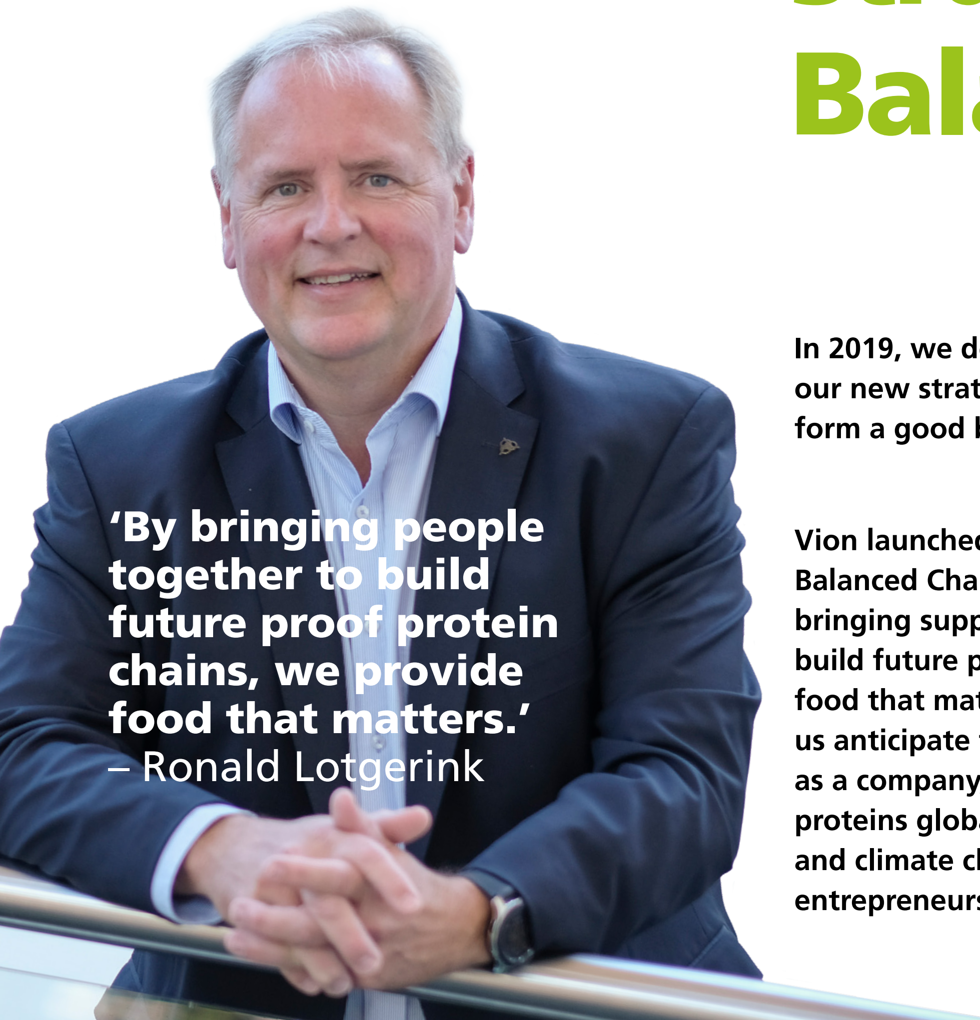
Annual report 2019

Vion
FOOD GROUP

Food that Matters

Contents

Foreword
'Successful start strategy Building Balanced Chains'



'By bringing people together to build future proof protein chains, we provide food that matters.'
– Ronald Lotgerink

In 2019, we developed and began executing our new strategy. The strong results from 2019 form a good basis for further execution.

Vion launched its new strategy 'Building Balanced Chains' in November. The focus is bringing supply chain partners together to build future proof protein chains by providing food that matters. The new strategy will help us anticipate for the food challenges we face as a company, like the rising demand for proteins globally, while animal welfare and climate change bring pressure on the entrepreneurship of farmers in our home markets. During the year the executive committee, supported by, a divers team of Vion employees developed the strategic direction and concrete initiatives in all areas of our business. We are happy to see the result of this intensive journey now becoming our driving force and way of working for the next years.

The results in 2019 have improved compared to the previous year. The normalised EBITDA increased from € 60.5 million in 2018 to € 113.2 million in 2019, mainly driven by investments from recent years starting to pay-off and a strong performance in the Pork division. However, results in the Beef division were below expectations as a result of challenging market conditions and strong competition. High demand in Asia resulted in increased pig prices, and prices for pork and pork-related products on a global scale. As a result of these higher prices, working capital increased over the year compared to the previous year.

In 2019, our Pork business faced a significant increase of the demand from Asia and historically high pig prices. The further spread of African Swine Fever (ASF) in South-East Asia in 2019 caused a material reduction in pork production in Asia. This resulted in a high demand in Asia for pork from the European-market.

A start was made with the modernisation and expansion of the Vion Boxtel production plant. As of 2021, the processing of pork middles – which is currently done in Scherpenzeel – will be integrated into the Boxtel site. This will limit transportation between Boxtel and Scherpenzeel. In 2020, the production plant Vleesindustrie Valkenswaard will be closed and activities related to the production of barding fat and fat cubes will be transferred to other Vion sites.

2019 proved to be a challenging year for the Beef division. The market situation was characterised by declining supply and lower demand. In the Netherlands lower supply was the result of the phosphate regulations in recent years. In addition, beef products offered from other European countries and South America strongly increased in our home markets, along with aggressive pricing. In the market for hides, we saw a decrease for the second year in a row, due to changes in the leather market of the automotive industry, and an oversupply on the world market.

In the same year our Food Service activities demonstrated continuous sales growth overall and good margins. Although Food Service is facing increasing competition, the division was able to expand its sales in fast-food chains.

2019 also proved to be a successful year for Vion's strategy of building demand-driven supply chains. In our Good Farming concepts, we focus on food safety, animal welfare, inherent product quality and transparency. During the year we continued to build transparent chains. A new strategic initiative we announced, is the introduction of meat alternatives. In Europe, we are seeing a slow decline in meat consumption, as people exchange animal proteins for other proteins in their diets. As a result, the European meat market is expected to shrink in the next ten years, whilst meat consumption in Asia and Africa will continue to grow. To adapt to these changes in society, we expanded our portfolio with plant-based protein products that serve as meat alternatives and offer the protein base of a balanced diet. To fulfil this initiative, the processing plant in Leeuwarden was chosen to become a plant-based production site and was closed as beef processing facility in the fourth quarter of 2019.

In December, we announced that the combined pork and beef processing plant in Altenburg would be dedicated to cattle in the future. We will stop processing pigs in the first quarter of 2020. Due to the high density of cattle in East Germany, the region around Altenburg shows great growth potential for Beef. To increase its efficiency we therefore decided to expand Altenburg and specialise in the beef sector.

We will continue to invest in improving our efficiency, footprint and, if necessary, adapt our production and supply chain to market demands to ensure a sustainable business model.

Increasingly, we see transparency, integrity, food safety, animal welfare and quality as important differentiators for success in the markets. We have sustainability as a core driver in our strategy and to create sustainable business and fair pricing, we need to build strong relationships with other stakeholders in our sector. This is the core part of our strategy: 'Building Balanced Chains'. In past years, we built such chains, like Good Farming Balance, Geprüfte Qualität Bayern, Good Farming Star, and Good Farming Organic, and we recently announced the build of a plant-based meat alternatives supply chain. We are convinced that this will help to create a long-term future for us and our partners.

