ALL WE DO WE DO with Love TO REFRESH YOUR LIFE

Annual Report 2017

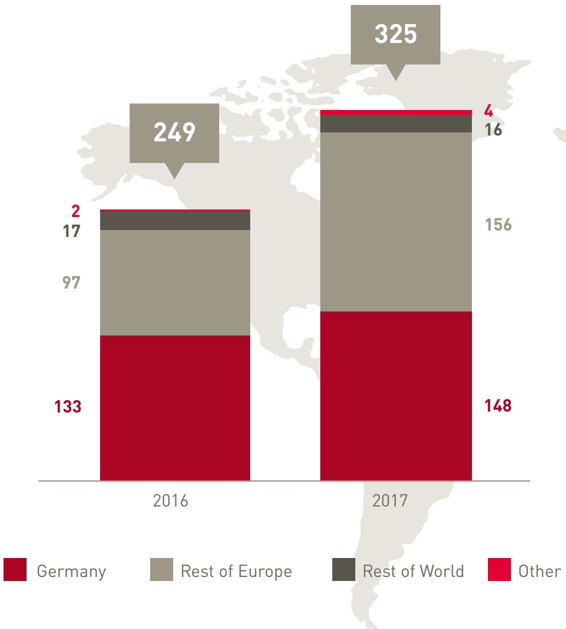
VAPIANO®
PASTA | PIZZA | BAR

KEY FINANCIALS

in EUR million	2017	2016	Change
System sales (corporate, joint venture and franchise restaurants)	497.8	460.4	8.1%
Net sales (corporate and joint venture restaurants)	324.7	248.6	30.6%
Like-for-like sales	4.8%	-0.3%	-
Average receipt per guest (EUR)	11.2	10.8	3.7%
Adjusted EBITDA	38.8	28.6	35.8%
Adjusted EBITDA margin	11.9%	11.5%	-
Reported EBITDA	15.8	28.4	-44.3%
Reported EBITDA margin	4.9%	11.4%	-
Adjusted net earnings	3.2	3.2	-0.6%
Adjusted earnings per share (in EUR)	0.14	0.15	-7.6%
Reported net earnings	-29.6	-0.5	>-100%
Reported earnings per share (in EUR)	-1.25	-0.04	>-100%
Cash flow from operating activities before taxes and interest	20.7	21.5	-2.9%
Tangible and intangible assets	-73.0	-31.0	>-100%
Investments for acquisitions	-5.0	-19.2	-73.9%
Cash flow from investing activities	-78.5	-51.5	52.4%
Cash flow from financing activities	70.9	43.3	63.9%

in EUR million	12/31/2017	12/31/2016	Change
Total assets	350.3	299.4	17.0%
Equity	131.1	77.0	70.3%
Equity ratio in %	37.4%	25.7%	-
Net debt (in EUR million)	116.2	134.3	-13.5%
Net debt/adjusted EBITDA (in years)	3.0	4.7	-36.3%
Employees on 31 December (full-time)	6,803	5,493	23.8%
Number of restaurants	205	179	26

Net Sales by segment in EUR million



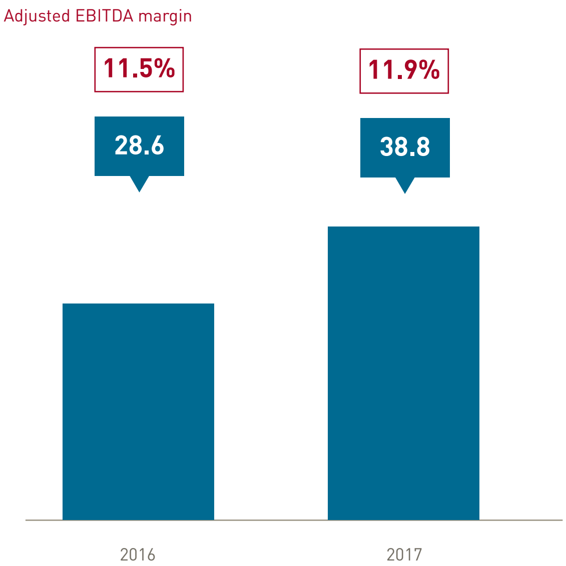
+30.6%

Net sales

+4.8%

Like-for-Like sales

Adjusted EBITDA in EUR million



+35.8%

Adjusted EBITDA

CONTENTS

LETTER FROM THE CEO

Jochen Halfmann
Chief Executive Officer

Dear Shareholders, dear Guests, dear Vapianisti,

15 years after founding Vapiano in Hamburg, 2017 marked the opening of a new chapter in our company history with our listing in the Prime Standard of the German Stock Exchange. All of us here at Vapiano are proud of this exceptional milestone and, as CEO, I am absolutely delighted to be able to present our first annual report as a stock listed company to you today. Our successful IPO was oversubscribed several times; proof of how convincing Vapiano's business model is and of the trust our international investors place in our growth strategy.

With the proceeds of 85 million euros we significantly strengthened our equity base. At the same time, we enabled Vapiano to expand our restaurant network to reach our target of 330 restaurants worldwide by 2020, to quickly roll out our successful guest journey innovations at international level and to implement new Vapiano formats, and – in doing so – to steadily grow the value of our company.

The 2017 financial year was a successful one. Consolidated net sales improved by around 31% to 325 million euros. This considerable increase was partly due to the opening of new restaurants and our digital innovations, but also to the fact that our like-for-like growth was the strongest in the last five years. Group-wide, like-for-like net sales increased by 4.8% and came in at the upper end of our forecast of between 4% and 5%. The development of our three geographical segments – Germany (+4.6%), Rest of Europe (+5.0%) and Rest of World (+3.9%) – was very satisfying.

As a growth-oriented company, Vapiano SE has to shoulder high levels of depreciation and amortization due to the large number of new restaurant openings. In addition, high non-recurring costs not related to operations were incurred in 2017, primarily in connection with our IPO. Taking this into consideration, and as it is usual for growth-oriented companies, we take adjusted earnings before depreciation, amortization, interest and taxes (adjusted EBITDA) as the key figure for measuring our operational performance. It is therefore also the foremost performance indicator we use in our communication. The development of this key indicator is also pleasing. In 2017, we recorded above-average growth of 35.8% in adjusted EBITDA to 38.8 million euros. Our adjusted net income reached 3.2 million euros and adjusted earnings per share 0.14 euros.

The title of our annual report is "All we do, we do with love to refresh your life." We chose this title to express two Vapiano commitments: We bring freshness to the lives of our guests and our Vapianisti, partners and society.

We love what we do and show it in everything we do. Our meals, which are freshly prepared every day, the welcoming atmosphere in our restaurants, and our friendly and courteous approach to communicating with our guests, inspire our guests to live a life that is relaxed and therefore healthier and longer – "Chi va piano va sano e va lontano."

We invested a lot of passion and effort into expanding the digital share of our business in 2017. Our take away and home delivery business is growing at a double-digit rate and now enables our customers to order and enjoy Vapiano "anytime, anyplace, anywhere." By the end of 2017, already 76 restaurants were offering take away and home delivery services. We plan to introduce this successful additional guest journey in 75% to 85% of our restaurants by the end of the current financial year. In order to reduce waiting times at peak hours, we will test terminals in an increasing number of restaurants. Guests can order together at the terminals, while we make sure the products are prepared and served synchronized so that our guests can eat together. Our revamped Vapiano app and proprietary online ordering system are also being well received by our customers and are further proof of this additional digital growth momentum. Looking ahead, we at Vapiano are convinced that the smart integration of our brick and mortar and our digital guest journeys in our restaurants will become increasingly important – and will be key to our future success.

Our new format pilots – such as our first freestander in Fürth and the "mini" Vapianos in Ingolstadt as well as in a shopping mall in Vienna – are developing very positively. In 2018, we plan to open another freestander in Toulouse/France and a further Vapiano mini pilot in Chicago. As the pilot projects progress, we will decide whether and how to add the new pilot formats to our portfolio as we move forward. At Vapiano, all innovations and initiatives are subject to a consequent pilot phase prior to market launch to secure our foremost aim of sustainably profitable growth.

We are also focusing on the improvement of our menus, adding changing specials every two months. As ever more guests are looking for more health-conscious options, we are adding gluten-free, vegan and vegetarian dishes to our menu, along with reduced sugar, sugar-free or lactose-free products, all of which are being very well received by our guests. The regular menu in many of our restaurants now features also low-calorie specials – such as zucchini noodles, our "Zoodles".

Over the coming years, Vapiano will focus on growth with its sustainably profitable expansion, with our goal to operate as many as 330 restaurants worldwide by 2020. To achieve this, we have set ourselves ambitious targets for the current financial year. In 2018, we plan to open 30-35 new restaurants[1]. We will focus our growth on our core European markets – in France alone, we are planning to open more than ten restaurants. In addition, we will also further expand our presence in our home market Germany. From today's perspective, we expect to generate net sales from 390 up to 420 million euros in 2018, together with like-for-like growth of 1-3% and an EBITDA excluding pre-opening costs of between 48 and 54 million euros.

[1] Plus three restaurants that were unable to open in 2017 for reasons beyond our control.

I am also delighted to welcome Cornelius Everke to the Management Board, starting on May 1, 2018. Cornelius Everke has a strong background in the international restaurant business and will be responsible as Chief Operating Officer for the segments „Rest of Europe", „Rest of World" and supporting central divisions.

Our growing Vapiano family – 9,000 Vapianisti, franchise and joint venture partners in meanwhile more than 205 Vapiano restaurants and at headquarters in Cologne – is striving every day with excellence and commitment to develop Vapiano into one of Europe's most successful fast casual dining concepts of recent years. On behalf of the Management Board, I would like to take this opportunity to express my deep gratitude to our Vapiano team and partners. Vapiano stands for a unique corporate culture that is actively lived within our company and our franchise system. Our culture is manifested primarily in our attitude and code of conduct, which all Vapianisti respect in all aspects of their business activity.

In 2017, we also set up a social fund to provide our staff with uncomplicated and unbureaucratic assistance during personal crises. The social fund has recognized a very positive internal response and allowed our Vapiano family to grow even closer together.

In the name of our Board, we would like to thank you, our valued shareholders, most sincerely for your trust and confidence. We are delighted that you are accompanying us on our journey. Please be assured that our Vapiano team is very focused to ensure that Vapiano shares will be an attractive investment in the future.

With my warmest regards,

Yours
Jochen Halfmann

MEMBERS OF THE MANAGEMENT BOARD

Jochen Halfmann, CEO

Born in 1964, Jochen Halfmann has been a member of the Management Board since June 2015 and CEO since September 2015.

Jochen Halfmann studied business management at the Ludwig-Maximilian University of Munich and the Albertus Magnus University of Cologne. He began his professional career as a management trainee at Douglas Holding AG. This was followed by further positions within the Douglas Group as branch manager, area manager and assistant to the management board. From 1999 to 2005 he was CEO of BiBA GmbH, which was a subsidiary of Douglas Group up to 2003. With the transfer of BiBA GmbH to Primera AG, Jochen Halfmann was also a board member of Primera AG, a subsidiary of Escada AG, responsible for the BiBA, Laurel, apriori and Cavita brands. From 2009 to 2014, Jochen Halfmann, as General Manager, was the board member responsible for the Germany, Austria and Switzerland region and for worldwide own-brand and exclusive brand business at the Douglas perfumery chain. Before joining Vapiano, from 2014 to 2015 he was managing director for Germany at Pandora Jewelry GmbH.

Jochen Halfmann has been appointed CEO of Vapiano SE until December 31, 2020.

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

In the past 2017 financial year, the Supervisory Board carefully and conscientiously discharged its duties as specified by law and in the Articles of Association of Vapiano SE, routinely oversaw the management of the business by the Management Board, and made sure said business was conducted legally and properly, and was fit for purpose. The Supervisory Board received regulary comprehensive written and verbal reports from the Management Board on the business development of the Company, the performance of key financial indicators, noteworthy business transactions, risk management, and compliance topics. The Management Board attended all Supervisory Board meetings and provided comprehensive answers to all Supervisory Board questions. The Supervisory Board was directly involved in all decisions of material importance for the Company. Where legally prescribed, the Supervisory Board authorized individual transactions after thorough consultation and examination of the submitted documentation.

Apart from the meetings, the Management Board submitted monthly reports providing timely information on the current business situation and explaining any deviations of actual performance versus budget. Moreover, the Chairman of the Supervisory Board and the Chairs of the committees, in particular, were in constant close verbal and written contact with the Management Board, discussed issues, and performed the preparatory work for decisions to be made in plenary sessions. The members of the Supervisory Board always had sufficient opportunity for critical examination of the submitted reports and proposals for resolution and for offering suggestions.

Material areas of focus of the Supervisory Board in 2017 financial year included detailed consultation of the business development and liquidity of the Group, extending the contracts with Jochen Halfmann and Lutz Scharpe, further expansion, respectively the relevant resolutions approving the opening of new restaurants, refinancing plans and the planned initial public offering (IPO), and the resignation of Mario Bauer from the Company's Management Board. The progress of the strategic projects under the 2017 strategy was also discussed in detail.

FOCUS OF THE CONSULTATION AND OVERSIGHT ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board met 22 times overall in 2017. Ten ordinary plenary sessions were convened, eight resolutions were adopted by telephone procedure, and four by written circulation. Apart from the excused absence of one member at one meeting, all members of the Supervisory Board attended all meetings.

In its meeting on January 25, 2017, the Supervisory Board renewed Jochen Halfmann's appointment as Chief Executive Officer and Lutz Scharpe's appointment as Chief Financial Officer of Vapiano SE and specified their powers of representation. The Supervisory Board was also informed in detail of the current situation in Sweden, the digitalization initiatives planned for 2017, and the status of the planned IPO.

In its meetings on February 27, March 30, April 12, April 19, and April 25, 2017 the Supervisory Board mainly focused on the status and on the individual steps of the planned IPO.

On March 3, 2017, the Supervisory Board in particular discussed and approved the plan to move Vapiano's headquarters from Bonn to Cologne.

On March 23, 2017, the Supervisory Board discussed the shareholders' loan of 10 million euros.

At its meeting on April 12, 2017, the Supervisory Board approved the financial statements of Vapiano SE as recommended by the Audit Committee and after discussion with the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

On April 19, 2017, the Supervisory Board discussed the revised handling of transactions requiring consent and the amendment of the Articles of Association following the Company's planned IPO. The relevant proposal for resolution by the Annual General Meeting was approved.

On May 17, 2017, the Supervisory Board approved and released the amended consolidated financial statements and Group management report for the year ended December 31, 2015.

On May 18, 2017, the Supervisory Board approved the refinancing plans to raise the syndicated loan to 200 million euros and extend the term until 2022.

On May 29, 2017, the Supervisory Board approved and released the consolidated financial statements and Group management report for the year ended December 31, 2016, as recommended by the Audit Committee and after discussion with the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The Board reviewed and endorsed the Management Board's proposal for appropriation of the profits. At this meeting, too, the Supervisory Board received comprehensive reports on the progress of the planned IPO. On the following day, Dr. Thomas Tochtermann was again elected Chairman of the Supervisory Board of Vapiano SE, and the members of the Personnel and Audit Committees were nominated. In addition, the Supervisory Board approved the new Rules of Procedure for the Management Board and the Supervisory Board, and adopted a resolution to take out D&O insurance for Supervisory Board members.

On May 30, 2017, the Supervisory Board was provided with information on the further progress of the planned IPO and the plans to expand in France. At the same meeting, the Supervisory Board received a comprehensive explanation of the findings from the 2016 employee survey.

On June 25, 2017 the Supervisory Board approved the following items in a conference call: Approval of the resolution of the Management Board of June 25, 2017 regarding the final amount of the capital increase against cash contributions, approval of the conclusion of the Volume Agreement, approval of preferential allotment to existing shareholders and approval of the amendment to the Articles of Association of the company.

On June 30, 2017, the Supervisory Board approved the establishment of a joint venture in Innsbruck to operate two restaurants formerly managed under franchise.

In its meeting on July 18, 2017, the Supervisory Board approved the 2017 allocations of the Drive 2.0 profit participation program that Vapiano SE intends to use to foster long-term employee loyalty to the Company and to allow the staff to share in the Company's success. In addition, the Supervisory Board received detailed reports on various HR topics and initiatives for the recruitment and long-term retention of new employees.

On August 23, 2017, the Supervisory Board approved the planned buyback of the outstanding shares in the Danish subsidiary.

On August 24, 2017, the Supervisory Board approved the performance-related compensation of the banks involved in the IPO.

In its meeting on September 18, 2017, the Supervisory Board received detailed reports on the planned increase in shares in the Vapiano restaurants in Australia that are managed as a joint venture.

On October 13, 2017, the Supervisory Board received an updated report on the further expansion in France and adopted resolutions approving the opening of further restaurants in France.

On October 16, 2017, the Supervisory Board discussed Mario Bauer's request to resign prematurely from the Management Board of Vapiano SE for personal reasons, and adopted a resolution approving his request at year-end 2017. At the same time, the Supervisory Board approved the conclusion of a consultancy contract with Mario Bauer, effective from January 1, 2018.

In its meeting on November 28, 2017, the main topic was the new budget, which was presented, discussed in detail and subsequently approved by the Supervisory Board.

On December 7, 2017, the Supervisory Board adopted a resolution specifying a gender diversity target for the Supervisory Board for financial year 2018.

SUPERVISORY BOARD COMMITTEES AND REPORT ON THE WORK OF THESE COMMITTEES

The Supervisory Board has set up a Personnel Committee and an Audit Committee, comprising four and three members, respectively. Members of the Personnel Committee are Hinrich Stahl (Chair), Dr. Thomas Tochtermann, Gregor Gerlach and Dr. Rigbert Fischer. Members of the Audit Committee are Kristian Wettling (Chair), Dr. Thomas Tochtermann and Helen Jones.

The primary task of the committees is to perform the preparatory work for decisions and issues to be discussed at plenary meetings. The Supervisory Board has transferred decision-making powers to the committees to the extent that is legally permissible. The Supervisory Board received regular and comprehensive reports on the work of the respective committees.

In the 2017 financial year, the **Audit Committee** met three times and held five telephone conferences. The committee focused mainly on all issues relating to the auditing of the annual and consolidated financial statements of Vapiano SE for financial years 2015 and 2016 together with the management reports for these years, and to the auditing of the annual and consolidated financial statements of Vapiano SE and management reports for financial year 2017. The auditor confirmed to the committee the absence of any circumstances that might raise doubts about the auditor's impartiality. Moreover, the committee reviewed the auditor's qualification and negotiated the latter's fee. The Audit Committee also diligently performed its assigned duties of overseeing the accounts and accounting process, monitoring the effectiveness of the internal control system, risk management system and internal auditing function, and discussing compliance issues. In addition, the Audit Committee focused on the impacts of the CSR Directive Implementation Act.

The **Personnel Committee** held six meetings in 2017. The committee prepared all issues assigned to it and decided as a part of the assigned authority. In particular, the committee dealt with the target agreements for the management and director levels, the target assessment, the contract extensions of Jochen Halfmann and Lutz Scharpe, the COO search, assessing of the pay systems including the Management Board compensation, organizational development and personnel planning.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was appointed on May 30, 2017, by the Annual General Meeting to audit the financial statements for financial year 2017 and duly audited the annual financial statements prepared by the Management Board in accordance with the German Commercial Code [HGB] and the management report of Vapiano SE for the 2017 financial year. In accordance with Section 315a HGB, the consolidated financial statements and associated Group management report for financial year 2017 were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union. The annual financial statements, consolidated financial statements and management reports were each issued with an unqualified audit opinion by the auditor. The auditor ascertained, moreover, that the Management Board has set up an appropriate information and monitoring system that is designed and used in such a way as to ensure early detection of any developments that might jeopardize the survival of the Company.

The areas for particular audit focus as specified by the Supervisory Board in financial year 2017 were the impairment of trade receivables and the effectiveness of the clearing process (offsetting open items against each other) in the creditors', debtors' and bank ledgers. Further areas of audit focus with intensive processing included the impairment of goodwill and other intangible assets, as well as the recognition of deferred taxes.

The documentation relating to the financial statements and the auditor's reports for financial year 2017 were provided to the members of the Supervisory Board for review and were discussed and examined in detail by both the Audit Committee and the entire Supervisory Board. In the Audit Committee's meeting on

April 16, 2018 and April 19, 2018 as in the meeting of the entire Supervisory Board on April 19, 2018, the auditor reported on the key findings of its audit. The auditor also discussed its findings regarding the internal control system, risk management system and the areas of audit focus specified by the Supervisory Board, and was available to answer any questions asked by the Supervisory Board. Following discussion and examination of the financial statements and management report by the Supervisory Board, no objections were raised. The Supervisory Board therefore adopted the recommendation of the Audit Committee and approved the auditor's findings without restriction. The Supervisory Board has approved the annual financial statements and consolidated financial statements, together with the relevant management reports, as prepared by the Management Board for the financial year ending on December 31, 2017. As such, the annual financial statements, consolidated financial statements and management reports as of December 31, 2017, are approved.

CORPORATE GOVERNANCE

The Management Board and Supervisory Board have issued a separate report on corporate governance. Together with the declaration on corporate governance pursuant to Sections 289a, 315 (5) HGB, it can be found online at **http://ir.vapiano.com**.

MANAGEMENT BOARD AND SUPERVISORY BOARD COMPOSITION

Effective January 17, 2017, Hans-Joachim Sander resigned from the Supervisory Board of Vapiano SE; Alexandra Ischler von Kuenheim was appointed to the Supervisory Board as of the same date. Effective May 31, 2017, Alexandra Ischler von Kuenheim resigned from the Supervisory Board of Vapiano SE; Helen Jones was appointed to the Supervisory Board as of the same date.

At the end of September 2017, Mario Bauer asked the Supervisory Board to release him prematurely from his Management Board contract for personal reasons. He left the Management Board at the end of business on December 31, 2017. The Supervisory Board thanks him for his dedication as a member of Vapiano SE's Management Board. Mario Bauer is currently at Vapiano SE's exclusive disposal as a consultant to drive the expansion of the Company into new markets.

In its meeting on March 20, 2018 the Vapiano Supervisory Board has appointed Cornelius Everke (53) with effect on May 01, 2018 as a new member of the Vapiano SE management board and as Chief Operating Officer (COO). In this role he will be responsible for the Rest of Europe and the Rest of World segments as well as further central service departments.

The Supervisory Board thanks the Management Board and all members of staff for their successful work and dedication in 2017.

To you, our valued shareholders, I extend my thanks for placing your trust and confidence in Vapiano SE and its shares.

Hamburg, April 2018

On behalf of the Supervisory Board

Dr. Thomas Tochtermann
(Chairman)

Fresh, fresher, Vapiano

Favorite meals “à la minute“

Enjoy uncompromising freshness, savor food prepared according to your individual wishes and preferences, and at attractive prices – welcome to Vapiano. With our “Fresh Casual Dining” concept, inspired by traditional Italian cuisine, we offer our guests individuality and self-determination in relaxed, cosmopolitan surroundings.

Our concept builds on freshness. In our in-house manifattura, we make all the pasta, pizza dough and sauces fresh every day – in each and every single one of our 205 restaurants around the globe. Our dressings, cakes and dolci are also prepared fresh daily for our guests. Our Vapianisti at the cooking stations make all meals “à la minute”. The interactive front cooking concept gives our guests the chance to watch our Vapianisti preparing the meals and to voice preferences and special requests, thus ensuring their favorite meals are prepared just as they want them.

Guests who prefer vegan or vegetarian food, or who suffer from food allergies, will also find their favorites in our restaurants – without having to compromise. With our low-carb products, such as the zucchini noodles “Zoodles”, we also respond to current nutrition trends. And let’s not forget our Vapiano Specials: About every two months, we offer new, creative dishes such as “Colorlicious,” “Summer Time,” “Vapianisti Special” or “Vegetalian.” Inspired by the season, interpreted with a modern touch, and quite simply delicious!

„Chi va piano va sano e va lontano"

Vapiano is attitude to life and lifestyle

The name Vapiano is derived from the Italian saying: „Chi va piano va sano e va lontano – if you have an easy-going and relaxed approach to life, you'll live more healthily and longer.“ The Italian attitude to life is reflected not only in the name of our company but also in our Vapiano restaurants, which all exude that special piazza atmosphere. The concept stems from Milanese designer and star architect Matteo Thun, who created a unique and individual Vapiano design and color concept for our restaurants.

Vapiano restaurants stand for a relaxed and cosmopolitan ambiance: The feeling of wellbeing that is tangible at Vapiano is characterized by warm color schemes, a cozy bar and lounge area, and large oak tables for eating and engaging in conversation. Further highlights include the 100-year-old olive tree, which is symbolic of the Mediterranean culture of epicurean delights, and the Green Wall featuring real plants and herbs. The open and communicative nature of our Vapianisti also plays an important role, contributing to the very special atmosphere that prevails at Vapiano.

Eating at Vapiano is like enjoying a meal with good friends – there is no dress code, and reservations are not necessary. Guests can sit wherever they like. Entering one of our restaurants is always a good idea – alone or in a group, for a quick lunch, a coffee break with dolci, a leisurely dinner with antipasti and fine wines, or a drink in the lounge. Vapiano is always the right choice – we match the flexible and urban lifestyle of our guests, no matter how old they are.

Simply order with the RFID chip card

or

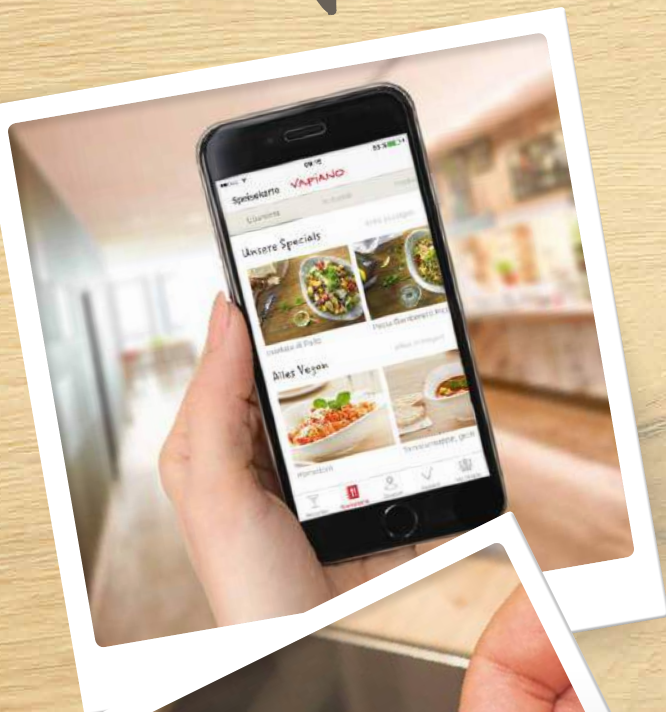
Order drinks and dolci by Vapiano app and have them served straight to your table

or

Enter your entire order at one of the terminals

Welcome to Vapiano

Vapi guest



Order your favorite meal for takeout
in the separate take away area
or
Our home delivery service brings
the meals straight to our
guests' homes

anos unique journeys

Our Vapianisti will happily incorporate special requests by our guests

Lifestylebrand with attractive target groups

Vapiano brand perception and awareness

66% (2)
Brand awareness

92% (3)
Guests that would recommend Vapiano

Vapiano has evolved into a lifestyle brand appealing to an attractive target group with above-average spending power. From students to successful business people mainly at the age from 14 to 49, they all meet at Vapiano and eat together. Our target group values epicurean delights, is lifestyle-conscious, and open to new trends and innovations.

(1) Analysis prepared by OC&C based on expert interviews and industry reports

(2) Based on proportion of respondents who know Vapiano in Germany

(3) Based on Vapiano customer recommendation rates in Germany and Austria (combined); OC&C analysis

We address all major consumer trends of the coming years:[1]

Health & Freshness

Uncompromised freshness, gluten-free, additive-free, vegan, vegetarian

Customization

Individualized meals, personal cook, experiential guest journeys

Convienience

Quick service, Take away / Home delivery

Digitalization

Digital / mobile enabled, Digital Order & payment solutions

Sustainability & Responsibility

Food safety & traceability, Fair & responsible production

Around 66% of people in Germany know Vapiano, making us the best-known system catering company. 92% of our guests in Germany and Austria – which comprises professionals, school and university students as well as singles and families with children alike – would recommend us. For us, these statistics are both praise and incentive. After all, our future competitiveness and business success are essentially dependent on the feedback of our guests.

"Our road to success"

Today, Vapiano forms a network comprising 205 restaurants in 33 countries on five continents – from Hamburg in Germany to Sydney in Australia. But we are not yet finished – we plan to grow further – by 2020 we want to expand our network to include as many as 330 restaurants around the globe, while at the same time further increasing our profitability.

Our strategy "Our road to success" is based on four main pillars:

Profitable expansion Focused growth in markets offering sufficient growth potential

Operational excellence Systematic implementation of cost and process efficiency measures in order to increase sales on a like-for-like basis and profitability

Keep the concept fresh Test and rollout of various digital initiatives and innovations, such as take away and home delivery, order terminals, the Vapiano People app, and new Vapiano restaurant formats

Build a winning team Increase Vapiano's attractiveness as an employer through employer branding, upskill and develop the capabilities of our staff at all levels

As a system caterer, Vapiano belongs to the so-called "Fast Casual Dining" (FCD) segment – which is positioned between the quick service segment accommodating major operations such as Burger King or McDonald's, and the conventional seated dining restaurants. OC&C Strategy Consultants predicts growth of around 10% on average every year between 2015 and 2020 in the FCD segment. At the same time, worldwide growth of Italian cooking is expected to be around 9% each year and therefore higher than all other national cuisines. And, considering the fast casual market in the core European markets is still at a very early stage compared to the US, the premises for our further growth are excellent.


VAPIANO
Chi va piano, va sano e va lontano

Profitable expansion

27 openings of new restaurants in 2017

Last year, we celebrated the opening of 27 new restaurants in 15 different countries, thus expanding our international presence to 205 restaurants in 33 countries on all five continents. The numerous new restaurants opened in France and Germany are particularly noteworthy, as is our entrance into the Danish market with two restaurants in Copenhagen and the Spanish market with one restaurant in Barcelona.

Around the globe, 33 to 38 new locations are planned this year. In most cases the lease contracts have already been signed. By 2020, we plan to increase the number of Vapianos to as many as 330 restaurants in total worldwide.

We are focusing primarily on growth in our core European markets where we see both sufficient growth potential and where we have already established successful local organizations.

Prague (10/10/2017)

Barcelona (12/29/2017)


Chicago (10/17/2017)

Toowoomba, Australia (11/30/2017)

Copenhagen (12/1/2017)

Saint-Pierre, La Réunion (12/1/2017)

Edinburgh (11/22/2017)

Open

Marseille (10/20/2017)

Cologne (9/30/2017)

Chicago (10/17/2017)

Wroclaw (10/17/2017)

Prague (10/10/2017)

20

Düsseldorf (1/20/2017)

Santiago de Chile (3/17/2017)

Hanover (3/30/2017)

La Défense in Paris (4/6/2017)

Almere (12/14/2017)


Copenhagen (12/27/2017)


Glasgow (12/28/2017)


Aix-en-Provence (12/30/2017)

Barcelona (12/29/2017)

ings

Belgrade (9/30/2017)

Paris (8/18/2017)


Prague (8/1/2017)


Vienna (7/28/2017)

Essen (7/7/2017)

17

Jeddah (4/27/2017)


Metz (5/10/2017)


Groningen (5/11/2017)

Bogotá (6/2/2017)

International

179 Restaurants in 2016

205 Restaurants in 2017

In order to meet the special features of the different markets, we run our restaurants with a mix of three operational models: corporate restaurants, joint venture restaurants and franchise restaurants. These three different models give us the strategic flexibility we need to venture into new markets and to properly develop existing markets.

