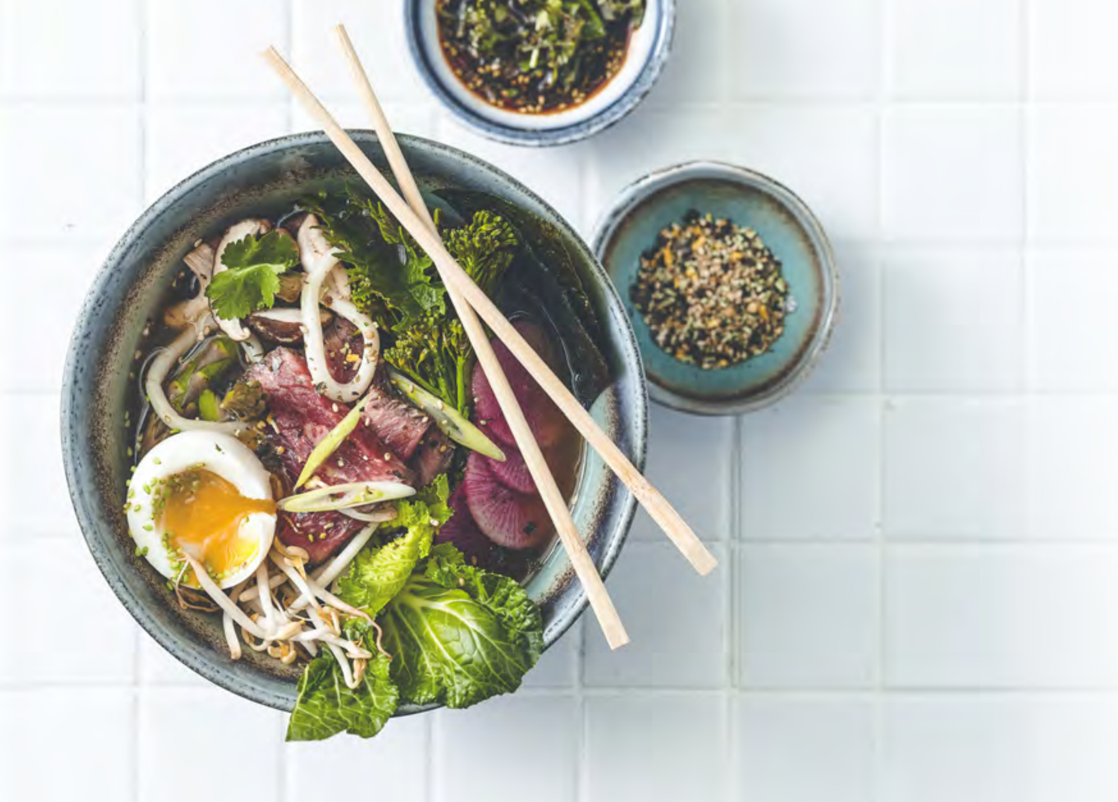

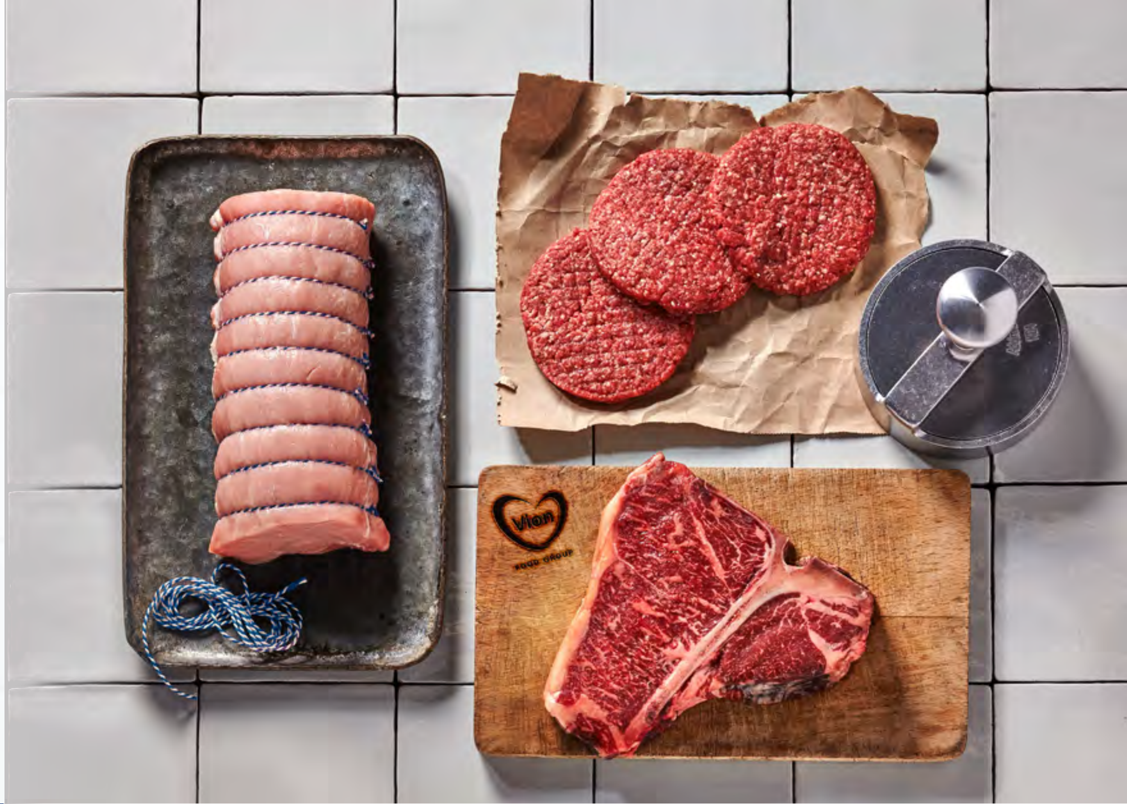

Annual report 2018

FOOD GROUP

More than just Meat

Contents

Foreword

'We built a strong foundation for future growth in a challenging market'

'BBC changes the supply chain through commitment, trust and transparency into a healthy business based on modern technology'
– Ronald Lotgerink

In 2018, we finalised the initiatives of our four-year business plan. This provides Vion with a strong competitive basis for further growth. The initiatives immediately contributed to the operational profit but could not fully compensate for the effects of increased pig prices due to a dry and warm weather in the summer and low cattle hide prices. The net debt further decreased due to good working capital management, lower investments and restructuring costs compared to 2017. Our balance sheet therefore stays strong. Building on this solid foundation, we will initiate a strategic plan focusing on building balanced chains in close cooperation with our supply chain partners. Corporate social responsibility (CSR) is an essential part of our day-to-day business. We will continue to play our role in reducing environmental impact, taking care of animals and balancing a healthy diet for consumers.

In 2018, the EBITDA is € 60.5 million compared to € 64.0 million in 2017, while net debt has decreased by € 14.9 million to € 35.1 million and our balance sheet continues to be strong with a solvency rate of more than 45%. The net profit was € 10.2 million. This is € 11.6 million lower than last year mainly due to lower tax benefits and higher depreciation as a consequence of high investments in the past few years. The bottom-line effect of the mentioned market circumstances was around € 20 million negative. In combination with the EBITDA staying only € 3.5 million behind last year, this means that the underlying strategic initiatives are paying off.

Looking into our operations, the Beef division opened an expanded and restructured site in Waldkraiburg, resulting in an improved performance of this slaughtering facility. The new state-of-the-art Beef facility in Leeuwarden has had a difficult start, but during a closure of three months issues have been resolved and the plant is ready for future growth.

Our pork concept Good Farming Balance has grown strongly in the Netherlands. In 2018, we also introduced the concept in Germany, with the first contracts signed in the course of the year.

Investment projects implemented in the Pork division have had a full-year effect in 2018, like the expansion for Apeldoorn, the closure of the production location in Zeven and the productivity investments in Emstek.

Furthermore, Vion plays an increasing role in the market for animal by-products which are used for a wide range of applications. This is supported by the acquisition of the additional shares in BestHides GmbH early 2018.

The extremely dry summer of 2018 in Europe had a strong negative effect on the farming community. The impact of the drought on feed and animal-production was profound, resulting in significant unexpected price increase for our livestock in the summer period. Passing on higher European livestock prices to the world market proved to be challenging. Prices of most types of cattle hides dropped since the second quarter of 2018 due to a lower demand of leather products.

Going forward to 2019, we expect to face certain developments. African Swine Fever has been detected in Eastern Europe, Southern Belgium and China. Efforts have been made by the respective authorities to limit the risk of the disease spreading. The ‘war on trade’, especially between the US and China, might influence the markets, although we did not yet see any effects in our business. The outcome of Brexit is still uncertain. We are prepared for possible outcomes.

2018 marks the end of our four-year business plan. In recent years, Vion invested in optimising our production footprint in the Netherlands and Germany, and developed demand driven concepts and partnerships. In 2019, we will further design and update our strategy.

Our strategy will evolve around building balanced chains. Building chains together with farmers, our customers and other chain partners. Balancing the chain based upon market demand, while respecting nature and environment, and through international valorisation. We are convinced that this approach will create value for all the chain partners whilst creating long term trusted relationships. We believe we can make this future transition by sharing knowledge, relevant data and new technologies with farmers, customers and business partners. This transition can only be made with trust, inspiration, innovation and by working together to provide a better future with fair pricing systems and a better environmental balance. We are committed to building a sustainable future together.

Ronald Lotgerink
CEO

Company profile

Vion is an international meat producer with production locations in the Netherlands and Germany and sales support offices in thirteen countries.

Through its three divisions – Pork, Beef and Food Service – the company provides fresh pork and beef, and by-products for the retail, food service and the meat processing industries.

Vion supplies customers in its home markets of the Netherlands and Germany, and in other countries in Europe and the rest of the world. Vion's headquarter is located in Boxtel (the Netherlands).

Vion Holding N.V. is a public limited liability company under Dutch law. Vion complies with the Dutch Corporate Governance Code.

Vion's sole shareholder, Stichting Administratiekantoor SBT, is a trust office that has issued depositary receipts for its shares to NCB-Ontwikkeling, which acts as the investment fund of ZLTO. ZLTO is an association for entrepreneurs working in the agricultural sector and has approximately 14,500 members in Noord-Brabant, Zeeland and the southern part of Gelderland.

11,900
Average number of employees in FTEs in 2018 (including flex workers)

4.7
Revenue for 2018 in billion euros

Over 100 million
consumers per day enjoy our meat

298,000
Pigs processed per week

17,500
Cattle processed per week

Key figures

Amounts in millions of euros	**2018**	2017	2016
Results			
Revenue	**4,670.2**	5,070.0	4,758.9
Normalised EBITDA[1]	**60.5**	64.0	61.0
Earnings before interest and taxes	**16.8**	23.5	30.3
Profit for the year	**10.2**	21.8	38.8
Cash flow			
Net cash flow from operating activities	**90.0**	39.1	6.2
Net cash flow from investment activities	**-58.5**	-61.5	-66.4
Balance sheet			
Group equity	**448.2**	446.1	427.8
Balance sheet total	**987.7**	1,007.9	1,018.1
Net debt[2]	**35.1**	50.0	17.7

	2018	2017	2016
Ratios			
Added value as % of revenue[3]	**24.6%**	21.6%	22.0%
Staff costs as % of revenue	**12.3%**	10.9%	10.5%
Normalised EBITDA[1] as % of revenue	**1.3%**	1.3%	1.3%
Normalised EBITDA[1] as % of added value	**5.3%**	5.9%	5.8%
Solvency	**45.4%**	44.3%	42.0%
Return on average capital employed[4]	**3.2%**	4.9%	6.0%
Employees			
Number of employees (FTEs) at year-end	**4,558**	4,386	4,262
Number of employees (FTEs) including flex workers at year-end	**11,929**	11,925	12,505
Average number of employees (FTEs)	**4,497**	4,310	4,210
Average number of employees (FTEs) including flex workers	**11,876**	11,839	11,507

1 Excluding impairments, restructuring costs, acquisition costs, results from disposals and divestments of group companies
2 Total long term and current interest bearing loans and borrowings and other non-current financial liabilities less cash and cash equivalents
3 Revenue less raw materials and consumables as percentage of revenue
4 Normalised earnings before interest and taxes divided by average capital employed (intangible assets, property plant & equipment, investment properties, working capital excluding interest bearing loans and borrowings)

Mission, vision and strategy

Mission

Vion wants to be a **global leader and reliable partner** within the food supply chain that provides people around the world with safe meat products.

Vision

Vion's vision is to be a leading actor in the **consolidation and professionalisation** of the meat industry.

Strategy

To increase the value of Vion, for the benefit of all stakeholders (shareholders, suppliers, customers and employees).

1. Continuously improve our infrastructure and results

Our industry calls for state-of-the-art infrastructure to guarantee food safety and a competitive cost structure. By working and investing to make itself more efficient, Vion is creating benefits for the entire chain and industry, not the least so for the primary (farming) sector.

2. Position Vion as a game changer in selected themes of our industry

The meat industry is the subject of tough societal debates, covering four important themes: animal welfare, supply chain (traceability, food safety and product integrity), sustainability of meat production and human health. Vion intends to be an actor in implementing solutions.

3. Change the business mix

The meat industry, in particular pork is volatile. We want to reduce the variability of the company's earnings through: a recalibration of the size of our three major businesses, implementing new methods that reduce the volatility in the value chain and increasing our activities in more value-added products.

Core values

- Quality
- Transparency
- Sustainability
- Ambition
- Pride

Management review

In 2018, the initiatives from prior years have paid off and have positively contributed to the results for the year. However, this was offset by challenging market conditions in the summer for our Pork division due to the dry and warm weather and in the difficult hides market for our Beef division. Despite those challenges Vion has been able to report positive results and generate a positive free cash flow.

Investments and operational improvements

During 2018 a significant amount was invested in the further optimisation of the company's footprint and improvement of the efficiency in the various production locations of the company. In total an amount of € 61.2 million was invested during the year.

In the Pork divisions large investments were made in Boxtel for improvements in the cooling capacity (€ 6.8 million) while in the Beef division the new production location in Leeuwarden (€ 3.5 million) and the extension of Waldkraiburg (€ 2.1 million) were completed. Both locations were officially opened in the course of the year. The Food Service division further invested in the extension of the burger production in Grossostheim (€ 1.4 million).

Apart from the investments in optimising the footprint and expanding the operations investments were made in operational improvements of the facilities and information systems, but also in health, safety, quality and maintenance. In total an amount of € 32.0 million was invested during the year for these types of projects.

On 1 January 2018 Vion acquired an additional 20% of the shares in BestHides GmbH, a processing and sales company of cattle and veal hides located in Eching-Weicherau Germany. After this acquisition Vion holds 60% of the shares. The results of BestHides GmbH have been included in the consolidated results for the full year and have positively contributed to the results.

During 2018 Vion took further steps on valorisation in both the Pork and Beef divisions. Valorisation enables a further optimisation of the economic value of the animals processed by Vion and a better alignment of our product offerings with the global demand in the markets open for Vion in Asia, North America and Australia. The investments made for valorisation activities in the recent years have positively contributed to the results in 2018.

Challenging market conditions

Despite all the investments and optimisations results in 2018 were negatively impacted by the warm weather in the summer and the unfavourable developments in the market for cattle hides. Pig prices increased unexpectedly in the summer, while sales prices could not be increased simultaneously. Higher cost for valorisation could not be fully compensated in higher sales prices. As a result margins in the Pork division were negatively impacted especially in the third quarter of the year. In the Beef division results were negatively impacted by a lower demand and lower prices for cattle hides. As a result margins were under pressure for most of the year in both divisions.

In total the negative impact of the summer and hides on the results in the year is estimated at approximately € 20 million.

Organisational optimisation

Vion manages its operations based on a structure with three divisions: Pork, Beef and Food Service. Each division is managed by a dedicated management team responsible for carrying out the business activities within the division. In 2018, this structure continued to contribute to a further focus on the company's direction, while improving collaborations and utilising synergies between the divisions.

Business principles, core values, code of conduct and whistleblower policy

Vion's business principles and core values are laid down in a code of conduct. Together with the whistleblower policy, the code of conduct was again updated in 2018. In 2019, we will communicate a revised code of conduct throughout the organisation together with our whistleblower policy and our approach to information security, data privacy and fraud prevention in a new version of our Good Business Practice Guide which every employee will receive.

In 2018, we have received a total of two reports under the whistleblower policy (2017: eight). One was human resources related (e.g. relating to harassment, working conditions or salaries). The other one involved alleged theft of meat. All reports were followed up and appropriate actions have been taken.

Transparency

Vion operates according to demanding quality requirements for all its production locations. Food safety, animal welfare, product integrity, worker safety and transparency are very important elements of these requirements. Vion takes full responsibility with regards to these topics. Therefore, in addition to the annual report, Vion issues a separate corporate social responsibility (CSR) report for the year 2018. This CSR report covers all important items concerning social responsibility, based on the defined materiality matrix. The CSR report should be read together with the annual report for a more comprehensive understanding of the company's activities.

In addition, Vion maintains two transparency websites, www.vion-transparenz.de and www.vion-transparantie.nl. Through videos and texts, photographs and graphs, these websites clearly state the facts regarding the slaughtering and deboning of pigs and cattle, and offer a platform for a dialogue with visitors.

Financial review

Results

(in millions of euros)	2018	2017
Profit and loss account		
Sales volume (in millions of kg)	2,120	2,184
Revenues	4,670.2	5,070.0
Other operating income	8.5	22.1
Total operating expenses	4,661.9	5,068.6
Earnings before interest and taxes	16.8	23.5
Financial income and expenses	–5.0	–6.7
Income taxes	–2.9	3.8
Share of profit of associates and joint ventures	1.3	1.2
Profit for the year	**10.2**	**21.8**
Attributable to non-controlling interests	–2.3	–1.7
Attributable to equity holders of the parent	**7.9**	**20.1**

Normalised EBITDA

(in millions of euros)	2018	2017
Earnings before interest and taxes	16.8	23.5
Amortisation and depreciation of fixed assets	41.5	36.1
Impairment of non-current assets	0.7	0.8
EBITDA	**59.0**	**60.4**
Restructuring costs	2.5	12.5
Acquisition costs	–	2.1
Disposal results	–1.0	–11.0
Normalised EBITDA from ongoing operations	**60.5**	**64.0**

Revenues decreased in 2018 compared to 2017 with approximately 7.9% to € 4.7 billion, while sales volumes only decreased by 2.9%. The sales decrease was therefore mainly driven by lower sales prices. These lower sales prices were more than offset by lower purchase prices for raw materials and consumables. As a result the added value as percentage of revenue increased in 2018 compared to 2017, from 21.6% in 2017 to 24.6% in 2018 following the valorisation initiatives taken in the recent years.

As a result of ongoing valorisation initiatives and other activities variable production costs and fixed costs as percentage of revenues increased from 20.8% in 2017 to 23.5% in 2018.

Despite the challenging market conditions in both the Pork and Beef division, resulting in margin pressure of approximately € 20 million, normalised earnings before interest, taxes, depreciation and amortisation (EBITDA) for the year only slightly decreased compared to 2017. Normalised EBITDA from ongoing operations for 2018 amounts € 60.5 million compared to € 64.0 million in the previous year.

Depreciation and amortisation costs increased by € 5.4 million to € 41.5 million (2017: € 36.1 million) following the significant investments made in recent years. Furthermore, Vion recognised an impairment of € 0.7 million for the write off of several IM&T related projects. In 2017 an impairment of € 0.8 million was recognised for the assets in Zeven following the decision to close the facility in 2017.

In 2018, Vion incurred restructuring costs of € 2.5 million in total. These restructuring costs relate to the discontinuation of the Pork slaughter activities at Vion Bamberg and the closure of the meat market in Hammelburg, headcount reductions and legal restructurings. In 2017 restructuring costs amounted to € 12.5 million relating to the closure of its facility in Zeven, headcount reduction and investigating of financing options to realise further growth, as well as making use of international market developments.

Also, outside of the normalised EBITDA, Vion recognised € 1.0 million as results from the disposals of land and buildings. In 2017 a gain of € 11.0 million was recognised mainly related to the sales of assets in Straubing, Lubeck and Helmond, and from the settlement of the remaining claims with Darling International following the divestment of the Ingredients division in 2014.

The net financial expenses decreased compared to 2017 from € 6.7 million to € 5.0 million in 2018, following lower interest costs related to the usage of the working capital facility and the interest paid on the final settlement reached with the former minority shareholder of Salomon Hitburger GmbH paid in 2017. A tax expense of € 2.9 million was reported for the year (2017: € 3.8 million income). This expense is mainly related to the realisation of net operating losses and the reduction of the corporate income tax rate in the Netherlands in the coming years.

Net result for the year amounts € 7.9 million, compared to € 20.1 million in 2017. The lower results is mainly driven by the higher depreciation charges, tax expenses and lower disposal results, partly offset by lower restructuring costs.

Financial position

(in millions of euros)	2018	2017
Balance sheet		
Non-current assets	406.3	387.2
Current assets, including assets held for sale	581.4	620.7
Total equity	448.2	446.1
Provisions	128.1	135.0
Long term liabilities	19.2	17.2
Current liabilities	392.2	409.6
Balance sheet total	**987.7**	**1,007.9**
Net debt	35.1	50.0
Solvency	45.4%	44.3%

The intangible fixed assets increased € 7.5 million to € 57.5 million (2017: € 50.0 million). This increase is the result of the capitalised, mainly internal developed, software partly offset by the annual amortisation. Property, plant & equipment increased by € 18.0 million to € 307.2 million, mainly due to investments to expand and/or modernise several facilities for the footprint and production optimisation. The deferred tax assets decreased € 2.6 million following the realisation of carry forward losses and reduction of the corporate income tax rate in the Netherlands, exceeding the recognition of additional carry forward losses. Investments in associates decreased € 3.4 million, mainly as a result of the acquisition of the additional shares in BestHides GmbH.

The net employee defined benefit obligations amount € 127.3 million at the end of 2018 (2017: € 133.4 million), which are related to pension plans, pre-pension and early retirements schemes, as well as to other long-term benefits (jubilee and leave agreements). The pension plan obligations apply fully to the defined benefit pension schemes for employees and former employees of the German group companies. Next to these, provisions for reorganisation and restructuring costs (2018: € 2.3 million, 2017: € 2.6 million) are part of the provisions in the balance sheet.

At the end of 2018, an amount of € 21.8 million (2017: € 53.1 million) was drawn under the € 200 million working capital facility. With a gross debt of € 41.2 million and cash and cash equivalents of € 6.1 million, net debt amounts € 35.1 million (2017: € 50.0 million).

(in millions of euros)	2018	2017
Non-current interest bearing loans and borrowings	16.2	16.1
Current interest bearing loans and borrowings	22.0	53.7
Other non-current financial liabilities	3.0	1.1
Cash and cash equivalents	-6.1	–20.9
Net debt	**35.1**	**50.0**

The decrease in net debt is mainly the result of cash management initiatives, reductions in operating working capital and lower sales and purchase prices.

The strong solvency position of the company improved further in 2018, to 45.4% of the balance sheet total (2017: 44.3%), despite large investments that were made in fixed assets.

Cash flows

(in millions of euros)	2018	2017
Cash flow statement		
Net cash flow from operating activities	90.0	39.0
Net cash flow from investment activities	-58.4	–61.5
Net cash flow from financing activities	-46.4	–19.1
Increase / (decrease) in cash and cash equivalents	-14.8	–41.6
Cash and cash equivalents at year-end	**6.1**	**20.9**

The cash flow from operating activities amounted to € 90.0 million (2017: € 39.0 million). The increase in operating cash flow of € 51.0 million is mainly the result of lower (operating) working capital. Operating working capital decreased during the year as a result of working capital initiatives and lower meat and live-stock prices.

Cash flow from investing activities for the year amounts € 58.4 million. This is mainly related to investments in the further optimisation of the footprint of the company, expanding operations and improvement of the efficiency in the various production locations of the company. In total an amount of € 61.2 million was invested for those improvements and an amount of € 0.6 million was used for the acquisition of the additional shares in BestHides GmbH. These investments were partly offset by the proceeds from sale of property, plant & equipment of € 3.1 million.

During the year an amount of € 9.5 million was paid as dividend to the shareholder of the company and an amount of € 32.0 million was repaid on short term borrowings. As a result the amount drawn under the € 200 million credit facility was reduced from € 53.1 million at the of 2017 to € 21.8 million at the end of 2018. During the year the company paid dividends to non-controlling interests for an amount of € 2.3 million. As a result an amount of € 46.4 million was used for financing activities of the company.

