS PERFORMANCE AND THE ECONOMIC SITUATION OF VAPIANO SE, EXPLANATIONS OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS OF VAPIANO SE ACCORDING TO GERMAN COMMERCIAL LAW

2.5.1. FORECASTED AND ACTUAL BUSINESS PERFORMANCE

For Vapiano SE, the company originally forecast sales amounting to EUR 58 million to EUR 62 million with a slight increase in the number of restaurants. The SE also expects a negative annual result of EUR -10 million and EUR -15 million for the 2018 fiscal year. Vapiano SE was not able to meet this forecast, especially for the annual result, as unscheduled write-downs, additional risk provisions and increased loss absorption had a considerable negative impact on the result.

2.5.2. NET ASSETS AND CAPITAL STRUCTURE

kEUR	2018	2017
ASSETS		
Intangible assets	6,146	8,395
Property, plant and equipment	24,241	29,952
Financial assets	74,756	67,248
Fixed assets	**105,143**	**105,595**
Inventories	1,343	1,527
Receivables and other assets	154,392	149,779
Liquid assets	6,642	1,324
Current assets	**162,377**	**152,630**
Deferred items	1,463	1,655
Balance sheet total	**268,983**	**259,880**
LIABILITIES		
Equity	52,292	119,344
Provisions	10,406	6,893
Accounts payable	204,585	132,407
Deferred items	1,699	1,236
Balance sheet total	**268,983**	**259,880**

The balance sheet total of Vapiano SE increased by 3.5% or from kEUR 259,880 to kEUR 268,983 as of December 31, 2018.

Intangible assets and property, plant and equipment declined as additions of kEUR 7,768 were below the total of depreciation and asset disposals. In particular, impairment losses on property, plant and equipment and intangible assets in the amount of kEUR 7,300 had an impact. The increase in financial assets is mainly due to the acquisition of investments in VAP Denmark II GmbH and VAP Netherlands B.V. as well as the acquisition of shares in VAP Darmstadt and a Australian subsidiary. Write-downs on financial assets totaling EUR 2,777 thousand had the opposite effect. This primarily relates to the complete write-down of the carrying amount of the investment in Vapiano China Ltd.

Receivables from affiliated companies reported under current assets increased by kEUR 11,988 on balance. The item mainly includes short-term loans for financing subsidiaries in the original amount of kEUR 201,132. This is offset by value adjustments on loan receivables in the amount of kEUR 50,239, as the economic situation of individual subsidiaries means that a short-term repayment of the loans is not to be expected. In particular, the loans to the US companies in the amount of kEUR 27,144 was adjusted. These will not be acquired by the purchaser as part of the planned sale.

The decline in the receivables from companies in which a participating interest is held is mainly due to the acquisition of shares in subsidiaries already commented on.

Compared to the prior-year reporting date, Vapiano SE equity capital fell from kEUR 119,344 to kEUR 52,292. This is primarily attributable to the net loss for 2018 fiscal year in the amount of kEUR 87,386. This was counteracted by the capital increase described under note 1.4.

Provisions increased by kEUR 3,513 to kEUR 10,406 , mainly due to the first-time recognition of provisions for contingent losses from rental agreements, outstanding incoming invoices and incidental rental costs.

At kEUR 204,586, liabilities as of December 31, 2018 were significantly above the previous year‘s level of kEUR 132,408. The increase in liabilities to banks by kEUR 64,054 to kEUR 167,052 and in liabilities to affiliated companies by kEUR 9,998 to kEUR 26,388 was offset by a decrease in trade payables by kEUR 2,824 to kEUR 750. Liabilities to banks increased due to the increased utilization of the financing facility. Liabilities to affiliated companies increased due to increased liabilities from loss transfers.

2.5.3. FINANCIAL POSITION

Vapiano SE is the recipient of the syndicated loan described under section 2.4.2. Vapiano SE generally issues intra-group loans within the Group on the basis of customary market conditions, which are shown as congruent within the terms of maturities. These loans were occasionally provided with subordination agreements in order to strengthen the financial situation of the respective companies.

Capital outflows of Vapiano SE also resulted from long-term fixed lease agreements in Germany and abroad; other financial obligations arising from these amounted to EUR 54.3 million as of the reporting date (previous year: kEUR 49.6 million).

Due to the operating cash flow generated by the Group‘s restaurants, the free cash and cash equivalents and the new Group financing described in section 2.4.2, sufficient liquidity is available to secure the operating business and to implement the revised strategy. Cash outflows for investments in intangible assets and property, plant and equipment amounted to kEUR 7,767 in 2018 fiscal year (previous year: kEUR 13,406). In addition, further cash investments in financial assets amounting to kEUR 10,284 (previous year: kEUR 6,374) were made.

The additional external borrowings of kEUR 64,054 and the inflow of kEUR 20,334 from the capital increase were mainly used to extend intra-group loans as well as the above-mentioned investments.

For further details of the financial position of Vapiano SE, please refer to the comments under section 2.4.2.

2.5.4. PROFIT SITUATION

kEUR	2018	2017
Sales	**58,414**	**56,605**
Other own work capitalized and increase in inventories	566	759
Other operating income	6,862	8,143
Cost of materials	-14,954	-13,248
Personnel costs	-36,338	-34,690
Other operating expenses	-38,401	-45,243
EBITDA	-23,851	-27,675
Deprecation & amortization	-65,781	-7,103
EBIT	**-89,632**	**-34,778**
Income from investments	5,455	12,908
Write-downs on financial assets and securities held as current assets	-2,777	-1,545
Interest income / expense (net)	-425	-903
Financial results	2,253	10,460
Income from taxes	3	130
Earnings after tax	**-87,376**	**-24,189**
Other taxes	-11	-13
Net loss for the year	**-87,387**	**-24,202**

Sales of Vapiano SE increased by 3% to kEUR 58,414 in the 2018 fiscal year compared to the previous year. This is mainly due to the restaurants newly opened in 2018.

In 2018 fiscal year, own work in the amount of kEUR 475 was capitalized. They comprise personnel expenses for own personnel incurred in connection with the implementation of IT projects.
Other operating income of kEUR 6,862 mainly includes income from allocated charges within the Group of kEUR 3,017 (previous year: kEUR 3,024) and income from claims for damages of kEUR 1,537.

The cost of materials increased by kEUR 1,706 to kEUR 14,954 in absolute terms compared to the previous year. The cost of materials ratio increased from 23.4% to 25.6%.

The increase in personnel expenses to kEUR 36,338 (previous year: kEUR 34,690) is due to the increase in gross salaries regulated in the collective wage agreement for system catering. The personnel expense ratio therefore rose from 61.3% in the prior year to 62.2% in the reporting year.

The write-downs in the fiscal year include in particular write-downs of kEUR 50,239 on current assets. They relate exclusively to write-downs on loans receivable from affiliated companies. In addition, extraordinary write-downs on the property, plant and equipment of individual restaurants as well as goodwill of kEUR 7,300 are included.

Other operating expenses fell from kEUR 45,243 to kEUR 38,401, primarily due to the fact that no costs of this amount for the IPO had to be taken into account in 2018 fiscal year, which amounted to kEUR 11,726 in the previous year. Income from investments on balance fell from kEUR 12,908 to kEUR 5,455, which is attributable to increased expenses from loss transfers (2018: kEUR -14,852, previous year: kEUR -5,031). The expenses from loss transfers result from a deterioration in the earnings situation of the companies concerned. The primary reason for this development is the increased share of restaurants in the start-up phase compared to the previous year as well as the development of existing restaurants, which fell short of expectations.

The write-downs on financial assets include the write-down on the carrying amount of the investment in the affiliated company Vapiano China Limited amounting to kEUR 2,502.

For the 2018 fiscal year, Vapiano SE reported a net loss for the year of kEUR -87,387 (previous year: kEUR -24,202), which is mainly attributable to extraordinary write-downs, the risk provisions made and the increased assumption of losses.

2.5.5. OPPORTUNITIES AND RISKS

As the opportunity and risk profile of the Group and the parent company, Vapiano SE, are almost identical, reference is made to the corresponding explanations under section 6 of this report.

2.6. OVERALL STATEMENT OF THE MANAGEMENT BOARD ON BUSINESS PERFORMANCE AND THE ECONOMIC SITUATION OF THE GROUP AND THE VAPIANO SE

The economic development in the 2018 fiscal year required a strategic realignment. The previous focus on expansion and the opening of new restaurants cannot be continued due to the associated financing requirements in relation to the returns achieved. The Management Board is not satisfied with the development of sales and earnings and has therefore started to introduce consistent and sustainable measures aimed at achieving a sustained improvement in the return on sales and adjusting the investment volume to the available financial resources.

Against the background of the measures taken and the newly agreed financing involving the major shareholders and the syndicate banks, the Management Board believes that the continuation of business activities is ensured and that the foundations have been laid for long-term profitable development.

3. Remuneration Report

3.1. PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Management Board
The remuneration of the individual members of the Management Board is determined by the Supervisory Board. Corresponding proposals are being drawn up by the HR Committee. The objective for the remuneration is to ensure that the overall remuneration takes into account the legal requirements and is reasonably proportionate to the tasks and services of each member of the Board. When specifying the remuneration for the Management Board, the Supervisory Board takes into consideration the financial situation, the success and the future prospects of the Company as well as the customary executive salaries in the industry as well as the relation of the remuneration of the company's employees. In addition, the remuneration structure is aligned towards a sustainable corporate development, which is reflected in the design of variable remuneration components. In the event of extraordinary services or for outstanding contributions to the success of the Company, the Supervisory Board may grant an additional special bonus.

The current remuneration system for CFO and the retired CEO has been in effect since the 2017 fiscal year. The COO newly appointed to the Management Board in the 2018 fiscal year and later CEO is subject to an individually agreed regulations.

Accordingly, the remuneration system for the CEO consists of a non-performance-based component as well as a short-term and long-term performance-based component. The non-performance-based component consists of the base salary as well as fringe benefits. The base salary is paid in monthly installments. The fringe benefits are awarded in the form of benefits in kind and include, in particular, the use of company cars, contributions to D&O and health insurances as well as other insurance benefits (disability and death).

The variable benefit component is limited to the amount of the fixed remuneration. It can take qualitative and quantitative criteria into account and can account for up to 50% of multi-year targets. The Supervisory Board sets the targets annually and assesses their achievement. For the 2018 fiscal year, part of the performance-related component and a one-off payment linked to the term of employment have been agreed. In addition to the participation in the DRIVE program also agreed for the other members of the Management Board, the Chairman of the Management Board has the one-time opportunity to receive up to 20,000 free shares as part of the DRIVE program.

For the CFO and the retired CEO, the compensation system also comprises/has comprised a non-performance-based component and a short-term and long-term performance-based component.

The non-performance-based component consists of the base salary as well as fringe benefits. The base salary is paid in monthly installments. The fringe benefits are awarded in the form of benefits in kind and include, in particular, the use of company cars, contributions to D&O and health insurances as well as other insurance benefits (disability and death).

The short-term performance-oriented component (annual cash bonus) is determined on the basis of qualitative and quantitative criteria defined annually by the Supervisory Board, which account for a total weighting of 40% (qualitative) or 60% (quantitative) of the target bonus in 2018 fiscal year. The Supervisory Board has the sole responsibility to decide whether a Board Member has a claim to this remuneration component. Positive and negative assessments of agreed sub-objectives may offset each other. The maximum payout from the qualitative component of compensation is limited to 40% of the target bonus.With the quantitative compensation component, a payout of up to 80% of the target bonus is possible when exceeding the targets. Overall, the short-term performance-related component is limited to 100% unless the Supervisory Board decides otherwise.

In addition, a long-term performance-based component exists (long-term incentive (LTI) program). The payout is made depending on the company‘s long-term EBITDA performance. As of an average annual growth rate (CAGR) of consolidated EBITDA of 12.5%, the Management Board members listed above receive a contractually agreed cash payment. This may be staggered up to a maximum payout of 100% of the cash amount if an EBITDA increase of 25% is achieved.

A further share-based remuneration program (DRIVE 2.0) which was further developed in 2018 (DRIVE 2.1) has been set up for the long-term performance-based component. In this program, Board Members are given the option of purchasing a set number of shares at market price. The participating Board Members have the option to also obtain up to three bonus shares for each purchased share (DRIVE 2.0: two bonus shares). In order for the Board Members to be eligible to obtain the bonus shares, they must be continuously employed during the entire four-year holding period and hold the shares acquired on market throughout the period. The number of the bonus shares awarded is subject to the following restrictions:

- If the average annual growth rate (CAGR) of Group EBITDA is below 5%, no bonus shares are awarded.

- If the average annual growth rate (CAGR) of Group EBITDA is greater than 5% and less than or equal to 25%, the bonus shares may be partially awarded in proportion to the applicable CAGR.

- If the average annual growth rate (CAGR) of Group EBITDA is higher than 25%, the maximum of three bonus shares is awarded.

In the event of early termination of a Board Member’s activities, the payments made to the departing Board Member correspond to the maximum amount of the fixed salary from the previous financial year, but no more than the outstanding remuneration for the remaining term of the contract. In the event of termination for good cause, no payments will be made to the departing Board Member. The Management Board contracts do not contain change of control provisions. The retired CEO will also receive a premium in the event of the successful sale of the US business.

Supervisory Board

The remuneration of Members of the Supervisory Board is governed by Article 15 of the Articles of Association and is determined by a resolution of the Annual General Meeting. The remuneration of the Supervisory Board includes a fixed annual payment of kEUR 25,000 for each Member in addition to the reimbursement of expenses and EUR 30,000 for the Vice-Chairman pursuant to the resolution of the Annual General Meeting of May 30, 2017. The Chairman of the Supervisory Board who retired on January 31, 2019 received a remuneration of kEUR 5,000 per proven working day, up to a maximum of kEUR 150,000. In addition, the Chairman and Members of a Supervisory Board Committee receive a fixed annual payment of kEUR 8,000 and kEUR 4,000, respectively.

3.2. REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN 2018

Remuneration of the Management Board

The total remuneration of the members of the Management Board amounted to kEUR 1,497 in the 2018 fiscal year (previous year: kEUR 1,235). The expense corresponds to the fair value of the performance shares earned as part of the remuneration program until the date on which the Board Member leaves the Group during the year or until the balance sheet date.

The Company did not grant any advances or loans to members of the Management Board or former members of the Management Board. Likewise, no contingent liabilities were made in favor of this group of persons.

As of December 31, 2018, provisions amounting to kEUR 394 had been recognized for payments to the CEO Jochen Halfmann, who left the company in the 2018 fiscal year. The amount of the fixed remuneration for Mr. Halfmann includes his remuneration in connection with his activities as CEO up to and including November 2018 as well as the amounts subsequently granted under his termination agreement.

After leaving the Board in 2018, Mario Bauer received consultancy fees and reimbursement of expenses totaling kEUR 247.

Management Board
Granted contributions

Granted contributions in 2018	Jochen Halfmann			
	CEO			
Entrance/Exit	06/08/2015 - 11/30/2018			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	644,568	330,000		
Fringe benefits	22,871	16,333		
Total	667,439	346,333		
One-year variable remuneration				
One-year measured bonus	75,000	113,834	0	137,500
Multi-year variable remuneration				
Multi-year measured bonus			0	137,500
Special bonus in connection with the IPO		100,000		
Long Term Incentives		32,800		
DRIVE management remuneration program		18,332	0	76,588
Total		151,132		
Pension expenses				
Total remuneration	742,439	611,299		

Granted contributions in 2018	Lutz Scharpe			
	CFO			
Entrance/Exit	since 12/07/2015			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	220,000	219,996		
Fringe benefits	14,223	12,262		
Total	234,223	232,258		
One-year variable remuneration				
One-year measured bonus		28,681	0	50,000
Multi-year variable remuneration				
Multi-year measured bonus			0	60,000
Special bonus in connection with the IPO		60,000		
Long Term Incentives		12,920		
DRIVE management remuneration program	42,942	7,332	0	43,819
Total	42,942	80,252		
Pension expenses				
Total remuneration	277,166	341,191		

Management Board
Granted contributions

Granted contributions in 2018	Cornelius Everke			
	COO			
Entrance/Exit	05/01/2018 - 11/30/2018			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	262,599			
Fringe benefits	5,364			
Total	**267,864**			
One-year variable remuneration				
One-year measured bonus	165,000		0	165,000
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO				
Long Term Incentives				
DRIVE management remuneration program	10,629		0	10,846
Total	**10,629**			
Pension expenses				
Total remuneration	**443,493**			

Entrance/Exit	Cornelius Everke			
	CEO			
Entrance/Exit	since 12/01/2018			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	33,333			
Fringe benefits	962			
Total	**34,295**			
One-year variable remuneration				
One-year measured bonus				
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO				
Long Term Incentives				
DRIVE management remuneration program				
Total				
Pension expenses				
Total remuneration	**34,295**			

Management Board
Granted contributions

Granted contributions in 2018	Bauer, Mario			
	COO			
Entrance/Exit	01/01/2017 - 12/31/2017			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary		215,000		
Fringe benefits		7,237		
Total		222,237		
One-year variable remuneration				
One-year measured bonus				
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO		60,000		
Long Term Incentives				
DRIVE management remuneration program				
Total		60,000		
Pension expenses				
Total remuneration		282,237		

kEUR Granted contributions	2018	2017
Total of all Management Board Members	1,497,393	1,234,728

Management Board
Grants paid

Grants paid in 2018	Jochen Halfmann			
	CEO			
Entrance/Exit	06/08/2015 - 11/30/2018			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	302,500	330,000		
Fringe benefits	18,071	16,333		
Continued payment of salary December	27,500			
Total	348,071	346,333		
One-year variable remuneration				
One-year measured bonus	51,072	113,834		
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO		100,000		
Long Term Incentives		32,800		
DRIVE management remuneration program				
Total		132,800		
Pension expenses				
Total remuneration	399,143	592,967		

Grants paid in 2018	Lutz Scharpe			
	CFO			
Entrance/Exit	since 12/07/2015			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	219,996	219,996		
Fringe benefits	14,223	12,262		
Continued payment of salary December				
Total	234,219	232,258		
One-year variable remuneration				
One-year measured bonus	20,794	28,681		
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO		60,000		
Long Term Incentives		12,920		
DRIVE management remuneration program				
Total		72,920		
Pension expenses				
Total remuneration	255,013	333,859		

Management Board
Grants paid

Grants paid in 2018	Cornelius Everke			
	COO			
Entrance/Exit	05/01/2018 - 11/30/2018			
k EUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	262,500			
Fringe benefits	5,364			
Continued payment of salary December				
Total	267,864			
One-year variable remuneration				
One-year measured bonus				
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO				
Long Term Incentives				
DRIVE management remuneration program				
Total				
Pension expenses				
Total remuneration	267,864			

Grants paid in 2018	Cornelius Everke			
	CEO			
Entrance/Exit	since 12/01/2018			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary	33,333			
Fringe benefits	962			
Continued payment of salary December				
Total	34,295			
One-year variable remuneration				
One-year measured bonus				
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO				
Long Term Incentives				
DRIVE management remuneration program				
Total				
Pension expenses				
Total remuneration	34,295			

Management Board
Grants paid

Grants paid in 2018	Bauer, Mario			
	COO			
Entrance/Exit	01/01/2017 - 12/31/2017			
kEUR	2018	2017	2018 (Min)	2018 (Max)
Fixed remuneration				
Fixed salary		215,000		
Fringe benefits		7,237		
Continued payment of salary December				
Total		222,237		
One-year variable remuneration				
One-year measured bonus				
Multi-year variable remuneration				
Multi-year measured bonus				
Special bonus in connection with the IPO		60,000		
Long Term Incentives				
DRIVE management remuneration program				
Total		60,000		
Pension expenses				
Total remuneration		282,237		

kEUR Grants paid	2018	2017
Total of all Management Board Members	956,316	1,209,063

Remuneration of the Supervisory Board
The total remuneration of the members of the Supervisory Board amounted to kEUR 308 (previous year: kEUR 333).

The Company did not grant any advances or loans to members of the Supervisory Board or former members of the Supervisory Board. Likewise, no contingent liabilities were made in favor of this group of persons.

Supervisory Board
Granted contributions

	Dr. Thomas Tochtermann		Hinrich Stahl		Kristian Wettling	
	Chairman of the Supervisory Board, Member of the Audit Committee and Personnel Committee		Deputy Chairman of the Supervisory Board, Chairman of the Nomination Committee, Member of the Personnel Committee		Member of the Supervisory Board, Chairman of the Audit Committee	
in EUR	2018	2017	2018	2017	2018	2017
Fixed salary	150,000.00	150,000.00	25,000.00	25,000.00	25,000.00	25,000.00
Fringe benefits		35,000.00	15,000.00	13,000.00	8,000.00	8,000.00
Total						
One-year variable remuneration						
Multi-year variable remuneration						
Schedule description (planned validity period)						
Schedule description (planned validity period)						
Miscellaneous						
Total						
Pension expenses						
Total remuneration	**150,000.00**	**185,000.00**	**40,000.00**	**38,000.00**	**33,000.00**	**33,000.00**
Total remuneration 2017		**185,000.00**		**38,000.00**		**33,000.00**
Total remuneration 2018	**150,000.00**		**40,000.00**		**33,000.00**	

Supervisory Board
Granted contributions

	Helen Jones (05/30/2017)		Gregor Gerlach		Rigbert Fischer (until 06/30/2018)		Vanessa Hall (since 08/13/2018)	
	Member of the Supervisory Board, Member of the Audit Committee, Member of the Nomination Committee		Member of the Supervisory Board, Member of the Audit Committee, Member of the Nomination Committee		Member of the Supervisory Board, Member of the Personnel Committee		Member of the Supervisory Board, Member of the Audit Committee, Member of the Nomination Commitee	
in EUR	2018	2017	2018	2017	2018	2017	2018	2017
Fixed salary	25,000.00	14,583.00	25,000.00	25,000.00	12,500.00	25,000.00	8,333.00	
Fringe benefits	6,000.00	4,750.00	6,000.00	4,000.00	2,000.00	4,000.00	333.00	
Total								
One-year variable remuneration								
Multi-year variable remuneration								
Schedule description (planned validity period)								
Schedule description (planned validity period)								
Miscellaneous								
Total								
Pension expenses								
Total remuneration	31,000.00	19,333.00	31,000.00	29,000.00	14,500.00	29,000.00	8,666.00	
Total remuneration 2017		19,333.00		29,000.00		29,000.00		
Total remuneration 2018	31,000.00		31,000.00		14,500.00		8,666.00	

in EUR	
Total remuneration 2017	333,333.00
Total remuneration 2018	**308,166.00**

4. Summarized Statement on Corporate Governance pursuant to Section 315d HGB in conjunction with 289f HGB – Corporate Governance Report

According to Section 315d HGB in conjunction with Section 289f HGB, Vapiano SE as a publicly traded corporation must issue a summarized statement on corporate governance. This statement is published online at http://ir.vapiano.com/websites/vapiano/English/4000/corporate_br_governance.html.
It is also a part of this report.

5. Summarized Non-financial Statement pursuant to Section 315 d and c HGB in conjunction with 289 b and c HGB – Sustainability Report

Vapiano SE is exempt from the obligation pursuant to Section 315b (1) HGB to include a non-financial statement in its group management report. A separate non-financial report has been prepared pursuant to Section 315b (3) HGB which fulfills the substantive requirements for the non-financial declaration laid out in Section 315c HGB in conjunction with Section 289c HGB. The report can be viewed on the Company website at http://ir.vapiano.com/websites/vapiano/English/3000/reports-presentations.html

6. Report on opportunity management, risks and future development of the Group as well as Vapiano SE

6.1. RISK AND OPPORTUNITY MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM IN RELATION TO THE ACCOUNTING PROCESS

Risk management system
The responsible handling of risks is part of the corporate governance strategy of Vapiano. A core element of this strategy is a continuous and systematic management of entrepreneurial risks as well as opportunities. The professional management of risks and opportunities helps to detect and manage risks at an early stage as well as to take advantage of opportunities that present themselves to the Company. When implementing and developing the risk management system, the elements of the COSO enterprise risk management framework (COSO: Committee of Sponsoring Organizations of the Treadway Commission) were taken into consideration and used as a basis.

The Management Board of Vapiano SE regularly informs the Supervisory Board about the current development of the risk landscape as well as the most important Group risks. In doing so, it informs the Supervisory Board about the planned or completed on-going developments in the internal control system. Apart from usual reporting, in which Vapiano currently provides the overall risk report as well as a summary of the critical risks to the audit committee twice a year, ad hoc reports are also submitted to the Members of the Supervisory Board.

The audit committee monitors the effectiveness of the financial reporting process, the internal control and management system as well as the independence of the auditor.

Vapiano SE's Financial Director is responsible for managing the opportunities and risks of the Group, which is an integral component of the management of the company. The risk officers evaluate the respective risks twice a year and provide reports on these to the Head of the Internal Audit. The Head of Internal Audit summarizes in a so-called risk report the newly identified risks and the decisions made in the risk management context from the risk officers' risk reporting process. Potential countermeasures are added to the report and the report is submitted to the Management Board of Vapiano SE. Besides the formalized semi-annual reporting, the respective risk officers have an ad hoc duty to report significant, previously unknown risks or significant negative changes in existing risks to the Head of Compliance/Internal Audit. The Head of Internal Audit then notifies the Management Board and recommends short-term countermeasures.

The internal risk report comprises the identification, evaluation, management and monitoring of major risks. All risks that represent a significant threat to the Group's success factors and that may affect its profit or liquidity situation are considered here. The individual risks are assigned to the categories "low", "moderate", "major" or "severe" based on their potential to cause harm. The potential to cause harm is uniformly evaluated throughout the Group with the support of a control process in accordance with the dimensions "expected loss on income (EBITDA)" and "probability of occurrence". The table below shows the scales of these two dimensions (expected loss potential and probability of occurrence) as well as the risk matrix derived therefrom:

Probability of occurence	> 40%	High	4	Moderate	High	Critical	Critical
	20 - 40%	Medium	3	Minor	Moderate	High	Critical
	5 - 20%	Low	2	Minor	Moderate	High	Critical
	< 5%	Very low	1	Minor	Minor	Moderate	High
				1	2	3	4
				Low	Moderate	Major	Severe
				< EUR 1 million	> EUR 1 million	> EUR 5 million	> EUR 10 million
				Expected loss potential			

An overall evaluation of the risk is derived and allocated to the categories "minor", "moderate", "high" or "critical" in line with the combination of the expected loss potential and probability of occurrence. In 2018, Vapiano SE reviewed and adjusted its risk management system where necessary. In particular, financing risks and the risks international expansion were reviewed due to the unsatisfactory economic development of the Group. The risk analysis presented to the Supervisory Board in the year under review shows significantly increased risks in these areas. Vapiano SE has therefore initiated appropriate measures, such as reducing the number of new restaurant openings, stopping investments in take away functionality and engaging in an intensive dialogue with the syndicate banks and major shareholders in order to counter these risks.