54 Restaurants in 2016

64 Restaurants in 2017

Corporate restaurants

- Restaurants owned (100%) and operated by Vapiano Group
- Mainly in markets such as Germany, Austria, Denmark and the UK

43 Restaurants in 2016

54 Restaurants in 2017

Joint venture restaurants

- Restaurants in which Vapiano Group holds a stake of less than 100%
- Cooperation with experienced local partners with excellent knowledge of their markets
- Model for existing markets such as France, Sweden, the Netherlands and Australia and new markets such as Spain
- Optional acquisition of a majority stake following successful ramp-up phase

82 Restaurants in 2016

87 Restaurants in 2017

Franchise Restaurants

- Restaurants operated by franchisees
- Model for smaller – existing and new international – or large markets with higher market entry barriers
- Vapiano receives franchise fees based on sales, and benefits from increased international brand awareness

expansion

Over the coming years, we plan to further strengthen our position and market penetration in our home market of Germany by opening further restaurants in metropolitan areas such as Berlin, Hamburg or Munich and expanding our presence in medium sized cities such as Erfurt or Ulm. We will also continue to expand in the „Rest of Europe" segment, with more than ten new stores open-ing in France alone in in 2018, for example. When venturing into new markets, such as Spain or Belgium, we plan to resort mainly to joint ventures and franchise restaurants. In our "Rest of World" segment, we also see long-term growth opportunities with joint venture and franchise restaurants in selected regions such as the US, Mexico, the Middle East, and Australia.

Operational

Restaurants that work according to OPEX…

Vapiano's efficiency program

We developed our "Operational Excellence" (OPEX) efficiency program in 2016 to increase productivity in our restaurants by improving both the internal processes and service quality, and by reducing queuing of our guests.

In the meantime, we have set up our own internal international OPEX team that visits our restaurants at regular intervals and trains the staff in implementing the new methods. Some 100 corporate and joint venture restaurants have meanwhile completed this OPEX improvement process – with marked gains in productivity, as clearly shown in the charts. The good results have prompted some of our franchisees to start adopting the OPEX program.

One key pillar of our OPEX program is a training guide that describes in detail the underlying methods and tools for rolling out and implementing lean and efficient processes in our restaurants.

The OPEX program helps to assure efficiency and high standards of quality in the restaurants over the long run, and to establish them right from the start in newly opened restaurants.

By the end of 2018 we expect all corporate and joint venture restaurants to have completed the OPEX program.

excellence

...with positive productivity development

+15%
Productivity in UK
83% OPEX-Fulfillment

+9%
Productivity in Netherlands
50% OPEX-Fulfillment

+8%
Productivity in the USA
60% OPEX-Fulfillment

+8%
Productivity in Germany
100% OPEX-Fulfillment

+4%
Productivity in Austria
82% OPEX-Fulfillment

+2%
Productivity in Sweden
100% OPEX-Fulfillment

Digital personnel deployment planning

Last year, we used ATOSS to digitalize our staff deployment. Following the successful pilot phase, we are now rolling the system out over the course of this quarter in Germany, to be followed by other European markets. The software has been customized to Vapiano's special needs and enables a need oriented employee management. It will result in higher sales while at the same time reducing staff costs as we will be able to ensure that the required number of people with the right qualifications are working in our restaurants at the right time. In the process, we will become more efficient while at the same time reducing waiting times at our restaurants, which in turn will raise the appeal of Vapiano for our guests.

Keep the concept fresh

Innovative guest journeys are our DNA

“Keep the concept fresh” is our top priority – as manifested by our numerous initiatives and innovations. These include the implementation of our take away and home delivery offers, our order terminals in the restaurants, our app, and last but not least, our different formats, such as the “Mini Vapiano” and the Vapiano Freestander.

Since our first Vapiano opened in 2002, we have been using RFID chip cards in all Vapiano restaurants. All guests are given such a chip card, together with a warm welcome, as soon as they enter a restaurant. Whatever our guests order in the restaurant – regardless of whether from one of the cooks or at the bar – is booked to the card. When leaving the restaurant, guests pay the food and drinks booked to the card – which saves time and makes the procedure more convenient for our guests. Splitting bills in groups is not a problem as each guest is given an own card.


VAPIANO
VAPIANO


VAPIANO
VAPIANO
HOME DELIVERY
VAPIANO
Kumpan
electric

Take away and Home delivery

Enjoy Vapiano anytime, anyplace, anywhere

Our take away and home delivery services make it possible to enjoy Vapiano anytime, anyplace and anywhere. This service is our response to the dynamically growing trend toward guests increasingly looking for fast and convenient access to their favorite dishes instead of cooking it themselves.

Guests can have their Vapiano meals prepared conveniently in the separate take away area of a Vapiano restaurant and take the freshly cooked food home, to the office, or to friends. Orders can be submitted in person at a restaurant, through our Vapiano app, our dedicated order website, or through one of our delivery partners, such as Deliveroo, Delivery Hero, Foodora, Lieferando, Take away.com or UberEATS, with whom we have set up national and international strategic partnerships.

76 Vapianos

offering take away & home delivery services

Thus 37% of all Vapiano restaurants are now offering this service. In 2016, there were only 22 restaurants.

As of the end of 2017, our take away and home delivery services are internationally available in Germany, Austria, Switzerland, the Netherlands, France, the UK, Sweden, and the USA. We have already equipped 76 restaurants – equivalent to 37% of our network – with the appropriate modules. We expect take away to become a relevant factor for the growth of our like-for-like sales and plan to make these services available in up to 75% of our restaurants by the end of 2018. For each newly opened restaurant, a separate take away and home delivery section is a fixed component of our guest journeys.

10 countries

with take away & home delivery

36
Vapianos in **Germany**

10
Vapianos in **France**

6
Vapianos in the **UK**

5
Vapianos in the **USA**

5
Vapianos in **Sweden**

4
Vapianos in the **Netherlands**

4
Vapianos in **Austria**

3
Vapianos in **Switzerland**

2
Vapianos in **Chile**

1
Vapiano in **Denmark**

Simply smart
The Vapiano People app

We have expanded the functions of our People app – check in, order, pay, and much more. The app is currently available in Germany, Austria, the UK, and Sweden. We are currently already testing the process of ordering all meals via the app, which are then delivered directly to the table for our guests. In 2018, we plan to roll out the app step by step in other European markets.

Vapiano Finder
Find the nearest Vapiano quickly and easily in "Locations"

Check in & out
"Check in" at Vapiano using the QR code and "check out" when leaving and paying

App instead of card
Order your favorite meal at the cooking station and have it booked to the app

Social Media
Did you enjoy your meal? Share you experience with friends on Instagram or Facebook.

Straight to the table
Have whatever is available at the bar served to your table

Mainly used during **peak hours** to reduce waiting times

App tabs are around **20%** higher

Simply order – enjoy together

A growing number of our restaurants in Germany feature the new order terminals that reduce waiting times and ensure groups can eat together. Our guests can enter their entire order at a terminal and then settle back with family, friends or colleagues to wait for all meals to be prepared at the same time. As soon as the pager flashes, all meals are ready and can be collected at the pick-up station.

Mainly used during

peak hours

to reduce waiting times

Main dish spending has increased by around

13%

10%

of the orders within restaurants are generated at the terminals

New restaurant formats

We are currently testing two new restaurant formats: smaller restaurants, which we call “Mini Vapianos” and “Freestanders” – a freestanding format, as the name suggests. Typical for Vapiano: All innovations and initiatives are subject to an intensive test phase prior to market launch in keeping with our foremost aim of sustainably profitable growth. We expect both formats to generate additional sales and earnings potential by allowing us to develop new location qualities or to maximize the sales potential at existing locations.

For our Freestander concept, we look for attractive locations outside of city centers, at main traffic junctions, suitable sites for constructing a freestanding building with outdoor area. This format targets, in particular, business people on their way home, travelers, friends and families at weekends, and customers from nearby malls. In 2015, we opened our first Vapiano Freestander in Fürth with a total floor area of 700 square meters and seating for around 260 guests. In 2018, we will be opening another Freestander in Toulouse, France.


ANTIPASTI
INSALATA
ZUPPE
VAPIANO
Order point
DU HAST ES EILIG?
JETZT DIREKT HIER
BESTELLEN!
VAPIANO
VISA

Our „Mini"

A small Vapiano with adjusted guest journey

A Mini Vapiano is a restaurant format measuring between 200 and 300 square meters that we are testing nationally and internationally at existing locations in smaller local markets and at AAA locations where a conventional Vapiano is not economically feasible. Every day, the Mini Vapiano is supplied by a classic Vapiano with Manifattura nearby with all the fresh products it requires: all kinds of pasta, pizza dough and all sauces and dressings as well as cakes and dolcis.

This concept requires less investment, is quicker to roll out, and offers additional benefits in terms of location and attractive margin potentials. We see further expansion potentials at airports, railway stations and shopping malls, where the classical Vapiano format is not suitable. So far, we have opened two Mini Vapianos in Ingolstadt and Vienna with a further location in Chicago set to open in the current year.

Build a winning team

Pride in our brand brings us together as a team

Motivated employees are one of our key success factors at Vapiano. Our “Vapianisti” are the best possible advertisement for our company with their dedication to service, communication skills, cosmopolitan attitude, and their high work standards.

A high degree of satisfaction is a crucial prerequisite for motivated employees – secured by offering fair opportunities and wages, and good training and continuing education programs. This is where we start when recruiting staff, securing their long-term loyalty, and strengthening their identification with Vapiano. We also offer good entry-level and career opportunities for unskilled workers. We attach particular importance to gender equality and to ethnic, religious, age, and cultural diversity, corresponding to the broad range of our guests. Nobody who works for us needs to fear discrimination on grounds of their sexual orientation.

We help refugees with subsidiary status to acquire work permits, and organize German courses for our staff. Our social fund V-CARE provides financial assistance to Vapianisti in need through no fault of their own.

We place great importance on training and continuing education, which is why we have set up the Vapiano Academy, our in-house training center. Vapianisti from around the world attend the Academy, where professional trainers and speakers encourage and foster their professional and personal skills.

With every restaurant opening, we create between 50 and 80 new jobs, most of which are full-time jobs. As we move forward, we are systematically pursuing the goal of profiling Vapiano in the labor market as a strong corporate brand and an excellent training company. The title of Germany’s best trainee in the “Specialist for System Catering” 2017 track is a Vapianisti. Our system catering apprentices also ranked first in Baden-Wuerttemberg and Hamburg.


VAPIANO
VAPIANO
VAPIANO

The soul of Vapiano:

Our Vapianisti

Continuing education & taking responsibility – key elements of our culture

The qualification and upskilling of our employees is a fixed element in Vapiano's culture. We offer a manifold range of qualification and development programs for all Vapiano staff, regardless of the hierarchy level at which they work. Alongside our diverse apprenticeship and trainee programs, we offer customized qualification programs at our V-Academy to foster the personal and professional development of our staff. Our e-learning platform mature certification programs for our restaurant staff and a well-established trainer structure allow us to train every single individual nationally and internationally, thus laying the foundations for us to grow together.

Germany's best trainee comes from Vapiano

Germany's best trainee in the "Specialist for System Catering" track 2017: Congratulations to our Vapianisti Alexander Schildwach!

Alexander Schildwach

Personnel development

5,493
Employees in 2016

6,400
Employees in 2017

+16.5%

Vapiano Talent Days: Focus on young talents

In August 2017, we hosted our 8th Talent Days with around 90 Vapianisti – all of them students and trainees working at Vapiano. This regular event lasting several days aim to allow these participants to network across borders and hierarchy levels, to experience the extraordinary Vapiano family culture, and to identify with the company over the long term.

In 2017, we already employed 47% more students on dual study programs than in the previous year as part of our long-term efforts to recruit up to 70% of our managers from in-house.

CEO for a week: Philip Götz

CEO for a week

During the Talent Days 2017, the participants elected their own Chief Executive Officer who then became "CEO for a week," performing the tasks of our CEO Jochen Halfmann and accompanying him. Winner Philip Götz (dual student and shift manager at Vapiano Mannheim) was able to gain exclusive insights into the tasks and everyday life of a CEO, including meetings with investors in London or planning building modifications in Berlin.

How our employees experience Vapiano

Celestin D. Kokora

International Field Trainer, worldwide

Started at Vapiano in March 2005 as cook

„Today I work as an International Field Trainer at Vapiano and coordinate and lead training measures e.g. at restaurant openings all over the world. I started at Vapiano as cook over 12 years ago. There are no limits to our development. You can develop and show what you can do. That‘s what I love about Vapiano.“

Christian Schmitt

Take away Trainer, national & international

Started at Vapiano in October 2013 as trainee

"My apprenticeship as a system catering professional at Vapiano in Hamburg and Frankfurt was a very varied and fascinating experience. Today, I give 130 percent at work every day! For me, Vapiano means fun, upskilling, varied assignments and continuously new challenges."

Anke Ishorst

Head of HR Management, Cologne

Started at Vapiano in August 2009 as trainee

“There are no limits to your dreams at Vapiano. Vapiano promotes equal opportunities and gives talented workers the chance to develop. I was very quickly given the opportunity of working abroad and thus expanding my horizon.”

Abdel Baraka

Director of Training, Vapiano US

Started in October 2014 as General Manager

“I enjoy every minute of my work. What motivates me every morning is the smiling faces of the Vapianisti we help to grow personally by offering them the same opportunities that we ourselves had. At the end of the day, it is all about making people happy: when working side by side with our Vapianisti or serving our guests delicious, freshly cooked meals.”

Tom Lichtenstein

Senior Manager Young Talents, throughout Germany

Started at Vapiano in February 2011 as bartender

“I experience Vapiano as a very dynamic company. I started as a Vapianisti at the bar in Hamburg. Today, as Senior Manager Young Talents, I am allowed to look after all apprentices and dual students in Germany. The job I do didn’t even exist seven years ago. It is these job development opportunities that I find particularly appealing at Vapiano.”

Valeria Lo Bosco

Assistant General Manager, London

Started as a Vapianisti in January 2015

“Vapiano offers innovative ideas in customer service, where our guests are the stars. As an Italian with only basic English skills, I was welcomed openly and warmly at Vapiano, and have been supported throughout all the phases of my career. I am proud and glad to be part of the large Vapiano family and to work in one of the busiest Vapiano restaurants in Europe.”

SHARE AND INVESTOR RELATIONS

Shares in Vapiano SE have been listed in the Prime Standard on Frankfurt Stock Exchange since 27 June 2017. In the initial public offering, some 8 million new shares were issued from a capital increase and from the assets held by current shareholders. An additional 122,000 shares were placed through partial exercise of the greenshoe option, likewise from current shareholder assets. With an issuing price of EUR 23.00 per share in the middle of the price range of EUR 21.00 to 27.00, the offering was heavily oversubscribed. Through the IPO, Vapiano raised gross issuing proceeds of a total of EUR 85.0 million. The proceeds bolster the capital base and financial flexibility and allow for the targeted doubling of the number of restaurants to 330 worldwide by 2020.

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 worldwide while establishing and developing the appreciation of the Vapiano stocks as an attractive growth stock. The management communicates the development of Vapiano's strategic direction continually, reliably and transparently. The aim is to strengthen investor confidence in the stock and to achieve a realistic and fair valuation of the stock on the capital market.

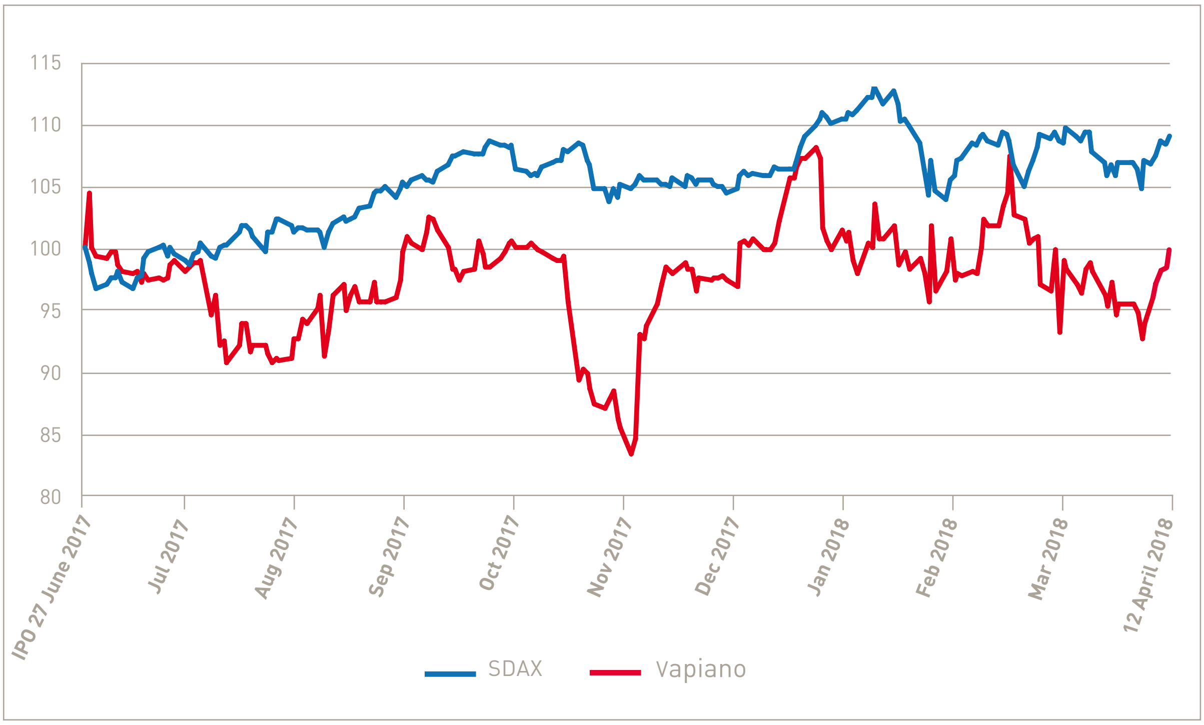
DEVELOPMENT OF SHARE PRICE

In Europe, indicators pointed to continued growth in 2017, and the upswing of recent years continued to have an effect on the stock markets. The European Central Bank's loose interest rate policies continued to support this trend. All EU member countries expect to see their economies expand in 2017, including countries previously facing crisis, like Spain, Portugal, and Greece.

The Vapiano share remained largely stable in the first months since its initial listing. In November, the stock came under pressure prior to the release of the nine-month figures, with the price of the share briefly falling below EUR 20. The intra-year corporate results were positively received by the capital market, which gave the stock a boost. On the final day of trading (December 29, 2017), the share reached its peak price of EUR 24.25, ending the year with a gain of 5.5%. The share performed only slightly below the benchmark index, the SDAX®, which gained around 6.2% during the same period.

Trends on international markets at the start of 2018 remained favourable. On January 5, 2018, the Vapiano share rose to a new high of EUR 24.80. The weeks that followed saw a price correction on international markets. The Vapiano share was not spared from the effects of this development and was quoted at EUR 23.05 on the editorial closing date for this report April 12, 2018.

Share performance since IPO (indexed)

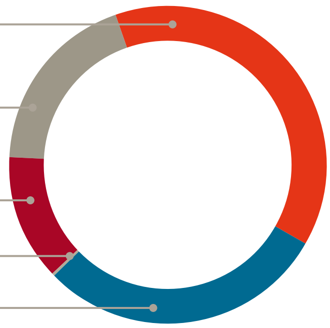


STABLE SHAREHOLDER BASE

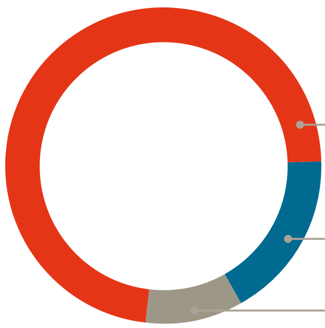
Vapiano has a stable shareholder base. According to the latest shareholder notifications at hand the anchor investors are still Mayfair Beteiligungsfonds II GmbH & Co. KG with 38.5%, VAP Leipzig GmbH & Co. KG with 18.8% and Exchange Bio GmbH with 12.9%. Shares in free float, including the shares held by the management board, amount to 29.8% of share capital. Management board members together hold around 0.2% of issued shares.

As of the end of 2017, institutional investors held nearly 100% of Vapiano shares, only a few shares were held by private investors. From a regional perspective, roughly 73% of shareholders are located in Germany, another 17% are based in other European countries – mainly the UK – and around 10% are in the US.

Shareholder structure



Shareholder structure by region



TRADING VOLUME AND MARKET CAPITALIZATION

Trading in Vapiano shares takes place almost exclusively in the electronic XETRA trading system. The daily volume traded there rose slightly over the course of the year; the average for 2017 was around 52,000 shares. Not considering the first week following the IPO the adjusted daily volume traded reached an average of around 21.600 shares daily. On peak trading days, more than 150,000 shares were traded, and on the first day of trading even more than 3 million shares.

At the end of 2017, Vapiano shares had a market capitalization of EUR 582 million. Based on the official diversified holding for the German Stock Exchange of 32.20% used for index calculations, market capitalization stood at EUR 188 million.

INTENSIVE DIALOGUE WITH THE CAPITAL MARKET

In 2017 the company undertook extensive communications measures. Company performance was described in detail during two phone conferences. In addition, the management board and the investor relations team informed current and prospective investors about Vapiano's performance and strategic direction during multiple roadshows, investor conferences and at all major European financial centres as well as in one-on-one meetings.

Shareholders can obtain information on Vapiano's performance at any time via the internet. An extensive range of information is available in both German and English at **ir.vapiano.com**. Along with the latest news and quarterly reports for 2017, it also provides analyst assessments, presentations as well as an updated financial calendar.

The website and range of information is set to be expanded in 2018. Along with the periodic phone conferences for releasing quarterly figures and one-on-one discussions, in 2018 we are also planning additional worldwide roadshows as well as a Capital Markets Day. In addition, the Management Board and the investor relations team will be participating more frequently in investor conferences for institutional as well as private investors. The goal is to provide current investors excellent services while at the same time acquiring new – institutional and private – investors for our stock.

INCREASED INTEREST ON THE PART OF ANALYSTS

During the fiscal year 2017 an additional investment house was brought on board to prepare and publish periodic studies and commentaries (so-called research coverage) on the Vapiano stock. Five international investment houses now regularly publish analyses on the company's performance and offer advice. The investment ratings are almost entirely positive: As of the end of December 2017, four of five analysts recommended buying Vapiano stocks, one advised "holding"; currently there are no "sell" recommendations:

Berenberg Bank .... buy
Equinet .... buy
Jefferies .... buy
Kepler Cheuvreux .... buy
Barclays .... hold

KEY DATA ON VAPIANO SHARE

Share class	No par value bearer shares
ISIN (International Securities Identification Number)	DE000A0WMNK9
WKN (German Securities Identification)	A0WMNK
Ticker symbol	VAO
Stock markets	Frankfurt, XETRA, Düsseldorf, Berlin, Munich, Stuttgart, Tradegate
Primary exchange	XETRA
Initial listing	June 27, 2017
Issue price	EUR 23.00
Designated sponsors	Joh. Berenberg, Gossler & Co. KG, equinet Bank AG, Oddo Seydler Bank AG

THE VAPIANO SHARE ON THE MARKET

Shares issued as of reporting date	in units	24,029,833
Capital stock	in EUR	24,029,833.00
Highest market price (Xetra closing price)	in EUR	24.80 (05/01/2018)
Lowest market price (Xetra closing price)	in EUR	19.20 (17/11/2018)
Price at fiscal year-end (Xetra closing price)	in EUR	24.25
Free float at fiscal year-end	in%	29.80
Market capitalization at fiscal year-end based on official free float	in EUR	187,636,950.98
Average trading volume per day in 2017	in units	around 52,000
Average trading volume per day in 2017 (without considering the first week following the IPO)	in units	around 21,600
Adjusted earnings per share*	in EUR	0.14
Reported earnings per share	in EUR	-1.25

* Result corrected by EBITDA adjustments plus correction for depreciation, amortization and tax effects from company acquisitions

GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2017


Addicted
to
Pasta

1. Basic principles

1.1. BUSINESS MODEL

Vapiano is one of the most successful European restaurant chains by market share in the Fast Casual Dining (FCD) segment in the system gastronomy industry. In 2002, Vapiano opened its first restaurant in Hamburg with the idea to serve tasty, Italian cuisine-inspired dishes with fresh ingredients at attractive prices in a stylish ambiance. In 2004, the founders decided to roll-out Vapiano as a franchise concept. This idea has resulted in today's network of 205 Vapiano restaurants in 33 countries on five continents. The restaurants are operated as corporate restaurants, joint venture restaurants or franchise restaurants.

Vapiano offers its guests a large selection of high-quality dishes prepared freshly in front of the guests with bi-monthly seasonal themes. The restaurants are known for their pleasant atmosphere as well as their exclusive design and high-quality decor. The design and decor are based on a design and color concept by Milan's world-famous designer and architect Matteo Thun and is revised at regular intervals in order to continually improve the guest experience in the restaurants. Every restaurant has a bar which offers coffee specialties, wine, liquors and alcohol-free beverages. Throughout the day, a typical Vapiano restaurant transforms from a restaurant with a busy lunch hour into a relaxed coffee lounge in the afternoon, later into a dinner restaurant with an attractive atmosphere and subsequently into a night bar. In 2017, the Vapiano system recorded approximately 42 million guest visits in its restaurants.

Depending on the specific characteristics of the respective market, Vapiano operates its restaurants with a mix of three operational models: Corporate restaurants, joint venture restaurants and franchise restaurants. These three operational models provide the strategic flexibility to enter new markets and to adequately develop existing markets. An overview of the restaurants in the individual operational models can be found in Section 1.2.

Corporate restaurants are 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 latter are fully consolidated if Vapiano controls the companies; if not, they are included in the consolidated financial statements using the equity method.

The corporate and joint venture restaurants are operated by the respective national companies in which Vapiano SE directly or indirectly holds a controlling interest. All these companies operate their restaurants only in the country of their registered offices. The only exceptions are Vapiano SE, which also operates a restaurant in Austria, and a company located in France which operates two restaurants in Luxembourg.

Franchise restaurants are restaurants operated by franchise partners. These are not included in the consolidated financial statements of Vapiano SE.

The Group companies Vapiano Franchising GmbH & Co. KG and Vapiano Franchising International GmbH (with their respective registered offices in Schönefeld and Luxembourg) and other companies invoice all (the Group's own restaurants as well as those operated by franchisees) restaurant companies for a sales-based franchise fee every month.

Vapiano's core markets are Germany, Austria, France, Sweden, the Netherlands and the UK. Vapiano is also mainly active in the USA and China. Denmark and Spain were newly added in 2017. According to a study commissioned from OC&C Strategy Consultants GmbH in January 2017, Vapiano holds a leading position in the fast casual dining (FCD) segment in the markets of Germany, Austria, and Sweden. In Germany, the company ranked 12th by sales among system gastronomy companies in 2017. Vapiano has repeatedly confirmed its ranking among the top ten providers in the Quick Service gastronomy segment, behind such renowned names as McDonald's, Burger King, Nordsee, Yum!, Subway and Edeka. In the Netherlands, France and the UK, Vapiano is one of the leading restaurant groups in the FCD segment.

According to the OC&C study, the FCD segment will grow by approximately 10% in the most important Vapiano markets between 2015 and 2020. Moreover, OC&C projects an average growth of Italian cuisine of 9% in the same time period.

In 2015, the corporate strategy was fundamentally revised by the Management Board and Supervisory Board. It forms the framework of the company's planned development until 2020. The new growth and expansion strategy, „Our road to success", includes four main pillars, which have not changed compared to the previous year:

1. Drive profitable expansion: Focused growth in profitable markets with sufficient growth potential, with the aim of doubling the restaurant network to 330 by 2020.

2. Operational excellence: Systematic implementation of cost and process efficiency measures in order to increase sales on a like-for-like basis and profitability.

3. Keep the concept fresh: Expansion of the guest experience by implementing the take away & home delivery business, focus on digitalization through app and terminal solutions as well as different formats.

4. Build a winning team: Increase Vapiano's attractiveness as an employer through branding, upskill and develop the qualitative capabilities of all management levels.

The successful implementation of this strategy is reflected in the 27 openings of new restaurants in 2017 (and one closure), on the one hand, and in the development of the Vapiano Group's operating business figures after adjustments for one-off effects (adjusted EBITDA), on the other. The operational optimization concept OPEX („Operational Excellence") contributed with productivity gains (measured by guest numbers in relation to employee working hours) to the company's success in all countries. In 76 (37%) restaurants, guests can now use the digital take away and delivery concept. The enhancement of the Vapiano People app and the deployment of the first order terminals in the restaurants have reduced waiting times and thus improved the guest experience. With a staff turnover rate of 53% for employees in employment subject to social security contributions, Vapiano is below the industry average in the German restaurants. The implementation of the SAP system, the on-going introduction of a new checkout system and the introduction of the consolidation software LucaNet were all important milestones in the IT strategy.

Based on measures that have already been implemented as well as those which are currently in preparation, the company now expects that it will achieve its goals by 2020.

1.2. ORGANIZATIONAL STRUCTURE OF THE GROUP

Legal structure of the Vapiano Group
Vapiano SE is the parent company of the Vapiano Group. In addition to the operation of its own restaurants in Germany and a restaurant in Austria, Vapiano SE's business activities also comprise the management of the Vapiano Group and further development of the Vapiano concept. Vapiano SE relocated its office location from Bonn to Cologne in November 2017. The move allows the Company to gain access to new employee groups and to retain them over the long term as an attractive employer in a modern location. Vapiano SE operates its central management functions from Cologne. It is also represented at other locations in Germany and many locations abroad which are organized via various national companies. The consolidated companies and the corresponding legal structures are shown in detail in Section 1.5 of the notes to the consolidated financial statements. The franchise business is managed by the subsidiaries Vapiano Franchising GmbH & Co. KG (with registered office in Schönefeld) and Vapiano Franchising International GmbH (with registered office in Luxembourg).

Changes to the scope of consolidation
Compared to the previous year, the scope of consolidation has changed as follows:

With effect from October 1, 2017, Vapiano SE acquired the majority of the shares (51%) in two franchise operations in Innsbruck (Austria). The restaurants are operated jointly with the local partner. The two restaurants are now included in full in the consolidated financial statements of Vapiano SE.

In addition, the scope of consolidation has expanded due to the establishment of 22 new Group companies as part of the implementation of the expansion strategy.

Overall, the scope of fully consolidated companies has expanded to 90 companies (previous year: 66).

Please refer to the explanations in Section 2.3. with respect to the effects of these acquisitions and the establishment of new companies on the net assets, financial position and results of operations of the Vapiano Group.

Organizational structure of the restaurant business
As presented under Section 1.1., the organizational structure of the restaurant business distinguishes between corporate restaurants, joint venture restaurants and franchise restaurants. Joint venture restaurants respectively the companies behind the restaurants are jointly operated with partners and are fully consolidated, if the Vapiano Group has full control over these restaurants pursuant to IFRS 10, otherwise the restaurants are included in the financial statements using the equity method.