Finally, I want to emphasize the importance of data exchange between feed producer, farm, animal trader, meat processor, retail and consumer. Contemporary IT systems will help the data we use to be transparent and open to society. Within the next years, these data systems will provide reliable information on food safety, animal welfare, sustainability and product integrity and it is a great fit with our purpose: 'by bringing people together to build future proof protein chains, we provide food that matters.'

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 (at the end of 2019) countries worldwide.

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 headquarters are located in Boxtel (the Netherlands).

Vion Holding N.V. is a public limited liability company under Dutch law. Vion generally 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 13,000 members in Noord-Brabant, Zeeland and the southern part of Gelderland.

12,445
Employees (FTEs), including flex workers

4,544
Own employees

7,901
Flex workers

5.1
Revenue for 2019 in billion euros

Over 100 million
consumers per day enjoy our meat

15
Production locations

12
Production locations

2
Food Service locations

Strategy development in 2019

At the beginning of 2019 Vion started developing a new sustainable corporate strategy in order to realise demand driven chains and produce the food that matters for the global food demand, after completion of the initiatives from the business plan created in 2016.

Together with the management board and other business leaders, colleagues from different divisions and countries formed a dedicated strategic project team that was facilitated and supported by consultancy companies. As part of the preparations internal and external (stakeholder) analysis were performed and the collected findings and results were translated into Vion specific initiatives. During the development process numerous stakeholders across the organisation were involved and engaged, creating a shared understanding of how to drive Vion its strategy forward. At the end of 2019 this resulted in a integral strategic roadmap for the years 2020-2024 which is called: 'Building Balanced Chains'. As part of the new strategic plan a new vision, purpose and positioning of the company was defined to support the creation of demand driven supply chains and balanced chains in the food chain. During the management meeting in November the outcome and strategic plan was presented to the management of the company and implementation was started immediately.

To ensure the implementation of the strategy will be successful, the implementation process requires a new way of working which is defined as sharp, connected and brave.

As part of the new strategy the three divisions, Pork Beef and Food Service, will be changed into four business units: Pork, Beef Food Service and Retail to ensure there is a dedicated focus in each market segment to drive demand driven supply chains and build balanced chains. The new business unit Retail will develop consumer focused products and services for partners and customers in retail markets. As of 2020 onwards the company will manage its operations based on this structure with four business units. Each business unit is managed by a dedicated management team responsible for execution of the strategic plan and carrying out the business activities within the business unit. The new structure will contribute to a further focus on the company’s direction, while improving collaborations and utilising synergies between the business units.

Vision, purpose and positioning

Our Vision	In a global marketplace and on a planet that is under pressure from the overuse of resources, we believe in a world where people enjoy safe and healthy food from sustainable sources
Our Purpose	By bringing people together to build future proof protein chains, we provide Food that Matters
Our Positioning	In our view; Food that Matters is tasty and healthy, comes from upgraded demand-driven chains, provides a fair income for farmers and other chain partners, is produced with respect for animals and people and sets standards on reducing environmental impact
Strategic focal point: BBC	We implement Building Balanced Chains to give farmers a future and customers a difference

Our Role: guide, providing clarity and direction in a complex world and serving as a beacon for others in the food chain

- Healthy and tasty food
- From upgraded demand driven food chains
- Providing a fair price for farmers and other chain partners
- Produced with respect for animals and people
- Setting the standards on reducing environmental impact

Key figures

Amounts in millions of euros	**2019**	2018	2017	2016
Results				
Revenue	**5,060.1**	4,670.2	5,070.0	4,758.9
Normalised EBITDA[1]	**113.2**	60.5	64.0	61.0
Earnings before interest and taxes	**36.4**	16.8	23.5	30.3
Profit for the year	**26.6**	10.2	21.8	38.8
Cash flow				
Net cash flow from operating activities	**–30.1**	90.0	39.1	6.2
Net cash flow from investment activities	**–51.8**	–58.5	–61.5	–66.4
Balance sheet				
Group equity	**453.2**	448.2	446.1	427.8
Balance sheet total	**1,190.6**	987.7	1,007.9	1,018.1
Net debt[2]	**178.7**	35.1	50.0	17.7

	2019	2018	2017	2016
Ratios				
Added value as % of revenue[3]	**24.4%**	24.6%	21.6%	22.0%
Staff costs as % of revenue	**11.6%**	12.3%	10.9%	10.5%
Normalised EBITDA[1] as % of revenue	**2.2%**	1.3%	1.3%	1.3%
Normalised EBITDA[1] as % of added value	**9.2%**	5.3%	5.9%	5.8%
Solvency	**38.1%**	45.4%	44.3%	42.0%
Return on average capital employed[4]	**8.4%**	3.2%	4.9%	6.0%
Employees				
Number of employees (FTEs) at year-end	**4,544**	4,558	4,386	4,262
Number of employees (FTEs) including flex workers at year-end	**12,445**	11,929	11,925	12,505
Average number of employees (FTEs)	**4,539**	4,497	4,310	4,210
Average number of employees (FTEs) including flex workers	**11,969**	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, right of use assets, working capital excluding interest bearing loans and borrowings)

Management review

The results for 2019 show a positive development compared to previous years, with revenues, earnings before depreciation, amortisation, interest and tax (EBITDA) and net income all being higher. Results improved following initiatives from recent years, which are now starting to pay-off, and positive result development in the Pork division driven by high demand for pork and pork related products, especially from the Asian market. The Beef division was confronted with challenging market conditions in their home markets, the Netherlands and Germany, while the Food Service division further improved their results compared to prior years.

Investments and operational improvements

To ensure the company produces as efficient as possible and is able to keep up with developments in the market in 2019 a significant amount was invested in new initiatives, 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 € 54.7 million was invested during the year.

As announced in February of 2019, the company started the investment to integrate the operations currently performed in Scherpenzeel into the production facility in Boxtel. In total an amount of € 11.2 million was spend for the integration in 2019 and is expected to be realised mid-2021. Furthermore the pork division invested in chilling equipment in Boxtel and Emstek and in waste water treatment systems in Emstek and Crailsheim. In the fourth quarter of 2019 the company started with the conversion of the former beef production facility in Leeuwarden to a plant-based production site. In total an amount of € 29.7 million was invested during the year for those investments.

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 € 25.0 million was invested during the year for these types of projects.

During 2019 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 and a better alignment of our products with the global demand in the markets open to Vion in Asia, North America and Australia. The investments made for valorisation activities in the recent years have positively contributed to the results in 2019.

High demand from Asia and strong operational performance

Following the outbreak of African Swine Fever (ASF) in China in 2018, demand for pork and pork related products increased significantly in the course of 2019. As a result of the high demand pig prices increased in the Netherlands and Germany, which could be transferred to customers both in Europe and Asia. This has positively impacted the results of the Pork division in 2019.

Market conditions in the Beef division were challenging during the year. On the one hand driven by strong competition on the purchase side, resulting in increased purchase prices for livestock, on the other hand low demand for beef and beef related products, resulting in pressure on gross margins. Combined with high volumes of beef on the market from other European countries and South America this puts pressure on the results of the Beef division.

The Food Service division had again a solid performance and further improved their results compared to prior years, driven by higher sales volumes and positive margin development.

Organisational optimisation

In 2019 Vion managed 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 2019, this structure continued to contribute to a further focus on the company's direction, while improving collaborations and utilising synergies between the divisions.