Cash and cash equivalents consequently decreased by € 14.8 million to € 6.1 million at the end of the year following various cash management initiatives.

Free cash flow

(in millions of euros)	2018	2017
Net cash flow from operating activities	90.0	39.0
Purchase of property, plant and equipment	-52.4	-68.0
Purchase of intangible assets	-2.1	-2.6
Development expenditures	-6.7	-8.6
Free cash flow	**28.8**	**-40.2**

Free cash flow for the year, defined as cash flow from operating less investments, amounts to € 28.8 million, an increase of € 69.0 million compared to 2017. The improvement of the free cash flow is mainly driven by lower operating working capital driven by working capital reduction initiatives, lower prices and lower spend on capital expenditures following the large investments in recent years. This was partly offset by lower EBITDA results compared to last year.

Divisions

Pork division

Key figures	2018	2017
# Production locations	15	15
# Slaughtered heads (x 1,000)	15,500	15,683
Sales volume (in millions of kg)	1,623	1,720
Revenues (in millions of euros)	2,994	3,431
# FTE	8,148	8,103

Key facts

The Pork division processes approximately 298,000 pigs per week. The resulting meat is supplied to national and international retailers, food service clients and food processing companies. At the production facilities, pork is processed into products for domestic clients as well as for export customers in amongst others Europe, Asia, Oceania and North America. Basic raw materials are also delivered to industrial customers who process the pork into a wide range of meat products, such as cold cuts, meat snacks, smoked sausages, pizza toppings and dried hams. Besides that, fresh pork is processed by Vion into semi-finished and finished products for the domestic and export retail markets.

The Pork division consists of 15 production locations. There are three slaughterhouses in the Netherlands (Apeldoorn, Boxtel and Groenlo) and six in Germany (Altenburg, Crailsheim, Emstek, Landshut, Perleberg and Vilshofen). The division also operates six deboning and meat processing plants: four in the Netherlands (Scherpenzeel, Encebe Vleeswaren Boxtel, Retail Groenlo and Valkenswaard); and two in Germany (Ahlen and Holdorf).

In addition, at the end of 2018, the Pork division operates sales support offices in 13 countries to support the sales activities of the company. The Pork division head office is located in Boxtel, the Netherlands. At the end of 2018, the division had approximately 8,150 FTEs (including flex workers).

Market developments

The 2018 price level of live pigs was overall significantly lower than the year before, although prices strongly increased in Germany in the warm and dry summer period which could not be translated to higher sales prices. A large supply facing a decrease of consumption in the EU-market and a weakening demand position worldwide resulted into continuous price pressure, thereby putting margins from farmers as well as industry under pressure. Consumers appreciate a high level of transparency about the meat supply chain. Some farmers and meat producers have intensified their cooperation.

Meanwhile approximately 90% of all pigs produced by Dutch Vion suppliers, are delivered on the basis of one of the Good Farming concepts.

Global trade remains important for the Dutch pork industry – and for the German pork industry to some lesser degree –, although relatively high cost price levels in the Netherlands as well as in Germany had an impact on the country's competitive position compared to more integrated countries like the US and Brazil. Furthermore, compared to 2017 the Euro encountered less favourable exchange rates with the British pound. China remained the number one export country outside Europe. Business with Japan showed a continuous increase due to strong partnerships and the high quality of the products. An extended product mix portfolio and penetration into the high end of the market further increased business with Korea.

Demand-driven supply chains

2018 again proofed to be a successful year in Vion's strategy for demand-driven supply chains. Within all of its Good Farming concepts, Vion is focusing on food safety, animal welfare, inherent product quality and transparency.

The concept of Good Farming Balance, which was introduced in 2017 in the Netherlands, was also launched in the German market. The delivery modules within Good Farming Balance comply with the specific demands of international markets. Among other things, delivery weight and fat layer thickness vary in each module. Within Good Farming Balance, suppliers can choose from alternative pricing systems. Farmers with a Good Farming Balance contract based on Vion's price index guarantee system received an extra payment of approximately € 0.01 per delivered kilogram at the end of January 2019.

Vion's concept with regard to '1 ster Beter Leven' pork meat is Good Farming Star. Vion has contracts with leading food retailers and a group of approximately 175 farmers in the Netherlands, which has provided a strong foundation for this market concept. Good Farming Organic is Vion's concept for organic meat. Vion's subsidiary 'De Groene Weg' is a leading player in the European organic market, and this market is a key for further growth. De Groene Weg has also launched an EKO code for its pork supply chain, committing to an even more sustainable food production process.

In Germany, the regional supply chain concepts are becoming increasingly beneficial in central and southern Germany. For example, the Geprüfte Qualität Bayern (GQB) concept in the regional market of Vion's plants in Landshut and Vilshofen has meanwhile acquired a strong position.

Operational investments and improvements

Besides improvements from its investments, Vion has been successful in improving its position by an integrated operational approach in combination with well-developed strategies for its product market portfolio. Several initiatives started in previous years, such as the closure of Vion Zeven, expansion of the facility in Apeldoorn and productivity investments in Emstek, paid off in 2018 by optimising the customer and product mix or by increasing operating efficiency. After the introduction of the lean methodology "Vion Operating System" in the Netherlands, the company's German facilities started to work according to the same methodology and efforts have increased to improve all operational, commercial and back-office processes and management systems.

Furthermore Vion plays an increasing role in the market of animal by-products which are being used for a wide range of applications. In 2018 results improved following the renegotiation of supply contract for animal by-products with our customers.

Pro-active communication

Good communication with our partners in the pork supply chain and with other stakeholders is crucial to Vion. The implementation of Good Farming Balance would not have been successful without numerous meetings held with farmers and partners in the supply chain. During meetings with farmers and farmers' associations in the Netherlands and Germany, Vion had the opportunity to explain its strategy through dialogue.

Part of Vion's transparency strategy is being put into practice by showing the audit reports of independent authorities and insights in its production processes on the company's websites. There is also a continuous dialogue with non-governmental organisations like animal welfare groups, and there is close cooperation with the local authorities concerning our facilities.

A symposium and open day at Vion Emstek in September 2018, provided a transparent and inspiring platform for among others customers, prospects, suppliers and regional stakeholders. More than 3,000 visitors got insights into Vion's innovative product developments, sustainability policy and processing facilities. The events were organised because of the 25-year jubilee of the production location in Emstek. Also Vion Perleberg organised an open day at its production facility in June 2018 because of a 25-year jubilee. Among other things Tomahawk, a new innovative concept for the barbecue which was launched in May 2018, was presented and could be tasted during the events.

Beef division

Key figures	**2018**	**2017**
# Production locations	**13**	12
# Slaughtered heads (x 1,000)	**912**	912
Sales volume (in millions of kg)	**488**	453
Revenues *(in millions of euros)*	**1,557**	1,574
# FTE *(flex workers included)*	**3,138**	3,147

Key facts

The Beef division processes approximately 17,500 cattle per week. The produced beef is supplied to national and international retailers, food service clients and food processing companies. At the production plants, beef is processed into products for domestic clients as well as for export customers in Europe, with the Netherlands and Germany as the largest destination markets. Basic raw materials are also delivered to industrial customers who process the beef into a wide range of meat products. Besides that, fresh beef is processed by Vion into semi-finished and finished products for the domestic and export retail markets, including Vion's Food Service division.

Vion is a market leader for beef in Germany and the Netherlands and holds a leading position in Europe. Vion's beef products are mainly distributed in the home markets of the Netherlands and Germany, as well as in Southern Europe (France, Greece, Italy and Spain). Its skills and expertise, combined with large-scale, state-of-the-art production technology, enables Vion to supply an extensive customer base with large quantities of consistently high-quality beef. Clients can choose from a wide portfolio of fresh and frozen beef and beef-based products. Vion is also recognised for its excellent customer service and is a reliable partner for the retail, food service and processed meat industries.

The Beef division consists of 13 production facilities. There are two slaughterhouses in the Netherlands (Leeuwarden and Tilburg) and seven in Germany (Altenburg, Bad Bramstedt, Bamberg, Buchloe, Crailsheim, Furth im Wald and Waldkraiburg). The facilities are all strategically located to minimise the transport time for the animals. In addition, Vion owns four deboning and meat processing plants: one in the Netherlands (Enschede) and three in Germany (Germaringen, Großostheim and Hilden).

Since 2017, the division operates five wholesale markets in Bavaria (Blaichach, Günzburg, Ingolstadt, Kulmbach and Traunstein). In 2018, Vion acquired the majority of shares of the hides company BestHides GmbH with the locations in Eching-Weicherau and Memmingen.

The head office of the Beef division is located in Buchloe, Bavaria. At the end of 2018, the division had approximately 3,140 FTEs (including flex workers).

Market developments

The year 2018 has been a challenging year for the Beef division. Although the number of slaughtered heads in 2018 was almost consistent with the number of slaughtered heads in 2017, margins were under pressure due to the challenging market conditions in the cattle hides markets. The price level of cows continued to be at a relatively high level in the first half of 2018. However, prices normalised after the summer. The market for by-products was challenging and decreasing for hides and fat.

All of Vion's production locations are certified in accordance with one of the leading food safety standards (IFS or BRC). In addition, a variety of further inspections are executed by public authorities. Besides food safety standards, the Beef division has been certified with several certification standards like ISO, QS, organic, halal and regional programmes. In 2018, Vion was the first company to be certified according to the Criteria of the German Animal Welfare Association for dairy cows. The plants Buchloe, Waldkraiburg and Bad Bramstedt are entitled to produce beef products with the animal welfare label "Für Mehr Tierschutz". Therefore, Vion has entered numerous purchase agreements with farmers in Germany.

Operational investments and improvements

Infrastructure investments in Leeuwarden and Waldkraiburg were finalised in 2018. The new slaughter facility in Leeuwarden (the Netherlands) was opened in the first quarter of 2018. Vion invested almost 20 million euros in the site, which is equipped in accordance with the most up to date animal welfare and environmental criteria. The beef abattoir in Leeuwarden plays an important role in the sales of beef from the dairy supply chain in the north of the Netherlands. This high-quality chain offers a sustainable sales channel for recognisable meat from the region. The latest insights regarding animal welfare and hygiene have been incorporated into the design of the abattoir. The location has a viewing gallery to make the process inside the abattoir fully visible for visitors. This makes the company the first in the Netherlands to make the process fully transparent for livestock farmers, students, journalists, government officials and other interested parties. In the course of the year the plant was closed for three months for technical improvements and for operational issues to be resolved. In September, the plant has continued its activities and is ready for future growth.

The Waldkraiburg plant was officially re-opened in September. Vion invested € 22.6 million euros in the expansion and conversion of the site, which is one of the most modern and state-of-the-art meat processing facilities in Europe. The investments include a new lairage, stunning system and slaughter line. The plant was designed by taking into consideration the latest knowledge on animal welfare at meat processing plants. This includes the concept created by the well-known American welfare expert Temple Grandin. The Beef division will continue investing in its facilities with a focus on animal welfare. For example, a new surveillance system was installed in the live animal area of all slaughter locations.

Demand-driven supply chains

Vion has established strong and long-term partnerships with most of its suppliers and collaborates intensively with farmers, industry associations and traders. The company also manages close cooperation's throughout the supply chain with professional and reliable partners in the fields of animal feed, breeding, housing and transportation. The beef programme "SIMMENTAL PUR" was awarded the 3rd prize of the Regional-Star 2018 in recognition of its outstanding regional cooperation. This is made up of a regional partnership spanning the entire value creation chain and includes farmers belonging to three producers´ associations, Vion and a supermarket chain.

Vion is expanding its leading position in its home markets. For instance, regionality and quality are the major drivers for the beef sector, especially in Germany. Vion is fulfilling its role as a trendsetter with the launch of some innovative sales approaches.
An example is the Goldbeef brand for premium beef specialty products that was awarded at the World Steak Challenge in London. The Goldbeef Entrecote has been awarded the gold medal. Vion also participated with it's Goldbeef Dry Aged 100 % Simmental quality meat in the categories Fillet and Sirloin - which were both awarded bronze.
The Beef division is also focusing on the valorisation of all parts of the animal in the best possible way, and supports this with a central marketing and sales organisation for all beef specialities.
In the last quarter of 2018, Vion launched a new steak concept "Cool Cuts"- an innovation for the frozen products market. This entails Vion selecting high-quality beef products and selling them under the premium brand Goldbeef.

Food Service division

Key figures	**2018**	**2017**
# Production locations	2	2
Sales volume (in millions of kg)	61	61
Revenues *(in millions of euros)*	261	245
# FTE *(flex workers included)*	494	471

Key facts

The Food Service division operates two production plants: one in Großostheim for hamburger patties and one in Holzwickede for schnitzel, haxer, minced beef, poultry and vegetarian products. In addition, the division has well established brands and long-term strategic alliances in Europe as well as in Asia with its external production partners. At the production sites, the meat is processed into products predominantly for Germany, as well as its neighbouring countries. The Food Service division head office is located in Großostheim, Germany. In addition, at the end of 2018, the Food Service division operates two sales support offices to support the company's sales activities. At the end of 2018, the division had approximately 500 FTEs (including flex workers).

The leading specialist for meat-based frozen convenience products

The approach of the Food Service division is characterised by the pursuit of a consistent, multi-year market strategy. It is active in the growing market 'Frozen Convenience' segment and has a strong focus on frozen meat convenience products. The strategy is based on achieving annual revenue growth by investing in its two major brands: Salomon FoodWorld and FVZ Convenience. The drivers for growth are the strength of the brands, their products and services, market access, the know-how of the employee base and the division's patented research and innovations. The division holds a leading position in burgers, schnitzels and finger foods.

In 2018, the Food Service division succeeded in maintaining its market position in a difficult environment. Sales prices have been increased following higher costs of key raw materials, especially beef, which occurred in 2017. This has resulted In higher competition and increased market pressure, limiting further volume growth.

Gastronomy and impulse channels: a consistently growing market in Europe

The Food Service division serves two segments of the food market: gastronomy and impulse channels. The gastronomy segment comprises catering firms, canteens, restaurants and hotels. These make up the more traditional part of the food sector. The impulse segment (snacks) comprises ad-hoc convenience, travel, transport and leisure/entertainment outlets. This channel is young and offers a lot of potential. A growing number of people are eating outside of the home and are buying food from establishments such as petrol stations and take-away outlets.

Two brands: Salomon FoodWorld and FVZ Convenience

Vion offers two food service brands: Salomon FoodWorld and FVZ Convenience. Salomon FoodWorld is positioned as an innovative convenience company, with a focus on customer impulses, successes and emotions. This is a large brand in Germany and Austria and it is growing in the Netherlands. Salomon FoodWorld supplies products in three business lines:
– Finger Food
– Burger & Wraps
– Schnitzel & More

2018 was a successful year for FVZ Convenience. Its brand positioning was realigned and market image renewed. FVZ Convenience increased its production volumes and improved its efficiency and productivity, which led to a turnaround in the results and significant improvement towards last year.

FVZ Convenience specialises in convenience products and is positioned as the modern traditionalist with the promise to: "Simply real enjoyment…". Customers can choose from a range of lines comprising dozens of products that are quick and easy to prepare.

Market share development

Food Service activities demonstrated a continuous growth overall. But as of last year, Food Service division did not outperform German market growth which amounted to 1.0% in 2018. The growth rate of the German activities was minus 0.8%. Due to the increasing raw material prices, especially for beef products, the sales prices were adjusted. Combined with the increased competition this led to a negative growth rate in this segment and influenced the total growth rate.

In Germany, Vion is the market leader in the division's three business lines with Salomon Schnitzel & More (schnitzel and mince-based products), Finger Food (e.g. buffalo chicken wings and appetisers) and Burger & Wraps (mainly hamburgers). Vion is having market shares of more than 35% in the Schnitzel & More and Finger Food segment and more than 60% in the Burger & Wraps segment of the respective food service markets (value).
In addition, with the FVZ Convenience and Salomon FoodWorld brands, the Food Service division holds a leading market position in the Top 100 key accounts.

Salomon FoodWorld and FVZ Convenience are international brands. In addition to Germany and the Netherlands, both brands also sell their products to customers in Italy, Austria, France and Scandinavia.

Investing in the future

In 2018, the Food Service division invested an appropriate amount into enlarging and optimising its production technology to become a leaner, more efficient and more effective division and also to increase the production volume. Investments in compliance projects were started in 2017 and finished in 2018.

Corporate

Key facts

In addition to its operating divisions, Vion operates a corporate organisation that includes its headquarter functions. The headquarter functions include the management board, as well as the information management and technology (IM&T) services, finance (control, treasury, legal and tax and credit risk management) communications, human resources, quality assurance and the internal audit department. The majority of these activities are based in Boxtel, the Netherlands. However, some IM&T activities are located in Hannover and Munich, Germany. At the end of 2018, the corporate organisation had approximately 150 FTEs.

Outlook 2019

For 2019 the company expects to face certain challenging developments; African Swine Fever has been detected in Eastern Europe, Southern Belgium and China, which might have impact on our Pork division. Pressure on the hides prices in our Beef division will continue. In addition, the debate on meat consumption, animal welfare and governmental measures to reduce pork and cattle herds, especially in the Netherlands, will continue. Vion is actively participating in this debate. The 'war on trade', especially between the US and China, might influence the markets, and the outcome of Brexit is still uncertain. Vion is however prepared for the possible outcomes.

In 2019, despite the challenging market conditions Vion expects to maintain and improve its results. Significant investments that were made in recent years in footprint, in efficiency in Boxtel and Emstek and the acquisitions of Otto Nocker and BestHides GmbH, have started to pay-off in 2018. In addition volumes will increase due to the expansion of the facilities in Leeuwarden and Waldkraiburg. These investments are expected to further contribute to a positive result development in 2019. In the Food Service division Vion will further expand and increase its market share in the burger segment.

On 28 February 2019 Vion announced it will modernise its production location in Boxtel in order to increase its competitiveness on the national and international meat markets. With a planned investment of € 35 million, Vion aims to realise a shorter supply chain with more value for the sale of meat in the market, improve efficiency and a more sustainable way of working by organising this at a single location. The company will undertake the investment with care and with respect for people, animals and the environment. The execution of the plan will start in the course of 2019 and will be fully realised mid-2021.

Building on this solid foundation Vion will initiate a new strategic plan focusing on building balanced chains in close cooperation with our supply chain partners. As stated earlier in this report corporate social responsibility is an essential part of our day to day business. We will continue to play our role in reducing environmental impact, taking care of animals and balancing a healthy diet for consumers.

Boxtel, 14 March 2019

Management board
R.E.M. Lotgerink
J.P.M. Morssink

Composition of the executive committee

From left to right: Maiko van der Meer, John de Jonge, Bernd Stange, Binne Visser, Ronald Lotgerink, Bernd Stark and John Morssink

Personal details of the members of the executive committee

R.E.M. (Ronald) Lotgerink
1960, Dutch nationality
Chairman of the management board and executive committee

Function
CEO since 1 September 2018

Former functions
CEO Zwanenberg Food Group, CFO Zwanenberg Food Group, member supervisory board Vion and consultant KPMG

Main other positions
Board member Federatie Nederlandse Levensmiddelen Industrie (FNLI) and member Agri NL

J.P.M. (John) Morssink
1966, Dutch nationality
Member of the management board and executive committee

Function
CFO since 1 November 2018

Former functions
CFO Pork division at Vion, CFO ad interim Kwantum/Home Fashion Group, Director Control & Strategy PostNL, Financial Director Albert Heijn Supermarkten and various positions at Ahold

Main other positions
Member Advisory Board Superbuddy (online grocery delivery)

B. (Binne) Visser
1970, Dutch nationality
Member of the executive committee

Function
Group HR Director since 3 September 2018

Former functions
Owner management consultant agency PAMpeople, Director HR and Communications at Kramp Group and Director HR at ForFarmers

J. (John) de Jonge
1968, Dutch nationality
Member of the executive committee

Function
Chief Operating Officer Pork since 1 January 2019

Former functions
Joined Vion in 2003 and worked in various roles: Chief Supply Chain Officer Pork, Director Business Unit Pork NL, Director Operations Pork, Manager Performance Center Fresh Meat division and Plant Manager. Former Plant Manager at Hendrix Meat Group and Murris Meppel B.V.

Main other positions
Executive board Centrale Organisatie voor de Vleessector (COV), board member Stichting CBS and board member Vlees.nl

M. (Maiko) van der Meer
1963, Dutch nationality
Member of the executive committee

Function
Chief Commercial Officer since 1 January 2018

Former functions
CEO Marine Harvest Consumer Products, Managing Director Bakery & Pastry Products at Royal Smilde, Managing Director Bakery Products & Ingredients at CSM, Vice President Food Ingredients & Flavours Unilever, Vice President Catalysts Unilever and Global Business Manager Oleochemicals Unilever

B. (Bernd) Stange
1960, German nationality
Member of the executive committee

Function
Chief Operating Officer Beef since 1 April 2014

Former functions
Joined Vion in 2000 and worked in various roles: Managing Director of the Business Unit Fresh Meat Germany and the Business Unit Pork and Beef (2013), Business Unit Fresh Meat North and Business Unit Fresh Meat South (2006) and A. Moksel (2000). Former General Manager of several meat companies

Main other positions
Vice chairman of the board of Verband der Fleischwirtschaft e.V. and board member of Berufsgenossenschaft Nahrungsmittel und Gastgewerbe as representative of employers

B. (Bernd) Stark
1958, German nationality
Member of the executive committee

Function
Chief Operating Officer Food Service since 1 April 2014

Former functions
Joined Vion in 2005 and worked in various roles: Managing Director division Food Service Germany, Managing Director Salomon FoodWorld (2011) and Director Salomon Hitburger (2005). Former Marketing Director Nestlé Schöller and additionally for the brand Mövenpick

Main other positions
Chairman board Deutsches Tiefkühlinstitut, vice chairman supervisory board Leaders Club Deutschland and advisory board ICA-Stiftung (Institute of Culinary Art)

Corporate governance

Vion Holding N.V. is a public limited liability company under Dutch law with its registered office in Best, the Netherlands. Vion is exempted from applying the Dutch legal regime for large companies, the so-called large company regime (structuurregime), because Vion is an international holding company. Vion has a two-tier board. The management board is responsible for managing the company, while the supervisory board oversees the policies set by the management board and the general affairs of the company. The management board is supported by the executive committee. Vion's corporate governance consists of rules based on Dutch legislation, its articles of association, the Dutch Corporate Governance Code, and Vion's own code of conduct.

Management board

Tasks

The management board is responsible for Vion's strategy, its portfolio policy, the deployment of people and resources, the risk management system and the operating results. The management board focuses on long-term value creation for the company and develops a view on the relevance of long-term value creation for the company. The management board is accountable to the general meeting of shareholders. The management board makes decisions based on an absolute majority. The supervisory board oversees the policies of the management board. To this end, the management board provides all necessary information to the supervisory board that it needs for the proper performance of its duties. Important management board decisions are subject to the approval of the supervisory board.

The supervisory board evaluates the functioning of the management board as a whole and that of the individual management board members together with the conclusions reached at least once a year without the members of the management board being present. The management board, too, evaluates at least once a year its own functioning as a whole and that of the individual management board members.

The management board has laid down rules regarding its composition and performance in rules of procedure that can be found on the company's website.

Appointment, composition and conflict of interests

The management board members are appointed by the general meeting of shareholders after the prior binding opinion of the supervisory board has been presented. The general meeting of shareholders may only ignore the binding opinion of the supervisory board with the consent of at least two-thirds of the votes cast, which in turn represents at least half of the issued capital. The management board members are appointed for an indefinite period.

The composition of the management board will be such that the required expertise, background and competencies are present for the management board members to properly fulfil their duties. Vion aims for a sufficient degree of diversity within the management board. One of Vion's diversity aims is to achieve a reasonable gender balance in the management board, with neither the proportion of women nor that of men falling below a minimum of 30%. While this goal is taken into account, Vion's principle is that the most suitable candidate for the vacancy will be appointed. After careful consideration of all relevant selection criteria, a woman has not yet been appointed to the management board. However, the next time a vacancy arises, the search criteria will emphasise that the candidates should preferably be female.

In the event of a conflict of interest with regard to a particular topic, the management board member in question may not participate in the discussions or the decision-making on that topic.

Remuneration

The supervisory board determines the remuneration of the management board and the other employment terms for the management board members within the general remuneration policy adopted by the general meeting of shareholders.

Executive committee

Tasks

The management board is supported by the executive committee in achieving the objectives of the company and implementing the strategic objectives set out in the strategy and business plan. In addition to the management board members, the other members of the executive committee include the chief operating officers (COOs) of the Pork, Beef, and Food Service divisions and any other by the management board appointed key officers. The management board is ultimately responsible for the actions and decisions taken within the executive committee and for the overall management of Vion. The COOs regularly, but at least once a year, give an update concerning their division in a meeting of the supervisory board.