As of December 31, 2017, 205 restaurants worldwide and thus 26 more restaurants than in the previous year were operated under the Vapiano brand, of which 64 were corporate restaurants (of which 41 in Germany; previous year: 54 corporate restaurants), 54 joint venture restaurants (of which 12 in Germany and 15 in France; previous year: 43 joint venture restaurants) and 87 franchise restaurants (previous year: 82). These were distributed as follows:

	Corporate	Joint Venture	Franchise	Total
Germany	41	12	26	79
Rest of Europe	17	36	30	83
- United Kingdom	6	-	-	6
– Austria	9	2	1	12
- France	-	15	-	15
- Sweden	-	8	-	8
- Benelux	-	10	1	11
- Other	2	1	28	31
Rest of World	6	6	31	43
- USA	5	-	3	8
- Australia	-	6	-	6
- Other	1	-	28	29
	64	54	87	205

Employees

High-performing and service-oriented employees are one of Vapiano‘s key success factors. The company strives to hire and retain employees over the long term who are communicative and hospitable, share a passion for outstanding performance, think competitively, possess entrepreneurial spirit and operate the restaurants in a manner that corresponds to these high standards. The concerns of the Vapiano employees, the „Vapianisti“, are therefore highly important to the company. The Human Resources department is responsible for the recruitment and induction of new employees, for initial and ongoing training activities and for providing labor law-related support to the locations.

At the end of December 2017, Vapiano had 6,803 employees Group-wide (measured by the number of hired employees (persons)) and thus 23.8% more employees, mainly due to expansions, than in the previous year (5,493).

For Vapiano, it is important to reward performance in a fair and equitable manner, and to promote diversity and equal opportunities for all employees. The company attaches particular importance to gender equality and to ethnic, religious, age, and cultural diversity, corresponding to the wide range of its guests. This includes that nobody should be discriminated against for their sexual orientation.

The system gastronomy segment provides good entry and promotion prospects, including for unskilled staff. Immigrants with subsidiary protection status are supported in acquiring a work permit and in obtaining the necessary language skills through German language courses.

Vapiano provides all employees in all locations, no matter which department or role they work in, with opportunities for further development. On the one hand, this generates specialists and managers from the company‘s own ranks, and it counters the high turnover rate typical of the restaurant industry on the other. In order to achieve this, Vapiano seeks to position itself as a strong employer brand and an excellent training organization in the labor market. The company currently has 79 trainees and 81 dual education students participating in its bachelor‘s study program for system gastronomy.

The company has implemented a wide range of programs to train young talent. In the internal training center, the Vapiano Academy, Vapianisti from all over the world receive professional as well as personal training under the guidance of professional trainers and experts. Additionally, Vapiano provides young talent in the company with management skills via the management training program GROW. All employees can also participate in digital training courses via „V-Learning“.

Restaurant management and operation

Every restaurant typically has a restaurant manager, a deputy restaurant manager, up to three shift managers and a number of team members. The company trains its employees with the intent to instill in them an in-depth understanding of critical restaurant functions. Vapiano has regional directors (each responsible for three to six restaurants) and country directors (each of which is responsible for the restaurant operations in a specific country) to lead its restaurant management teams. Vapiano provides incentives for certain employees by offering a mix of individual and team-based bonus programs that award reaching certain service, quality and financial goals.

Quality assurance

Vapiano has very high quality standards and an extensive quality management concept which is ensured by the Operative Quality Assurance (OQS) team, among other things, with the help of external partners. The quality assurance measures are documented by an auditing software introduced in 2015. Furthermore, a strict complaints management contributes to the quality assurance process.

In addition, the following quality assurance measures were implemented concerning Vapiano's foodstuffs:

- Regular, unannounced, independent external quality inspections carried out by SGS INSTITUT FRESENIUS;
- Regular "mystery shopper" visits and evaluations carried out by an external partner (ISC) during which quality, service, and cleanliness are assessed;
- Introduction and continuous application of a detailed sampling plan in connection with internal food control analyses;
- Establishment of a concept for hazard analysis and defining critical control points (HACCP)[1] as well as for implementing relevant controls (these include, among others, two daily tests regarding best-before dates, HACCP calendars and detailed cleaning plans);
- Introduction and continuous updating of the hygiene handbook for employees;
- Continuous training on quality standards and quality assurance for employees (including documentation);
- Linking performance assessment and the remuneration of employees to the results of quality tests and creating incentives for adhering to strict safety requirements.

Procurement

The strategic purchasing department oversees the contacts to the various suppliers of the Vapiano Group and negotiates the terms with them. In addition, this department supports the development of new products. Operational purchasing (procurement and delivery of purchased goods) is carried out primarily by an external logistics service provider. The quality of food is one of the most important criteria when selecting our suppliers

[1] Hazard Analysis and Critical Control Points

and dealers. Vapiano's suppliers are randomly reviewed annually by the company, local supervisory bodies or other institutions. This ensures that suppliers comply with all the relevant legal regulations and the quality criteria imposed by Vapiano. In addition, ingredients acquired are regularly checked to ensure that all quality standards are adhered to. In connection with the storage and delivery of food, beverages and other products for more than 150 restaurants, a key agreement is in place with a logistics service provider that Vapiano SE cannot terminate until the end of the 2019 financial year at the earliest due to the notice periods. In the 2017 financial year, economies of scale enabled improved purchasing conditions with the corresponding positive effects on the cost of materials, which reduced the impact of increasing market prices.

Investments

The bulk of the Group's investments and capital expenditures regularly focuses on the opening of new restaurant locations as well as the modernization of existing restaurants. The latter are divided into periodical maintenance capital expenditures (maintenance CAPEX) that take place during ongoing operations and general investments in the remodeling of a restaurant (remodeling CAPEX). A restaurant is on average remodeled nine years after it was first opened.

Vapiano restaurants are known for their pleasant atmosphere as well as their exclusive design and high-quality decor. The design and decor are based on the design and color concept by Milan's world-famous designer and architect Matteo Thun and are revised at regular intervals in order to continually improve the guest experience in the restaurants. The restaurant layout is currently being jointly reworked in order to take even more account of environmental matters.

In line with the Group's strategy, the digitalization of the guest experience will form a further key area for investment. In this respect, significant investment capital was used, among other things, for the development of the take away and home delivery concepts, the new Vapiano People app and the introduction of a new POS cashier system soon to be implemented system-wide.

Financial management

The objective of the financial management carried out by the treasury department is to plan and monitor the operating and strategic financial requirements of the Group companies. In addition, the treasury department assists in optimizing the financial relationships with customers, suppliers and service providers. It manages the securities granted (rental guarantees, letters of comfort) and limits financial risks for the enterprise value and profitability through its activities. Financial risks exist in particular with respect to foreign currency, interest rate fluctuation, share price and country risks. Within the Group, the company acts in accordance with the principle of internal financing. Accordingly, Vapiano accumulates the liquidity surpluses of the Group companies through a centralized or regional cash pooling and, to the extent possible, covers the financing requirements of subsidiaries via internal loan relationships. This enables the Group to act as a unit and strengthens its negotiating position with banks and other market participants.

In addition, in selected cases Vapiano makes use of derivative financial instruments such as forward exchange transactions, interest rate swaps and interest rate caps to reduce foreign currency, interest rate and price risks. These transactions are exclusively carried out by the Group's parent company and ensure risk reduction and an improvement in planning certainty.

Marketing
Vapiano has focused on creating a strong brand image using marketing and promotional campaigns in the past years. All Vapiano restaurants, including the joint venture and franchise restaurant are aligned with the company's global brand strategy. Franchise partners are permitted to carry out local marketing campaigns to meet the requirements of local markets.

According to an OC&C consumer survey, Vapiano has the highest brand awareness at 66% among the fast casual dining companies in Germany. 92% of the people surveyed indicated that they would recommend Vapiano.

Using its marketing activities, Vapiano strives to increase its sales via a large number of initiatives. The company particularly employs online, social and other media tools to emphasize its competitive strengths.

Vapiano regularly runs promotions such as during seasonal menu updates and highlights, various PR events, direct mailings, social media marketing campaigns, in-restaurant events such as the Vapiano ladies' night, tasting events and regional print advertising. These promotions are targeted at eliciting a quick reaction from consumers and an immediate increase in the number of restaurant guests.

An additional significant marketing tool is the Vapiano email newsletter which regularly provides information regarding menu offerings and various campaigns. On March 31, 2017, 101,449 Vapiano guests received the newsletter. Furthermore, Vapiano maintains a webzine and a blog with articles covering topics such as food, lifestyle and personalities as well as articles that announce special events in a number of countries and in the local language. The company also communicates with its guests via the Vapiano People app and social media such as the Vapiano Facebook page, the Vapiano YouTube channel and its Twitter feeds. On December 31, 2017, the company had 417,356 Facebook fans and 4,636 followers on Twitter.

1.3. MANAGEMENT SYSTEM

Group organization and Group management
Vapiano SE has a two-tier board system consisting of a Management Board and a Supervisory Board.

The Management Board is responsible for managing the company. It is advised and monitored by the Supervisory Board. The responsibilities and framework conditions for the Management Board's work are defined by rules of procedure and Group regulations, among others.

Mario C. Bauer resigned from the Management Board for personal reasons at the end of December 2017. Accordingly, the Management Board consists of two members with effect from January 1, 2018.

The Supervisory Board is comprised of six elected members. Detailed information regarding the composition of the Management Board and Supervisory Board and their respective responsibilities can be found in Vapiano SE and Vapiano Group's corporate governance report, which was published on the company's website and is part of this report. The statement on corporate governance which must be issued pursuant to Section 289a and Section 315d of the German Commercial Code (HGB), including the compliance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG), the description of the operation of the Management Board and Supervisory Board, and the disclosures on material corporate governance practices, must be published together with the corporate governance report and also forms part of the annual report. The detailed CVs of the members of the Management and Supervisory Boards are published on the Vapiano Group's website.

The business activities of the Vapiano Group are broken down into the geographical segments of Germany, Rest of Europe, Rest of World and Other. The segments broken down by geographical regions comprise both the operating restaurant business as well as the business from franchise activities. The Other segment primarily comprises the centralized administrative expenses of Vapiano SE and the marketing companies.

The Management Board is continually informed via reports with varying levels of detail about the operational business performance of the Group. The actual data are compared with the target data, deviations are analyzed and suitable countermeasures are introduced, if required.

Financial and non-financial performance indicators
In order to effectively manage its business activities and to measure the success of the operational and strategic objectives, Vapiano uses both financial and non-financial performance indicators. The financial management figures used are based on the interests and requirements of our investors and represent the basis of value-based management.

As the most significant performance indicators for controlling the operating business activities, the sales proceeds, like-for-like growth (LfL) and the result parameters of EBITDA and adjusted EBITDA are used.[2]

Like-for-like growth includes all restaurants that have been opened for longer than 12 months and were not closed for more than seven days in the last 12 months and in the comparative period.

As a growth-oriented company, Vapiano focuses primarily on adjusted EBITDA as its key performance indicator. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) which eliminates in particular depreciation and amortization, which is very high in a growth company, additional non-operational extraordinary effects and the costs for the opening of new restaurants (pre opening costs), therefore reflects the Group‘s operational development most accurately.

The non-operating extraordinary effects particularly include:

- Losses on the disposal of assets;
- Currency translation effects;
- Expenses to achieve access to the capital market and in connection with the IPO in 2017 and its preparation;
- Asset value effects from acquisitions and consulting expenses for acquisitions;
- Interest-like expenses (e.g. surety costs);
- Extraordinary effects (e.g. income and expenses from previous periods, special projects).

Further financial performance indicators also used by Vapiano are the financial covenants negotiated in the loan agreements, net debt ratio and net worth. The net debt ratio is calculated from the ratio of net debt to Group EBITDA, which is determined on a rolling basis over the respective previous 12-month period. Net worth is calculated from Group equity plus subordinated shareholder loans less goodwill.

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

In addition to the financial performance indicators, a key non-financial indicator that is monitored to manage the Group is the total number of restaurants and the breakdown by corporate restaurants, joint venture restaurants and franchise restaurants.

1.4. OPTIMIZATION AND EXPANSION OF THE GUEST EXPERIENCE AND THE PRODUCT OFFERING

Vapiano represents self-empowerment and individuality. The company therefore works continuously on improving the guest experience. At Vapiano, the guest decides whether he/she orders his/her food from the Vapianisti, at the terminal or via the Vapiano app, and whether he/she will pay via chip card or app. Furthermore, the company has successfully been offering take away and delivery services in a growing number of restaurants so the guest can enjoy Vapiano „anytime, anyplace, anywhere“. As of the end of 2017, the take away and delivery service was available in 76 restaurants and its strong momentum supports the Group‘s like-for-like sales growth. A further expansion of the service to 75%-85% of all restaurants is planned in 2018.

The Vapiano People app was revised in 2017 and introduced in its completely revised version in Germany and Austria. In addition to the menu, the Vapiano finder and special offerings, guests can use their mobile phone to check in and out of the restaurant, pay and order from the bar selection and have their choices brought to their table. Thanks to the self-check-out, the waiting times at the exit have been reduced to just a few seconds.

The app offers additional integration in social media channels such as Instagram and Facebook. Furthermore, Vapiano is testing the use of order terminals in an increasing number of German restaurants to reduce waiting time during peak times and to enable groups to eat together via synchronized food preparation.

The internal Operational Excellence Team, which was created in cooperation with experts in 2016, drove the roll-out of the improvement concept OPEX which had been developed in select restaurants in 2017, with the result that by now more than 100 of the corporate and joint venture restaurants have switched their internal processes based on this concept. The first franchisees have also meanwhile implemented the OPEX program due to its good results.

The product range is regularly revised and expanded. Vapiano has stayed abreast of the trend for health-conscious food and took special dietary restrictions into account by introducing a gluten-free menu, vegan and vegetarian dishes as well as sugar-free, reduced sugar and lactose-free products. In 2018, low-carbohydrate products such as zucchini noodles (Zoodles) will become an important topic. Five times a year, Vapiano also offers its guests different popular seasonal specialties, each under a special theme such as „colorlicious“, „summer time“, „Vapianisti special“ or „vegetalian“.

The company develops its own Vapiano products under the umbrella of the Group company Vapiano Private Brands GmbH, which are offered in the restaurants and can be ordered in the Vapiano online shop since the end of 2017. The range of products, consisting of iced tea, wines and various ice cream flavors, was extended in fall 2017 by a Vapiano range of teas.

1.5. DISCLOSURES REQUIRED UNDER TAKEOVER LAW

Share capital (subscribed capital)
As of December 31, 2017, the nominal capital of Vapiano SE was and still is EUR 24,029,833.00. It is divided into 24,029,833 no-par value bearer shares with a nominal par value of EUR 1.00 per share.

The voting right of each share corresponds to its nominal value. Each share entitles the bearer to one vote at the Annual General Meeting. There are no restrictions that affect the voting rights or the transfer of shares. The rights and obligations of the shareholders result from the German Stock Corporation Act in conjunction with the SE ordinance together with the company's Articles of Association, which are available under the corporate governance tab at **ir.vapiano.com**.

Amendments to the Articles of Association as well as Appointment and Dismissal of the Management Board
Any amendment to the Articles of Association requires a resolution by the Annual General Meeting adopted by a simple majority of the capital represented by shareholders, provided at least half of the share capital is represented at the Annual General Meeting. This does not apply to changes in the business purpose of the company, a decision to relocate the registered office to another EU member state, and cases in which a 3/4 majority of shares is required by law.

The Management Board consists of at least two people. The Supervisory Board determines the number of members of the Management Board, taking into account the minimum size stipulated in the Articles of Association. The members of the Management Board are appointed and dismissed by the Supervisory Board. The Supervisory Board also decides on the employment contracts of the Management Board. The Supervisory Board may appoint a member of the Management Board as Chairman of the Board and another member as Vice-Chairman. The terms of office for the Management Board are determined by the Supervisory Board at the time of appointment. The Supervisory Board appoints members of the Management Board for a maximum of five years. A reappointment or extension of the term, each for a maximum of five years, is permitted.

Powers of the Management Board to issue shares

Authorized and conditional capital
The Management Board is authorized to increase the share capital of the Company through May 29, 2022 for a total amount of up to EUR 4,676,861.00 in return for contributions in cash and/or in kind (Authorized Capital 2017) with the consent of the Supervisory Board. Shareholders must generally be granted a subscription right. Under certain conditions that are laid out in Article 4.3. of the Articles of Association, the Management Board is authorized to fully or partially exclude the subscription rights of the shareholders with the consent of the Supervisory Board. This is particularly the case if the capital increase is done in return for contributions in kind and if the new shares are issued at an issue price that is not substantially lower than the stock exchange price of the current shares in the Company and if the percentage of the issued shares is less than 10% of the share capital.

Furthermore, the share capital of the Company is conditionally increased by EUR 4,676,861.00, divided into 4,676,861 new no-par value bearer shares (Conditional Capital 2017). According to the authorization granted by the Annual General Meeting of May 30, 2017, the conditional capital increase can be implemented through May 29, 2022 by issuing warrant bonds, convertible bonds, profit participation rights and/or participating bonds or combinations of these instruments with warrants or conversion rights.

Pursuant to the resolution of the Annual General Meeting of May 30, 2017, the Company can buy back up to 10% of its issued shares. This share buy-back may also be used for the employee participation program Drive 2.0.

Direct and indirect voting rights that exceed 10% of the overall voting rights: According to the last available notification of voting rights, we have the following information regarding investments in Vapiano SE that exceed 10% of the voting rights as of the balance sheet date:

Shareholder	Portion of the share capital	Registered office
Mayfair Beteiligungsfonds II GmbH & Co. KG	38.5%	Hamburg, Germany
Vap Leipzig GmbH & Co. KG	18.8%	Leipzig, Germany
Exchange Bio GmbH	12.9%	Darmstadt, Germany

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

2.1. MACROECONOMIC AND INDUSTRY DEVELOPMENT

Macroeconomic development

Although global economic growth was slower than expected in both the industrialized countries as well as the emerging markets, global economic growth in 2017 was up by 0.4 percentage points compared to the previous year at 3.7%. Vapiano's core markets of Germany and the eurozone as well as Sweden and the UK continued to benefit from a relatively stable labor market and domestic driving forces, which had a positive effect on private consumer spending. The moderate economic recovery benefiting from this in the European Union countries resulted in accelerated growth in the gross domestic product of 2.3% in 2017 (compared to the previous year). In the eurozone, inflation was also low at 1.7%. The development of real gross domestic product in Germany continued to be positive and grew by 2.2% in 2017 compared to the previous year. Real wages rose by 2.2% year over year in 2017 while consumer prices increased by 1.9%.

In Germany, price-adjusted private consumer spending increased by 2.0% in 2017 compared to the previous year. In the European Union, the average rate of growth in price-adjusted private consumer spending was 1.9%.

Industry development

The stable macroeconomic development in Germany and the rest of the European Union was also reflected in the development of the gastronomy industry.

In Germany, the hospitality industry on the whole recorded sales growth of 5.1% in 2017 compared to the previous year. In the Quick Service restaurant category, to which the restaurants of the Vapiano Group belong, sales growth of 5.6% was above that of the previous year (3.3%). In France, the hospitality industry recovered in 2017 following the weak performance in 2016 in the wake of the terrorist attacks in Paris and recorded a slight growth of 1.8% for the first time. In the Quick Service category, sales grew by 3.2%.

2.2. GROUP BUSINESS DEVELOPMENT (FINANCIAL REPORT)

A milestone in the history of the Vapiano Company, the initial pricing of shares in Vapiano SE at the Prime Standard of Frankfurt Stock Exchange was completed on June 27, 2017. The issue price for the new shares in the Company was EUR 23 per share. Thus, the value of the Company was assessed to be around EUR 560 million. At year-end, the share price had risen above the issue price by 5.4% to EUR 24.25.

In 2017, Vapiano SE took over a majority share in two restaurants in Innsbruck run by a franchisee by indirectly acquiring 51% of the shares in the operating company. The sales from the acquired company recognized in the statement of comprehensive income since the acquisition date amount to kEUR 1,477, and the respectively recognized loss is kEUR 25.

In financial year 2017, sales increased to kEUR 324,699 (previous year: kEUR 248,614). The sales for financial year 2017 are broken down into the segments Germany (kEUR 157,804; previous year: kEUR 141,669), Rest of Europe (kEUR 165,822; previous year: kEUR 102,499), Rest of World (kEUR 18,209; previous year: kEUR 17,724), and Other (kEUR 14,267; previous year: kEUR 4,657).

Due to the IPO costs and preliminary costs for restaurant openings, Vapiano's EBITDA decreased to kEUR 15,754 in financial year 2017 (previous year: kEUR 28,364). EBITDA is broken down into the segments Germany (kEUR 19,144; previous year: kEUR 15,590), Rest of Europe (kEUR 26,504; previous year: kEUR 19,608), Rest of World (kEUR 387; previous year: kEUR 805), and Other (kEUR -30,281; previous year: kEUR -7,639).

In contrast, adjusted EBITDA developed positively in 2017 and rose from kEUR 28,587 in 2016 to kEUR 38,820. For details on the reconciliation from EBITDA to adjusted EBITDA please see Section 2.4.3.

The result for the 2017 period was kEUR -29,554 after kEUR -514 in the previous year.

As a result of currency translation differences from foreign business operations, other income amounted to kEUR 81 (previous year: kEUR -1,036), resulting in a consolidated comprehensive income of kEUR -29,473 (previous year: kEUR -1,550).

2.3. FORECAST AND ACTUAL BUSINESS PERFORMANCE

For financial year 2017, the Management Board of Vapiano SE expected a significant increase in sales (driven by the openings of new restaurants and acquisitions) and a moderate increase in like-for-like sales resulting in a slight increase in the EBITDA margin (adjusted EBITDA). In addition, the Management Board expected 25-30 openings of new restaurants for the financial year.

In the financial year, the Group was able to increase sales by 30.6% to EUR 324,699 million compared to the previous year. A decisive factor in this were the acquisitions made in 2016 which contributed a total of kEUR 56,863 to the increase in sales. The opening of new restaurants in 2017 contributed kEUR 13,491 and the positive development of LfL sales of 4.8% also contributed kEUR 9,541 to the increase in sales. The forecast made for 2017 was confirmed by the business performance in 2017 and, in some cases, slightly exceeded by it. In contrast to the forecast, the sales contribution by the new restaurants primarily developed mostly better than originally expected. The LfL development was located at the upper end of the expected range driven by the take away and home delivery business.

The adjusted EBITDA margin reached 11.9% in financial year 2017 (previous year: 11.5%). The forecast for 2017 was thus also confirmed. The margin increase was primarily due to contributions from the OPEX improvement concept and additional growth synergy effects.

The number of restaurants increased by 26 (previous year: 13) to a total of 205 (previous year: 179). The increase comprises 27 openings and one closing and is thus within the forecasted range.

2.4. GROUP POSITION

2.4.1. NET ASSETS AND CAPITAL STRUCTURE

As of 31 December 2017, net assets amounted to kEUR 350,317 (previous year: kEUR 299,368). The increase in net assets by 17.0% was particularly due to the Company's IPO and the expansion of the restaurant network and the associated investments.

The most significant changes in value of the major balance sheet items are described below.

Current and non-current assets
As of December 31, 2017, goodwill increased slightly to kEUR 39,287 (previous year: kEUR 39,210); its share in total net assets is therefore 11.2% (previous year: 13.1%).

Other intangible assets were reduced by depreciation and amortization to kEUR 71,374 as of December 31, 2017 (previous year: kEUR 75,860) and primarily comprise re-purchased franchise rights (so-called „reacquired rights“) as well as license and regional rights. The amortization of these reacquired franchise rights amounted to kEUR 9,232 in 2017 (previous year: kEUR 3,362). The amortization of capitalized license and regional rights amounted to kEUR 2,698 (previous year: kEUR 2,658). Thus, in fiscal year 2017 amortization of kEUR 11,930 (previous year: kEUR 6,020) related to intangible assets from acquisitions, while amortization of the remaining intangible assets amounted to kEUR 988 (previous year: kEUR 617).

Property, plant and equipment increased by kEUR 39,208 from kEUR 124,935 to kEUR 164,143. The main reasons for the increase were with kEUR 68,315 primarily investments into the establishment of new restaurant locations, of take away sections in already existing restaurants and the periodic remodeling of restaurants to keep them up-to-date. This was partially offset by the depreciation of property, plant and equipment of kEUR 28,305 (previous year: kEUR 18,652), which comprises kEUR 1,090 of the property, plant and equipment of the Shanghai restaurant.

Non-current other financial and non-financial assets decreased to kEUR 1,461 (previous year: kEUR 2,734) as of the balance sheet date. The main reason for this was a decline in long-term rent deposits, which are increasingly being replaced by bank guarantees or counter-guarantees.

Compared to the previous year, deferred tax assets increased significantly to kEUR 12,246 (previous year: kEUR 7,701). The increase of kEUR 3,623 is due to the further capitalization of deferred taxes on loss carry-forwards in fiscal year 2017.

Current assets of kEUR 56,483 were above that of the previous year (kEUR 44,945). This was particularly due to an increase in cash and cash equivalents to kEUR 14,871 (previous year: kEUR 11,691), of other financial assets to kEUR 13,515 (previous year: kEUR 10,575) and other assets to kEUR 11,876 (previous year: kEUR 8,668). The changes in other financial assets and other assets mainly result from a change in the reporting of reimbursement claims against tax authorities compared with the previous year. In addition, other assets increased due to the capitalized compensation for damages and insurance claims.

Equity

Due to the IPO and the corresponding capital increase, equity increased significantly to kEUR 131,129 (previous year: kEUR 76,960). The equity ratio increased accordingly to 37.4% (previous year: 25.7%). This led to an increase in subscribed capital by kEUR 23,496 and a net increase (i.e. less allocated transaction costs) in capital reserves by kEUR 58,924. In contrast, negative total comprehensive income of kEUR 29,473 in 2017 resulted in a reduction of equity.

Current and non-current liabilities

Non-current liabilities decreased overall by kEUR 18,839 to kEUR 138,768 (previous year: kEUR 157,607). The main reason for this change is the decrease of non-current financial liabilities by kEUR 19,355 to kEUR 113,778 as of December 31, 2017 (previous year: kEUR 133,133), which results mainly from a changed financing structure and the associated conclusion of a new syndicated loan. The corresponding liabilities are approx. EUR 18 million below the value of the previous year (kEUR 98,610; previous year: kEUR 117,000).

Other non-current liabilities increased from kEUR 973 to kEUR 4,051. In addition to deferred rental and leasing expenses (kEUR 1,001; previous year: kEUR 973), other deferred liabilities (kEUR 3,050, previous year: kEUR 0) are included, which mainly result from deferred construction cost subsidies.

Compared to the previous year, deferred tax liabilities decreased significantly to kEUR 13,843 (previous year: kEUR 17,035). This is mainly due to the reduction in existing temporary differences in the recognition of other intangible assets due to the amortization in the fiscal year.

Current liabilities increased by kEUR 15,619 to kEUR 80,420 (previous year: kEUR 64,801). They comprise an increase in current financial liabilities by kEUR 7,192 from kEUR 8,248 to kEUR 15,440 as a result of newly concluded short-term financing. In addition, trade payables rose by kEUR 10,979 to kEUR 28,424 as a result of our business expansion. This was primarily offset by a decrease in other liabilities by kEUR 2,751 to kEUR 18,481.

2.4.2 FINANCIAL POSITION

As part of the IPO, Vapiano replaced the existing syndicated loan agreement to finance the Group with a new agreement with an enlarged banking syndicate that allows for the increased use of financial resources of up to EUR 200 million. The term of the new agreement runs until 2022. Vapiano also has the option to potentially increase the total credit facility of the syndicated loan to EUR 250 million in 2019. This loan currently provides an unused line of credit of EUR 80.6 million as of December 31, 2017.

The financing volume is sufficient to drive forward the planned expansion until 2020. Vapiano complied with the key ratios agreed as covenants with its lenders in the year under review, and at the time of preparing the consolidated financial statements there are no indications that the company may not be able to comply with these covenants.

Significant cash outflow results from long-term lease agreements. The resulting future minimum lease payments amount to around EUR 308 million as of the balance sheet date. Compared to the previous year, these liabilities have increased by 47.7% due to the significant increase in restaurants. Expenses of kEUR 1,482 were incurred for the purchase of subsidiaries in financial year 2017 (less the acquired liquid assets). In addition, the liability to pay the residual purchase price from the acquisitions carried out in the previous year of kEUR 3,523 were paid in the financial year.

Financial Covenants
The financial covenants stipulated in the syndicated loan, which are based on net worth and the net debt ratio of the Vapiano Group, were maintained in the past financial year.

Net equity (as per syndicated loan agreement), defined as Group equity including subordinated shareholder loans and minus goodwill amounts to kEUR 94,664 as of December 31, 2017. Net debt, comprising financial liabilities to credit institutions minus cash and cash equivalents, in relation to adjusted EBITDA is 3.0 as of December 31, 2017.

2.4.3. RESULTS OF OPERATIONS

In 2017, sales rose by kEUR 76,085 to kEUR 324,699. This corresponds to an increase of 30.6%. The increase in sales was mainly due to the acquisitions in 2016, which were recorded for a full 12-month period for the first time in the reporting period (previous year: 4 or 5 months), the opening of 17 new corporate restaurants, the further expansion of the take away and home delivery network and the positive LfL performance in all segments.

The sales increase compared to the previous year was seen in all segments in financial year 2017 (Germany +11.4%, Rest of Europe +61.8%, Rest of World +2.7%). The LfL performance was also positive in all segments (Germany +4.6%, Rest of Europe +5.0%, Rest of World +3.9%).

The increase in sales in Germany is primarily due to the restaurant openings carried out in 2016 and 2017 as well as the positive like-for-like growth.

The sales increase in the Rest of Europe segment benefited in particular from the acquisitions that contributed to the increased sales compared to the previous year with kEUR 20,999 (Sweden) and kEUR 33,610 (France). In addition, the restaurant openings from 2016 and 2017 and the like-for-like growth contributed to the positive development.

The sales growth of 2.7% in the Rest of World segment was disproportionately lower than the like-for-like growth of the segment (+3.9%), which is mainly attributable to the temporary closure of the restaurant in New York.

Other operating income amounted to kEUR 12,409 (previous year: kEUR 14,349). The decrease was particularly due to the revaluation of the already held equity instruments (kEUR 10,000) as part of the company acquistion „France“ in 2016, which were included in this item in the previous year. In financial year 2017, this item mainly includes passed on charges in the amount of kEUR 3,479 comprising, which include the oncharging to shareholders of various expenses in connection with the IPO as well as insurance reimbursements in the amount of kEUR 3,962 resulting from cost reimbursements for loss of sales and repair costs and relate to restaurants in Germany and abroad.

The cost of materials increased to kEUR 81,360 in 2017 (previous year: kEUR 59,076); the cost of materials ratio increased from 23.8% in the previous year to 25.1% in the reporting year. The increase in the cost of materials ratio is due to the increased expenses in the quality management process as well as very high prices for fresh products in Winter 2017. The growth outside of Europe has further improved the negotiating position vis-à-vis the suppliers in these countries – however, the relative level of the purchasing prices still remains above that of the European markets.