However, following the implementation of the new strategy 'Building Balanced Chains' the organisational structure will change in 2020 from three divisions to four business units; Pork, Beef, Food Service and Retail. Each business unit will have a dedicated management team. The business units are supported by a central organisation, which facilitates collaboration and alignment to ensure maximum synergies.

In February 2020 the company announced Bernd Stange, COO of the Vion Business Unit Beef will be appointed as member of the new Vion Advisory Council (Beirat) for the German operations as of July 2020. Bernd will be succeeded by David de Camp, currently Cluster Director North of the business unit Pork in Germany. The new Beirat will connect with external stakeholders to advise the Executive Committee of the company on business and societal developments in Germany.

Business principles, core values, code of conduct and whistle-blower policy

Vion's business principles, core values and whistle-blower policy are laid down in the company's Good Business Practice Guide.

In 2019, the company received a total of eight reports under the whistle-blower policy (2018: two) of which six were human resources related. The other ones involved alleged fraud claims and non-adherence to internal operational procedures. All reports were followed up and appropriate actions were 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 regard to these topics. Therefore, in addition to the annual report, Vion issues a separate corporate social responsibility (CSR) report for the year 2019. 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 several 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 production and processing of meat, and provide a platform for a dialogue with visitors.

Financial review

Results

(in millions of euros)	2019	2018
Profit and loss account		
Sales volume (in kilo-tonnes of kg)	2,029	2,120
Revenues	5,060.1	4,670.2
Other operating income	8.3	8.5
Total operating costs	5,032.0	4,661.9
Earnings before interest and taxes	36.4	16,8
Financial income and expenses	–7.3	–5.0
Income taxes	–3.2	–2.9
Share of profit of associates and joint ventures	0.7	1.3
Profit for the year	**26.6**	**10.2**
Attributable to non-controlling interests	1.2	–2.3
Attributable to equity holders of the parent	**25.4**	**7.9**

Normalised EBITDA

(in millions of euros)	2019	2018
Earnings before interest and taxes (EBIT)	36.4	16.8
Impairment of non-current assets	12.6	0.7
Restructuring costs	6.7	2.5
Disposal results	–1.9	–1.0
Normalised EBIT	**53.8**	**19.0**
Amortisation and depreciation of fixed assets	59.4	41.5
Normalised EBITDA	**113.2**	**60.5**
EBITDA from discontinued operations	0.0	0.0
Normalised EBITDA from ongoing operations	**113.2**	**60.5**

Revenues increased in 2019 by 8.4% compared to 2018 to € 5.1 billion mainly driven by increased sales prices for pork and pork related products, despite sales volumes decreasing by 4.3%. The sales increase was therefore mainly driven by higher sales prices per kilogram, especially for pork products. These higher sales prices were largely offset by increased costs for raw materials and consumables. As a result the gross margin, defined as total revenues minus raw materials and consumables used, slightly decreased from 24.6% in 2018 to 24.4% 2019, while the gross margin per kilogram increased from € 0.54 to € 0.61 mainly driven by the increased prices and demand for pork and pork related products.

As a result of ongoing valorisation initiatives, increased sales volumes to Asia and one-off costs for the creation of the new strategic plan 'Building Balanced Chains' variable production costs and fixed costs increased on a net basis by € 38.0 million in 2019 compared to 2018, while compared to revenues the operating expenses decreased from 23.5% in 2018 to 22,5% in 2019. This increase is therefore more than offset by increased gross profit. Excluding the positive effect of the implementation of the new IFRS standard on leases (IFRS 16) on EBITDA, € 15.7 million for 2019, operating expenses increased by € 53.7 million in total.

Results for the Pork division were positively impacted by the increased demand for pork and pork related products from Asia, driven by an increase in sales volumes to Asia of more than 26%, while results for Beef were under pressure for most of the year following strong competition and low demand for beef products in the home markets in the Netherlands and Germany. The Food Service division continued to deliver solid results and improved sales and margins compared to last year. For 2019 normalised EBITDA from ongoing operations amount to € 113.2 million compared to € 60.5 million in the previous year.

Depreciation and amortisation costs increased by € 17.9 million to € 59.4 million (2018: € 41.5 million) following the significant investments made in recent years and the implementation of the new IFRS standard on Leases (IFRS 16). Depreciation increased € 16.0 million as a result of the IFRS 16 implementation. Furthermore, Vion recognised an additional impairment charges of € 12.6 million for the write-off of fixed assets following the strategic re-orientation of the company, the announced closure of certain production locations and IM&T related projects. In 2018 an impairment of € 0.7 million was recognised as a write-off for several IM&T related projects.

In 2019, Vion incurred restructuring costs of € 6.7 million in total. These restructuring costs relate to the discontinuation of the Pork slaughter activities at Vion Altenburg, the closure of Vleesindustrie Valkenswaard and planned transfer of activities from Scherpenzeel to Boxtel, the conversion of the Beef facility in Leeuwarden to a plant-based production site, headcount reductions and legal restructurings. In 2018 restructuring costs amounted to € 2.5 million related to the closure of the Pork slaughter activities in Bamberg, the closure of the meat market in Hammelburg, headcount reductions and legal restructurings.

Also, outside of the normalised EBITDA from ongoing operations, Vion recognised € 1.9 million as results from the disposals of land and buildings and settlement of remaining claims from the divestment of ingredients division and the UK operations in prior years. In 2018 a gain of € 1.0 million was recognised.

Financial income and expenses increased compared to 2018 from € 5.0 million to € 7.3 million in 2019. The higher costs were caused by higher usage of the working capital facility to fund the additional working capital driven by increased prices for livestock and meat products, and the additional interest costs for hedge accounting following the increased sales volumes to Asia. In addition financial income and expense increased due to the implementation of IFRS 16, resulting in additional interest costs of € 1.4 million. A tax expense of € 3.2 million was reported for the year (2018: € 2.9 million). 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 to € 25.4 million, compared to € 7.9 million in 2018. The higher net result is mainly driven by the higher normalised EBITDA, partly offset by higher restructuring costs, impairment of fixed assets and higher interest costs. The impact of the IFRS 16 implementation on net income for 2019 is neglectable compared to last year.

Financial position

(in millions of euros)	2019	2018
Balance sheet		
Non-current assets	438.6	406.3
Current assets, including assets held for sale	751.9	581.4
Total equity	453.2	448.2
Provisions	144.2	128.1
Long term liabilities	47.4	19.2
Current liabilities	545.8	392.2
Balance sheet total	**1.190.6**	**987.7**
Net debt	178.7	35.1
Solvency	38.1%	45.4%

The intangible fixed assets decreased € 4.5 million to € 53.0 million (2018: € 57.5 million). This decrease is the result of the amortisation of assets, € 8.7 million, and the impairment of IM&T related projects, € 2.2 million. This was partly offset by investment in software of € 6.4 million. Property, plant & equipment decreased by € 3.6 million to € 303.6 million, mainly due to depreciation of assets, € 34.4 million, and the impairment of assets for the write-off of fixed assets following the strategic re-orientation of the company and the announced closure of certain production locations, € 10.4 million. This was partly offset by investments to expand and/or modernise several facilities for footprint and production optimisation of € 48.3 million. As a result of the implementation of IFRS 16 an amount of Right of Use assets was recognised at the beginning of the year of € 46.2 million, including a reclassification of financial lease contracts of € 6.0 million previously included in the tangible fixed assets, leaving € 40.2 million related to lease contracts previously accounted for as rent or operating lease. During the year new contracts were entered into for an amount of € 11.0 million, while depreciation charges are recognised of € 16.0 million. Right of Use assets at the end of the year amount € 40.9 million. The deferred tax assets decreased € 0.9 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.