Supervisory board

Tasks

The supervisory board oversees the policies set by the management board and the general affairs of the company, and provides the management board with advice and assistance. The supervisory board also supervises how the management board develops its view on the long-term value creation and how the management board implements that view. In the performance of its duties, the supervisory board focuses on the interests of the company and its business. Important management board decisions are subject to the prior approval of the supervisory board. Such important decisions are those that relate to how Vion is structured, the nature and scale of its business operations and the decisions affecting the capital structure of the company.

The supervisory board makes decisions based on an absolute majority. The supervisory board may only take valid decisions when at least the majority of the supervisory board members in office are present or are otherwise represented.
The supervisory board may only take decisions outside its meetings, provided that all the supervisory board members have expressed themselves in favour of the proposal concerned. The supervisory board discusses its own performance, as well as that of its committees and that of the individual supervisory board members, together with the conclusions reached, at least once a year without the members of the management board being present. More information can be found in the report of the supervisory board on page 36.

The supervisory board has laid down rules regarding its composition and performance in rules of procedure that can be found on the company's website.

Independence

The supervisory board strives to achieve that the majority of its members are independent in the sense of best practice provision 2.1.8 of the code. The section on the Dutch Corporate Governance Code on page 24 includes information on the independence of the members of the supervisory board.

Appointment, composition and conflict of interests

The supervisory board members are appointed for a period of four years by the general meeting of shareholders after the prior binding opinion of the supervisory board has been presented. Reappointment is possible for another four-year period. Unless a member of the supervisory board resigns earlier, their term of appointment will expire in the fourth year after the year of their appointment, at the end of the annual general meeting of shareholders. The supervisory board member may then subsequently be reappointed for a period of two years, which appointment may be extended by at most two years. The general meeting of shareholders may only disregard the binding opinion of the supervisory board with the consent of at least two-thirds of the votes cast, which in turn represents at least half of the issued capital.
The general meeting of shareholders may grant a fixed remuneration to the supervisory board members. Details about the remuneration can be found in the section on remuneration on page 43. In addition the supervisory board members will be reimbursed for all reasonable costs.

The composition of the supervisory board will be such that the combination of experience, expertise and independence are present for the supervisory board members to properly fulfil their duties. Vion aims for a sufficient degree of diversity within the supervisory board. Such diversity includes a broad range of aspects such as nationality, age, gender, education and work background. One of Vion's diversity aims is to achieve a reasonable gender balance in the supervisory board, with neither the proportion of women nor that of men falling below a minimum of 30%. The composition of the supervisory board is established using carefully defined profiles and competencies. At present one out of five members is a woman. However, the next time a vacancy arises the search criteria will emphasise that the candidates should preferably be female.

In the event of a conflict of interest with regard to a particular topic, the supervisory board member in question may not participate in the discussions or the decision-making on that topic.

The supervisory board has appointed an audit committee and a remuneration, selection and appointment committee from among its members. These committees advise the supervisory board on matters relating to their respective areas of interest and thus these committees will not take on the responsibilities of the supervisory board.

Audit committee
The audit committee prepares the supervisory board's decision making regarding the supervision of the integrity and quality of the company's financial reporting and the effectiveness of the company's internal risk management and control systems. The audit committee has laid down rules on its composition and performance in rules of procedure that can be found on the company's website.

Remuneration, selection and appointment committee
The remuneration, selection and appointment committee prepares the supervisory board's decision making regarding the selection, appointment and remuneration of the company's management board members and the supervisory board members. The remuneration, selection and appointment committee has laid down rules on its composition and performance in rules of procedure that can be found on the company's website.

More information about the supervisory board and its committees can be found in the report of the supervisory board on page 36.

General meeting of shareholders
General
The general meeting of shareholders is held at least once a year with the objective of adopting the annual accounts. However, the general meeting of shareholders is also held as often as the management board or the supervisory board deems necessary. Shareholders are entitled to ask the management board or the supervisory board to convene a general meeting of shareholders provided they represent at least 10% of the issued capital. In convening a general meeting of shareholders, the topics to be discussed will be reported. Each shareholder is entitled to attend the general meeting of shareholders and to speak and to exercise its voting rights. The chairman of the general meeting of shareholders is appointed by the supervisory board.

The general meeting of shareholders shall take decisions by an absolute majority, except when stipulated in the law or articles of association that a larger majority of votes is required for the specific decision. The articles of association stipulate that an amendment to the articles of association or the dissolution of the company requires a two-thirds majority of the votes cast which in turn represents at least two-third of the issued capital in the event that the initiative to do so was taken by the general meeting of shareholders and is not supported by the management board or the supervisory board.

Important management board decisions are subject to the prior approval of the general meeting of shareholders. Such important decisions are those that relate to how Vion is structured, the nature and scale of its business operations and the decisions affecting the capital structure of the company.

Stichting Administratiekantoor SBT
Stichting Administratiekantoor SBT (SBT) is the sole shareholder of the company. SBT has issued depositary receipts for its shares in the company. The depositary receipts have been issued without cooperation of the company. All of the depositary receipts are held by Noordbrabantse Christelijke Boerenbond, Rooms-Katholieke Vereniging van Boeren en Tuinders-Ontwikkeling (NCB-Ontwikkeling).

The board of SBT consists of five members. According to the articles of association of SBT three out of the five board members are appointed by NCB-Ontwikkeling. The other two board members are also appointed by NCB-Ontwikkeling as holder of all depositary receipts. At present one board member of SBT is also member of the board of NCB-Ontwikkeling. NCB-Ontwikkeling is related to Zuidelijke Land- en Tuinbouworganisatie (ZLTO), mainly because the board of NCB-Ontwikkeling consists of the same members as the board of ZLTO and the members of NCB-Ontwikkeling are also members of ZLTO. ZLTO is an association for entrepreneurs working in agricultural sectors and has approximately 14,500 members in Noord Brabant, Zeeland and the southern part of Gelderland. NCB-Ontwikkeling acts as the investment fund of ZLTO.

Audit of the financial statements
Every year the management board draws up financial statements and a management report. The financial statements are approved by the signatures of both the management board and the supervisory board and are presented to the general meeting of shareholders for adoption. Vion engages an external auditor for the audit of the financial statements. The general meeting of shareholders is primarily responsible for the appointment of the auditor.

The general meeting of shareholders may completely or partially release the management board from all liability for its management and the supervisory board from liability for its oversight.

Registered office and principal office

The company has its registered office in Best, the Netherlands. Vion's principal office is in Boxtel, the Netherlands.

Dutch Corporate Governance Code

Because Vion is not listed on a stock exchange, the code does not apply to Vion. Vion applies the code nevertheless because it provides a sound and transparent system of checks and balances within a company to regulate relations between the management board, the supervisory board and the general meeting of shareholders that contributes to confidence in the good and responsible management of companies and their integration into society.

In accordance with the code's 'comply or explain' principle Vion deviates from the code's principles and best practice provisions in a number of instances. Generally speaking, this is the case where the provisions are not compatible with Vion's legal structure and the nature of its business or are specifically written for listed companies with a widespread ownership.

The following principles and best practice provisions are not (fully) complied with for the reasons set out below.

Provision 2.1.5 and 2.2.4

(diversity policy and succession plan)

Best practice provision 2.1.5 of the code states that the supervisory board should draw up a diversity policy for the composition of the management board, the supervisory board and the executive committee. Best practice provision 2.2.4 of the code states that the supervisory board should ensure that the company has a sound plan in place for the succession of management board and supervisory board members that is aimed at retaining the balance in the requisite expertise, experience and diversity. Although Vion embraces and highly values diversity within the management board, the supervisory board and the executive committee, an actual diversity policy and succession plan has not been implemented yet.

Provision 2.1.7

(independence of the supervisory board)

Best practice provision 2.1.7 of the code states that the majority of the supervisory board members must be independent in the sense of best practice provision 2.1.8 of the code. Three out of the five supervisory board members of the company at present can be considered not independent in this sense.

Best practice provision 2.1.8 specifies that a member of the supervisory board shall not be deemed independent if he or she is a member of the board or a representative in some other way of a legal entity which holds at least 10% of the shares in the company. Currently, Hans Huijbers is member of the board of NCB-Ontwikkeling, which holds all depositary receipts for the shares in Vion. The supervisory board remuneration of Hans Huijbers is paid to ZLTO on the basis of a separate agreement. ZLTO is related to NCB-Ontwikkeling mainly because the board of NCB-Ontwikkeling consists of the same members as the board of ZLTO. Theo Koekkoek is associated with NCB-Ontwikkeling because his supervisory board remuneration is paid to ZLTO. As a consequence Hans Huijbers as member of the board of NCB-Ontwikkeling and Theo Koekkoek as representative of NCB-Ontwikkeling may not be deemed independent in the sense of the code. This reflects the difference between a listed company with a widespread ownership versus the situation at Vion with only one shareholder. Theo Koekkoek should as non-independent supervisory board member according to best practice provision 2.1.9 not be chairman of the supervisory board. Vion believes, however, that Theo Koekkoek is a highly valuable chairman of the supervisory board, who offers considerable added value in terms of his extensive experience in the food and agri sector.

Best practice provision 2.1.8 specifies that a member of the supervisory board shall not be deemed independent if he or she has been a member of the management board of the company in the five years prior to the appointment. Tom Heidman acted as interim CEO of the company in the period from 26 January up to and including August 2015 and therefore could be viewed as a non-independent. Nevertheless he has been reappointed as member of the supervisory board and appointed as chairman of the remuneration, selection and appointment committee (deviating from best practice provision 2.3.4) given the interim nature of his term as member of the management board and his important contribution to the supervisory board.

Provision 2.2.1
(appointment of the management board)
Best practice provision 2.2.1 of the code states that a member of the management board is appointed for a period of a maximum of four years. The management board members of Vion are appointed for an indefinite period given the importance of a long-term commitment of the management board members to the company.

Provision 2.3.2
(supervisory board key committees)
The remuneration committee and the selection and appointment committee have, for practical reasons, been combined into the remuneration, selection and appointment committee.

Provisions 2.8.1-2.8.3, 3.3.3, 4.1.7, 4.2.2-4.2.6, 4.3.1-4.3.6, 4.4.1-4.4.8 and 5.1.1-5.1.5
These provisions do not apply as Vion is not listed on a stock exchange and all of the shares in its capital are held by one shareholder.

Risk management

Risk management is an important part of Vion's strategy. Vion wants to take advantage of opportunities in the markets in which it is active. But at the same time, the undesirable consequences of risks must be restricted. Vion assesses its system for risk management and internal control using the COSO 2013 model.

Risk appetite

Vion strives to take a prudent and transparent approach to risk. Product quality and safety, worker safety and compliance with laws and regulations are the company's highest priorities. This means that reducing the risks related to food and worker safety and meeting the legal obligations will take priority over all other business objectives. Vion makes a distinction between strategic, operational, financial and reporting and compliance risks. The company applies different management programmes for various risk categories, as set out in the tables below.

Strategic

Vion will pursue strategies in order to create value in the chain for the farmer and the customer and strengthen the Vion results The company accepts the risks inherent in these strategies.

Operational

The highest priority is managing our product quality and safety as well as our worker safety. Procedures are in place, which are monitored and audited by both internal and external parties.

Financial and reporting

With respect to financial risks, Vion has a prudent financing strategy, including a balanced combination of self-insurance and commercial insurance coverage.

Compliance

Vion complies with the applicable laws and regulations everywhere that the company does business.

Risk management

In order to facilitate and coordinate risk management and to oversee compliance with the relevant laws, regulations and policies, Vion has a risk and compliance committee in place. This committee is chaired by the CFO, who is assisted by specialists in the different risk areas. The risk and compliance committee has the following responsibilities:

1. To help the management board to set the tone, develop a risk-conscious culture and promote open discussions regarding risks, such that people at all levels will manage the key risks in accordance with the company's risk appetite and strategy.
2. To provide input to the management board regarding the risk appetite, and strategy and to assist the management board in determining and communicating the company's risk appetite and strategy.
3. To monitor the company's risk profile: its ongoing and potential exposure to risks of various types.
4. To oversee and facilitate the company's enterprise risk assessment and its risk management activities, to provide a consistent approach to identifying, mitigating and monitoring the key business risks throughout Vion.
5. To ensure that an adequate internal control over financial reporting is established and maintained. For this purpose, Vion continues to optimise the Vion Financial Control Framework. Based on this control framework, self-assessments are organised, monitored and reported upon on a quarterly basis.
6. To oversee the company's compliance efforts with respect to the relevant laws, regulations and policies including, but not limited to, a quarterly internal certification process.
7. To assist the management board in informing the audit committee of the supervisory board on matters concerning risk management, compliance with the relevant laws and regulations and the operation of the code of conduct.

Although Vion considers the management of risks to be an important responsibility, it is aware that there are limitations for each form of risk management and internal control. This means that the management systems and procedures cannot prevent the occurrence of specific inaccuracies, errors, fraud or non-compliance with the regulations in full.

Vion has identified various risk categories. In the following section, we will describe how the specific risks in each category are managed and how we see the trend for that risk evolving: Unchanged =, Decreasing ▼ or Increasing ▲:

Strategic

Risk	Managing the risk	Trend and follow-up actions
Market cyclicality risk Vion operates in markets that are characterised by strong competition and price cyclicality. The prices of the raw materials and agricultural products will fluctuate, as will the purchase costs for pigs and cattle. This can lead to significant and unwanted fluctuations in Vion's financial results.	By distributing the activities across different geographical markets and channels, Vion mitigates the specific market threats to some extent. This distribution pattern also allows Vion to exploit the opportunities in various markets and channels. Furthermore, the company aims to reduce the impact of the market cyclicality by matching fixed-term purchasing and sales contracts for certain parts of its business.	Due to the Good Farming Balance programme that was introduced in the Pork division In the Netherlands and in Germany, the exposure to volume has been mitigated and therewith to some extend the discrepancy between purchase and sales markets has been reduced. Going forward, we have the intention to further roll out the programme. Despite these efforts, external factors such as the extreme dry summer of 2018, or the price drop In cattle hides are examples of strong external impacts for which not a complete mitigating action can be implemented on a short notice. =

Strategic: market

Risk	Managing the risk	Trend and follow-up actions
Changing consumption patterns in relation to meat Consumer behaviour in relation to meat consumption is changing. In North Western European markets, people are reducing the meat consumption per person, and the consumption is also shifting over to different species of meat. To ensure continuity and growth, Vion recognises these trends and is adapting to them.	Vion anticipates growth opportunities in Asia where, due to economic growth and the adoption of more western consumption patterns, the consumption of meat per person is increasing. Furthermore, Vion is constantly aligning its product portfolio to match the changing needs of its customers.	We recognise a small and gradual change In consumer behaviour in relation to meat. Overall, we feel confident in our efforts to develop and define new product market combinations and a new consumer portfolio. =

Risk	Managing the risk	Trend and follow-up actions
Access to markets Losing access to a market is a major risk and can result from various causes like animal diseases, political developments, breaching legal requirements or mistakes occurring in the supply chain, for instance in the storage or transportation facilities.	Vion has measures in place to mitigate the consequences of an outbreak of animal diseases to the maximal extent. Furthermore, Vion manages the supply chain towards its customers in a standardised and controlled manner, in order to prevent errors in documentation and/or the delivery of sub-standard quality products.	Vion will continue to pursue its procedures aimed at complying with the demands and requirements of its markets.
Reputation A reputational crisis will have serious consequences in the form of a loss of sales, loss of talent, closer monitoring and increased regulations or penalties from the authorities.	Vion has taken measures to mitigate this by increasing its monitoring skills and its webcare skills in the (social) media landscape. It actively participates in the societal debates including with stakeholder organisations (NGOs), and proactively ensures its media relations are fully aligned with the CSR strategy. Furthermore Vion has mitigating measures In place such as crisis management and training.	The attention of stakeholders to our industry is increasing, and examples of undercover footage involving other companies in our industry have raised the level of attention in general. An increase of questions from stakeholders through social media channels is likely, resulting in more dialogue and more transparent communication.

Operational: people and organisation

Risk	Managing the risk	Trend and follow-up actions
Health, safety and environment Risks in production processes can adversely affect the results. Unlikely scenarios can result in major incidents with a high impact on the company's internal organisation, causing business continuity risks and reputational damage. Vion has an active commitment to health, safety and the environment (HSE) for all of our employees.	In order to achieve these goals, Vion applies a systematic approach to HSE management which is designed for: (i) the maintenance and promotion of our workers' health and working capacity; (ii) the improvement of the working environment and ensuring work practices become conducive to safety and health; and (iii) the development of work organisations and working cultures in a direction which supports health and safety at work.	This is an inherent risk in our labour-intensive industry and we will continue our systematic approach to HSE management. Also in this respect Vion continuous to further roll out the Vion Operating System (VOS) with a high attention area for safe working conditions.

Risk	Managing the risk	Trend and follow-up actions
Attracting and retaining human capital Having the right people, with the right capabilities, experience and mindset, to a large extent, determines the success of our organisation.	"Inspiring people to be best performers" is Vion's mission as an employer. In order to keep our employees motivated so that they will make a meaningful contribution to the company's success, it is important to have the right and suitably qualified personnel. It is Vion's ambition to achieve this, both qualitatively and quantitatively. In order to inspire and support the best performers and those who have ambitions to work in leadership positions in Vion's market, the company has several HR systems and programmes in place or in development.	Unemployment in Germany and the Netherlands is at a very low level, as in Eastern Europe, meaning that potential employees are scarce. In order to be able to recruit sufficient staff to provide for our production needs, we are also striving for process optimisation (including automatisation where possible). At the same time, we are considering increasing the amount of our own staff, instead of hiring workers via third party agencies. As a consequence, the HR support at Vion needs to be strengthened.
Culture and behaviour Vion operates a business culture in which the individual's responsibility, entrepreneurship and commitment are strongly encouraged. This results in a corporate culture and environment where passion for meat unites us into "one Vion", where we are transparent and open-minded and have the drive and willingness to serve our customers and to out-perform our competition. In our view, this is the key for realising our mission and objectives. We also acknowledge that we can do better every day, in order to remain a company that we can be proud of.	To provide the organisation with guidance, and to set the tone for the kind of organisation we are striving to become, we continuously communicate the importance of the Good Business Practice Guide. This booklet includes the code of conduct and the whistleblower policy. Going forward, the HR departments of Vion will analyse the performance reviews with regard to the elements of culture and behaviour, and will initiate programmes to further support the desired corporate culture where needed.	Vion puts an emphasis on the importance of a healthy business culture, for instance with training and with communication through the Good Business Practice Guide.

Operational: execution

Risk	Managing the risk	Trend and follow-up actions
Food safety Wholesome and safe food is one of Vion's top priorities. In view of the nature of the products, it goes without saying that Vion stipulates high standards for food quality and food safety. A quality issue, or even a change in the quality perception of our customers or the authorities, could have substantial consequences for the company's reputation and market position. Demographic developments in the society, such as a more elderly population, also changes the consumer needs towards higher levels of food safety.	Food safety and quality are part of the codes of practice at all of Vion's facilities. In order to manage its own processes such that customer satisfaction and operational excellence are achieved, all of Vion's facilities are ISO 9001 certified. Besides the application of its own Vion–HACCP and the quality standards within its operations, all Vion facilities are certified according to at least one of the food safety and quality schemes that are recognised through the Global Food Safety Initiative (GFSI), such as IFS and BRC.	Food safety is an inherent risk to our industry. Next to following our Vion–HACCP procedures, we will continue to emphasise the importance of food safety and will provide training and pursue continuous monitoring on the local and central level. =
Traceability and product integrity Vion recognises that product and process integrity are essential to being a trustworthy supplier and to preventing public health issues. Traceability is also a key to improving the sustainability in the supply chain. The consumers and customers of Vion expect that the product attributes that are communicated within the market are followed, and that Vion can show its adherence to these attributes, anytime and anywhere.	In order to assure product integrity, Vion is implementing process integrity schemes within its operations. Product integrity and full transparency are recognised as relevant contemporary challenges. In order to professionalise this integrity scheme, Vion is actively cooperating with the standard setting bodies to move toward an internationally recognised and accredited standard. These efforts are being made to ensure an honest chain of custody.	We will continue to implement product integrity schemes in cooperation with the standard setting bodies. Together with partners in the supply chain the use of modern DNA technology will be evaluated to control product integrity within the whole supply chain including the consumer. =

Risk	Managing the risk	Trend and follow-up actions
Animal welfare in transportation and slaughtering Wholesome and safe animal products can only be derived from healthy livestock. There is a strong correlation between the welfare and the health of livestock, and in addition, Vion values the integrity of the animals.	The handling of livestock within the food supply chain is integrated in the company's quality schemes. This implies that a humane handling of animals is demonstrated at the farm level, during transport and within the meat processing plants. Intermediaries and hauliers in the supply chain are also required to adopt these standards. At all of Vion's meat processing plants, several animal welfare officers are present who monitor the handling of the animals to ensure that welfare standards are met. Vion is implementing private animal welfare standards within Its facilities that go beyond the legal standards.	The handling of livestock is integrated in the company's quality schemes. Vion will continue to work with all the parties involved in this regard, including animal welfare NGO's, to ensure that the welfare standards are met. =
Catastrophes at production facilities and/or animal diseases The risk of catastrophes, such as animal diseases or fire, long term interruptions of water or electricity supply as well as breakdowns of the Integrated IT systems is always present despite Vion's continuous efforts to reduce such risks or the impact of such risks. Also intruders In our facilities that could interfere with business continuity are recognised as a risk.	Vion's efforts to reduce the related risks include, for example, preventative measures at the farms, fire protection at the (production) facilities, stringent access control of all persons and safety inspections. In the event of such a catastrophe, the loss of animals or of a substantial production capacity could cause a significant disruption throughout the entire product chain. This possible impact is being combated in the area of alternative capacities, business continuity, and the testing and improving of calamity plans and insurance plans.	We will continue with preventive measures at the farm level, fire protection at the operating sites, access control, screening of individuals and safety inspections. Furthermore, business continuity plans and insurance programme are in place. In 2018 an increasing number of African swine fever outbreaks were seen in Europe. The local authorities are acting upon these incidents. Vion is also taking precautionary measures and is in close contact with the authorities that are monitoring the situation, with the objective to act in a swift and effective manner when needed. ▲

Operational: technology

Risk	Managing the risk	Trend and follow-up actions
Information management Vion's IT strategy is aimed at the converging of its IT landscape into fewer and more up-to-date ERP and production systems, as well as other critical applications. The number of business transactions completed in a digital format with our customers, suppliers and other stakeholders is constantly increasing. However, the non-availability of IT systems or unauthorised access, whether through cybercrime or other events, can have a direct effect on the production processes, the competitive position and the reputation of the company. The importance of information at Vion is of particularly significance for the financial processes, transparency and for production control.	Vion initiated a programme to replace its outdated systems and infrastructure by implementing more up-to-date systems, and to increase the overall level of its information management services. Progress has been made in 2018 on this programme to reduce the production continuity risks. Additionally, an IT control framework is in place, based on which the company monitors the processes and can take additional measures if necessary. Where needed, the control measures and risk management activities are updated and/or new control measures and/or risk management activities are implemented.	Several projects have been initiated: for instance, the replacement of the workplace and wide area network. In relation to IT security, a dedicated security and data privacy officer is in charge of this topic, and IT security awareness is a recurring important topic within Vion. In 2018, the IT control framework has been redesigned and the implementation has been strengthened. Additionally, significant effort has been given to improve the embedding of segregation of duties in the IT systems.