Personnel expenses increased by kEUR 33,653 to kEUR 137,832 in the financial year (increase by 32.3%). The increase is primarily a result of the significantly higher number of employees (6,400) compared to the previous year as a result of the acquisitions and newly opened restaurants (previous year: 5,493). Further effects result from the increase of gross wages as of August 1 (wage group adjustment) as stipulated in the collective wage agreement for the German system gastronomy industry. In addition, individual functional areas in the administration were expanded, and the number of employees was increased.

In financial year 2017, EBITDA decreased to kEUR 15,754 (previous year: kEUR 28,364). By segment, EBITDA is attributable to Germany (kEUR 19,144), Rest of Europe (kEUR 26,504), Rest of World (kEUR 387) and to the segment Other (kEUR -30,281).

Adjusted EBITDA developed positively and rose from kEUR 28,587 to kEUR 38,820. This corresponds to an increase of 35.8%. Adjusted EBITDA is composed as follows:

In kEUR	
EBITDA	**15,754**
Currency translation effects (net)	3,040
Acquisition-related consulting expenses	80
Losses on the disposal of assets	1,039
Lease guarantees	103
Extraordinary effects (e.g. income and expenses from previous periods, special projects)	6,938
IPO costs (after offsetting against reimbursements)	5,752
Costs for opening new restaurants (pre opening costs)	6,114
Adjusted EBITDA	**38,820**

The increase in depreciation, amortization and write-downs by kEUR 15,720 to kEUR 41,223 is in particular due to the acquisition-related increase in the Group's fixed assets compared to the previous year. In 2017, the resulting depreciation, amortization and write-downs were included for the first time in the statement of total comprehensive income for a full 12-month period (previous year: 4 or 5 months).

Other operating expenses increased significantly by kEUR 30,872. The increase results primarily from expense items that were eliminated in the calculation of adjusted EBITDA. In detail, this includes the costs of the IPO (before refunds) in the amount of kEUR 7,070 compared to no comparable expenses in the previous year. In addition, various expenses attributable to the operation of the restaurants increased by a net kEUR 7,116 compared to the previous year. This mainly relates to increased rental and leasing expenses, energy and water costs as well as various external services which increased due to the opening of new restaurants. Furthermore, insurance, contributions and taxes, which are also mainly attributable to the restaurant business, increased by kEUR 2,108. Higher sales commissions (+ kEUR 1,120) and higher exchange rate losses of kEUR 2,801 also contributed to the increase in this item. Further details can be found in the table in section 2.5 of the notes to the consolidated financial statements.

On the whole, the consolidated comprehensive income before third-party, non-controlling interests amounted to kEUR -27,328 and was thus kEUR 25,552 below that of the corresponding previous year's result. The decrease in income is primarily due to significantly higher depreciation and amortization, higher costs for the opening of new restaurants and the IPO costs.

2.5. GENERAL STATEMENT BY THE MANAGEMENT BOARD ON BUSINESS PERFORMANCE AND THE FINANCIAL POSITION OF THE GROUP

Financial year 2017 confirmed the further consistent implementation of the Group's growth and expansion strategy. Overall, we opened globally 27 new restaurants and closed one.

The Management Board is satisfied with the overall sales development and the like-for-like sales development. The earnings performance measured by adjusted EBITDA also meets expectations. Due to the costs of the IPO, the development of the Group's overall result is below the Management Board's expectations.

As of the due date of the 2017 fiscal year and at the time of preparing the consolidated financial statements, the Board considers Vapiano SE overall to be well-positioned for the further company performance. The Management Board considers the net assets and financial position to be positive and has an optimistic outlook regarding the future.

3. Remuneration report

3.1. PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MANAGEMENT BOARD AND 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. 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. In 2017, every Management Board member was granted a contractually agreed special remuneration due to their outstanding contributions during the IPO.

The current remuneration scheme for the members of the Management Board is applicable since financial year 2017.

The remuneration scheme consists of a non-performance-based component as well as short-term and long-term performance-based components.

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-related component (annual cash bonus) is calculated based on qualitative and quantitative criteria laid out annually by the Supervisory Board, with a weighting of 40% to 60% of the target bonus. 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.

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 receives 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) 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 two bonus shares for each purchased share. 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.

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 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 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 2 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.

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 EUR 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 receives a payment of EUR 5,000 per verified working day of the Supervisory Board, but no more than EUR 150,000 in total. In addition, expense-related additional remuneration of EUR 50,000 was paid in fiscal year 2016. In addition, the Chairman and Members of a Supervisory Board Committee receive a fixed annual payment of EUR 8,000 and EUR 4,000, respectively.

3.2. REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD IN 2017

Management Board

In its qualified decision of May 30, 2017, the Annual General Meeting determined that individual salaries shall not be disclosed in the group management report or in the management report of Vapiano SE pursuant to Section 314(1) no. 6 sentences 5 and 6 as well as according to Section 285 no. 9a sentences 5-8 of the HGB for the financial year beginning on January 1, 2017 and for the four subsequent financial years.

The overall remuneration paid to the Management Board of Vapiano SE in 2017 is shown in the following tables:

Overall remuneration according to IFRS	Management Board (overall)	
	2017	2016
Fixed remuneration	764,996	549,996
Fringe benefits	36,491	27,208
Fixed salary	**801,487**	**577,205**
Short-term performance-based bonus	142,515	93,909
IPO-related bonus	220,000	0
Short-term variable salary	**362,515**	**93,909**
Drive 2.0 program bonus	25,664	0
LTI program bonus	45,720	0
Long-term variable salary	**71,384**	**0**
Pension-related expenses	0	0
Overall remuneration according to IFRS	**1,234,727**	**671,114**

Supervisory Board
The remuneration for the activities of the Supervisory Board of Vapiano SE in 2017 totals kEUR 298 (previous year: kEUR 285). The overall remuneration of the Supervisory Board is distributed to the individual Members of the Supervisory Board as follows:

kEUR	2017	2016
Dr. Thomas Tochtermann (Chairman)	150	200
Hinrich Stahl (Vice-Chairman)	38	10
Helen Jones (as of May 31, 2017)	19	0
Gregor Gerlach	29	10
Dr. Rigbert Fischer	29	10
Kristian Wettling	33	10
Alexandra Ischler von Kuenheim (January 17 to May 31, 2017)	0	0
Hans-Joachim Sander (until January 17, 2017)	0	10
Bodo von Laffert (until December 16, 2015)	0	10
Stephan Howaldt (until December 27, 2015)	0	25
Total	**298**	**285**

As in previous years, no loans or advances were granted to Members of the Management Board or the Supervisory Board, nor did Vapiano assume any contingent liabilities on their behalf. (No) other payments were made to Members of the Supervisory Board in connection with services, particularly advisory and brokerage services, rendered personally.

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 as a publicly traded corporation must issue a statement on corporate governance. The statement was published online at **ir.vapiano.com** under the corporate governance tab. Furthermore, it is 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 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 **ir.vapiano.com** under the corporate governance tab.

6. Report on opportunities and risks and future development of the Group

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 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
				Minor	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.

The risk management is reviewed at regular intervals for its effectiveness and adapted and improved where necessary.

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 drivers of growth. The controlling structures ensure that the opportunities can be assessed and tracked based on the resources needed to limit risks.

Internal Controlling 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.

With the reporting guideline, measures have been taken to ensure that the accounting of the Vapiano Group is in line with the relevant laws and standards. For this purpose, new laws, accounting standards and other announcements are analyzed with respect to IFRS accounting and their effects on the financial statements. The internal control system provides for both preventative and subsequent controls aimed at detection. 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.

In financial year 2017, an area of focus for developing the accounting system was the introduction of a new accounting system in the core markets of Germany, Austria and Luxembourg, and optimizing and upgrading the consolidation software, which has enabled faster interim reporting as the Group grows. The Group also concentrated on automating its accounting processes and Group accounting. By consistently implementing the IT strategy and correspondingly setting up automated interfaces between different systems, the quality, processing speed and thus the efficiency of the financial reporting are continuously improved.

6.2. REPORT ON THE OPPORTUNITIES OF THE GROUP

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 and expansion of the product offering

Vapiano's opportunities for future development arise from the implementation of product innovations with a focus on current nutrition trends. In the future, opportunities are expected from marketing products used in Vapiano's restaurants using the Vapiano umbrella brand (please see Section 1.4. for further details).

Format innovations
Significant opportunities for further development arise in the consistent further development of the Vapiano guest experience in the restaurants. This includes regularly revising the system-wide, uniform restaurant concept in order to ensure a sustainable, modern look and feel. Furthermore, opportunities arise from the regular expansion and optimization of Vapiano's restaurant concept. Therefore, newly opened restaurants will generally have their own take away and home delivery area which will allow collection of food ordered in advance with no additional waiting times in the restaurant. Many existing restaurants were also equipped with a take away and home delivery area in 2017. In 2018, the proportion of restaurants with this service is set to rise to 75-85%. Positive effects on the Group's business development are expected from the introduction of a "home order" option operated by an external delivery partner in the future.

With the Vapiano People app, which was relaunched in June 2017 with a new design, guests can now also order in the restaurant (bar products) and order and pay for products while they are on the go. In 2017, a PayPal payment function was also integrated into the app. Extensions to the app's functionality are planned for 2018.

Since 2017, order terminals have been tested in selected restaurants.

With the take away and delivery concept, the Vapiano People app, and the order terminal, the business takes up the trends in digitalization, while opening up new sales opportunities.

The first new „mini format" restaurants were opened in Ingolstadt in November 2016 and in Vienna in July 2017 in order to test a possible new business format for Vapiano. By opening restaurants with a comparably smaller floor area than the larger Vapianos and the associated significant reduction in investment costs and higher profitability at the same time, the Company expects further opportunities. The first „free stander" in Fürth and two more planned pilot projects in Toulouse and Oberhausen offer further potential.

International expansion
For the Rest of Europe and Rest of World segments, there are opportunities for future development in the identified growth potential in the core markets of other European countries as well as other regions. These growth opportunities will be realized through the opening of new, additional restaurants or further acquisitions in accordance with the existing market potential.

6.3. REPORT ON THE RISKS OF THE GROUP

Also regarding the risks, fundamentally all segments are impacted by the risks identified by the Group, unless explicit reference is made below to one or more Group segments.

Reputational risks
There is a risk that individual restaurants do not comply with Vapiano's key quality requirements and the quality assurance processes. This may result in shortcomings in quality or hygiene which will bring about investigations by the authorities as well as negative national or international press coverage and, ultimately, major reputational damage for the Vapiano brand, which could have a significant, negative effect on the business development. Vapiano counters this risk with strict process and quality requirements and multiple instances of quality, process and hygiene inspections by the OQS team throughout the year as well as with investigations by independent, third-party food testing institutions.

Economic performance risks

Negative effects on Vapiano's business development could arise from the design and the restaurant concept no longer being in keeping with the times and therefore experiencing less demand from 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 the existing processes in the restaurant as well as regularly introducing format innovations (such as the take away concept and home delivery offerings or the mini-Vapiano). In addition, Vapiano continuously improves and revises the design concept in order to make sustainable improvements to the guest experience. Work is currently taking place, in cooperation with the renowned architecture and design firm Matteo Thun, to further develop the restaurant layout, which, among other things, focuses on topics pertaining to sustainability.

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.

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.

Financing risks

The operating business activities of the Vapiano Group and the implementation of the expansion strategy are financed through both the cash flow from operating activities as well as the funds provided by the syndicated loan agreement. In addition, the initial public offering in June 2017 and the renegotiation of the syndicated loan have established a good financing base for the continued growth of the Group. Taking into account the financing requirements of the planned openings of new restaurants already included in the liquidity plan for 2018, the Management Board expects the covenants resulting from the syndicated loans to be adhered to. In the context of short-term liquidity planning and scheduling, Vapiano is able to quickly identify risks and take the appropriate measures for risk mitigation. If the restaurants are subjected to continuous negative business development in one of the significant core markets, this could result in financing requirements exceeding the available funding framework. However, such a development is not expected at this point in time.

Furthermore, additional capital increases were authorized by the Annual General Meeting in 2017. These provide for additional financing via the capital market.

Liabilities to banks subject to a variable interest rate are subject to the interest rate fluctuation risk to the detriment of Vapiano. The variable interest rate payments are partly converted into fixed interest rate payments by entering into corresponding interest rate swap and cap agreements. The interest rate fluctuation risk is accordingly balanced out in line with economic hedging relationships. We do not use hedge accounting.

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 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 and Chinese renminbi. However, Vapiano does not generate more than 10% of its sales with transactions in the aforementioned foreign currencies. In selected cases, Vapiano SE concludes forward exchange transactions to hedge the exchange rate risk based on available market expectations about the performance of currency prices.

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. In order to minimize the risk of irrecoverable receivables, new franchisees 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.

International expansion
Vapiano is exposed to further risks in the Rest of Europe and Rest of World segments in connection with the international expansion of the business model through equity investments. When Vapiano opens restaurants in new markets, there is the risk that these do not reach the required sales and profitability level, at least in the start-up phase. In order to minimize the risks associated with international expansions, Vapiano analyses the local market circumstances in-depth in advance and carries out conceptional adaptations for the individual countries prior to making investments.

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. In addition, currency risks are eliminated due to the use of derivative financial instruments. 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. In light of the volume of these transactions, the Articles of Association require the regular consent of the Supervisory Board; this consent is dutifully obtained.

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

Vapiano SE's Management Board estimates the opportunities and risks position of the Group to be balanced and controllable on the whole. In the period relating to the forecast, no risks that could not be countered by suitable countermeasures or which could pose a potential threat to the existence of the Group could be identified.

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
Financing risks	Low	Major
Currency risks	Medium	Moderate
IT risks	Medium	Moderate
Expansion risks	Medium	Moderate

The assessment of the significant risk groups has not changed significantly compared to the previous year's reporting date. The probability of occurrence for the expansion risk group was upgraded to medium due to the increase in the number of restaurant openings.

6.5. FUTURE DEVELOPMENT OF THE GROUP (FORECAST REPORT)

The Vapiano SE forecast for financial year 2018 expects stable economic growth in the European core markets of Vapiano SE 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

The economic development in financial year 2018 in the core markets of Germany and the European Union is subject to uncertainties arising from Great Britain's decision to leave the European Union ("Brexit") as well as the danger posed by terror attacks. However, we assess the potential impact of Brexit for the Group to be negligible. In contrast, positive impulses from the expansionary monetary policy of the European Central bank are likely to continue. With respect to the interest rate level, low interest rates in Germany and the rest of Europe are expected to stay unchanged. Resulting negative influences on the overall economic development could have corresponding effects on private consumption as well as the sales generated by the gastronomy industry. Despite these uncertainty factors, solid economic development in the core markets is expected for financial year 2018. For Germany, the Institut der deutschen Wirtschaft (IDW) expects an overall economic growth of 2.2% in 2018; the Organization for Economic Cooperation and Development (OECD) projects a GDP growth of 2.1% for the eurozone countries. Compared to the previous year, real wages for the eurozone countries are expected to increase by 0.8% in 2018, while consumer prices are expected to increase by 1.9% according to the OECD. It remains to be seen how the US tax reform adopted in 2017 will affect the US and global economies. Currently it is assumed that this will not lead to any major changes in the macroeconomic environment, which could have a significant impact on the Vapiano Group.

Industry outlook

Major effects on supply and demand in gastronomy will continue to be felt from the megatrends of globalization, sustainability, mobility, digitalization and networking in the current financial year. Digitalization in particular is becoming ever more important: Delivery service apps as well as payment and order options will increasingly determine how people make reservations, how they arrange to meet each other, and how they place orders via order terminals or how they evaluate restaurants.

Positive macroeconomic parameters, such as a good employment situation as well as low interest rates and the rate of price increases ensure that private consumption in Germany and Europe will continue to be an important economic factor. It is expected that the restaurant trade will benefit directly from this development with increasing numbers of guests.

According to the CREST study (CREST = consumer panel of the npdgroup deutschland GmbH), the positive macroeconomic parameters in Germany for 2018 indicate a rise in the number of visitors of 1.7% and also a rise in spending per visit and guest of 2.2%.

Expected business development and earnings performance of the Vapiano Group
The Vapiano Group plans to further accelerate its planned growth trajectory in financial year 2018. A total of 30-35 new openings are globally planned for the current financial year; this does not include the three new openings in Miami, London and Doha originally planned for 2017, which were postponed to the new financial year due to external factors.

Using the take away and home delivery concept, the Vapiano People app and the order terminals, Vapiano plans to consistently continue to digitalize its business model and thus optimize the guest experience and develop new sales opportunities.

The Management Board expects overall sales between EUR 390 and 420 million and like-for-like growth of between 1% and 3% in 2018. Adjusted EBITDA (so adjusted by pre opening costs) should rise to between EUR 48 million and EUR 54 million. Accordingly, EBITDA will range between EUR 42 and 48 million. The Management Board further assumes that the overall Group result will improve but will continue to be negative in 2018.

6.6. GENERAL STATEMENT ON THE FUTURE DEVELOPMENT

Overall, the development of financial year 2017 and the economic situation of the Group are considered to be positive. Vapiano achieved or slightly exceeded the sales forecast of the previous year and the interim financial report, with the EBITDA margin remaining largely unchanged. Further, thanks to the IPO the capital base has been significantly strengthened, which has enabled the Group to finance the planned continuous expansion.

With the expansion strategy, the digitalization offensive and extensive investments in the future of the Group, Vapiano is well positioned to face future challenges. Vapiano is on a stable growth path that it will continue to consistently pursue. The Management Board of Vapiano SE is convinced that the Group will benefit from the investments it has made and those it has planned as well as the inherent growth potential, and therefore expects a positive development of the Group in the current financial year 2018.

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.

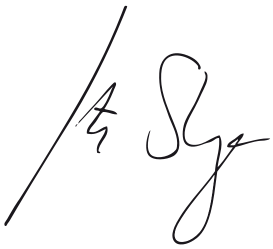
6.7. EVENTS AFTER THE REPORTING DATE

After the balance sheet date, the majority of the shares in the existing joint venture in Australia, which operates seven restaurants, were acquired by purchase agreement dated April 5, 2018. The contractual agreements provide for various conditions precedent until the transfer of shares. These had not been completely fulfilled by the date of preparation.

At the meeting on March 20, 2018, the Vapiano Supervisory Board appointed Cornelius Everke (53) as a new member to its Management Board and as its Chief Operating Officer (COO) with effect from May 1, 2018. In this role, Cornelius Everke will be responsible for the segments Rest of Europe and Rest of World and for additional central departments.

Cologne, April 18, 2018

Jochen Halfmann
Chief Executive Officer



Lutz Scharpe
Chief Financial Officer

Glossary

Key financial performance indicators

EBITDA	EBITDA is calculated from the operating profit (EBIT) plus depreciation, amortization and write-downs, and the franchise fee.
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 on the disposal of assets • Currency translation effects • Expenses to achieve access to the capital market and in connection with the IPO and its preparation • Asset value effects from acquisitions and consulting expenses for acquisitions • Interest-like expenses (e.g. surety costs) • Extraordinary effects (e.g. income and expenses from previous periods, special projects) • Costs for opening new restaurants (pre opening costs)
Sales	Sales comprises the gross inflow of economic benefits arising from the ordinary business activities of an entity (IAS 18.7).
Like-for-like growth	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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017


VAPIANO
Chi va piano, va sano e va lontano
INSALATA & ANTIPASTI

Consolidated statement of comprehensive income

(kEUR)	Notes	1/1/2017-12/31/2017	1/1/2016-12/31/2016 (adjusted)
Result for the period			
Sales	2.1	**324,699**	**248,614**
Other operating income	2.2	12,409	14,349
Capizalized own work	3.1	965	911
Cost of materials	2.3	-81,360	-59,076
Personnel costs	2.4	-137,832	-104,179
Amortization and depreciation of intangible assets and property, plant and equipment	3.1, 3.2	-41,223	-25,503*
Other operating costs	2.5	-103,127	-72,255
Operating result		**-25,469**	**2,861***
Finance income		525	678
Finance costs		-6,683	-4,519*
Finance result	*2.6*	*-6,158*	*-3,841**
Share of net profit/loss of associates accounted for using the equity method		-169	-137
Earnings before taxes		**-31,796**	**-1,117***
Income tax income/expenses	2.7	2,242	603*
Result for the period		**-29,554**	**-514***
Other comprehensive income			
Items which may be reclassified to profit or loss in future			
Currency translation differences as a result of foreign operations		*81*	*-1,036*
Total comprehensive income		**-29,473**	**-1,550***
Result for the period attributable to:			
Shareholders of the parent company		-27,733	-769*
Non-controlling interests		-1,821	255*
Total		**-29,554**	**-514***
Total comprehensive income attributable to:			
Shareholders of the parent company		-27,328	-1,776*
Non-controlling interests		-2,145	226*
Total		**-29,473**	**-1,550***

		2017	2016
Earnings per share from continuing operations	3.9		
Basic (euros per share)		-1.25	-0.04*
Diluted (euros per share)		-1.25	-0.04*

* Prior-year figures adjusted; please refer to Section 1.2 for details

Consolidated statement of financial position

(kEUR)	Notes	12/31/2017	12/31/2016 (adjusted)	1/1/2016 (adjusted)
Assets				
Intangible assets	3.1	110,661	115,070*	40,578
Property, plant and equipment	3.2	164,143	124,935	89,961
Trade receivables	3.5	1,188	0	0
Investments accounted for using the equity method	3.3	4,135	3,983	2,848
Other financial assets (non-current)	3.6	889	1,719	42
Other assets (non-current)	3.7	572	1,015	6
Deferred tax assets	2.7	12,246	7,701	1,115
Non-current assets		**293,834**	**254,423***	**134,550**
Inventories	3.4	6,850	5,992	5,153
Trade receivables	3.5	7,620	6,835	10,960
Other financial assets (current)	3.6	13,515	10,575*	13,528
Other assets (current)	3.7	11,876	8,668	7,262
Income tax assets	2.7	1,751	1,184	530
Cash and cash equivalents	3.8	14,871	11,691	5,553
Current assets		**56,483**	**44,945***	**42,986**
Total		**350,317**	**299,368***	**177,536**

(kEUR)	Notes	12/31/2017	12/31/2016 (adjusted)	1/1/2016 (adjusted)
Equity and liabilities				
Equity	3.9			
Share capital		**24,030**	534	501
Capital reserve		**88,775**	29,851	14,228
Other reserves		**-220**	-625	382
Retained earnings		**-1,488**	26,405*	27,291*
Equity attributable to the shareholders of the parent company		111,097	56,165*	42,402*
Non-controlling interests	4.2	20,032	20,795*	4,222*
Equity		**131,129**	**76,960***	**46,624***
Liabilities				
Provisions	3.11	5,937	4,533	1,012
Non-current financial liabilities	3.12	113,778	133,133	83,161
Other financial liabilities (non-current)	3.12	1,159	1,933	1,280
Other liabilities (non-current)	3.14	4,051	973	224
Deferred tax liabilities	2.7	13,843	17,035*	1,480
Non-current liabilities		**138,768**	**157,607***	**87,157**
Provisions	3.11	669	862	510
Current financial liabilities	3.12	15,440	8,248	3,424
Trade payables	3.13	28,424	17,445	15,940
Other financial liabilities (current)	3.12	15,072	15,002*	5,239
Other liabilities (current)	3.14	18,481	21,232	17,556*
Income tax liabilities	2.7	2,334	2,012*	1,086
Current liabilities		**80,420**	**64,801***	**43,755***
Liabilities		**219,188**	**222,408***	**130,912***
Total		**350,317**	**299,368***	**177,536**

* Prior-year figures adjusted; please refer to Section 1.2 for details

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 1/1/2017		**534**	**29,851**	**-625**	**26,405**	**56,165**	**20,795**	**76,960**
Total comprehensive income								
Result for the period		0	0	0	-27,733	-27,733	-1,821	-29,554
Other comprehensive income		0	0	405	0	405	-324	81
Total comprehensive income		0	0	405	-27,733	-27,328	-2,145	-29,473
Capital contribution	3.9	1	584	0	0	585	0	585
Capital increase from company funds		19,799	-19,799	0	0	0	0	0
Capital increase from IPO		3,696	81,304	0	0	85,000	0	85,000
IPO-related transaction costs		0	-3,165	0	0	-3,165	0	-3,165
Changes resulting from business combinations		0	0	0	0	0	1,542	1,542
Other changes		0	0	0	21	21	0	21
Share purchases from minority shareholders	4.1	0	0	0	-181	-181	82	-100
Distribution of earnings		0	0	0	0	0	-242	-242
Group equity as of 12/31/2017		**24,030**	**88,775**	**-220**	**-1,488**	**111,097**	**20,032**	**131,129**

(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 12/31/2015		**501**	**14,228**	**382**	**28,307**	**43,417**	**6,925**	**50,342**
Correction pursuant to IAS 8		0	0	0	-1,015*	-1,015*	-2,702*	-3,717*
Group equity as of 1/1/2016		**501**	**14,228**	**382**	**27,292***	**42,403***	**4,223***	**46,626***
Total comprehensive income								
Result for the period		0	0	0	-769*	-769*	255*	-514*
Other comprehensive income		0	0	-1,007	0	-1,007	-29	-1,036
Total comprehensive income		0	0	-1,007	-769*	-1,776*	226*	-1,550*
Capital contribution**	3.9	33	15,623	0	0	15,656	0	15,656
Change resulting from business combinations/change in the scope of consolidation		0	0	0	0	0	16,382	16,382
Other changes		0	0	0	-118*	-118*	-36	-154*
Distribution of earnings		0	0	0	0	0	0*	0*
Group equity as of 12/31/2016		**534**	**29,851**	**-625**	**26,405***	**56,165***	**20,795***	**76,960***

* Figures adjusted; please refer to Section 1.2 for details
** of which kEUR 54 from employee participation plan

The development of the Group equity is described in Note 3.9 „Equity“.

Consolidated statement of cash flows

(kEUR)	2017	2016
Cash flow from operating activities		
Result for the period (before taxes)	-31,796	-1,117*
Adjustments for:		
Depreciation, amortization and write-downs of intangible assets and property, plant and equipment	41,223	25,503*
Non-cash income and expenses	4,595	-8,434*
Net finance costs	6,158	3,841*
Share of profit/loss of equity-accounted investees, after tax	169	137
Net loss from the sale of property, plant and equipment	1,039	871
	21,388	20,801*
Changes in:		
Inventories	-737	-462
Trade receivables and other receivables	-6,892	10,700
Trade payables and other liabilities	7,051	-9,411*
Other provisions and provisions for employee benefits	-145	-143
Cash inflow from operating activities	**20,665**	**21,485**
Interest received	75	0
Interest paid	-6,387	-3,709*
Income taxes paid	-3,439	-3,170
Net cash flow from operating activities	**10,914**	**14,606***
Cash flow from investing activities		
Inflows from the sale of intangible assets and property, plant and equipment	267	74
Acquisition of intangible assets and property, plant and equipment	-73,049	-30,966
Acquisition of subsidiary, net of cash acquired	-5,005	-19,165
Acquisition of other financial assets	-749	-1,452
Cash flow from investing activities	**-78,536**	**-51,509**
Cash flow from financing activities		
Proceeds from shareholders	0	15,656
Issuance of new shares	585	0
Capital increase from IPO	85,000	0
IPO-related transaction costs	-9,476	0
Loan received from shareholders	7,450	0
Proceeds from other financial liabilities	163,259	40,093
Transaction costs relating to syndicated loan	-1,590	0
Outflows relating to other financial liabilities	-174,025	-12,484
Acquisition of non-controlling interests	-100	0
Distribution of profits (subsidiaries to minority interests)	-242	0*
Cash flow from financing activities	**70,861**	**43,265***
Cash and cash equivalents		
Net increase in cash and cash equivalents	3,239	6,362
Cash and cash equivalents at January 1	11,691	5,553
Effect of movement in exchange rate and changes in the scope of consolidation on cash held	-59	-224
Cash and cash equivalents at December 31	**14,871**	**11,691**

* Prior-year figures adjusted; please refer to Section 1.2 for details

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017

1 General disclosures

1.1 REPORTING COMPANY

Vapiano SE (the "Company") is a company registered in Bonn, Germany. The business address of the Company is Im Zollhafen 2-4 in 50678 Cologne, Germany. The Company is registered under HRB 16304 in the Commercial Register at the District Court in Bonn, Germany.

Since June 27, 2017, the shares of 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 consolidated financial statements for the financial year ended December 31, 2017, comprise both Vapiano SE, as the parent company, and its subsidiaries (together the "Group"). The financial year corresponds to the calendar year.

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

1.2 CORRECTION AND ADJUSTMENT OF COMPARISON FIGURES

Correction pursuant to IAS 8.42 relating to the statement of non-controlling interests

Rehkämper GmbH, in which Vapiano SE holds 50% of the shares and over which it exercises control as described in IFRS 10, has been included in full in the consolidated financial statements of Vapiano SE since the former's foundation. Previously, the shares in Rehkämper GmbH not held by Vapiano SE were recognized as non-controlling interests in Group equity.

The Articles of Incorporation of Rehkämper GmbH include a right of termination, which can be exercised by the shareholders at any time and which, upon exercise, gives rise to entitlement to compensation on the part of the departing shareholder vis-à-vis the remaining shareholders. The consequence of this right of termination is that the shares in Rehkämper GmbH that are not held by Vapiano SE do not meet the criteria specified in IAS 32 for recognition in Group equity. On the contrary, they constitute a liability that the Group must report in borrowings and which must be measured on each closing date and reported at fair value through profit or loss.

Accordingly the prior-year comparison figures and the opening statement as of January 1, 2016, in the consolidated financial statements as of December 31, 2017, have been adjusted to comply with the provisions of IAS 8 as described below.

As part of the retrospective correction, the non-controlling interests in Rehkämper GmbH were first reclassified from Group equity to current other financial liabilities, with the exception of the pro rata equity of kEUR 50. Consistent with the amended classification compared to the former accounting procedure, the shares not held by Vapiano SE are measured at the present value of the potential entitlement to compensation according to the provisions of the Articles of Incorporation, as specified in IAS 32.23 This produced a difference of kEUR 1,015 between the carrying amount formerly recognized in Group equity of the non-controlling interests in Rehkämper GmbH and the recognizable liability which, according to IAS 8.41, was to be corrected as of January 1, 2016. This difference was offset against Group retained earnings in the statement of financial position as of January 1, 2016, without affecting profit or loss. The earnings and expenses in subsequent periods resulting from the remeasurement of the liability will be recognized through profit or loss in the Group's financial result. Following the correction of the result for financial year 2016, the earnings per share have also changed.

Adjustment of comparison figures pursuant to IFRS 3.49

The consolidated financial statements as of December 31, 2016, included provisional purchase price allocations relating to the company acquisitions "France" and "Sweden" as of September 1, 2016, and "Nuremberg" as of October 1, 2016 (IFRS 3.45). In financial year 2017, these purchase price allocations were finalized within the 12-month measurement period specified in IFRS 3, based on knowledge at the time concerning the actual values as of the acquisition dates. The adjustments necessitated by finalization of the purchase price allocations relating to the company acquisitions "France" and "Sweden" are discussed below; no adjustments were necessary for "Nuremberg."

The company acquisition of „France“ resulted in a kEUR 10,270 higher valuation of the intangible assets acquired in the course of the transaction compared to the preliminary purchase price allocation, including mostly reacquired rights, as well as a kEUR 450 lower valuation of income tax liabilities. This resulted in a kEUR 3,658 higher valuation of deferred tax liabilities and a kEUR 7,062 reduction in goodwill. The consolidated statement of comprehensive income for 2016 showed kEUR 610 higher amortization and kEUR 201 higher income from the reversal of deferred tax liabilities.