Opportunity Management System
The opportunity management system is aligned closely with the aforementioned risk management system. The opportunity management system aims to identify opportunities for the positive development of business at any early stage and to take advantage of these for the Group through appropriate measures as best as possible. The opportunity management system focuses on analyzing guest and product segments as well as evaluating market and competition analyses and the associated potentials.

Internal Control System and Accounting
The purpose of the accounting-related internal control system is to ensure with reasonable certainty that, with the controls implemented in the context of the significant business processes of the Group, the financial reporting is reliable, in line with the generally accepted accounting standards, and that significant errors contained therein are either prevented or detected and corrected. With respect to the financial reporting, the inherent limits of the internal control system may potentially cause it to fail to prevent or detect all of the potentially misleading statements in the financial statements. The Management Board monitors the development of the business on the basis of a 13-week cash flow planning.

In the course of making necessary organizational changes, the Reporting Guideline was expanded and updated in order to ensure that the Vapiano Group‘s financial reporting complies with the relevant laws and standards. To meet these requirements, new laws, accounting standards, other statements and complex individual issues relating to IFRS as well as HGB accounting and their impact on financial statements are analyzed, and proper accounting was ensured through central directives. The internal control system provides for both preventive and retrospective controls. This includes IT-supported and manual coordination, the establishment of the segregation of functions (principle of dual control), regulations governing access to software systems as well as other monitoring activities in the day-to-day business.

Vapiano SE’s Group Accounting department is responsible for ensuring that the relevant accounting policies are up-to-date, standardized and applied. These guidelines as well as the annual financial statement deadlines form the basis of the process for preparing the annual financial statements. In accordance with these deadlines and guidelines, financial statements are prepared for all Vapiano Group companies, partly with the support of external service providers. The Group Accounting department then prepares the consolidated financial statements of Vapiano SE based on these statements.

In addition, use is made of external service providers for undertaking accounting assessments on complex individual matters, such as the execution of purchase price allocations during company acquisitions.

Vapiano SE has an ERP system for the core markets of Germany, Austria and Luxembourg as well as consolidation software which enables faster reporting during the year. In 2018, the interfaces of the system landscape and the automation of processes in the areas of accounting and Group accounting were further optimized.

6.2. REPORT ON THE OPPORTUNITIES OF THE GROUP AND VAPIANO SE

The following opportunities identified by the Group relate to all Group segments, unless otherwise stated. This is justified by the fact that the segments fundamentally use the same business model. There were no significant changes in the opportunities compared to the previous year.

Optimization of the product range
For Vapiano, opportunities for future development arise from the implementation of the classic Italian product range with a focus on optimized processes of preparation of the dishes offered.

Format innovations
Significant opportunities for further development arise in the consistent further development of the "Vapiano Guest Experience" in the restaurants. This includes regular revision of the system-wide uniform concept of the restaurants in order to ensure a sustainable modern appearance, which also includes take away and home delivery concepts, but which will only be selectively expanded.

The Vapiano App, which has been in operation since 2017, gives guests the opportunity to order and pay for products. The mobile payment function has also been integrated. The Vapiano 3.0 concept is aimed at reducing waiting times and improving the guest experience.

International expansion
There are still opportunities for growth in other European countries and in other regions. The resulting growth opportunities will be analyzed in detail and realized partially together with franchise partners.

6.3. REPORT ON THE RISKS OF THE GROUP AND VAPIANO SE

All segments are affected by the risks identified by the Group, unless explicit reference is made in the following to one or more Group segments.

Reputational risks
Despite strict internal guidelines, it cannot be completely ruled out that individual restaurants may not comply with the central quality guidelines and quality assurance processes of Vapiano. This may lead to quality or hygiene deficiencies, which could result in official investigations, negative national or international press reports and ultimately massive damage to the reputation of the Vapiano brand and thus have a significant negative impact on business development. Vapiano addresses this risk with strict process and quality specifications, multiple and unannounced inspections of quality, process and hygiene standards during the course of the year, as well as through investigations by independent and external food technology inspectors.

Economic performance risks
Negative effects on Vapiano's business development may result from the fact that the design and concept of the restaurants are no longer up to date and are therefore less in demand by the relevant target groups. Furthermore, additional competitors in the system gastronomy market in a segment comparable to Vapiano's could result in a decrease in the number of guests. Vapiano counters this risk by continuously improving existing processes in its restaurants and by focusing on competitive products. In addition, Vapiano is working on the continuous improvement and overhaul of the design concept in order to optimize the guest experience in the long term.

Additional risks could arise if Vapiano is unsuccessful in positioning itself as an attractive employer and is unable to find sufficient, qualified employees for key management positions in the restaurants. This risk may increase due to minimum wage increases and shortages for skilled workers.

Additional economic performance factors could arise from Vapiano being the tenant or lessee at all corporate and joint venture restaurant sites. On the one hand, risks arise from the limited term (fixed contractual term and extension options) of the lease agreements as well as the variable components of the agreed rental and lease installments. In order to minimize the respective risks, Vapiano ensures active contract management in respect to all of the relevant rental and lease agreements. Risks relating to the recoverability of the assets of Vapiano SE and the Group.

The value of the assets of Vapiano SE and its subsidiaries is regularly reviewed. In addition to the regular annual valuations, impairment tests must be carried out in certain cases. For example, if external influences suggest that the value of goodwill, intangible assets, items of property, plant and equipment, investments or other assets may have decreased. The result of such impairment tests may lead to corresponding impairments, which, however, do not result in any payments. The result for the year can thus be significantly reduced with corresponding negative effects on the Vapiano share price. The result of the annual review may also result in a write-up of certain assets, which, however, cannot be predicted.

Risks relating to the impairment of the assets of Vapiano SE and the Group
The value of the assets of Vapiano SE and its subsidiaries is regularly reviewed. In addition to the regular annual valuations, impairment tests must also be carried out in certain cases. For example, when external influences suggest that the value of goodwill, intangible assets, property, plant and equipment, investments or other assets may have decreased. The result of such impairment tests may lead to corresponding impairments, which, however, do not result in any payments. The result for the year, as in the reporting year 2018, can thus be significantly reduced with corresponding negative effects on the Vapiano share price. The outcome of the annual review may also result in a write-up of certain assets, which is, however, not predictable.

Financing risks
As a consequence of disappointing operational trends, the financing risk has significantly increased. The contractual conditions on which the syndicated loan is based could not be complied with to a large extent (see section 2.4.2).

The refinancing agreed in May 2019 is based on a planning by Vapiano, which was further adjusted due to additional risk aspects by means of risk discounts and surcharges, in particular for the LfL growth, the planned revenues and key cost components. In principle, there is a risk that the assumptions were not sufficiently conservative, that risks were not taken into account or were not taken into account to a sufficient extent, and that the planned measures do not show the desired results in full, which means that, in principle, the loans drawn can be repaid later than planned. The share price performance of the Vapiano SE is unsatisfactory. This limits the current opportunities for acquiring additional financing by means of a capital increase.

Liabilities to banks subject to a variable interest rate are subject to the interest rate fluctuation risk to the detriment of Vapiano therefore constitute a risk of an increase in total debt. Hedge accounting is not applied.

These risks are countered by continuously monitoring existing margins both in the short and medium term by means of a clearly expanded and centrally managed reporting system. As a result of the commitments made by the financing banks and the major shareholders with regard to the refinancing and the associated necessary operational realignment, the Vapiano Group and/or Vapiano SE has liquidity reserves in the form of free lines of credit amounting to EUR 12.9 million.

Currency risks

Vapiano generally generates income in euro (EUR), with only a small amount of income in US dollars, British pounds, Swedish krona, Danish kroner, Australian dollars and Chinese renminbi. However, international sales in franchising business outside of the euro zone can be influenced by currency fluctuations. If restaurants are operated directly or in a joint venture outside the euro zone, most sales are generated and costs incurred in the local currency.

The majority of the company's liabilities are denominated in euros (EUR). A small part of the liabilities is composed of Swedish krona, Danish kroner, British pounds, US dollars, Australian dollars and Chinese renminbi.

In accordance with the risk policy, derivative financial instruments are exclusively closed positions that are offset by appropriately valued underlying transactions. We do not engage in speculation or trade in derivative products. In order to identify open risk positions, an effective planning and control instrument is implemented that presents current and future financial risks and enables effective compensation measures to be derived.

Counterparty default risk

Vapiano is mainly exposed to counterparty default risks from the issue of franchise licenses and from the granting of intra-Group loans. In order to minimize the risk of irrecoverable receivables, new franchisees and borrowers are individually assessed with respect to their personal suitability and creditworthiness prior to entering into a contract. In addition, adequate individual impairments are established based on a regular monitoring of the maturity of overdue receivables or unscheduled write-downs are made.

International expansion

In principle, the international expansion also carries risks. When opening Vapiano restaurants, there is a risk that they will not achieve the desired sales and profitability levels. The fundamentally revised expansion strategyfocuses on a few European core markets and on cooperation with franchise partners who can contribute their expertise from local markets.

IT risks

In the context of its business activity, Vapiano makes use of IT-supported systems and processes in many areas (including electronic check-out systems, supply chain management and systems for finance and controlling). The Company has implemented new IT systems and enhanced and refurbished existing systems. These types of changes create strong dependencies primarily during the implementation phase with potential adverse effects on the operations such as delays and inefficiencies. In order to minimize these risks, all relevant IT systems are continuously monitored and further enhanced.

Risk report with respect to the use of financial instruments

Risks regarding financial instruments are identified as early as possible. For this purpose, an effective planning and control instrument is implemented that enables current and future financial risks in relation to financial instruments (primarily financial liabilities) to be identified and effective compensation measures to be derived.

The risk of default for assets is accounted for by appropriate impairments. The Group uses derivatives to manage market risk. Derivative financial instruments are used to fix the interest rate of financial liabilities at variable interest rates. Because the Group uses financial instruments exclusively for this purpose, there are no resulting additional market or liquidity risks. The CFO discusses the scope of hedging relative to the risks of change in interest rates with Controlling at Vapiano SE, with contacts at its principal bank, and with members of the Supervisory Board. Required consents are obtained with due diligence.

The Group is exposed to currency risks to the extent that there is a mismatch between the currencies in which services, disposal and acquisition transactions and credit transactions are denominated and the functional currency of the Group companies. In principle, the mentioned transactions are, in most cases, based on currencies in which the cash flows of the respective business operation are generated. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

6.4. OVERALL EVALUATION OF THE OPPORTUNITIES AND RISKS POSITION OF THE GROUP AND VAPIANO SE

The Management Board of Vapiano SE regards the opportunity and risk situation of the Group and Vapiano SE as manageable overall despite the increased individual risks in the area of financing and international expansion. In the forecast period, taking into account the agreements reached with the banks of the consortium and the major shareholders in May 2019, no risks are apparent which could not be countered by suitable countermeasures or which could threaten the continued existence of the Group and Vapiano SE.

The summary below describes the risk groups primarily affecting the Group, including an estimate of the potential probability of occurrence as well as potential for losses in the categories of the internal risk report:

Key risk group	Probability of occurrence	Potential for loss
Reputational risks	Low	Severe
Economic performance risks	Medium	Moderate
Impairment risks	Medium	Major
Financing risks	Medium	Severe
Currency risks	Medium	Moderate
IT risks	Medium	Moderate
Expansion risks	High	Major

The assessment of the significant risk groups has not changed significantly compared with the previous year‘s reporting date. The impairment risk was newly included. The probability of occurrence for the expansion risk group was upgraded to high due to the increase in the number of restaurant openings. The potential for loss for the financing risk has risen to major.

6.5. ANTICIPATED DEVELOPMENT OF THE GROUP AND SE (FORECAST REPORT)

The forecast of the Vapiano group for 2019 fiscal year expects stable but slightly slower economic growth in the European core markets of Vapiano and generally assumes a fast casual dining market displaying fluctuations within the normal range. In addition, at the time the annual report is being prepared, the forecast contains all known events that may have an impact on the business performance. However, it is possible that the actual Vapiano SE performance will deviate from this forecast if political, economic or structural developments or weather-related events occur that the Company can neither plan nor foresee nor influence in any conceivable manner.

General economic outlook

Leading economic institutions assume that growth will continue to slow in 2019 and that the expansion of the global economy has already reached its peak. This is due to the predominance of political issues as well as uncertainties and changes in the general economic cycle. Despite the slowdown in economic growth, however, the employment rate will continue to rise by 0.9%. Real wages will increase by 0.8% according to the OECD.

In Europe, the “Brexit“ issue remains dominant, as does the agreement between the British government and the parliaments. The potential impact of Brexit on the supply chains of the British restaurants is estimated to be moderate as there are opportunities for local procurement of food and primary products.

Growth in Germany will remain solid, but will not be able to match the pace of previous years. For 2019, the German government expects growth of 0.5%. The OECD expects economic growth of 0.7%. One of the reasons for these cautious assumptions is the emerging protectionism of some countries.

Despite these uncertainty factors, a solid economic development is expected in the core markets for the 2019 fiscal year. At present, it is not expected that this will result in a significant change in macroeconomic conditions that could have a significant impact on the Vapiano Group.

Industry outlook

Despite the slowdown in general economic growth, npdgroup deutschland GmbH expects a slight improvement in the development of the gastronomy sector in 2019 compared to 2018. Consumers are more crisis-resistant and willing to spend more money per visit as well as pay more for high-quality products or dine in higher-quality establishments. This trend is summarized under the term “premiumization“. The DEHOGA Economic Survey from the summer of 2018 also assumes good business developments in 2019.

In addition to general economic growth, the megatrends of globalization, sustainability, mobility, digitization and networking continue to play a major role in the gastronomy sector. Digitization in particular is becoming increasingly important: Apps for delivery services as well as online payment and order options will increasingly determine how people make reservations, appointments, place orders via order terminals or rate restaurants.

The positive macroeconomic conditions as well as the good labor market situation ensure that private consumption in Germany and Europe remains an important pillar of the economy. It is to be expected that the catering industry can benefit from this despite the slowdown in growth.

According to the CREST study (CREST = Consumer Panel of npdgroup deutschland GmbH), the positive macroeconomic conditions in Germany in 2018 point to a 1.5% increase in visitor numbers and a 3.9% rise in guest spending per visit.

Expected business development and earnings performance of the Group and Vapiano SE
Due to the revised strategy and the associated restrictive opening of further restaurants, as well as the strengthening of the franchise business, Vapiano expects sales growth to slow down compared to the previous years. 2019 will be a transition year focusing on improving profitability and reducing growth. Existing locations will be evaluated according to profitability criteria and the necessary measures will be derived up to the closure of individual locations; the expansion of take away and home delivery will only take place selectively.

In summary, the Management Board expects Group sales of between EUR 390 million and EUR 420 million[3] in 2019 due to the development of the economic environment and the revised strategy.

In Mio. EUR	EBITDA excl. IFRS 16[3]	IFRS 16 Effekt	EBITDA incl. IFRS 16[3]
EBITDA	11 - 16	40 - 42	51 - 58
adjusted EBITDA	20 - 25	40 - 42	60 - 67

Management Board anticipates that the Group's overall result will improve significantly in 2019, but still be negative in the mid-double-digit million range. Vapiano plans to open 10 to 15 new restaurants in 2019, significantly slowing its expansion with a continued decline in like-for-like sales, slightly below the 2018 level.

In the medium term, the Executive Board expects a positive free cash flow in 2020 and a positive consolidated result in 2021.

In line with the strategy, the Management Board does not expect any significant new openings for Vapiano SE and therefore expects sales to remain at the previous year's level. A negative EBITDA is still expected, although it will improve slightly compared to the 2018 financial year. The annual result of Vapiano SE is expected to improve significantly in 2019, but still be negative.

6.6. GENERAL STATEMENT ON THE FUTURE DEVELOPMENT OF THE GROUP AND VAPIANO SE

Overall, the course of the 2018 fiscal year and the Group's economic situation are very disappointing. The year 2019 is considered a transition year in order to set the course for sustainable profitable development.

These statements by the Management Board regarding the future development of Vapiano SE are based on current estimates, expectations and viewpoints and, by their nature, are associated with risks and uncertainties.

The events and results actually occurring could deviate from the statements made here.

6.7. DECLARATION OF THE MANAGEMENT BOARD ON THE DEPENDENCY REPORT PURSUANT TO SECTION 312 (3) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

Vapiano SE has prepared a dependent company report in accordance with Section 312 of the German Stock Corporation Act (AktG).

The final declaration of the Management Board of Vapiano SE in the dependency report reads as follows.

[3] On the basis of the adjusted strategy, further adjustments can be made through refranchising or store exits.

"We declare that Vapiano SE received appropriate consideration for each legal transaction in respect of the legal transactions listed in the report on relations with affiliated companies for the reporting period from October 23, to December 31, 2018 according to the circumstances known to us at the time when the legal transactions were entered into. No other measures were taken or omitted in the interest of or at the instigation of the directly or indirectly controlling company or its affiliated companies."

6.8. EVENTS AFTER THE REPORTING DATE

Sale of Vapiano Holding LLC, USA
After the balance sheet date, Vapiano SE signed a purchase agreement for the sale of Vapiano Holding USA LLC. to Plutos Sama Holding, Inc. In connection with the sale, five "Development Agreements" were signed regarding the opening of 75 additional franchise restaurants for the states of Illinois, Washington D.C., Virginia, New York and New Jersey. Vapiano SE will receive USD 15 million and an additional USD 5 million for the "Development Agreements". The closing is expected for the second quarter of 2019.

Changes in the Supervisory Board
On January 2, 2019, Dr. Tochtermann resigned from his position as Chairman of the Supervisory Board for personal reasons with effect from January 31, 2019.

At the Supervisory Board meeting on January 29, 2019, Vanessa Hall was elected Chairman of the Supervisory Board with effect from February 1, 2019.

Cologne, 17 June 2019

Cornelius Everke
Chief Executive Officer

Lutz Scharpe
Chief Financial Officer

Glossary

Financial KPIs

EBITDA	EBITDA is calculated from the operating result (EBIT) plus depreciation and amortization.
Adjusted EBITDA	Adjusted EBITDA shows the result of the continuing business operations before income taxes, financial result, depreciation, amortization and write-offs, and non-operating earnings effects. The non-operating extraordinary effects particularly include: • Losses from the disposal of assets • Currency translation effects • Costs in connection with the implementation of capital measures • Consulting expenses for acquisitions • Value adjustments and unscheduled write-downs • Interest-like expenses (e.g. surety costs) • Extraordinary effects (e.g. income and expenses for previous periods, consulting expenses in connection with the strategic realignment and the related financing and reorganization) • Legal and consulting costs not attributable to the original business operation. • Effects (expenses/income) resulting from initial consolidation measures. • Costs for opening new restaurants (pre-opening costs)
Sales	Sales comprise revenues in accordance with the definition in the notes to IFRS 15.
Like-for-Like Wachstum	Like-for-like (LfL) growth compares sales growth on a comparable area. It includes all restaurants that have not been closed for more than seven days in a comparable period of 12 months.

Non-financial performance indicators

Restaurant openings	Number of restaurants newly opened in the year under review.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2018

Consolidated statement of comprehensive income

(kEUR)	Notes	1/1/2018-12/31/2018	1/1/2017-12/31/2017
Result for the period			
Sales	2.1	**371,453**	**324,699**
Change in inventories		296	-
Other operating income	2.2	9,518	12,409
Capitalized own work	3.1	475	965
Cost of materials	2.3	-93,420	-81,360
Personnel expenses	2.4	-163,222	-137,832
Amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment	2.5	-79,698	-41,223
Impairment losses on financial assets	2.6	-2,949	-
Other operating expenses	2.7	-127,552	-103,127
Operating result		**-85,099**	**-25,469**
Finance income	2.8	696	525
Finance costs	2.8	-9,326	-6,683
Net financial income/expenses	*2.8*	*-8,630*	*-6,158*
Result from accounting using the equity method	3.3	-1,170	-169
Profit/Loss before taxes		**-94,899**	**-31,796**
Income tax income/expenses	2.9	-6,092	2,242
Result for the period		**-100,991**	**-29,554**
Other comprehensive income			
Items which may be reclassified to profit or loss in future			
Currency translation differences as a result of foreign operations		*-1,229*	*81*
Total comprehensive income		**-102,220**	**-29,473**
Result for the period attributable to:			
Shareholders of the parent company		-93,429	-27,733
Non-controlling interests		-7,562	-1,821
Total		**-100,991**	**-29,554**
Total comprehensive income attributable to:			
Shareholders of the parent company		-94,263	-27,328
Non-controlling interests		-7,957	-2,145
Total		**-102,220**	**-29,473**

		2018	2017
Earnings per share from continuing operations	3.10		
Basic (euros per share)		-3.83	-1.25
Diluted (euros per share)		-3.83	-1.25

Consolidated statement of financial position

(kEUR)	Notes	12/31/2018	12/31/2017
Assets			
Intangible assets	3.1	101,270	110,661
Property, plant and equipment	3.2	163,933	164,143
Trade receivables	3.5	839	1,188
Investments accounted for using the equity method	3.3	2,303	4,135
Other financial assets (non-current)	3.6	2,263	889
Other assets (non-current)	3.7	551	572
Deferred tax assets	2.9	5,379	12,246
Non-current assets		**276,538**	**293,834**
Inventories	3.4	7,228	6,850
Trade receivables	3.5	4,996	7,620
Other financial assets (current)	3.6	11,426	13,515
Other assets (current)	3.7	9,390	11,876
Income tax assets		1,811	1,751
Cash and cash equivalents	3.8	27,562	14,871
		62,413	**56,483**
Assets classified as held for sale	3.9	**14,559**	-
Current assets		**76,972**	**56,483**
Total		**353,510**	**350,317**
Equity and liabilities			
Equity	3.10		
Share capital		**26,063**	24,030
Capital reserve		**106,907**	88,775
Currency translation reserves		**-1,054**	-220
Retained earnings		**-96,710**	-1,488
Equity attributable to the shareholders of the parent company		35,206	111,097
Non-controlling interests	4.2	11,736	20,032
Equity		**46,942**	**131,129**
Liabilities			
Provisions	3.12	10,063	5,937
Non-current financial liabilities	3.13	111,135	113,778
Other financial liabilities (non-current)	3.13	1,732	1,159
Other liabilities (non-current)	3.15	12,770	4,051
Deferred tax liabilities	2.9	11,444	13,843
Non-current liabilities		**147,144**	**138,768**
Provisions	3.12	3,350	669
Current financial liabilities	3.13	81,396	15,440
Trade payables	3.14	29,400	28,424
Other financial liabilities (current)	3.13	18,428	15,072
Other liabilities (current)	3.15	21,747	18,481
Income tax liabilities		1,080	2,334
		155,401	**80,420**
Liabilities directly associated with assets classified as held for sale	3.9	**4,023**	-
Current liabilities		**159,424**	**80,420**
Liabilities		**306,568**	**219,188**
Total		**353,510**	**350,317**

Consolidated statement of changes in equity

(kEUR)	Notes	Attributable to shareholders of the parent company: Share capital	Capital reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group equity as of 01/01/2018		**24,030**	**88,775**	**-220**	**-1,488**	**111,097**	**20,032**	**131,129**
Total comprehensive income								
Result for the period		-	-	-	-93,429	-93,429	-7,562	-100,991
Other comprehensive income		-	-	-834	-	-834	-395	-1,229
Total comprehensive income		-	-	-834	-93,429	-94,263	-7,957	-102,220
Capital increase	3.10	2,033	18,301	-	-	20,334	-	20,334
Transaction costs from capital increase		-	-169	-	-	-169	-	-169
Addition to reserve for share-based payment		-	-	-	40	40	-	40
Share purchases by minority shareholders	1.8/4.2	-	-	-	99	99	-305	-206
Effects resulting from the first-time application of new IFRSs		-	-	-	-1,746	-1,746	-	-1,746
Distribution of earnings		-	-	-	-	-	-220	-220
Other effects		-	-	-	-186	-186	186	-
Group equity as of 12/31/2018		**26,063**	**106,907**	**-1,054**	**-96,710**	**35,206**	**11,736**	**46,942**

(kEUR)	Notes	Attributable to shareholders of the parent company: Share capital	Capital reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group equity as of 01/01/2017		**534**	**29,851**	**-625**	**26,405**	**56,165**	**20,795**	**76,960**
Total comprehensive income								
Result for the period		-	-	-	-27,733	-27,733	-1,821	-29,554
Other comprehensive income		-	-	405	-	405	-324	81
Total comprehensive income		-	-	405	-27,733	-27,328	-2,145	-29,473
Capital contribution		1	584	-	-	585	-	585
Capital increase from company reserves		19,799	-19,799	-	-	-	-	-
Capital increase from IPO		3,696	81,304	-	-	85,000	-	85,000
Transaction costs from IPO		-	-3,165	-	-	-3,165	-	-3,165
Change resulting from business combinations		-	-	-	-	-	1,542	1,542
Other changes		-	-	-	21	21	-	21
Share purchases by minority shareholders		-	-	-	-181	-181	82	-99
Distribution of earnings		-	-	-	-	-	-242	-242
Group equity as of 12/31/2017		**24,030**	**88,775**	**-220**	**-1,488**	**111,097**	**20,032**	**131,129**

The development of the Group equity is described in Note 3.10 „Equity".