Financial and reporting

Risk	Managing the risk	Trend and follow-up actions
Financing To carry out its operations, Vion uses external financing which expose the company to capital markets and financial risks. In addition, the company carries out transactions in currencies other than the euro, its functional currency, which leads to foreign currency risks.	**Managing the capital markets risks** Vion targets a strong liquidity position by means of committed credit facilities. Obtaining credit from financial institutions and investors is mostly dependent on a company's financial position, its outlook and its reputation. Vion's credit facilities are contracted by the Group Treasury. The interest rates for its interest-bearing borrowings are variable. **Managing the financing risks** Vion has a Credit risk management function in place with the objective to minimise credit losses by maintaining credit risk exposure within acceptable parameters. Professional and strict credit management and credit risk management are of vital importance to Vion given the industries in which we operates and the fact that we have a significant amount invested in working capital. **Managing the foreign currency risks** Vion uses derivative financial instruments to hedge its exposure to foreign exchange risk arising from its operational, financing and investment activities. Vion's policy is not to hold derivative financial instruments for speculative purposes.	Vion is adequately financed with a five year facility which was refinanced in 2017. Vion is comfortable with the effectiveness of it's credit and currency risk controls. =

Compliance

Risk	Managing the risk	Trend and follow-up actions
Non-compliance risk The risk is that Vion will be found to be non-compliant with the applicable laws and regulations, which may adversely affect Vion's reputation and expose it to financial losses.	Vion is committed to complying with the laws and regulations in the various countries in which it operates. Vion has established policies and procedures aimed at compliance with the applicable legislation and regulations, and is dedicated to actively communicating the themes of its CSR report. Besides this, Vion has a code of conduct that goes beyond the compliance within the legal and regulatory framework by providing guidance on behaviour. The Vion whistleblower policy supports compliance with the applicable laws, integrity in financial management, a healthier and safer work environment and effective corporate governance. Vion wants to ensure that any employee can make a report under this policy without the risk of retaliation and with the assurance that all reports will be treated confidentially and are promptly investigated. In addition to reporting directly to management, human resources or the management board, employees can also contact the whistleblower line which is operated by an external service provider. This allows employees to report issues anonymously.	In general, Vion recognises a trend for additional and more complex legislation.

Management statement on assessment of internal risk management and control

The management board is ultimately responsible for the management of the risks that are coupled with the company's objectives, and for the reliability of the internal and external (financial) reporting. The management board is also responsible for evaluating the effectiveness of these risk management measures. Amongst others, the following information is used for this purpose:

- Letters of representation signed on a quarterly basis by the management of the operating companies and divisions and the functional management.
- Quarterly self-assessments of the internal control over financial reporting is included in the Vion Financial Control Framework.
- Reports by the internal audit and quality assurance departments on the reviews and audits performed throughout the year. Findings and measures to address the reported matters are discussed by the operating company management, division management and/or the management board. Summaries are discussed by the audit committee. In addition, the internal audit department tracks the follow-up on the findings and reports on this on a quarterly basis.
- Management letters from the external auditor with findings and remarks regarding the internal control. Similarly to the reports of the internal audit and quality assurance department, these management letters are discussed with the management and a summary is discussed by the audit committee.

On the basis of this evaluation, and to the best of its knowledge and belief, the management board is of the opinion that, at the end of the 2018 financial year and at the date of this annual report, the internal risk management and control measures were functioning sufficiently effectively to provide a reasonable degree of assurance that:

- The management board will be informed in a timely manner about the degree to which the company's strategic, operational and financial objectives are being achieved;
- The internal and external reporting provide sufficient insights into any significant failings in the effectiveness of the internal risk management and control systems and that the financial statements do not contain any material errors;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going-concern basis; and
- The annual report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of this report.

All the procedures relating to the internal risk management and control systems and the resulting findings, recommendations and measures have been discussed with the audit committee, the supervisory board and the external auditor.

Report of the supervisory board

The supervisory board operates independently and is responsible for supervising and advising Vion's management board as well as overseeing the general affairs, long-term strategy and operational performance of the company. The supervisory board is guided in its duties by the interests of the company, taking into consideration the overall good of the company and the relevant interests of all its stakeholders.

This report gives an overview of the activities of the supervisory board and its committees in 2018.

Supervisory board activities

Consistent themes for the supervisory board in 2018 were major investment decisions as well as important commercial initiatives. The supervisory board was regularly updated about the spread of African Swine Fever detected in Eastern Europe, Southern Belgium and China. The supervisory board was also updated about the developments regarding the new Beef slaughter facility in Leeuwarden. The facility was closed for three months and continued its activities in September. The supervisory board visited this new Beef facility after it reopened. This visit was very insightful with full access to senior local staff.

The supervisory board was briefed about Vion's CSR report and Vion's progress in the field of CSR which in any event regularly features on the agenda. The supervisory board was also briefed about the strategic information technology plan 2018-2020. The annual plan 2019 of the internal audit department was discussed and approved by the supervisory board.

At least once a year the members of the executive committee other than the management board members are invited to present on the opportunities and risks in their specific line of business. Bernd Stark gave an update on Food Service and Frans Stortelder outlined the new initiatives within Pork. Bernd Stange informed the supervisory board about the latest Beef developments.

Furthermore, the importance of a regular dialogue with major stakeholders has only grown over time and has also the attention of the supervisory board.

In 2018 the supervisory board entrusted the annual evaluation of the supervisory board, as well as its committees and individual members, to a specialist external adviser. The evaluation process included individual interviews with all members of the supervisory board. The findings and recommendations were discussed during several dedicated meetings. The supervisory board recognised the findings and the areas for improvement will be followed up during the annual evaluation in 2019.

Composition of the supervisory board

The composition of the supervisory board changed in 2018.

Toon van Hoof stepped down as member of the supervisory board at the general meeting of shareholders on 27 March 2018. He had been member of the supervisory board since 2003 and was no longer eligible for reappointment. The supervisory board is grateful to Toon van Hoof for his significant contribution to Vion.

Ronald Lotgerink was reappointed as member of the supervisory board for a period of four years by the general meeting of shareholders on 27 March 2018. On 9 April 2018 Vion announced that Ronald Lotgerink has been appointed as its new CEO as of 1 September 2018. As a consequence thereof Ronald Lotgerink stepped down as member of the supervisory board as of 9 April 2018.

Sipko Schat has decided not to run for a second term effective 1 October 2018. Sipko Schat has been member and chairman of the supervisory board as of 1 October 2014. The supervisory board regrets but also respects Sipko Schat's decision to step down. The supervisory board is grateful to Sipko Schat. Sipko Schat has played an important role in the development of Vion.

The general meeting of shareholders appointed Theo Koekkoek as new chairman as of 1 October 2018. Tom Heidman was appointed as vice-chairman by the supervisory board as of the same date.

The supervisory board currently has the following five members: Theo Koekkoek (chairman), Tom Heidman (vice-chairman), Marieke Bax, Hans Huijbers and Ton van der Laan.

Composition of the management board

The composition of the management board also changed in 2018.

Francis Kint resigned as CEO effective 31 May 2018. Francis Kint was instrumental in transforming Vion with a clear focus on not only further optimising Vion's footprint but also with selective acquisitions. He also drove Vion's sustainability agenda. Joost Sliepenbeek resigned as CFO effective 1 November 2018. Joost Sliepenbeek made an important contribution to Vion. The supervisory board is grateful to both Francis Kint and Joost Sliepenbeek for their commitment, support and efforts.

Francis Kint was succeeded by Ronald Lotgerink. Ronald Lotgerink has been appointed as CEO for an indefinite period of time as of 1 September 2018. Joost Sliepenbeek was succeeded by John Morssink coming from Vion's Pork division. John Morssink has been appointed as CFO for an indefinite period of time as of 1 November 2018.

The management board currently consists of Ronald Lotgerink (CEO) and John Morssink (CFO).

As a result of the change in the management board in the course of 2018 the supervisory board did not assess the performance of the management board and its new individual members given the sort period of time of their performance. The assessment of the performance of the new management board will take place in 2019.

The management board is supported by the executive committee in achieving the objectives of the company and implementing the strategic objectives set out in the strategy and business plan. The executive committee currently further includes John de Jonge (COO Pork), Bernd Stange (COO Beef), Bernd Stark (COO Food Service) as well as Maiko van der Meer (CCO Pork) and Binne Visser (Group HR Director). John de Jonge has succeeded Frans Stortelder as of 1 January 2019. At the same date Frans Stortelder has been appointed as Chief Strategic Projects.

Corporate governance

The section on the Dutch Corporate Governance Code on page 21 includes information on the independence of members of the supervisory board. The members of the supervisory board do not receive any remuneration that is dependent on the financial performance of the company. In the event of a conflict of interest with regard to a particular topic, the supervisory board member in question may not participate in the discussions or the decision-making on that topic. The supervisory board has drawn up rules of procedure with respect to the performance of its duties and to its assigned tasks. Vion strives for a composition of its supervisory board that is balanced and in which the combination of the member's experience, expertise and independence will ensure that the supervisory board can fulfil its various duties on behalf of Vion and its stakeholders in the best possible way.

Supervisory board meetings

The supervisory board met twelve times in 2018. Except for a limited number of occasions and for valid reasons, all supervisory board members attended each of the supervisory board meetings. In all cases, the supervisory board members who were not able to attend made sure that they were represented. The supervisory board received all the information needed to perform its tasks from the management board and the company's external auditors. The agendas for the supervisory board meetings were drawn up by its chairman, in consultation with the management board and the company secretary.

Remuneration, selection and appointment committee

The composition of the remuneration, selection and appointment committee changed in 2018. Sipko Schat stepped down as member on 1 October 2018. Ton van der Laan stepped down as member as of 7 November 2018 to join the audit committee as of the same date. Theo Koekkoek succeeded Ton van der Laan as of 7 November 2018. The current members of the remuneration, selection and appointment committee are Tom Heidman (chairman), Hans Huijbers and Theo Koekkoek.

In 2018 the remuneration, selection and appointment committee met three times. In addition to the remuneration policy of the management board and the appointment of the new management board members, the remuneration, selection and appointment committee also advised the supervisory board on various human resources-related matters.

Audit committee

The composition of the audit committee changed in 2018. Toon van Hoof stepped down as member on 27 March 2018 and Ronald Lotgerink stepped down as member on 9 April 2018. Ton van der Laan joined the audit committee as of 7 November 2018. The current members of the audit committee are Marieke Bax (chairman), Theo Koekkoek and Ton van der Laan.

The audit committee met five times in 2018. The members of the audit committee meet in an executive session before each meeting of the audit committee to discuss the agenda. The chairman is in regular contact with the chairman of the supervisory board, the CFO and the external auditor.

The audit committee advised the supervisory board on Vion's financial statements for 2018 and on the consultations with the external auditor related to these financial statements.

In the audit committee meetings a lot of attention was focused on the operational and financial performance of the group. The audit committee highly values the interaction with finance staff. Risk management, compliance and internal control are topics that receive ongoing attention by the audit committee and are fixed agenda items. During meetings of the audit committee a number of managers presented to the audit committee about the following topics: treasury, IT, tax, CSR, quality assurance and the prevention of fraud. Both the external auditor and the internal auditor attend the audit committee meetings. In addition, the audit committee also met with the external auditor without the presence of members of the management board.

Financial statements

The 2018 financial statements were initially discussed by the audit committee and then by the plenary supervisory board together with the management board and EY, the external auditor. The supervisory board then approved the financial statements. The supervisory board proposes to the general meeting of shareholders that the financial statements 2018 be adopted accordingly.

The supervisory board would like to thank the management and all employees of Vion for their efforts over the past year.

Boxtel, 14 March 2019

On behalf of the supervisory board,
Theo Koekkoek, chairman

Personal details of the supervisory board

T.P. (Theo) Koekkoek
Chairman
1971, Dutch nationality

Function
Agricultural entrepreneur

Main other positions
Member Supervisory Board Rabobank Altena-Bommelerwaard, Member Board CDA, Chairman Advisory Board Stichting Achmea Rechtsbijstand, Member Supervisory Board Maatschappij van Welstand, Member Board Agriprofocus and Member Audit committee Stichting Join Data

T. (Tom) Heidman
Vice-chairman
1959, Dutch nationality

Former functions
CEO C1000 and Retail Network, Operational and Commercial Director Albert Heijn, Director Gall&Gall and interim-CEO Vion (26 January 2015 until 1 September 2015)

Main other positions
Member Supervisory Board Euroma, Vermaat Groep, Remia, The European Candy Group and Migros Ticaret AS (Turkije)

M. (Marieke) Bax
1961, Dutch nationality

Former functions
Various functions Sara Lee Corporation (among which Head Strategy and M&A Europe for meat, foodservice and textile division), CFO e-commerce company, Managing Partner governance and communication firm Gooseberry and Initiator Talent to the Top

Main other positions
Member Supervisory Board VastNed Retail (Chairman Remuneration and Appointment Committee), Member Board CLSA B.V. and Member Advisory Board Fonds Podiumkunsten

J.A.M. (Hans) Huijbers
1959, Dutch nationality

Function
Agricultural entrepreneur

Main other positions
Chairman Zuidelijke Land- en Tuinbouworganisatie (ZLTO), Member Board LTO Nederland, Chairman Steering Committee Agricultural Innovation Noord-Brabant, Chairman Advisory Board HAS Den Bosch, Member Board People 4 Earth, Member Advisory Board Staatsbosbeheer and Member Board Council Animal Affairs

A.T.C. (Ton) van der Laan
1953, Dutch nationality

Former functions
CEO Nidera, Platform leader Cargill, CEO Provimi, Senior-vice president Unilever and Managing Director Philips DAP

Main other positions
Member Supervisory Board of Royal De Heus, Member Supervisory Board Dümmen Orange and Vice chairman Supervisory Board Rain Forrest Alliance

Rotation plan of the supervisory board

	Commencement date first appointment	Current term expires	Commencement date of latest term	Reappointment possible
Tom Heidman	20 May 2014	2019	1 September 2015	Yes
Marieke Bax	1 October 2015	2019	–	Yes
Hans Huijbers	11 September 2009	2021	4 April 2017	No
Ton van der Laan	24 April 2014	2021	4 April 2017	Yes
Theo Koekkoek	27 November 2017	2021	–	Yes*

** Theo Koekkoek was member of the supervisory board of Vion from 9 May 2007 until 9 September 2010. This period will be taken into account with respect to the maximum appointment period.*

Remuneration

Summary remuneration policy

The remuneration policy was adopted by the general meeting of shareholders on 13 February 2017. The full text of the remuneration policy can be found on the company's website. The supervisory board is responsible for ensuring that the remuneration policy, and its implementation, are aligned with the company's objectives. To ensure that remuneration is linked to performance, a significant proportion of the remuneration package is variable, and it is dependent on the short term performance of the individual board member and the company. The performance targets must be both realistic and sufficiently stretching and – particularly with regard to the variable remuneration components – the supervisory board ensures that the relationship between the chosen performance criteria and the strategic objectives applied, as well as the relationship between the remuneration and performance, are properly reviewed and accounted for, both ex-ante and ex-post.

In accordance with the requirements of the Dutch Corporate Governance Code, the remuneration, selection and appointment committee, before setting the targets to be proposed for adoption by the supervisory board, carried out scenario analyses of the possible financial outcomes of meeting the target levels, as well as the maximum performance levels, and how they might affect the level and structure of the total remuneration of the members of the management board.

The remuneration, selection and appointment committee reviewed the impact on the pay differentials within the company, which was taken into account by the supervisory board when determining the overall remuneration. When other benefits are granted, the supervisory board ensures that these are in line with the market norms.

The objective of Vion's remuneration policy is to attract, motivate and retain experienced executives with an international outlook, and to reward them appropriately for their ability to achieve stretched performance targets.

In setting the remuneration levels for the management board, the relevant statutory requirements, corporate governance guidelines and best practices in the Netherlands are taken into account. The point of reference of the total remuneration of the management board is the median of the peer group in the labour market. To ensure the attraction and retention of highly skilled and qualified management, Vion aims for a total remuneration level that is comparable to the levels provided by other Dutch and European companies that are similar to Vion in terms of size and/or complexity, such as Arla Foods, Tönnies Fleischwerk, Cranswick, Danish Crown, FrieslandCampina, Westfleisch and AVEBE.

Variable compensation, which forms a considerable part of the total remuneration package, is linked to measurable predetermined targets. The incentive targets and performance conditions reflect the key drivers for the company's value creation and growth in shareholder value, and they are closely aligned with Vion's strategies.

Remuneration components

The remuneration for members of the management board comprises of the following components:

- a base salary, which is reviewed annually;
- a short term cash incentive, ranging from 0%-67.5% of the base salary, depending on the achievement of the performance targets; and
- pension contributions.

In addition to the remuneration, a number of additional arrangements apply to the management board, including reimbursement of expenses, a contribution to the health and medical insurance premium and the use of company cars.

Base salary 2018

Upon joining the management board, members receive a base salary that is comparable with the median of the peer group in the labour market. An adjustment of the base salary is applied at the discretion of the supervisory board, which takes into account both the external and internal developments. The annual review date for the base salary is 1 January each year.

The supervisory board decided to refrain from an increase in 2018.

Annual base salaries

Amounts in €	Base 2018	Gross amount 2018	Gross amount 2017
Francis Kint, CEO (01.01.2018 - 31.05.2018)	700,000	291,667	700,000
Ronald Lotgerink, CEO (01.09.2018 - 31.12.2018)	800,000	266,667	–
Joost Sliepenbeek, CFO (01.01.2018 - 31.10.2018)	500,000	416,667	500,000
John Morssink, CFO (01.11.2018 - 31.12.2018)	400,000	63,630	–
Total		1,038,631	1,200,000

Short term cash incentives 2018

The short term incentive plan (STIP) rewards the management board for its sound operational performance in Vion's competitive environment. 70% of the target incentive is linked to the financial results of Vion and 30% is linked to the personal objectives.

The STIP targets, including the personal objectives, are set at a challenging level each year, taking into account the general trends in the relevant markets.

The STIP related to the financial targets will only be paid if the minimum targets have been achieved.

The STIP targets are revised annually, so as to ensure that they are stretching but also realistic. Considerations regarding the targets are influenced by the operational and strategic course taken by the company and are directly linked to the company's ambitions. The targets are determined by the supervisory board at the beginning of the year, for each member of the management board.

When all their targets have been achieved, the management board members will receive an incentive of 50% of their annual base salary. An outstanding performance with regard to the financial targets can increase the STIP level to 67.5% of the annual base salary.

The supervisory board has established the extent to which the targets are set for 2018. Regarding the individual employment contracts of the new management board, individual agreements on bonus pay out 2018 were made. Due to the leave during the year, the MB members Francis Kint and Joost Sliepenbeek do not receive a STIP 2018 incentive. The 2018 short-term cash incentive for Ronald Lotgerink is related to the amount agreed as part of his employment contract starting 1 September 2018 to compensate for the loss of certain incentives under his previous assignment when transitioning to his new role as CEO of the company. As from 1 January 2019 onwards, the short-term cash incentives for Ronald Lotgerink will be based on the STIP as explained in this paragraph.

Short-term cash incentives

Amount in €	2018	2017
Francis Kint, CEO	–	306,167
Ronald Lotgerink, CEO	400,000	–
Joost Sliepenbeek, CFO	–	218,961
John Morssink, CFO	25,000	–
Total	425,000	524,858

Adjustment of remuneration

The supervisory board has the 'ultimate remedy' power to adjust the value of the variable remuneration components that are awarded, either downwards or upwards, if this remuneration produces an unfair result. In addition, a variable remuneration component will be recovered from a member of the management board if it appears that such a remuneration component was granted on the basis of incorrect (financial) data (i.e. a clawback).

No revisions or clawbacks of bonuses occurred in 2018.

Pensions

Vion offers to management board members the following pension provisions:

- participation in the collective defined contribution plan, where Vion contributes 13.07% and the employees contribute 6% (2017 Vion: 13.74%, employees: 6%) of the base salary, up to the fiscal maximum for 2018 of € 105,075 (2017: € 103,317) per annum, and starting from a level of € 13,344 (2017: € 13,123) (the so-called franchise); and
- an allowance of 20% of the base salary exceeding € 105,075 (2017: € 103,317) per annum, where the allowance is taxed.

Pay ratio

As from 2017 onwards the company discloses the pay ratio between the management board and the other staff of the company; the total Vion population. We have defined the total Vion population as the average number of FTEs during the year, excluding flex-workers. We see the total own Vion population as a representative group for this ratio.

In the table below the average costs of the management board are compared for the last two years:

	Management Board (A)		Other staff (B)		Total	
(in thousands of euros)	2018	2017	2018	2017	2018	2017
Average number of FTEs	1.75	2	4,556	4,384	4,558	4,386
Annual total compensation	1,687	1,962	249,884	232,489	251,553	234,451
Average compensation	964.0	981.0	54.8	53.0	55.2	53.5

	2018	2017
Pay ratio (A/B)	17.6	18.5

The ratio between the annual total compensation for the management board and the average annual total compensation for our employees was 17.6 for the 2018 financial year and 18.5 for the 2017 financial year. For both years annual total compensation figures include the annual base salary, including social security costs, variable remuneration and pension benefits, these include some defined benefit pension plan elements.

Management board contracts

Agreements for members of the management board are concluded for an indefinite period. The notice period for a termination of the agreement by the board member is subject to a term of three months; whereas notice by the company is subject to a six-month term. Members of the management board will normally retire in the year when they reach the legal retirement age.

Contract termination

The employment contracts of current members of the management board include a severance payment amount, which is set in accordance with best practice provision 3.2.3 of the Dutch Corporate Governance Code (i.e. a sum equivalent to the annual base salary).

Remuneration of the supervisory board

The remuneration package for the supervisory board comprises an annual fixed fee and an annual committee-membership fee.

Overview of remuneration awarded to the supervisory board in 2018

The annual remuneration of the members of the supervisory board was determined by the shareholders' resolution dated 10 April 2018. The total remuneration (annual fixed fee and annual committee membership fee) of the members of the supervisory board amounted to € 0.4 million (2017: € 0.4 million).

Chairman supervisory board (including membership remuneration, selection and appointment committee)	€ 75,000
Vice chairman supervisory board	€ 45,000
Member supervisory board	€ 40,000
Chairman audit committee	€ 10,000
Member audit committee	€ 7,500
Chairman and member remuneration, selection and appointment committee	€ 7,500

Loans

The company does not provide any loans to members of the management and supervisory boards.