The net employee defined benefit obligations amount to € 135.7 million at the end of 2019 (2018: € 127.3 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). Pension plan obligations apply fully to the defined benefit pension schemes for employees and former employees of the German group companies. The increase in the year is mainly the result of the actuarial revaluation of the liability taking into account a lower interest rate compared to prior year, partly offset by pension payments made during the year. Next to these, provisions for reorganisation and restructuring costs (2019: € 6.5 million, 2018: € 3.1 million) are part of the provisions in the balance sheet.

Following the increase in working capital in 2019 a larger part of the available working capital facility was used. As a result an amount of € 122.5 million (2018: € 21.8 million) was drawn under the € 200 million working capital facility. Further net debt increased as a result of the implementation of IFRS 16, resulting in lease obligations of € 42.4 million at the end of the year. With a gross debt of € 183.1 million and cash and cash equivalents of € 4.4 million, net debt amounts to € 178.7 million (2018: € 35.1 million).

As a result of the increased working capital and the recognition of the Right of Use assets and lease liabilities under IFRS 16 the solvency of the company, defined as Total Equity / Balance sheet total, decreased from 45.4% in 2018 to 38.1% in 2019. However, the solvency and liquidity of the company remained undiminished strong.

(in millions of euros)	**2019**	**2018**
Non-current interest bearing loans and borrowings	**11.1**	10.5
Non-current lease obligations	**29.2**	5.7
Current interest bearing loans and borrowings	**122.5**	21.1
Current lease obligations	**13.2**	0.9
Other non-current financial liabilities	**7.1**	3.0
Cash and cash equivalents	**–4.4**	–6.1
Net debt	**178.7**	**35.1**

Net debt increased by € 143.6 million compared to last year. The increase was driven by higher funding requirements for working capital and additional debt recognised on the balance sheet after the implementation of IFRS 16 at the beginning of 2019.

Cash flows

(in millions of euros)	**2019**	**2018**
Cash flow statement		
Net cash flow from operating activities	**–30.1**	90.0
Net cash flow from investment activities	**–51.8**	–58.5
Net cash flow from financing activities, including foreign exchange differences	**80.2**	–46.4
Increase / (decrease) in cash and cash equivalents	**–1.7**	–14.8
Cash and cash equivalents at year-end	**4.4**	**6.1**

The cash outflow from operating activities for the year amounts to € 30.1 million, compared to an inflow of € 90.0 million in 2018. The change in cashflow from operating activities is mainly driven by the increase in working capital of € 125.5 million following the increased prices for livestock and meat products. As a result of the increased prices inventory and accounts receivables increased by € 167.9 million, only partly offset by increased payables, € 42.4 million.

The operational cashflow, excluding the effects of working capital changes increased from € 46.3 million in 2018 to € 95.4 million in 2019, mainly driven by the improved operational results of the company.

Cash flow from investment activities for the year amounts to € 51.8 million (2018: € 58.5 million). This is mainly related to investments in the further optimisation of the company's footprint, expanding operations and improvement of the efficiency in the various production locations of the company. A total of € 54.7 million was invested for those improvements These investments were partly offset by the proceeds from sale of property, plant & equipment of € 2.6 million and dividends received from participations, € 0.3 million.

To finance the increase in working capital an amount of € 122.5 million was drawn under the € 200 million credit facility at the end of the year, an increase of € 100.7 million compared to the end of 2018. During the year an amount of € 4.0 million was paid as dividend to the shareholder of the company, while an amount of € 2.5 million was paid as dividends to minority shareholders in the group. Following the implementation of IFRS 16 the amount repaid on lease liabilities increased from € 0.6 million in 2018 to € 14.9 million in 2019.

Consequently cash and cash equivalents decreased by € 1.7 million to € 4.4 million at the end of the year following strict cash management and various cash management initiatives.

Free cash flow

(in millions of euros)	2019	2018
Net cash flow from operating activities	–30.1	90.0
Purchase of property, plant and equipment	–48.3	–51.7
Purchase of intangible assets	–2.2	–2.1
Development expenditures	–4.2	–6.7
Free cash flow	**–84.8**	**29.5**

Free cash flow for the year, defined as cash flow from operating less investments, amounts € 84.8 million negative, a decrease of € 114.3 million compared to 2018. The lower free cashflow is predominantly caused by the increased working capital following the increased livestock and meat prices. Excluding the impact of increased working capital the free cash flow for 2019 amounts € 40.7 million.

Divisions

Pork division

Key figures	2019	2018
# Production locations	15	15
Sales volume (in millions of kg)	1,555	1,623
# Slaughtered heads (x 1,000)	15,200	15,500
Revenues (in millions of euros)	3,485	2,994
Average number of FTE *(flex workers included)*	8,150	8,100

Key facts

Sales volumes in the Pork division decreased by 2.1% compared to last year to 1.56 billion kilogram and the Pork division processes approximately 292,300 pigs per week. The 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 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 the company into semi-finished and finished products for the domestic and export retail markets.

The Pork division consists of fifteen production locations. There are seven locations in the Netherlands (Apeldoorn, Boxtel, Groenlo, Scherpenzeel, Encebe Vleeswaren Boxtel, Retail Groenlo and Valkenswaard) and eight in Germany (Altenburg, Crailsheim, Emstek, Landshut, Perleberg, Vilshofen, Ahlen and Holdorf).

In addition, at the end of 2019, 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. During 2019, the division employed an average number of 8,150 FTEs (including flex workers).

Market developments

In 2019 the global demand for pork meat was significantly higher than in previous years. The outbreak of African Swine Fever (ASF) in South-East Asia in 2018 and the further spread in 2019 significantly reduced the pork production in Asia. This resulted in a strong demand from Asia for pork from the European market which was further strengthened by the high tariffs on pork meat imports from the US to China. Therefore export volume as well as sales prices to Asia have strongly increased.

Purchase markets followed a similar trend resulting with record-breaking pig prices. This was the result of the high demand for pork and the result of increased competition on the purchase market.

As pork meat became scarce on the European market due to the high export volumes to Asia, the sales prices in Europe went up as well. For the Pork Division this resulted in relatively high margins on both sales to Asia as well as sales within Europe. The downside of this development is the negative financial impact on food processing companies in Europe, both on retail entities within Vion as well as competitors and customers outside Vion. For the Retail entities the margin has deteriorated due to the high purchase prices which could only partly be passed on through in sales prices, while for the Pork Industry it is a balancing act between maximising sales prices and maintaining good relations with the European customers.

Demand-driven supply chains

Demand driven supply chains proved to be successful. Within all of its Good Farming concepts, Vion is focusing on food safety, animal welfare, inherent product quality and transparency.

A next step is taken with the development of new transparent chains with customers. Together with selected retailers, Vion and pig farmers will work jointly on the further development of this supply chain in terms of taste, animal welfare and sustainability, among other things. A customer-specific product flow is established within the Good Farming Star program or 'Geprüfte Qualitat Bayern'. This means an upgrade for the Good Farming Star system because the company is covering a specific demand in the market and are working together on additional aspects in terms of taste, animal welfare and sustainability.