The acquired other financial assets relating to the company acquisition "Sweden" were reduced by kEUR 860 while goodwill increased by the same amount. This did not impact the consolidated statement of comprehensive income.

The comparison figures in the consolidated financial statements as of December 31, 2017, have been retroactively adjusted in compliance with IFRS 3.49.

Summary of the retroactive adjustments

The quantitative impacts of the correction and the finalization of the purchase price allocation on the prior-year comparison figures included in the consolidated financial statements as of December 31, 2017, are listed in the table below. Due to the change in presentation and valuation of the shares in Rehkämper GmbH, the following items of the financial position are affected by the corrections made as of January 1, 2016:

kEUR	January 1, 2016		
EQUITY AND LIABILITIES	Prior to correction	Correction	After correction
Equity			
Share capital	501	0	501
Capital reserve	14,228	0	14,228
Other reserves	382	0	382
Retained earnings	28,306	-1,015	27,291
Equity attributable to the shareholders of the parent company	**43,417**	**-1,015**	**42,402**
Non-controlling interests	6,925	-2,703	4,222
Equity	**50,342**	**-3,718**	**46,624**
Liabilities			
Non-current liabilities	87,157	0	87,157
Other financial liabilities (current)	1,521	3,718	5,239
Other current liabilities	38,516	0	38,516
Current liabilities	40,037	3,718	43,755
Liabilities	**127,194**	**3,718**	**130,912**
Balance sheet total	**177,536**	**0**	**177,536**

As of December 31, 2016, these items had changed as follows due to the finalization of the purchase price allocations and the change in accounting for non-controlling interests in Rehkämper GmbH:

kEUR	December 31, 2016				
ASSETS	Prior to correction	Correction Rehkämper GmbH	Purchase price allocation France	Purchase price allocation Sweden	After correction
Assets					
Intangible assets	111,612	0	2,598	860	115,070
Other financial assets (current)	11,435	0	0	-860	10,575
Other assets	173,723	0	0	0	173,723
Balance sheet total	**296,770**	**0**	**2,598**	**0**	**299,368**
EQUITY AND LIABILITIES					
Equity					
Share capital	534	0	0	0	534
Capital reserve	29,851	0	0	0	29,851
Other reserves	-625	0	0	0	-625
Retained earnings	27,619	-907	-307	0	26,405
Equity attributable to the shareholders of the parent company	57,379	-907	-307	0	56,165
Non-controlling interests	23,815	-2,918	-102	0	20,795
Equity	**81,194**	**-3,825**	**-409**	**0**	**76,960**
Liabilities					
Deferred tax liabilities	13,578	0	3,457	0	17,035
Other non-current liabilities	140,572	0	0	0	140,572
Non-current liabilities	**154,150**	**0**	**3,457**	**0**	**157,607**
Other financial liabilities (current)	11,177	3,825	0	0	15,002
Income tax liabilities	2,462	0	-450	0	2,012
Other current liabilities	47,787	0	0	0	47,787
Current liabilities	**61,426**	**3,825**	**-450**	**0**	**64,801**
Liabilities	**215,576**	**3,825**	**3,007**	**0**	**222,408**
Balance sheet total	**296,770**	**0**	**2,598**	**0**	**299,368**

The following items on the 2016 statement of comprehensive income were affected by the corrections:

kEUR	2016 Prior to correction	Correction Rehkämper GmbH	Purchase price allocation France	After correction
Result for the period				
Sales	**248,614**	**0**	**0**	**248,614**
Other operating income	14,349	0	0	14,349
Capitalized development costs	911	0	0	911
Cost of materials	-59,076	0	0	-59,076
Personnel costs	-104,179	0	0	-104,179
Amortization and depreciation of intangible assets and property, plant and equipment	-24,893	0	-610	-25,503
Other operating costs	-72,255	0	0	-72,255
Operating result	**3,471**	**0**	**-610**	**2,861**
Finance income	678	0	0	678
Finance costs	-4,140	-379	0	-4,519
Finance result	*-3,462*	*-379*	*0*	*-3,841*
Share of net profit/loss of associates accounted for using the equity method	-137	0	0	-137
Income before taxes	**-128**	**-379**	**-610**	**-1,117**
Income tax income/expenses	402	0	201	603
Result for the period	**274**	**-379**	**-409**	**-514**
Other comprehensive income				
Items which may be reclassified to profit or loss in future				
Currency translation differences as a result of foreign operations				
Currency translation differences that occurred during the financial year	-1,036	0	0	-1,036
Other comprehensive income	-1,036	0	0	-1,036
Total comprehensive income	-762	-379	-409	-1,550
Net income attributable to:				
Shareholders of the parent company	-569	107	-307	-769
Non-controlling interests	843	-486	-102	255
Total	274	-379	-409	-514
Total comprehensive income attributable to:				
Shareholders of the parent company	-1,576	107	-307	-1,776
Non-controlling interests	814	-486	-102	226
Total	-762	-379	-409	-1,550

Earnings per share from continuing operations				
Basic (euros per share)	-1.13			-0.04
Diluted (euros per share)	-1.13			-0.04

The consolidated statement of cash flows for financial year 2016 is affected by the adjustments as follows:

	2016			
kEUR	Prior to correction	Correction Rehkämper GmbH	Purchase price allocation France	After correction
Cash flow from operating activities				
Result for the period (before taxes)	-128	-379	-610	-1,117
Adjustments				
Depreciation, amortization and write-downs of intangible assets and property, plant and equipment	24,893	0	610	25,503
Non-cash income and expenses	-8,162	-272	0	-8,434
Net finance costs	3,462	379	0	3,841
Share of profit/loss of equity-accounted investees, net of tax	137	0	0	137
Net loss from the sale of property, plant and equipment	871	0	0	871
	21,073	-272	0	20,801
Changes in:				
Inventories	-462	0	0	-462
Trade receivables and other receivables	10,700	0	0	10,700
Trade payables and other liabilities	-9,683	272	0	-9,411
Other provisions and provisions for employee benefits	-143	0	0	-143
Cash inflow from operating activities	21,485	0	0	21,485
Interest paid	-3,437	-272	0	-3,709
Income taxes paid	-3,170	0	0	-3,170
Net cash flow from operating activities	14,878	-272	0	14,606
Cash flow from investing activities				
Inflows from the sale of intangible assets and property, plant and equipment	74	0	0	74
Acquisition of intangible assets and property, plant and equipment	-30,966	0	0	-30,966
Acquisition of subsidiary, net of cash acquired	-19,165	0	0	-19,165
Acquisition of other financial assets	-1,452	0		-1,452
Cash flow from investing activities	-51,509	0	0	-51,509
Cash flow from financing activities				
Proceeds from shareholders	15,656	0	0	15,656
Proceeds from other financial liabilities	40,093	0	0	40,093
Outflows relating to other financial liabilities	-12,484	0	0	-12,484
Distribution of profits	-272	272	0	0
Cash flow from financing activities	42,993	272	0	43,265
Cash and cash equivalents				
Net increase in cash and cash equivalents	6,362	0	0	6,362
Cash and cash equivalents at January 1	5,553	0	0	5,553
Effect of movement in exchange rate and changes in the scope of consolidation on cash held	-224	0	0	-224
Cash and cash equivalents at December 31	11,691	0	0	11,691

1.3 GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared pursuant to Section 315e 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 315a German Commercial Code [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 1.9 "Acquisitions and other changes to the scope of consolidation" in this respect.

With regard to the detailed description of the accounting and valuation methods, please refer to the disclosures in Note 1.8 "Accounting and valuation methods".

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 April 18, 2018, 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. Revisions of estimates are included prospectively.

Judgements

Information 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 1.6 "Principles of Consolidation" Consolidation: determining whether control exists and Section 1.8 "Accounting and valuation methods".

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 1.8 "Accounting and valuation methods" and in the notes presented below:

- **Note 2.7** „Income tax (including tax reconciliation)" – Recognition of deferred tax assets: Availability of future taxable results subject to an offset of tax loss carryforwards.

- **Note 3.1** „Goodwill and intangible assets (including impairment test)" – Impairment test: Significant assumptions underlying calculation of the recoverable amount

- **Notes 3.11** "Provisions" and 4.7 "Contingent receivables and liabilities as well as other financial obligations and contingencies" – recognition and measurement of provisions and contingent receivables and liabilities: Significant assumptions about the probability and extent of inflows or outflows of economic benefits.

- **Notes 3.15** "Financial instruments and financial risk management" (derivates, valuation categories, options) – Determination 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 value, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes the Group Accounting team with overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values; it 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 valuation 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 measuring the fair value of an asset or a 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 and liabilities.

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

Level 3: Valuation parameteres 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 about the assumptions made in measuring fair values is included in the following notes:

- **Note 1.9** "Acquisitions and other changes to the scope of consolidation“
- **Note 3.10** "Share-based payment arrangements"
- **Note 3.15** "Financial instruments and financial risk management (derivatives, valuation categories, options)."

1.4 IMPACT OF NEW IFRS STANDARDS

First-time adoption of the following new standards or amendments to existing standards had no or no significant impact on the net assets, financial position and result of operations of Vapiano Group:

EU endorsement	Standard/Interpretation	Contents	Applicable for financial years beginning on/after
Nov 6, 2017	Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses	Jan 1, 2017
Nov 6, 2017	Amendments to IAS 7	Improvement to the presentation of cash flows from financing activities (disclosure initiative)	Jan 1, 2017
Feb 7, 2018	Annual improvements project 2014-2016	Improvements to IFRS 12	Jan 1, 2017

Adoption of the following new or amended standards and interpretations will only become mandatory in subsequent financial years:

EU endorsement	Standard/ Interpretation	Contents	Applicable for financial years beginning on/after	Probable impact
Nov 22, 2016	IFRS 9	Financial instruments: Classification and measurement of financial instruments	Jan 1, 2018	No significant impact
Sep 22, 2016	IFRS 15	Revenue from contracts with customers	Jan 1, 2018	No significant impact
Feb 26, 2018	Amendments to IFRS 2	Classification and measurement of share-based payments	Jan 1, 2018	No significant impact
Nov 3, 2017	Amendments to IFRS 4	Application of IFRS 9 “Financial instruments” in conjunction with IFRS 4	Jan 1, 2018	None
Mar 14, 2018	Amendments to IAS 40	Transfer of investment property	Jan 1, 2018	None
Feb 7, 2018	Annual improvements project 2014-2016	Improvements to IFRS 1 and IAS 28	Jan 1, 2018	None
Not yet adopted	IFRIC 22	Transactions in foreign currencies and advance payments	Jan 1, 2018	None
Oct 31, 2017	IFRS 16	Leases	Jan 1, 2019	Material impact
Not yet adopted	Annual improvements project 2015-2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Jan 1, 2019	No significant impact
Not yet adopted	IFRIC 23	Uncertainty over income tax treatments	Jan 1, 2019	No significant impact
Not yet adopted	IAS 28	Long-term investments in associates and joint ventures	Jan 1, 2019	No significant impact
Not yet adopted	Amendments to IFRS 9	Prepayment features with negative compensation	Jan 1, 2019	No significant impact
Not yet adopted	Amendments to IAS 19	Plan amendment, curtailment or settlement	Jan 1, 2019	No significant impact
Not yet adopted	IFRS 17	Insurance contracts	Jan 1, 2021	None
postponed indefinitely by the IASB	Amendments to IFRS 10 and IAS 28	Sale or transfer of assets between an investor and an associate or joint venture	Open	Open

The Group does not plan to apply any standards that are not yet mandatory nor any amendments to standards that are not yet mandatory ahead of their effective dates.

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.

Based on an analysis of the financial assets and financial liabilities as of December 31, 2017, IFRS 9 is expected to impact the consolidated financial statements as follows:

Classification and measurement:
Investments in non-consolidated subsidiaries, which were classified as “Available for sale” under IAS 39, do not meet the payment flow criterion and must therefore be classified in the FVTPL category. All changes in fair value must be recognized through profit or loss in the income statement. According to IFRS 9, the FVTOCI option may be exercised for these instruments; accordingly, changes in value can continue to be recognized in other comprehensive income.

According to IAS 39, trade receivables and all other financial assets are classified as “Loans and receivables.” They are held in a business model designed to collect interest and redemption payments. Accordingly, these instruments continue to be measured at amortized cost under IFRS 9.

Financial liabilities measured at amortized cost or fair value are classified in the same category under IFRS 9.

Impairment:
The new impairment model must be applied to financial assets classed as “FVTOCI” and measured “at amortized cost”. The Group will apply the simplified impairment model to receivables due within one year or less. Accordingly, a risk provision equivalent to the anticipated loss must be recognized over the residual term, irrespective of credit rating. Since the risk of default on non-current receivables is assumed to be lower, the risk provision must be recognized in an amount equivalent to the anticipated losses over 12 months.

Overall, the regulatory changes specified in IFRS 9 will not have any noteworthy impact on the Group’s net assets, financial position and result of operations.

IFRS 15: Revenue from contracts with customers

The standard provides guidance on when and to what extent revenue is to be recognized. IFRS 15 replaces IAS 18 “Revenue”, IAS 11 “Construction contracts”, and a number of revenue-related interpretations. The application of IFRS 15 is mandatory for all IFRS users and applies to almost all contracts with customers, with the main exceptions being leases, financial instruments and insurance contracts.

The Group-wide examination of the impacts of IFRS 15 application on the consolidated financial statements has been largely concluded. When recognizing revenue from the Group's activities – mainly derived from the provision of catering services and the collection of franchise fees – the fair value of the services provided is generally consistent with the consideration received at the time of service provision. So-called setup services constitute an exception. Vapiano provides these services when franchisees open a restaurant. They cannot be distinctly defined as they are inseparably linked to the rights of use granted in the franchise agreements. Proceeds from these setup services are therefore to be treated like franchise fees and recognized for given periods over the term of the agreement. At present, net sales are recognized on given dates – the Group expects adjustments to occur when switching to recognition for given periods. These adjustments will probably result in an effect of kEUR 800 as of January 1, 2019, which will be recognized as a reduction in Group retained earnings. The Group has decided to use the modified retrospective method to switch to the new standard. Apart from the anticipated adjustment effect described above and the requirement to provide more extensive disclosures relating to Group sales from contracts with customers, the Group does not anticipate any major impacts on its net assets, financial position and result of operations from the application of IFRS 15.

IFRS 16: Leases

This standard regulates the recognition of leases. IFRS 16 replaces IAS 17 as well as three lease-related interpretations. The application of IFRS 16 is mandatory for all IFRS users and applies to all leases. In the future, the Group will recognize new assets (rights of use) and liabilities for existing operating leases (see Note 4.5 "Operating leases"), in which Vapiano Group act as lessee. The only exceptions relate to short-term leases and leases governing low-value assets.

In addition, the method for recognizing expenses associated with these leases will change. Currently, rental and leasing payments derived from operating leases are recognized as an expense on a straight-line basis over the term of the agreement and reduce Group EBITDA. With the application of IFRS 16, amortization expenses for rights of use and interest expenses calculated using the effective interest method must be recognized in income for liabilities arising from the leases over the term of the lease.

On account of the high share of leased restaurant locations, the Group expects material impacts from the application of the new standard. An initial assessment of the impacts of IFRS 16, derived from the consolidated financial statements as of December 31, 2017, indicates a rise in the Group's total assets of between 60% and 70%. As a result, there will be a substantial shift from other operating expenses to depreciation, amortization and write-downs and to finance costs in the statement of comprehensive income. The disclosure obligations under IFRS 16 are much more comprehensive.

Assets and liabilities are already being stated for finance leases in which the Group acts as lessee. First-time application of IFRS 16 will not have any major impacts on these leases.

IFRS 2: Share-based payment

The amendments to IFRS 2 include new requirements for the measurement of cash-settled share-based payment transactions and an accounting rule in the event that a change in the conditions changes the classification of the payment from “cash-settled” to “equity-settled”. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee‘s tax obligation to meet the employee‘s tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a ‚net settlement feature‘, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. The Group does not expect the initial application of the amendments to IFRS 2 to have any material impact on its net assets, financial position and result of operations.

A detailed discussion of further new or amended standards and interpretations is not presented below, as the impact from their initial application on the presentation of the net assets, financial position and result of operations of the Group are expected to be insignificant.

1.5 SCOPE OF CONSOLIDATION

For information on accounting principles, please refer to 1.3 “General information and accounting principles”.

The table below lists the subsidiaries and associates of Vapiano SE, which are, in addition to Vapiano SE itself, included in the consolidated financial statements, together with their shareholdings of each entity’s equity.

	Subsidiary	Country	Registered office	Equity interest 2017	Equity interest 2016
	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	Munster	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 (formerly VAP Fürth GmbH)	DE	Cologne	100%	100%
9	Vapiano China Limited	CN	Shanghai	100%	100%
10	Cotidiano Betriebsgesellschaft mbH	DE	Cologne	100%	100%
11	JMK Betriebsgesellschaft mbH [1]	DE	Cologne	100%	100%
12	VAP Bielefeld GmbH [2]	DE	Cologne	50%	-
13	Vapiano Restaurant Betriebs- und Beteiligungs GmbH	AT	Vienna	100%	100%
14	VAP Nederland B.V.	NL	Tiel	50.0002%	50.0002%
15	Vapiano Spain S.L.	ES	Madrid	100%	100%
16	SPARROW S.A.S.	FR	Chessy	75%	75%
17	VAP Bercy S.A.S.	FR	Paris	75%	75%
18	VAP Creteil S.A.S.	FR	Creteil	75%	75%
19	VAP La Défense S.A.S.	FR	Puteaux	75%	75%
20	VAP Luxembourg SA	FR	Paris	75%	75%
21	VAP Lyon 2 S.A.S.	FR	Lyon	75%	75%
22	VAP Lyon S.A.S.	FR	Lyon	75%	75%
23	VAP Marbeuf S.A.S.	FR	Paris	75%	75%
24	VAP Marseille 2 S.A.S.	FR	Marseille	60%	60%
25	VAP Marseille S.A.S.	FR	Marseille	60%	60%
26	VAP Metz S.A.S.	FR	Metz	75%	75%
27	VAP Nantes S.A.S.	FR	Saint-Herblain	75%	75%
28	VAP Villages S.A.S.	FR	Paris	75%	75%
29	VAP Senart S.A.S.	FR	Paris	75%	75%
30	VAP Strasbourg S.A.S.	FR	Strasbourg	75%	75%
31	VAP 4 Temps S.A.S.	FR	Puteaux	75%	75%
32	VAP Toulouse S.A.S.	FR	Paris	75%	75%
33	VAP Nancy S.A.S. [2]	FR	Paris	75%	-
34	VAP La Valentine S.A.S. [2]	FR	Marseille	75%	-
35	VAP Rouen S.A.S. [2]	FR	Paris	75%	-
36	VAP Mirabeau S.A.S. [2]	FR	Aix-en-Provence	75%	-
37	VAP King S.A.S. [2]	FR	Paris	75%	-
38	VAP Bordeaux SJ S.A.S. [2]	FR	Paris	75%	-
39	VAP Aramis S.A.S. [2]	FR	Paris	75%	-
40	VAP Lille S.A.S. [2]	FR	Paris	75%	-
41	VAP Riviera S.A.S. [2]	FR	Paris	75%	-
42	VAP Vento S.A.S. [2]	FR	Paris	75%	-
43	VAP Cergy S.A.S. [2]	FR	Paris	75%	-

[1] Proportionate share following exercise of existing option.
[2] Newly established in 2017.

	Subsidiary (cont.)	Country	Registered office	Equity interest 2017	2016
	Restaurant operations (cont.)				
44	VAP Grenoble S.A.S. [3]	FR	Paris	75%	-
45	VAP Phoebus S.A.S. [3]	FR	Paris	75%	-
46	VAP Cassin S.A.S. [3]	FR	Paris	75%	-
47	VAP Sully S.A.S. [3]	FR	Paris	75%	-
48	VAP Santo S.A.S. [3]	FR	Paris	75%	-
49	GLR Sturegatan AB	SE	Stockholm	50%	50%
50	GLR Gamla Stan AB	SE	Stockholm	50%	50%
51	GLR Västra City AB	SE	Stockholm	50%	50%
52	GLR Malmö City AB [1]	SE	Stockholm	50%	50%
53	GLR Hyllie AB	SE	Stockholm	50%	50%
54	GLR Götgatan AB	SE	Stockholm	50%	50%
55	GLR Täby AB	SE	Stockholm	50%	50%
56	GLR Östra Hamngatan AB	SE	Stockholm	50%	50%
57	GLR MoS AB	SE	Stockholm	50%	50%
58	GLR Vasagatan AB [3]	SE	Stockholm	50%	-
59	VAP Sullivan Center, LLC	US	McLean	100%	100%
60	VAP Union Square, LLC	US	McLean	100%	100%
61	VAP 1800 M-Street, LLC	US	McLean	100%	100%
62	VAP H-Street, LLC	US	McLean	100%	100%
63	VAP Miracle Mile LLC [3]	US	Wilmington	100%	-
64	VAP Chicago Willis Tower LLC [3]	US	Dover	100%	-
65	Vapiano Ltd.	GB	London	100%	100%
66	VAP Danmark APS [1] [4]	DK	Copenhagen	100%	100%
67	Vapiano Danmark APS [1] [4]	DK	Copenhagen	100%	100%
68	VAP Danmark II APS [3]	DK	Copenhagen	100%	-
69	Vapiano Danmark II APS [3]	DK	Copenhagen	100%	-
70	VAP Tirolensis GmbH	AT	Innsbruck	51%	-
	Franchising companies				
71	Vapiano Franchising International GmbH	DE	Schönefeld	100%	100%
72	VAP Franchising, LLC	US	McLean	100%	100%
73	Vapiano Franchising GmbH & Co. KG	DE	Schönefeld	100%	100%
	Management companies				
74	Österreichische Vapiano Werbekooperationsgemeinschaft GmbH	DE	Cologne	100%	100%
75	Deutsche Vapiano Werbekooperationsgemeinschaft GmbH	DE	Cologne	100%	100%
76	Vapiano International Marketing GmbH	DE	Cologne	100%	100%
77	Vapiano Private Brands GmbH	DE	Schönefeld	100%	100%
78	Vapiano People GmbH	DE	Cologne	100%	100%

[1] Companies in liquidation.
[2] VAP Australia LP is classified together with its fully liable partner Vapiano GP Pty. Ltd. and its subsidiaries as one associate.
[3] Newly established in 2017.
[4] Not consolidated in 2016 on grounds of immateriality, included in the consolidated financial statements from January 1, 2017.

	Subsidiary (cont.)	Country	Registered office	Equity interest 2017	Equity interest 2016
	Management companies				
79	VAP Denmark II GmbH	AT	Vienna	100%	100%
80	VAP Franchising Verwaltungs GmbH	DE	Schönefeld	100%	100%
81	Vapiano Servicing MEA DMCC	VAE	Dubai	100%	100%
82	VAP Restaurant S.A.	LU	Luxembourg	75%	75%
83	L'Avenir S.A.	LU	Luxembourg	50%	50%
84	Gâ Lugnt Restauranger AB	SE	Stockholm	50.02%	50.02%
85	GIE Vapiano	FR	Rueil-Malmaison	75%	75%
86	Vapiano Sweden AB	SE	Stockholm	51.30%	51.30%
87	Vapiano Holding USA, LLC	US	McLean	100%	100%
88	Vapiano USA, LLC	US	McLean	100%	100%
89	Vapiano Operations (UK) Ltd.	GB	London	100%	100%
90	WEDIS SG Austria GmbH	AT	Innsbruck	51%	-

	Associates	Country	Registered office	Equity interest	
1	VAP Australia LP [2]	AU	Sydney	50%	50%
2	Vapiano GP Pty Ltd. [2]	AU	Sydney	50%	50%
3	VAP Freestander GmbH	DE	Bonn	49%	49%
4	VAP Darmstadt GmbH	DE	Bonn	51%	51%
5	VAP JV Spain 2017 S.L. [3]	ES	Barcelona	49.9995%	-

[1] Companies in liquidation.
[2] VAP Australia LP is classified together with its fully liable partner Vapiano GP Pty. Ltd. and its subsidiaries as one associate.
[3] Newly established in 2017.
[4] Not consolidated in 2016 on grounds of immateriality, included in the consolidated financial statements from January 1, 2017.

Significant changes in the scope of consolidation with regard to the previous financial year are referred to in detail in Note 1.9 “Acquisitions and other changes to the scope of consolidation”. Subsidiaries 70 and 90 are part of the company acquisition “Austria”.

There is no longer any significant influence on the associated company VAP Yatirim Holding Ltd., Istanbul, Turkey, which was not included in the Group for reasons of materiality in the previous year.

Starting from January 1, 2017, VAP Danmark ApS, Copenhagen, and Vapiano Danmark ApS, Copenhagen, have been fully included in the consolidated financial statements, whereas they were omitted in the previous year due to immateriality.

Rehkämper GmbH, VAP Bielefeld GmbH, VAP Nederland B.V. and the Swedish companies with an interest of 50% are controlled through majority of votes in important activities which have the most significant effects on the variable returns.

The companies concerned have contractually fixed a number of business decisions requiring the consent of the minority shareholder in a catalog of activities. These rights relate, in particular, to the acquisition, disposal and encumbrance of land and land rights, as well as lease agreements concluded for land, building and land rights that do not hinder control of the relevant activities.

Vapiano SE maintains control over L'Avenir S.A. with its stake of only 50%, Vapiano SE has the right to appoint the majority of members to the relevant boards of L'Avenir S.A. and VAP Restaurant S.A and can thus exert control over both companies, even though Vapiano SE holds a stake of only 50% in L'Avenir S.A. Furthermore, L'Avenir S.A., acting as a pure intermediate holding company, is exclusively dependent on the variable returns of VAP Restaurant S.A. in which Vapiano SE also indirectly holds a 75% interest. In addition, Vapiano SE controls the activities of VAP Restaurant S.A. and its subsidiaries relevant to influencing future returns.

On November 9, 2017, Vapiano SE acquired all non-controlling interests in VAP Denmark II GmbH. As a result, the reciprocal put/call options still existing between Vapiano SE and the minority shareholder on the prior-year closing date became obsolete. The purchase price of the shares was kEUR 100. The purchase price differed from the carrying amount of the non-controlling interests by kEUR 181. This amount was offset against the Group retained earnings attributable to the shareholders of the parent company without affecting profit or loss.

Reciprocal put/call options exist between Vapiano SE and the other shareholder, who also holds a 50% interest, with respect to VAP Australia L.P. The options are not expected to be exercisable by either party until mid-2019 at the earliest. Since the options provide for an exercise price that corresponds to the fair value of the shares, the fair value of the options as of December 31, 2017, was not material.

A call option exists in relation to the shares in associate VAP Darmstadt GmbH that are not held by Vapiano SE. The option can be exercised by Vapiano SE at the earliest after December 31, 2022. The shareholder of the relevant shares has a put option that can be exercised on July 31, 2023 at the earliest. The fair value of both options was, however, not material as of December 31, 2017.

As of the prior-year closing date, reciprocal put/call options existed between Vapiano SE and the minority shareholder relating to the 25% stake in JMK Betriebsgesellschaft mbH that was not held by Vapiano SE. By notarized share purchase agreement dated November 24, 2017, Vapiano purchased a further 20% of the shares in JMK Betriebsgesellschaft mbH for kEUR 800. The existing put/call options were replaced with new put/call options relating to the remaining 5% stake held by the minority shareholder. The Group believes the fair value of these options to be zero as of December 31, 2017.

The put/call options existing as of the prior-year closing date with regard to 8% of the shares in VAP München GmbH were exercised effective January 1, 2017, as a result of which Vapiano SE purchased the shares for kEUR 430. There were no resulting impacts on earnings in financial year 2017 as the exercise obligation had already been recognized in the amount of the contractually agreed share purchase price as of the prior-year closing date.

Utilization of exemption clauses

The following German companies included in the consolidated financial statements of Vapiano SE made use of exemption clauses for the preparation and audit of the annual financial statements during the financial year:

- 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 (formerly: VAP Fürth GmbH) (Section 264 (3) HGB)
- Cotidiano Betriebsgesellschaft mbH, Cologne (Section 264 (3) HGB)
- JMK Betriebsgesellschaft mbH, Cologne (Section 264 (3) HGB)
- Vapiano Franchising GmbH & Co. KG, Schönefeld (Sections 264 (3), 264b HGB)

1.6 PRINCIPLES OF CONSOLIDATION

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 purchase 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 purchase 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 exercises significant influence, but not control or joint control, over the financial and business policies.

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 measured 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 carrying amount of the interest that would have been reported if no impairment had been recognized.

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.

Companies not included in the consolidated financial statements

Interests in subsidiaries that have not been consolidated on grounds of immateriality, are classified as "available-for-sale financial instruments" in accordance with IAS 39 and measured accordingly (for details, please refer to Note 1.8 "Accounting and valuation methods"). They are stated within other financial assets (please refer to Note 3.6 "Other financial assets"). Unlike the previous year, all subsidiaries were included in the scope of consolidation as of December 31, 2017.

1.7 FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currency

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 operations

Assets and liabilities of foreign operations that do not report in euros, including goodwill and fair value adjustments 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.

Foreign currency translation differences are recognized in other comprehensive income and stated in the translation reserve in equity provided the currency translation difference is not allocated to non-controlling interests.

When a foreign operation 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, 2017.

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

		Closing rate		Average rate	
in EUR Currency	Country	12/31/2017	12/31/2016	2017	2016
USD	USA	1.20	1.05	1.13	1.11
GBP	GB	0.89	0.85	0.88	0.82
CNY	China	7.80	7.30	7.63	7.35
SEK	Sweden	9.84	9.54	9.65	9.47
DKK	Denmark	7.44	-	7.44	-
AUD	Australia	1.53	-	1.47	-

1.8 ACCOUNTING AND VALUATION METHODS

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 that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Other intangible assets essentially comprise reacquired rights, together with licenses, rental rights and capitalized own work.

The reacquired license 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, generally between 3 and 5 years.

Research costs and 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.

The estimated useful life of licenses is 15 years and is amortized on a straight-line basis. Tenancy and usage rights are amortized on a straight-line basis over the respective lease period or useful life of 10-15 years. Favorable contracts concluded within the scope of business combinations are amortized using the straight-line method over the residual term of the contract. Territory rights have a useful life of 15 years and are amortized using the straight-line method. Rights reacquired within the scope of business combinations are amortized using the straight-line method.

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.

Any gain or loss on the disposal of property, plant and equipment is recognized in profit or loss.

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 transport	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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if 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 estimated.

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. To monitor the goodwill, the CGUs are aggregated into regional groups.

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

Determining whether an agreement 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 acquisition costs of inventories are based on the first-in-first-out method.

Financial assets

The Group classifies its non-derivative financial assets into the following categories:

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

Non-derivative financial assets – recognition and derecognition
The Group recognizes receivables from the date of their origins. Receivables from insurers or other debtors relating to damage incidents occurring in restaurants are stated as long as a claim against a third party is objectively unequivocal and it is virtually certain that the claims can be successfully asserted under civil law.

They are initially recognized at their transaction prices plus transaction cost or, if different, at their fair value. All other financial assets are initially recognized on the transaction date.