Financial statements 2018

1 Consolidated financial statements

(in thousands of euros)

1.1 Consolidated statement of profit and loss

	note	2018	2017
Continuing operations			
Sale of goods		4,640,229	5,062,348
Rendering of services		29,932	7,654
Revenue from contracts with customers	5	**4,670,161**	**5,070,002**
Other operating income	6	8,568	22,156
Raw materials and consumables		3,521,792	3,976,704
Subcontracted work and external costs		517,749	489,816
Employee benefits expense	7	573,470	551,598
Depreciation and amortisation	8	41,478	36,142
Impairment of non-current assets	9	698	825
Other operating expenses	10	6,741	13,529
Total operating expenses		**4,661,928**	**5,068,614**
Earnings before interest and taxes		**16,801**	**23,544**
Finance costs	11	–5,399	–6,875
Finance income	11	370	130
Share of profit of associates and joint ventures		1,275	1,217
Profit before tax		**13,047**	**18,016**
Income tax income/(expense)	12	–2,864	3,833
Profit for the year		**10,183**	**21,849**
Attributable to:			
Equity holders of the parent		7,941	20,122
Non-controlling interests		2,242	1,727
Total		**10,183**	**21,849**

1 Consolidated financial statements

(in thousands of euros)

1.2 Consolidated statement of total comprehensive income

	note	2018	2017
Profit for the year		10,183	21,849
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations	24	61	–2
Gross (loss)/gain on cash flow hedges	24	–1,790	1,141
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**–1,729**	**1,139**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Remeasurement gains/(losses) on defined benefit plans	24	805	724
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**805**	**724**
Other comprehensive income/(loss) for the year, net of tax		**–924**	**1,863**
Total comprehensive income/(loss) for the year, net of tax		**9,259**	**23,712**
Attributable to:			
Equity holders of the parent		7,017	21,985
Non-controlling interests		2,242	1,727
Total		**9,259**	**23,712**

1 Consolidated financial statements

(in thousands of euros)

1.3 Consolidated statement of financial position

Assets	note	2018	2017
Non-current assets			
Property, plant and equipment	13	307,212	289,256
Investment properties	14	1,287	1,450
Intangible assets	15	57,525	49,974
Investment in associates and joint ventures	16	6,734	10,094
Other non-current financial assets	18	3,639	4,011
Deferred tax assets	19	29,923	32,456
Total non-current assets		**406,320**	**387,241**
Current assets			
Inventories	20	173,408	176,656
Trade and other receivables	21	388,747	414,830
Prepayments		11,497	4,348
Other current financial assets	18	1,143	2,095
Income tax receivable		445	165
Cash and cash equivalents	22	6,139	20,858
Assets held for sale	23	29	1,714
Total current assets		**581,408**	**620,666**
Total assets		**987,728**	**1,007,907**

1 Consolidated financial statements

(in thousands of euros)

Equity and liabilities	note	2018	2017
Equity			
Issued capital	24	2,285	2,285
Share premium	24	372,716	372,716
Legal reserves	24	21,177	20,593
Retained earnings	24	29,194	18,804
Result for the year	24	7,941	20,122
Equity attributable to equity holders of the parent		**433,313**	**434,520**
Non-controlling interests	17	14,905	11,616
Total equity		**448,218**	**446,136**
Non-current liabilities			
Interest-bearing loans and borrowings	25	16,184	16,141
Other non-current financial liabilities	26	2,989	1,080
Provisions	27	854	1,571
Net employee defined benefit liabilities	28	127,284	133,414
Deferred tax liabilities	19	6	8
Total non-current liabilities		**147,317**	**152,214**
Current liabilities			
Trade and other payables	29	354,384	345,604
Interest-bearing loans and borrowings	25	22,033	53,656
Other current financial liabilities	26	6,668	5,086
Contract liability	5	4,719	–
Income tax payable		2,126	2,566
Provisions	27	2,263	2,645
Total current liabilities		**392,193**	**409,557**
Total liabilities		**539,510**	**561,771**
Total equity and liabilities		**987,728**	**1,007,907**

1 Consolidated financial statements

(in thousands of euros)

1.4 Consolidated statement of changes in equity

	Attributable to the equity holders of the parent									
			Legal reserves							
	Issued capital	Share premium	Cash flow hedge reserve	Foreign currency translation reserve	Other legal reserves	Retained earnings	Result for the year	Total	Non-controlling interests	Total Equity
Balance at 1 January 2017	**2,285**	**372,716**	**879**	**610**	**10,115**	**–11,849**	**36,521**	**411,277**	**16,488**	**427,765**
Appropriation of results	–	–	–	–	–	36,521	–36,521	**–**	–	**–**
Profit for the period	–	–	–	–	–	–	20,122	**20,122**	1,727	**21,849**
Other comprehensive income	–	–	1,141	–2	–	724	–	**1,863**	–	**1,863**
Total comprehensive income	**–**	**–**	**1,141**	**–2**	**–**	**724**	**20,122**	**21,985**	**1,727**	**23,712**
Dividends	–	–	–	–	–	–	–	**–**	–3,864	**–3,864**
Transactions with minority shareholders	–	–	–	–	–	1,258	–	**1,258**	–2,735	**–1,477**
Transfer to legal reserve	–	–	–	–	7,850	–7,850	–	**–**	–	**–**
Balance at 31 December 2017	**2,285**	**372,716**	**2,020**	**608**	**17,965**	**18,804**	**20,122**	**434,520**	**11,616**	**446,136**
Appropriation of results	–	–	–	–	–	20,122	–20,122	**–**	–	**–**
Profit for the period	–	–	–	–	–	–	7,941	**7,941**	2,242	**10,183**
Other comprehensive income	–	–	–1,790	61	–	805	–	**–924**	–	**–924**
Total comprehensive income	**–**	**–**	**–1,790**	**61**	**–**	**805**	**7,941**	**7,017**	**2,242**	**9,259**
Dividends	–	–	–	–	–	–9,500	–	**–9,500**	–1,627	**–11,127**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**–**	3,829	**3,829**
Transactions with minority shareholders	–	–	–	–	–	1,276	–	**1,276**	–1,155	**121**
Reclassification	–	–	–879	–	–	879	–	**–**	–	**–**
Transfer to legal reserves	–	–	–	–	3,192	–3,192	–	**–**	–	**–**
Balance at 31 december 2018	**2,285**	**372,716**	**–649**	**669**	**21,157**	**29,194**	**7,941**	**433,313**	**14,905**	**448,218**

1 Consolidated financial statements

(in thousands of euros)

1.5 Consolidated statement of cash flows

	note	2018	2017
Cash flow from operating activities			
Profit before tax		**13,047**	**18,016**
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	13	35,838	33,190
Depreciation and impairment of investment properties	14	163	251
Amortisation and impairment of intangible assets	15	6,176	3,527
Gain on disposal of property, plant and equipment	6	–1,019	–12,802
Finance income	11	–370	–130
Finance costs	11	4,509	6,351
Net foreign exchange differences	11	890	524
Share of profit of associates and joint ventures	16	–1,275	–1,217
Movement in provisions, pensions and government grants	27, 28	–8,147	–7,852
Working capital adjustments:			
(Increase)/decrease in trade and other receivables and prepayments	21	31,809	28,085
(Increase)/decrease in inventories	20	11,147	–18,677
Increase/(decrease) in trade and other payables	29	795	–5,193
		93,563	**44,073**
Interest received		583	921
Interest paid		–3,757	–5,716
Income tax paid		–366	–214
Net cash flow from operating activities		**90,023**	**39,064**

	note	2018	2017
Cash flow from investment activities			
Proceeds from sale of property, plant and equipment	13	3,097	14,724
Purchase of property, plant and equipment	13	–52,363	–68,026
Purchase of intangible assets	14	–2,147	–2,649
Development expenditures	14	–6,739	–8,600
Proceeds from sale of financial fixed assets		–	9,937
Purchase of subsidiaries		–551	–6,922
Dividends received from subsidiaries, associates and joint ventures		227	–
Net cash flow from investment activities		**–58,477**	**–61,536**
Cash flow from financing activities			
Repayment of borrowings	25	–32,640	–4,231
Proceeds from non-bank debts		–	3,152
Repayment of non-bank debts	26	–88	–
Acquisition of non-controlling interest		–1,842	–15,370
Dividend paid to equity holders of the parent	24	–9,500	–
Dividend paid to non-controlling interests	26	–2,318	–2,643
Net cash flow from financing activities		**–46,388**	**–19,092**
Net decrease in cash and cash equivalents		–14,841	–41,564
Net foreign exchange difference		122	–92
Cash and cash equivalents at 1 January		20,858	62,514
Cash and cash equivalents at 31 December	21	**6,139**	**20,858**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

1 General information

The consolidated financial statements of Vion Holding N.V. and its subsidiaries (collectively, Vion or the company) for the year ended on 31 December 2018 were authorised for publication by the management board following the approval by the supervisory board on 14 March 2019. The financial statements will be submitted to the general meeting of shareholders for adoption.

Vion Holding N.V. is a public limited liability company under Dutch law incorporated and domiciled in the Netherlands. The registered office is located in Best, the Netherlands. Vion has one shareholder and ultimate controlling party: Stichting Administratiekantoor SBT. Vion Holding N.V. is registered with the Dutch Trade Register under number 17053901.

Vion Holding N.V. is a holding company. Vion's product portfolio consists of fresh pork and beef and derived convenience food products.

2 Significant accounting policies

2.1 Basis of preparation

Statement of IFRS compliance

Vion prepares its consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

The consolidated financial statements have been prepared on a historical cost basis, except for deferred receipts, derivative financial instruments and contingent consideration that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Vion Holding N.V. and its subsidiaries as at 31 December 2018. Control is achieved when Vion is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Vion controls an investee if, and only if, Vion has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when Vion has less than a majority of the voting or similar rights of an investee, Vion considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Vion's voting rights and potential voting rights

Vion re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Vion obtains control over the subsidiary and ceases when Vion loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date Vion gains control until the date Vion ceases to control the subsidiary.

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

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

If Vion loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit and loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, Vion elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When Vion acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit and loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, Vion re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Vion's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Investment in associates and joint ventures

An associate is an entity over which Vion has significant influence.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Vion's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in Vion's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit and loss reflects Vion's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of Vion's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, Vion recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between Vion and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of Vion's share of profit and loss of an associate and a joint venture is shown on the face of the statement of profit and loss outside operating profit and represents profit and loss after tax and noncontrolling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as Vion. If financial information is not available for an associate or joint venture when the annual report of Vion is presented, most recently available information is used in determining the value of the associate or joint venture. When necessary, adjustments are made to bring the accounting policies in line with those of Vion.

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

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

c) Current versus non-current classification

Vion presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

– Expected to be realised or intended to be sold or consumed in the normal operating cycle
– Held primarily for the purpose of trading
– Expected to be realised within twelve months after the reporting period

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Or
– Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
All other assets are classified as non-current.

A liability is current when:
– It is expected to be settled in the normal operating cycle
– It is held primarily for the purpose of trading
– It is due to be settled within twelve months after the reporting period
Or
– There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
Vion classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d) Fair value measurement
Vion measures certain financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
– In the principal market for the asset or liability
Or
– In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by Vion.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Vion uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
– Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
– Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement i s directly or indirectly observable
– Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, Vion determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Vion determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

External valuators are involved for valuation of significant assets and significant liabilities. Involvement of external valuators is decided upon annually by Vion. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Vion decides, after discussions with Vion's external valuators, which valuation techniques and inputs to use for each case.

At each reporting date, Vion analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per Vion's accounting policies. For this analysis, Vion verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Vion, in conjunction with Vion's external valuators, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On a periodical basis, Vion and Vion's external valuators present the valuation results to Vion's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, Vion has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

e) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which Vion expects to be entitled in exchange for those goods or services. Vion has generally concluded that it is the principal in its revenue arrangements, except for the rendering of services as disclosed below, because it typically controls the goods or services before transferring them to the customer.

Regarding the recognition of revenue from contracts with customers, there are no specific significant judgements, estimates or assumptions made by Vion.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 15 to 45 days upon delivery.

Rendering of services

Revenue from rendering of services mainly concerns slaughtering fees. Vion acts as an agent for some slaughtering contracts, where Vion has no inventory risk and receives a fixed fee for the slaughtering services. Revenue is recognised at the point in time after the control of the services has been transferred to the customers.

Vion considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, Vion considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, Vion estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right for bonusses. These customer bonusses give rise to variable consideration.

- Customer bonusses

  Vion provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future customer bonusses, Vion applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one threshold, based on contract terms and the goods delivered. The selected method that best predicts the amount of variable consideration is primarily driven by the number of thresholds contained in the contract. Vion then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected customer bonus.

(ii) Significant financing component

In certain situations, Vion receives short-term advances from its customers. Using the practical expedient in IFRS 15, Vion does not adjust the prepaid amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be less than one year.

Contract balances

Trade receivables

A receivable represents Vion's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section o) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which Vion has received consideration from the customer. If a customer pays consideration before Vion transfers goods or services to the customer, a contract liability is recognised when the payment is received.

f) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the amount is deducted from the asset value and is recognised as income in equal amounts over the expected useful life of the related asset.

When Vion receives grants of non-monetary assets, the asset and the grant are recorded at net amounts and released to profit and loss over the expected useful life of the asset.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where Vion operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit and loss.

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

h) Foreign currencies

Vion's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, Vion determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Vion uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit and loss reflects the amount that arises from using this method.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

i) Transactions and balances
Transactions in foreign currencies are initially recorded by Vion's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit and loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit and loss are also recognised in OCI or profit and loss, respectively).

ii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit and loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit and loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

i) Non-current assets held for sale and discontinued operations
Vion classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.
The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to sell expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
– Represents a separate major line of business or geographical area of operations
– Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
Or
– Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit and loss after tax from discontinued operations in the statement of profit and loss.

Additional disclosures are provided in note 23. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

j) Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, Vion depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

– Land	indefinite, no depreciation
– Buildings	25 to 30 years
– Machinery and installations	8 to 15 years
– Other equipment	3 to 15 years

An item of property, plant and equipment and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

k) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Vion as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to Vion is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that Vion will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit and loss on a straight-line basis over the lease term.

Vion as a lessor

Leases in which Vion does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Investment properties

Investment properties are measured at cost, including transaction costs. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit and loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use.

Depreciation of investment properties is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

– Land	indefinite, no depreciation
– Buildings	25 to 30 years
– Machinery and installations	8 to 15 years

n) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when Vion can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

– Software	3 to 5 years
– Other, including concessions and trade marks	10 to 15 years

o) Financial instruments

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Vion's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Vion has applied the practical expedient, Vion initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Vion has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (e) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Vion's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that Vion commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to Vion. Vion measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Vion's financial assets at amortised cost includes trade receivables and loan to an associate included under other non-current financial assets.

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(in thousands of euros, unless stated otherwise)

Financial assets at fair value through OCI (debt instruments)

Vion measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which Vion had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Vion's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- Vion has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Vion has transferred substantially all the risks and rewards of the asset, or (b) Vion has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When Vion has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Vion continues to recognise the transferred asset to the extent of its continuing involvement. In that case, Vion also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Vion has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Vion could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

– Disclosures for significant assumptions	Note 3
– Trade receivables	Note 21

Vion recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Vion expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For debt instruments at fair value through OCI, Vion applies the low credit risk simplification. At every reporting date, Vion evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, Vion reassesses the internal credit rating of the debt instrument. In addition, Vion considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Vion considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Vion may also consider a financial asset to be in default when internal or external information indicates that Vion is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Vion. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Vion's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
- Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by Vion that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Vion has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to Vion. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 25.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

p) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

Vion uses forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit and loss when the hedged item affects profit and loss.

For the purpose of hedge accounting, the hedges Vion uses classify as cash flow hedges, as Vion is hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, Vion formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Vion will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is `an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not `dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Vion actually hedges and the quantity of the hedging instrument that Vion actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit and loss.

Vion uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in other operating income or expenses.

Amounts recognised in OCI are transferred to profit and loss when the hedged transaction affects profit and loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.
If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

q) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

r) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

– Disclosures for significant assumptions	Note 3
– Property, plant and equipment	Note 13
– Intangible assets (including goodwill)	Note 15

Vion assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Vion estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Vion bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Vion's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit and loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, Vion estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss.

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(in thousands of euros, unless stated otherwise)

Goodwill is tested for impairment annually in the fourth quarter and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

s) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts as they are considered an integral part of Vion's cash management.

t) Provisions

General

Provisions are recognised when Vion has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
When Vion expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring provisions

Restructuring provisions are recognised only when Vion has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

u) Pensions and other post-employment benefits

Vion holds besides defined contribution plans, a defined benefit pension plan in Germany and several multi-employer plans and a jubilee plan in the Netherlands.

Defined contribution plan

According to this pension scheme, defined contributions are paid to independent pension funds. Besides the defined contributions, Vion has no obligation to make additional payments to the scheme to make up for deficits resulting from actuarial or investment risk.

The regular contributions in the defined contribution schemes qualify as net periodic costs in the year in which they are due and are recognised within the employee benefits expense. Employee contributions are deducted from this expense.

Defined benefit plan

Vion holds defined benefit pension schemes for employees and former employees of the German group companies. The schemes are not open to new participants. A part of the schemes will be funded using a so-called 'Unterstützungsfonds', while liabilities are direct.

The net liability related to these schemes are calculated annually by an independent actuary according to the projected unit credit method and discounted with a maturity corresponding to the time of benefit payments to the members.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements of the net liabilities comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit and loss in subsequent periods.

Past service costs are recognised in profit and loss on the earlier of:
– The date of the plan amendment or curtailment, and
– The date that Vion recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Vion recognises the following changes in the net defined benefit obligation under 'Employee benefits expense' and 'Finance costs' in the consolidated statement of profit and loss:

– Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
– Net interest expense or income

Multi-employer plan
Vion participates for its employees in The Netherlands in several multi-employer pension schemes, which are all under the supervision of an independent pension administrator. Participation to these multi-employer plans is obligatory by law. Vion can only exit these multi-employer plans if it would start its own pension plan or collective labour agreement.

As these plans qualify as a defined benefit plans, IFRS requires these plans to be accounted for as such. However, as Vion is not able to obtain sufficient information for defined benefit accounting the exception of IAS 39.34 is applied by which the plans are accounted for as defined contribution plans. The pension benefits are based on a moderate career-average scheme. Based on the contributions paid to these plans and the number of participants, it can be concluded that Vion has a limited to low level of participation in these plans.

Premiums owed in the financial year to the pension administrators are recognised as costs.

Jubilee benefit commitments
The liability and cost of providing benefits under the jubilee benefits plan are determined by actuary using the projected unit credit method. Actuarial results are recognised in the statement of profit and loss.

2.4 Changes in accounting policies and disclosures
Vion applied IFRS 15 and IFRS 9 for the first time in 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the company. Vion did not early adopt any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. In addition, the assets and liabilities related to the contracts with customers have been presented separately in the statement of financial position.

As for the company the moment of revenue recognition and the amount of revenue to be recognised does not change as a result of the adoption of IFRS 15, there is no impact on the results from prior years. For comparability reasons Vion has therefore applied the full retrospective approach. The effect of the transition on the current period is also not existing. Vion did also not apply any of the other available optional practical expedients.

The change did not have an impact on OCI for the period. The impact on the statement of cash flows for the year ended 31 December 2017 only relates to certain working capital adjustments. However, there was no impact on the net cash flows from operating activities. The cash flows from investing and financing activities were not affected.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The implementation of IFRS 9 only affected the classification of financial instruments, these changes have been applied retrospectively.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: Vion's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of Vion's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on Vion. Vion continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are changes in the classification of Vion's financial assets:

– Trade and other receivables and other non-current financial assets (i.e., loan to an associate) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

		IFRS 9 measurement category	
As at 31 December 2017		**Fair value through profit or loss**	**Amortised cost**
IAS 39 measurement category			
Loans and receivables			
Trade and other receivables	414,830	–	414,830
Other financial assets	6,106	5,195	911
		5,195	**415,741**

Other financial assets include deferred receipts (€ 3.1 million), derivatives (€ 2.1 million) and loans and receivables (€ 0.9 million).

		IFRS 9 measurement category	
As at 1 January 2017		**Fair value through profit or loss**	**Amortised cost**
IAS 39 measurement category			
Loans and receivables			
Trade and other receivables	435,730	–	435,730
Other financial assets	13,508	5,693	7,815
		5,693	**443,545**

Other financial assets include deferred receipts (€ 2.9 million), derivatives (€ 2.8 million) and loans and receivables (€ 7.8 million).

There are no changes in classification and measurement for Vion's financial liabilities.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Vion has assessed the impact of the requirements under IFRS 9 for the impairment of financial assets and has determined that the new requirements do not have a material impact on the recognised impairments of financial assets, as the risk of loss given default is assessed to be minimal.

Vion applied hedge accounting prospectively. At the date of initial application, all of the existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of IFRS 9, Vion designated the change in fair value of the entire forward contracts in its cash flow hedge relationships. The forward element is recognised in OCI and accumulated as a separate component of equity under the cash flow hedge reserve. The adoption of IFRS 9 has no impact on the presentation of comparative figures.

Under IAS 39, all gains and losses arising from cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. Based on the type of hedge instruments applied by Vion, the adoption of IFRS 9 has no impact on the hedge accounting applied by Vion and the presentation of comparative figures.

2.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of Vion's financial statements are disclosed below. Vion intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).
At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

Vion plans to adopt IFRS 16 using the modified retrospective approach. This means the company will recognise the cumulative effect of initial application in opening balance of equity (2019) and will not restate comparative information.

Vion will elect to use the following transition exemptions proposed by the standard:
- a single discount rate will be used for a portfolio of leases with reasonably similar characteristics;
- lease contracts for which the lease terms ends within 12 months as of the date of initial application, will be treated as short term leases;
- Vion will rely on the previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application;
- initial direct costs will be excluded from the measurement of the right-of-use asset at the date of initial application;
- Vion will use hindsight in cases applicable.

Going forward Vion will use the available recognition exemptions for lease contracts of 12 months or less and lease contracts for which the underlying asset is of low value. Vion has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

During 2018, Vion has performed a detailed impact assessment of IFRS 16. The estimated impact of IFRS 16 adoption on the opening balance as of 1 January 2019 (the start of the 2019 financial year):

– **Assets**
  An increase in right of use assets of approximately € 38 million.
  An increase in deferred tax assets of approximately € 10 million.

– **Liabilities**
  An increase in lease liabilities of approximately € 38 million.
  An increase in deferred tax liabilities of approximately € 10 million.

Due to the adoption of IFRS 16, the earnings before interest and taxes of the company will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

Other standards issued but not yet effective

Next to IFRS 16 *Leases*, there are the following new and amended standards and interpretations that are issued, but not yet effective up to date of issuance of the group's financial statements:

– **IFRS 17 *Insurance contracts***
  This standard is not applicable to Vion.

– **IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment***
  Vion will apply the interpretation from its effective date. Since Vion operates in a multinational tax environment, applying the interpretation may affect its consolidated financial statements.

– **Amendments to IFRS 9: *Prepayment Features with Negative Compensation***
  These amendments have no impact on the consolidated financial statements of Vion.

– **Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement***
  These amendments will apply only to any future plan amendments, curtailments or settlements of Vion.

– **Amendments to IAS 28: *Long-term interests in associates and joint ventures***
  Vion does not have long-term interests, valued in accordance with IFRS 9, in its associates and joint ventures, therefore the amendments to IAS 28 will not have an impact on the consolidated financial statements.

(in thousands of euros, unless stated otherwise)

– Annual improvements 2015-2017 Cycle (issued in December 2017)
- – IFRS 3 *Business Combinations;* The amendments will apply on future business combinations of Vion;
- – IFRS 11 *Joint Arrangements;* These amendments are currently not applicable to Vion, but may apply to future transactions;
- – IAS 12 *Income Taxes;* Since Vion's current practice is in line with these amendments, Vion does not expect any effects on its consolidated financial statements;
- – IAS 32 Borrowing Costs; Since Vion's current practice is in line with these amendments, Vion does not expect any effects on its consolidated financial statements.

2.6 Restatement of items in profit and loss
No significant restatements in the profit and loss were made.

3 Significant accounting judgements, estimates and assumptions

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

Other disclosures relating to Vion's exposure to risks and uncertainties includes:

– Financial instruments risk management and policies	Note 33
– Sensitivity analyses disclosures	Notes 15, 27 and 33

Judgements
In the process of applying Vion's accounting policies, management has made judgements, as described in the paragraph estimates and assumptions, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Vion based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of Vion. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that Vion is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by Vion. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 15.

Taxes

Deferred tax assets, including deferred tax assets for tax loss carryforward positions and tax credit carryforward positions, are recognised to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered. Further details on the recognition of deferred tax assets is included in note 19.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and jubilee benefits plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an AA rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are provided in note 28.1.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See note 33.4 for further disclosures.

Development costs
Vion capitalises development costs for software in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2018, the carrying amount of capitalised development costs was € 18.4 million (2017: € 13.2 million).

This amount includes significant investment in the development of VIPER software house and the project to implement a new work place based on current technology and software products (the so-called Meadow project).

4 Acquisitions and disposals

4.1 Acquisitions

BestHides GmbH
On 27 December 2017 Vion signed the purchase agreement for the acquisition of an additional 20% of the shares in BestHides GmbH, a globally active supplier of chilled and wet salted hides and wet salted calfskins from north, central and south Germany. The effective date of the acquisition is 1 January 2018. The acquisition underlines the growth strategy announced by the company and fits with the strategy to move up in the value chain.

After the transaction Vion holds 60% of the shares in BesthHides GmbH. Based on the purchase agreements and the shareholder agreement between the shareholders Vion gains control over BestHides GmbH as from the acquisition date. Therefore Vion includes the results of BestHides GmbH in its consolidated financial statements as from 1 January 2018 onwards.

The consideration paid at the beginning of 2018 for the additional shares acquired amounts € 2.3 million. As part of the purchase price allocation intangible assets have been identified for a total amount of € 4.5 million, which is amortised on a straight-line basis over a 15 year period. Additional liabilities for future dividend payments to the minority shareholder have been recognised for an amount of € 4.7 million based on the new shareholder agreement. Fair value adjustments of existing assets and liabilities amount € 0.7 million (net) in total. In addition to the assets acquired and liabilities recognised a deferred tax liability was recognised for the temporary valuation differences of € 1.4 million, which has been deducted from the fair value of the assets to determine the goodwill paid in the transaction.

As a result of the transaction goodwill has been recognised for an amount of € 0.4 million.

As part of the acquisition no further contingent consideration agreements have been agreed with the seller, nor have any indemnification assets been agreed.

Otto Nocker

On 25 July 2017 Vion signed the purchase agreement regarding the acquisition of certain assets of Otto Nocker, a meat processing company, and six wholesale markets from the insolvent companies of the Lutz Group. The assets acquired are mainly related to property, plant and equipment and inventories of raw materials and (semi) finished products. The acquisition underlines the growth strategy announced by the company and fits with the strategy to move up in the value chain. As part of the acquisition no further contingent consideration agreements have been agreed with the seller, nor have any indemnification assets been agreed.

The total consideration paid for the assets acquired amounts € 6.9 million, while the fair value of the assets and liabilities was determined at € 8.9 million. As part of the acquisition intangible assets (brand name and customer relations) have been identified for a total amount of € 1.9 million. The intangibles are amortised on a straight-line basis over a 15 year period. In addition to the assets acquired a deferred tax liability was recognised for the temporary valuation differences of € 0.7 million, which has been deducted from the fair value of the assets to determine the gain on the transaction.