Consolidated statement of cash flows

(kEUR)	2018	2017
Cash flow from operating activities		
Result for the period (before taxes)	-94,899	-31,796
Adjustments for:		
Amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment	79,698	41,223
Impairment losses on financial assets	2,949	-
Non-cash income and expenses	10,208	4,595
Net finance costs	8,630	6,158
Share of profit/loss of equity-accounted investees, after tax	1,170	169
Net loss from the sale of property, plant and equipment	960	1,039
	8,716	21,388
Changes in:		
Inventories	-241	-737
Trade receivables and other receivables	-930	-6,892
Trade payables and other liabilities	2,464	7,051
Other provisions and provisions for employee benefits	-753	-145
Cash inflow from operating activities	**9,256**	**20,665**
Interest received	239	75
Interest paid	-6,927	-6,387
Income taxes paid	-3,483	-3,439
Net cash flow from operating activities	**-915**	**10,914**
Cash flow from investing activities		
Inflows from the sale of intangible assets and property, plant and equipment	-	267
Acquisition of intangible assets and property, plant and equipment	-63,833	-73,049
Acquisition of subsidiary, net of cash acquired	-285	-5,005
Acquisition of other financial assets	-1,702	-749
Cash flow from investing activities	**-65,820**	**-78,536**
Cash flow from financing activities		
Proceeds from capital increase	20,334	85,585
Transaction costs	-249	9,476
Loan received from shareholders of Vapiano SE	-	7,450
Proceeds from other financial liabilities	71,501	163,259
Transaction costs relating to syndicated loan	-	-1,590
Outflows relating to other financial liabilities	-11,587	-174,025
Non-cash deposit on accounts with restraints on disposal	-1,181	-
Acquisition of non-controlling interests	-206	-100
Distribution of profits	-220	-242
Cash flow from financing activities	**78,392**	**70,861**
Cash and cash equivalents		
Net increase in cash and cash equivalents	**11,657**	**3,239**
Cash and cash equivalents at the beginning of the period	14,871	11,691
Effect of movement in exchange rate and changes in the scope of consolidation on cash held	-147	-59
Cash and cash equivalents at December 31	**26,381**	**14,871**

The total cash and cash equivalents reported in the consolidated cash flow statement are reconciled as follows to the cash and cash equivalents item in the consolidated balance sheet:

kEUR	12/31/2018	12/312017
Unlimited cash and cash equivalents	26,281	14,871
Restricted cash and cash equivalents	1,181	-
Total	**27,562**	**14,871**

The consolidated statement of cash flows is further described in Note 4.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2018

1 General disclosures

1.1 REPORTING COMPANY

General information
Vapiano SE is a company that has its registered office in Cologne, Germany. The Company's business address is Zollhafen 2-4 in 50678 Cologne. The Company is registered under HRB 95084 in the Commercial Register (Handelsregister) of the Local Court (Amtsgericht) of Cologne.

Since June 27, 2017, the shares in Vapiano SE (ISIN DE000A0WMNK9) have been admitted to official trading in the Prime Standard of the Frankfurt Stock Exchange.

The declaration of compliance with the German Corporate Governance Code required by Section 161 AktG was issued and made available to the shareholders at
http://ir.vapiano.com/websites/vapiano/English/4000/corporate_br_governance.html.

The Company's consolidated financial statements for the year ending December 31, 2018 comprise Vapiano SE as the parent company and its subsidiaries. The financial year corresponds the calendar year.

Object of the reporting company
The object of the Company includes the planning, construction and operation of catering operations as well as restaurants, bars, bistros, cafés and fast food restaurants, the purchase, production and sale of food, the purchase, sale as well as the production of finished food products, the provision of catering services and the development of catering concepts. Furthermore, the Company develops and implements of franchise and licensing systems for catering concepts, as well as all other services in the catering sector.

Financing situation of the Group
As of the balance sheet date, Vapiano had not complied with the financial covenants laid down in the syndicated loan agreement with a maximum total volume of EUR 200 million agreed for the Group‘s external financing. As a result, the financing syndicate banks have an extraordinary right to terminate the revolving credit facility contained in the syndicated loan agreement, which was utilised at the balance sheet date in the amount of EUR 66 million, which has not yet been exercised. In addition, the syndicate banks have temporarily provided the credit lines that have not yet been utilized with restrictions on disposal and access.

The strained financial situation of the Group has led to intensive discussions with major shareholders and financing banks about the future financing of the Group. These discussions were successfully concluded on May 23, 2019 and June 13, 2019 respectively with the following agreements:

- Provision of two additional loans of up to EUR 17.7 million with qualified subordination from the three major shareholders, which are due for repayment on November 23, 2022.

- Opening of the credit lines available under the existing revolving credit facility with a volume of EUR 12.9 million, for which the possibility of Vapiano being drawn down by the banks was temporarily suspended.

Taking these agreements into account, the consolidated financial statements as of December 31, 2018 were therefore prepared under the going concern assumption.

1.2 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

The consolidated financial statements were prepared pursuant to Section 315e of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU applicable on the reporting date and the supplementary commercial law provisions according to Section 315e HGB.

For purposes of the consolidated financial statements, all IFRS as well as the interpretations of the IFRS Interpretations Committee (IFRIC), are applied that had been incorporated into European law by the European Commission when the financial statements were prepared.

Early application of standards not yet mandatory as of the closing date has been waived.

The requirements of all of the IFRS and IFRIC interpretations applied in preparing these consolidated financial statements have been met in full resulting in a true and fair view of the net assets, financial position and result of operations of the Group. There has been no departure from these standards on grounds of overriding principles.

The consolidated statement of comprehensive income has been prepared using the type of expense method. The consolidated statement of financial position complies with the classification rules stated in IAS 1 “Presentation of Financial Statements“. The consolidated statement of comprehensive income comprises the income statement and a reconciliation of net income to total comprehensive income in a single statement.

To improve the clarity of presentation, various items on the consolidated statements of comprehensive income and financial position have been grouped together. These items are disclosed and explained separately in the notes to the financial statements.

The consolidated financial statements were prepared on the basis of historical acquisition or production costs. This is not the case for financial instruments, which are measured at fair value through profit or loss. In addition, all assets and liabilities acquired within the scope of business combinations are measured at fair value when recognized for the first time. Please refer to Section 1.8 “Acquisitions and other changes in the scope of consolidation”.

With regard to the detailed description of the accounting and valuation methods, please refer to the disclosures in Note 1.7 “Accounting policies”.

These consolidated financial statements are presented in euros, the functional currency of the parent company.

Unless otherwise indicated, all amounts shown are stated in thousands of euros (kEUR). The amounts shown are rounded. Due to rounding, it is possible that individual figures presented in these consolidated financial statements do not add up precisely to the totals provided, and percentages may not precisely reflect the absolute values to which they relate.

The Management Board of Vapiano SE prepared the consolidated financial statements on June 17, 2019, and released them for provision to the Supervisory Board and for publication after approval by the Supervisory Board.

The financial statements of the subsidiaries included in the consolidated financial statements, which have been prepared as of the same closing date as the parent company, are based on uniform accounting and measurement principles. The same accounting and valuation methods were used to determine the pro rata equity of companies valued using the equity method. The most recent available and/or audited financial statements of the relevant company are used as the basis for this calculation.

The preparation of the consolidated financial statements requires judgements, estimates and assumptions relating to the application of accounting methods and the amounts of assets, liabilities, income and expenses reported. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Amendments of estimates are included prospectively.

Judgements

About judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in Section 1.5 "Consolidation principles" Consolidation: Determining whether control exists and Section 1.7 "Accounting policies".

Assumptions and estimating uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in a financial year is included in Note 1.7 "Accounting policies" and in the notes below:

- Note 1.8 "Acquisitions and other changes in the scope of consolidation" – Determining the fair values of acquired assets and liabilities.

- Note 2.9 "Income taxes (including tax reconciliation)" – Recognition of deferred tax assets: availability of future taxable profits against which tax loss carryforwards can be offset.

- Note 3.1 "Goodwill and intangible assets (incl. impairment test)" - Impairment test: significant assumptions underlying the calculation of the recoverable amount.

- Note 3.12 "Provisions" and Note 4.7 "Contingent assets and liabilities and other financial commitments and contingencies" – Recognition and measurement of provisions and contingent assets and liabilities: significant assumptions regarding the probability and extent of the inflow or outflow of economic benefits.

- Note 3.16 "Financial instruments and financial risk management (derivatives, measurement categories, options)" – Calculation of the fair value of financial liabilities measured at fair value.

Determination of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for both, financial and non-financial assets and liabilities.

The Group has an established control framework for the determination of fair values. The Group Accounting team monitors all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The Group Accounting team regularly reviews significant unobservable inputs and adjusts valuations accordingly. If third-party information, such as broker quotes or pricing services, is used to measure fair values, the Group Accounting team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet IFRS requirements, including fair value hierarchy level in which these valuations should be classified.

When determining the fair value of an asset or liability, the Group uses observable market data wherever possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Valuation parameters other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Valuation parameters for assets or liabilities that are not based on observable market data.

In addition, on each closing date, the Group Accounting team assesses whether the criteria for a change in the valuation level according to the fair value hierarchy are met for assets and liabilities to be measured at fair value. A classification in level 1 or level 2 of the fair value hierarchy only takes place if fair values for observable transaction prices are available for the determination of the fair value.

If the inputs used to measure the fair value of an asset or a liability can be classified into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information on the assumptions used to determine fair values is provided in the following notes:

- Note 1.8 “Acquisitions and other changes in the scope of consolidation”
- Note 3.11 “Share-based payment arrangements”
- Note 3.16 “Financial instruments and financial risk management (derivatives, measurement categories, options)”.

1.3 EFFECTS OF NEW IFRS STANDARDS

Effects of standards requiring mandatory application for the first time in the last financial year:
The accounting-related effects resulting from the first-time mandatory application of new standards as at January 1, 2018 with a material impact on the net assets, , financial position and result of operations of the Vapiano Group are presented below:

Reconciliation of consolidated statement of financial position - IFRS 9 and IFRS 15

kEUR *Assets*	12/31/2017	Effects from IFRS 9	Effects from IFRS 15	01/01/2018
Assets				
Non-current assets	293,834	85	363	294,282
of which deferred tax assets	12,246	85	363	12,694
Current assets	56,483	-282	-	56,201
of which trade receivables	7,620	-282	-	7,338
Total assets	**350,317**	**-197**	**363**	**350,483**
Equity and liabilities				
Equity	131,129	-197	-1,549	129,383
of which retained earnings	-1,488	-197	-1,549	-3,234
Non-current liabilities	138,768	-	1,786	140,554
of which non-current other liabilities	4,051	-	1,786	5,837
Current liabilities	80,420	-	126	80,546
of which current other liabilities	18,481	-	126	18,607
Total equity and liabilities	**350,317**	**-197**	**363**	**350,483**

IFRS 9: Financial Instruments

This standard comprehensively deals with the recognition of financial instruments. Compared to its predecessor IAS 39, noteworthy changes include in particular the rules for classifying financial assets, which have been newly formulated and revised in the latest version of IFRS 9. They are based on the characteristics of the business model and on the contractual payment flows relating to financial assets. Another fundamentally new item is the regulations for the recognition of impairment, which is now based on an expected loss model. The recognition of hedging relationships has also been revised under IFRS 9, and is designed to better reflect operational risk management. The effects on the classification of financial instruments are presented in the table below:

Reconciliation of measurement categories for financial assets and liabilities from IAS 39 to IFRS 9

kEUR	Carrying amount 12/31/2017	Measurement category pursuant to IAS 39	Remeasurement due to the application of the impairment model	Carrying amount 01/01/2018	Measurement category pursuant to IFRS 9
Financial assets not measured at fair value					
Trade receivables	8,808	Loans and receivables	-282	8,526	Amortized cost
Other financial assets	14,404	Loans and receivables	-	14,404	Amortized cost
Cash and cash equivalents	14,871	Loans and receivables	-	14,871	Amortized cost
Total	**38,083**		-282	**37,801**	

Financial liabilities measured at fair value					
Interest rate swaps	194	Held for trading	-	194	At fair value through profit or loss
Other financial liabilities	4,067	Other financial liabilities	-	4,067	At fair value through profit or loss
Total	**4,261**		-	**4,261**	

Financial liabilities not measured at fair value					
Liabilities to banks	128,376	Other financial liabilities	-	128,376	Amortized cost
Trade payables	28,424	Other financial liabilities	-	28,424	Amortized cost
Liabilities from finance leases	842	Other financial liabilities	-	842	Amortized cost
Other financial liabilities	11,970	Other financial liabilities	-	11,970	Amortized cost
Total	**169,612**		-	**169,612**	

With the exception of the effect referred to below, the application of IFRS 9 had no material impact on the measurement of financial instruments:

The Group uses the simplified impairment model permitted under IFRS 9 to recognize impairment losses on receivables with a remaining term of one year or less. This method involves recognizing risk provisions in the amount of the expected losses over the remaining term of the items concerned, irrespective of credit rating. As long-term receivables are assumed to have a very low default risk, risk provisions corresponding to the expected 12-month losses are recognized for them.

The first-time application of the new impairment model as at January 1, 2018 resulted in a transition effect of kEUR 282 which was recognized, less deferred taxes of kEUR 85, as a deduction from the consolidated profit carried forward with no effect on income. The continual updating of risk provisions resulted in expenses of kEUR 63 in the 2018 fiscal year.

IFRS 15 Revenue from Contracts with Customers

When revenue from the Group's business activities, which consist primarily of the provision of catering services and the collection of franchise fees, is recognized, the fair values of the services rendered generally match the consideration received at the time the services are rendered, meaning that the first-time application of the standard had no impact in this regard.

One exception to this rule relates to the "set-up services" that Vapiano provides for the franchisee when a restaurant is opened. These are invoiced as an "initial fee". These services cannot be recognized as distinct, as they cannot be separated from the rights of use granted in franchise agreements. As a result, revenue from these set-up services is recognized over the term of the agreement, as with franchise fees. As this revenue had previously been recognized at a specific point in time, the first-time application of the standard resulted in a transition effect of kEUR 1,912 which was recognized, less deferred taxes of kEUR 363, as a deduction from the consolidated profit carried forward with no effect on income. The transition effect was calculated in accordance with the modified retrospective method as if the provisions amended by IFRS 15 had already been applied in the past.

The further application of the amended provisions resulted in a reduction in revenue of kEUR 130 for the 2018 fiscal year and income of kEUR 10 from changes in deferred taxes on temporary differences. As of December 31, 2018, non-current other liabilities of kEUR 1,830 and current other liabilities of kEUR 134 were deferred. Deferred amounts of kEUR 78 were eliminated as intragroup balances as a result of the "Australia" acquisition. The application of the provisions amended under IFRS 15 had no effect on the Group's earnings per share.

Other standards to be applied for the first time in the 2018 fiscal year
The first-time application of the following new standards/amendments to existing standards had no (material) impact on the net assets, financial position and result of operations of the Vapiano Group:

EU endorsement	Standard/ Interpretation	Contents	Applicable for financial years beginning on/after
February 26, 2018	Amendments to IFRS 2	Classification and measurement of share-based payment arrangements	January 1, 2018
Novmber 3, 2017	Amendments to IFRS 4	Applying IFRS 9 Financial “Instruments“ with IFRS 4	January 1, 2018
March 14, 2018	Amendments to IAS 40	Transfers of investment property	January 1, 2018
February 7, 2018	Annual improvements - 2014-2016 cycle	Improvements to IFRS 1 and IAS 28	January 1, 2018
March 28, 2018	IFRIC 22	Foreign currency transactions and advance payments	January 1, 2018

Impact of standards to be applied for the first time in future financial years:

IFRS 16 Leases

The IASB published IFRS 16 “Leases” in January 2016. The standard is effective for the first time for financial years beginning on January 1, 2019. IFRS 16 has a material impact on the consolidated financial statements of Vapiano SE, in particular on total assets, result of operations, cash flow from operating activities and the presentation of its net assets and financial position. As a lessee, Vapiano is particularly affected in connection with the rental of premises for the operation of its restaurants. The Group does not own any of the restaurant premises in which it operates.

Vapiano will not be applying the new leasing standard using a fully retrospective approach, but rather will be using the simplified provision for lessees (“modified retrospective method”). With the transition to IFRS 16, payment obligations resulting from existing operating leases will be discounted using the corresponding incremental borrowing rate and will be recognized as a lease liability.

The rights-of-use are recognized as of January 1, 2019 at the amount of the lease liability, adjusted by the amount of the prepaid or deferred lease payments. This primarily relates to amounts accrued in accordance with IAS 17 for rent-free periods prior to the opening of restaurants and for straight-line leases granted during the ramp-up phase of new restaurants, which must be deducted from the rights of use in accordance with IFRS 16. In addition, provisions recognized for onerous leases are deducted from the rights of use of the restaurants concerned as of January 1, 2019.

In the cash flow statement, the repayment portion of the lease payments from existing operating leases will reduce the cash flow from financing activities, as opposed to the cash flow from operating activities, in the future. Only the interest payments will continue to be reflected in the cash flow from operating activities. This item will increase overall.

The overall impact of IFRS 16 was determined as part of a Group-wide project on the implementation of IFRS 16. Based on management‘s current assessment, Vapiano expects the following material effects of the transition as of January 1, 2019, with possible deviations of +/-5 percentage points possible for the expectations formulated for the balance sheet items:

- An increase in total assets as at January 1, 2019 due to the capitalization of right-of-use assets in the amount of EUR 284.8 million and the recognition of lease liabilities in the amount of EUR 295.9 million. The increase in lease liabilities results in a corresponding increase in net financial liabilities.

- In the income statement, depreciation and amortization is expected to increase by around EUR 36.0 million in 2019 and interest expenses by around EUR 12.8 million instead of the recognition of leasing expenses of EUR 41.5 million, resulting in an corresponding EBITDA improvement.

The following material options and simplifications will be exercised:

- Right-of-use assets and lease liabilities are not presented separately in the statement of financial position. The right-of-use assets will be included in the same item in which the underlying assets would also be presented if they were owned by the Group. The liabilities will be reported under the Group's financial liabilities.

- Short-term leases and leases with a term of less than 12 months whose underlying asset is of low value are not accounted for in accordance with the recognition, measurement and disclosure requirements of IFRS 16. As in the past, payments related to these contracts are recognized under other operating expenses.

In addition, the following material options and simplifications will be exercised upon the first-time application of IFRS 16:

- Provisions for onerous contracts recognized in connection with leases are netted against the right-of-use asset as at January 1, 2019.

- When determining lease terms, hindsight is sometimes taken into account if this leads to a better estimate regarding the exercise of extension or termination options.

- The grandfathering provisions will not be applied. This means that the leasing standard will be applied to all existing agreements covered by the scope of the standard on January 1, 2019

Other standards to be applied for the first time in the coming financial years

In addition, the following new or amended standards and interpretations will be mandatory in the coming financial years:

EU endorsement	Standard/ Interpretation	Contents	Applicable for financial years beginning on/after	Probable impact
October 23, 2018	IFRIC 23	Uncertainty over income tax treatment	January 1, 2019	No material impact
March 22, 2018	IFRS 9	Prepayment features with negative compensation	January 1, 2019	None
February 8, 2019	IAS 28	Investments in associates and joint ventures	January 1, 2019	No material impact
March 14, 2019	Annual improvements - 2015-2017 cycle	Improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019	No material impact
March 13, 2019	IAS 19	Clarification of requirements governing the accounting of plan amendment, curtailment or settlement	January 1, 2019	No material impact
Not yet endorsed	IFRS 17	Recognition of insurance contracts	January 1, 2021	None
postponed indefinitely by the IASB	Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an Investor and its associate or joint venture	tbd	tbd
Not yet endorsed	Amendments to IFRS 3	Changes to the definition of a business operation	estimated Jan 1, 2020	No material impact
Not yet endorsed	Amendments to IAS 1 and IAS 8	Clarification of the definition of materiality	estimated Jan 1, 2020	No material impact
Not yet endorsed	Changes in the references to the accounting framework	Updating of the cross-references to the newly revised framework in the relevant standards and interpretations	estimated Jan 1, 2020	No material impact

No further detailed information on the expected impact of new or amended standards or interpretations in the future has been provided, as the effects resulting from their first-time application on the presentation of the Group’s net assets, financial position and result of operations are likely to be of minor significance.

The Group is not planning early adoption of any of the standards/amendments to existing standards that are not yet mandatory.

1.4 BASIS OF CONSOLIDATION

The following table shows the subsidiaries and associated companies of Vapiano SE, which are included in the consolidated financial statements in addition to Vapiano SE, with the shares in the capital held by Vapiano SE.

	Subsidiary	Country	Registered office	Shareholding	
				12/31/2018	12/31/2017
	Restaurant operations				
1	VAP Rothenbaum GmbH	DE	Cologne	100%	100%
2	VAP Berlin GmbH	DE	Cologne	100%	100%
3	VAP Saarbrücken GmbH	DE	Cologne	100%	100%
4	VAP Rheinland GmbH	DE	Cologne	100%	100%
5	Rehkämper GmbH	DE	Münster	50%	50%
6	VAP München GmbH	DE	Cologne	66.50%	66.50%
7	Walfischgasse 11 "Moulin Rouge" Gastronomie GmbH	AT	Vienna	100%	100%
8	VAP Freestander Betriebsgesellschaft mbH	DE	Cologne	100%	100%
9	VAP Spree GmbH [1]	DE	Cologne	100%	-
10	Vapiano China Limited	CN	Shanghai	100%	100%
11	Cotidiano Betriebsgesellschaft mbH	DE	Cologne	100%	100%
12	JMK Betriebsgesellschaft mbH	DE	Cologne	95%	95%
13	VAP Bielefeld GmbH	DE	Cologne	50%	50%
14	VAP Darmstadt GmbH [3]	DE	Cologne	51%	51%
15	Vapiano Restaurant Betriebs- und Beteiligungs GmbH	AT	Vienna	100%	100%
16	VAP Nederland B.V.	NL	Tiel	50.0002%	50.0002%
17	Vapiano Spain S.L.	ES	Madrid	100%	100%
18	SPARROW S.A.S.	FR	Chessy	75%	75%
19	VAP Bercy S.A.S.	FR	Paris	75%	75%
20	VAP Creteil S.A.S.	FR	Creteil	75%	75%
21	VAP La Défense S.A.S.	FR	Puteaux	75%	75%
22	VAP Luxembourg SA	FR	Paris	75%	75%
23	VAP Lyon 2 S.A.S.	FR	Lyon	75%	75%
24	VAP Lyon S.A.S.	FR	Lyon	75%	75%
25	VAP Marbeuf S.A.S.	FR	Paris	75%	75%
26	VAP Marseille 2 S.A.S.	FR	Marseille	60%	60%
27	VAP Marseille S.A.S.	FR	Marseille	60%	60%
28	VAP Metz S.A.S.	FR	Metz	75%	75%
29	VAP Nantes S.A.S.	FR	Saint-Herblain	75%	75%
30	VAP Villages S.A.S.	FR	Paris	75%	75%
31	VAP Senart S.A.S.	FR	Paris	75%	75%
32	VAP Strasbourg S.A.S.	FR	Strasbourg	75%	75%
33	VAP 4 Temps S.A.S.	FR	Puteaux	75%	75%
34	VAP Toulouse S.A.S.	FR	Paris	75%	75%
35	VAP Nancy S.A.S.	FR	Paris	75%	75%
36	VAP La Valentine S.A.S.	FR	Marseille	75%	75%
37	VAP Rouen S.A.S.	FR	Paris	75%	75%
38	VAP Mirabeau S.A.S.	FR	Aix-en-Provence	75%	75%
39	VAP King S.A.S.	FR	Paris	75%	75%
40	VAP Bordeaux SJ S.A.S.	FR	Paris	75%	75%

	Subsidiary (cont.)	Country	Registered office	Shareholding 12/31/2018	Shareholding 12/31/2017
	Restaurant operations				
41	VAP Aramis S.A.S.	FR	Paris	75%	75%
42	VAP Lille S.A.S.	FR	Paris	75%	75%
43	VAP Riviera S.A.S.	FR	Paris	75%	75%
44	VAP Vento S.A.S.	FR	Paris	75%	75%
45	VAP Cergy S.A.S.	FR	Paris	75%	75%
46	VAP Grenoble S.A.S.	FR	Paris	75%	75%
47	VAP Phoebus S.A.S.	FR	Paris	75%	75%
48	VAP Cassin S.A.S.	FR	Paris	75%	75%
49	VAP Sully S.A.S.	FR	Paris	75%	75%
50	VAP Santo S.A.S.	FR	Paris	75%	75%
51	VAP Paris 16 S.A.S. [1]	FR	Paris	75%	-
52	VAP Paris 17 S.A.S. [1]	FR	Paris	75%	-
53	VAP Paris 18 S.A.S. [1]	FR	Paris	75%	-
54	VAP Paris 19 S.A.S. [1]	FR	Paris	75%	-
55	VAP Paris 20 S.A.S. [1]	FR	Paris	75%	-
56	VAP Paris 21 S.A.S. [1]	FR	Paris	75%	-
57	VAP Paris 22 S.A.S. [1]	FR	Paris	75%	-
58	GLR Sturegatan AB	SE	Stockholm	51.54%	50.02%
59	GLR Gamla Stan AB	SE	Stockholm	51.54%	50.02%
60	GLR Västra City AB	SE	Stockholm	51.54%	50.02%
61	GLR Hyllie AB	SE	Stockholm	51.54%	50.02%
62	GLR Götgatan AB	SE	Stockholm	51.54%	50.02%
63	GLR Täby AB	SE	Stockholm	51.54%	50.02%
64	GLR Östra Hamngatan AB	SE	Stockholm	51.54%	50.02%
65	GLR MoS AB	SE	Stockholm	51.54%	50.02%
66	GLR Vasagatan AB	SE	Stockholm	51.54%	50.02%
67	VAP Sullivan Center, LLC	US	McLean	100%	100%
68	VAP Union Square, LLC	US	McLean	100%	100%
69	VAP 1800 M-Street, LLC	US	McLean	100%	100%
70	VAP H-Street, LLC	US	McLean	100%	100%
71	VAP Miracle Mile LLC	US	Wilmington	100%	100%
72	VAP Chicago Willis Tower LLC	US	Dover	100%	100%
73	Vapiano Ltd.	UK	London	100%	100%
74	VAP Danmark APS [2]	DK	Copenhagen	100%	100%
75	Vapiano Danmark APS [2]	DK	Copenhagen	100%	100%
76	VAP Danmark II APS	DK	Copenhagen	100%	100%
77	Vapiano Danmark II APS	DK	Copenhagen	100%	100%
78	VAP Tirolensis GmbH	AT	Innsbruck	51%	51%
79	Rydaba Pty. Ltd. [4]	AU	Sydney	75%	50%
80	VAP NSW Pty. Ltd. [4]	AU	Sydney	75%	50%
81	VAP Victoria Pty. Ltd. [4]	AU	Sydney	75%	50%
82	VAP ACT Pty. Ltd. [4]	AU	Sydney	75%	50%

	Subsidiary (cont.)	Country	Registered office	Shareholding 12/31/2018	Shareholding 12/31/2017
	Franchising companies				
83	Vapiano Franchising International GmbH	DE	Schönefeld	100%	100%
84	VAP Franchising, LLC	US	McLean	100%	100%
85	Vapiano Franchising SE & Co. KG (formerly: Vapiano Franchising GmbH & Co. KG)	DE	Schönefeld	100%	100%
	Marketing companies				
86	Österreichische Vapiano Werbekooperationsgemeinschaft GmbH	DE	Cologne	100%	100%
87	Deutsche Vapiano Werbekooperationsgemeinschaft GmbH	DE	Cologne	100%	100%
88	Vapiano International Marketing GmbH	DE	Cologne	100%	100%
89	Vapiano Private Brands GmbH	DE	Schönefeld	100%	100%
90	Vapiano People GmbH	DE	Cologne	100%	100%
	Management companies				
91	VAP Denmark II GmbH	AT	Vienna	100%	100%
92	VAP Franchising Verwaltungs GmbH	DE	Schönefeld	100%	100%
93	Vapiano Servicing MEA DMCC	VAE	Dubai	100%	100%
94	VAP Restaurant S.A.	LU	Luxembourg	75%	75%
95	L'Avenir S.A.	LU	Luxembourg	75%	50%
96	Gâ Lugnt Restauranger AB	SE	Stockholm	51.54%	50.02%
97	GIE Vapiano	FR	Rueil-Malmaison	75%	75%
98	Vapiano Sweden AB	SE	Stockholm	51.84%	51.30%
99	Vapiano Holding USA, LLC	US	McLean	100%	100%
100	Vapiano USA, LLC	US	McLean	100%	100%
101	Vapiano Operations (UK) Ltd.	GB	London	100%	100%
102	WEDIS SG Austria GmbH	AT	Innsbruck	51%	51%
103	VAP Australia LP [4]	AU	Sydney	75%	50%
104	Vapiano GP Pty Ltd. [4]	AU	Sydney	75%	50%
105	Vapiano Österreich 2018 GmbH [1]	AT	Vienna	100%	-

		Country	Registered office	Shareholding 2018	Shareholding 2017
	Associates				
1	Vap Freestander GmbH	DE	Cologne	49%	49%
2	VAP JV Spain 2017 S.L.	ES	Barcelona	49.9995%	49.9995%
3	VAP Darmstadt GmbH [3]	DE	Bonn	-	51%
4	VAP Australia LP [4]	AU	Sydney	-	50%

[1] Newly established in 2018.
[2] Companies are in liquidation.
[3] Fully consolidated with effect from December 14, 2018 - see “Darmstadt” company acquisition
[4] Company forms part of the “Australia” company acquisition

In addition, Vapiano SE holds 50% of the shares in VAP Yatirim Holding Ltd, Istanbul, Turkey. Vapiano SE has no significant influence over this company.