Additional international developments in our demand-driven supply chains include the further expansion of the Robusto supply chain and Vion organic brand ('The Groene Weg').

Operational investments and improvements

In 2019 Vion delivered significant improvements in its operational efficiency through a combination of additional focused investments (e.g. in cooling, IT systems, etc.), a more standardised reporting, and a specific operational excellence program. The latter is built on the foundations laid by the introduction of the 'Vion Operating System' in all Pork facilities, resulting in improvements in all operational, commercial and back-office processes and management systems.

Furthermore, Vion continues to play an increasing role in the market of animal by-products which are used for a wide range of applications. Results have improved following the application of valorisation standards for animal by-products, and additional plans have been made for further expansion.

Investing in the future

The main investment for the coming years concerns the transfer of 'fresh' activities that are currently carried out at Vion Scherpenzeel to Vion Boxtel. The modernising and expanding the production plant of Vion Boxtel has been started. As of 2021, the processing of middles which is currently done in Scherpenzeel will be integrated into the Boxtel site. The elimination of transportation between Boxtel and Scherpenzeel will result in a shorter supply chain, improved efficiency and introduces a more sustainable way of working by consolidating operations at a single location.

Besides this, the production plant in Altenburg will focus fully on cattle slaughtering, as the slaughtering capacity for cows is limited in the area and therefore the company will discontinue the slaughtering activities for pigs in the first quarter of 2020. Furthermore, the production plant Vleesindustrie Valkenswaard was closed in the first quarter of 2020 and the activities related to the production of barding fat and fat cubes was transferred to Encebe and Vion Emstek.

Beef division

Key figures	2019	2018
# Production locations	12	13
Sales volume (in millions of kg)	457	488
# Slaughtered heads (x 1,000)	844	912
Revenues (in millions of euros)	1,415	1,557
Average number of FTE *(flex workers included)*	3,124	3,100

Key facts

Sales volumes in the Beef division decreased by 6.3% compared to last year, driven by high competition and low demand, while the Beef division processes approximately 16,200 cattle per week. The beef produced 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 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), and Canada. 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 twelve production locations at the end of the year. There are two locations in the Netherlands (Tilburg and Enschede) and ten in Germany (Altenburg, Bad Bramstedt, Bamberg, Buchloe, Crailsheim, Furth im Wald, Germaringen, Großostheim, Hilden and Waldkraiburg). The production facility in Leeuwarden, which was closed during the fourth quarter of the year, will be converted for plant-based production. The facilities are all strategically located to minimise transport time for the animals. Furthermore, the division operates five wholesale markets in Bavaria (Germany) (Blaichach, Günzburg, Ingolstadt, Kulmbach and Traunstein) and the German hides company BestHides GmbH with its locations in Eching-Weixerau and Memmingen.

The head office of the Beef division is located in Buchloe, Bavaria (Germany). During the year 2019, the division employed an average number of 3,124 FTEs (including flex workers).

Market developments

The year 2019 has been a challenging year for the Beef division. The market situation was characterised by declining supply and lower demand. In addition, the offer of beef products from other European countries and South America strongly increased in our home markets with an aggressive pricing strategy.

The number of slaughtered heads in 2019 was lower than in the previous year. The supply of cattle declined by 3% in Germany, while in the Netherlands the company faced a significant reduction in livestock herds due to phosphate regulations and a significant growth of the capacity for livestock processing in the past two years.

The market for by-products in the Beef division was challenging and decreasing for the second year in a row, especially for hides. This was due to structural changes in the leather market, which are characterised by a decreasing demand, e.g. from the automotive industry, and an oversupply on the world market.

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, regional programmes and the animal welfare label 'Für Mehr Tierschutz'.

Operational investments and improvements

Animal welfare is one of the key topics for Vion. The company has been continuously investing in improving and standardising its slaughter infrastructure.

Alongside food safety and product quality, choosing the right packaging materials is an increasingly important matter for Vion. This requires solutions that satisfy many needs – the consumer´s desire for simple handling, the economic feasibility of the packaging methods and the protection of resources. To this end, Vion is pursuing innovative ways that involve a high sustainability factor. In Germany alone, two billion self-service packages in the fresh meat sector are used yearly. Vion wants to reduce the waste caused by packaging. Therefore, the company is using trays made of recycled polyethylene terephthalate in Großostheim where consumer products are packed. This approach reduces CO_2 emissions by around 70% compared to the usual trays made of polypropylene. With steaks in particular, Vion also uses flat skin packaging. This process also cuts down plastic usage by 60%. This packaging is especially used for the popular Goldbeef steaks.

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 throughout the supply chain with professional and reliable partners in the fields of animal feed, breeding, housing and transportation. Vion has regional partnerships across the entire value chain, which also includes farmers belonging to producers´ cooperation. Also within the beef division a customer-specific product flow is established within the Good Farming Star program or 'Geprüfte Qualitat Bayern'.

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 innovative sales approaches. One example is the Goldbeef brand for premium beef specialty products that was again rewarded at the World Steak Challenge in Dublin. Five German and Dutch steaks from the premium beef brand Goldbeef won awards. This year, Vion submitted six steaks from the popular breeds Simmental and Holstein Friesian to the competition. Two entrecote steaks and the roast beef were awarded the prestigious gold medal.

The trade fair Anuga, which was held in October 2019 in Cologne, provided an international platform for customers and prospects to gain insights into Vion's innovative product developments, like the Goldbeef products, the steak concept 'Cool Cuts' and organic products. The Beef division is also focusing on valorising all parts of the animal in the best possible way, and supports this with a central marketing and sales organisation for all beef specialities.

Investing in the future

At the end of 2019, Vion announced that it would focus on cattle at the plant in Altenburg. In the first quarter of 2020 the facility will stop the slaughtering of pigs. The region around Altenburg shows great potential for growth in the area of beef due to the high density of cattle in East Germany, Vion has therefore decided to expand and specialise its Altenburg facility for the beef sector. Investments in a new slaughter line are planned for the year 2020.

Food Service division

Key figures	**2019**	**2018**
# Production locations	**2**	2
Sales volume (in millions of kg)	**64**	61
Revenues *(in millions of euros)*	**275**	261
Average number of FTE *(flex workers included)*	**538**	505

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. At the end of 2019, the Food Service division operates three sales support offices to support the company's sales and branded business activities. During the year 2019, the division employed an average number of 538 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 segment 'Frozen Convenience' 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. Drivers for growth are the strength of the brands and the deep understanding of the market mechanisms within the framework of the demand driven chains, 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 and is one of the largest suppliers in the food services market.

In 2019, the Food Service division succeeded in maintaining its market position in a difficult environment and was again able to generate growth in the relevant markets. Meanwhile strong competitors and competitive pressure, in all areas as well as a local trend in European countries, have impacted growth opportunities. Sales prices for schnitzel have been increased following the higher costs of raw materials, which occurred midway through the year.

Gastronomy and impulse channels: a consistently growing out-of-home food 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 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 is growing in the Netherlands, Italy and France. Salomon FoodWorld supplies products in three business lines: Finger Food, Burger & Wraps and Schnitzel & More.