As a result a gain on the transaction, after deferred taxes, has been recognised of € 1.3 million which is included in the line Other operating expenses in the consolidated statement of profit and loss.

After receiving the final regulatory approvals Vion gained control over the assets acquired as from 30 September 2017 onwards. The results realised with the assets have been included in the consolidated results of the Group as from 30 September 2017.

4.2 Disposals

During 2018, there were no disposals of subsidiaries.

(in thousands of euros, unless stated otherwise)

5 Revenue from contracts with customers

5.1 Disaggregated revenue information

Set out below is the disaggregation of Vion's revenue from contracts with customers:

Segments	For the year ended 31 December 2018	For the year ended 31 December 2017
Sale of goods	4,640,229	5,062,348
Rendering of services	29,932	7,654
Total revenue from contracts with customers	**4,670,161**	**5,070,002**
Geographical markets		
The Netherlands	615,664	654,245
Germany	1,809,015	2,050,783
Italy	445,540	465,650
United Kingdom	179,467	204,719
Greece	160,173	180,494
Other European countries	882,127	890,949
Total Europe	**4,091,986**	**4,446,840**
Asia	506,911	520,565
North America	35,767	42,119
Other countries	35,497	60,478
Total revenue from contracts with customers	**4,670,161**	**5,070,002**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

5.2 Contract balances	31 December 2018	31 December 2017
Trade receivables	360.763	378,413
Contract liability	4,719	-

Trade receivables are non-interest bearing and are generally on terms of 15 to 45 days. In 2018, € 5.8 million (2017: € 5.5 million) was recognised as provision for expected credit losses on trade receivables.

Generally, invoicing is done at the moment the performance obligation is satisfied. Contract liabilities concerns short-term advances received for the delivery of goods, which will be settled upon delivery of the concerning goods. The outstanding balances of these accounts increased in 2018 due to the specific arrangements as of 2018 with certain customers.

5.3 Customer bonusses	31 December 2018	31 December 2017
Customer bonusses	26,486	31,368

The customer bonusses are expected to be settled within 3 to 12 months.

6 Other operating income

	2018	2017
Profit/(loss) from sales of fixed assets	1,019	12,251
Rental income	884	903
Insurance coverage	57	286
Other	6,608	8,716
Total other operating income	**8,568**	**22,156**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

7 Employee benefits expense

	2018	2017
Wages and salaries	205,560	192,652
Social security costs	35,099	32,358
Contributions to defined contribution plans	10,428	8,953
Expenses related to post-employment defined benefit plans	271	347
Post-employee benefits other than pensions	195	141
Termination benefits	2,197	7,074
Temporary staff	304,890	295,007
Other employee benefit costs	14,830	15,066
Total employee benefits expense	**573,470**	**551,598**

8 Depreciation and amortisation

	2018	2017
Depreciation of property, plant and equipment	35,963	32,615
Amortisation of intangible assets	5,515	3,527
Total depreciation and amortisation	**41,478**	**36,142**

9 Impairment of non-current assets

	2018	2017
Impairment of property, plant and equipment	37	825
impairment of intangible fixed assets	661	–
Total impairment of non-current assets	**698**	**825**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

10 Other operating expenses

	2018	2017
Restructuring expenses	281	5,490
Lease costs buildings and non-production equipment	3,134	2,683
Other	3,326	5,356
Total other operating expenses	**6,741**	**13,529**

Restructuring expenses mainly include legal and consulting expenses for restructuring projects.

11 Finance costs and income

Finance costs	2018	2017
Interest accretion pension provision	–1,707	–1,827
Interest and charges Financing facility	–338	–1,256
Finance charges payable under finance leases and hire purchase contracts	–447	–447
Interest accretion jubilee provision	–46	–53
Other	–1,893	–1,970
Total interest expense	**–4,431**	**–5,553**
Financing fee	–78	–798
Currency exchange losses	–890	–524
Total finance costs	**–5,399**	**–6,875**

Finance income	2018	2017
Interest income on a loan to an associate	19	19
Interest accretion deferred receipts	278	–
Other	73	111
Total finance income	**370**	**130**

(in thousands of euros, unless stated otherwise)

12 Income tax income/(expense)

	2018	2017
Current income tax		
Current income tax charge	–890	–1,077
Adjustments in respect of current income tax of previous year	–238	–66
Deferred tax		
Relating to origination and reversal of temporary differences	–1,736	4,976
Income tax income/(expense) reported in the statement of profit or loss	**–2,864**	**3,833**

Reconciliation between the statutory and effective tax rate	2018	2017
Statutory income tax rate	25%	25%
Profit before tax from continuing operations	13,047	18,016
Inclusion profit/(loss) joint ventures for tax purposes	409	658
Profit before income tax	**13,456**	**18,674**
Statutory income tax amount	–3,364	–4,669
Change in valuation of available losses and timing differences	–6,603	12,583
Non-taxable income	10,988	–
Effect of participation exemption	–736	–1,935
Non-deductible expenses for tax purposes	–2,171	–2,523
Tax rate change	–1,947	–
Effect of different foreign tax rates	923	–182
Other	–53	354
Income tax expense/(income) reported in the statement of profit or loss	**–2,963**	**3,628**
Excluding tax expense/(income) joint ventures	99	205
Income tax expense/(income) reported in the statement of profit or loss	**–2,864**	**3,833**
Effective tax rate	**22.0%**	**–21.3%**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

13 Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Other equipment	Construction in progress	Total
Cost					
Balance at 1 January 2017	**596,660**	**467,023**	**16,759**	**32,274**	**1,112,716**
Additions	10,256	19,540	2,950	35,280	68,026
Additions through business combinations	3,310	1,234	213	–	4,757
Disposals	–16,168	–34,467	–10,063	–168	–60,866
Reclassifications	13,346	16,545	1,912	–31,582	221
Effect of movements in exchange rates	–1	–	–76	–	–77
Balance at 31 December 2017	**607,403**	**469,875**	**11,695**	**35,804**	**1,124,777**
Additions	**6,786**	**18,029**	**3,732**	**23,816**	**52,363**
Additions through business combinations	**1,082**	**329**	**169**	**–**	**1,580**
Disposals	**–1,453**	**–20,311**	**–4,960**	**–525**	**–27,249**
Reclassifications	**21,245**	**15,400**	**682**	**–37,086**	**241**
Effect of movements in exchange rates	**–**	**–**	**14**	**–**	**14**
Balance at 31 December 2018	**635,063**	**483,322**	**11,332**	**22,009**	**1,151,726**
Depreciation and impairment					
Balance at 1 January 2017	**472,404**	**374,666**	**14,400**	**–**	**861,470**
Depreciation	9,535	18,632	4,151	–	32,318
Impairment	805	–130	45	105	825
Disposals	–15,449	–34,273	–9,405	100	–59,027
Effect of movements in exchange rates	–1	–	–64	–	–65
Balance at 31 December 2017	**467,294**	**358,895**	**9,127**	**205**	**835,521**
Depreciation	**11,769**	**20,136**	**3,895**	**–**	**35,800**
Impairment	**–**	**30**	**7**	**–**	**37**
Disposals	**–1,297**	**–20,233**	**–4,811**	**–515**	**–26,856**
Effect of movements in exchange rates	**–**	**–**	**12**	**–**	**12**
Balance at 31 December 2018	**477,766**	**358,828**	**8,230**	**–310**	**844,514**
Carrying amounts					
Balance at 31 December 2017	**140,109**	**110,980**	**2,568**	**35,599**	**289,256**
Balance at 31 December 2018	**157,297**	**124,494**	**3,102**	**22,319**	**307,212**

(in thousands of euros, unless stated otherwise)

Impairment
The impairment relates to the impaired assets of Otto Nocker Fleischmarkte Hammelburg as a result of the closure of this location.

Finance leases
The carrying value of land and buildings held under finance leases contracts at 31 December 2018 was € 5.1 million (2017: € 5.9 million) , the carrying value of plant and equipment held under finance leases contracts at 31 December 2018 was € 0.8 million (2017: € 1.2 million). During the year no additions (2017: nil) of plant and equipment under finance leases took place. Leased assets are pledged as security for the related finance lease.

Assets under construction
Assets under construction per end of 2018 mainly relate to investment programs for the production sites at Boxtel, Tilburg, Waldkraiburg and Altenburg, where 2017 was mainly related to the new production facility at Leeuwarden.

14 Investment properties

	2018	2017
Balance at 1 January	**1,450**	**1,701**
Depreciation and impairment charges	–163	–251
Balance at 31 December	**1,287**	**1,450**

	2018	2017
Accumulated cost	5,170	5,170
Accumulated depreciation and impairment	–3,883	–3,720
Balance at 31 December	**1,287**	**1,450**

Vion's investment properties consist of apartments, houses and a storage location in Germany that are leased to third parties. The rental income derived from these properties amounts € 0.3 million (2017: € 0.3 million).

Vion has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

(in thousands of euros, unless stated otherwise)

15 Intangible assets

	Goodwill	Software	Software under development	Other	Total
Cost					
Balance at 1 January 2017	**25,252**	**46,242**	**7,459**	**23**	**78,976**
Additions - internally developed	–	–	8,600	–	8,600
Additions - separately acquired	–	1,124	1,525	–	2,649
Additions through business combinations	–	–	–	1,897	1,897
Disposal	–	6,344	–6,533	–32	–221
Reclassifications	–	–1,461	–	–21	–1,482
Balance at 31 December 2017	**25,252**	**52,249**	**11,051**	**1,867**	**90,419**
Additions - internally developed	–	–	6,739	–	6,739
Additions - separately acquired	–	1,668	240	239	2,147
Additions through business combinations	448	120	–	4,514	5,082
Reclassifications	–	13,232	–13,473	–	–241
Disposal	–	–293	–661	–	–954
Balance at 31 December 2018	**25,700**	**66,976**	**3,896**	**6,620**	**103,192**
Amortisation and impairment					
Balance at 1 January 2017	**–**	**38,376**	**–**	**23**	**38,399**
Amortisation	–	3,527	–	–	3,527
Disposal	–	–1,460	–	–21	–1,481
Balance at 31 December 2017	**–**	**40,443**	**–**	**2**	**40,445**
Amortisation	–	4,931	–	584	5,515
Impairment	–	–	661	–	661
Disposal	–	–293	–661	–	–954
Balance at 31 December 2018	**–**	**45,081**	**–**	**586**	**45,667**
Carrying amounts					
Balance at 31 December 2017	**25,252**	**11,806**	**11,051**	**1,865**	**49,974**
Balance at 31 December 2018	**25,700**	**21,895**	**3,896**	**6,034**	**57,525**

(in thousands of euros, unless stated otherwise)

Software under development
No borrowing costs have been capitalised in 2018 (2017: nil) as part of software under development.

Additions through business combinations
The additions through business combinations relate to the acquisition of BestHides. As part of the acquisition all assets have been valued at fair value which resulted in the recognition of intangible assets for customer relations (€ 4.5 million), goodwill (€ 0.4 million) and software (€ 0.1 million).

Reclassifications
The transfer of assets fully relates to assets under development which were brought to use during 2018. A part of the software under development was capitalised as tangible fixed assets in the opening balance, resulting in an incoming amount at intangible fixed assets and an outgoing amount in tangible fixed assets in current year.

Goodwill
For impairment testing, goodwill is allocated to (groups of) cash-generating units, which represent the lowest level at which the goodwill is monitored internally for management purposes. Goodwill acquired through business combinations is allocated to the divisions Pork and Food Service.

Carrying amount of goodwill allocated to each of the divisions:

	2018	2017
Pork	2,384	2,384
Beef	438	–
Food Service	22,878	22,868
Total	**25,700**	**25,252**

As a result of the acquisition of additional shares in BestHides GmbH in 2018, Beef recognised goodwill of € 0.4 million initially in 2018.

Pork, Beef and Food Service
The recoverable amounts of the divisions Pork, Beef and Food Service, have been determined based on a value in use calculation.
In the annual impairment test performed in the fourth quarter of 2018, the estimated recoverable amounts of the cash-generating units tested exceeded the carrying value of the units, therefore no impairment loss was recognised.

The key assumptions used in the impairment test are set out below. The pre-tax cash flow projections were determined using the managements' internal forecasts that cover an initial period from 2018 to 2023, after which a terminal value was calculated. Management believes that this period is justified due to the long-term development of the concerning markets and past experiences. The values assigned to the key assumptions represent management's assessment of future trends in the food service industry and have been based on historical data from both external and internal sources.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

(in percent)	2018	2017
Discount rate Pork	7.37%	8.48%
Discount rate Beef	7.85%	–
Discount rate Food Service	7.92%	7.91%
Budgeted EBITDA growth rate (average of next five years) Pork	48.4%	23.5%
Budgeted EBITDA growth rate (average of next five years) Beef	23.8%	–
Budgeted EBITDA growth rate (average of next five years) Food Service	17.7%	9.3%
Further growth rate used	nil	nil

The discount rate was a pre-tax measure estimated based on the historical industry weighted-average cost of capital, with a possible debt leveraging of 72% (2017: 50.5%) at a market interest rate of 0.9% (2017: 0.5%).

The cash flow projections used included financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for products.

The estimated recoverable amount of Pork exceeded its carrying amount by approximately € 64.6 million (2017: € 37.0 million), for Beef by approximately € 87.3 million (2017: n/a) and for Food Service by approximately € 199.3 million (2017: € 190.0 million). For Vion the estimated recoverable amount exceeded its carrying amount by approximately € 138.8 million (2017: € 158.6 million). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following changes could, individually, cause the value the estimated recoverable amount to be equal to the carrying amount:

	2018	2017
Pork		
Increase discount rate, basis points	133	110
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–288	–118
Beef		
Increase discount rate, basis points	329	–
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–416	–
Food Service		
Increase discount rate, basis points	2,691	2,109
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–2,116	–1,952

(in thousands of euros, unless stated otherwise)

16 Investment in associates and joint ventures

	2018	2017
Interests in associates	6,541	9,829
Joint ventures	193	265
Balance at 31 December	**6,734**	**10,094**

Associates

Immaterial associates

Vion has interests in a number of individually immaterial associates. The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates.

	2018	2017
Carrying amount of interests in immaterial associates	6,541	9,829
Vion's share of:		
Profit from continuing operations	1,112	994
Total comprehensive income	**1,112**	**994**

This relates to the following participating interests with a share of 20% or more:

LQB Landwirtschaftliche Qualitätssich. Bayern GmbH (Germany)	24.42%
Topigs Group B.V., Helvoirt (the Netherlands)	22.50%

Joint ventures

Immaterial joint ventures

Vion has interests in a number of individually immaterial joint ventures. The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these joint ventures.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

	2018	2017
Carrying amount of interests in immaterial joint ventures	193	265
Vion's share of:		
Profit from continuing operations	154	223
Total comprehensive income	**154**	**223**

17 Material partly-owned subsidiaries

Material partly-owned subsidiaries relate to the non-controlling interest amounting to € 14.9 million (2017: € 11.6 million).

		2018		2017	
	Country	Percentage held by Non-controlling interest	Non-controlling interest	Percentage held by Non-controlling interest	Non-controlling interest
Vion EGN GB Vilshofen	Germany	49.0%	3,443	49.0%	2,802
Vion SBL Landshut GmbH	Germany	49.0%	6,400	49.0%	6,622
Prignitzer Fleischzentrum GmbH	Germany	0.0%	–	11.0%	655
SFB Fleisch- und Kühlcentrale GmbH&Co KG	Germany	37.5%	408	37.5%	403
BestHides GmbH	Germany	40.0%	4,403	–	–
Other			251		1,134
Total			**14,905**		**11,616**

As a result of the acquisition of 20% additional shares in BestHides, Vion gained control in BestHides as of 1 January 2018.
As of the acquisition of BestHides on the 1st of January, 2018, Vion has recognised non-controlling interest for the 40% of shares held by a third party.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Below the financial position of the material partly-owned subsidiaries is disclosed.

Proportion of equity interest held by Vion:

	Country	2018	2017
Vion SBL Landshut GmbH	Germany	51%	51%
Vion EGN Südostbayern GmbH	Germany	51%	51%
BestHides GmbH	Germany	60%	40%

Accumulated balances of material non-controlling interest:

	2018	2017
Vion SBL Landshut GmbH	6,400	6,622
Vion EGN Südostbayern GmbH	3,443	2,802
BestHides GmbH	4,403	–

Profit allocated to material non-controlling interest:

	2018	2017
Vion SBL Landshut GmbH	69	69
Vion EGN Südostbayern GmbH	710	745
BestHides GmbH	538	–

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit and loss for 2018	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Revenue	**183,070**	**180,137**	**111,672**
Raw materials and consumables used	146,466	150,267	89,115
Other operational expenses	39,300	29,012	21,326
Finance costs	253	142	1,144
Profit before tax	**–2,949**	**716**	**87**
Income tax	–13	–47	1,259
Profit for the year from continuing operations	**–2,962**	**669**	**1,346**
Total comprehensive income	**–2,962**	**669**	**1,346**
Attributable to non-controlling interests	69	710	538
Dividends paid to non-controlling interests	69	745	–

The part of comprehensive income attributable to non-controlling interests is based on existing agreements regarding the distribution of result and therefore does not reflect the share of ownership.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Summarised statement of profit and loss for 2017	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH
Revenue	**202,069**	**191,201**
Raw materials and consumables used	167,329	163,395
Other operational expenses	35,897	25,409
Finance costs	508	195
Profit before tax	**–1,665**	**2,202**
Income tax	–13	–571
Profit for the year from continuing operations	**–1,678**	**1,631**
Total comprehensive income	**–1,678**	**1,631**
Attributable to non-controlling interests	69	745
Dividends paid to non-controlling interests	69	745

The part of comprehensive income attributable to non-controlling interests is based on existing agreements regarding the distribution of result and therefore does not reflect the share of ownership.

(in thousands of euros, unless stated otherwise)

Summarised statement of financial position as at 31 December 2018	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Total non-current assets	25,133	10,354	6,830
Total current assets	15,165	16,714	17,074
Total current liabilities	–19,076	–14,733	–8,757
Total non-current liabilities	–8,161	–2,370	–2,695
Total provisions	–	–2,938	–1,444
Total equity	**13,061**	**7,027**	**11,008**
Attributable to:			
Equity holders of the parent	6,661	3,584	6,605
Non-controlling interest	6,400	3,443	4,403
Total	**13,061**	**7,027**	**11,008**

Summarised statement of financial position as at 31 December 2017	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH
Total non-current assets	26,753	9,800
Total current assets	15,631	15,901
Total current liabilities	–21,239	–13,957
Total non-current liabilities	–7,630	–3,080
Total provisions	–	–2,945
Total equity	**13,515**	**5,719**
Attributable to:		
Equity holders of the parent	6,893	2,917
Non-controlling interest	6,622	2,802
Total	**13,515**	**5,719**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Summarised cash flow information for year ended 31 December 2018	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Cash flow from operating activities	5,864	3,388	1,044
Cash flow from investing activities	24,203	8,587	1,770
Cash flow from financing activities	–31,129	–14,700	–3,933
Net increase/(decrease) in cash and cash equivalents	**–1,062**	**–2,725**	**–1,206**

Summarised cash flow information for year ended 31 December 2017	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH
Cash flow from operating activities	7,105	3,258
Cash flow from investing activities	–1,282	–1,351
Cash flow from financing activities	–5,977	–3,392
Net increase/(decrease) in cash and cash equivalents	**–154**	**–1,485**

(in thousands of euros, unless stated otherwise)

18 Other financial assets

	2018	2017
Non-current other financial assets		
Deferred receipts	3,279	3,100
Loan to an associate	–	479
Other	360	432
Total non-current other financial assets	**3,639**	**4,011**
Current other financial assets		
Derivatives	664	2,095
Loan to an associate	479	–
Total current other financial assets	**1,143**	**2,095**

No provision for expected credit losses has been recognised related to the other financial assets, as the risk of loss given default is assessed to be minimal.

Deferred receipts

In 2016, the call option on the last piece of land in the UK has been exercised by the buyer. As the sales price is dependent on the developed value of the land, the estimated sales price and receivable are based on an external valuation report.

Loan to an associate

The loan issued to the non-consolidated participating interest Topigs Group B.V. is unsecured and expires on 1 December 2019. An interest rate is charged for the current facility amounting to the 3-month Euribor plus a mark-up of 4.0% (2017: 3-month Euribor plus a mark-up of 4.0%).

Derivatives

Derivatives designated as hedging instruments reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales.

19 Deferred tax assets and liabilities

	2018	2017
Deferred tax assets	29,923	32,456
Deferred tax liabilities	–6	–8
Total deferred tax	**29,917**	**32,448**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Origin of deferred tax assets and tax liabilities 2018	Net balance at 1 January	Recognised in profit or loss	Recognised directly in equity	Other	Net balance at 31 December
Property, plant and equipment	13,655	–2,450	–	–	11,205
Intangible assets	376	–24	–	–	352
Derivatives	–	–	152	–	152
Employee benefits	16,555	–6,199	269	–	10,625
Provisions	1,423	–653	–	–	770
Loans and borrowings	23	36	–	–	59
Other temporary differences	18	–8	–	–	10
Tax losses and tax credits	225,338	–1,527	–	–	223,811
Total gross deferred tax assets	**257,388**	**–10,825**	**421**	**–**	**246,984**
Unrecognised deductible temporary differences, tax losses and tax credits	–219,553	11,237	–269	–	–208,585
Subtotal net deferred tax assets	**37,835**	**412**	**152**	**–**	**38,399**
Offsetting	–5,379	–3,097	–	–	–8,476
Net deferred tax assets	**32,456**	**–2,685**	**152**	**–**	**29,923**
Property, plant and equipment	–3,952	–2,734	–	–	–6,686
Intangible assets	–724	389	–	–1,361	–1,696
Derivatives	–414	–	379	35	–
Other temporary differences	–297	197	–	–	–100
Total gross deferred tax liabilities	**–5,387**	**–2,148**	**379**	**–1,326**	**–8,482**
Offsetting	5,379	3,097	–	–	8,476
Net deferred tax liabilities	**–8**	**949**	**379**	**–1,326**	**–6**

Vion offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Origin of deferred tax assets and tax liabilities 2017	Net balance at 1 January	Recognised in profit or loss	Recognised directly in equity	Other	Net balance at 31 December
Property, plant and equipment	10,536	3,119	–	–	13,655
Intangible assets	256	120	–	–	376
Derivatives	–35	35	–	–	–
Employee benefits	6,948	9,607	–	–	16,555
Provisions	1,410	13	–	–	1,423
Loans and borrowings	397	–374	–	–	23
Other temporary differences	26	–8	–	–	18
Tax losses and tax credits	253,194	–27,856	–	–	225,338
Total gross deferred tax assets	**272,732**	**–15,344**	**–**	**–**	**257,388**
Unrecognised deductible temporary differences, tax losses and tax credits	–240,519	20,966	–	–	–219,553
Subtotal net deferred tax assets	**32,213**	**5,622**	**–**	**–**	**37,835**
Offsetting	–3,639	–1,740	–	–	–5,379
Net deferred tax assets	**28,574**	**3,882**	**–**	**–**	**32,456**
Property, plant and equipment	–3,639	–313	–	–	–3,952
Intangible assets	–	–	–	–724	–724
Derivatives	–	–34	–380	–	–414
Other temporary differences	–	–297	–	–	–297
Total gross deferred tax liabilities	**–3,639**	**–644**	**–380**	**–724**	**–5,387**
Offsetting	3,639	1,740	–	–	5,379
Net deferred tax liabilities	**–**	**1,096**	**–380**	**–724**	**–8**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Overview tax losses and other carry forwards 2018

Expiring term deferred tax assets unused tax losses and tax credits	2020	2021	2022	2023	Indefinite	Total
Unused tax losses	2,287	46,629	162,291	6,125	1,083,031	1,300,363
Unused tax credits					58,953	58,953
Total unused tax losses and tax credits	**2,287**	**46,629**	**162,291**	**6,125**	**1,141,984**	**1,359,316**
Gross deferred tax assets on unused tax losses and tax credits	469	9,559	33,270	1,256	179,258	223,811
Unrecognised deferred tax assets unused tax losses and tax credits	–	–3,409	–27,875	–	–160,067	–191,351
Recognised deferred tax assets on unused tax losses and tax credits	**469**	**6,150**	**5,395**	**1,256**	**19,191**	**32,460**
Recognised deferred tax assets deductible temporary differences						5,939
Netted deferred tax liabilities						–8,476
Net deferred tax assets						**29,923**

(in thousands of euros, unless stated otherwise)

Overview tax losses and other carry forwards 2017

Expiring term deferred tax assets unused tax losses and tax credits	2020	2021	2022	2023	Indefinite	Total
Unused tax losses	2,907	46,629	162,291	6,125	1,036,343	1,254,295
Unused tax credits					54,396	54,396
Total unused tax losses and tax credits	**2,907**	**46,629**	**162,291**	**6,125**	**1,090,739**	**1,308,691**
Gross deferred tax assets on unused tax losses and tax credits	727	11,657	40,573	1,531	170,850	225,338
Unrecognised deferred tax assets unused tax losses and tax credits	–	–	–37,438	–	–152,523	–189,961
Recognised deferred tax assets on unused tax losses and tax credits	**727**	**11,657**	**3,135**	**1,531**	**18,327**	**35,377**
Recognised deferred tax assets deductible temporary differences						2,458
Netted deferred tax liabilities						–5,379
Net deferred tax assets						**32,456**

Vion has € 1.359 million (2017: € 1.308 million) of tax losses carried forward and tax credits. This represents a gross deferred tax asset of € 224 million (2017: € 225 million). These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in Vion. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, Vion has determined that it cannot recognise deferred tax assets on the tax losses carried forward and tax credits for the amount of € 1.232 million (2017: € 1.118 million).
This represents a write-down of the deferred tax asset for € 191 million (2017 € 190 million). Out of the total amount of unrecognised losses an amount of € 153 million (2017: € 149 million) expire in the period 2020 – 2023. The remaining losses do not expire.