Significant changes as against the previous year are explained in detail in Note 1.8 “Acquisitions and other changes in the scope of consolidation”.

Rehkämper GmbH, VAP Bielefeld GmbH and VAP Nederland B.V., with a 50% interest, are controlled by a majority of the voting rights with regard to material activities that have the most significant influence over variable returns. The companies concerned have a catalogue of activities to contractually define some of the business policy decisions that require the consent of the minority shareholder in question. These rights relate, in particular, to the acquisition, sale and encumbrance of real property and rights equivalent to real property and the conclusion of lease agreements for real property, buildings and rights equivalent to real property, which do not stand in the way of control over the relevant activities.

With regard to Vapiano Australia L.P., there are reciprocal put-call options between Vapiano SE and the 25% shareholder (see “Acquisition of Australia“). The options can be exercised by both parties at the earliest 5 years after the company acquisition effective May 4, 2018. No value was attached to the option.

With regard to those shares that are not held by Vapiano SE in VAP Darmstadt GmbH, which has been fully consolidated since December 14, 2018, the non-controlling shareholder has a put option that can be exercised in 2025 subject to certain conditions (see “Darmstadt” company acquisition). No value was attached to the option.

Reciprocal put-call options are available for the 5%-stake in JMK Betriebsgesellschaft mbH held by a non-controlling shareholder. No value was attached to the option.

Use of exemption clauses

The following German companies that are included in the consolidated financial statements of Vapiano SE made use of the exemption clauses regarding the preparation and audit of the annual financial statements in accordance with German commercial law in the financial year under review:

- VAP Rothenbaum GmbH, Cologne (section 264 (3) HGB)
- VAP Berlin GmbH, Cologne (section 264 (3) HGB)
- VAP Saarbrücken GmbH, Cologne (section 264 (3) HGB)
- VAP Rheinland GmbH, Cologne (section 264 (3) HGB)
- VAP Freestander Betriebsgesellschaft mbH, Cologne (section 264 (3) HGB)
- Cotidiano Betriebsgesellschaft mbH, Cologne (section 264 (3) HGB)
- JMK Betriebsgesellschaft mbH, Cologne (section 264 (3) HGB)
- Vapiano Franchising SE & Co. KG, Schönefeld (section 264b HGB)
- Vapiano Franchising Verwaltung GmbH, Schönefeld (section 264 (3) HGB)

1.5 CONSOLIDATION PRINCIPLES

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. If the offsetting consideration of the equity interest obtained exceeds the carrying amount of the total assets less liabilities, the difference is recognized as goodwill. Any goodwill that arises is tested annually for impairment. An impairment loss must be recognized whenever there is indication of goodwill impairment.

Otherwise, the carrying amount remains unchanged compared to the previous period. If the offsetting consideration of the equity interest is less than the net balance of assets and liabilities, the resulting difference is immediately recognized in profit or loss. Transactions costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Other than this, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

In a business combination achieved in stages, the Group remeasures the previously held equity interest in the acquired entity at the fair value determined on the acquisition date and recognizes any resulting gain or loss in income. Changes in value in previously held equity interests recognized prior to the acquisition date in other comprehensive income are reclassified to the consolidated statement of comprehensive income when the Group obtains control over the acquired company.

Non-controlling interests

Non-controlling interests are measured either at fair value or at their proportionate share of the acquiree's identifiable net assets at the date of the acquisition.

If the material risks and opportunities associated with the non-controlling interests are transferred at the date of acquisition, the shares are not recognized in Group equity. Instead, a financial liability equivalent to the fair value of the shares is stated. This liability is remeasured at every closing date, and the effects of the remeasurement are recognized through profit or loss in the consolidated statement of comprehensive income.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are stated as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The provisions of IFRS 10 and 12 were fully observed in this regard.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, now measured at fair value, and any related non-controlling interests and other components of equity. Any resulting profit or loss is recognized in the consolidated statement of comprehensive income. Any interest retained in the former subsidiary is measured at fair value as of the date of loss of control.

Investments in associates

Associates are entities over which the Group has the power to exercise significant influence but does not exercise (joint) control with regard to financial and business policy.

Investments in associates are recognized using the equity method. They are initially recognized at cost, which also includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share of the profit and loss and other comprehensive income of associates recognized using the equity method until the date on which significant influence or joint control ceases. The Group's interest in associates also includes goodwill that potentially may arise at acquisition.

An impairment loss of equity-accounted entities is determined by comparing the recoverable amount of the interest with its carrying amount. Recognition of an impairment loss decreases earnings. An impairment loss is reversed if, at a future point in time, the reason or indication for recognition of the impairment loss ceases to exist. The reversal of the impairment may not exceed the amortized amount of the interest that would have been reported if no impairment had been recognized.

Business transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated when preparing the consolidated financial statements.

1.6 CURRENCY TRANSLATION

Business transactions denominated in foreign currencies

The functional currency in the Vapiano Group and the reporting currency is the euro.

When preparing financial statements for each single entity of the Group, business transactions denominated in foreign currencies, i.e., currencies other than the functional currency of the Group company (foreign currencies), are translated into the respective functional currency at the exchange rates applying on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate on the closing date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined. Foreign currency translation differences are recognized as other operating income or expenses in profit or loss as incurred. Non-monetary items measured at historical cost in a foreign currency are translated only once using the exchange rates at the dates of the respective transactions.

Foreign subsidiaries whose functional currency is not the euro

Assets and liabilities of foreign subsidiaries that do not report in euros, including goodwill and fair value a djustments arising upon acquisition, are translated to euros at the exchange rate on the closing date.

Income and expenses of foreign operations are translated at the average rate of exchange for the period (annual average exchange rate).

Currency translation differences are recognized in other comprehensive income and are reported in the currency translation reserve or under non-controlling interests in equity.

When a subsidiary that does not report in euros is disposed of and control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On only partial disposal without loss of control of a subsidiary that includes a foreign operation, the relevant portion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant portion of the cumulative amount is reclassified to profit or loss.

For a monetary item that is receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, the ensuing currency gains and losses are treated as part of the entity's net investment in that foreign operation. In this event, the foreign exchange gains and losses are recognized in other comprehensive income and in the currency translation reserve in equity. Net investments in these operations did not exist as of December 31, 2018.

The following exchange rates were applied to the Group's main currencies:

		Closing rate		Average rate	
in EUR Currency	Country	12/31/2018	12/31/2017	2018	2017
USD	USA	1.15	1.20	1.18	1.13
GBP	UK	0.89	0.89	0.88	0.88
CNY	China	7.88	7.80	7.81	7.63
SEK	Sweden	10.25	9.84	10.26	9.65
DKK	Denmark	7.47	7.44	7.45	7.44
AUD	Australia	1.62	1.53	1.58	1.47

1.7 ACCOUNTING POLICIES

Goodwill and intangible assets

Goodwill
The goodwill arising from business combinations is measured at cost less accumulated impairment losses. The goodwill is subject to an impairment test in December of each financial year. For details, please refer to Note 3.1 "Goodwill and intangible assets (including impairment test)".

Other intangible assets
Other intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses plus reversals of impairment losses. Other intangible assets mainly comprise franchise rights repurchased in the course of company acquisitions. In addition, licenses, rental rights and development costs are included in other intangible assets.

The reacquired franchise rights are allocated to cash-generating units. The impairment of the cash-generating units is reviewed as necessary. The Group has identified certain indicators that are monitored and initiate an impairment test if developments are negative. As part of these impairment tests, the carrying amount of the respective cash-generating unit to which the license right is allocated is compared with the corresponding recoverable amount. The basis for measurement is regularly the present value of future cash flows of the cash-generating unit to which the respective license right can be allocated.

Development costs are capitalized if Vapiano expects to reap economic benefit from the production of the developed products, if production is technically feasible, and provided that the costs can be reliably determined. The capitalized development costs include all costs directly attributable to the development process, including overhead costs related to development. Capitalized development costs are amortized on a straight-line basis from the start of use of the asset over the expected useful lives of the assets developed, between 3 and 5 years.

Development costs that cannot be capitalized are expensed in the period in which they incurred.

Subsequent expenses
Subsequent expenses are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenses, including expenses for internally generated goodwill and brands, are recognized in profit or loss as incurred.

Amortization
Intangible assets are amortized using the straight-line method over their estimated useful lives. Amortization is recognized in profit or loss. Goodwill is not subject to scheduled amortization; instead, it is tested for impairment annually.

Rights reacquired as part of business combinations (franchise rights) are amortized over the remaining term of the underlying restaurant rental agreements.

Rental and usage rights are depreciated on a straight-line basis over the respective rental or usage period, generally 10 - 15 years.

In the case of advantageous contracts recognized as part of business combinations, depreciation is charged over the remaining term of the underlying contract.

Territory rights are generally amortized over a useful life of 15 years.

Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If elements of property, plant and equipment have different useful lives, they are recognized as separate items (major components) of property, plant and equipment.

Subsequent acquisition or production costs
Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the Group. Ongoing repairs and maintenance are recognized immediately as expenses.

Depreciation
Depreciation is calculated in order to write off the acquisition and production costs of property, plant and equipment, less their estimated residual values, on a straight-line basis over their estimated useful lives. Depreciation is always recognized in profit or loss.

The estimated useful lives of the significant items of property, plant and equipment are as follows:

Asset class	Useful life (in years)
Leasehold improvements	4-10
Technical equipment	8-20
Ventilation and air conditioning systems	7-14
Means of transportation	6-8
Factory equipment	3-23
Cash register system	3-8
Office equipment	3-13
Advertising media	3-9
Kitchen equipment	3-10
Restaurant equipment	5-10
Computer hardware (office restaurant + administration)	3-7

Technical equipment includes a sprinkler system installed at only one restaurant location which has an expected useful life of 20 years, i.e., a useful life that differs from the majority of the assets included in this item.

The same applies to safes, reported under office equipment, that are used to store cash held in restaurants. These have an expected useful life of 23 years, which differs from the majority of the assets included in this item.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjustments made where appropriate.

Assets held under finance leases are depreciated over their expected useful lives in the same way as the Group‘s own assets. If there is no reasonable certainty that ownership will transfer to the lessee at the end of the lease term, the assets are depreciated over the shorter of the lease term and expected useful life.

Borrowing costs were not capitalized; instead, they are expensed in the period in which they are incurred.

Impairment of non-financial assets

At each closing date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets for which there are separate regulations) to determine whether there is any indication of impairment. If there is any such indication, then the asset's recoverable amount is determined.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use and that is largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination.

The individual restaurants operated by Vapiano constitute independent CGUs. Goodwill is monitored at the level of groups of CGUs. These groups represent the various countries in which Vapiano operates restaurants. For this purpose, the smallest allocable units are formed of the regional groups of France, Germany, Sweden, the Netherlands, the USA, the UK, and Austria. With regard to the franchise business, the various legal entities constitute CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or of a CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (group of CGUs) on a pro rata basis.

Goodwill impairment losses are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

In the 2018 fiscal year, the provisions of IAS 17 on the recognition of leases will be applied.
IFRS 16 was not applied early.

Determining whether an arrangement contains a lease
When concluding an agreement, the Group determines whether an agreement such as this constitutes or contains a lease.

Leased assets
Assets held by the Group under leases, that transfer to the Group substantially all of the risks and rewards of ownership, are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Following initial recognition, the assets are recognized in accordance with the accounting policy applicable to that asset.

Assets from other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

Lease payments
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are split into the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value. The cost of finished goods, which primarily comprise pasta sauces and desserts that are produced centrally, include direct material costs, the production costs that are directly attributable to the production units and production overheads (including pro rata depreciation and maintenance expenses, as well as pro rata administrative costs).

The cost of the ingredients, beverages and consumables used in the restaurants are based on the first-in-first-out method.

Financial assets

Classification
As of January 1, 2018, the Group classifies its financial assets into the following measurement categories:

- those subsequently measured at fair value (either directly in equity or through profit or loss), and
- those measured at amortized cost.

The classification depends on the company's business model for managing financial assets and of the contractual cash flows.

In the case of assets measured at fair value, the profits and losses are recognized either in profit or loss or directly in equity. The Group only reclassifies debt instruments if the business model for managing such assets changes.

In the 2018 fiscal year, the Group did not hold any financial assets at fair value with no effect on income.

Recognition and Derecognition
A standard purchase or sale of financial assets is generally recognized on the settlement date. Financial assets are derecognized when the claims for receipt of cash flows from the financial assets have expired or have been transferred and the Group has essentially assigned all the opportunities and risks from the ownership.

Receivables from insurance companies or other debtors resulting from loss events that have occurred in restaurants are recognized if a claim against a third party has arisen beyond reasonable doubt in objective terms and if it is highly probable that the claims can be enforced under civil law.

Measurement
Upon initial recognition, the Group measures a financial asset at fair value plus - in the case of a financial asset not subsequently carried at fair value through profit or loss - the transaction cost arising directly from the acquisition of this asset. Transaction costs of financial assets carried at fair value through profit or loss are recognized as expenditure in profit or loss.

The subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow features of the asset. The Group classifies its debt instruments into three measurement categories:

- At amortized cost: Assets held to collect the contractual cash flows and for which these cash flows represent solely payments of principal and interest are carried at amortized cost. Interest income from these financial assets is reported under financial income using the effective interest method. Profit and loss from derecognition is reported directly in the profit and loss account and shown – together with the foreign exchange gains and losses – under other operating income or other operating expenses.
- Assets carried at fair value in equity – in the 2018 financial year, the Group had no financial assets in this category.

- At fair value through profit or loss Assets that do not meet the criteria of the category "carried at amortized cost" or "measured at fair value through equity" are classified in the category "at fair value through profit or loss". Profit and loss from a debt instrument that is subsequently carried at fair value with no effect on profit or loss is reported as a net gain or loss within the financial result in the period in which it arose.

Impairments
As of January 1, 2018, the Group assesses from a forward-looking basis the expected credit losses associated with its debt instruments that are carried at amortized cost or at fair value with no effect on income. The impairment method depends on whether there is a significant increase in credit risk.

The Group holds two kinds of financial assets that are subject to the new model of expected credit losses.

- Trade receivables from the restaurant operation and from invoiced franchise and marketing fees and

- debt instruments carried at amortized cost.

Cash and cash equivalents are also subject to the impairment provisions of IFRS 9 but the identified impairment loss was negligible.

The Group uses the simplified method pursuant to IFRS 9 to measure the expected credit losses; consequently, all trade receivables are measured at expected credit losses over the term. For the measurement of expected credit losses, trade receivables were aggregated based on common credit risk features and days past due. The expected loss ratios are based on the payment profiles of sales over a period of 48 months prior to December 31, 2018 or January 1, 2018 and the corresponding historical defaults in this period. The historical loss ratios are adapted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are derecognized when a reasonable estimate shows that they are no longer realizable.

All debt instruments of the Group that are carried at amortized cost are classified as "with a low credit risk"; therefore, the valuation adjustment to be recognized in a period is limited to the expected 12 month credit loss. In the 2018 fiscal year, the other financial assets fell into this category. These include essentially receivables from non-controlling shareholders, VAT refund claims and other receivables which primarily include rent deposits and receivables from credit card companies. The 12-month credit losses calculated for the other financial assets are generally insignificant and for this reason no impairment losses were shown for them.

Accounting methods applied until December 31, 2017
The Group applied IFRS 9 retroactively but decided not to adapt comparative figures retroactively. Consequently, the comparative figures continue to be reported in accordance with the Group's previous accounting policies.

Until December 31, 2017, the Group classified its non-derivative financial assets into the following categories:

- financial assets measured at fair value through profit or loss,
- financial investments, loans and receivables to be held until final maturity and
- financial assets available for sale.

The valuation for initial recognition has not changed with the first-time application of IFRS 9, see description above.

A financial asset was subsequently measured at fair value in profit or loss if it was held for trading purposes or was designated as such upon initial recognition. Attributable transaction costs were recognized in profit or loss as soon as they were incurred. Financial assets at fair value through profit or loss were measured at fair value and any corresponding changes, including all interest and dividend income, were recognized in profit or loss.

Financial investments to be held until final maturity were subsequently measured at amortized cost using the effective interest method.

Loans and receivables were measured subsequently at amortized cost using the effective interest method less impairment.

For the purposes of subsequent measurement, financial assets available for sale were measured at fair value and corresponding changes in value, with the exception of impairments and foreign currency translation differences, were recognized in other comprehensive income and reported in the revaluation reserve in equity. When such a financial asset is derecognized, the accumulated other comprehensive income was reclassified to profit or loss. Financial assets available for sale mainly included equity instruments that were not classified as held for trading purposes or at fair value through profit or loss.

Financial assets that were not classified at fair value through profit or loss, including an investment in an entity that was accounted for using the equity method, were reviewed at the end of each reporting period to determine whether there was objective evidence that an impairment loss had occurred.

The following scenarios constitute objective indications that impairment losses had occurred on financial assets:

- default or delinquency of a debtor
- the restructuring of an amount owed to the Group based on terms that the Group would not otherwise consider
- indications that a debtor or issuer will enter insolvency
- adverse changes in the payment status of borrowers or issuers
- the disappearance of an active market for a security or
- observable data indicating a significant decrease in the expected payments for a group of financial assets.

In cases involving equity instruments held by the Group, a significant or prolonged decline in its fair value at a level below its cost was considered to objective evidence of impairment. The Group classified a decline of 20% as significant and a nine-month period as prolonged.

The Group considered indications of impairment for financial assets measured at amortized cost both at the level of the individual asset and at the collective level. All assets that were significant in their own right were tested specifically for impairment. Those assets that were found not to be specifically impaired were then collectively assessed for any impairment that had occurred but had not yet been identified. Assets that were not significant in their own right were collectively assessed for impairment by combining assets with similar risk characteristics into a group.

In assessing collective impairment losses, the Group used historical information about the timing of cash inflows and the amount of losses incurred, adjusted to reflect a company-specific assessment by the Management Board as to whether the current economic and credit conditions were such that actual losses were likely to be greater or less than the losses expected on the basis of historical trends.

An impairment loss was calculated as the difference between the carrying amount and the present value of the estimated future cash flows, discounted using the asset's original effective interest rate. Losses were recognized in profit or loss and were recorded in an adjustment account. If the Group did not have any realistic prospects of recovering the asset, the amounts were written off. If an event that occurred after the impairment loss was recognized reduced the amount of the impairment, the reduction in the impairment was recognized in profit or loss.

Impairment losses on financial assets available for sale were recognized by reclassifying the losses accumulated in the reserve for changes in fair value in equity to profit or loss. The accumulated loss that was reclassified from equity to profit or loss corresponded to the difference between cost, less any principal repayments and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired debt instrument available for sale increased in a subsequent period and if the increase could be objectively attributed to an event that occurred after the impairment was recognized, the impairment loss was reversed and the amount of the reversal was recognized with the effect of increasing profits. In other cases, the reversal of an impairment loss was recognized in other comprehensive income.

Derivatives and hedges

The Group holds derivative financial instruments to hedge currency and interest rate risks.

Derivatives are initially measured at fair value; any attributable transaction costs are recognized in profit or loss as incurred. Subsequently, derivatives are measured at fair value at the respective closing date. Any resulting changes are recognized in profit or loss. Since all derivatives are recognized as free-standing derivatives at their respective fair values, hedge accounting is not applicable.

Assets classified as "available for sale" and liabilities directly associated with them

Classification
Non-current assets are classified as available for sale if their carrying amounts will be recovered through a disposal transaction rather than through continuing use. In order for this to be the case, the asset (or group of assets, hereinafter referred to as a "disposal group") must be available for immediate sale in its current condition based on terms that are usual and customary for the sale of such assets, and the sale must be highly probable. This requires that the Management Board of Vapiano SE has adopted a plan for the sale of the asset and has actively started looking for a buyer and implementing the disposal plan. In addition, it must be expected that the sale will have been completed within one year of the date of classification.

Measurement
Available-for-sale assets (or disposal groups) are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses resulting from measurement at the lower fair value are reported in the consolidated statement of comprehensive income under the item "Amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment". Once non-current assets are classified as "available for sale", they are no longer subject to amortization.

Reporting
Available-for-sale assets (or disposal groups) are reported in a separate item "Assets classified as held for sale" in the statement of financial position. Liabilities that are also transferred to the acquirer on disposal are presented in a separate item "Liabilities directly associated with assets classified as held for sale" in the statement of financial position.

Discontinued operations
If a disposal group represents a separate major line of business or geographical area of operations, it is considered a “discontinued operation” within the meaning of IFRS 5. In such cases, the expenses and income arising from the date of classification as “available for sale” are reported in the consolidated statement of comprehensive income in a separate item “Result from discontinued operations attributable to owners of the parent”. This item then also includes any impairment losses resulting from the measurement of the assets of the discontinued operation at a fair value that is below the carrying amount. In addition, the expenses and income from discontinued operations incurred in the comparative period are also presented in a separate item. The consolidated cash flow statement also presents the cash flows from operating activities and the cash flows from investing and financing activities of the discontinued operation separately.

Equity

Costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the employees provide the service. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments
Equity-settled share-based payments to employees are measured at the fair value of the equity instrument on the award date. For further details on calculating the fair value of equity-settled share-based payments, please refer to Section 3.11 “Share-based payment arrangements”.

The fair value calculated for the purpose of awarding equity-settled share-based payments is recognized as an expense on a straight-line basis over the vesting period and a corresponding increase in equity (reserve for equity-settled benefits payable to employees) and is derived from Group expectations with regard to the probably non-forfeitable equity instruments. The Group is required to review its estimates regarding the number of non-forfeitable equity instruments as of each closing date. If the original estimates change, the impacts must be recognized through profit or loss. The recognition as a total expense must reflect the change in estimate and must result in corresponding adjustment of the reserve for equity-settled benefits payable to employees.

Other provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects both current market assessments of the value of money and the risks specific to the liability. The accrued interest is recognized as a finance expense.

Restoration obligations
Vapiano is generally subject to the obligation to restore rented restaurant premises to their original condition in the event they are returned ("restoration obligation"). Restoration obligations are capitalized, at the time they arise, at the discounted value of the obligation as incidental acquisition costs associated with the underlying property, plant and equipment and provisions are recognized – in the same amount – at the same time. The expense allocated over the periods of use via amortization of the asset and the interest cost of the provision.

Contingent liabilities
If the general criteria for recognizing a provision are not met, a contingent liability must generally be disclosed in the notes. The only scenario in which reporting in the notes is not required is if the future outflow of resources is (wholly) improbable.

Contingent liabilities in connection with a business combination
Contingent liabilities resulting from a business combination are initially measured at fair value at the acquisition date. On subsequent reporting dates, such contingent liabilities are recognized at the higher of the initial recognition amount less any cumulative reversals to be recognized in accordance with IAS 18 and the amount required to be recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Financial liabilities

The Group classifies non-derivative financial liabilities as measured at amortized cost unless they are financial liabilities at fair value through profit or loss. Exercise liabilities attached to the put options held by non-controlling shareholders regarding the tendering of their shares are recognized as financial liabilities at fair value through profit or loss.

Non-derivative financial liabilities – Recognition and derecognition
The Group recognizes loans and debt securities from the date of origin. All other financial liabilities are recognized on the trade date. The Group derecognizes financial liabilities when their contractual obligations are discharged, canceled or expired.

For information on the netting of financial assets and financial liabilities, please refer to the comments on "Financial assets" in this section.