2019 was again a successful year for FVZ Convenience. In 2018 the company's brand positioning was realigned and the market image renewed. Increasing its sales and production volumes and improving its efficiency and productivity led to the turnaround in 2018. This continued in 2019. Additionally the focus was on optimisation of the assortment mix, which contributed to the continued improvement of results.
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

Following the negative growth of 0.8% of the German food service activities in 2018, the Food Service activities in Germany showed a growth of 1.7% in 2019. By this growth the Food Service division again stabilised and consolidated its market share. On the one hand the Food Service division is facing competition from new players entering the market, an increase for demand of fresh products and new categories in the branch. On the other hand, the Food Service division was able to expand its sales with fast-food chains.
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 has a market share 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 food service key accounts.

Investing in the future

In 2019, the Food Service division further invested an appropriate amount into enlarging and optimising its production technology to increase efficiency and effectiveness and also to increase the production volume. Investments in compliance projects were continued in 2019. In order to build on success factors of the past, in innovation and marketing expertise, and to further strengthen the position of the brands in national and international business, specific areas of responsibility have been redefined and expanded. Furthermore its management competencies were expanded.

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. Most of these activities are based in Boxtel, the Netherlands. However, some IM&T activities are located in Hannover and Munich, Germany. During of the year 2019, the corporate organisation employed an average number of FTEs 157 (FTEs 2018: 161).

Outlook 2020

Building on the strong results from 2019 Vion will implement the new strategic plan completed at the end of 2019.
The strategy will focus on building balanced chains in close cooperation with our supply chain partners. First actions are already initiated and more initiatives will be started in the course of 2020. As stated earlier in this report corporate social responsibility is an essential part of our day-to-day business. The company will continue to play a role in reducing environmental impact, taking care of animal welfare and balancing a healthy diet for consumers

For 2020 the company expects to face some challenges but also sees some opportunities. ASF in South-East Asia will continue to have a significant impact on the demand and pricing of (mainly) pork related products. While the impact of the Corona virus is uncertain and unpredictable, and might have some adverse effects at the start of 2020. The company continues to closely monitor ASF and Corona in Europe.

Within the Beef business unit steps are being taken to initiate improvements and an organisational change was announced in February 2020. The new business unit Retail is working with a dedicated talented team on the right capabilities and products serving retailers in Europe.
Furthermore Vion will bring meat alternative products to the market, produced at the Vion facility in Leeuwarden, which has been converted to a plant-based production site.

Early 2020 Vion will acquire the activities of NWT in Germany, a company that is specialised in the processing and marketing of by-products.

The company will continue to significantly invest in footprint and efficiency initiatives to increase its competitiveness on the national and international meat markets. With the ongoing investment of € 35 million in its facility in Boxtel, 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 debates on meat consumption and animal welfare will continue. Vion will actively participate and contribute in these debates, and pro-actively share our point of view and expertise

With the start of the implementation of the new strategic plan ‘Building Balanced Chains’, with a clear focus on building balances chains, the company expects to deliver good results again in 2020.

Boxtel, 12 March 2020

Management board
Ronald Lotgerink
John Morssink

Composition of the executive committee

From left to right: John Morssink, John de Jonge, Bernd Stark, Ronald Lotgerink, Bernd Stange, Philippe Thomas, Binne Visser

Personal details of the members of the executive committee

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
Boardmember of Federatie Nederlandse Levensmiddelen Industrie (FNLI)
Boardmember of AgriNL
Advisory Board Member Raps GmbH.

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

Binne Visser
1970, Dutch nationality
Member of the executive committee

Function
CHRO since 3 September 2018

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

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 1993 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

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

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)

Philippe Thomas
1979, French nationality
Member of the executive committee

Function
Chief Operating Officer Retail since 1 November 2019

Former functions
Joined Vion in 2002 and worked in several roles: Sales Director Europe Industry & Retail for Beef, Country Manager Vion France, Project Manager South Europe Vion Italy

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 should 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 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 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 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 otherwise represented.
The supervisory board may only take decisions outside its meetings, when 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 38.

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 report of the supervisory board on page 38 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 45. 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 six 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 with regard to 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 with regard to 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 38.

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 make 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 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 two board members of SBT are 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 13,000 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 2.2.1
(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 integrated within Vion. The company 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 throughout the chain in order to create value for the farmer and the customer, and strengthen Vion's 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 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 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 ▲:
Vion has action plans in place In order to mitigate the risk as much as possible. Furthermore, we will describe our planned follow-up actions to keep our risk mitigation effective for the future.

Strategic

Risk	Managing the risk	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. General risk trend ▲	By distributing our activities across different geographical markets and channels, Vion mitigates 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 mainly in the pork business.	Due to the Good Farming Balance programme that was introduced in the Pork division In the Netherlands and in Germany, our exposure to volume fluctuation has been reduced and thereby to some extend the discrepancy between purchase and sales markets has been lowered. Vion aims to implement more balanced chain initiatives to better match demand and supply and to increase margins. Despite these efforts, external factors such as volume and price increase for Pork due to African Swine Fever (ASF) in Asia, or the price drop in cattle hides for Beef, are examples of a strong external impact for which no completely mitigating action can be implemented at short notice.
Changing consumption patterns in relation to meat Consumer behaviour in relation to meat consumption is changing. In North Western European markets, people are reducing their meat consumption per person, and consumption is shifting to different kinds of meat. To ensure continuity and growth, Vion recognises these trends and is adapting to them. General risk trend ▲	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 continually aligning its product portfolio to match the changing expectations of its customers. An example of this is Vion's initiative to enter the market for meat alternatives with a dedicated plant-based production site in Leeuwarden.	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	Follow-up actions
Decrease in supply of animals Agricultural political discussions on climate and environmental issues, especially in the Netherlands, can lead to a decline in the number of livestock and consequently a reduced sourcing base for Vion's production. General risk trend	Vion is aiming to compensate for the effects of a reduced supply of livestock by developing demand-driven initiatives with a focus on value instead of volume.	We will continue to develop unique concepts with our partners in order to build future-proof protein value chains.
Access to markets Losing access to a market is a major risk and can be the result of various causes, like AFS, escalating global trade wars, uncertainty surrounding Brexit, and the breaching of legal requirements or mistakes which occur in the supply chain. General risk trend	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 is closely monitoring developments on the trade war between the US and China, and the uncertainties surrounding Brexit, for which we have prepared ourselves with various scenarios. Due to our access to global markets, we feel confident in our ability to adapt quickly to developments. On the issue of the potential outbreak of ASF in our home markets, Vion works closely together with authorities and limits the amount of German pig meat in the cold-stores in order to reduce the risk of value decrease due to an outbreak of ASF In Germany.

Risk	Managing the risk	Follow-up actions
Reputation A reputational crisis will have serious consequences in the form of loss of sales, loss of talent, closer monitoring, and increased regulations or penalties from the authorities. General risk trend ▲	Vion has taken measures to mitigate this by increasing its monitoring skills and web care skills in the (social) media landscape. The company actively participates in societal debates, including with stakeholder organisations (NGOs), and proactively ensures that its media relations are fully aligned with the CSR strategy. Furthermore, Vion has mitigation measures in place, such as crisis management and training.	The attention of society to our industry is increasing, and examples of undercover footage involving other companies in our industry have raised the level of general awareness. More questions through social media channels is likely, resulting in more dialogue and more transparent communication.

Operational

Risk	Managing the risk	Follow-up actions
Health, safety and environment Risks in production processes can adversely affect 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 employees. General risk trend =	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 awareness area for safe working conditions.