The Group derecognizes a financial asset when the contractual rights with regard to the cash flows from an asset expire or the Group transfers the rights to receipt of the cash flows as part of a transaction involving the transfer of all material risks and opportunities associated with ownership of the financial asset. The asset is also derecognized if the Group neither transfers nor retains all material risks and opportunities associated with the ownership, nor retains power of control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability. No financial assets were transferred in the financial year under review.

Financial assets and liabilities are offset and their net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to net the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement
Financial assets measured at fair value through profit or loss
A financial asset is measured at fair value through profit or loss if it is held for trading or designated accordingly upon initial recognition. Incremental transaction costs are recognized in profit or loss as they are incurred. Financial assets that are measured at fair value through profit or loss are recognized at fair value with related changes, which also include all interest and dividend income, recognized immediately in profit or loss.

Financial investments held to maturity
Held-to-maturity financial investments are initially recognized at fair value plus any directly attributable transaction costs. Following initial recognition, they are measured at amortized cost using the effective interest method. The Group does not currently own any such financial investments.

Loans and receivables
Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs. Following initial recognition, the effective interest method is used to measure them at amortized cost less impairment, if any.

Available-for-sale financial assets
Available-for-sale financial assets are initially recognized at fair value plus any directly attributable transaction costs. They are subsequently measured at fair value, and corresponding changes in value are, with the exception of impairment losses and foreign currency translation differences, recognized in other comprehensive income and recognized in the revaluation reserve within equity. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets primarily comprise equity instruments that are not held for trading or classified as measured at fair value through profit and loss.

Cash and cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents comprise bank balances that are payable immediately, which are central to managing the Group's cash transactions.

Derivative financial instruments
The Group holds derivative financial instruments to hedge currency and interest rate risks. Embedded derivatives are separated from the host contract and recognized separately if certain criteria are met. No such embedded derivatives existed as of December 31, 2017.

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.

In principle, the Group states put options on non-controlling interests based on the anticipated acquisition method. Under this method, when the option is issued, non-controlling interests in already consolidated subsidiaries and subject to the put option are presented as if the option had already been exercised (for information on the individual put options, please see Note 1.5 "Scope of consolidation"). Any difference resulting from initial recognition between the portion of the non-controlling interests to be derecognized and the present value of the obligation arising from the option (see also Note 4.2 "Non-controlling Interests") is directly offset against equity. Effects from subsequent measurement of the option obligation are recognized in profit and loss in the statement of comprehensive income. In the case of Vapiano's call options for the acquisition of non-controlling interests, the anticipated acquisition method is used for recognition only if Vapiano is likely to exercise the option in the future (for individual call options, please see Note 1.5 "Scope of consolidation"). There were no such cases at the reporting date.

Impairment of financial assets

Impairment of non-derivative financial assets

All financial assets not classified at fair value in profit or loss, including interests in an entity that is recognized using the equity method, are tested for objective evidence of impairment on each closing date.

Objective evidence that financial assets are impaired include:

- default or delinquency by the borrower
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise
- indications that a debtor or issuer is on the verge of bankruptcy
- adverse changes in the payment status of borrowers or issuers
- the disappearance of an active market for a security, or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

In the case of equity instruments, a significant or prolonged decline in its fair value below its cost is deemed to be objective evidence of impairment. The Group considers a 20% decrease to be significant and a period of nine months to be prolonged.

Financial assets measured at amortized cost

The Group considers evidence of impairment for financial assets measured at amortized cost at both individual asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information about the timing of recoveries and the amount of loss incurred, adjusted for an entity-specific judgement by the Management Board as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. If the Group has no realistic prospect of recovering the asset in question, the amounts are written off. If an event occurring after recognition of the impairment causes the amount of impairment loss to decrease, then the decrease in impairment loss is recognized in profit or loss.

Available-for-sale financial assets

Impairments of available-for-sale financial assets are recognized by reclassifying the losses accumulated in the revaluation reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit and loss. If, in a subsequent period, the fair value of an impaired, available-for-sale debt instrument increases, and this increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit and loss. In any other case, any increase in fair value is recognized through other comprehensive income.

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 3.10 “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.

Asset retirement obligations
Asset retirement obligations are capitalized when they arise at the discounted value of the obligation and recognized as incidental acquisition costs of the underlying property, plant and equipment, and a provision is formed at the same time – and in the same amount. The expense is distributed across the periods of use via ongoing depreciation of the asset and the accrued interest of the provision.

Contingent liabilities
Unless the criteria for recognition of a provision are not met, disclosure of a contingent liability in the notes is mandatory. Disclosure of a contingent liability can only be omitted if the future outflow of resources is (entirely) unlikely.

Contingent liabilities relating to a business combination
Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the initial recognition amount less any cumulative reservals to be recognized in accordance with IAS 18 and the value resulting from provisions, contingent liabilities and contingent assets in accordance with IAS 37.

Financial liabilities

The Group classifies non-derivative financial liabilities as other financial liabilities.

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 in the corporate restaurants and consolidated joint ventures.

This 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 generated by customers who are members of the Vapiano guest loyalty program are broken down by acquired rights from the program and other components of the respective transaction. The amount allocated to the guest loyalty program is deferred and only recognized as sales when the Group has fulfilled its obligations to deliver the corresponding rewards under the terms and conditions of the program, or when it is no longer probable that the reward points under the program will be redeemed.

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 opening a restaurant, Vapiano renders a variety of services (analysis of the economic environment in the country involved, provision of training, support for restaurant openings, etc.) that are recognized as sales at the time the respective services are rendered (referred to as „initial fees" and „development fees").

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 relating to financial assets and liabilities, which are measured at amortized cost
- Net gain or loss from the fair value measurement of financial assets and/or liabilities at fair value through profit or loss
- Impairment losses for financial assets (with the exception of trade receivables)

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 taxes

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 taxes
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 that affects neither the 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 financial 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 financial years 2017 and 2016, there were no equity instruments that would have diluted the earnings per share on the basis of the respective issued shares.

1.9 ACQUISITIONS AND OTHER CHANGES TO THE SCOPE OF CONSOLIDATION

Acquisition of subsidiaries

For details of the accounting methods applied to acquisitions, please refer to Section 1.6 "Principles of consolidation."

The following table summarizes the company acquisition "Austria" completed in 2017 and the purchase price allocations relating to the acquisitions in 2016 in France and Sweden, which were finalized in 2017:

kEUR	Acquisition Austria - provisional -	Acquisition France - final -	Acquisition Sweden - final -
Date of acquisition	10/01/2017	09/01/2016	09/01/2016
Equity interest after the transaction (= share of voting rights)	51%	50%	51%
Consideration transferred	1,605	5,000	11,182
plus fair value of non-controlling interests	1,542	5,210	11,174
plus fair value of the equity interest previously held	0	10,000	0
less net assets at fair value	2,717	5,712	15,626
Goodwill	430	14,498	6,730
Identifiable assets and liabilities acquired			
Property, plant and equipment	1,544	19,845	8,949
Intangible assets	3,716	29,246	20,333
Inventories	121	246	159
Receivables	21	674	28
Other assets and other financial assets	282	4,555	1,003
Cash and cash equivalents	48	3,110	81
Deferred tax assets	390	1,579	933
Liabilities to banks	393	12,673	4,376
Trade payables	330	6,749	1,017
Other liabilities and other financial liabilities	1,553	23,491	5,438
Provisions	184	706	1,051
Deferred tax liabilities	945	9,924	4,838
Total identifiable net assets acquired	2,717	5,712	14,766
Consideration paid in cash	1,530	5,000	11,002
less: acquired cash and cash equivalents	-48	-3,110	-81
Net cash outflow from the acquisition	1,482	1,890	10,921

Company acquisition – Austria

Effective October 1, 2017, Vapiano SE acquired 51.0% of the voting shares in WEDIS SG Austria GmbH, with registered office in Innsbruck, Austria. WEDIS SG Austria GmbH directly owns 100.00% of the shares in VAP Tirolensis GmbH, Innsbruck, Austria, which operates two Vapiano restaurants in Innsbruck. The main reason for the acquisition was to expand business activities in the Innsbruck area.

Vapiano SE gained control over the acquired operations through its ability, as of the date of acquisition, to steer those activities of the acquired companies that were key to influencing the returns. This ability is established by the absolute majority of voting rights attributable to Vapiano SE and by the fact that the managers of the acquired companies are bound to follow the instructions of Vapiano SE. All resolutions relating to business transactions of relevance for influencing the returns of the acquired companies can be adopted by simple majority of the votes cast. This particularly affects decisions regarding the companies' budgets, and key investment and financing decisions.

The goodwill resulting from the acquisition is derived from the access gained to the favorable locations of the restaurants in the center of Innsbruck. The goodwill is not deductible in full for tax purposes.

The fair value of the consideration transferred at the acquisition date is kEUR 1,605. Of this amount, kEUR 1,530 had been paid from cash and cash equivalents as of the closing date.

Current trade receivables with a fair value of kEUR 22 were acquired in the framework of the acquisition, which also corresponds to the gross amount of the receivables. We estimate that none of the contractually agreed future cash flows are likely to be unrecoverable.

The fair value of the non-controlling interests recognized at the date of acquisition amounted to kEUR 1,542. The valuation was carried out in accordance with level 2 of the valuation hierarchy as defined in IFRS 13, derived from the purchase price agreed between independent third parties in the framework of the acquisition as a directly observable input factor, which is not based on a quoted price on active markets.

Since allocation of the purchase price relating to this acquisition has not yet been finalized, the assignment of the purchase price to the individual assets and liabilities may still change. Recognition of the company acquisitions will be adjusted retroactively if new information is obtained within 12 months of the date of acquisition about facts and circumstances that existed at the date of acquisition and which necessitates adjustments to the above amounts.

Since the acquisition date, sales of kEUR 1,477 from the acquired companies has been recognized in the consolidated statement of comprehensive income, and losses of kEUR 25. If WEDIS SG Austria GmbH and VAP Tirolensis GmbH had been acquired as of January 1, 2017, the consolidated sales would have amounted to kEUR 328,982 and the consolidated loss for the period to kEUR -28,958.

Company acquisition- France

With regard to the adjustments resulting from the finalization of the provisional purchase price allocation relating to the acquisition in France as of the prior-year closing date, please refer to Section 1.2 "Correction and adjustment of comparison figures".

Company acquisition - Sweden

With regard to the adjustments resulting from the finalization of the provisional purchase price allocation relating to the acquisition in Sweden as of the prior-year closing date, please refer to Section 1.2 "Correction and adjustment of comparison figures".

Other changes to the scope of consolidation

First-time consolidation of subsidiaries, which have not been included before in the consolidated financial statements

Subsidiaries Vapiano Danmark ApS and VAP Danmark ApS were not included in the scope of consolidation in the previous years due to immateriality. Starting on January 1, 2017, these companies are included fully in the consolidated financial statements for the first time, to ensure the Group's net assets, financial position and result of operations are presented in full. The earnings effects incurred in previous years were recognized cumulatively in profit or loss in the reporting period. Since these companies were established, there were no effects on the capital consolidation.

Establishment of new subsidiaries

The Group established 22 new subsidiaries in financial year 2017, mainly in connection with the opening of further restaurants as part of the Group's implementation of its expansion strategy.

2 Notes to the consolidated statement of comprehensive income

2.1 SALES

Sales during the current financial year breaks down as follows:

kEUR	2017	2016
Sales from restaurant operations	311,262	232,088
Other sales	13,437	16,526
Total	**324,699**	**248,614**

kEUR	2017	2016
Domestic	148,311	144,685
Abroad	176,388	103,929
Total	**324,699**	**248,614**

Sales include deferred income for future amounts from the guest loyalty program (see Note 3.14 “Other liabilities”).

Other sales essentially consist of franchise fees and advertising contributions billed to non-Group franchisees. The year-on-year decrease was primarily due to the fact that the sales for the first eight months of financial year 2016 included franchise fees and advertising contributions that were billed to the subsidiaries in France and Sweden that were included in the consolidated financial statements from September 1, 2016, onwards.

2.2 OTHER OPERATING INCOME

kEUR	2017	2016
Insurance compensation and reimbursements	3,962	428
Income from expense allocations	3,479	181
Income from exchange rate differences	624	755
Income from supplier bonuses	542	954
Benefits in kind	538	524
Income for other periods	468	532
Proceeds from the reversal of provisions	120	0
Income from transitional consolidation	0	10,000
Sundry other operating income	2,676	975
Total	**12,409**	14,349

The increase in income from insurance compensation and reimbursements results from the reimbursement of sales losses and repair costs incurred in connection with damage to restaurant properties. Claims in German, French, Dutch and Danish restaurants were affected in the 2017 financial year.

Income from expense allocations includes expenses allocated to shareholders in connection with the public offering.

Income from transitional consolidation results from the revaluation of previously held equity instruments in financial year 2016 in the course of the company acquisition “France”.

2.3 COST OF MATERIALS

kEUR	2017	2016
Food		
Ingredients	54,155	36,201
Beverages	17,496	15,054
Operating materials	9,709	7,821
Total	**81,360**	**59,076**

The ratio of cost of materials to sales is 25.1% (previous year: 23.8%).

2.4 PERSONNEL COSTS AND EMPLOYEES

kEUR	2017	2016
Wages and salaries	113,050	87,142
Social security contributions	24,782	17,037
Total	**137,832**	**104,179**

The ratio of personnel costs to sales is 42.4% (previous year: 41.9 %).

Expenses of kEUR 1,890 were incurred in financial year 2017 for staff hired for training purposes, before new restaurants were opened.

The cost of social security includes expenses for the statutory pension scheme that amounted to kEUR 9,162 in the reporting period (previous year: kEUR 7,159).

Employees

The average annual number of employees can be seen in the following table:

Number	2017	2016
Restaurant sector	6,110	5,296
Headquarters/administration	290	197
Total	**6,400**	**5,493**
Trainees	**96**	**59**

2.5 OTHER OPERATING EXPENSES

kEUR	2017	2016
Rental and lease expenses	27,477	24,637
Outsourced work	11,549	9,274
Utilities	10,873	8,872
IPO costs, not offset against equity	7,070	0
Advertising costs	5,448	3,654
Repair and maintenance	4,208	3,717
Opening costs	4,224	944
Exchange rate and currency losses	3,663	862
Travel costs	2,852	2,217
Expenses relating to other periods	3,027	1,214
Insurance & other premiums, other charges	2,744	636
Legal and advisory costs	2,272	1,504
Incidental costs of payment transactions	2,256	5,332
Media and communication costs	1,297	727
Disposal costs	1,247	497
Sales commission	1,120	0
Losses on the disposal of assets	1,039	887
Sundry other operating costs	10,761	7,281
Total	**103,127**	**72,255**

Rental and lease expenses, expenses for outsourced work and energy and water costs included under "Utilities" increased primarily as a result of the acquisitions made in 2016 and the restaurants newly opened in the reporting period.

Outsourced work mainly includes costs for temporary work and other external service providers.

The costs of the IPO, which cannot be offset against equity, primarily include consulting expenses in the financial sector, tax advice, legal advice in connection with IPO issues and expenses for various market studies.

Expenses relating to other periods mainly include operating costs of restaurant operations attributable to previous years and allocations to provisions.

In addition to various insurance contributions (e.g. for business interruptions and fire protection of restaurants) and contributions (e.g. for local chambers of commerce), "insurance & other premiums, other charges" mainly include other taxes and other charges, e.g. fees for the operation of outdoor restaurants or license expenses for music and picture usage rights.

Opening costs include expenses incurred in new restaurants up to the time of opening. These include, e.g., rental expenses incurred up to that point, costs for the opening ceremony and non-capitalizable expenses in connection with the furnishing of the restaurants.

The increase in sales commissions results from commissions paid to external delivery services in connection with the delivery business introduced in the 2017 financial year.

2.6 FINANCIAL RESULT

The financial result is composed as follows:

kEUR	2017	2016
Liabilities at fair value – Net change in fair value:		
Held for trading	143	211
Other financial liabilities	103	182
Interest income from:		
Financial assets at amortized cost	279	275
Net foreign currency gains	0	10
Finance income	**525**	**678**
Liabilities at fair value – Net change in fair value:		
Held for trading	0	12*
Other financial liabilities	1,130	724
Interest expense from:		
Financial liabilities at amortized cost	5,381	3,609
Accrued interest on liabilities and provisions	137	132
Finance lease liabilities	35	41
Net finance result	**6,683**	**4,519***
Net finance income/costs recognized in profit or loss	**-6,158**	**-3,841***

* Prior-year figure adjusted; see Note 1.2 „Correction and adjustment of comparison figures“

Interest income from financial assets measured at amortized cost mainly relates to interest on loans to associates. The interest expense on financial liabilities measured at amortized cost is largely related to the existing syndicated loan.

Income and expenses from financial liabilities measured at fair value result from changes in the value of the stand-alone interest rate derivatives and the exercise obligations attached to the put options on non-controlling interests.

2.7 INCOME TAX (INCLUDING TAX RECONCILIATION)

Taxes recognized in profit or loss

kEUR	2017	2016
Current tax expense		
Tax expense current year	4,444	2,989
Adjustments for previous year	386	-99
Other taxes	0	238
Current tax expense	**4,830**	**3,128**
Deferred tax income		
Creation or reversal of temporary differences	-8,382	-5,662*
Change in tax rates	618	0
Change in the valuation allowance on deferred tax assets	692	1,931
Total	**-7,072**	**-3,731***
Total tax income (-) / expense (+)	**-2,242**	**-603***

* Prior-year figure adjusted; see Note 1.2 „Correction and adjustment of comparison figures"

Reconciliation of the effective tax expense for the period

The reconciliation between expected and reported income tax expense/income is shown below. The calculation of the expected (current and deferred) income taxes to be stated in the consolidated statement of comprehensive income is based upon the Group tax rate of 32.0% (2016: 31.6%).

kEUR	2017	2016
Earnings before taxes	**-31,796**	**-1,117***
Group tax rate: 32% (prev. yr.: 31.6%)		
Expected tax income/expense from income and earnings	-10,175	-353*
Effects from:		
Deviations of local tax rates from Group tax rate	793	-329*
Tax-free income	-678	-811
Non-deductible operating expenses	1,176	471
Deferred taxes not stated	5,573	1,602
Change in the valuation allowance on deferred tax assets	692	1,931
Tax-free income from transitional consolidation	0	-3,158
Taxes for prior years	386	30
Other effects	-9	14
Recorded tax income/expense from income and earnings	**-2,242**	**-603***

* Prior-year figure adjusted; see Note 1.2 „Correction and adjustment of comparison figures"

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the respective Group entity when the underlying temporary differences are reversed, or the utilization of tax loss carryforwards is likely.

The tax of the foreign tax legislation is applied to Group companies that are subject to income tax abroad. These tax rates range between 19.0% and 29.2%.

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

	As of January 1				As of December 31	
2017 **kEUR**	Deferred tax assets	Deferred tax liabilities	Recognized in profit or loss	Sundry effects	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	12	-1,508	44	12	0	-1,440
Intangible assets	0	-15,934	3,705	-1,064	717	-14,010
Current assets	0	-438	617	0	179	0
Derivatives	102	-1	-101	0	0	0
Other provisions	724	-47	817	0	1,494	0
Liabilities	38	0	100	0	248	-110
Deferred income	17	0	-17	0	0	0
Unutilized tax losses	7,702	0	3,397	226	11,325	0
Deferred taxes recognized in Group equity	0	0	-1,490	0	0	0
Tax assets (liabilities) before offsetting	**8,595**	**-17.928**	7,072	-826	13,963	-15,560
Tax offsetting	-892	892	0	0	-1,717	1,717
Net tax assets (liabilities)	**7,701**	**-17,035**	7,072	-826	12,246	-13,843

2016 kEUR	As of January 1 Deferred tax assets	Deferred tax liabilities	Recognized in profit or losst	Sundry effects	As of December 31 Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	0	-871	-91	-534	12	-1,508
Intangible assets	374	-3,422	1,037*	-13,923	0	-15,934*
Derivatives	169	-1	-438	0	0	-438
Trade receivables	0	0	-67	0	102	-1
Other provisions	178	-4	163	340	724	-47
Liabilities	375	0	-337	0	38	0
Deferred income	16	0	1	0	17	0
Unutilized tax losses	2,819	0	3,463	1,420	7,702	0
Tax assets (liabilities) before offsetting	**3,931**	**-4,297**	**3,731***	**-12,697**	**8,595**	**-17.928***
Tax offsetting	**-2,817**	**2,817**	**0**	**0**	**-892**	**892**
Net tax assets (liabilities)	**1,114**	**-1,480**	**3,731***	**-12,697**	**7,701**	**-17,035***

* Figure adjusted; see Note 1.2 „Correction and adjustment of comparison figures“

The column “Sundry effects” includes additions to deferred taxes from company acquisitions, and translation differences recognized in other comprehensive income.

Please refer to Note 3.9 “Equity” for details of the deferred taxes recognized in Group equity in connection with the IPO.

Deferred tax assets recognized on tax loss carryforwards

	Tax loss carryforwards as of December 31, 2017		
	domestic loss carryforwards		foreign loss carryforwards
	KSt	GewSt	
Total amount in kEUR	9,755	64,647	41,106
of which recognized	9,755	45,220	9,801
of which not recognized	0	19,427	31,305

	Tax loss carryforwards as of December 31, 2016		
	domestic loss carryforwards		foreign loss carryforwards
	KSt	GewSt	
Total amount in kEUR	6,804	39,175	33,435
of which recognized	4,996	21,227	12,396
of which not recognized	1,808	17,948	21,039

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, 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 54,613 (previous year: kEUR 36,855).

Deferred tax assets recognized in the amount of kEUR 692 (previous year: kEUR 1,932) at the prior-year closing date for temporary differences and unused tax losses were written off completely in financial year 2017.

As of the closing date, companies that generated a loss in 2017 or 2016 had reported deferred tax assets of kEUR 7,335 (previous year: kEUR: 3,073) 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 1,578 (previous year: kEUR 3,141).

3 Notes to the consolidated statement of financial position

3.1 GOODWILL AND INTANGIBLE ASSETS (INCLUDING IMPAIRMENT TEST)

Reconciliation of carrying amounts

kEUR	Goodwill	Other intangible assets	Payments on account	Total
Acquisition and production costs				
As of January 1, 2016	16,760	34,500	71	51,331
Additions from company acquisitions	23,766*	52,801*	0	76,567*
Additions through separate acquisition	0	5,069*	0	5,069*
Disposals	0	-831	0	-831
Other reclassifications	0	-17*	-71	-88*
Net translation differences	31*	86*	0	117*
As of December 31, 2016	**40,557**	**91,608**	**0**	**132,165**
As of January 1, 2017	40,557	91,608	0	132,165
Additions from company acquisitions	430	3,716	0	4,146
Additions through separate acquisition	0	5,926	0	5,926
Disposals	0	-114	0	-114
Other reclassifications	0	-309	0	-309
Net translation differences	-413	-924	0	-1,337
As of December 31, 2017	**40,574**	**99,903**	**0**	**140,477**
Cumulative depreciation, amortization and impairment expenses				
As of January 1, 2016	1,134	9,619	0	10,753
Amortization	214*	6,637*	0	6,851*
Disposals	0	-535	0	-535
Net translation differences	-1	27		26
As of December 31, 2016	**1,347***	**15,748***	**0**	**17,095**
As of January 1, 2017	1,347	15,748	0	17,095
Amortization	0	12,918	0	12,918
Disposals	0	-9	0	-9
Other reclassifications	0	-1	0	-1
Net translation differences	-60	-127	0	-187
As of December 31, 2017	**1,287**	**28,529**	**0**	**29,816**
Carrying amounts				
As of December 31, 2016	39,210*	75,860*	0	115,070
As of December 31, 2017	**39,287**	**71,374**	**0**	**110,661**

* Prior-year figure adjusted; see Note 1.2 „Correction and adjustment of comparison figures“

Other intangible assets essentially include reacquired rights with a residual book value of kEUR 51,595 as of December 31, 2017 (previous year: kEUR 57,947), with a remaining amortization period of up to 16 years. The reacquired rights were recognized at fair value as of the date of acquisition if they were acquired within the framework of business combinations and amortized on a straight-line basis according to their economic useful lives.

Other intangible assets also include purchased license rights governing the use of the Vapiano concept with a residual book value as of December 31, 2017, of kEUR 6,134 (previous year: kEUR 7,254) and a remaining amortization period of 8 years, and rental and territory rights with a residual book value as of December 31, 2017, of kEUR 4,341 (previous year: kEUR 2,963) and a remaining amortization period of 9 years.

No development expenditure was incurred in the year under review that would have met IFRS capitalization criteria (previous year: kEUR 467). The carrying amounts of capitalized development expenses are tested for impairment for each asset based on estimated discounted future cash flows. The impairment test as of December 31, 2017, did not result in any impairment losses. No research costs or non-capitalizable development expenses were incurred in the year under review (previous year: kEUR 764).

Testing CGUs with goodwill for impairment

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

	Goodwill	
kEUR	**12/31/2017**	**12/31/2016**
France*	**14,497**	**14,497**
Germany	12,574	12,574
Sweden*	7,335	7,568
Netherlands	3,343	3,343
USA	777	886
Austria	430	0
Others	331	342
Goodwill (total)	**39,287**	**39,210**

*Prior-year figures adjusted to reflect final purchase price allocation.

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 1% and 3%. 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. Personnel costs are perpetuated at an annual average growth rate of 2.5%. 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 year-on-year change in the detailed planning period is the result of rolling out a new budgeting model throughout the Group.

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.

Assumptions	2017	2016
Forecast horizon	5 years	10 years
Long-term growth rate	0.90 % - 1.38 %	2 %

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	12/312017	12/31/2016
France	9.43 %	7.54 %
Germany	8.33 %	6.84 %
Sweden	8.01%	5.69 %
Austria	8.76 %	6.78 %
USA	7.56 %	8.92 %
Netherlands	8.19 %	6.25 %

The goodwill impairment tests did not result in any CGU being impaired. Sensitivity analysis was conducted to analyze the possible effects of changes in the perpetuity rate of assumed average sales growth or the cost of capital. The analyses were carried out under the assumption of potential changes which are realistic under the given conditions. If the perpetuity sales growth rate were 1.0 percentage points lower, there would still be no need for impairment of any of the CGUs. If the cost of capital increased by 1.0 percentage points, there would also be no impairment requirement for any CGU. For all CGUs, the Management Board estimates that no change in the realistically possible basic assumptions on which the determination of the recoverable amount is based could lead to the net carrying amount of a CGU exceeding its recoverable amount.

As of December 31, 2017, there was no indication of any need for additional impairment testing.

3.2 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts

kEUR	Leasehold improvements	Technical equipment and machinery	Other equipment, o&f equipment	Assets under construction	Total
Acquisition and production costs					
As of January 1, 2016	80,549	3,209	51,113	6,230	141,101
Additions from company acquisitions	591	11,246	16,995	12	28,844
Additions to the scope of consolidation	0	0	0	45	45
Additions through separate acquisition	8,794	2,511	6,303	10,418	28,026
Disposals	-168	-445	-2,661	-10	-3,284
Eliminations from the scope of consolidation	0	0	0	-1,538	-1,538
Other reclassifications	4,497	4,364	-988	-7,741	132
Net translation differences	-799	67	-176	5	-903
As of December 31, 2016	**93,464**	**20,952**	**70,586**	**7,421**	**192,423**
As of January 1, 2017	93,464	20,952	70,586	7,421	192,423
Additions from company acquisitions	1,168	0	375	0	1,543
Additions through 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**
Cumulative depreciation, amortization and impairment expenses					
As of January 1, 2016	28,226	1,157	21,748	9	51,140
Depreciation, amortization and write-downs	8,624	2,969	7,059	0	18,652
Disposals	-88	-325	-2,222	0	-2,635
Other reclassifications	-786	914	-128	0	0
Net translation differences	209	74	52	-4	331
As of December 31, 2016	**36,185**	**4,789**	**26,509**	**5**	**67,488**
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	0	28,305
Disposals	-3,203	-1,369	-2,415	-5	-6,992
Other reclassifications	-54	-7	63	0	2
Net translation differences	-818	-173	-166	0	-1,157
As of December 31, 2017	**43,967**	**7,453**	**36,226**	**0**	**87,646**
Carrying amounts					
As of December 31, 2016	57,279	16,163	44,077	7,416	124,935
As of December 31, 2017	**80,017**	**23,633**	**55,143**	**5,350**	**164,143**

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 2017 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 814 (previous year: kEUR 1,013).

In financial year 2017, the continuing losses of the restaurant in Shanghai, PR China, which is part of the “Rest of World” segment, prompted an impairment test that resulted in unscheduled impairment in the amount of kEUR 1,090 of the intangible assets and property, plant and equipment of the restaurant. For information on how the recoverable amount of the relevant cash-generating unit was determined, please refer to Note 3.1 „Goodwill and intangible assets (including impairment test)“. The adjustment was performed on the fair value less costs to sell, which was determined in accordance with level 2 of the valuation hierarchy as defined in IFRS 13, derived from the purchase price agreed between independent third parties as a directly observable input factor, which is not based on a quoted price on active markets. No remaining fair value was allocated to the impaired assets.

The impairment was recognized in the consolidated statement of comprehensive income for financial year 2017 under amortization and depreciation of intangible assets and property, plant and equipment.

3.3 ASSOCIATED COMPANIES

Significant investments in associated companies include the 49-percent stake in VAP Freestander GmbH, Bonn, the 50-percent stake in VAP Australia L.P., Sydney, and its subsidiaries (subsequently referred to as “VAP Australia”), the 51-percent stake in VAP Darmstadt GmbH, Darmstadt, and the 50-percent stake in VAP JV Spain 2017 S.L., Barcelona.

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.**	
Equity interest	12/31/2017 51%	12/31/2016 51%	12/31/2017 49%	12/31/2016 49 %	12/31/2017 50%	12/31/2016 50%	12/31/017 50%	12/31/2016 -
Non-current assets	3,824	4,236	8,109	5,814	10,673	10,055	1,799	-
Current assets	680	1,023	32	198	890	617	259	-
Non-current liabilities	57	45	-	2,758	6,109	5,949	2,000	-
Current liabilities	2,874	3,107	5,353	1,044	1,519	1,076	346	-
Net assets (100%)	1,573	2,107	2,788	2,210	3,935	3,647	-288	-
Group share of net assets	**802**	1,075	**1,365**	1,084	**1,967**	1,824	**-144**	-

kEUR	VAP Darmstadt		VAP Freestander GmbH		VAP Australia		VAP JV Spain 2017 S.L.	
	2017	2016	2017	2016	2017	2016	2017	2016
Equity interest	51%	51%	49%	49%	50%	50%	50%	-
Sales	4,917	4,927	340	340	14,769	14,676	-	-
Profit/loss	-534	-389	125	-40	285	201	-489	-
Other comprehensive income	-	-	-	-	-	-43	-	-
Total comprehensive income (100%)	-534	-389	125	-40	285	158	-489	-
Group share of total comprehensive income	**-273**	**-198**	**61**	**-19**	**143**	**79**	**-100**	**-**

The carrying amount of the investments developed as follows:

kEUR	VAP Darmstadt		VAP Freestander GmbH		VAP Australia		VAP JV Spain 2017 S.L.	
	2017	2016	2017	2016	2017	2016	2017	2016
Equity interest	51%	51%	49%	49%	50%	50%	50%	-
Carrying amount as of 31/12/2016	*1,075*	*-*	*1,084*	*1,103*	*1,824*	*1,745*	*-*	*-*
Transitional consolidation	*-*	*1,273*	*-*	*-*	*-*	*-*	*-*	*-*
Carrying amount as of 1/1/2017	1,075	1,273	1,084	1,103	1,824	1,745	-	-
Capital contribution	-	-	220	-	-	-	100	-
Group share of total comprehensive income	-273	-198	61	-19	143	79	-100	-
Carrying amount as of 31/12/2017	**802**	1,075	1,365	1,084	1,967	1,824	-	-

As a strategic partner of Vapiano Group, VAP Freestander GmbH, Bonn, which was established in 2013, is active in the real estate sector in Germany. Established in 2012, VAP Australia L.P., Sydney, operates as a strategic partner for Vapiano's restaurant business in Australia. VAP Darmstadt is a strategic partner for the operation of two restaurants in Darmstadt. VAP JV Spain 2017 S.L., founded in 2017, has been operating a Vapiano restaurant in Spain since the end of December 2017.