Non-derivative financial liabilities – Measurement
Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Following initial recognition, these liabilities are measured at amortized cost using the effective interest method.

General disclosures on recognition of expenses and income

Income is recognized on an accrual basis in accordance with the provisions of the underlying contract.

Sales

Restaurant operations
Sales from restaurant operations primarily consist of sales from the sale of goods (food and beverages) and related services.

These sales are recognized as soon as the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and – if relevant – any returns of goods can be estimated reliably, there is no continuing involvement with the goods in question, and the sales amounts can be measured reliably.

Where goods are sold, the transfer occurs when the goods are handed over to the customer.

Guest loyalty program
Sales from customers who are members of the Vapiano Guest Loyalty Program is allocated according to the relative individual selling price to entitlements acquired under the program and the other components of the transaction concerned. The amount allocated to the Guest Loyalty Program is initially deferred and is only recognized as sales once the Group has fulfilled its obligations to deliver the related awards in accordance with the terms and conditions of the program or when future utilization by the customer is no longer probable.

Franchise fees
Sales from franchise fees comprise payments by franchisees to the Vapiano Group based on the net sales of the individual restaurants. Franchise fees are calculated as a percentage of these net sales and recorded on a rolling basis.

In addition, before a restaurant is opened, Vapiano charges the franchisees an initial fee for various services (analysis of the economic environment in the country in question, provision of training measures, support with restaurant openings, etc.). In accordance with the provisions set out in IFRS 15 since January 1, 2018, these are recognized as sales over the term of the respective franchise agreement.

In some cases, franchisees acquire the right to open Vapiano restaurants exclusively in defined geographic regions. These rights are invoiced as development fees and are recognized as sales when the right is transferred.

Contributions to advertising costs
Sales from contributions to advertising costs, which are paid to the Vapiano Group by the franchisees, are also incurred.

These amounts are based on a sales commission percentage of the respective restaurant, which is calculated in a similar manner to the franchise fees.

Finance income and financing expenses

The Group's finance income and financing expenses mainly comprise:

- Interest income and expenses to financial assets and liabilities measured at amortized cost

- Net gains or loss from the fair value measurement of financial assets and/or financial liabilities at fair value through profit or loss

Interest income and expenses are recognized in profit or loss using the effective interest method. Dividends are recognized in profit or loss when the Group's legal claim for payment arises.

Income taxe

The tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination or to an item recognized directly in equity or in other comprehensive income.

Current tax
Current taxes comprise the expected tax liability or receivable on the taxable income for the financial year, or the tax loss, on the basis of tax rates that are in effect on the closing date or will soon take effect, as well as all adjustments in tax liability with respect to previous years. Current tax liabilities also include taxes arising from dividends.

Deferred taxes
Deferred taxes are recognized in respect to temporary differences between the carrying amount of assets and liabilities for consolidated financial reporting purposes and the amounts used for tax purposes. In addition, deferred taxes were recorded for unused tax losses.

Deferred taxes are not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither pre-tax result nor taxable profit or loss,

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are calculated based on individual business plans of the subsidiaries. A forecast horizon of 5 years is assumed.

Deferred tax assets are reviewed at each reporting date and are adjusted to the extent to which the probability that the related tax benefit will be realized has changed.
Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if the conditions for doing so are met, i.e., the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously. Deferred tax assets and deferred tax liabilities to be shown after netting the consolidated statement of financial position are shown under nun-current assets or non-current liabilities.

Earnings per share

Earnings per share is always based on the average number of ordinary shares outstanding during the fiscal year. If the number of shares changes without simultaneous adjustment of the resources provided by the shareholders to the Group, the average number of shares is adjusted retroactively to ensure comparability as required under IAS 33.64.

In fiscal years 2018 and 2017, there were no equity instruments that would have diluted the earnings per share on the basis of the respective issued shares.

1.8 ACQUISITIONS AND OTHER CHANGES IN THE SCOPE OF CONSOLIDATION

Acquisition of subsidiaries

Please refer to Note 1.5 “Consolidation principles” for information on the accounting policies that are generally applied to business combinations.

The table below presents the “Australia” and “Darmstadt” acquisitions that were completed in the 2018 fiscal year:

kEUR	**Acquisition Australia - provisional -**	**Acquisition Darmstadt - provisional -**
Acquisition date	05/04/2018	12/14/2018
Equity interest after the transaction (= share of voting rights)	75%	51%
Consideration transferred	1,502	-
plus fair value of non-controlling interests	1,502	12
plus fair value of the equity interest previously held	3,004	12
less net assets at fair value	5,023	-52
Goodwill	**985**	**76**
Identifiable acquired assets and liabilities		
Property, plant and equipment	7,527	1,884
Intangible assets	5,558	1,447
Inventories	95	113
Receivables	10	23
Other assets and other financial assets	2,695	353
Cash and cash equivalents	419	47
Deferred tax assets	31	-
Liabilities to banks	2,627	-
Trade payables	2,796	326
Other liabilities and other financial liabilities	3,970	2,968
Provisions	391	164
Deferred tax liabilities	1,528	461
Total identifiable net assets acquired	**5,023**	**-52**
Consideration paid in cash	-751	-
Less: acquired cash and cash equivalents	419	47
Net inflow (+)/outflow (-) of cash from the acquisition	**-332**	**47**

Unlike the voting rights percentages referred to in the table above, both acquisitions are recognized using the "anticipated acquisition method". The acquisitions are consequently represented as though 100% of the shares had already been acquired in each case. Instead of the non-controlling interests within consolidated equity, the exercise liabilities of the existing put options are recognized and reported under other financial liabilities.

Australia company acquisition

Pursuant to the share purchase agreement dated April 5, 2018 and the transfer in rem of May 4, 2018 (acquisition date), Vapiano indirectly acquired a further 25% of the shares in the Australian company Vapiano Australia LP, Sydney, Australia, and 25% of the shares in Vapiano GP Pty. Ltd. Sydney, Australia, which manages Vapiano Australia LP, via the group company Vapiano Franchising SE & Co. KG (formerly: Vapiano Franchising GmbH & Co. KG). As Vapiano SE was already the indirect owner of 50% of the shares in Vapiano Australia LP at the acquisition date, its share increased accordingly to 75%. Vapiano SE's indirectly held interest in Vapiano GP Pty Ltd. increased from 49.995% to 74.995%.

Until the acquisition date, the shares were accounted for using the equity method.

Vapiano Australia LP directly holds 100.00% of the shares in three operating restaurant companies, which operate seven restaurants in major Australian cities. The transaction is a business combination achieved in stages. The revaluation of the previously held equity share pursuant to IFRS 3.42 resulted in a write-up of kEUR 1,137 to be recognized in the consolidated statement of comprehensive income for the 2018 fiscal year.

The main reason behind the acquisition is to expand business activities in Australia and secure further strategic expansion options.

The Group's parent company, Vapiano SE, obtained control through its ability, from the acquisition date, to direct the material activities that have a significant influence over the returns generated by the restaurants operated by the acquired companies. Vapiano SE acquired this ability through its majority of the voting rights at the shareholders' meeting of the managing company Vapiano GP Pty Ltd. and through its right to appoint the majority of the members of the decision-making management body of this company.

The goodwill arising from the acquisition results from the acquired access to the advantageous locations of the restaurants in major Australian cities, and from the further potential for expansion on the Australian market. The goodwill is not tax-deductible in its entirety.

No significant receivables were acquired as part of the company acquisition.

The fair value of the consideration transferred at the time of acquisition amounts to kEUR 1,502. Of this amount, EUR 751 thousand was provided from cash and cash equivalents, and a further EUR 751 thousand was paid into the equity of the acquired companies by way of assumption of a contribution obligation on the part of the seller.

The fair value of the option at the acquisition date amounts to kEUR 1,502. The put option includes an EBITDA multiple, on the basis of which the fair value can fluctuate between kEUR 1,400 and kEUR 1,600. The valuation was based on level 2 of the valuation hierarchy as defined by IFRS 13, derived from the purchase price derived in the course of the acquisition of the company between independent third parties and from comparable market transactions carried out in the past as a directly observable input factor that is not based on a listing on active markets.

As the purchase price allocation for the acquisition had not yet been completed at the time the consolidated financial statements as at December 31, 2018 were prepared, changes could still arise regarding the allocation of the purchase price to the individual assets (including intangible assets) and liabilities. If, in the 12-month period as of the acquisition date, new information comes to light regarding facts and circumstances that existed at the acquisition date and that result in adjustments to the amounts referred to above, the accounting of the acquisition will be adjusted accordingly with retroactive effect.

The income from the acquired companies recognized in the consolidated statement of comprehensive income since the acquisition date amounts to kEUR 10,918, with the loss recognized in this connection amounting to kEUR 1,675. Had Vapiano Australia LP and its subsidiaries already been acquired on January 1, 2018, the consolidated sales would have amounted to kEUR 376,563 and the consolidated loss for the period to kEUR -101,411.

Darmstadt company acquisition

The Articles of Association of VAP Darmstadt GmbH, Cologne, which had previously been included in the consolidated financial statements as an associated company, were amended subject to notarization on December 14, 2018 to the effect that Vapiano SE is entitled, on the basis of the amended provisions set out in the articles of association, to direct the material activities that have a significant influence over the returns generated by the controlled company. VAP Darmstadt GmbH operates two Vapiano restaurants on the territory belonging to the city of Darmstadt.

As a result of the amendment of the articles of association, Vapiano SE controls VAP Darmstadt GmbH. The measure represents a business combination without any transfer of consideration.

The main motivation behind the amendment to the articles of association is to improve the integration of the restaurants operated by VAP Darmstadt GmbH into the Group's processes and procedures.

The ability to direct the material activities that influence the returns generated by VAP Darmstadt GmbH is based on the absolute majority of the voting rights held by Vapiano SE, as well as on the fact that the company's management is bound by instructions. All decisions on material business transactions that influence the returns generated by VAP Darmstadt GmbH can be made by a simple majority of the votes cast. This applies, in particular, to decisions on the companies' budgets and to key investment and financing decisions.

The goodwill arising from the acquisition results from the acquired access to the advantageous location of the restaurant Darmstadt 1, as well as from the earnings potential that the restaurants operated by the company offer. The goodwill is not tax-deductible in its entirety.

No significant receivables were acquired as part of the company acquisition.

The fair value of the put option at the time of acquisition amounts to kEUR 12. The measurement was performed in line with Level 3 of the measurement hierarchy under IFRS 13, based on input factors that were not directly observable for the object of valuation using a company valuation based on the discounted cash flow method. Expense of kEUR 486 arose from the derecognition of the shares in associates held prior to the acquisition which was recognized in the consolidated statement of comprehensive income under other operating expenses.

The purchase price allocation has not yet been completed, so that there may still be changes in the valuation of the individual assets (including intangible assets) and liabilities. If, in the 12-month period as of the acquisition date, new information comes to light regarding facts and circumstances that existed at the acquisition date and that result in adjustments to the amounts referred to above, the accounting of the acquisition will be adjusted accordingly with retroactive effect.

The income from the acquired company recognized in the consolidated statement of comprehensive income since the acquisition date and the corresponding profit or loss for the period are of minor significance. Had VAP Darmstadt GmbH already been acquired on January 1, 2018, the consolidated sales would have amounted to kEUR 376,605 and the consolidated loss for the period to kEUR -101,587.

Austria company acquisition
There were no changes relating to the completion of the purchase price allocation from the Austria company acquisition, which had been provisionally accounted for as at the previous year's reporting date. In this connection, please refer to the detailed information in Note 1.9 "Acquisitions and other changes in the scope of consolidation" of the notes to the consolidated financial statements for the 2017 fiscal year.

Other changes in the scope of consolidation

Newly established subsidiaries
Nine new subsidiaries were established by the Group in the 2018 fiscal year. The newly established restaurants are mainly related to further restaurant openings as part of the implementation of the Group's expansion strategy.

Acquisition of non-controlling interests
Pursuant to the share purchase agreement dated May 2, 2018, Vapiano SE acquired additional shares in the Swedish management companies Vapiano Sweden A.B. and GA Lugnt Restauranger A.B. from the respective non-controlling shareholders. The parts of the purchase price of kEUR 99 that fell below the carrying amount of the non-controlling interests acquired were recognized directly in equity as an increase in consolidated retained earnings.

2 Notes to the consolidated statement of comprehensive income

2.1 SALES

Sales in the current financial year are broken down as follows:

kEUR	2018	2017
Sales from restaurant operations	354,578	311,262
Other sales	16,875	13,437
Total	**371,453**	**324,699**

kEUR	2018	2017
Domestic	157,137	148,311
Other countries	214,316	176,388
Total	**371,453**	**324,699**

With regard to sales, deferred income was recognized for amounts from the Guest Loyalty Program that will only be realized in the future (see Note 3.15 “Other liabilities”).

Other sales primarily essentially consist of franchise fees and advertising contributions billed to franchisees.

For further details, please refer to the segment reporting under 4.1.

2.2 OTHER OPERATING INCOME

kEUR	2018	2017
Insurance compensation and reimbursements	2,746	3,962
Income from transitional consolidation	1,137	-
Income from exchange rate differences	870	624
Benefits in kind	607	538
Income from building cost subsidies	539	276
Income from costs transferred	290	3,479
Income from the reversal of provisions	339	120
Miscellaneous other operating income	2,990	3,410
Total	**9,518**	**12,409**

The income from insurance compensation and reimbursements results from the reimbursement of sales losses and repair costs incurred in connection with damage to restaurant properties.

The income from transitional consolidation is due to the revaluation of equity instruments previously held in the course of the “Australia” company acquisition (see also 1.8).

In the previous year, the income from costs transferred included the transfer of IPO expenses to shareholders, among other things. There was no comparable income in the 2018 fiscal year.

2.3 COST OF MATERIALS

kEUR	2018	2017
Food		
Ingredients	63,514	54,155
Beverages	18,581	17,496
Operating materials	11,325	9,709
Total	**93,420**	**81,360**

The cost of materials corresponded to 25.1% of sales (previous year: 25.1%).

2.4 PERSONNEL EXPENSES AND EMPLOYEES

kEUR	2018	2017
Wages and salaries	134,332	113,050
Social security contributions	28,890	24,782
Total	**163,222**	**137,832**

Personnel expenses corresponded to 43.9% of sales (previous year: 42.4%).

In the 2018 fiscal year, expenses of kEUR 2,984 (previous year: kEUR 1,890) were incurred for personnel who had already been hired before new restaurants were opened for training purposes.

The expenses for statutory pension provision included in the “social security contributions” item amounted to kEUR 12,752 in the year under review (previous year: kEUR 9,162).

Employees

The average number of employees during the year is presented in the table below:

Number	2018	2017
Restaurant operations	6,923	6,110
Headquarters/administration	302	290
Total	**7,225**	**6,400**
Trainees	**104**	**96**

2.5 AMORTIZATION AND WRITE-DOWNS OF INTANGIBLE ASSETS AND DEPRECIATION AND WRITE-DOWNS OF PROPERTY, PLANT AND EQUIPMENT

The expenses recognized in the item "amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment" were broken down as follows in a year-on-year comparison:

kEUR	2018	2017
Amortization	14,028	12,912
Impairment losses on intangible asset	3,098	6
Depreciation	31,094	27,221
Impairment losses on property, plant and equipment	31,478	1,084
Total	**79,698**	**41,223**

Detailed information on the impairment losses recognized in the fiscal year under review can be found in Note 3.1 "Goodwill and intangible assets (incl. impairment test)" and in Note 3.2 "Property, plant and equipment".

2.6 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The impairment losses on financial assets break down as follows:

kEUR	2018
Specific value allowance on trade receivables	2,585
Expenses from the derecognition of receivables	364
Total	**2,949**

2.7 OTHER OPERATING EXPENSES

kEUR	2018	2017
Rental and lease expenses	39,560	27,477
Utilities	13,231	10,873
Work performed by third parties	11,550	11,549
Legal and advisory costs	7,314	2,256
Advertising expenses	7,013	5,448
Opening costs	6,646	4,224
Repair and maintenance	6,112	4,208
Allocation to the provisions for expected losses from onerous rental agreements	5,296	-
Insurance, premiums/contributions & other levies	3,340	2,744
Sales commission	3,287	1,120
Incidental monetary transaction costs	2,923	2,272
Travel expenses	2,874	2,852
Other prior-period expenses	2,720	3,027
Exchange rate and currency losses	302	3,663
IPO costs not offset against equity	-	7,070
Miscellaneous other operating expenses	15,384	14,344
Total	127,552	103,127

The rental and leasing expenses as well as ancillary rental costs rose primarily as a result of the new restaurant openings in the 2017 and 2018 fiscal years and the company acquisitions.

Work performed by third parties primarily includes the costs of agency workers and other external service providers.

The increase in legal, advisory and accounting costs is primarily due to expenses incurred in connection with negotiations on further Group financing.

Opening costs include the expenses incurred for new restaurants up to the opening date. These include, for example, rental expenses, costs for the opening celebration and expenses in connection with restaurant fittings that cannot be capitalized.

The expenses from the allocation to the provisions for expected losses from onerous rental agreements include the discounted losses from restaurant locations that are unprofitable in the long run that will be incurred up until the probable termination of the rental agreements in question.

The increase in sales commission is attributable to commission paid to external delivery services in connection with the expansion of the delivery business.

The special costs for Group financing are related to legal and consulting costs in connection with the negotiations on the further financing of the Group.

2.8 NET FINANCIAL INCOME/EXPENSE

Net financial income/expense is broken down as follows:

kEUR	2018	2017
Income from the net change in financial liabilities measured at fair value	455	246
Interest income from financial assets measured at amortized cost	241	279
Financial income	**696**	**525**
Expenses from the net change in financial liabilities measured at fair value	1,389	1,130
Interest expenses from financial liabilities measured at amortized cost	7,699	5,381
Expenses from the interest cost of liabilities and accruals	238	172
Finance costs	**9,326**	**6,683**
Net financial income/expense recognized in profit or loss	**-8,630**	**-6,158**

The interest income from financial assets measured at amortized cost relates primarily to interest on loans to associates. The interest expenses from financial liabilities measured at amortized cost are largely attributable to the existing syndicated loan.

The income and expenses from financial liabilities measured at fair value result from changes in the value of stand-alone interest rate derivatives and the exercise liabilities attached to the put options on non-controlled interests. The net change corresponds to the sum of the positive and negative adjustments recognized in the financial year for each item.

2.9 INCOME TAX (INCL. RECONCILIATION)

Taxes recognized in profit or loss

kEUR	2018	2017
Current tax expense		
Tax expense in the current year	-2,415	-4,444
Adjustments for previous year	245	-386
Current tax expense	**-2,170**	**-4,830**
Deferred tax expense		
Occurrence/reversal of temporary differences	4,666	7,764
Change in the value adjustment for deferred tax assets	-8,588	-692
Total	**-3,922**	**7,072**
Total tax income (-)/expense (+)	**-6,092**	**2,242**

Reconciliation of effective tax expense for the period

The reconciliation from the expected to the reported income tax expense/income is presented below.
The calculation of the expected income tax (current and deferred) to be recorded in the consolidated statement of comprehensive income is based on the application of the Group tax rate of 32.0% (previous year: 32.0%).

kEUR	2018	2017
Profit/loss before tax	**-94,899**	**-31,796**
Group tax rate: 32% (previous year: 32%)		
Expected income tax income/expense	30,368	10,175
Effects from:		
Deviations of local tax rates from Group tax rate	-5,412	-793
Tax-free income	1,404	678
Non-deductible operating expenses	-1,637	-1,176
Non-recognition of deferred tax	-22,875	-5,573
Change in the value adjustment for deferred tax assets	-8,588	-692
Tax-free income from transitional consolidation	364	-
Tax expense for previous years	245	-386
Other effects	39	9
Recognized income tax income/expense	**-6,092**	**2,242**

Deferred tax assets and liabilities are calculated based on the tax rates to which the Group unit concerned is expected to be subject at the time of the reversal of the underlying temporary valuation differences/the future use of tax loss carryforwards.

For those group companies that are subject to income taxation abroad, the tax rates that apply to the companies concerned under the applicable tax legislation have been applied. These tax rates range from 19.0% to 32.8%.

Change in deferred tax in the statement of financial position during the reporting period

2018 kEUR	As at January 1 Deferred tax assets	 Deferred tax liabilities	Recognized in profit or loss	Other effects	As at December 31 Deferred tax assets	 Deferred tax liabilities
Property, plant and equipment	-	-1,440	-181	-	26	-1,647
Intangible fixed assets	717	-14,010	2,329	-546	1,176	-12,686
Derivatives	179	-	-179	-	-	-
Trade receivables	-	-	88	-	88	-
Other provisions	1,494	-	114	-	1,608	-
Liabilities	248	-110	1,424	-	1,582	-20
Tax loss carryforwards	11,325	-	-7,517	-	3,808	-
Tax assets (liabilities) before offsetting	**13,963**	**-15,560**	-3,922	-546	**8,288**	**-14,353**
Tax offsetting	**-1,717**	**1,717**	-	-	**-2,909**	**2,909**
Net tax assets (liabilities)	**12,246**	**-13,843**	-3,922	-546	**5,379**	**-11,444**
of which current:					2,067	-2,162

2017 kEUR	As at January 1 Deferred tax assets	 Deferred tax liabilities	Recognized in profit or loss	Other effects	As at December 31 Deferred tax assets	 Deferred tax liabilities
Property, plant and equipment	12	-1.508	44	12	-	-1.440
Intangible fixed assets	-	-15.934	3.705	-1.064	717	-14.010
Derivatives	-	-438	617	-	179	-
Trade receivables	102	-1	-101	-	-	-
Other provisions	724	-47	817	-	1.494	-
Liabilities	38	-	100	-	248	-110
Deferred income	17	-	-17	-	-	-
Tax loss carryforwards	7.702	-	3.397	226	11.325	-
Deferred tax recognized in consolidated equity	-	-	-1.490	-	-	-
Tax assets (liabilities) before offsetting	**8.595**	**-17.928**	**7.072**	**-826**	**13.963**	**-15.560**
Tax offsetting	**-892**	**892**	-	-	**-1.717**	**1.717**
Net tax assets (liabilities)	**7.701**	**-17.035**	**7.072**	**-826**	**12.246**	**-13.843**
of which current:					**2.064**	**-2.039**

The column “Other effects” contains, among other things, additions to deferred taxes from company acquisitions, as well as translation differences recognized in other comprehensive income.

Deferred taxes for tax losses that can be utilized in the future

	Tax loss carryforwards as at December 31, 2018		
	Domestic tax loss carryforwards		Foreign tax loss carryforwards
	Corporation tax (KSt)	Trade tax (GewSt)	
Total amount in kEUR	63,132	110,093	56,228
of which recognized	2,852	2,852	7,781
of which not recognized or value-adjusted	60,280	107,242	48,447

	Tax loss carryforwards as at December 31, 2017		
	Domestic tax loss carryforwards		Foreign tax loss carryforwards
	Corporation tax (KSt)	Trade tax (GewSt)	
Total amount in kEUR	9,755	64,647	41,106
of which recognized	9,755	45,220	9,801
of which not recognized or value-adjusted	-	19,427	31,305

The existing tax loss carryforwards at the reporting date can be offset indefinitely with taxable income in the future. For amounts existing in Germany, regulations concerning the so-called minimum taxation have to be taken into consideration.

The amount of temporary differences and unused tax loss carryforwards, less balances already recognized and written down (kEUR 69,596; previous year: kEUR 3,644), for which no deferred tax assets were recognized in the planning period due to future taxable income that was not insufficiently secure, amounts to a total of kEUR 146,373 (previous year: kEUR 50,969).

Deferred tax assets recognized in the amount of kEUR 8,588 (previous year: kEUR 692) at the prior-year closing date for temporary differences and unused tax losses were written off in 2018 fiscal year.

As of the closing date, companies that generated a loss in 2018 or 2017 had reported deferred tax assets of kEUR 596 (previous year: kEUR 7,335) more than the future effects on results of reversing existing taxable temporary differences. Recognition of these deferred taxes is based on Management Board assessment of the likelihood of these companies achieving taxable income in the future that can be used to offset unused tax losses, tax credits and temporary differences.

As of the closing date, temporary differences related to interests in subsidiaries and associates for which no deferred tax liabilities were recognized totaled kEUR 1,422 (previous year: kEUR 1,578).

3 Notes to the consolidated statement of financial position

3.1 GOODWILL AND INTANGIBLE ASSETS (INCL. IMPAIRMENT TEST)

Reconciliation of carrying amount

kEUR	Goodwill	Other intangible assets	Prepayments	Total
Acquisition and production costs				
As of January 1, 2017	40,557	91,608	-	132,165
Additions from company acquisitions	430	3,716	-	4,146
Additions through separate acquisition	-	5,926	-	5,926
Disposals	-	-114	-	-114
Other reclassifications	-	-309	-	-309
Net translation differences	-413	-924	-	-1,337
As of December 31, 2017	**40,574**	**99,903**	-	**140,477**
As of January 1, 2018	40,574	99,903	-	140,477
Additions from company acquisitions	1,061	7,005	-	8,066
Additions through separate acquisition	-	4,425	44	4,469
Disposals	-	-166	-	-166
Reclassification to “Assets held for sale”	-813	-3,911	-	-4,724
Net translation differences	-252	-701	-	-953
As of December 31, 2018	**40,570**	**106,555**	**44**	**147,169**
Accumulated amortization and impairment losses				
As of January 1, 2017	1,347	15,748	-	17,095
Amortization	-	12,918	-	12,918
Disposals	-	-9	-	-9
Reclassification to “Assets held for sale”	-	-1	-	-1
Net translation differences	-60	-127	-	-187
As of December 31, 2017	**1,287**	**28,529**	-	**29,816**
As of January 1, 2018	1,287	28,529	-	29,816
Amortization	-	14,028	-	14,028
Impairment losses	297	2,801	-	3,098
Disposals	-	-25	-	-25
Reclassification to “Assets held for sale”	-	-697	-	-697
Net translation differences	15	-336	-	-321
As of December 31, 2018	**1,599**	**44,300**	-	**45,899**
Carrying amounts				
As of December 31, 2017	39,287	71,374	-	110,661
As of December 31, 2018	**38,971**	**62,255**	**44**	**101,270**

Goodwill and other financial assets were tested for impairment as of December 31, 2018.