Risk	Managing the risk	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. Regulation and labour scarcity will increase labour costs and changing requirements in terms of skills, which makes finding qualified people even more difficult. General risk trend ▲	"Being the employer of choice, engaging our people and attracting the right talent to provide Food that Matters" 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, suitably qualified personnel. It is Vion's ambition to achieve this, both qualitatively and quantitatively. In order to inspire and support our workforce, the company has several HR systems and programmes in place to facilitate growth.	Unemployment in Germany and the Netherlands is at a very low level, as it is in Eastern Europe, meaning that potential employees are scarce. In order that we can recruit sufficient staff to provide for our production needs, we are also striving for process optimisation (including automation where possible). At the same time, we are considering increasing the number of our own staff, instead of hiring workers via third party agencies. Additionally, we are investing in further competence development and education to maintain the right level of craftsmanship.
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 which we call the Vion Way of Working. The three elements of the Vion Way of Working are being sharp, connected and brave. In our view, this way of working is the key to realising our mission and objectives. General risk trend ▲	To provide guidance for the organisation and to set the tone for the kind of organisation we are striving to be, we continuously communicate the importance of the Good Business Practice Guide. This booklet includes the code of conduct and the whistleblower policy. Going forward, Vion's HR departments 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 emphasizes the importance of a healthy business culture: for instance, with training and communication through the Good Business Practice Guide. We will continue to develop our people's growth towards the Vion Way of Working: being sharp, connected and brave. We will perform an employee engagement survey to ensure there is a good connection between our ambitions and individual experiences.

Risk	Managing the risk	Follow-up actions
Project execution A number of key initiatives were announced as part of the Vion strategy for 2020-2024. Failure to execute those initiatives successfully could lead to under-delivery of the expected benefits. General risk trend ▲	The strategic initiatives are supported by the executive committee. Vion has a steering committee in place and projects are executed based on project documentation which include milestones, timing and resources.	Projects are led by experienced project managers. Realisation of the defined key deliverables are closely monitored by a dedicated Result Delivery Office. Furthermore, the monitoring reports are discussed at the senior management level.
Food safety Safe and wholesome 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 moves consumer needs towards higher levels of food safety. General risk trend =	Food safety and quality are part of the codes of practice at all Vion's facilities. In order to manage its own processes so 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.

Risk	Managing the risk	Follow-up actions
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 sustainability in the supply chain. Vion's consumers and customers expect that the product attributes which are communicated within the market are followed, and that Vion can show its adherence to these attributes, anytime and anywhere. General risk trend =	In order to assure product integrity, Vion is implementing process integrity schemes within its operations. Product integrity and full transparency is recognised as a relevant contemporary challenges. In order to professionalise the integrity scheme, Vion is actively cooperating with the standard setting bodies to move toward an internationally recognised and accredited standard, such as IFS-PIA. 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 implemented in high-end market schemes to control product integrity within the whole supply chain, including the consumer.
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. General risk trend =	The handling of livestock within the food supply chain is integrated into 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 into the company's quality schemes. Vion will continue to work with all the parties involved in this regard, including animal welfare NGOs, to ensure that welfare standards are met.

Risk	Managing the risk	Follow-up actions
Catastrophes at production facilities and/or animal diseases The risk of catastrophes, such as animal disease 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 who could interfere with business continuity are recognised as a risk. General risk trend ▲	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, the testing and improving of emergency plans and insurance positions. With respect to the spread of African Swine Fever (ASF), Vion is closely working together with local and central authorities to prevent the introduction and spread of ASF within Germany and the Netherlands.	We will continue with preventive measures at the farm and processing level, fire protection at the operating facilities, access control, screening of individuals and safety inspections. Furthermore, business continuity plans and insurance programme are in place. In 2019, an increasing number of ASF 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 if necessary.

Risk	Managing the risk	Follow-up actions
Information management Vion's IT strategy is aimed at both upgrading its infrastructure to be on par again and the converging of its IT application 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 can have a direct effect on the production processes, the competitive position, and the reputation of the company. General risk trend =	Vion initiated a programme to replace its outdated systems and infrastructure by implementing more up-to-date systems and technologies, and to increase the overall level of its information management services. Additionally, an IT control framework is in place, based on which the company monitors its 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.	After actions in the past years, Vion is well underway to having a solid basis of IT Infrastructure in place. The focus on the short term is to ensure that current systems are well supported and/or risks are mitigated, and, on the longer term, that a common solution is decided upon, leading to a less complex, more robust and responsive IT landscape, supporting business requirements now and in the future. Additionally, Vion will accelerate the roll out of a digital agenda which enables the steering of the supply chain and optimises internal production processes using data and technology, so that it is demand-driven and makes optimal use of raw materials and resources.
Cyber Security The cyber-security threat of unauthorised access and misuse of sensitive information or disruption to operations continues to increase. Such threats could inhibit our business operations in a number of ways, including disruption to sales and production. General risk trend ▲	To reduce the impact of cyber-security incidents impacting our business, Vion has firewalls and threat monitoring systems in place, including immediate response capabilities to mitigate identified threats. Policies covering the protection of both business and personal information are in place. To further support Vion's IT strategy and work towards cyber resilience, a security roadmap for the coming years was prepared. This activity was coordinated by the Vion information security officer.	Vion will further strengthen its cyber security standards by focusing on the risk-based security roadmap initiatives. In addition, Vion will continue to closely monitor the IT operations to protect the systems and information.

Financial and reporting

Risk	Managing the risk	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. General risk trend =	**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 the company's financial position, its outlook and its reputation. Vion's credit facilities are contracted by Group Treasury. The interest rates for its interest-bearing borrowings are variable. **Managing the credit risks** Vion has a credit risk management function in place with the objective of minimising 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 operate and the fact that we have a significant amount of working capital invested. **Managing foreign currency risks** Vion uses financial instruments to hedge its exposure to foreign exchange risks arising from its operational, financing and investment activities. Vion's policy is not to hold financial instruments for speculative purposes.	Vion is adequately financed with its current facility. Vion is comfortable with the effectiveness of its credit and currency risk controls. In 2020, we will align our financing with the needs of our strategy 2020-2024.

Compliance

Risk	Managing the risk	Follow-up actions
Non-compliance risk The risk is that Vion will be found to be non-compliant with applicable laws and regulations, which may adversely affect Vion's reputation and expose it to financial losses. General risk trend ▲	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 topics of its CSR report. Besides this, Vion has a code of conduct that goes beyond 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 make sure 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. To increase awareness on the importance of compliance, Vion will expand the usage of E-learnings on topics such as Governance, Risk and Compliance.

Management statement on assessment of internal risk management and control

The management board is ultimately responsible for the management of 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. Functional management signs at year end.
– Quarterly self-assessments of the internal control over financial reporting is included in the Vion Financial and Tax 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. Similar to the reports of the internal audit and quality assurance departments, 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 2019 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 that those material risks and uncertainties 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 2019.

Supervisory board activities

Consistent themes for the supervisory board in 2019 were major investment decisions as well as important commercial initiatives among which was the decision to convert the Beef processing plant in Leeuwarden to one for plant-based production. Other topics that the supervisory board discussed with the management board during the year included the spread of ASF and the progress of the modernisation and expansion of the Boxtel processing plant. The supervisory board was briefed on 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 on the implementation of the IT strategy. The supervisory board visited the Pork and Retail facility in Groenlo. This visit was very insightful with full access to senior local staff. The annual plan 2020 of the internal audit department was discussed and approved by the supervisory board. In addition the supervisory board was throughout the year closely involved in the formulation of Vion's strategic plan 2020-2024 and supports the choices made.