3.4 INVENTORIES

kEUR	12/31/2017	12/31/2016
Ingredients and beverages	2,324	2,003
Operating materials	4,526	3,989
Total	**6,850**	**5,992**
Amount of inventories recognized as expenses	-81,360	-59,076

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 financial year 2017.

3.5 TRADE RECEIVABLES

	1 - 5 years		< 1 year (current)		Total	
kEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Trade receivables						
from associates	-	-	1,216	1,047	1,216	1,047
from companies in which an interest is held	-	-	-	24	-	24
from related parties	-	-	30	-	30	-
from third parties	1,188	-	6,374	5,764	7,562	5,764
Total	**1,188**	-	**7,620**	**6,835**	**8,808**	**6,835**

The Group‘s credit and market risks, as well as the impairment of trade receivables, are discussed in Note 3.15 “Financial instruments and financial risk management (derivatives, valuation categories, options)”.

The non-current receivables from third parties result from deferral agreements with franchise partners, which provide for repayment within 2 to 3 years.

3.6 OTHER FINANCIAL ASSETS

	Residual term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Other non-derivative financial assets								
Investments	0	19	0	0	0	0	0	19
Receivables from associates	0	0	0	0	4,934	4,867	4,934	4,867
to related parties	0	0	0	0	1,564	0	1,564	0
Receivables from non-controlling shareholders	0	0	0	0	704	2,680*	704	2,680*
Sales tax assets	0	0	0	0	2,922	0	2,922	0
Others	663	1,207	226	493	3,391	3,028	4,280	4,728
Total	**663**	**1,226**	**226**	**493**	**13,515**	**10,575***	**14,404**	**12,294***

* Prior-year figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures“

Receivables from associates primarily relate to short-term loans used to fund their business operations. Receivables from related parties result from recharges of expenses incurred for the IPO.

In 2016, sales tax reimbursement claims were reported under current other assets.

Sundry current other financial assets mainly consist of receivables from credit card companies resulting from payment transactions in the restaurants. The non-current sundry other financial assets mainly include rent deposits.

The Group's default- and market-risk items, as well as information on the fair value of financial assets, are presented in Note 3.15 "Financial instruments and financial risk management (derivatives, valuation categories, options)."

3.7 OTHER ASSETS

	Residual term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Payments on account								
For products and services	0	0	0	0	14	67	14	67
Sales tax assets	0	0	0	0	0	1,917	0	1,917
Other tax receivables (excl. income taxes)	0	0	0	0	16	728	16	728
Others	0	323	16	690	7,780	1,337	7,796	2,350
Accruals								0
All other prepaid expenses	25	0	531	2	4,066	4,619	4,622	4,621
Total	**25**	**323**	**547**	**692**	**11,876**	**8,668**	**12,448**	**9,683**

The other remaining assets mainly comprise receivables from compensation claims, receivables from refunds, vouchers, receivables from health insurance companies, as well as receivables from employees. The other prepaid expenses primarily relate to advance rental payments prior to the closing date.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and other liquid assets in the amount of kEUR 14,871 (previous year: kEUR 11,692).

3.9 EQUITY

Share capital and capital reserve

Composition of share capital

The share capital recognized in the share capital of Vapiano SE amounted to EUR 24,029,833.00 as of December 31, 2017, and is broken down into 24,029,833 ordinary shares (no-par shares) with a nominal value of EUR 1.00 per share.

This capital developed as follows in financial year 2017:

	Ordinary shares	
In shares	**12/31/2017**	**12/31/2016**
Issued as of 1 January	533,827	500,811
Capital increase from company funds	19,799,070	-
Capital contribution from IPO	3,695,653	-
Issued in exchange for cash	1,283	33,016
Issued on 31st - fully paid-in*	**24,029,833**	533,827

*Approved - par value EUR 1

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 financial year 2017

On January 17, 2017, an Extraordinary General Meeting of Vapiano SE adopted a resolution to raise the Company's share capital by issuing 1,283 new shares with a nominal value of EUR 1.00 each. The agio of EUR 455.00 per share was added to the capital reserve of the Group parent company. The new shares participate in profits from January 1, 2017, onwards.

On April 27, 2017, the Extraordinary General Meeting adopted a resolution to increase the company's share capital in accordance with the regulations of the Stock Corporation Act governing capital increases from company funds (Sections 207 ff AktG) by EUR 19,799,070.00. The share capital was increased by issuing 19,799,070 new registered shares with a nominal value of EUR 1.00 each, which are eligible for profit participation from January 1, 2017, onwards. All previous shareholders participated in the capital increase in the ratio of their previous stakes. They received 37 new ordinary shares for each former share.

In preparation for the IPO, the Annual General Meeting on May 30, 2017, adopted a resolution to raise the Company's share capital by up to EUR 5,083,545 by issuing new registered shares with a nominal value of EUR 1.00 each. The statutory subscription rights of shareholders were excluded. The new shares participate in profits from January 1, 2017, onwards. By public offering on June 27, 2017, the share capital was raised by EUR 3,695,653 by issuing 3,695,653 new registered shares with a nominal value of EUR 1.00 each. Accordingly, the issue price of EUR 23.00 included an agio of EUR 22.00 per share that was added to the capital reserve of the Group parent company.

Subject to the consent of the Supervisory Board, the Management Board is authorized to increase the Company's share capital until the end of business on May 29, 2022, by a total of up to EUR 4,676,861.00 in return for contributions in cash and/or in kind contributions ("Authorized Capital 2017"). Shareholders must generally be granted subscription rights. Under certain conditions that are laid out in Article 4.3. of the Articles of Association, the Management Board is authorized to fully or partially exclude the subscription rights of shareholders with the consent of the Supervisory Board. This is particularly the case if the capital is increased in return for contributions in kind or if the new shares are issued at a price that is not substantially lower than the stock exchange price of the current shares in the Company and if the issued shares represent less than 10% of the share capital. This authorization has not yet been utilized.

Furthermore, the share capital of Vapiano SE is conditionally increased by EUR 4,676,861.00, divided into 4,676,861 new no-par value registered shares ("Conditional Capital 2017"). According to the authorization granted by the Annual General Meeting of May 30, 2017, the conditional capital increase can be implemented until the end of business on May 29, 2022, by issuing warrant bonds, convertible bonds, profit participation rights and/or participating bonds or combinations of these instruments with warrants or conversion rights. This authorization has not yet been utilized.

Offsetting the transaction costs of the public offering
Transaction costs of kEUR 4,655 that were directly attributable to capital procurement in connection with the IPO on June 27, 2017, were offset against the Group's capital reserve. The recognition of the relevant deferred taxes of kEUR 1,490 in the Group's capital reserve had a countervailing effect.

Earnings per share

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

	12/31/2017	12/31/2016
Group result for the period attributable to parent company entities in EUR (basic/diluted)	-27,732,708	-768,650*
Number of shares issued	24,029,833	533,827
Adjusted weighted average number of ordinary shares issued	22,237,635	20,800,692
Basic/diluted earnings per share (EUR per share)	**-1.25**	**-0.04***

* Figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures"

Following the capital increase from company funds in financial year 2017, the number of shares used to calculate the prior-year figures was adjusted to enable comparability, as required by IAS 33.64.

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 1.7 „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

Minority interests amounted to kEUR 20,032 (previous year: kEUR 20,795) including pro rata profit for the period of kEUR -1,821 (previous year: kEUR 255).

Capital management

The Group's policy is to maintain a strong capital base so as 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 Management Board uses total net worth (Group equity plus subordinated shareholder loans minus goodwill) as its means of monitoring capital. Based on this indicator, compliance with the Group's mandatory minimum equity requirement in absolute terms can be assured.

Pursuant to the provisions of the syndicated loan agreement governing the funding of the Group, the resulting figure must, moreover, be notified to the syndicate banks at quarterly intervals (see also Section 3.12 „Financial liabilities and other financial obligations").

3.10 SHARE-BASED PAYMENT ARRANGEMENTS

The „DRIVE" management incentive program

Beginning in October 2014, certain members of the Vapiano management team (known as „management shareholders" and identified each year by the shareholders of Vapiano SE) had the opportunity to purchase a certain number of shares in Vapiano SE at the current market value of the shares. Since the public offering of the Group parent company, no further shares from the "DRIVE" program for the management team have been sold.

Prior to the IPO on June 27, 2017, a total of 12 (previous year: 12) executives were eligible to purchase shares in the course of capital increases. The composition of eligible executives has not changed compared to the previous year. The number of shares held by eligible executives totaled 73,264 as of the closing date (previous year: 645, prior to the split in the ratio of 1:38). The shares (123) held by executives who left the Group in 2017 were all bought by other shareholders at market price. The remaining change in 2017 refers to capital increase measures implemented before the public offering, which all shareholders were able to participate in (for further details, please refer to the consolidated statement of changes in equity).

The "DRIVE" management incentive program falls under the scope of IFRS 2.2 (a). Since the shares were acquired at the applicable market value, any compensation component was not recognized as an expense in accordance with IFRS 2. The market price of Vapiano SE's shares was determined using a discounted cash flow (DCF) model.

The „DRIVE II“ management incentive program

In financial year 2017, the Group set up a new long-term share-based incentive program for members of the Management Board and certain senior managers (“participants”) – the Long Term Share Matching Plan (LTI). Under this Plan, participants are eligible to receive a certain number of free shares (“performance shares”) after a certain period.

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, the Company will award them up to two performance shares for each investment share, subject to 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 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 proportionally.

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 contractually agreed 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 awarded in financial year 2017. The number of free shares to be awarded was calculated on the assumption, derived from the Company's budget plans, that an average annual increase in EBITDA of 25% would be exceeded.

Dividends were not considered when calculating the fair value since the Company's budget plans – reflecting its 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.

A total of kEUR 37 was expensed in the year under review in connection with the Plan.

3.11 PROVISIONS

	Personnal provisions	Other provisions		Total
kEUR	Anniversary payments	Asset retirement obligations	Others	
As of January 1, 2017	**132**	**4,254**	**1,009**	**5,395**
Addition through company acquisition	69	115	0	184
Addition from change in value	0	325	0	325
Provisions made	166	743	1,094	2,003
Provisions used	-111	-61	-1,136	-1,308
Provisions reversed	0	0	-120	-120
Translation difference	0	0	-6	-6
Accrued interest	8	125	0	133
As of December 31, 2017	**264**	**5,501**	**841**	**6,606**
Non-current	261	5,501	175	5,937
Current	3	0	666	669

Anniversary payments

Provisions for HR and social obligations relate solely to provisions for future anniversary payment obligations.

Asset retirement obligations

The provision for asset retirement obligations is recognized for each rental property in cases in which Vapiano is subject to a contractual obligation to remove tenant and restaurant fixtures at the end of the rental term. The addition from changes in value is the result of a changed estimate of long-term inflation expectations, from an average of 0.9% p.a. to an average of 2.0% p.a. This led to an increase in expected future asset retirement/ reinstatement costs.

Provisions attributable to leases with a remaining maturity of less than one year are recognized as current provisions.

Other provisions

Other provisions contain provisions for legal disputes of kEUR 250 (previous year: kEUR 0) and for risks from tax related audits (payroll and sales tax) of kEUR 192 (previous year: kEUR 430). A further kEUR 14 of the other provisions is attributable to the “DRIVE II” management incentive program (previous year: kEUR 0).

3.12 FINANCIAL LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Financial liabilities and other financial obligations break down as follows:

	Residual term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Financial liabilities								
to banks	1,515	2,248	111,987	130,681	14,874	7,439	128,376	140,368
Liabilities from finance leases	0	0	276	205	566	809	842	1,013
Total	**1,515**	**2,248**	**112,263**	**130,885**	**15,440**	**8,248**	**129,219**	**141,381**
Other financial liabilities								
to associates	0	0	0	0	0	383	0	383
to non-controlling shareholders (non-Group shareholders)	793	1,208	0	0	5,159	7,766	5,951	8,974
to related parties	0	241	0	0	7,648	577	7,648	818
to third parties	27	158	147	0	541	4,015*	715	4,173*
Contingent purchase price payment	0	0	0	0	0	1,112	0	1,112
Sales tax liabilities	0	0	0	0	1,723	0	1,723	0
Sundry financial liabilities	0	0	0	0	0	1,140	0	1,140
Total	820	1,607	147	0	15,070	14,993*	16,037	16,600*
Derivative financial instruments								
Interest rate swaps	0	0	192	326	2	9	194	335
Total	0	0	192	326	2	9	194	335
Total	2,335	3,855	112,602	131,211	30,512	23,250*	145,450	158,316*

* Figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures“

Conditions and schedule of liabilities

Outstanding loans are subject to the following conditions:

				12/31/2017		12/31/2016	
kEUR	Currency	Interest rate (%)*	Due in year	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Syndicated loan	Euros	2.35%	2022	100,000	98,610	117,000	117,000
Loan - France	Euros	2.52%	2018-2024	14,256	14,256	14,382	14,382
Loan - Netherlands	Euros	2.74%	2018-2024	5,143	5,143	2,506	2,506
Other loans	Euros	3.07%	2018-2022	10,367	10,367	6,480	6,480
Total				**129,766**	**128,376**	**140,368**	**140,368**

* 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.

The syndicated loan outstanding as of the prior-year closing date was replaced by a new syndicated loan in financial year 2017. The new syndicated loan agreement was executed for a term of 5 years and grants the Group access to variable amounts of liquid funds up to a maximum of EUR 200 million. The Group is bound by financial covenants under the lending agreement. Specifically, the total net worth (Group equity plus subordinated shareholder loans minus goodwill) must not fall below a specified absolute figure. In addition, a maximum net debt ratio (defined as the ratio of net debt to EBITDA adjusted for non-recurring effects on a 12-month rollover basis) must not be exceeded. Compliance with the financial covenants is monitored at quarterly intervals and reported to the syndicate of banks who have underwritten the loan.

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 (see also Note 4.2 „Non-controlling interests"). 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.

The sundry current other financial liabilities include the exercise obligation resulting from the right of termination of the minority shareholder in Rehkämper GmbH. Because of this right of termination, the non-controlling interests must be recognized in borrowings, rather than in equity, in the consolidated statement of financial position (see Note 1.2 "Correction and adjustment of comparison figures"). As of December 31, 2017, the exercise obligation amounted to kEUR 3,867 (previous year: kEUR 3,825). The effects of subsequent measurement of the obligation are recognized in profit and loss in the income statement.

For details of the extent to which the Group is exposed to interest, currency and liquidity risks, please refer to Note 3.15 "Financial instruments and financial risk management (derivatives, valuation categories, options)".

3.13 TRADE PAYABLES

Trade payables break down as follows:

	Residual term < 1 year (current)	
kEUR	12/31/2017	12/31/2016
Trade payables		
against associates	86	52
against third parties	18,462	13,311
Liabilities for outstanding invoices	9,876	4,082
Total	**28,424**	**17,445**

Disclosures on the currency and liquidity risks to which the Group is exposed relative to trade payables are provided in Note 3.15 „Financial instruments and financial risk management (derivatives, valuation categories, options)."

3.14 OTHER LIABILITIES

Other liabilities are composed as follows:

	Residual term						Total	
	> 5 years		1 - 5 years		< 1 year (current)			
kEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Other liabilities								
from wage and salary accounting	0	0	15	0	10,631	7,090	10,631	7,090
for vacation and compensation of overtime	0	0	0	0	3,027	1,142	3,027	1,142
for preparation and audit of financial statements	0	0	0	0	832	730	832	730
Sales tax liabilities	0	0	0	0	402	485	402	485
Outstanding purchase price liabilities from acquisitions	0	0	0	0	0	1,550	0	1,550
against non-controlling shareholders (external shareholders)	0	0	0	0	1,479	6,836	1,479	6,836
Accruals								
Deferred rental and lease expenses	443	973	558	0	16	69	1,016	1,042
All other deferred income	1,110	0	1,940	0	2,094	3,330	5,144	3,330
Total	**1,553**	**973**	**2,498**	**0**	**18,481**	**21,232**	**22,531**	**22,205**

Personnel-related liabilities

Personnel-related liabilities mainly relate to liabilities from employees' vacation and bonus claims and obligations for employee-related social security contributions.

Claims arising from guest loyalty programs

The deferred income associated with the vouchers issued under a guest loyalty program totaled kEUR 832 (previous year: kEUR 730).

Deferred sales were determined based on the fair value of the reward points issued after taking the likelihood of redemption into account.

Other deferred accruals

The other deferred accruals results mainly from construction cost subsidies.

3.15 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 financial liabilities not measured at fair value, because the carrying amount represents a reasonable approximation of the fair value.

		Carrying amount					Fair value			
December 31, 2017 kEUR	Note	Held for trading	Loans and receivable	Available for sale	Other financial liabilities	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		-	-	-	169,612	**169,612**	-	141,563	-	**141,563**

December 31, 2016 kTEUR	Note	Carrying amount Held for trading	Loans and receivables	Available for sale	Other financial liabilities	Total	Fair value Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value										
Investments		-	-	19	-	19	-	-	-	-
Trade receivables	3.5	-	6,835	-	-	6,835	-	-	-	-
Other financial assets	3.6	-	12,275	-	-	12,275	-	12,294	-	12,294*
Cash and cash equivalents	3.10	-	11,691	-	-	11,691	-	-	-	-
Total		-	**30,801**	**19**	-	**30,820**	-	**12,294**	-	**12,294***
Financial liabilities measured at fair value										
Interest rate swaps	3.14	335	-	-	-	335	-	335	-	335
Forward exchange contracts		-	-	-	-	-	-	-	-	-
Other financial liabilities*	1.8	-	-	-	4,881	4,881	-	430	4,451	4,881*
Contingent purchase price components from company acquisitions	1.8	-	-	-	1,112	1,112	-	-	1,112	1,112
Total		**335**	-	-	**5,993**	**6,328**	-	**765**	**5,563**	**6,328**
Financial liabilities not measured at fair value										
Liabilities to banks	3.14	-	-	-	140,368	140,368	-	141,875	-	141,875
Trade payables	3.15	-	-	-	17,445	17,445	-	-	-	-
Liabilities from finance leases	3.14	-	-	-	1,013	1,013	-	1,013	-	1,013
Other financial liabilities	3.14	-	-	-	10,607	10,607	-	10,607	-	10,607*
Total		-	-	-	**169,433**	**169,433**	-	**153,495**	-	**153,495***

* Figures adjusted; see Section 1.2 „Correction and adjustment of comparison figures“

Determination of fair values

Other financial assets categorized as „available for sale“ are measured at acquisition cost, as the equity interest in these corporations is not traded on an active market and the fair value cannot reliably be determined. This is due to the significant variability in the range of reasonable fair value estimates. Additionally, the probabilities of the various fair value estimates within the range cannot be reasonably assessed. A reliable fair value can be determined only in the context of sale negotiations.

Valuation techniques and material, unobservable inputs
The following valuation techniques and unobservable inputs were used in determining level 2 and level 3 fair values:

Level 2 financial instruments measured at fair value
Market values of interest rate swaps are determined by discounting expected future cash flows over the remaining term of the contracts under application of current market interest rates. Further valuation models, such as the Black-Scholes model, are used to determine the market values of interest rate caps. Where possible, observations of relevant market data as at the reporting date are taken as the input parameters for these models. Floating rates of interest are determined on the basis of forward interest rates.

Determination of the market values of forward exchange contracts as of the reporting date is based on valuation models taking forward exchange rates as of the reporting date into account.

Derivative financial instruments at fair value are measured on the basis of the measurement by the respective banks and are classified as level 2. The respective counterparty risk is not taken into account as the amounts in question are not significant.

The fair values of non-current liabilities to banks are measured on the basis of the yield curve, irrespective of counterparty risk. These are therefore classified as level 2 in the valuation hierarchy.

No fair values are disclosed for financial instruments such as trade receivables and trade payables, cash and cash equivalents as well as other financial receivables and liabilities as the carrying amounts of these financial instruments correspond to a reasonable approximation of fair value on account of their predominantly short residual terms.

Level 3 financial instruments measured at fair value
As of December 31, 2017, only the liability associated with the right of termination with entitlement to compensation relating to the non-controlling interests in Rehkämper GmbH was measured in accordance with Level 3. The fair value is based on the EBITDA relevant at the time of payment, which is multiplied by a valuation factor and discounted to the current value. This means that changes in EBITDA planning have a proportional impact on the valuation of the liability.

In 2017, no reclassifications from level 3 to level 2 were carried out.

Reconciliation of level 3 fair values
The following table shows the reconciliation between initial and closing level 3 fair values:

kEUR	Other financial liabilities
As of January 1, 2016	-4,612*
Initial recognition of a level 3 liability	-1,112
Transfer out of level 3	613
Change in fair value recognized in financial result	-452*
As of December 31, 2016	-5,563*
As of January 1, 2017	-5,563
Derecognition of financial liabilities	1,738
Change in fair value recognized in financial result	-42
As of December 31, 2017	-3,867

* Figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures"

Net results by valuation category

Net gains and losses from financial instruments include valuation results, the recognition of impairment expenses, and interest. Valuation results as well as interest per valuation category are disclosed in Note 2.6 "Financial result." Impairment expenses are attributable to the valuation category "loans and receivables" and are disclosed in the section "Impairment" below.

Financial risk management

Principles of risk management
The Company's management 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 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 help identify any necessary impairment, the Group has introduced a procedure that permits estimates of losses already incurred on trade receivables.

Impairment
As of the reporting date, the age structure of unimpaired trade receivables was as follows:

kEUR	12/31/2017	12/31/2016
Neither past due nor impaired	5,494	3,778
Over 1–30 days past due	1,081	1,012
Over 31-90 days past due	369	184
Over 91-120 days past due	189	439
Over 120 days past due	429	351
	7,562	5,764

The Company's management assumes that amounts which are more than 30 days past due will be collected in full. This assessment is based on past payment behavior, and on extensive analyses relative to the risk of customer default.

In 2017, the following additional bad debt reserves with regard to loans and receivables were recognized:

- Trade receivables were impaired in the amount of kEUR 699 (previous year: kEUR 925).
- No loans were written off (previous year: kEUR 1,396).
- In addition, bad debts were directly written off in the amount of kEUR 165 (previous year: kEUR 106).

Cash and cash equivalents
On December 31, 2017, the Group held cash and cash equivalents of kEUR 14,871 (previous year: kEUR 11,691).

Derivatives
Derivatives are entered into with banks or financial institutions with a long-term of at least „A+“ from the rating agency “Fitch Ratings”.

Guarantees and sureties
With regard to the Group‘s guarantees and sureties, please see Note 4.4 „Related-party disclosures.“

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 activity-based costing to forecast its expansion costs. This is used to plan liquidity in detail every week for the next four 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.

With regard to the Group‘s lines of credit, please see Note 3.12 „Financial liabilities and other financial obligations."

Significance of liquidity risk
The contractual residual terms of financial liabilities as of the closing date, including estimated interest payments, are listed below. The amounts are gross and undiscounted, including estimated interest payments but excluding the presentation of netting effects.

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**
Trade payables	28,424	28,424	0	0	0	**28,424**
Other financial liabilities	16,037	15,070	146	0	820	**16,037**
Derivative financial liabilities						
Interest rate swaps	194	2	192	0	0	**194**

December 31, 2016		Contractual cash flows				
kEUR	Carrying amount	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Non-derivative financial liabilities						
Liabilities to banks	140,368	10,752	124,621	9,436	2,077	**146,886**
Trade liabilities	17,445	17,445	0	0	0	**17,445**
Other financial liabilities	15,488	13,882*	0	0	1,607	**15,489***
Contingent purchase price payment	1,112	1,112	0	0	0	**1,112**
Derivative financial liabilities						
Interest rate swaps	335	9	326	0	0	**335**
Forward exchange contracts	1,056	430	0	0	626	**1,056**

* Figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures“

The gross cash in- and outflows shown in the tables above represent the undiscounted cash flows associated with derivative financial liabilities that are held for purposes of risk management and which are normally not settled until they reach contractual maturity. The table shows the net cash flows of net cash-settled derivatives as well as gross cash inflows and outflows of derivatives for which gross settlement has been agreed.

As disclosed in Note 3.12 „Financial liabilities and other financial obligations“, Group financing is essentially provided through a syndicated loan agreement. The loan agreement stipulates that deviations from its provisions may result in the loan having to be repaid earlier than indicated in the table above. The interest payments on floating rate loans in the above table reflect the market conditions for forward interest rates at the end of the financial year. They may change if market rates of interest change. The future cash flows from derivative instruments may deviate from the amounts shown in the table above as interest rates and exchange rates, or the relevant conditions, are subject to change. With the exception of these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates or equity prices – will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return. Risk management also aims to prevent the concentration of risks.

The Group uses derivatives to manage market risk. Because the Group uses financial instruments exclusively for this purpose, there are no resulting additional market or liquidity risks. Prior to entering into each individual transaction, the CFO discusses the hedging scope relative to the risks of changes in interest rates with Controlling at Vapiano SE, with contacts at its principal bank, and with members of the Supervisory Board. In light of the volume of these transactions, the Articles of Association require the regular consent of the Supervisory Board; this consent is duly obtained.

The Group has various option rights to purchase shares in non-controlled restaurants. The performance of the restaurants is regularly monitored, and the economic efficiency of exercising the options is routinely discussed.

The option price is always based on a specific multiplier that comes closest to approximating the fair value of the restaurant underlying the option. Because the fair value is derived from the option price, the option rights have no appreciable fair value that would require financial reporting. The carrying amount of the liabilities recognized from the granted call options corresponds to the amount defined by the restaurant's performance and, in turn, the option price.

All transactions comply 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 circumstances

Significance of currency risk

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies were as follows as of the closing date:

kEUR	12/31/2017 USD	12/31/2017 AUD	12/31/2017 GBP	12/31/2017 DKK
Receivables	841	2,839	0	0
Liabilities	0	0	80	3,670
Net statement of financial position exposure	**841**	**2,839**	**80**	**3,670**

A reasonably possible strengthening (weakening) of the US dollar against the euro as of December 31, 2017, would have affected the measurement of derivative financial instruments and trade receivables denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other influencing variables, in particular interest rates, remain constant. Any impact of forecasted sales and purchases were disregarded.

Effect in kEUR	Profit or loss	
12/31/2017	-10% rate change	+10% rate change
USD	-64	70
AUD	-168	185
GBP	8	-9
DKK	45	-49

Effect in kEUR	Profit or loss	
12/31/2016	-10% rate change	+10% rate change
USD	-59	65

Interest rate risk
The Group is continuously exposed to changes in interest rates, primarily due to the floating rate loan. This risk is partially hedged through various interest rate swaps or interest rate caps.

Sensitivity analysis of cash flows of floating rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular rates of exchange, remain constant.

Effect in kEUR	Profit or loss	
12/31/2017	100 bp increase	100 bp decrease
Sensitivity from floating rate loans	-1,185	185
Sensitivity from interest rate derivatives	21	-220

Effect in kEUR	Profit or loss	
12/31/2016	100 bp increase	100 bp decrease
Sensitivity from floating rate loans	-916	120
Sensitivity from interest rate derivatives	281	-289

Commodity price risks:
Although price increases proved unavoidable in certain areas, further improvements in purchasing made it possible to cushion them. By virtue of additional economies of scale and long-term delivery contracts with suppliers, future prices can be secured, meaning short-term price fluctuations have no 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 marketing/advertising 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

Management of the business units is based on the 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 Note 1.4 ff.

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 following table shows the sales and results of the individual reportable segments of Vapiano Group:

2017 kEUR	Germany	Rest of Europe	Rest of World	Others	Consoli-dation	Total
External sales	148,311	156,394	16,314	3,680	0	324,699
Sales with other business segments	9,493	9,428	1,896	10,587	-31,404	0
Segment sales	**157,804**	**165,822**	**18,209**	**14,267**	**-31,404**	**324,699**
Segment EBITDA	**19,144**	**26,504**	**387**	**-30,281**	**46**	**15,754**
Amortization and depreciation of intangible assets and property, plant and equipment						-41,223
Financial result						-6,158
Share of net profit/loss of associates accounted for using the equity method						-169
Income tax income/expenses						2,242
Result for the period						**-29,554**

2016 kEUR	Germany	Rest of Europe	Rest of World	Others	Consoli-dation	Total
External sales	133,275	96,954	16,884	1,502	0	248,614
Sales with other business segments	8,394	5,546	840	3,155	-17,935	0
Segment sales	**141,669**	**102,499**	**17,724**	**4,657**	**-17,935**	**248,614**
Segment EBITDA	**15,590**	**19,608**	**805**	**-7,639**	**0**	**28,364**
Amortization and depreciation of intangible assets and property, plant and equipment						-25,503*
Financial result						-3,841*
Share of net profit/loss of associates accounted for using the equity method						-137
Income tax income/expenses						603*
Result for the period						**-514***

* Figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures“

Amortization and depreciation of intangible assets and property, plant and equipment for financial year 2017 include an impairment loss of kEUR 1,090 that was recognized in the result for the period and relates to the “Rest of World” segment (see Note 3.2 “Property, plant and equipment”).

Geographic information

The sales generated by the business segments of the Group from transactions with external customers by geographical location of the operations can be derived from the table above.

Information about the segments' assets by geographical location of the assets is summarized in the following table:

kEUR	2017	2016
Germany	96,602	86,887
France*	69,163	62,782*
Sweden*	31,827	34,575*
Austria	20,441	13,785
Others	59,619	43,625
Total	**277,651**	**241,653**

* Figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures"

The figures in the table do not include any other financial assets, nor investments accounted for using the equity method, or deferred tax assets.

Sales by product areas

For an analysis of the Group's sales by individual product area according to IFRS 8.32, please refer to Note 2.1 "Sales".

Information on main customers

No single customer contributed 10% or more to consolidated sales in 2017 or 2016.