A total amount of € 71.2 million (2017: € 104.3 million) of unrecognised deductible temporary differences will expire in the years after 2023 (2017: 2022). The unrecognised deferred tax asset regarding these deductible temporary differences amount to € 17.2 million (2017: € 29.6 million).

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

20 Inventories

	2018	2017
Finished goods	137,227	142,711
Raw materials and consumables	33,771	31,224
Work in progress	2,410	2,721
Total	**173,408**	**176,656**
Allowance for obsolete inventory	–5,069	–4,007

Raw materials and consumables include packaging materials and spare parts for an amount of € 30.6 million (2017: € 21.8 million).

21 Trade and other receivables

	2018	2017
Trade receivables	360,763	378,413
VAT receivable	24,872	23,722
Receivables from associated companies	–	4,670
Interest receivables	210	–
Other receivables	2,902	8,025
Total	**388,747**	**414,830**

Trade receivables are non-interest bearing and are generally on terms of 15 to 45 days.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

As at 31 December 2018, trade receivables with an initial carrying value of € 5.8 million (2017: € 5.5 million) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables, the receivables are individually impaired:

	Total
Balance at 1 January 2017	**6,279**
Charge for the year	259
Utilised	–556
Unused amounts reversed	–518
Balance at 31 December 2017	**5,464**
Charge for the year	**916**
Utilised	**–394**
Other	**494**
Unused amounts reversed	**–724**
Balance at 31 December 2018	**5,756**

As at 31 December, the ageing analysis of trade receivables is, as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**1-7 days**	**8-14 days**	**15 - 30 days**	**> 30 days**
2018	**360,763**	**294,031**	**46,191**	**11,696**	**8,838**	**8**
2017	378,413	293,417	53,725	21,785	6,705	2,781

No provision for expected credit losses has been recognised related to the other receivables, as the risk of loss given default is assessed to be minimal.

See note 33 on credit risk of trade receivables, which explains how Vion manages and measures credit quality of trade receivables that are neither past due nor impaired.

Vion has provided full securities for two credit facilities with pledges on its trade receivables At 31 December 2018, an amount of € 21.8 million (2017: € 53.1 million) was drawn under the credit facilities.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

22 Cash and cash equivalents

	2018	2017
Total cash and cash equivalents	**6,139**	**20,858**

The cash and cash equivalents include no amounts (2017: nil) that are only available to Vion under certain conditions, as agreed with credit insurers.

23 Assets held for sale

	2018	2017
Freehold land and buildings held for sale	29	970
Plant and equipment held for sale	–	744
Total assets held for sale	**29**	**1,714**

Vion has no liabilities associated with assets held for sale per balance sheet date.

Vion intends to dispose the parcel of freehold land it no longer utilises in the next 12 months. The property located on the freehold lands was previously used in Vion's operations. Vion is actively searching for buyers. No additional impairment loss was recognised at 31 December 2018 as the management of Vion expects that the fair value (estimated based on the recent market prices of similar properties in similar locations) less costs to sell is higher than the carrying amount.

During 2018 Vion has sold its real estate in Hannover, Lingen and Lauda.

24 Equity

Issued capital

The share capital of Vion Holding N.V. amounts to € 4.5 million divided into 100,000 shares with a nominal value of € 45. Vion Holding N.V. holds 3,566 shares (2017: 3,566, no movements during 2017). On 31 December 2018, there were 50,784 fully paid-up shares issued to third parties (2017: 50,784, no movements during 2017).

Vion does not actively manage the outstanding number of shares or share capital and has no capital management objective or policy to do so. As a result the number or issued shares did not change during 2018 and 2017. The current financing facility includes a minimum equity requirement. Vion complied with this covenant in 2018 and 2017. More information about liquidity and capital management is stated in the section liquidity risk, as part of chapter financial risk management.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Share premium
The share premium reserve consists of the income from share issues insofar as this income is higher than the nominal amount of the shares.

All other reserves are as stated in the consolidated statement of changes in equity.

Legal reserves
The disaggregation of changes of OCI, net of tax, by each type of reserve in equity is shown below:

As at 31 December 2018	Cash flow hedge reserve	Foreign currency translation reserve	Total
Currency forward contracts	–649	–	–649
Foreign exchange translation differences	–	669	669
Total	**–649**	**669**	**20**

As at 31 December 2017	Cash flow hedge reserve	Foreign currency translation reserve	Total
Currency forward contracts	2,020	–	2,020
Foreign exchange translation differences	–	608	608
Total	**2,020**	**608**	**2,628**

The other legal reserves relates to capitalised internally developed software (2018: € 20.2 million; 2017: € 15.5 million) and to not free distributable profits and reserves of shareholdings (2018: € 1.0 million; 2017: € 2.5 million).

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

25 Interest-bearing loans and borrowings

	Interest rate	Maturity	2018	2017
Non-current interest-bearing loans and borrowings				
Loans from minority shareholders	2.50%	No end date	10,531	9,932
Financial lease obligations	5.0% - 6.0%	2019-2027 (2020-2027)	5,653	6,209
Total non-current interest-bearing loans and borrowings			**16,184**	**16,141**
Current interest-bearing loans and borrowings				
Secured financing facility of € 200 million	based on 1 month Euribor	Mid-2019	21,115	52,396
Financial lease obligations	5.0% - 6.0%	2019 (2018)	918	930
Bank loan of € 1.8 million	2.43%	– (30 August 2018)	–	330
Total current interest-bearing loans and borrowings			**22,033**	**53,656**
Total interest-bearing loans and borrowings			**38,217**	**69,797**

Secured financing facility

On 24 May 2017 Vion entered into a new working capital facilities agreement of € 200 million with ABN AMRO Commercial Finance, NIBC, UniCredit and Deutsche Bank. This is a committed facility with a term of five years and replaces the previous facility. The effective interest rate is 0.33% (2017: 1.98%).

The interest rate is based on Euribor plus a margin. The facility contains customary covenants including a minimum capital, a minimum net working capital and maximum capital expenditure. During 2018, Vion was in compliance with these covenants.

At 31 December 2018, an amount of € 21.8 million (2017: € 53.1 million) was drawn under the credit facility. Vion has provided full securities for both facilities with pledges on its trade receivables.

Loans from minority shareholders

Loans provided by the minority shareholders of group companies concern their proportional share in investments made in these group entities.

(in thousands of euros, unless stated otherwise)

Financial lease obligations	2018			2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	964	5-6%	918	953	5-6%	930
Between one and five years	4,210	5-6%	3,464	4,263	5-6%	3,605
More than five years	3,348	6%	2,189	4,076	6%	2,604

The carrying value of the related assets amounts to € 5.9 million (2017: € 7.1 million).

Bank loan

The bank loan is a stand-alone bank facility provided to a partly-owned subsidiary.

26 Other financial liabilities

	2018	2017
Non-current other financial liabilities		
Dividend payable to minority shareholders	2,989	992
Other payables	–	88
Total non-current other financial liabilities	**2,989**	**1,080**
Current other financial liabilities		
Dividend payable to minority shareholders	5,006	3,741
Subsequent payments and earn out agreements related to acquisitions	–	936
Derivatives	1,662	409
Total current other financial liabilities	**6,668**	**5,086**
Total other financial liabilities	**9,657**	**6,166**

Subsequent payments and earn out agreements related to acquisitions relates to the acquisition of Vion SA.

Dividend payable to minority shareholders relate to Vion's minimum dividend agreements with a number of minority shareholders.

(in thousands of euros, unless stated otherwise)

Reconciliation of liabilities arising from financing activities	2018	2017	Financing cash flow 2018	2016	Financing cash flow 2017
Interest bearing liabilities	38,217	69,797	–31,580	73,287	–3,490
Other financial liabilities	9,657	6,166	3,491	19,051	–12,885
Less: derivatives	–1,662	–409	–1,253	–2,670	2,261
Total			**–29,342**		**–14,114**
Additional payments during the year			–17,046		–4,978
Total financing cash flow			**–46,388**		**–19,092**

27 Provisions

Breakdown of provisions 2018	Restructuring	Onerous operating lease	Other	Total
At 1 January	1,964	595	1,657	4,216
Arising during the year	2,383	–	74	2,458
Utilised	–2,456	–34	–235	–2,726
Unused amounts reversed	–266	–	–606	–872
Unwinding of discount	4	32	5	41
At 31 December	**1,629**	**593**	**895**	**3,117**
Current	1,541	33	690	2,263
Non-current	88	560	205	854

(in thousands of euros, unless stated otherwise)

Breakdown of provisions 2017	Restructuring	Onerous operating lease	Other	Total
At 1 January	2,550	597	2,858	6,005
Arising during the year	8,400	–	9	8,409
Utilised	–8,576	–34	–159	–8,769
Unused amounts reversed	–418	–	–1,065	–1,483
Unwinding of discount	8	32	14	54
At 31 December	**1,964**	**595**	**1,657**	**4,216**
Current	1,549	33	1,063	2,645
Non-current	415	562	594	1,571

Restructuring
The restructuring provision is recognised for costs, mainly employee related, that occurred due to the closing of several locations in previous years and other restructuring programs. All closures have taken place at balance sheet date.

Onerous operating lease
This provision relates to rent payments for a long-term rent agreement. As the building is currently not in use by Vion a provision was recognised.

Other
Other provisions are recognised for various claims and other obligations.

28 Net employee defined benefit liabilities

	2018	2017
Pension commitments	123,173	129,382
Jubilee benefit commitments	3,957	3,899
Other	154	133
Total	**127,284**	**133,414**

(in thousands of euros, unless stated otherwise)

28.1 Pension commitments

Defined benefit pension schemes

The pension plan liabilities in the balance sheet fully apply to the defined benefit pension schemes for employees and former employees of the German group companies. These schemes are moderate career-average schemes with conditional indexation.

The schemes are not open to new participants. A part of the schedules will be funded using a so-called ‘Unterstützungsfonds’, while liabilities are direct. The obligations are measured on the basis of actuarial calculations using the Projected Unit Credit method as at yearend and applying a full discount rate curve of high-quality corporate bonds. The curve is based on Towers Watson’s Rate:Link which is comprised of data from corporate bonds rated AA or equivalent. Local mortality table ‘Richttafeln 2018G’ (2017: Richttafeln 2005G) is used.

An amount of € 7.6 million (2017: € 7.7 million) of the employee benefits liabilities has a term of less than one year. The anticipated yearly pension payments for the coming 5 years varies between € 6.9 million and € 7.6 million.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the statement of financial position for the respective plans:

Breakdown of pension commitments	**2018**	**2017**
Present value of defined benefit obligations	**123,802**	130,002
Less: fair value of plan assets	**–629**	–620
Total pension commitments	**123,173**	**129,382**

Change in present value of defined benefit obligations	**2018**	**2017**
Present value as at 1 January	**130,002**	**136,195**
Current service cost	**157**	172
Interest expense	**1,715**	1,828
Net actuarial (gain) / loss on demographic assumptions	**1,661**	–
Net actuarial (gain) / loss on financial assumptions	**–1,115**	302
Net actuarial (gain) / loss due to liability experience	**–1,316**	–1,052
Benefits paid	**–7,302**	–7,443
Present value as at 31 December	**123,802**	**130,002**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Change in fair value of the plan assets	2018	2017
Present value as at 1 January	**620**	**637**
Expected return of plan assets	8	9
Net actuarial gain / (loss)	1	–26
Present value as at 31 December	**629**	**620**

Breakdown of investments of the plan assets	2018	2017
Reinsured	**629**	**620**

Breakdown of pension costs	2018	2017
Current service cost	157	172
Interest cost on benefit obligation	1,706	1,828
Net benefit expense	**1,863**	**2,000**

Statement of other comprehensive income	2018	2017
Balance as at 1 January	**–2,604**	**–3,328**
Net actuarial gain / (loss) on financial assumptions	–1,661	–
Net actuarial gain / (loss) on financial assumptions	1,115	–302
Net actuarial gain / (loss) due to liability experience	1,316	1,052
Difference between actual return on plan assets and expected interest income on plan assets	–	–26
Balance as at 31 December	**–1,834**	**–2,604**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The main actuarial parameters at year-end	2018	2017
Discount rate	1.44%	1.36%
Salary increase rate	2.00%	2.00%
Pension increase rate	1.50%	1.50%
Weighted average duration of the defined benefit obligation	11.74 years	12.04 years

	31 December 2018	
Sensitivity present value of pension obligations 2018	In thousands of euros	Change in %
Discount rate +0.5%	117,057	–5.41%
Discount rate -0.5%	131,147	5.97%
Salary increase rate +0.5%	123,854	0.08%
Salary increase rate -0.5%	123,663	–0.08%
Pension increase rate +0.5%	130,518	5.46%
Pension increase rate -0.5%	117,522	–5.04%

	31 December 2017	
Sensitivity present value of pension obligations 2017	In thousands of euros	Change in %
Discount rate +0.5%	122,738	–5.55%
Discount rate -0.5%	137,931	6.14%
Salary increase rate +0.5%	130,064	0.08%
Salary increase rate -0.5%	129,850	–0.08%
Pension increase rate +0.5%	137,191	5.57%
Pension increase rate -0.5%	123,291	–5.13%

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

Multi-employer pension schemes

Vion participates for its employees in the Netherlands in several multi-employer pension schemes. As three of these plans qualify as a defined benefit plans, IFRS requires these plans to be accounted for as such. However, as Vion is not able to obtain sufficient information for defined benefit accounting the exception of IAS 39.34 is applied by which the plans are accounted for as defined contribution plans. The reason that the pension funds cannot provide for the required information is that they are unable to allocate the plan assets to the individual entities connected to the pension funds. The pension benefits are based on a moderate career-average scheme.

The pension schemes are administered by the industry-wide pension funds ‘Stichting Bedrijfstakpensioenfonds voor Vlees, Vleeswaren, Gemaksvoeding en Pluimvee’, abbreviated as VLEP, ’Bedrijfstak Pensioenfonds Slagers’, ‘Bedrijfstak Pensioenfonds Vervoer VLN’ and a premium pension institution.

The most important elements of the Dutch pension schemes in place are:
- VLEP runs a defined benefit scheme for pensionable salaries up to € 65,787 topped with a defined contribution scheme for pensionable salaries exceeding this, tax driven maximised at € 105,075.
- Bedrijfstak Pensioenfonds Slagers runs a defined benefit scheme for pensionable salaries up to the fiscal maximum of € 105,075.
- Bedrijfstak Pensioenfonds Vervoer VLN runs a defined benefit scheme for pensionable salaries up to € 54,614 topped with a defined contribution scheme for pensionable salaries exceeding this, tax driven maximised at € 105,075.
- For Vion N.V. and ICT personnel a defined contribution pension scheme up to the fiscal maximum of € 105,075 is applicable.

If there are shortfalls in these pension funds, Vion is not obliged to make additional contributions other than in the form of higher future premiums. The expected contribution to the pension funds for 2019 is € 9.9 million (2017: for 2018 expected contribution amounted € 9.0 million)

At year end, there was only a shortfall in the VLEP pension fund. At year end, the coverage ratio was 92.8% (2017: 98.9%) for the VLEP pension fund, 112.1% (2017: 111.1%) for the Pension Fund for the Butcher’s Trade, and 100.4% (2017: 107.3%) for the Pension Fund for the Transport Sector.

Risks of future wage increases, price indexations, adjustments to mortality tables and to investment yields of fund assets may lead to future adjustments in the annual contributions to the pension funds. These risks are not provided for.

Other than the premiums due no further liabilities from the Dutch pension schemes occur which need to be provided for.

The actuarial method ‘projected unit credit method is used to determine the provision.

(in thousands of euros, unless stated otherwise)

28.2 Jubilee benefit commitments

Change in present value of jubilee benefit commitments	2018	2017
Present value as at 1 January	**3,899**	**3,954**
Current service cost	230	229
Interest addition	46	53
Benefits paid	–295	–213
Transfer in / (out)	114	–124
Net actuarial results on change in assumptions:		
Mortality rate	–4	–
Discount rate	–33	–
Present value as at 31 December	**3,957**	**3,899**

For the year 2019, the expected cost amounts to € 0.3 million and the expected benefits to be paid amounts to € 0.2 million.

The main actuarial parameters at year-end	2018	2017
Discount rate	1.40%	1.30%
Salary increase rate	1.62-2.50%	1.62-2.50%
Dismissal change	Depending on age, between 1.0-8.0%	Depending on age, between 1.0-8.0%

(in thousands of euros, unless stated otherwise)

29 Trade and other payables

	2018	2017
Trade payables	235,972	224,636
Invoices to be received	46,902	46,026
Customer bonusses	26,486	31,368
Employee benefit payables	25,334	25,978
Taxes and social security contributions	8,854	8,806
Other payables	10,836	8,790
Total	**354,384**	**345,604**

30 Commitments and contingencies

Contractual commitments to acquire property, plant and equipment

At the end of 2018 Vion has contractual commitments to acquire property, plant and equipment for the amount of € 0.3 million (2017: € 3.9 million).

Rental and operational leasing of assets and service contracts

Some of Vion companies have long-term liabilities arising from the rental and operational leasing of assets and service contracts. The composition of these obligations is as follows:

	2018	2017
< 1 years	€ 14 million	€ 20 million
1 to 5 years	€ 24 million	€ 24 million
> 5 years	€ 10 million	€ 8 million

Purchase contracts non-food

Vion entered into purchase contracts regarding energy and fuel. Liability is based on actual consumption and market prices.

Bank guarantees

For group companies, an amount of € 3.7 million was issued in bank guarantees (2017: € 7.5 million).

Credit facilities

Commitments and contingencies related to credit facilities are presented in note 25.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Long-term sales contracts

Vion entered into long-term sales contracts with minimum delivery requirements with different customers. The relevant sales prices depend on the market prices of the relevant products at the time of sale.

Claims

Claims have been made against Vion and/or its group companies that are contested by Vion. Although the outcome of these disputes cannot be predicted with certainty, legal advice and the information available leads to the assumption that this will not have a significant adverse effect on the consolidated financial position.

Vion has been subject to VAT audits in Germany. Based on these audits, the tax authorities have raised assessments of smaller significance for the years 2012 and 2013. Vion has strong arguments to refute these additional assessments. Expert opinions substantiate these strong arguments. Vion has reacted by immediate filings to court (“Sprungklage”) in one sample case and by corresponding formal objections at tax authorities level. In the unexpected event of an unfavorable court decision the significance could increase also for years following 2013.

Fiscal unity

Vion Holding N.V. heads the Dutch fiscal unity for corporate income tax. As a result, all entities within the fiscal unity are jointly and severally liable for the corporate income tax for the entire Dutch fiscal unity.

403-statements

With respect to the separate financial statements of the Dutch legal entities included in the consolidation, Vion Holding N.V. availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code. Pursuant to said section 403, Vion Holding N.V. has assumed joint and several liability for the debts arising out of the legal acts of a number of subsidiaries in the Netherlands, which form part of the consolidation. The names of the subsidiaries for which Vion Holding N.V. has issued 403 are open for inspection at the trade register as managed by the Netherlands Chamber of Commerce.

(in thousands of euros, unless stated otherwise)

31 Related parties

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Rendering or receiving of services	Amounts owed by related parties	Amounts owed to related parties
Entity with significant influence over Vion						
Zuidelijke Land- en Tuinbouworganisatie ('ZLTO')	2018	–	–	148	–	–
	2017	–	–	368	–	–
Associates						
Landwirtschaftliche Qualitätssicherung Bayern GmbH	2018	–	–	–	–	–
	2017	–	–	9	–	–
Topigs Group B.V.	2018	–	84	–	–	–
	2017	–	118	–	–	–

		Interest received	Amounts owed by related parties
Loans from/to related parties			
Associates			
Topigs Group B.V.	2018	19	479
	2017	19	479

Ownerschip structure

Stichting Administratiekantoor SBT (SBT) is the sole shareholder of the company. SBT has issued depositary receipts for its shares in the company without cooperation of the company. All depositary receipts are held by Noordbrabantse Christelijke Boerenbond, Rooms-Katholieke Vereniging van Boeren en Tuinders - Ontwikkeling (NCB-Ontwikkeling). NCB-Ontwikkeling is related to Zuidelijke Land-en Tuinbouworganisatie (ZLTO). ZLTO is an association for entrepreneurs working in agricultural sectors and has approximately 14,500 members in Noord Brabant, Zeeland and the southern part of Gelderland. Certain members of ZLTO are suppliers to the company.

This is on an individual basis and is not related to their ZLTO membership.

(in thousands of euros, unless stated otherwise)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances, excluding loans to associates, at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, Vion has not recorded any impairment of receivables relating to amounts owed by related parties (2017: € nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Vion received services from ZLTO. ZLTO carried out a number of projects for, and made facilities available to Vion during 2018 and 2017.

32 Remuneration of key management

The table below specifies the remuneration of key management.

2018	R.E.M. Lotgerink 1 Sept. - 31 Dec.	J.P.M. Morssink 1 Nov. - 31 Dec.	F.J.L.J. Kint 1 Jan. - 31 May	J.L.M. Sliepen-beek 1 Jan. - 31 Oct.	Total
Short-term employee benefits:					
– Fixed remuneration	267	64	292	417	1,040
– Variable remuneration	400	25	–	–	425
Post-employment pension benefits	54	12	59	80	205
Other	26	10	52	43	131
Total	**747**	**111**	**403**	**540**	**1,801**

2017	F.J.L.J. Kint	J.L.M. Sliepenbeek	Total
Short-term employee benefits:			
– Fixed remuneration	700	500	1,200
– Variable remuneration	305	218	523
Post-employment pension benefits	141	98	239
Other	42	50	92
Total	**1,188**	**866**	**2,054**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The post-employment pension benefits consist of the premiums paid to the defined contribution plans of the entity.

Supervisory board members' remuneration
Remuneration paid to the supervisory board members amounted to € 354 thousand in 2018 (2017: € 393 thousand).

33 Financial risks and financial instruments

33.1 Financial assets

33.1 Financial assets	2018	2017
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	664	2,095
Financial assets measured at fair value through profit & loss		
Deferred receipts	3,279	3,100
Total financial instruments at fair value	**3,943**	**5,195**
Financial assets at amortised cost		
Trade and other receivables	388,747	414,830
Loan to an associate	479	479
Other financial assets	360	432
Total financial assets at amortised costs	**389,586**	**415,741**
Total	**393,529**	**420,936**
Total current	390,250	417,836
Total non-current	3,279	3,100
Total	**393,529**	**420,936**

Derivatives designated as hedging instruments reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales in several currencies, mainly US dollars (USD) and in Japanese yen (JPY).

Financial assets at amortised costs are non-derivative financial assets which generate a fixed or variable interest income for Vion. The carrying value may be affected by changes in the credit risk of the counterparties.