Other intangible assets primarily include reacquired franchise rights with a residual carrying amount of kEUR 43,657 (previous year: kEUR 51,595) as at December 31, 2018 and remaining amortization periods of up to 15 years. The reacquired franchise rights, insofar as they were acquired as part of business combinations, were recognized at their fair value on the date of acquisition and are amortized on a straight-line basis over their economic useful lives.

In addition, other intangible assets include acquired license rights regarding the use of the Vapiano concept with a residual carrying amount of kEUR 5,411 as at December 31, 2018 (previous year: kEUR 6,134) and a remaining amortization period of seven years, as well as rental and territorial rights with a residual carrying amount of kEUR 4,310 (previous year: kEUR 4,341) as at December 31, 2018 and a remaining amortization period of eight years.

In the year under review, no development expenses were incurred that met the capitalization criteria under the IFRS. Impairment testing on the carrying amounts of capitalized development costs is performed for each asset based on estimated discounted future cash flows. The impairment test performed as at December 31, 2018 did not reveal any need for impairment losses. As in the previous year, no research costs or non-capitalizable development expenses were incurred in the year under review.

Impairment testing of CGUs with goodwill

Goodwill was allocated to the groups of CGUs as follows in order to test for impairment:

	Goodwill	
kEUR	**12/31/2018**	**12/31/2017**
France	**14,497**	**14,497**
Germany	12,649	12,574
Sweden*	7,041	7,335
Netherlands	3,343	3,343
Australia*	972	-
USA*	813	777
Other	469	761
Goodwill (total)	**39,784**	**39,287**

* after foreign currency translation

The goodwill of kEUR 813 attributable to the “USA” segment is reported under “assets classified as held for sale” as of December 31, 2018.

The recoverable amount of a CGU is based on its value in use, calculated by discounting planned future cash flows from continued use of the CGU.

The main assumptions applied in estimating the recoverable amount are set out below. The values assigned to the key assumptions represent the Management Board’s assessment of future developments in the relevant sectors and are based on empirical values and assumptions about the overall development of the catering market in the relevant country, but also on local factors such as purchasing power, demographics and competition in the catchment area of the restaurants concerned from external and internal sources. They are based in particular on the Management Board‘s expectations of moderate increases in sales and EBITDA at the individual restaurants.

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The first year in the detailed planning phase is based on the annual budgets compiled individually for each restaurant.

Years 2-4 in the detailed planning phase are perpetuated from the budget for the first year. Planning for restaurants that have been open less than four years before the closing date of a specific period is based on extrapolations derived from country-specific empirical values. Sales generated by restaurants that have been open more than four years are perpetuated on a country-specific basis using annual growth rates averaging between 0.5% and 1.5%. The various cost categories are also perpetuated from the figures for the first budget year. The Company expects to benefit from moderate economies of scale in terms of the cost of materials in countries that are home to several restaurants. The personnel expense ratio (ratio of personnel expenses to sales) is extrapolated for the rest of the planning period based on the value for the budget year. In addition, the cash flow projections reflect a base amount earmarked annually for investment in fixed assets, together with capital expenditures relating to the remodeling projects that are executed on average every nine years.

The sustainable growth rate was determined based on the estimate of the Management Board regarding long-term average annual EBITDA growth rate, which corresponds with the assumptions a market participant would make. For the major cash-generating units, the following long-term growth rates were taken into account in calculating cost of capital and in planning:

Country	12/31/2018	12/31/2017
France	0.98%	0.95%
Germany	0.99%	0.98%
Sweden	0.94%	0.92%
Netherlands	1.00%	0.98%
Australia	1.38%	-
USA	0.94%	0.90%

The discount rate represents a pre-tax rate. For the determination, the respective base interest rates for the various regions were selected for investments in the respective currencies of the underlying cash flows.

This discount rate is adjusted for a risk premium that reflects the higher general risk of an equity investment and the specific risk of the individual CGU. This resulted in the following material discount rates:

Country	12/31/2018	12/31/2017
France	8.07%	9.43%
Germany	6.83%	8.33%
Sweden	6.60%	8.01%
Netherlands	6.78%	8.19%
Australia	8.02%	-
USA	6.70%	7.56%

The impairment tests performed for goodwill resulted in an impairment loss of kEUR 9,998 for the “UK” CGU, which is allocated to the Rest of Europe segment, of which kEUR 279 is attributable to goodwill and kEUR 9,719 to plant, property and equipment (cf. on this Note 3.2 “Property, plant and equipment”). The “UK” CGU operates the Group’s Vapiano restaurants in England and Scotland. The impairment was triggered by the fact that the locations of two newly opened restaurants were far less suitable than originally expected, and the associated reduction in the earnings expectations for these restaurants. In addition, a significant downward revision was made to the long-term earnings expectations for two existing restaurants. The recoverable amount of the "UK" CGU calculated on the basis of the value in use amounts to kEUR 5,180. The discount rate used to determine the value in use was 7.15% (previous year: 8.33%).

The imminent departure of Great Britain from the European Union ("Brexit") will also result in future economic risks with regard to the "UK" CGU, the individual effects of which and a possible need for write-downs are currently not foreseeable.

Impairment losses recognized under depreciation and amortization that relate to the goodwill of a CGU may not be reversed in subsequent periods.

In addition, the impairment tests revealed that the intangible assets from reacquired franchise rights and from an advantageous lease agreement recognized in the 2016 fiscal year as part of the asset deal to acquire the Vapiano restaurant in Nuremberg, Germany, were impaired. This is due to the uncertainty surrounding the future rectification of structural defects in the building in which the restaurant, which is currently closed, is operated. The resulting impairment loss amounts to kEUR 2,245. The recoverable amount of the intangible asset calculated on the basis of the value in use amounts to kEUR 0. The discount rate used to determine the value in use was 6.83% (previous year: 8.33%).

The remaining impairment loss of kEUR 565 mainly relates to software and POS system licenses of restaurant locations for which an impairment loss was recognized as individual CGUs (see note 3.2 "Property, plant and equipment").

A sensitivity analysis was used to simulate the possible impact of changes in the average sales growth rate assumed for the perpetuity phase or in the cost of capital. The analyses carried out in this context were based on the assumption of potential changes that can be realistically expected in light of the prevailing overall conditions. If perpetuity sales growth were lower by 1.0 percentage points, there would not be a further impairment for any CGU. If the cost of capital increased by 1.0 percentage point, there would also not be a further impairment for any CGU. For all the CGUs, the Management Board is of the opinion that no change that is deemed realistic in the basic assumptions based on which the recoverable amount is calculated could cause the net carrying amount of a CGU to exceed its recoverable amount.

3.2 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts

kEUR	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Assets under construction	Total
Acquisition and production costs					
As of January 1, 2017	93,464	20,952	70,586	7,421	192,423
Additions from company acquisitions	1,168	-	375	-	1,543
Additions due to separate acquisition	32,226	11,664	20,908	3,517	68,315
Disposals	-4,002	-1,436	-2,704	-50	-8,192
Other reclassifications	2,840	462	2,507	-5,500	309
Net translation differences	-1,712	-556	-303	-38	-2,609
As of December 31, 2017	**123,984**	**31,086**	**91,369**	**5,350**	**251,789**
As of January 1, 2018	123,984	31,086	91,369	5,350	251,789
Additions from company acquisitions	7,782	1,071	558	-	9,411
Additions due to separate acquisition	23,992	5,912	31,642	2,884	64,430
Reclassification to “Assets held for sale”	-19,169	-4,732	-3,179	-	-27,080
Disposals	-878	-600	-1,914	-97	-3,489
Other reclassifications	2,382	-2,691	3,458	-3,149	-
Net translation differences	113	-335	-38	-	-260
As of December 31, 2018	**138,206**	**29,711**	**121,896**	**4,988**	**294,801**
Accumulated amortization and impairment losses					
As of January 1, 2017	36,185	4,789	26,509	5	67,488
Depreciation, amortization and write-downs	11,857	4,213	12,235	-	28,305
Disposals	-3,203	-1,369	-2,415	-5	-6,992
Other reclassifications	-54	-7	63	-	2
Net translation differences	-818	-173	-166	-	-1,157
As of December 31, 2017	**43,967**	**7,453**	**36,226**	**-**	**87,646**
As of January 1, 2018	43,967	7,453	36,226	-	87,646
Depreciation, amortization and write-downs	14,146	4,375	12,573	-	31,094
Impairment losses	21,541	5,483	4,454	-	31,478
Reclassification to “Assets held for sale”	-11,555	-3,427	-2,029	-	-17,011
Disposals	-536	-22	-1,550	-	-2,108
Other reclassifications	2,036	-2,082	46	-	-
Net translation differences	-99	-103	-29	-	-231
As of December 31, 2018	**69,500**	**11,677**	**49,691**	**-**	**130,868**
Carrying amounts					
As of December 31, 2017	80,017	23,633	55,143	5,350	164,143
As of December 31, 2018	**68,706**	**18,034**	**72,205**	**4,988**	**163,933**

Property, plant and equipment mainly comprises the facilities of the restaurants operated by the Group. Leasehold improvements also include capitalized amounts from expected future expenses related to the potential asset retirement obligations of the restaurants. The investments made in 2018 resulted from investments in newly opened restaurants, the remodeling of existing restaurants, the construction of take away areas in existing restaurants and other restaurants under construction.

In addition, the Group's obligations arising from finance leases are secured by the lessor's rights to the leased assets. The carrying amount of the leased assets is kEUR 259 (previous year: kEUR 814).

In the 2018 fiscal year, impairment tests were performed for individual CGUs as a result of ongoing loss situations and, in some cases, due to new restaurant locations not being as suitable as originally expected. These tests revealed a need for impairment losses. The table below summarizes the resulting impairment losses for each country. The recoverable amount was calculated on the basis of the value in use in each case:

Country	Reporting segment	Number of restaurants affected	Impairment loss kEUR	Recoverable amount kEUR	Discount rate (before tax)
Germany	Germany	14	12,197	3,033	6.83%
Denmark	Rest of Europe	2	3,781	0	6.38%
UK	Rest of Europe	4	9,719	0	7.15%
Netherlands	Rest of Europe	2	3,699	0	6.78%
Sweden	Rest of Europe	2	760	0	6.60%
Australia	Rest of the World	1	886	0	8.02%
China	Rest of the World	1	436	0	9.39%
		26	**31,478**	**3,033**	

The impairment loss calculated for the restaurants in the United Kingdom is included in the impairment loss for the "UK" CGU described in Note 3.1 "Goodwill and intangible assets (incl. impairment test)".

The impairment losses were recognized in the consolidated statement of comprehensive income for the 2018 fiscal year under "Amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment".

An overview of the total impairment losses recognized for each item and reporting segment in the 2018 fiscal year can be found in Note 4.1 "Segment reporting".

3.3 ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The material investments in associates include the 49% interest in Vap Freestander GmbH, Cologne, and the 50% interest in VAP JV Spain 2017 S.L., Barcelona.

The investment in VAP Australia L.P., Sydney, and its subsidiaries (hereinafter referred to as “VAP Australia”) was included in the Group as an associate up until May 3, 2018 and was then consolidated in full (see information on the “Australia” company acquisition). VAP Darmstadt GmbH was accounted for as an associate up until December 13, 2018 and was then consolidated in full (see information on the “Darmstadt” company acquisition).

As part of the “Darmstadt“ acquisition, a revaluation of the shares in this associated company was carried out, which led to a loss from transitional consolidation of kEUR 486, which is reported under other operating expenses. The recoverable amount of the shares determined on the basis of their value in use is kEUR 12. The discount rate was 6.83%.

The tables below present a summary of the financial information of the associates:

kEUR	VAP Darmstadt		Vap Freestander GmbH		VAP Australia		VAP JV Spain 2017 S.L.	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Equity interest	-	51%	49%	49%	-	50%	50%	50%
Non-current assets	-	3,824	7,975	8,109	-	10,673	5,417	1,799
Current assets	-	680	-34	32	-	890	1,213	259
Non-current liabilities	-	57	-	-	-	6,109	4,509	2,000
Current liabilities	-	2,874	3,494	5,353	-	1,519	1,871	346
Net assets (100%)	-	1,573	4,447	2,788	-	3,935	250	-288
Group’s share of net assets	-	802	2,178	1,365	-	1,967	**125**	-144

kEUR	VAP Darmstadt		Vap Freestander GmbH		VAP Australia		VAP JV Spain 2017 S.L.	
	01/01/-12/13/2018	2017	2018	2017	01/01-05/03/2018	2017	2018	2017
Equity interest	51%	51%	49%	49%	50%	50%	50%	50%
Sales	5,152	4,917	340	340	5,110	14,769	3,434	-
Profit/loss	-596	-534	49	125	-202	285	-1,222	-489
Total comprehensive income (100%)	-596	-534	49	125	-202	285	-1,222	-489
Group’s share of total comprehensive income	**-304**	-273	24	61	-101	143	**-611**	-100

The development of the carrying amounts of the investments is presented below:

kEUR	VAP Darmstadt		Vap Freestander GmbH		VAP Australia		VAP JV Spain 2017 S.L.	
Equity interest	2018 -	2017 51%	2018 41%	2017 49%	2018 -	2017 50%	2018 50%	2017 50%
Carrying amount as at January 1, 2018	802	1,075	1,365	1,084	1,967	1,824	-	-
Capital contribution	-	-	789	220	-	-	913	100
Derecognition due to change in consolidati-on method	-497	-	-	-	-1,866	-	-	-
Group's share of total comprehensive income from prior periods recognized in the financial year	-	-	-	-	-	-	-177	-
Group's share of total comprehensive income	-305	-273	24	61	-101	143	-611	-100
Carrying amount as of December 31, 2018	-	802	2,178	1,365	-	1,967	125	-

Vap Freestander GmbH, Cologne, established in 2013, is a strategic partner of the Vapiano Group in the real estate sector in Germany. Established in 2017, VAP JV Spain 2017 S.L. operates two Vapiano restaurants in Spain. Due to the contribution made to VAP JV Spain 2017 S.L. in the 2018 fiscal year, the carrying amount of the shares in this associated company increased above zero, so that shares in total comprehensive income not recognised in the previous year were booked accordingly in the 2018 fiscal year.

3.4 INVENTORIES

kEUR	12/31/018	12/31/2017
Ingredients and beverages	2,421	2,324
Operating materials	4,511	4,526
Finished goods	296	-
Total	**7,228**	**6,850**

Ingredients and beverages included in inventories are used up within a few days. Operating materials are mostly consumed within 12 months. No impairment of inventories was necessary in 2018 fiscal year.

The finished goods result from the production of pasta sauces and desserts in central locations and in some restaurants.

3.5 TRADE RECEIVABLES

	Remaining term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Trade receivables								
from associates	-	-	-	-	271	1,216	271	1,216
from related parties and persons	-	-	-	-	14	30	14	30
from third parties	161	-	678	1,188	4,711	6,374	5,550	7,562
Total	**161**	**-**	**678**	**1,188**	**4,996**	**7,620**	**5,835**	**8,808**

The Group's credit and market risks, as well as the impairment of trade receivables, are discussed in Note 3.16 "Financial instruments and financial risk management (derivatives, measurement categories, options)".

The non-current receivables from third parties result from deferral agreements with franchise partners.

3.6 OTHER FINANCIAL ASSETS

	Remaining term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Other non-derivative financial assets								
Receivables from associates	-	-	-	-	1	4,934	1	4,934
from related parties and persons	-	-	-	-	-	1,564	-	1,564
Receivables from non-controlling shareholders	125	-	-	-	726	704	851	704
VAT claims	-	-	-	-	3,558	2,922	3,558	2,922
Other	1,132	663	1,006	226	7,141	3,391	9,279	4,280
Total	**1,257**	**663**	**1,006**	**226**	**11,426**	**13,515**	**13,689**	**14,404**

The receivables from associates recognized as at the previous year's reporting date were due primarily from the Australian Vapiano companies and VAP Darmstadt GmbH.

As at the previous year's reporting date, receivables from related parties included receivables from the transfer of IPO expenses.

Miscellaneous other current financial assets primarily include receivables from credit card companies resulting from payment transactions executed within the restaurants. Miscellaneous other non-current financial assets primarily include rent deposits.

The Group's default and market risk positions and information on the fair value of financial assets are disclosed in Note 3.16 "Financial instruments and financial risk management (derivatives, measurement categories, options)".

3.7 OTHER ASSETS

	Remaining term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Prepayments								
On deliveries and services	-	-	-	-	-	14	-	14
Other assets								
Vouchers	-		-		1,486	749	1,486	749
Other tax receivables (excl. income tax)	-	-	-	-	-	16	-	16
Other	-	-	40	16	5,585	7,780	5,625	7,796
Prepaid expenses								
All other prepaid expenses	34	25	477	531	2,319	3,317	2,830	3,873
Total	**34**	**25**	**517**	**547**	**9,390**	**11,876**	**9,941**	**12,448**

Other miscellaneous assets primarily include receivables from claims for damages, receivables from reimbursements, vouchers, receivables from health insurance funds and receivables from employees. The other prepaid expenses include rent prepayments made prior to the reporting date, among other things.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances and other cash and cash equivalents and amount to kEUR 27,562 (previous year: kEUR 14,871). Of the cash and cash equivalents reported as of December 31, 2018, kEUR 1,181 relate to restricted cash and cash equivalents.

3.9 ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to the share purchase agreement dated January 3, 2019, Vapiano SE sold all of its shares in Vapiano Holding USA LLC, McLean/Virginia (USA) and seven of the subsidiaries held by this company to Plutos Sama Holdings Inc., Irvine, California (USA) ("Plutos Sama"). The purchase price to be paid in cash amounts to USD 15.0 million. The transaction is scheduled to close in the second quarter 2019 and is subject to standard market closing conditions and the financing of the purchase price by Plutos Sama. The subsidiaries of Vapiano Holding USA LLC operate 6 Vapiano restaurants on the territory of the United States ("US restaurants").

The Management Board of Vapiano SE currently assumes that the closing of the transaction is highly probable.

The assets and liabilities associated with the US restaurants relate entirely to the Rest of World segment and constitute a disposal group within the meaning of IFRS 5 as at December 31, 2018.

This disposal group includes property, plant and equipment, inventories and current receivables as well as liabilities resulting from the operating activities of the US restaurants. The goodwill resulting from the original acquisition of part of the restaurant companies (kEUR 813) and intangible assets from reacquired franchise rights and other intangible assets (kEUR 3,214) also form part of the disposal group.

The required impairment test prior to the reclassification of assets and liabilities was performed and did not result in any impairment.

The assets and liabilities classified as held for sale in the consolidated statement of financial position as at December 31, 2018 as a result of the planned transaction are comprised as follows:

kEUR	12/31/2018
Assets	
Intangible assets	4,027
Property, plant and equipment	10,069
Other financial assets	94
Non-current assets	14,190
Inventories	73
Trade receivables	19
Other financial assets	199
Other assets	78
Current assets	**369**
Assets classified as held for sale	**14,559**

kEUR	12/31/2018
Liabilities	
Provisions	276
Other liabilities	1,328
Deferred tax liabilities	946
Non-current liabilities	2,550
Provisions	60
Other financial liabilities	369
Trade payables	789
Other liabilities	255
Current liabilities	**1,473**
Liabilities directly associated with assets classified as held for sale	**4,023**

As at December 31, 2018, there was also an amount of kEUR 298 that reduced consolidated equity resulting from accumulated expenses and income recognized in other comprehensive income in connection with the disposal group.

3.10 EQUITY

Share capital and capital reserve

Composition of share capital
The share capital recognized in the share capital of Vapiano SE amounted to EUR 26,063,251.00 as of December 31, 2018, and is broken down into 26,063,251 ordinary shares (no-par shares) with a calculated nominal value of EUR 1.00 per share.

It developed as follows in the 2018 fiscal year:

	Ordinary shares	
In no. of shares	**12/31/2018**	**12/31/2017**
Issued as at January 1	24,029,833	533,827
Capital increase from company funds	-	19,799,070
Capital contribution from IPO	-	3,695,653
Issued in exchange for cash	2,033,418	1,283
Issued as at December 31 - fully paid in*	**26,063,251**	24,029,833

*Authorized - par value of EUR 1.00

With regard to the remaining assets of the Company, all shares have the same rank. Each share has the same voting right.

Decisions relating to capital measures in the financial year
On October 23, 2018, a capital increase was carried out against cash contributions from the authorized capital by issuing 2,033,418 new no-par value bearer shares with each share representing EUR 1.00 of the share capital. The capital increase was carried out under exclusion of shareholders‘ subscription rights.

The Management Board is authorized, subject to the consent of the Supervisory Board, to increase the Company’s share capital by a further EUR 2,643,443 in return for cash contributions and/or contributions in kind up until 24hrs on May 29, 2022 (“Authorized Capital 2017”). In principle, shareholders are to be granted subscription rights. Subject to certain conditions, which are set out in section 4.3. of the Articles of Association, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude shareholders’ subscription rights in full or in part. This is permissible, in particular, in the event of a capital increase against contributions in kind and if the new shares are issued at an issue price that is not significantly lower than the market price of the shares already listed and the proportion of the shares issued corresponds to less than 10% of the share capital.

Furthermore, the share capital of Vapiano SE is conditionally increased by EUR 4,676,861.00, divided into 4,676,861 new bearer shares (“Conditional Capital 2017”). The conditional capital increase is linked to the authorization resolution passed by the Annual General Meeting held on May 30, 2017 on the issue of bonds carrying option rights, convertible bonds, profit participation rights and/or participating bonds or combinations of these instruments with option and conversion rights up until 24hrs on May 29, 2022. This authorization has not been utilized to date.

In accordance with the resolution passed by the Annual General Meeting held on May 30, 2017, the company can still repurchase up to 10% of its issued shares. This share buyback can also be used for the employee participation program DRIVE 2.0/DRIVE 2.1.

Offsetting of transaction costs associated with the capital increase
In connection with the capital increase carried out on October 23, 2018, transaction costs of kEUR 249 that are directly attributable to the raising of capital were offset against the Group's capital reserve. Deferred taxes of kEUR 80, which were also recognized in the Group's capital reserve, had the opposite effect.

Earnings per share

Basic and diluted earnings per share are calculated as follows in accordance with IAS 33:

	12/31/2018	12/31/2017
Group result for the period attributable to parent company entities in EUR (basic/diluted)	-93,428,250	-27,732,708
Number of shares issued	26,063,251	24,029,833
Adjusted weighted average number of ordinary shares issued	24,419,804	22,237,635
Basic/diluted earnings per share (EUR per share)	**-3.83**	**-1.25**

Nature and purpose of reserves

Capital reserve
Essentially, the capital reserve reflects additional capital contributions by the parent company's shareholders above and beyond the subscribed capital.

Translation reserve
The translation reserve comprises all foreign currency translation differences arising from the translation of financial statements of foreign business operations (see Note 1.6 "Foreign currency translation"). No reclassifications were carried out in the reporting year or in the previous year.

Retained earnings
Retained earnings comprise previous years' undistributed Group earnings achieved in the past.

Non-controlling interests

Non-controlling interests in the company's capital amount to kEUR 11,736 (previous year: kEUR 20,032). This includes the pro rata net loss for the period of kEUR -7,562 (previous year: kEUR -1,821).

Capital management

The Group' s policy is to increase its capital base again in order to maintain shareholder, creditor and market confidence and to sustain future development of the Group. The Management Board regularly monitors the return on investment (ROI).

The Management Board strives to achieve a balance between increasing ROI, which could be achieved with a higher debt ratio, and the benefits of a stable capital base.

The financing agreements with the banks include compliance with various financial covenants of the Group. Compliance with the financial covenants must be reported to the banks on a quarterly basis.

3.11 SHARE-BASED PAYMENT ARRANGEMENTS

"DRIVE 2.0" management incentive program

The Group has launched a long-term share-based incentive program for the members of the Management Board and certain executive employees ("participants") in the form of a Long Term Share Matching Plan (LTI). The program allows the participants to receive a certain number of free shares ("performance shares") after a certain period of time.

One of the conditions for participation in the Plan is that the participants purchase Vapiano SE shares at their own expense within the period specified in the LTI offer ("investment shares"), whereby the number of investment shares determines the potential number of performance shares under the LTI Plan.

Provided participants can prove to the Company that they have held the number of investment shares indicated in the acceptance of the LTI offer for at least four full years without interruption ("lockup period") at the point in time specified in the LTI offer by submitting relevant bank confirmations and securities account statements, they will receive up to two („DRIVE 2.0") performance shares per investment share from the Company and three („DRIVE 2.1") for tranches granted in 2018 fiscal year, under the following conditions.

- If the average annual increase in the EBITDA specified for the Plan is at least 25% in the relevant period, participants receive two ("DRIVE 2.0") respectively three ("DRIVE 2.1") performance shares for each investment share.
- If the annual average increase in EBITDA is 5% or less in the relevant period, participants do not receive any performance shares.
- If the annual average increase in EBITDA is more than 5% but less than 25% in the relevant period, the performance shares will be awarded proportionately.

The EBITDA applicable to the Plan is defined as follows:

- Consolidated EBITDA plus the proportionate EBITDA of joint venture investments that are not included in consolidated EBITDA or that are consolidated using the equity method (proportionate consolidation).
- In the case of joint venture investments that are included in full in consolidated EBITDA, the proportionate share of their EBITDA that is attributable to the respective joint venture partners is deducted.
- The resulting figures are adjusted for extraordinary non-recurring effects, such as changes in applicable accounting or consolidation methods, and for any other extraordinary effects.

Moreover, participants must be in an employment relationship with the Group throughout the entire lockup period. If the employment relationship ends for reasons other than death, statutory retirement or contractuallyagreed retirement prior to expiry of the lockup period for the respective LTI offer, all entitlement to performance shares lapses. If the employment relationship ends for one of the aforementioned reasons, the number of performance shares is reduced proportionately to reflect the difference between the lockup period at departure and the lockup period specified by the LTI Plan.

The fair value of the work performed in return for equity instruments was indirectly measured by reference to the probable number of free shares due for future award. The fair value of the free shares was calculated on the basis of market data derived from the prevailing share price each time shares are awarded.

No free shares were issued in the financial year.

Dividends were not considered when calculating the fair value since the Company's budget plans – reflecting ist growth strategy – do not provide for any distributions for the duration of the Plan.

Uninterrupted ownership of the investment shares for the entire duration of the Plan was classified as a further attribute. In this respect, the fair value of the free shares was adjusted to reflect the anticipated fluctuation in the group of participants over the lockup period.