4.2 NON-CONTROLLING INTERESTS

The following table presents the financial information relating to each of the Group's subsidiaries that has material non-controlling interests, before intra-Group eliminations, for financial years 2016 and 2017:

	Subgroup Sweden		Subgroup France		VAP Nederland B.V.	
kEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Non-current assets	32,551	35,490	73,177	68,513*	17,650	13,410
Current assets	3,271	5,741	11,055	5,659	3,323	1,950
Non-current liabilities	7,376	7,440	39,720	42,434*	4,249	3,771
Current liabilities	9,499	15,466	27,217	12,123*	9,655	3,208
Net assets (100%)	18,946	18,325	17,295	19,615*	7,068	8,381
Carrying amount of non-controlling Interests	**9,858**	**11,298**	**4,477**	**5,232**	**4,592**	**4,625**

	Subgroup Sweden		Subgroup France		VAP Nederland B.V.	
kEUR	2017	2016	2017	2016	2017	2016
Sales	32,526	11,527	46,402	12,792	21,350	19,160
Total comprehensive income (100%)	-2,290	-235	-2,051	-596*	-65	109
Total comprehensive income attributed to non-controlling interests	**-1,116**	**159**	**-513**	**22***	**-32**	**343**

* Figures adjusted; see Note 1.2 „Correction and adjustment of comparison figures"

VAP Marseille S.A.S. and VAP Marseille 2 S.A.S. – both companies are part of the sub-Group France – paid dividends of kEUR 242 to non-controlling shareholders in financial year 2017.

In addition there are non-material non-controlling interests, whose detailed information is summarized below:

	Various immaterial NCI	
kEUR	**12/31/2017**	**12/31/2016**
Non-current assets	10,199	9,301
Current assets	4,768	4,117
Non-current liabilities	2,828	1,166
Current liabilities	6,713	7,170
Net assets (100%)	5,426	5,081
Carrying amount of non-controlling Interests	**1,106**	**-360**

	Various immaterial NCI	
kEUR	**2017**	**2016**
Sales	27,579	12,606
Total comprehensive income (100%)	778	-1,022
Total comprehensive income attributed to non-controlling interests	**-161**	**-298**

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.

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.

Of the kEUR 5,005 cash outflow from investing activities for the acquisition of subsidiaries, less acquired cash and cash equivalents, kEUR 1,482 is attributable to the company acquisition "Austria" in the year under review, and kEUR 3,523 to payments of outstanding purchase prices for companies acquired in the previous year.

Cash flow from financing activities is characterized by changes in capital as well as by the increase and repayment of bonds and loans. In addition, cash flows from changes in ownership interests in subsidiaries that do not lead to a loss of control are classified as financing activities. The liabilities associated with the financing of the Group's business activities developed as follows in financial year 2017:

kEUR	12/31/2016	Cash changes	Additions from acquisitions	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
Shareholders' loans	0	7,450	0	0	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 PARTY DISCLOSURES

Related parties as defined by IAS 24 are legal or natural entities that can influence Vapiano SE and its subsidiaries, or that are subject to control, joint control or significant influence by Vapiano SE or its subsidiaries.

This includes, in particular, the following groups of Vapiano SE shareholders who exert significant influence over the Group. Associates also constitute related parties.

Transactions with related parties are carried out on an arm's length basis.

Parent company and ultimate controlling party

Vapiano SE is the parent company of Vapiano Group (see Note 1.1 „Reporting Company“).

There are three main groups of shareholders above Vapiano SE who each exert significant influence over the Group (respective stakes as per most recent notification of voting rights):

- VAP Leipzig GmbH & Co. KG, Leipzig (18.8%)
- Exchange Bio GmbH, Darmstadt (12.9%)
- Mayfair Beteiligungsfonds II GmbH & Co. KG, Hamburg (38.5%)

No other stakes of 3.00 percent or more have been reported. No notifications pursuant to Section 21 (1) WpHG were received during the reporting period.

In addition to these shareholder groups, the following individuals must also be defined as related parties:

- Gregor Gerlach
- Hans-Joachim Sander
- Gisa Sander
- Daniela Herz-Schnoeckel and children
- Günter Herz and children
- Hinrich Stahl
- Kristian Wettling
- Dr. Rigbert Fischer
- Dr. Thomas Tochtermann
- Alexandra Ischler von Kuenheim
- Helen Jones

Transactions with members of management in key positions

Members of management in key positions at Vapiano are the members of the Management Board and of the Supervisory Board.

The members of the Management Board are:

- Jochen Halfmann, since June 9, 2015
- Lutz Scharpe, since December 7, 2015
- Mario Bauer, January 1 to December 31, 2017

The following persons comprise the Group's Supervisory Board:

- Dr. Thomas Tochtermann (Chairman)
- Hinrich Stahl (Deputy Chairman)
- Hans-Joachim Sander, until January 17, 2017
- Kristian Wettling
- Gregor Gerlach
- Dr. Rigbert Fischer
- Alexandra Ischler von Kuenheim, from January 17, 2017, to May 30, 2017
- Helen Jones, since May 30, 2017

Remuneration of members of management in key positions

Remuneration of members of management in key positions comprises:

kEUR	2017	2016
Short-term benefits	1,533	919
Total benefits	**1,533**	**919**

Total remuneration of Members of the Management Board amounted to kEUR 1,235 in 2017 (previous year: kEUR 684). This figure includes additions of kEUR 26 to the Group equity reserve and to the provision for future wage tax payments relating to the beneficiaries of the DRIVE II management incentive program. The expense corresponds to the fair value of the performance shares conditionally vested under the incentive plan up to the closing date.

The remuneration attributable to each individual member of the Management Board stated by name, and broken down into non-performance-related and performance-related components is not indicated as required in Section 285 (9a) sentences 5 to 8 HGB following resolution by the Annual General Meeting on May 30, 2017, not to disclose this information, which applies for a period of five years. In the previous year, the safeguard clause of Section 286 (4) HGB was exercised with respect to the disclosure of the remuneration paid to the members of the Management Board.

Total remuneration attributable to members of the Supervisory Board amounted to kEUR 298 (previous year: kEUR 235).

As in the previous year, no loans were granted to the members of the Supervisory Board and the Management Board. As of December 31, 2017, a provision for bonuses in the amount of kEUR 151 was recognized for members of management in key positions (previous year: kEUR 34).

Other transactions with key management personnel
A number of members of management in key positions, or companies and individuals related to them, hold positions in other companies as a result of which they have control over these companies.

From time to time, members of the Group‘s Management Board or related companies can purchase goods or services from the Group, for example, during a visit to a Vapiano restaurant. The same terms and conditions apply to these individuals as to purchase agreements entered into by other employees or customers of the Group.

Other transactions with related parties

During the current reporting period, Group entities engaged in transactions with the following related parties that are not part of the consolidated Group:

	Deliveries and services	
kEUR	2017	2016
VAP Leipzig GmbH & Co. KG	1,457	159
Exchange Bio GmbH	1,701	-
Associates of Vapiano SE	1,832	1,320
Total	**4,990**	**1,479**

Apart from the services performed for related parties, the Group was also provided with services by a company related to a member of management in a key position in financial year 2017. The services in question were related to a rental contract for restaurant premises and totaled kEUR 223 (previous year: kEUR 72).

The following balances were outstanding at the reporting date:

	Receivables from related parties		Liabilities to related parties	
kEUR	12/31/2017	12/31/2016	12/31/2017	12/31/2016
VAP Leipzig GmbH & Co. KG	1,322	13	3,090	0
Exchange Bio GmbH	272	0	0	0
Mayfair Beteiligungsfonds II GmbH & Co. KG	0	0	4,558	0
Non-consolidated subsidiaries of Vapiano SE	0	220	0	0
Associates of Vapiano SE	6,149	5,384	86	0
Total	**7,743**	**5,617**	**7,734**	**0**

Transactions with shareholders

In the first quarter of financial year 2017, the three main shareholders of Vapiano SE granted the Group a subordinated loan of EUR 10.0 million. The shares of the total loan attributable to each shareholder were equivalent to their stakes in Vapiano SE at the time the loan was granted and was essentially sufficient to prepare for the IPO. As of December 31, 2017, repayment of EUR 7.5 million of the shareholders' loan granted in financial year 2017 was still outstanding.

Moreover, some of the expenses incurred for the public offering were charged on to two main shareholders.

In addition, further business transactions with VAP Leipzig GmbH & Co. KG result from the franchise relationship between Vapiano Group and VAP Leipzig GmbH & Co. KG, which operates a restaurant as a franchisee.

Transactions with associates
Transactions with associates are mainly based on normal franchise relationships and the associated franchise and marketing fees, and on receivables owing to Vapiano Group from loans it has granted.

All transactions with these related parties were concluded at arm‘s length and are unsecured.

No expense has been recognized in the current or previous year for unrecoverable or doubtful receivables in respect of amounts owed by related parties.

The „DRIVE“ management incentive program
In 2016, 2,000 additional shares were awarded for purchase. Of these, 1,283 shares were purchased in January 2017. In financial year 2017, no further new shares were awarded for purchase because of the public offering, and the "DRIVE 2.0" management incentive program was launched (see Note 3.10 "Share-based payment arrangements"). The objective of the program is still to secure the long-term loyalty of management.

Further board functions performed by members of the Supervisory Board (Section 285 (10) HGB)

The following members of the Supervisory Board of Vapiano SE occupied seats on other supervisory and advisory boards in financial year 2017 as follows:

Dr. Thomas Tochtermann

- Dansk Supermarkt S/A (member of the Supervisory Board)
- TOM TAILOR Holding SE (Chairman of the Supervisory Board)
- Gruner + Jahr GmbH & Co. KG (member of the Advisory Board)

Helen Jones

- Ben & Jerry‘s (Independent Director)
- Halford Group plc (Non-Executive Director)

4.5 OPERATING LEASES

Leases as lessee

The Group leases a number of restaurants and office buildings under operating leases.

The leases typically run for a period of ten years, with an option to renew the lease after the base lease term.

Some leases provide for additional rent payments, based on changes in price indices, for example.

Certain operating leases prohibit the Group from entering into subleases.

The Group sub-let one of the leased properties to a franchisee. The lease and sub-lease had the same contractual terms.

Future minimum lease payments

As of December 31, 2017, future minimum lease payments under non-cancelable leases were as follows:

kEUR	2017	2016
Less than one year	34,076	27,393
More than one year and less than five years	133,310	96,506
More than five years	140,398	84,460
Total	**307,784**	**208,359**

Amounts recognized in profit or loss

kEUR	2017	2016
Lease expenses	-27,477	-24,637
Income from subleases	0	94
Total	**-27,477**	**-24,543**

Purchase commitments

As of December 31, 2017, orders valued at kEUR 8,802 in connection with future investments in existing and new restaurants had already been contractually agreed.

4.6 FINANCE LEASE LIABILITIES

Leases as lessee

The Group leases a number of restaurant and kitchen facilities under finance leases.

Finance lease liabilities are payable as follows:

	Present value of future minimum lease payments		Interest payments		Future minimum lease payments	
kEUR	2017	2016	2017	2016	2017	2016
Less than one year	566	808	16	28	582	836
More than one year and less than five years	276	205	4	13	280	218
More than five years	0	0	0	0	0	0
Total	**842**	**1,013**	**20**	**41**	**862**	**1,054**

4.7 CONTINGENT RECEIVABLES AND LIABILITIES, TOGETHER WITH OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

The Group had the following contingencies as of the reporting date:

As in the previous year, two guarantees existed for an associate as security for loan liabilities of kEUR 1,500. The loan liabilities amounted to kEUR 2,391 as of December 31, 2017 (previous year: kEUR 2,737). Unchanged from the previous year, a letter of comfort also existed for this associate in the amount of kEUR 1,150 (previous year: kEUR 1,150).

There is currently no reason to assume that warranties and letters of comfort will be utilized, since the associate in question is able to generate sufficient cash inflows from the planned operations.

4.8 AUDITOR'S FEE AND SERVICES

The following fees were recognized as expenses for the audit services provided by PwC Wirtschaftsprüfungsgesellschaft GmbH in financial year 2017 in connection with the consolidated financial statements, and by members of the international PwC corporate network:

kEUR	2017
Audit services	563
thereof Germany	440
Tax advisory services	0
Other attestation services	589
thereof Germany	589
Other services	0
Total	**1,152**
thereof Germany	1,029

In addition to the audit of the consolidated financial statements and the statutory audits of Vapiano SE and its affiliates, the fees for audit services also include the fees for the foreign auditors in PWC's network, together with additional attestation services provided within the scope of the audits.

The other attestation services include fees in connection with the issue of the comfort letter in the amount of kEUR 583 as well as kEUR 6 covenant confirmations.

4.9 SUBSEQUENT EVENTS

Appointment of a new member to the Management Board

In its meeting on March 20, 2018, the Supervisory Board decided to appoint a further member to the Management Board, effective May 1, 2018. The new Board member will act as Chief Operating Officer (COO) with responsibility for the „Rest of Europe" and „Rest of World" segments, together with further central divisions.

Company acquisition – Australia

On April 5, 2018, Vapiano concluded a share purchase agreement for the acquisition of 25% of the shares in Australian company Vapiano Australia LP, Sydney, Australia. Vapiano Australia LP directly owns 100.00% of the shares in three restaurant operating companies which operate 7 restaurants in major Australian cities. As Vapiano SE already owned 50.0% of the shares in Vapiano Australia LP indirectly at the time of purchase, this acquisition raised its stake accordingly to 75.0%.

At the time of preparing these consolidated financial statements, substantive conditions precedent governing the purchase agreement had not been met. As such, material transfer of the acquired shares has not yet taken place. These conditions include obtaining the consent of Vapiano's lending banks to the acquisition, and the payment of the purchase price components that were due in cash at the time of acquisition.

As a result, Vapiano is not yet entitled to exercise the rights derived from the acquired shares to steer those activities of the acquired operations that are key to influencing the returns. Accordingly, it has not yet gained control.

Cologne, April 18, 2018

Jochen Halfmann
Chief Executive Officer

Lutz Scharpe
Chief Financial Officer

RESPONSIBILITY STATEMENT

We assure, to the best of our knowledge, that in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group's result of operations, net assets and financial position, and the business operations, including the business results and the position of the Group presented in the combined management report convey a true and fair view, and the significant opportunities and risks associated with the expected development of the Group are described.

Cologne, April 18, 2018

Jochen Halfmann
Chief Executive Officer

Lutz Scharpe
Chief Financial Officer

Independent Auditor's Report

To Vapiano SE, Bonn

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, Bonn, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, 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 for the financial year from January 1 to December 31, 2017. 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, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017 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 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, 2017. 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 EUR 39.3 million (representing 11.2% of total assets and 29.9% 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 writedowns. 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 no write-downs were necessary.

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 EUR 51.6 million (representing 14.7% of total assets and 39.4% 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 (4-16 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. Im-pairment 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. No write-downs were required as a result of impairment testing in fiscal year 2017.

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 coor-dinating 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 expectations 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 € 12.2 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 € 54.6 million 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 2.7 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 re-sponsible 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 report-ing 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 through-out the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated fi-nancial 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 management 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 May 30, 2017. We were engaged by the supervisory board on December 2016. We have been the group auditor of the Vapiano SE, Bonn, 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, April 23, 2018

Jens Pollmann Auditor	Maic Kunz Auditor

CORPORATE GOVERNANCE REPORT

Corporate Governance Report of Vapiano SE along with the Corporate Governance Statement together with the Vapiano Group in accordance with Section 289f of the German Commercial Code (HGB) and Section 315d HGB for the financial year 2017

Corporate governance stands for responsible corporate governance geared to long-term value creation. Efficient cooperation between the Management Board and the Supervisory Board as well as openness and transparency of corporate and financial communications are key aspects of corporate governance for the Vapiano Group and strengthen shareholders' confidence in the management and supervision of the company.

As a listed company, Vapiano SE issues the following corporate governance statement in relation to Vapiano SE and the Vapiano Group in accordance with Section 289f and Section 315d of the German Commercial Code (HGB) for the financial year 2017. In addition, the Management Board and the Supervisory Board of Vapiano SE report on corporate governance at Vapiano SE in accordance with Section 3.10 of the German Corporate Governance Code ("the Code").

In accordance with Section 289f Para. 1, 315 d HGB, the corporate governance statement is separately made publicly available on the internet. It comprises the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG), relevant information on corporate governance practices, a description of the working methods of the Management Board and the Supervisory Board as well as the composition and working methods of the committees formed and the provisions for promoting the participation of women in management positions pursuant to Section 76 Para. 4 and Section 111 Para. 5 of the German Stock Corporation Act.

A. DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

Pursuant to Section 161 Para. 1 Sentence 1 AktG, the Management Board and Supervisory Board of Vapiano SE are obliged to make a declaration at least once a year on the extent to which the recommendations of the German Corporate Governance Code (GCGC) have been complied with in the past and how compliance is intended for the future, or which recommendations of the Code have not been applied and the reasons for this.

As the shares of Vapiano SE were first included in trading on the regulated market of the Frankfurt Stock Exchange on June 27, 2017, the Company has not yet issued a Declaration of Compliance.

The Management Board and Supervisory Board of Vapiano SE have made the following statement, which was published on the Company's website at **http://ir.vapiano.com/** under the corporate governance tab:

Statement by the Management Board and the Supervisory Board of Vapiano SE regarding the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with Section 161 AktG

Vapiano SE complies with the recommendations published by the Federal Ministry of Justice in the official section of the German Federal Gazette (Bundesanzeiger) of April 24, 2017 of the German Corporate Governance Code in the version of February 7, 2017 with the exception of Sections 4.2.5 Para. 2 and 3 and Section 5.3.2 Para. 3 and will continue to comply with the recommendations together with the mentioned deviations.

Supplementary disclosures regarding the remuneration of individual Management Board members (Section 4.2.5 Para. 2 and 3)

Management Board remuneration is disclosed in accordance with statutory provisions, taking into account the "opt-out" resolution of the Annual General Meeting of the Company on May 30, 2017. Accordingly, in accordance with Section 286 Para. 5 Sentence 1, Section 314 Para. 2 Sentence 2 HGB, disclosure of the individualized remuneration of the Management Board in the annual and consolidated financial statements of the Company is required for the financial years 2017 to 2021 (inclusive). Providing that a corresponding "opt-out" resolution of the Annual General Meeting has been passed, the Company will not include the statements recommended in accordance with Section 4.2.5 Para. 2 and 3 GCGC in the remuneration report.

Independence of the Chairman of the Audit Committee (Section 5.3.2 Para. 3)

The Chairman of the Audit Committee is not independent, as he has close links to a major shareholder. This represents a deviation to Section 5.3.2 Para. 3 GCGC.

Formation of a nomination committee (Section 5.3.3)

The Supervisory Board has not formed a nomination committee that determines suitable candidates for the Supervisory Board to propose at the Annual General Meeting for election as Supervisory Board members. As all Supervisory Board members are appointed until May 2022, there is currently no nomination requirement. If it were required, this task would be taken over by the Supervisory Board.

This Declaration of Compliance is publicly accessible on a permanent basis on the company's website **www.vapiano.com**.

B. RELEVANT DISCLOSURES REGARDING CORPORATE GOVERNANCE PRACTICES

The governing bodies of Vapiano SE are the Management Board, the Supervisory Board, and the Annual General Meeting. The Company has a dual Management and Supervisory Board system. The Management Board and the Supervisory Board work independently of each other. A Supervisory Board member of the Company cannot, in principle, also be a member of the Management Board of the Company at the same time.

Good corporate governance is a key building block of corporate governance and forms the basis for decision-making for responsible and sustainable corporate success. The Management Board members and the members of the Supervisory Board are obligated to undertake their duties in the interests of the company. No member of the Management Board or the Supervisory Board may pursue personal interests in their decision-making.

Principles of corporate governance and Code of Conduct
Integrity, ethical behavior and social responsibility are indispensable prerequisites of Vapiano's business activities. These are based on the Code of Conduct agreed by the Management Board on February 3, 2016. It provides a standard that commits all the employees in all the Group companies to uphold the statutory regulations and internal guidelines. The Management Board and managers act as important role models and actively promote compliance by the staff with company principles. Vapiano also ensures that business and cooperation partners comply with the law, statutes and the principles of the Code of Conduct.

Beyond legal requirements, compliance with human rights and the protection of minorities is of particular concern to Vapiano. The diversity of our employees is actively promoted and any discrimination is decidedly rejected, whether on grounds of nationality, ethnic origin, gender, marital status, age, disability, religion, or sexual orientation. Furthermore, cooperation, open communication, and feedback are further cornerstones of our corporate governance.

Finally, Vapiano strives to meet the highest quality standards globally and to occupy a leading role in the field of system catering. For this purpose, the Company continuously questions the status quo and improves its processes on an ongoing basis. Vapiano takes all product complaints seriously and follows up on them resolutely.

Directors' dealings and other publications
Persons with managerial responsibilities, in particular members of the Management Board and Supervisory Board of Vapiano SE, as well as persons closely related to them, are required in accordance with Section 15 Para. 2 of the German Securities Trading Act (WpHG) in conjunction with Article 19 of the EU Market Abuse Regulation to disclose certain transactions in shares or debt securities of Vapiano SE, related derivatives or other related financial instruments (directors' dealings). Notifications of such transactions in 2017 are published online at **www.vapiano.com**.

The Management Board and Supervisory Board place a high value on transparency in corporate governance. The shareholders of Vapiano SE, all participants on the capital market, financial analysts, shareholders' associations, and the media are regularly informed and updated on the position of the Company and any significant changes to its business. Comprehensive, equal and up-to-date information is mainly used on the website where financial statements, ad-hoc announcements, and voting announcements are published.

C. DESCRIPTION OF THE WORKING METHOD OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AS WELL AS THE COMPOSITION AND WORKING METHOD OF ITS COMMITTEES

Management Board
The Management Board comprises

- Jochen Halfmann, Chief Executive Officer (CEO) and
- Lutz Scharpe, Chief Financial Officer (CFO)

Information regarding the individual members of the Management Board can be found online at **www.vapiano.com**.

The Management Board of Vapiano SE manages the Company under its own responsibility in accordance with the law and under the provisions of the Articles of Association (which have been published on the Company's website), the rules of procedure for the Management Board and the Supervisory Board, and taking into account the resolutions of the Annual General Meeting. The allocation of responsibilities within the Management Board is set out in a schedule of responsibilities. Without prejudice to the overall management, each member of the Management Board acts independently and responsibly for their department; they must put the general interests of the Company ahead of their own personal interests. The Members of the Management Board inform each other of all significant events and the course of business in their departments.

The main objectives of the Management Board include the development of the basic strategic direction, the determination of the corporate policy and the Group's organization, the enforcement and compliance with laws and internal principles of conduct, as well as appropriate risk management and risk controlling. The Management Board fills the leadership positions of the Group, thereby ensuring diversity as well as appropriate consideration of both women and men.

The Management Board is appointed by the Supervisory Board and reports to same. The term of office of the Management Board is determined by the Supervisory Board on appointment. The Supervisory Board appoints the Management Board members for a maximum of five years. Members may be reappointed or have their term of office extended (in each case for five years).

Resolutions are regularly passed by the whole board during weekly meetings. The scheduling, convening and the agenda for meetings of the Management Board, the conduct of these meetings and the preparation of the minutes of the meeting are the responsibility of the Chairman. In principle, the Management Board may pass resolutions with a simple majority. In the event of a tie, the CEO has the casting vote. The rules of procedure for the Management Board stipulate transactions that require the approval of the Supervisory Board. Resolutions passed by the Supervisory Board regarding the granting of such approval, to the extent legally admissible, are passed with a simple majority.

The Management Board works closely with the Supervisory Board and informs it regularly, in a timely fashion, and comprehensively of any fundamental issues relating to the corporate planning, the Company's net assets, the financial position and results of operations, the Group's business performance, the implementation of the strategy, and key staff changes. The Management Board is obliged to submit a report to the Supervisory Board regarding the reportable items relating to the Company as stated in Section 90 AktG as well as reports regarding the Group on a quarterly basis. It also sends additional reports to the Supervisory Board on a monthly basis.

Supervisory Board

The Supervisory Board consists of six members elected by the Annual General Meeting:

- Dr. Thomas Tochtermann (Chairman of the Supervisory Board)
- Hinrich Stahl (Vice Chairman)
- Helen Jones
- Gregor Gerlach
- Dr. Rigbert Fischer
- Kristian Wettling

Information regarding individual members of the Supervisory Board can be found online at **www.vapiano.com**.

The members of the Supervisory Board participate in various training courses. The costs are borne by the company.

The Supervisory Board of Vapiano SE appoints, monitors and advises the Management Board, and is directly involved in decisions that are of fundamental importance to the Company. The Chair of the Supervisory Board coordinates the work done by the Supervisory Board.

Supervisory Board members are elected for the period until the end of the Annual General Meeting that decides on the discharge for the fourth year after the start of the members' term of office. The Annual General Meeting may determine a shorter term of office.

The Supervisory Board has set rules of procedure for itself which set out the tasks and responsibilities of the Supervisory Board within the legal boundaries. In addition, the rules of procedure in particular regulate the convening and preparation of Supervisory Board meetings as well as the decision-making process.

The Supervisory Board elects a chairman and a deputy from among its members. The Supervisory Board may elect to remove the chairman or deputy with a two-thirds majority.

The composition of the Supervisory Board is such that its members overall have the required knowledge, skills and subject matter expertise required to properly carry out the required tasks. Each Supervisory Board member ensures that they have sufficient time available to perform their mandate. The members of the Supervisory Board are responsible for ensuring that they engage in the further education and training required to carry out their tasks. The Supervisory Board should not contain more than two former Management Board members.

Each Supervisory Board member is obliged to disclose to the Supervisory Board any conflict of interest, in particular those that may arise due to a consulting or executive body role at a customer, supplier, credit provider or other third party. The Supervisory Board shall notify the Annual General Meeting of any conflicts of interests arising and how they have been dealt with in its report to the Annual General Meeting. Any significant conflicts of interest of a non-temporary nature on the part of a Supervisory Board member will lead to their mandate being terminated.

The Supervisory Board passes its resolutions on a regular basis in meetings. It meets at least every three months and holds at least four meetings per calendar year. The Management Board may participate in these meetings unless the Supervisory Board decides to meet without the participation of the Management Board. In addition, third parties may also be called in for advice regarding individual items. In principle, the Supervisory Board may pass resolutions with a simple majority. In the event of a tie, another vote will be held in which the Chair of the Supervisory Board will have two votes.

The Annual General Meeting decides on the remuneration of the Supervisory Board. The remuneration also includes the costs of liability insurance (D&O insurance) that is taken out by the Company for the Supervisory Board members. The insurance may provide for a deductible to be borne by the members of the Supervisory Board to the value of 10% of the respective loss, which is limited to one-and-a-half times the fixed annual compensation of the respective member for all loss events occurring within one insurance year.

The Supervisory Board may form committees from its members to whom decision-making powers can be delegated from the Supervisory Board. The tasks, powers and procedures of the committees are determined by the Supervisory Board. Committees consist of at least three members of the Supervisory Board.

The Supervisory Board has formed the following committees with the tasks described below:

Personnel Committee
The Personnel Committee consists of the following members:

- Hinrich Stahl (Chairman)
- Gregor Gerlach
- Dr. Rigbert Fischer
- Dr. Thomas Tochtermann

The Personnel Committee meets twice per year as well as when required. The Supervisory Board and each member of the Personnel Committee may submit a request to the Chair of the Personnel Committee for an extraordinary committee meeting.

The Personnel Committee advises on key topics, prepares resolutions of the Supervisory Board, and makes decisions if and to the extent that the Supervisory Board has delegated the passing of resolutions on certain matters to it.

In particular, the Personnel Committee prepares resolutions for the Supervisory Board regarding the appoint-ment and dismissal of Supervisory Board members, Supervisory Board remuneration, and the decision of the Supervisory Board regarding the approval of employment contracts with annual remuneration of EUR 180,000.00 and above. Furthermore, it regularly advises on long-term succession planning for the Manage-ment Board. In doing so, it takes into account the Company's management personnel planning and also ensures diversity.

Instead of the Supervisory Board, but subject to the mandatory responsibilities of the Supervisory Board, the Personnel Committee also decides on other matters relating to executives, such as consenting to other activities of a member of the Management Board pursuant to Section 88 AktG and approving other ancillary activities.

The Personnel Committee oversees the Management Board with regard to the remuneration systems, organizational development and succession planning of the Management Board as well as corporate social responsibility, corporate culture, and employee satisfaction.

Audit Committee
The Audit Committee consists of the following members:

- Kristian Wettling (Chairman)
- Dr. Thomas Tochtermann
- Helen Jones

The Audit Committee deals in particular with monitoring financial reporting, the financial reporting process, the effectiveness of the internal control system, the risk management system, compliance and the internal audit system, monthly business performance, the budget, the medium-term corporate plan, as well as the annual audit. The Audit Committee provides the Supervisory Board with a justified recommendation for the election of the annual auditor. If the audit mandate is put out to tender, the recommendation comprises at least two candidates. The Audit Committee monitors the independence of the auditor and, in addition, deals with the additional services provided by the auditor, the issuing of the audit mandate, the determination of audit issues, and the agreed fee.

On behalf of the Supervisory Board, the Audit Committee decides on the approval of agreements with auditors regarding additional advisory services, as well as the cumulative fees for these services that exceed, or are expected to exceed, 50% of the remuneration for the annual audit.

D. TARGET FIGURES FOR THE PROPORTION OF WOMEN

With the IPO on June 27, 2017, for the first time, Vapiano SE is obliged to set targets for the proportion of women on the Supervisory Board, the Management Board and in the two management levels below the Management Board in accordance with the German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector. This was approved by the resolutions of December 7, 2017. Other Group companies of the Vapiano Group are not subject to this obligation.

There is currently one woman on the six-member Supervisory Board. A gender quota of 17% was set as a target for the Supervisory Board, in accordance with the status quo existing at the time the resolution was passed. Vapiano SE has stipulated that the proportion of women will be kept at the status quo and will thus continue to be 17%.

Furthermore, taking into account the applicable status quo, a target quota of zero percent for the proportion of women on the Management Board of Vapiano SE was agreed. For the two management levels at Vapiano SE below the Management Board, taking into account the current proportions, a target figure for the proportion of women of at least 5% for first management level and at least 35% for the second management level was formulated.

As the target figures were set taking into account the status quo, the previous targets had been reached. Vapiano SE has set a target of keeping the proportion of women on the Management Board and in the two management levels below the Management Board at the current level. In the long term, the company intends to increase the percentage of women on the two management levels below the Management Board.

Bonn, March 27, 2018

Vapiano SE

Jochen Halfmann
For the Management Board

Dr. Thomas Tochtermann
For the Supervisory Board

Financial Calendar 2018

Date	Event
25 April 2018	Annual Report 2017
23 May 2018	Quarterly Financial Report (as of March 31, 2018)
6 Juni 2018	Annual General Meeting, Cologne
12 September 2018	Half-Year Financial Report (as of June 30, 2018)
28 November 2018	Quarterly Financial Report (as of September 30, 2018)

PUBLISHING INFORMATION

PUBLISHER

VAPIANO SE
IM ZOLLHAFEN 2-4
D-50678 COLOGNE

Tel +49 (0) 221 67001-0
Tax +49 (0) 221 67001-205

info@vapiano.eu
www.vapiano.eu

INVESTOR RELATIONS

DR. ANDREA ROLVERING
HEAD OF INVESTOR RELATIONS

Tel +49 (0) 221 67001-0
Fax +49 (0) 221 67001-205

CONCEPT AND OVERALL COORDINATION

IR.ON AG, KÖLN
WWW.IR-ON.COM

PHOTOGRAPHY

VAPIANO SE

VAPIANO SE
IM ZOLLHAFEN 2-4
D-50678 COLOGNE

Tel +49 (0) 221 67001-0
Fax +49 (0) 221 67001-205

info@vapiano.eu
www.vapiano.eu

VAPIANO®
PASTA | PIZZA | BAR