(in thousands of euros, unless stated otherwise)

33.2 Financial liabilities	2018	2017
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	1,662	409
Financial liabilities at fair value through profit or loss		
Subsequent payments and earn out agreements related to acquisitions	–	936
Total financial instruments at fair value	**1,662**	**1,345**
Interest-bearing loans and borrowings at amortised costs		
Secured financing facility of € 200 million (2016: € 125 million)	21,115	52,396
Loans from minority shareholders	10,531	9,932
Financial lease obligations	6,571	7,139
Bank loan of € 1.8 million	–	330
Total interest-bearing loans and borrowings at amortised costs	**38,217**	**69,797**
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables	354,384	345,604
Dividend payable to minority shareholders	7,995	4,733
Contract liability	4,719	–
Other payables (note 25 Other financial liabilities)	–	88
Total other financial liabilities at amortised costs	**367,098**	**350,425**
Total	**406,977**	**421,567**
Total current	387,804	404,346
Total non-current	19,173	17,221
Total	**406,977**	**421,567**

Interest-bearing loans and borrowings

Details regarding interest-bearing loans and borrowings are disclosed in note 25 Interest-bearing loans and borrowings.

(in thousands of euros, unless stated otherwise)

Derivatives designated as hedging instruments
Derivatives designated as hedging instruments reflect the negative change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future sales in several currencies, mainly in USD and JPY.

Subsequent payments and earn out agreements related to acquisitions
As part of the purchase agreement with the previous minority owners of Vion SA, a contingent consideration has been agreed. This consideration is dependent on the average EBITDA over de years 2010 until 2014 times a multiplier. This multiplier is dependent on several performance targets during a three year period. The final payment to the former shareholders has been made during 2018.

Dividend payable to minority shareholders
Dividend payable to minority shareholders relate to Vion's minimum dividend agreements with a number of minority shareholders.

33.3 Hedge accounting and derivatives

Cash flow hedges

Foreign currency risk
Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in foreign currencies where delivery will not take place within one week. This mainly comprise of sales in US dollar and Japanese yen. These forecast transactions are highly probable, and they comprise 100% of Vion's total sales orders in these currencies.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts designated as hedging instruments				
Fair value	664	1,662	2,095	409

The terms of the foreign currency forward contracts are in line with the terms of the expected highly probable forecast transactions. As a result, the hedge ineffectiveness recognised in the statement of profit and loss is minimal.

The cash flow hedges of the expected future sales in 2018 were assessed to be highly effective and a net unrealised loss of € 0.8 million (2017: € 1.5 million gain), with a deferred tax asset of € 0.2 million (2017: deferred tax liability of € 0.4 million) relating to the hedging instruments, is included in OCI.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The amount removed from OCI during the year and included in the carrying amount of the hedged items as a basis adjustment for 2018 amounts to € 1.8 million (2017: € 1.1 million). The amounts retained in OCI at 31 December 2018 are expected to mature and affect the statement of profit and loss in 2019.

33.4 Fair values

Comparison of carrying amounts and fair values

The management assessed that the fair values of Cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

– Loan to an associate is evaluated by Vion based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the associate. Based on this evaluation, no allowance is taken into account for this loan receivables.
– The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
– Vion enters into derivative financial instruments with financial institutions which all have investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models using fair value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies.
– The fair values of Vion's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2018 and 2017 are as shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Dividend payable to minority shareholders	Nominal value	Own non-performance risk	2018: – 2017: –	The current part of the dividend payable fully relates to the results of the current year. The non-current part relates to 2019 and is based on the contractual mininum. Any increase is fully related to next year's performance of the concerning entities.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy of Vion's assets and liabilities:

				Fair value measurement using		
Fair value measurement hierarchy for liabilities as at 31 December 2018	note	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value						
Derivative financial assets	18					
– Foreign exchange forward contracts USD		31-12-2018	268	–	268	–
– Foreign exchange forward contracts JPY		31-12-2018	29	–	29	–
– Foreign exchange forward contracts other currencies		31-12-2018	367	–	367	–
Deferred receipts	18	31-12-2018	3,279	–	3,279	–
Assets for which fair values are disclosed						
Investment properties	14					
– Retail properties		31-12-2018	1,287	–	1,287	–
Loan to an associate	18	31-12-2018	479	–	479	–
Other financial assets	18	31-12-2018	360	–	360	–
Liabilities measured at fair value						
Derivatives financial liabilities	26					
– Foreign exchange forward contracts USD		31-12-2018	360	–	360	–
– Foreign exchange forward contracts JPY		31-12-2018	1,215	–	1,215	–
– Foreign exchange forward contracts other currencies		31-12-2018	87	–	87	–
Liabilities for which fair values are disclosed						
Interest-bearing loans and borrowings	25					
– Secured financing facility of € 200 million (2016: € 125 million)		31-12-2018	21,115	–	21,115	–
– Financial lease obligations		31-12-2018	6,571	–	6,571	–
– Loans from minority shareholders		31-12-2018	10,531	–	10,531	–
Dividend payable to minority shareholders	26	31-12-2018	7,995	–	–	7,995

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Fair value measurement hierarchy for liabilities as at 31 December 2017	note	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value						
Derivative financial assets	18					
– Foreign exchange forward contracts USD		31-12-2017	887	–	887	–
– Foreign exchange forward contracts JPY		31-12-2017	1,029	–	1,029	–
– Foreign exchange forward contracts other currencies		31-12-2017	179	–	179	–
Deferred receipts		31-12-2017	3,100	–	3,100	–
Assets for which fair values are disclosed						
Investment properties	14					
– Retail properties		31-12-2017	1,450	–	1,450	–
Loan to an associate	18	31-12-2017	479	–	–	479
Other financial assets	18	31-12-2017	432	–	–	432
Liabilities measured at fair value						
Derivatives financial liabilities	26					
– Foreign exchange forward contracts USD		31-12-2017	131	–	131	–
– Foreign exchange forward contracts JPY		31-12-2017	40	–	40	–
– Foreign exchange forward contracts other currencies		31-12-2017	238	–	238	–
Subsequent payments and earn out agreements related to acquisitions	26	31-12-2017	936	–	–	936
Liabilities for which fair values are disclosed						
Interest-bearing loans and borrowings	25					
– Secured financing facility of € 200 million (2016: € 125 million)		31-12-2017	52,396	–	52,396	–
– Financial lease obligations		31-12-2017	7,139	–	7,139	–
– Loans from minority shareholders		31-12-2017	9,932	–	9,932	–
– Bank loan of € 1.8 million		31-12-2017	330	–	330	–
Dividend payable to minority shareholders	26	31-12-2017	4,733	–	–	4,733
Other payables	26	31-12-2017	88	–	–	88

33.5 Financial risk management objectives and policies

Vion's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance Vion's operations. Vion's principal financial assets include loans, trade and other receivables, and Cash and cash equivalents that derive directly from its operations.

Financial risk management

The management board is ultimately responsible for risk management. Vion has a risk management and compliance committee that advises the management board on risk management. Vion is exposed to a variety of financial risks, such as credit risk, foreign currency risk, interest rate risk and liquidity risk. These risks are inherent to the way Vion operates as a multinational with several local operating companies. Vion's overall risk management policy is to identify, assess and, if necessary, mitigate these financial risks in order to minimise potential adverse effects on its financial performance.

Financial risk management is, except for credit risk of non-financial counterparties, carried out by Group Treasury in line with clearly formalised treasury policies. The treasury policies include the use of derivative financial instruments to hedge certain exposures. Group Treasury identifies, evaluates and hedges financial risks at corporate level and monitors compliance with its policies within Vion.

The divisions and operating companies are primarily responsible for identifying and managing financial risks, especially in relation to transactions in foreign currencies. Within the boundaries set in the treasury policies, the operating companies execute appropriate foreign currency risk management activities. Vion does not purchase or hold any financial derivatives for trading purposes, and primarily uses derivative financial instruments to manage its foreign currency risk. These financial transactions are all executed through Group Treasury and for most part qualify for hedge accounting. Therefore, gains or losses arising from changes in the fair value of derivatives relating to these hedged Items are included in other comprehensive income (under cash flow hedge accounting) when these changes are compensated by an equivalent change in the fair value of the hedged items.

The capitalisation and funding of operating companies is a responsibility of Group Treasury, but managed in close cooperation with Group Tax as the combination of equity and short term intercompany loans is mostly used as a financing structure. Decisions regarding the debt-to-equity ratio are based on various aspects including minimum regulatory requirements and the flexibility to change the structure. Vion has no restrictions in paying intercompany cash dividends or in repaying intercompany loans.

Group Treasury is responsible for reporting to the management board on Vion's exposure to a number of financial risks, including liquidity, foreign exchange and interest exposure.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2018.

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.
The following assumptions have been made in calculating the sensitivity analyses:
– The sensitivity of the relevant statement of profit and loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 2017 including the effect of hedge accounting.
– The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at 31 December 2018 for the effects of the assumed changes of the underlying risk.

Credit risk
Credit risk represents the accounting loss that has to be recognised on the reporting date if counterparties fail to perform as contracted. Credit risk is carried out by Corporate Credit Risk Management (CCRM). In line with clearly formalised policies and terms of the agreement with the external credit insurer, CCRM is operating as a credit insurer within Vion. All guidelines and procedures are audited and checked by banks and insurance companies. Vion has a history of very low credit losses.

Vion only trades with creditworthy parties and has adopted procedures to monitor the creditworthiness of these parties. Vion has established guidelines to limit the magnitude of the credit risk for each party. In addition, Vion continually monitors its receivables and uses a strict collection procedure. These measures minimise the credit risk for Vion. There are no significant concentrations of credit risk within Vion.

Foreign currency risk
Vion is exposed to currency risks in the following areas:
– transaction risk on anticipated sales, and on the balance sheet receivables or payables arising from such transactions;
– currency conversion risk arising from currency conversion differences on intercompany and external payables and deposits in foreign currency;
– currency conversion risk on net investments in consolidated foreign entities;
– currency conversion risk on the net result of foreign entities.
Vion makes use of a financial policy to deal with currency risks. This policy states that committed transactional positions should be hedged using forward contracts. In general, the average duration of these contracts is three to four months. Vion generally strives to fund local entities in their functional currency. The currency of the external funding and deposits of Vion is based on the financial policy coupled with the required funding of companies within Vion. This can be either directly by external foreign currency loans and deposits or through currency swaps.

Vion does not hedge the currency conversion risk on net investments in consolidated foreign entitiesand the net result of foreign entities.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The notional value of the forward exchange contracts to hedge the described currency risks, particularly the US dollar, Japanese yen and British pound, amounted to a total of € 156 million net at year-end 2018 (2017: € 168 million). The fair value of these contracts at the balance sheet date was an amount totalling € 1.0 million negative (2017:€ 1.7 million positive). The fair values of all financial instruments approximate the book values. All forward exchange contracts are to be settled within 1 year.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and JPY exchange rates, with all other variables held constant. The impact on Vion's profit before tax is due to changes in the fair value of monetary assets and liabilities. As Vion fully hedges these currencies, the impact on the profit before tax is nil. The impact on Vion's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. Vion's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
2018	**+5%**	**–**	**+ 3.712**
	–5%	**–**	**– 4.102**
2017	+5%	–	+ 2,467
	–5%	–	– 2,726

	Change in JPY rate	Effect on profit before tax	Effect on pre-tax equity
2018	**+5%**	**–**	**+ 2.366**
	–5%	**–**	**– 2.615**
2017	+5%	–	+ 2,083
	–5%	–	– 2,302

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Interest rate risk

Vion is partly financed with interest-bearing borrowings, but Vion's exposure to interest rate risk (especially due to limited long-term debt) is limited. Vion considers the financial policy to deal with interest rate risk. This policy allows for the use of derivatives. However, no interest rate swaps were held in 2018 (2017: none).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, Vion's profit before tax is affected through the impact on floating rate borrowings, as follows:

		Increase/ decrease in basis points	Effect on profit before tax
2018	Euro	+50	– 71
	Euro	–50	+ 71
2017	Euro	+50	– 312
	Euro	–50	+ 312

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

Liquidity risk

The primary objective of liquidity management is to provide sufficient cash and cash equivalents at all times to enable Vion to meet its payment obligations. Management monitors forecasts of Vion's liquidity reserves on the basis of expected cash flows. Vion has a committed credit facilities of € 200 million maturing in May 2022.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The table below summarises the maturity profile of Vion's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings						
– Secured financing facility of € 200 million (2016: € 125 million)	–	21,115	–	–	–	21,115
– Financial lease obligations	–	229	689	3,464	2,189	6,571
– Loans from minority shareholders	–	–	–	10,531	–	10,531
Dividend payable to minority shareholders	–	–	5,006	2,989	–	7,995
Trade and other liabilities	–	341,525	12,859	–	–	354,384
Contract liability	–	4,719	–	–	–	4,719
Derivatives financial liabilities	–	1,458	167	37	–	1,662
Total	**–**	**369,046**	**18,721**	**17,021**	**2,189**	**406,977**

Year ended 31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings						
– Secured financing facility of € 200 million (2016: € 125 million)	–	52,396	–	–	–	52,396
– Financial lease obligations	–	240	690	3,605	2,604	7,139
– Loans from minority shareholders	–	–	–	–	9,932	9,932
– Bank loan of € 1.8 million	–	–	330	–	–	330
Dividend payable to minority shareholders	–	–	3,741	992	–	4,733
Other payables (note 25 Other financial liabilities)	–	–	–	88	–	88
Subsequent payments and earn out agreements related to acquisitions	–	–	936	–	–	936
Trade and other liabilities	–	330,607	14,997	–	–	345,604
Derivatives financial liabilities	–	385	24	–	–	409
Total	**–**	**383,628**	**20,718**	**4,685**	**12,536**	**421,567**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

34 List of principal subsidiaries

(in percent)	Proportion of ordinary shares directly held by Vion	Country of incorporation
A. Moksel GmbH		Germany
Ahlener Fleischhandel GmbH	87.5	Germany
BestHides GmbH	60	Germany
CEMO GmbH		Germany
De Groene Weg B.V.		the Netherlands
Encebe Vleeswaren B.V.		the Netherlands
FVZ Convenience GmbH		Germany
Otto Nocker Fleischmarkte GmbH		Germany
Otto Nocker GmbH		Germany
Salomon Hitburger GmbH		Germany
SFB Fleisch- und Kühlcentrale GmbH&Co KG	62.5	Germany
Südfleisch Bamberg GmbH		Germany
Südfleisch Holding GmbH		Germany
Südfleisch Waldkraiburg GmbH		Germany
Südost-Fleisch GmbH		Germany
VION Apeldoorn B.V.		the Netherlands
VION Bad Bramstedt GmbH		Germany
VION Boxtel B.V.		the Netherlands
VION Convenience GmbH		Germany
VION Crailsheim GmbH		Germany
VION EGN Südostbayern GmbH	51	Germany
VION Emstek GmbH		Germany
VION Enschede B.V.		the Netherlands
VION Farming B.V.		the Netherlands
VION FKM Furth im Wald GmbH	70	Germany
VION Food (NL Division) Ltd *		United Kingdom
VION Food Group Ltd *		United Kingdom
VION Food International B.V.		the Netherlands
VION Food North GmbH		Germany
VION Food Schotland Ltd *		United Kingdom
VION Groenlo B.V.		the Netherlands
VION Hilden GmbH		Germany
VION Holdorf TK GmbH		Germany
VION Leeuwarden GmbH		the Netherlands

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

	Proportion of ordinary shares directly held by Vion	Country of incorporation
VION Perleberg GmbH		Germany
VION Retail Groenlo B.V.		the Netherlands
VION Retail Nederland B.V.		the Netherlands
VION SBL Landshut GmbH	51	Germany
VION Scherpenzeel B.V.		the Netherlands
VION Tilburg B.V.		the Netherlands
VION Zucht- und Nutzvieh GmbH		Germany

* *The marked UK registered participating interests are exempt from the Companies Act 2006 requirements relating to the audit of their individual financial statements by virtue of Section 479A of the Act as Vion has guaranteed the subsidiary companies under Section 479C of the Act.*

An entity is assumed to be a principal subsidiary if it is representing more than 5% of either consolidated group sales or operating result (before any intra-group eliminations). In addition subsidiaries with a legal disclosure requirement are included in the list of principal subsidiaries.

Consolidated subsidiaries

Unless otherwise indicated, these are wholly owned subsidiaries. The disclosed significant subsidiaries represent the most important subsidiaries based on revenues and operating result, before elimination of intercompany transactions within the Group. The list of companies represents approx. 94.2% of consolidated net sales. Subsidiaries not important to providing an insight into Vion are omitted from this list. A full list of all subsidiaries part of the Group is laid down at the Dutch Chamber of Commerce.

35 Subsequent events

No subsequent events occurred, that are significant to Vion.

3 Company financial statements

(in thousands of euros)

3.1 Company statement of financial position

Assets	**note**	**2018**	**2017**
Non-current assets			
Subsidiaries	2	420,883	407,452
Other non-current financial assets	3	–	–
Deferred tax assets	4	11,152	16,151
Total non-current assets		**432,035**	**423,603**
Current assets			
Receivables from group companies		4,656	10,259
Income tax receivable		46	–
Other receivables		–	663
Total current assets		**4,702**	**10,922**
Total assets		**436,737**	**434,525**

3 Company financial statements

(in thousands of euros)

Equity and liabilities	note	2018	2017
Equity			
Issued capital	5	2,285	2,285
Share premium	5	372,716	372,716
Legal reserves	5	21,177	19,612
Retained earnings	5	29,194	19,785
Result for the year	5	7,941	20,122
Total equity	5	433,313	434,520
Current liabilities			
Payables to group companies		3,403	–
Other payables		21	5
Total liabilities		3,424	5
Total equity and liabilities		436,737	434,525

3.2 Company statement of profit and loss

	2018	2017
Result from group companies after taxation	13,079	15,030
Other results after taxation	–5,138	5,092
Net result for the period	7,941	20,122

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

1 Accounting policies for the company financial statements

1.1 General information

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU (i.e. only IFRS that is adopted for use in the EU at the date of authorisation) as explained further in the notes to the consolidated financial statements. The company presents a condensed income statement, using the facility of Article 402 of Part 9, Book 2, of the Dutch Civil Code.

A list of consolidated entities, referred to in Articles 379 and 414 of Book 2 of the Dutch Civil Code, has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

1.2 Significant accounting policies

Group companies

Group companies are subsidiaries, associates and joint ventures in which Vion Holding N.V. participates. Group companies are recognised using the equity method of accounting.

Movements in the carrying amounts arising from the share of profit of subsidiaries are recognised in accordance with the accounting policies of Vion Holding N.V. in profit and loss. The distributable reserves of subsidiaries are recognised in other reserves.

Receivables from and payables to group companies

Positions with group companies are recognised at amortised cost.

2 Subsidiaries

	2018	2017
Balance at 1 January	407,452	**389,301**
Result	13,079	15,030
Transactions with minority shareholders	1,276	1,258
Other comprehensive income	–924	1,863
Balance at 31 December	**420,883**	**407,452**

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

3 Other non-current financial assets

	2018	2017
Balance at 1 January	**–**	**4,565**
Additions	–	–
Interest	–	138
Settlement	–	–4,703
Balance at 31 December	**–**	**–**

4 Deferred tax assets

	2018	2017
Balance at 1 January	**16,151**	**19,488**
Additions	–	–
Deduction	–4,999	–3,337
Balance at 31 December	**11,152**	**16,151**

The deferred tax assets relate to the valuation of losses carried forward concerning the Dutch fiscal unity of which Vion Holding N.V. is the parent company.

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

5 Equity

Statement of changes in equity	Issued capital	Share premium	Legal reserves: Cash flow hedge reserve	Legal reserves: Foreign currency translation reserve	Legal reserves: Other Legal reserves	Retained earnings	Result for the year	Total
Balance at 1 January 2017	**2,285**	**372,716**	**879**	**610**	**10,115**	**–11,849**	**36,521**	**411,277**
Appropriation of result	–	–	–	–	–	36,521	–36,521	–
								–
Profit for the period	–	–	–	–	–	–	20,122	20,122
Other comprehensive income	–	–	1,141	–2	–	724	–	1,863
Total comprehensive income	**–**	**–**	**1,141**	**–2**	**–**	**724**	**20,122**	**21,985**
Dividends	–	–	–	–	–	–	–	–
Transactions with minority shareholders	–	–	–	–	–	1,258	–	1,258
Transfer to legal reserve	–	–	–	–	7,850	–7,850	–	–
Balance at 31 December 2017	**2,285**	**372,716**	**2,020**	**608**	**17,965**	**18,804**	**20,122**	**434,520**
Appropriation of result	–	–	–	–	–	20,122	–20,122	–
Profit for the period	–	–	–	–	–	–	7,941	7,941
Other comprehensive income	–	–	–1,790	61	–	805	–	–924
Total comprehensive income	**–**	**–**	**–1,790**	**61**	**–**	**805**	**7,941**	**7,017**
Dividends	–	–	–	–	–	–9,500	–	–9,500
Transactions with minority shareholders	–	–	–	–	–	1,276	–	1,276
Reclassification	–	–	–879	–	–	879	–	–
Transfer to legal reserve	–	–	–	–	3,192	–3,192	–	–
Balance at 31 December 2018	**2,285**	**372,716**	**–649**	**669**	**21,157**	**29,194**	**7,941**	**433,313**

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

The other legal reserves relates to capitalised internally developed software (2018: € 20.2 million; 2017: € 15.5 million) and to not free distributable profits and reserves of shareholdings (2018: € 1.0 million; 2017: € 2.5 million).

Further details are presented in note 24 Equity, in the section Notes to the consolidated financial statements.

6 Commitments and contingencies

Vion Holding N.V. heads the Dutch fiscal unity for corporate income tax. As a result, Vion Holding N.V. is jointly and severally liable for the corporate income tax for the entire Dutch fiscal unity. With respect to the separate financial statements of the Dutch legal entities included in the consolidation, Vion Holding N.V. availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code. Pursuant to said section 403, Vion Holding N.V. has assumed joint and several liability for the debts arising out of the legal acts of a number of subsidiaries in the Netherlands, which form part of the consolidation. The names of the subsidiaries for which Vion Holding N.V. has issued 403 are open for inspection at the trade register as managed by the Netherlands Chamber of Commerce.

7 Auditor's fee

Ernst & Young Accountants LLP and other Ernst & Young lines of service charged the following fees pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code to Vion, its subsidiaries and other consolidated entities:

			2018			2017
	EY Netherlands	EY International	Total	EY Netherlands	EY International	Total
Annual accounts audit	614	734	1,348	616	680	1,296
Other audit related services	68	356	424	217	336	553
Tax related activities	–	–	–	–	–	–
Other	–	–	–	–	–	–
	682	1,090	1,772	833	1,016	1,849

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

8 Proposed appropriation of profit and loss

With the approval of the supervisory board, the management board has decided that out of the net result for 2018 of € 7,941 thousand a sum of € 3,971 thousand should be added to the reserves. The remaining € 3,970 thousand is at the disposal of the general meeting of shareholders.
We propose that the remaining sum be distributed as dividend, implying a dividend for 2018 of € 78.17 (€ 3,970 thousand/50,784) per share.

	2018
Addition to reserves	3,971
Dividend distribution	3,970
Net result 2018	**7,941**

9 Subsequent events

No subsequent events occurred, that are significant to Vion.

Boxtel, 14 March 2019

Management board
R.E.M. Lotgerink, CEO
J.P.M. Morssink, CFO

Supervisory board
T.P. Koekkoek, chairman
T. Heidman, vice chairman
M. Bax
J.A.M. Huijbers
A.T.C. van der Laan

5 Other information

5.1 Profit and loss appropriation according to the articles of association

Article 23 of the Articles of Association reads as follows:

Paragraph 1

The management board, subject to approval by the supervisory board, will reserve amounts from the result as specified in the annual accounts adopted by the general meeting of shareholders. The remaining result is at the disposal of the general meeting of shareholders.

Paragraph 2

The company may only make distributions to the shareholders and other parties entitled to the result available for distribution insofar as the equity exceeds the amount of the issued capital plus the reserves that must be maintained by law.

5 Other information

5.2 Independent auditor's report

To: the shareholders, supervisory board and management of Vion Holding N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Vion Holding N.V., based in Best. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- the accompanying consolidated financial statements give a true and fair view of the financial position of Vion Holding N.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Vion Holding N.V. as at 31 December 2018, and of its results for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2018;
- the following statements for 2018: the consolidated statement of profit and loss, consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows; and
- the notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
- the company statement of financial position as at 31 December 2018;
- the company statement of profit and loss account for 2018; and
- the notes to the company financial statements comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Vion Holding N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

5 Other information

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

– Management review, including Foreword;
– Information regarding Company profile, Key figures, Mission, vision and strategy, Corporate governance, Risk management and Remuneration;
– Report of the Supervisory Board;
– Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

– Is consistent with the financial statements and does not contain material misstatements;
– Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report (Management review) in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

5 Other information

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

5 Other information

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Eindhoven, 14 March 2019

Ernst & Young Accountants LLP

signed by R.E.J. Pluymakers

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