During the 2018 fiscal year, a further 11,376 shares were designated as investment shares for the program under the tranches referred to as "DRIVE 2.1" with an average fair value of EUR 19.53 per share. As a result of the withdrawal of eligible persons from the program, 15,782 investment shares with an average fair value of EUR 22.49 per share were cancelled in 2018.

In the year under review, a total of kEUR 54 (previous year: kEUR 37) was recognized in profit or loss in connection with the program. An amount of kEUR 40 (previous year: kEUR 21) was allocated to the corresponding share-based payment reserve.

3.12 PROVISIONS

kEUR	Personnel provisions	Other provisions			Total
	Payments for long-service anniversaries	Restoration obligations	Onerous restaurant rental agreements	Other	
As of January 1, 2018	**264**	**5,501**	**-**	**841**	**6,606**
Addition as part of a company acquisition	-	513	-	42	555
Reclassification to "held for sale"	-	-336	-	-	-336
Recognized provisions	183	1,020	5,296	457	6,956
Provisions utilized	-	-	-	-335	-335
Provisions reversed	-152	-	-	-187	-339
Translation difference	-	52	47	-18	81
Interest cost	-	225	-	-	225
As of December 31, 2018	**295**	**6,975**	**5,343**	**800**	**13,413**
Non-current	246	6,733	3,027	57	10,063
Current	49	242	2,316	743	3,350

Payments for long-service anniversaries

The provisions for personnel and social obligations exclusively comprise provisions for payments for long-service anniversaries to be made in the future.

Restoration obligations

The provisions for restoration obligations are recognized for each rented property to the extent that Vapiano is contractually obliged to dismantle the leasehold improvements and restaurant fittings at the end of the rental period.

Provisions attributable to rental agreements with a remaining term of less than one year are reported under current provisions.

Onerous restaurant rental agreements

The provisions recognized in the financial year relate to rental agreements for restaurant locations that have proven to be unprofitable in the long run. For a minimum continuation period that is considered unavoidable by the Management Board, the lower amount of the expected losses from the continued operation of the restaurants concerned and the minimum rent to be paid was included in the calculation of the provision and discounted to December 31, 2018.

Other provisions

Other provisions primarily include provisions for legal disputes of kEUR 250 (previous year: kEUR 250) and for risks from tax audits (payroll tax and VAT) of kEUR 167 (previous year: kEUR 192). In addition, kEUR 41 of the other provisions are attributable to the "DRIVE 2.0" management incentive program (previous year: kEUR 14).

3.13 FINANCIAL LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The financial liabilities and other financial obligations comprise the following:

	Remaining term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Financial liabilities								
due to banks	477	1,515	110,600	111,987	81,183	14,874	192,260	128,376
Liabilities from finance leases	-	-	58	276	213	566	271	842
Total	**477**	**1,515**	**110,658**	**112,263**	**81,396**	**15,440**	**192,531**	**129,219**
Other financial liabilities								
to non-controlling subsidiaries (non-Group shareholders)	12	793	1,502	-	6,458	5,159	7,972	5,951
to related parties and persons	-	-	-	-	8,095	7,648	8,095	7,648
to third parties	56	27	162	147	178	541	396	715
VAT liabilities	-	-	-	-	3,632	1,723	3,632	1,723
Total	68	820	1,664	147	18,363	15,070	20,095	16,037
Derivative financial instruments								
Interest rate swaps	-	-	-	192	65	2	65	194
Total	-	-	-	192	65	2	65	194
Total	**545**	**2,335**	**112,322**	**112,602**	**99,824**	**30,512**	**212,691**	**145,450**

Financial covenants

As regards the non-observance of financial covenants, we refer to our comments under 1.1 "Reporting company", section "Financing situation of the Group".

Conditions and schedule of liabilities

The outstanding financial liabilities to banks have the following conditions:

				12/31/2018		12/31/2017	
kEUR	Currency	Interest rate (%)*	Due in	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Syndicated loan (term loan)	EUR	3.75%	2022	100,000	98,928	100,000	98,610
Syndicated loan (revolving credit facility)	EUR	3.75%	2019	66,000	66,000	-	-
Loan – France	EUR	1.89%	2019-2025	12,661	12,661	14,256	14,256
Loan – Netherlands	EUR	2.74%	2019-2025	6,010	6,010	5,143	5,143
Other loans	EUR	3.62%	2019-2025	8,661	8,661	10,367	10,367
Total				**193,332**	**192,260**	**129,766**	**128,376**

* Average

The interest rate of the syndicated loan equals EURIBOR plus the floating interest margin specified in the loan agreement. The other loans mainly bear floating interest based on EURIBOR.

Of the current liabilities to non-controlling shareholders, kEUR 200 are attributable to the strike price of the back-to-back call/put options for 5% of the shares of JMK Betriebsgesellschaft mbH. These are recognized using the anticipated acquisition method, meaning that the expected purchase price upon exercise of the option, discounted to the reporting date, is recognized as a non-current financial liability. The effects from subsequent measurement of the option obligation are recognized in profit and loss in the income statement. Moreover, the other financial liabilities to non-controlling shareholders include several loans granted to the Group.

Miscellaneous other current financial liabilities include the exercise liabilities resulting from the termination rights of minority shareholders in Rehkämper GmbH and VAP Bielefeld GmbH. The termination rights mean that the non-controlling interests have to be reported as debt instead of equity in the consolidated statement of financial position. The exercise liabilities amounted to kEUR 3,979 as at December 31, 2018 (previous year: kEUR 3,867). The effects resulting from the subsequent measurement of the obligations are recognized in profit or loss in the statement of comprehensive income.

Information on the extent to which the Group is exposed to interest rate, currency and liquidity risks can be found in Note 3.16 "Financial instruments and financial risk management (derivatives, measurement categories, options)".

3.14 TRADE PAYABLES

Trade payables comprise the following:

	Remaining term < 1 year (current)	
kEUR	**12/31/2018**	**12/31/2017**
Trade payables		
against associates	1	86
against related companies and persons	35	-
against third parties	21,742	18,462
Liabilities for outstanding invoices	7,657	9,876
Total	**29,400**	**28,424**

Disclosures on the currency and liquidity risks to which the Group is exposed relative to trade payables are provided in Note 3.16 "Financial instruments and financial risk management (derivatives, measurement categories, options)".

3.15 OTHER LIABILITIES

Other liabilities are broken down as follows:

	Remaining term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Other liabilities								
from payroll accounting	-	-	-	-	11,589	10,631	11,589	10,631
for annual leave and compensation for additional work	-	-	-	-	3,203	3,027	3,203	3,027
for preparation and audit of the annual financial statements	-	-	-	-	526	402	526	402
Miscellaneous other liabilities	-	-	-	-	2,293	1,479	2,293	1,479
Deferred income							-	
Deferred sales due to guest loyalty program	-	-	-	-	752	832	752	832
Deferred rental and lease expenses	2,227	443	3,006	558	572	16	5,805	1,016
Deferred income from franchise fees	1,293	-	537	-	134	-	1,964	-
All other deferred income	3,377	1,110	2,330	1,940	2,678	2,094	8,385	5,144
Total	**6,897**	**1,553**	**5,873**	**2,498**	**21,747**	**18,481**	**34,517**	**22,531**

Other liabilities

Personnel-related liabilities mainly relate to liabilities from employees‘ salary, vacation and bonus entitlements and obligations for employee-related social security contributions.

Claims from guest loyalty program

The contractual obligations associated with award credits granted under a guest loyalty program amount to kEUR 752 (previous year: kEUR 832).

Deferred sales were determined using the fair value of the award points issued based on the relative individual selling prices, after taking into account the probability of redemption. The amount carried to liabilities at December 31, 2018 corresponds to the total transaction price which is to be allocated to the unfulfilled performance obligations from the guest loyalty program.

The vast majority of the contractual liability will be recognized as sales in the consolidated statement of comprehensive income within 12 months as the result of redemption on the part of the customer.

Deferred income from franchise fees

In connection with the application of the provisions set out in IFRS 15, income from initial fees has been recognized as deferred income over the term of the franchise agreements concerned since January 1, 2018.

The amounts accrued as of December 31, 2018 correspond to the total transaction price of the unfulfilled performance obligations from "Initial Fees". The maturity of the amounts accrued on the closing date shown in the table above also reflect the periods in which the future performance obligations will be fulfilled and the associated sales recognized in profit or loss.

Other deferred income

Other deferred income relates primarily to construction cost subsidies.

3.16 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (DERIVATIVES, VALUATION CATEGORIES, OPTIONS)

Classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities by classes as defined in IFRS 7, as well as pursuant to valuation categories, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and trade payables not measured at fair value, because the carrying amount represents a reasonable approximation of the fair value.

December, 31 2018		Carrying amount by measurement category				Fair value			
kEUR	Note	At fair value through profit or loss	Amortized cost	valuation pursuant to IAS 17	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Trade receivables	3.5	-	5,835	-	5,835	-	-	-	-
Other financial assets	3.6	-	13,689	-	13,689	-	-	-	-
Cash and cash equivalents	3.8	-	27,562	-	27,562	-	-	-	-
Total		-	47,086	-	47,086	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps	3.13	65	-	-	65	-	65	-	65
Other financial liabilities	3.13	5,693	-	-	5,693	-	-	5,693	5,693
Total		5,758	-	-	5,758	-	65	5,693	5,758
Financial liabilities not measured at fair value									
Liabilities to banks	3.13	-	192,260	-	192,260	-	191,855	-	191,855
Trade payables	3.14	-	29,400	-	29,400	-	-	-	-
Liabilities from finance leases	3.13	-	-	271	271	-	273	-	273
Other financial liabilities	3.13	-	14,402	-	14,402	-	14,404	-	14,404
Total		-	236,062	271	236,333	-	206,532	-	206,532

December 31, 2017		Carrying amount						Fair value			
kEUR	Note	Held for trading	Loans and receivables	Available for sale	Other financial liabilities	Measurement pursuant to IAS 17	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value											
Trade receivables	3.5	-	8,809	-	-	-	8,809	-	-	-	-
Other financial assets	3.6	-	14,404	-	-	-	14,404	-	-	-	-
Cash and cash equivalents	3.10	-	14,871	-	-	-	14,871	-	-	-	-
Total		-	**38,083**	-	-	-	**38,083**	-	-	-	-
Financial liabilities measured at fair value											
Interest rate swaps	3.14	194	-	-	-	-	194	-	194	-	194
Other financial liabilities	1.8	-	-	-	4,067	-	4,067	-	200	3,867	4,067
Total		**194**	-	-	**4,067**	-	**4,261**	-	**394**	**3,867**	**4,261**
Financial liabilities not measured at fair value											
Liabilities to banks	3.14	-	-	-	128,376	-	128,376	-	128,706	-	128,706
Trade payables	3.15	-	-	-	28,424	-	28,424	-	-	-	-
Liabilities from finance leases	3.14	-	-	-	-	842	842	-	862	-	862
Other financial liabilities	3.14	-	-	-	11,970	-	11,970	-	11,995	-	11,995
Total		-	-	-	**168,770**	**842**	**169,612**	-	**141,563**	-	**141,563**

Determination of fair values

Valuation techniques and significant unobservable inputs
The following valuation techniques and unobservable inputs were used to determine the fair values at Level 2 and Level 3:

Level 2 financial instruments measured at fair value through profit or loss
The market values of the interest rate swaps are determined by discounting the expected future cash flows over the remaining term of the contracts using current market interest rates. Advanced valuation models, such as the Black-Scholes model, are used to determine the market value of the interest rate caps. To the extent possible, the relevant market data observed on the reporting date is used as the input parameters. The variable interest rates are determined on the basis of the forward interest rates.

The counterparty risk involved is not included in the measurement process as the amounts involved are not material.

The fair value of non-current liabilities to banks, liabilities under finance leases and other non-current financial liabilities is measured on the basis of the yield curve without taking counterparty risk into account. The allocation is therefore made to Level 2 of the measurement hierarchy.

In cases involving financial instruments such as trade receivables and payables, cash and cash equivalents as well as current and variable-interest non-current financial receivables and liabilities are an appropriate approximation of their fair values.

Level 3 financial instruments measured at fair value through profit or loss
As of December 31, 2018, the liabilities from the termination rights existing with regard to the non-controlling interests in Rehkämper GmbH and VAP Bielefeld GmbH were measured with a compensation claim according to Level 3. The same applies to the severance payment liabilities from the put options of the non-controlling shareholders of JMK-Betriebsgesellschaft mbH (still valued at Level 2 as of the previous year‘s reporting date) and VAP Darmstadt GmbH acquired as part of the “Darmstadt“ acquisition on December 14, 2018.

In addition, the settlement liability from the put option on the non-controlling interests in the Australian companies, which at the time of acquisition on May 4, 2018 was still measured at Level 2 based on the purchase price of the acquired shares, was measured at Level 3 as of December 31, 2018.

The fair value is based in each case on the EBITDA relevant at the future payment date, which is multiplied by a valuation factor and discounted to the current value. As a result, changes in EBITDA planning affect the measurement of liabilities.

There were no reclassifications from Level 3 to Level 2 in the 2018 fiscal year.

Reconciliation of fair values at Level 3
The table below presents the reconciliation of the opening balance to the closing balance for fair values at Level 3:

kEUR	Other financial liabilities
As of January 1, 2017	5,563
Derecognition of financial liabilities	-1,738
Change in fair value recognized in net financial income/expense	42
As of December 31, 2017	3,867
As of January 1, 2018	3,867
Reclassification of a financial liability that has already been recognized from Level 2 to Level 3	1,702
Addition as part of company acquisitions	12
Change in fair value recognized in net financial income/expense	112
As of December 31, 2018	5,693

Net results by measurement category
The net gains and losses on financial instruments include valuation results, the recognition of impairment losses and interest. Valuation results and interest for each measurement category can be found in Note 2.8. “Net financial income/expense”.

Financial risk management

Principles of risk management
The Management Board of the Group's parent company has overall responsibility for establishing and overseeing the Group's risk management system.

The networked IT systems in Germany, Austria, the UK, Luxembourg, Sweden, France, Denmark, Scotland and the Netherlands generate up-to-date information on the financial and operating performance of the various restaurants that the head office receives every day. The Group's other departments prepare monthly reports on their financial and operating performance. These measures provide the Company's management with regular and early information about the current situation, and appropriate control measures can be taken if necessary.

Policies and established procedures are in place to address significant risks. Regular audits by the internal audit department help the Management Board to monitor regulatory compliance. Response plans are also in place for certain types of risks.

The Supervisory Board monitors the effectiveness of the Group's risk management framework set up by the Management Board, in particular by regularly discussing the material risks and the measures to be taken with the Management Board.

For further discussion of this issue, please also refer to the explanations in the management report.

Default risk
Default risk is the risk of financial loss in the event a contractual partner of Vapiano fails to meet its financial obligations to the Group. The carrying amounts of the financial assets represent the maximum default risk.

Trade receivables and other receivables
As Vapiano's core business is the operation of restaurants, most sales are generated with consumers who pay immediately for the services provided. As a result, the default risk relative to trade receivables owed by customers is quite low.

Other external trade receivables accrue to the Group through franchise licenses. Before a contract is signed with a new franchisee, their personal suitability and creditworthiness are checked. Outstanding balances are discussed at management level.

Because its trade receivables are spread in this way, Vapiano can avoid a concentration of default risks.

Analysis of the creditworthiness of associates and affiliates is based on their business performance and planning.

To determine any necessary allowances, the Group has implemented a method that allows estimates to be made of expected future losses on trade receivables.

Impairment losses

The age structure of the trade receivables that are not impaired is as follows as at the end of the reporting period:

kEUR	12/31/2018	12/31/2017
Neither past due nor impaired	3,866	5,494
1–30 days past due	495	1,081
31-90 days past due	318	369
91-120 days past due	279	189
More than 120 days past due	592	429
	5,550	7,562

On the basis of expected credit losses, in accordance with the simplified method used under IFRS 9, the following loss ratios and impairment losses occurred in respect of trade receivables as of December 31, 2018 and January 1, 2018 (date when IFRS 9 was adopted).

December 31, 2018

kEUR	Current	1-30 days past due	31-90 days past due	91-120 days past due	More than 120 days past due	Total
Expected loss ratio	2.0%	2.0%	28.5%	36.6%	88.0%	
Gross carrying amount - receivables from deliveries and services	3,945	505	445	440	4,915	10,250
Value adjustments	**79**	**10**	**127**	**161**	**4,323**	**4,700**

January 1, 2018

kEUR	Current	1-30 days past due	31-90 days past due	91-120 days past due	More than 120 days past due	Total
Expected loss ratio	3.9%	7.2%	31.9%	36.8%	83.0%	
Gross carrying amount - receivables from deliveries and services	5,494	1,151	548	302	2,165	9,660
Value adjustments	**214**	**83**	**175**	**111**	**1,797**	**2,380**

The impairment loss presented as of January 1, 2018 includes the effect of the transition to IFRS 9 of kEUR 282 (see Note 1.3 “Effects of new IFRS standards“).

In addition to the recognized valuation adjustment, losses on bad debts of kEUR 364 (previous year: kEUR 165) were incurred in the 2018 fiscal year.

Derivatives

Derivatives are concluded with banks or financial institutions that have a long-term rating of at least “A+” awarded by the rating agency “Fitch Ratings”.

Guarantees and surety bonds

With regard to the Group’s guarantees and sureties, reference is made to 4.4 “Related parties”.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in settling its contractually agreed financial obligations with cash or other financial assets. The purpose of liquidity management within the Group is to ensure – as far as possible – that sufficient liquidity is always available, under normal as well as stressed conditions so that the Group can meet payment obligations when due without suffering unsustainable losses or risking damage to the Group's reputation.

In its business model, Vapiano maps incoming and outgoing payments in a model; the Group uses activitybased costing to forecast its expansion costs. This is used to plan liquidity in detail every two weeks for the next 13 weeks and on an aggregated basis every month for the next two years. Cash flows from financing activities and hedging transactions are taken into account.

As regards the financing situation of the Group and the non-observance of financial covenants established in credit agreements, see 1.1 "Reporting company".

For information on the Group's credit lines, reference is made to Note 3.13 "Financial liabilities and other financial obligations".

Significance of the liquidity risk

The future cash outflows from financial liabilities, including estimated interest payments, based on the remaining contractual maturities are presented below. The amounts presented are undiscounted gross amounts, including estimated interest payments, but excluding the effect of netting.

December 31, 2018		Contractual cash flows				
kEUR	Carrying amount	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Non-derivative financial liabilities						
Liabilities to banks	192,260	86,845	11,801	108,453	567	**207,666**
Finance lease liabilities	271	225	50	-	-	**275**
Trade payables	29,400	29,400	-	-	-	**29,400**
Other financial liabilities	20,095	20,263	38	58	-	**20,359**
Derivative financial liabilities						
Interest rate swaps	65	65	-	-	-	**65**

December 31, 2017		Contractual cash flows				
kEUR	Carrying amount	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Non-derivative financial liabilities						
Liabilities to banks	128,376	13,155	8,731	119,066	1,624	**142,576**
Finance lease liabilities	842	711	203	7	-	**921**
Trade payables	28,424	28,424	-	-	-	**28,424**
Other financial liabilities	16,037	15,070	146	-	820	**16,037**
Derivative financial liabilities						
Interest rate swaps	194	2	192	-	-	**194**

As stated in Note 3.13 “Financial liabilities and other financial obligations”, the Group’s financing is based primarily on a syndicated loan agreement. This consists of a fixed term loan and a revolving credit facility that can be used in a flexible amount. As Vapiano had breached the financial covenants set out in the syndicated loan agreement as at December 31, 2018, the financing syndicate banks have a right to termination for cause with respect to the revolving credit facility that has not yet been exercised. As a result, the contractual payment obligations have been presented in the “due in less than one year” category.

In addition, financial covenants set out in loan agreements concluded by the Group’s Dutch and Australian subsidiaries were not complied with as at December 31, 2018, meaning that the financing banks concerned also have termination rights which have not yet been exercised. As a result, the payment obligations resulting from these loan agreements have also been presented in the “current” category.

The interest payments for variable rate loans presented in the table above reflect the market conditions for forward interest rates at the end of the financial year. These may change as market interest rates change. The future cash flows from derivative instruments may differ from the amounts presented in the table above, as interest rates and exchange rates or the relevant conditions are subject to change. Except for these financial liabilities, the Group does not expect a cash flow included in the maturity analysis to arise significantly earlier or in a significantly different amount.

Market risk
Market risk is the risk that market prices, for example exchange rates, interest rates or share prices, could change, with a knock-on effect on the Group’s income or the value of the financial instruments it holds. Market risk management aims to manage and control market risk within acceptable ranges and optimize returns at the same time. Risk management also aims to avoid risk concentrations.

The Group uses derivatives to manage market risks. As the Group uses financial instruments exclusively for this purpose, this does not result in any additional market or liquidity risks. Based on the volume of these transactions, the Articles of Association often require the approval of the Supervisory Board, which is then duly obtained.

The Group has option rights to purchase shares in two previously uncontrolled companies. The development of the restaurants is monitored on a regular basis and the possibility and cost-effectiveness of exercising option rights is discussed on an ongoing basis. The option price is based on a specific multiple that most closely approximates the fair value of the restaurant on which the option is based. As the option price reflects the fair value, these option rights do not have any material fair value of their own that would have to be recognized in the statement of financial position. The carrying amount of the liabilities recognized in connection with the purchase options granted corresponds to the value that depends on the development of the restaurants and, as a result, on the applicable exercise price of the option.

All transactions are executed in line with the guidelines of the risk management system.

Currency risk
The Group is exposed to currency risks to the extent that there is a mismatch between the currencies in which services, sales and purchases, and loans are denominated and the functional currency of the Group companies. The functional currencies of the Group companies are primarily the euro (EUR) along with the US dollar (USD) and the British pound (GBP). The transactions identified are mainly executed on the basis of euros (EUR) and US dollars (USD).

Foreign currency risk is usually hedged using forward exchange contracts with a term of less than one year from the reporting date. Such contracts are generally intended to serve as cash flow hedges. Planned transfers of euros to US dollars to finance investments in the United States are hedged, in particular, as are payments of intra-Group receivables. No such transactions were carried out during the reporting period.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operation – primarily euros. Since this provides an economic hedge without the need for derivatives, hedge accounting is not applicable in these cases.

Significance of the currency risk

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currencies as at the reporting date was as follows:

	December 31, 2018 USD '000
Receivables	640
Liabilities	-
Net risk in the statement of financial position	**640**

A reasonably possible strengthening (weakening) of the US dollar against the euro as at December 31, 2018 would have affected the measurement of trade receivables denominated in foreign currencies through profit or loss in the amounts presented below. The analysis assumes that all other influencing factors, in particular interest rates, remain constant. The impact of the forecasted disposal and acquisition transactions are not taken into account.

Effect in kEUR	Gain or loss	
December 31, 2018	-10% change in exchange rate	+10% change in exchange rate
USD	56	-51

Effect in kEUR	Gain or loss	
December 31, 2017	-10% change in exchange rate	+10% change in exchange rate
USD	-64	70
AUD	-168	185
GBP	8	-9
DKK	45	-49

Interest rate risk

The Group is subject to an ongoing interest rate risk, primarily due to variable rate loans. This risk is partially hedged using various interest rate swaps/caps.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates of 100 basis points (bp) as at the reporting date would have increased or reduced the gain or loss by the amounts presented below. This analysis assumes that all other influencing factors, in particular exchange rates, remain constant.

Effect in kEUR	Gain or loss	
December 31, 2018	100 bp increase	100 bp decrease
Sensitivity from variable rate loans	-1,428	98
Sensitivity from interest rate derivatives	33	-25

Effect in kEUR	Gain or loss	
December 31, 2017	100 bp increase	100 bp decrease
Sensitivity from variable rate loans	-1,185	185
Sensitivity from interest rate derivatives	21	-220

Commodity price risks:

Vapiano is exposed to the risk of price increases implemented by its suppliers. Further economies of scale and long-term supply contracts ensure that prices are secured on a long-term basis, meaning that price fluctuations do not have any significant impact.

4 Other disclosures

4.1 SEGMENT REPORTING

According to IFRS 8, business segments are to be defined on the basis of internal reports on Group areas that are regularly reviewed by the Company's chief operating decision maker with regard to decisions on the allocation of resources to these segments and evaluation of their profitability.

The chief operating decision maker of the Group is the Management Board of Vapiano SE. The Company's Management Board has decided to organize reporting procedures by geographical regions. The activities of all Group restaurants (fully consolidated entities and associates) and Vapiano as franchisor are reported by region and divided into three business segments. The "Others" business segment includes central activities of the Group. No business segment was aggregated to reach the level of reportable Group segment.

Based on the reporting structure of the Group for management purposes and pursuant to the definition of IFRS 8, the following business segments are reportable:

- Germany
- Rest of Europe
- Rest of World
- Others

The management of the business units is based on the contribution to value added at Group level. The key earnings figures for the control and allocation of resources by management are earnings before interest, taxes, depreciation and amortization (EBITDA) and sales. Since data relating to the reportable segments' assets were not used for the purpose of control and management, allocation to the reportable segments was not performed.

The accounting and valuation methods for the reportable segments are in line with the Group accounting and valuation methods described in Notes 1.7 et seq.

The sales with other Group areas or business units represents the sales generated between the segments. These are essentially franchise fees. The reconciliation shows how intra-Group relationships between the segments are eliminated. The transfer prices between the business segments are determined on an arm's length basis at normal market conditions. The result of a segment corresponds with its EBITDA. The ensuing segment result is reported to the Group's chief operating decision maker with regard to decisions on the allocation of resources to these segments and evaluation of their profitability.

The sales and results of the individual reportable segments of the Vapiano Group are presented below:

2018 kEUR	Germany	Rest of Europe	Rest of World	Others	Consolidation	Total
External sales	152,752	185,905	28,431	4,365	-	371,453
Sales with other operating segments	9,766	11,126	2,797	11,038	-34,727	-
Segment sales	**162,518**	**197,031**	**31,228**	**15,403**	-34,727	**371,453**
Segment EBITDA	**11,764**	**11,683**	**118**	**-28,966**	-	**-5,401**
Amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment						-79,698
Net financial income/expense						-8,630
Result from accounting using the equity method						-1,169
Income tax income (+) / expenses (-)						-6,092
Net profit or loss for the period						**-100,991**

2017 kEUR	Germany	Rest of Europe	Rest of World	Others	Consolidation	Total
External sales	148,311	156,394	16,314	3,680	-	324,699
Sales with other operating segments	9,493	9,428	1,896	10,587	-31,404	-
Segment sales	**157,804**	**165,822**	**18,210**	**14,267**	-31,404	**324,699**
Segment EBITDA	**19,144**	**26,504**	**387**	**-30,281**	-	**15,754**
Amortization and write-downs of intangible assets and depreciation and write-downs of property, plant and equipment						-41,223
Net financial income/expense						-6,158
Result from accounting using the equity method						-169
Income tax income (+) / expenses (-)						2,242
Net profit or loss for the period						**-29,554**

The impairment losses recognized in the financial year under review are as follows for each item/reporting segment (see Note 3.1 “Goodwill and intangible assets (incl. impairment test)” and Note 3.2 “Property, plant and equipment”):

Item	Germany	Rest of Europe	Rest of World	Total
Goodwill	-	297	-	297
Other intangible assets	2,553	248	-	2,801
Property, plant and equipment	12,197	17,959	1,322	31,478
	14,750	18,504	1,322	34,576

The impairment losses are included in the consolidated statement of comprehensive income under “Amortization of intangible assets and depreciation of property, plant and equipment”.

Geographical information

Sales from the Group’s business areas resulting from transactions with external customers based on the geographical location of the business can be derived from the table above. Information on segment assets broken down by the geographical location of the assets is as follows:

	Non-current assets (by region)	
kEUR	2018	2017
Germany (Germany)	84,305	96,602
France (Rest of Europe)	82,706	69,163
Sweden (Rest of Europe)	27,775	31,827
Austria (Rest of Europe)	26,417	20,441
Others (Rest of World & Others)	45,391	59,619
Total	266,594	277,651

The values presented in the table do not include any other financial assets, financial investments accounted for using the equity method or deferred tax assets.

Sales by product area

An analysis of the Group’s sales by product area in accordance with IFRS 8.32 can be found in Note 2.1 “Sales”.

Information on main customers

No single customer contributed 10% or more to consolidated sales in the 2018 or 2017 fiscal years.

4.2 NON-CONTROLLING INTERESTS

The table below presents financial information on each subsidiary in the Group with material non-controlling interests before consolidation effects for the 2017 and 2018 fiscal years:

	Subgroup Sweden		Subgroup France		VAP Nederland B.V.	
kEUR	**12/31/2018**	12/31/2017	**12/31/2018**	12/31/2017	**12/31/2018**	12/31/2017
Non-current assets	28,766	32,551	87,242	73,177	14,602	17,650
Current assets	2,390	3,271	16,533	11,055	2,593	3,323
cash and cash equivalents of these	*349*	*47*	*6,222*	*4,807*	*752*	*838*
Non-current liabilities	5,555	7,376	17,618	39,720	6,664	4,249
Current liabilities	14,063	9,499	74,203	27,217	9,243	9,655
Net assets (100%)	11,538	18,946	11,955	17,295	1,288	7,068
Carrying amount of the non-controlling interests	**5,997**	**9,858**	**3,311**	**4,477**	**1,702**	**4,592**

	Subgroup Sweden		Subgroup France		VAP Nederland B.V.	
kEUR	**2018**	2017	**2018**	2017	**2018**	2017
Sales	29,187	32,526	58,998	46,402	24,564	21,350
Total comprehensive income (100%)	-6,647	-2,290	-4,787	-2,051	-5,780	-65
Total comprehensive income allocated to non-controlling interests	**-3,159**	**-1,116**	**-1,135**	**-513**	**-2,890**	**-32**

The companies VAP Marseille S.A.S. and VAP Marseille 2 S.A.S., which are allocated to the French subgroup, made distributions of kEUR 220 to non-controlling shareholders in the 2018 fiscal year (previous year: kEUR 242).

In addition, there are non-controlling interests that are not material, detailed information on which is summarized below:

	Various immaterial NCIs	
kEUR	**12/31/2018**	**12/31/2017**
Non-current assets	4,649	6,396
Current assets	2,055	1,612
cash and cash equivalents of these	*1,332*	*775*
Non-current liabilities	1,732	2,591
Current liabilities	6,679	5,861
Net assets (100%)	-1,708	-444
Carrying amount of the non-controlling interests	**726**	**1,106**

	Various immaterial NCIs	
kEUR	**2018**	**2017**
Sales	20,026	15,074
Total comprehensive income (100%)	-1,609	-279
Total comprehensive income allocated to non-controlling interests	**-378**	**-161**

Furthermore, the following table presents financial information regarding subsidiaries in which Vapiano does not hold 100% of the voting shares, however no non-controlling interests are shown in consolidated equity due to the application of the "anticipated acquisition method".

	Subgroup Australia		various immaterial	
kEUR	**12/31/2018**	12/31/2017	**12/31/2018**	12/31/2017
Non-current assets	12,550	-	6,506	3,803
Current assets	849	-	3,709	3,156
cash and cash equivalents of these	*380*	-	*2,663*	*2,512*
Non-current liabilities	4,586	-	854	237
Current liabilities	3,773	-	4,202	852
Net assets (100%)	5,040	-	5,158	5,870

	Subgroup Australia		various immaterial	
kEUR	**05/04/2018 - 12/31/2018**	2017	**2018**	2017
Sales	10,918	-	12,692	12,505
Total comprehensive income (100%)	-1,675	-	1,214	1,085

4.3 NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows changes in the Group's cash and cash equivalents over the course of the reporting year as a result of cash inflows and outflows. For purposes of the consolidated cash flow statement, cash and cash equivalents consists of cash on hand and bank balances with a term of less than 3 months upon conclusion of the contract. As of December 31, 2018, cash and cash equivalents of kEUR 1,181 were available in bank accounts which are subject to contractual restraints on disposal. For this reason, they were not included in cash and cash equivalents in the consolidated cash flow statement.

Pursuant to IAS 7, a distinction is made between cash flows from operating activities, from investment activities, and from financing activities. The changes in the relevant financial statement items cannot be directly derived from the consolidated statement of financial position, as adjustments are made to non-cash transactions such as the effects of currency translation and changes in the scope of consolidation.

Cash flow from operating activities is calculated from income before taxes, adjusted by the net interest result, amortization and depreciation, and other non-cash elements.

Cash flows from interest received and paid, and from taxes paid, are recorded as well. Changes in working capital and utilization of provisions are also taken into account, resulting overall in the cash flow from operating activities.

Cash flow from investing activities includes cash flows from the acquisition or disposal of intangible assets (incl. additions of capitalized own work), as well as property, plant and equipment, and financial assets. The effects of acquisitions or disposals of subsidiaries or other business units on the statement of cash flows are shown separately.

The cash outflow from financing activities is characterized by the changes in capital, as well as by the issue and repayment of bonds and the taking out and repayment of loans. Cash flows resulting from changes in ownership interests in subsidiaries that do not result in a loss of control are also classified as financing activities.

Liabilities relating to the financing of the Group's business activities developed as follows in the 2018 fiscal year:

kEUR	12/31/2017	Cash changes	Additions from company acquisitions	Non-cash changes	Exchange rate related changes	12/31/2018
Non-current financial liabilities	113,778	64,914	2,473	-69,898	-132	111,135
Current financial liabilities	15,440	-5,000	154	70,922	-120	81,396
Loans attributable to share-holders of Vapiano SE	7,450	-	-	646	-	8,096
Restricted cash and cash equivalents	-	-	-	-1,181	-	-1,181
Total	136,668	59,914	2,627	489	-252	199,446

The development in the previous year is presented below:

kEUR	12/31/2016	Cash changes	Additions from company acquisitions	Non-cash changes	Exchange rate related changes	12/31/2017
Non-current financial liabilities	133,133	-19,481	166	-	-40	113,778
Current financial liabilities	8,248	7,125	227	-	-160	15,440
Loans attributable to share-holders of Vapiano SE	-	7,450	-	-	-	7,450
Total	141,381	-4,906	393	-	-200	136,668

The cash flows reported by foreign Group companies are always translated to euros at the average exchange rates for the year. By contrast, cash and cash equivalents are translated as in the consolidated statement of financial position as of the balance sheet date. The effects that changes in exchange rates have on cash and cash equivalents are shown separately.

4.4 RELATED PARTIES

Related parties, within the meaning of IAS 24, are legal entities or natural persons that can exert an influence over Vapiano SE and its subsidiaries, or that are subject to control, joint management or significant influence by Vapiano SE or its subsidiaries.

In particular, these include the shareholder groups of Vapiano SE listed below, which exert a significant influence over the Group. Related parties also include the Group's associates.

Transactions with related parties are executed on arm's-length terms.

Parent company and ultimate controlling party

Vapiano SE is the parent company of the Vapiano Group (see Note 1.1 "Reporting company").

Vapiano SE has three major shareholder groups, each of which exerts a significant influence on the Group:

- VAP Leipzig GmbH & Co. KG, Leipzig (18.9%)
- Exchange Bio GmbH, Darmstadt (15.5%)
- Mayfair Beteiligungsfonds II GmbH & Co. KG, Hamburg (47.4%)

The voting rights notifications received by Vapiano SE pursuant to section 21 (1) of the German Securities Trading Act (WpHG) can be accessed on the company's website at http://ir.vapiano.com/websites/vapiano/English/1400/voting-rights-_br_announcements.html.

Aside from these shareholder groups, the following natural persons are also defined as related parties:

- Gregor Gerlach
- Hans-Joachim Sander
- Gisa Sander
- Daniela Herz-Schnöckel
- Günter Herz
- Hinrich Stahl
- Kristian Wettling
- Dr. Rigbert Fischer
- Dr. Thomas Tochtermann
- Helen Jones
- Vanessa Claire Hall

Transactions with members of management in key positions

Members of management in key positions at Vapiano include the members of the Management Board and the Supervisory Board.

The Management Board is composed as follows:

- Jochen Halfmann (until November 30, 2018)
- Lutz Scharpe
- Cornelius Everke (since May 1, 2018)

The Supervisory Board is composed as follows:

- Vanessa Claire Hall (since August 13, 2018 and Chairperson from February 1, 2019)
- Dr. Thomas Tochtermann (Chairman, until January 31, 2019)
- Hinrich Stahl (Deputy Chairman)
- Kristian Wettling
- Gregor Gerlach
- Dr. Rigbert Fischer (until June 30, 2018)
- Helen Jones

Remuneration paid to members of management in key positions

Management Board remuneration
The information on the Management Board remuneration system and the mandatory disclosures pursuant to section 314 (1) no. 6a sentences 5-8 HGB form part of the "Remuneration Report" section of the combined management report for the 2018 fiscal year.

The total remuneration of the members of the Management Board amounted to kEUR 1,497 in 2018 fiscal year (previous year: kEUR 1,235). Of this amount, kEUR 54 (previous year: kEUR 25) refer to earned claims from the management participation program DRIVE 2.0 and DRIVE 2.1.

During 2018 fiscal year, 9,855 shares for the share-based compensation program "DRIVE 2.1" with an average fair value of EUR 19.42 per share were designated as investment shares by members of the Management Board. Furthermore, 13,289 investment shares with an average fair value of EUR 21.08 per share from the "DRIVE 2.0" program were no longer held as a result of the resignation of one member of the Management Board.

The Group has not granted any advances or loans to members of the Management Board/former members of the Management Board. Similarly, no contingent liabilities were entered into for the benefit of this group of people.

As of December 31, 2018, provisions in the amount of kEUR 394 had been recognized for short-term benefits due to Jochen Halfmann, who retired from the Management Board in 2018 fiscal year (included in total remuneration).

Supervisory Board remuneration
The main features of the remuneration system and the individual disclosures on the remuneration paid to the Supervisory Board members form part of the "Remuneration Report" section of the combined management report for the 2018 fiscal year.

The total remuneration paid to the members of the Supervisory Board amounted to kEUR 308 (previous year: kEUR 333).

The Group has not granted any advances or loans to members of the Supervisory Board/former members of the Supervisory Board. Similarly, no contingent liabilities were entered into for the benefit of this group of people.

As at December 31, 2018, provisions of kEUR 255 had been recognized for bonuses for members of management in key positions (previous year: kEUR 151).

Other transactions with members of management in key positions
A number of the members of the company's management in key positions or related parties hold positions at other entities, meaning that they can exert control over these entities.

From time to time, members of the Group's Management Board or related parties may purchase goods/services from the Group, for example, by visiting a Vapiano restaurant. These purchases are subject to the same terms and conditions as purchase agreements entered into by other employees or customers of the Group. As in the previous year, the total amount of these transactions in the 2018 fiscal year were of minor significance.

Other transactions with related parties

In the course of the financial year, Group companies entered into the following transactions with related parties that do not belong to the group of consolidated companies:

	Deliveries made and services rendered	
kEUR	2018	2017
VAP Leipzig GmbH & Co. KG	166	1,457
Exchange Bio GmbH	-	1,701
Associates of Vapiano SE	1,297	1,832
Total	**1,463**	**4,990**

In addition to services rendered to related parties, the Group received services during the financial year from companies with links to a member of the management in key positions or to one of the three major shareholder groups. These services relate to two rental agreements for restaurant premises in a total amount of kEUR 601 (previous year: kEUR 556).

Furthermore, the Group used the consulting services of a company related to Mayfair Beteiligungsfonds II GmbH & Co. KG. The consideration paid for these services amounted to kEUR 35.

The following balances were outstanding at the end of the reporting period:

	Receivables from related parties and persons		Liabilities to related companies and persons	
kEUR	12/31/2018	12/31/2017	12/31/2018	12/31/2017
VAP Leipzig GmbH & Co. KG	14	1,322	3,270	3,090
Exchange Bio GmbH	-	272	-	-
Mayfair Beteiligungsfonds II GmbH & Co. KG	-	-	4,825	4,558
Associates of Vapiano SE	272	6,149	1	86
Total	**286**	**7,743**	**8,096**	**7,734**

Transactions with shareholders
The main shareholders of Vapiano SE granted the Group subordinated loans in the amount of EUR 10.0 million in the first quarter of the 2017 fiscal year. The shareholders' share in the total loan amount corresponds to their respective interest in Vapiano SE at the time the loan was granted. As of December 31, 2018, EUR 7.5 million of the shareholder loans granted in 2017 fiscal year plus accrued interest of EUR 0.6 million had not been repaid.

There were also further business transactions with VAP Leipzig GmbH & Co KG resulting from the franchise relationship between the Vapiano Group and VAP Leipzig GmbH & Co KG, which operates a restaurant as a franchisee. The corresponding balances can be found in the table above which shows the deliveries and services provided in the financial year.

Transactions with associates
Transactions with associates are based primarily on normal franchise relationships and the resulting franchise and marketing fees, as well as on receivables of the Vapiano Group resulting from loans granted by the Group.

All transactions with these related parties were concluded at arm's length and are unsecured.

In the current year and the previous year, no expenses were recognized for uncollectible or doubtful debts with regard to the amounts owed by related parties.

"DRIVE 2.0" and "DRIVE 2.1" management incentive program
The "DRIVE 2.0"/"DRIVE 2.1" management incentive program gives the Management Board the opportunity to receive bonus shares after certain criteria are fulfilled (see Note 3.11 "Share-based payment arrangements"). Promoting long-term loyalty to the company among management members remains the aim of the program.

Other executive functions held by the Supervisory Board (section 285 no. 10 HGB)

In addition to their activities for the company, the members of the Supervisory Board of Vapiano SE held the following other mandates in supervisory and advisory boards during the financial year:

Dr. Thomas Tochtermann (until January 31, 2019)

- Dansk Supermarkt A/S (member of the Supervisory Board)
- TOM TAILOR Holding SE (Chairman of the Supervisory Board)
- Gruner + Jahr GmbH & Co. KG (member of the Advisory Board)
- Global Fashion Agenda (Deputy Chairman of the Supervisory Board)

Helen Jones

- Ben & Jerry‘s (Independent Director)
- Halford Group plc (Non-Executive Director)

4.5 OPERATING LEASES

Leases in the capacity of lessee

The Group leases a number of restaurants and administrative buildings under operating leases.

The leases normally have a term of ten years and an option to renew the lease after that period has expired.

Some leases provide for additional rental payments based, for example, on changes in the value of price indices.

There are certain operating leases that prohibit the Group from sub-letting the property.

Future minimum lease payments
As at December 31, 2018, future minimum lease payments under non-cancellable leases are due as follows:

kEUR	2018	2017
Up to one year	44,744	34,076
More than one year and up to five years	172,634	133,310
More than five years	160,103	140,398
Total	377,481	307,784

In the 2018 fiscal year, rental and lease expenses of kEUR 39,560 (previous year: kEUR 27,477) were recognized in the consolidated income statement:

Purchase commitments
As at December 31, 2018, orders relating to future investments in existing and new restaurants in the amount of kEUR 7,221 (previous year: kEUR 8,802) had already been firmly agreed in a contractual arrangement.

4.6 LIABILITIES UNDER FINANCE LEASES

Leases in the capacity of lessee

The Group leases a number of restaurant and kitchen facilities under finance leases.

The liabilities under finance leases are due as follows.

	Present value of future minimum lease payments		Interest payments		Future minimum lease payments	
kEUR	2018	2017	2018	2017	2018	2017
Up to one year	213	566	4	16	217	582
More than one year and up to five years	58	276	-	4	58	280
More than five years	-	-	-	-	-	-
Total	271	842	4	20	275	862

4.7 CONTINGENT ASSETS AND LIABILITIES AND OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

The Group had the following contingent liabilities as at the reporting date:

As in the previous year, there are two surety bonds for an associate to secure loans payable in the amount of kEUR 1,500. The loans payable amounted to kEUR 2,044 as at December 31, 2018 (previous year: kEUR 2,391). In addition, and as in the previous year, a letter of comfort has been issued for this associate in the amount of kEUR 1,150 (previous year: kEUR 1,150).

The surety bonds and the letter of comfort are not expected to be utilized at present, as it is possible to generate sufficient cash inflows from planned operating activities at the level of the associated company.

4.8 AUDITOR'S FEES AND SERVICES

The following fees are recognized as expenses for the services provided in the 2018 fiscal year by the auditor of the consolidated financial statements, PwC Wirtschaftsprüfungsgesellschaft GmbH, and by companies in the international PwC network:

kEUR	2018	2017
Auditing services	1,028	563
of which in Germany	*779*	*440*
Tax advisory services	-	-
Other assurance services	21	589
of which in Germany	*21*	*589*
Other services	-	-
Total	**1,049**	**1,152**
of which in Germany	*800*	*1,029*

In addition to the audit of the consolidated financial statements and the statutory audits of Vapiano SE and its affiliated companies, the fees for auditing services also include the fees charged by the foreign auditors in the PWC network and other assurance services if they are used in the course of the audit.

4.9 EVENTS AFTER THE REPORTING PERIOD

Sale of Vapiano Holding LLC, USA

After the reporting date, Vapiano SE signed a purchase agreement regarding the sale of Vapiano Holding USA LLC, McLean, Virginia/US to Plutos Sama Holdings, Inc., Irvine, California/US. In connection with the sale, five development agreements will be signed regarding the opening of 75 further franchise restaurants in the states of Illinois, Washington D.C., Virginia, New York and New Jersey. The agreement was originally scheduled to close on March 31, 2019, but is now expected to close in the second quarter.

Changes in the Supervisory Board

On January 2, 2019, Dr Tochtermann resigned from his position as Chairperson of the Supervisory Board for personal reasons with effect from January 31, 2019.

Vanessa Hall was elected as Chairperson of the Supervisory Board at the Supervisory Board meeting held on January 29, 2019 with effect from February 1, 2019.

Adjustments to the forecast for 2018

On February 15, 2019, Vapiano SE used an ad hoc announcement to announce that it would no longer be able to achieve its previous revised forecast for 2018 fiscal year dated November 27, 2018.

Financing

In May and June 2019, the existing Group financing was partially renegotiated and modified and further loan agreements were concluded with major shareholders. Further details are provided in section 1.1.

Cologne, 17 June 2019

Cornelius Everke	**Lutz Scharpe**
CEO	CFO

RESPONSIBILITY STATEMENT

We hereby affirm that, to the best of our knowledge, the consolidated financial statements have been prepared in accordance with the applicable accounting principles and provide a true and fair view of the Group's assets, liabilities, financial position and financial performance and that the combined management report presents the course of business, including the business results and the Group's situation, in such a manner that it provides a true and fair view and describes the main opportunities and risks for the Group's foreseeable performance.

Cologne, 17 June 2019

Cornelius Everke
CEO

Lutz Scharpe
CFO

INDEPENDENT AUDITOR'S REPORT

To Vapiano SE, Cologne

Report on the audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of Vapinano SE, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position as at December 31, 2018, the consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Vapiano SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2018. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

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 § 315e Abs. 1 HGB German Commercial Code and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018 and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 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 Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 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 Article 10 (2) point (f) of the EU Audit

Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 **Recoverability of goodwill**
2 **Recognition and measurement of other intangible assets**
3 **Accounting treatment of deferred taxes**

Our presentation of these key audit matters has been structured in each case as follows:

1 Matter and issue
2 Audit approach and findings
3 Reference to further information

Hereinafter we present the key audit matters:

1 **Recoverability of goodwill**

1.1 Goodwill amounting in total to € 39.0 million (representing 11.0% of total assets and 83.0% of equity) is reported under the "Intangible assets" balance sheet item in the Company's consolidated financial statements. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant goodwill is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the business plan adopted by the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that even after taking into account the value in use, it was necessary to recognize write-downs amounting to a total of € 0.3 million with respect to the remaining group of cash-generating units (UK).

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

1.2 As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by coordinating it with general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure. We reproduced the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. We assured ourselves that the necessary disclosures were made in the notes relating to groups of cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the relevant goodwill. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

1.3 The Company's disclosures on impairment testing and goodwill are contained in note 3.1 in section 3 of the notes to the consolidated financial statements.

2 Recognition and measurement of other intangible assets

2.1 Reacquired licence rights amounting in total to € 43.7 million (representing 12.3% of total assets and 93.0% of equity) are reported under the "Intangible assets" balance sheet item in the Company's consolidated financial statements. These licence rights were reacquired in the course of business combinations and recognized in accordance with IFRS 3 on the basis of the remaining term of the associated licence agreement. In subsequent periods, the reacquired licence right is amortized on a straight-line basis over the remaining contractual term of the original licence agreement (up to 15 years). Measurement is based on the present value of future net income in accordance with the income approach. The present values are calculated using discounted cash flow models over the remaining contractual term and adjusted by means of an individual risk deduction to reflect the long-term planning horizon. The reacquired licence rights are allocated to CGUs. Impairment tests are carried out for the CGUs whenever there are indications that they may be impaired. The Company has identified certain indicators for this purpose, which are monitored and in the event of negative development trigger an impairment test. The carrying amount of the relevant CGU to which the licence right has been allocated is compared with the corresponding recoverable amount in the context of the impairment test. The present value of the future cash flows from the CGU to which the respective licence right can be allocated normally serves as the basis of valuation. The starting point is the business plan adopted by the Group. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also reflected by means of deductions. The discount rate used is the weighted average cost of capital for the specific country. The impairment test determined that even after taking into account the recoverable amount, it was necessary to recognize write-downs amounting to a total of € 2.2 million with respect to the group of cash-generating unit Germany.

The valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows allocated to the relevant CGUs, the discount rate used, the risk deduction and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2.2 As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by coordinating it with general and sector-specific market expectations and by comparing the budgeted and actual figures for the earnings and cash flow indicators used for the purposes of the calculation. We obtained explanations for variances between the budgeted and actual figures in discussions with the executive directors and evaluated the background reasons for these variances. In the knowledge that even smaller changes in the discount rate applied can have a material impact on the value of the relevant CGU calculated using this method, we also focused in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expec-tations and are also within the ranges considered by us to be reasonable.

2.3 The Company's disclosures relating to the reacquired rights are contained in note 3.1 in section 3 of the consolidated financial statements

3 Accounting treatment of deferred taxes

3.1 Deferred tax assets amounting to € 5.4 million after netting are reported in the consolidated financial statements of the Company. This item was recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses to be utilized. For this purpose, if insufficient deferred tax liabilities are available, forecasts of future taxable profits are prepared on the basis of the approved tax planning projections from the point of view of arranging the tax affairs in such a way that trade tax loss carryforwards can be utilized. No deferred tax assets were recognized in respect of deductible temporary differences and unused corporation tax losses amounting in total to € 215.9 since it is not probable that they will be utilized for tax purposes by means of offset against taxable profits. In our view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as they depend to a large extent on the estimates and assumptions made by the executive directors and the further implementation of the tax planning measures and are therefore subject to uncertainties.

3.2 As part of our audit, we reviewed, among other things, the internal processes and controls for recording tax matters as well as the methodology adopted for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unutilized tax losses on the basis of the Company's internal forecasts of its future earnings situation, and we evaluated the appropriateness of the underlying estimates and assumptions. In addition, we assessed the tax planning model for the future utilization of trade tax carryforwards with respect to its feasibility in principle and likelihood of being implemented in practice, by inspecting and evaluating the planning documentation and draft contracts, critically reviewing the confirmation obtained from tax advisers and on the basis of our discussions with the Executive Board and Supervisory Board, among other procedures.

Based on our audit procedures, we satisfied ourselves that the estimates and assumptions made by the executive directors were justified and adequately documented.

3.3 The Company's disclosures on deferred taxes are contained in section 2.9 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 4 of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report, – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit 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 audit 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.

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 § 315e Abs. 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 audit 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 § 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 audit 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 man-agement report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit 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 audit 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 § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 audit 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 Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on June 6, 2018. We were engaged by the supervisory board on December 3, 2018. We have been the group auditor of the Vapiano SE, Cologne, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 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 Jens Pollmann.

Cologne, 17 June 2019

Jens Pollmann	Maic Kunz
Auditor	Auditor

Financial Calendar 2019

Date	Event
June 18, 2019	Annual Report 2018
June 18, 2019	Quarterly Financial Statement (as of March 31, 2019)
August 21, 2019	Annual General Meeting
September 11, 2019	Half-Year Financial Report (as of June 30, 2019)
November 20, 2019	Quarterly Financial Statement (as of September 30, 2019)

Please note the English version has been translated, in case of any discrepancies of content, the German version will prevail.

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