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.
In 2019 the evaluation process was carried out using a questionnaire completed by each supervisory board member. The outcomes and recommendations were discussed by the supervisory board in a dedicated meeting to that subject in March 2020.
The supervisory board recognised the findings and the recommendations will be followed up during the annual evaluation in 2020.

Composition of the supervisory board

The composition of the supervisory board changed in 2019.

On 15 May 2019 Rogier Jacobs was appointed as member of the supervisory board for a period of four years by the general meeting of shareholders. In order to achieve a reasonable gender balance in the supervisory board the profile for the vacancy emphasised that the candidate should preferably be female. However, Vion's principle is that the most suitable candidate for the vacancy should be appointed. Rogier Jacobs was determined to be the most suitable candidate because his extensive international IT experience and network will add value to the supervisory board and the more digital future of Vion. However, the next time a vacancy arises, the search criteria will again emphasise that candidates should preferably be female.

Marieke Bax and Tom Heidman were reappointed as members of the supervisory board for a period of four years by the general meeting of shareholders on 21 March 2019.

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

Composition of the management board

The composition of the management board did not change in 2019.

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

In December 2019 the supervisory board evaluated the functioning of the management board as a whole and that of the individual members. The management board, too, evaluated its own functioning and effectiveness in October 2019. The management board members gave each other feedback on their strengths and points to consider, and these were reflected on.

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 composition of the executive committee changed in 2019. Philippe Thomas joined the executive committee as of 1 November 2019. In addition to the management board members the executive committee currently includes John de Jonge (COO Pork), Bernd Stange (COO Beef), Bernd Stark (COO Food Service), Philippe Thomas (COO Retail) and Binne Visser (CHRO).

The members of the executive committee other than the management board members are regularly invited to inform the supervisory board about the opportunities and risks in their specific lines of business.

Independence

In 2018 three supervisory board members were considered non-independent in the sense of best practice provision 2.1.8 of the code. Currently, all members of the supervisory board are considered independent. The independence requirements described in best practice provisions 2.1.7 to 2.1.9 of the code have been fulfilled. Hans Huijbers was considered non-independent because he was chairman of the board of NCB-Ontwikkeling, which holds all depositary receipts for the shares in Vion. Hans Huijbers stepped down as chairman of the board of NCB-Ontwikkeling on 1 April 2019. As a result, Hans Huijbers is therefore considered independent as of that date. Theo Koekkoek was considered non-independent because his supervisory board remuneration was paid to ZLTO, which is related to NCB-Ontwikkeling mainly because the board of NCB-Ontwikkeling consists of the same members as the board of ZLTO. As of 1 January 2019 the supervisory board remuneration is paid to Theo Koekkoek instead of ZLTO. As a result, Theo Koekkoek is no longer associated with NCB-Ontwikkeling and is considered independent as of that date. Tom Heidman was considered non-independent because he acted as interim CEO of the company in the five years prior to his appointment. Tom Heidman was reappointed as member of the supervisory board on 21 March 2019. Given the fact that he acted as interim CEO almost four years prior to this reappointment and the short period thereof (26 January until 1 September 2015) the supervisory board considers Tom Heidman independent as of the date of his reappointment.

Corporate governance

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 nine times in 2019. 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.

In addition the supervisory board held four sessions with the management board which were fully dedicated to the formulation of Vion's strategic plan 2020-2024.

Remuneration, selection and appointment committee

The composition of the remuneration, selection and appointment committee did not change in 2019.

The members of the remuneration, selection and appointment committee are Tom Heidman (chairman), Hans Huijbers and Theo Koekkoek.

In 2019 the remuneration, selection and appointment committee met three times. In addition to the remuneration policy of the management board and the selection of supervisory 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 2019.

Theo Koekkoek stepped down as member on 1 June 2019 and Rogier Jacobs joined the audit committee as of the same date. The current members of the audit committee are Marieke Bax (chairman), Rogier Jacobs and Ton van der Laan.

The audit committee met five times in 2019. 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 2019 and on the consultations with the external auditor related to these financial statements.

In the audit committee meetings a lot of attention was paid to 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 items on the agenda. 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 2019 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 2019 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, 12 March 2020

On behalf of the supervisory board,
Theo Koekkoek, chairman

Personal details of the supervisory board

Theo Koekkoek
Chairman
1971, Dutch nationality

Function
Agricultural entrepreneur

Main other positions
Chairman Advisory Board Stichting Achmea Rechtsbijstand (until April 2020), Chairman Board Agriprofocus, Member Advisory Board coöperatie Cosun, Chairman Advisory Board Aeres and Chairman Supervisory Board Efteling B.V.

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, Remia, The European Candy Group and Migros Ticaret AS (Turkije) and Advisor YoungCapital

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 Advisory Board Fonds Podiumkunsten, Senior advisor Deloitte Disruptive M&A and Fellow Deloitte Center for the Edge

Hans Huijbers
1959, Dutch nationality

Function
Agricultural entrepreneur

Main other positions
Chairman Advisory Board HAS Den Bosch, Member Board People 4 Earth and Member Board Council Animal Affairs

Rogier Jacobs
1960, Dutch nationality

Function
CIO ASML

Former functions
CIO Cofco, CIO Cargill Animal Nutrition and various management functions with amongst others Océ, Toyota, Ericsson and Capgemini

Main other positions
Member Defensie IT Advisory Board

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
Chairman Supervisory Board of Royal De Heus, Member Supervisory Board Dümmen Orange, Vice chairman Supervisory Board Rain Forrest Alliance and Non-executive director Marel

Rotation plan of the supervisory board

	Commencement date first appointment	Current term expires	Commencement date of latest term	Reappointment possible
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*
Tom Heidman	20 May 2014	2023	21 March 2019	Yes
Marieke Bax	1 October 2015	2023	21 March 2019	Yes
Rogier Jacobs	15 May 2019	2023		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 consulted a professional independent remuneration expert to ensure an appropriate comparison. It further 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 by the supervisory board;
- 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 2019

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 2019.

Annual base salaries

Amounts in €	Gross amount 2019	Gross amount 2018	Base 2018
Ronald Lotgerink (01.09.2018 - 31.12.2019)	800,000	266,667	800,000
John Morssink (01.11.2018 - 31.12.2019)	400,000	63,630	400,000
Francis Kint (01.10.2018 - 31.05.2018)		291,667	700,000
Joost Sliepenbeek (01.01.2018 - 31.10.2018)		416,667	500,000
Total	1,200,000	1,038,631	

Short term cash incentives 2019

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, to ensure 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 2019.
These short-term incentives will be paid out in 2020.

Short-term cash incentives

Amount in €	2019	2018
Ronald Lotgerink, CEO	500,000	400,000
John Morssink, CFO	250,000	25,000
Total	750,000	425,000

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 2019.

Pensions

Vion offers to management board members the following pension provisions:

– participation in the collective defined contribution plan, where Vion contributes the average 20.43% for both management board members and both employees contribute 6% (2018 Vion average for management members: 20.31%, employees: 6%) of the base salary, up to the fiscal maximum for 2019 of € 107,593 (2018: € 105,075) per annum, and starting from a level of € 13,785 (2018: € 13,344) (the so-called franchise); and
– an allowance of 20% of the base salary exceeding € 107,593 (2018: € 105,075) per annum, where the allowance is taxed.

Pay ratio

As of 2017 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 of Vion's own 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)	2019	2018	2019	2018	2019	2018
Average number of FTEs	2	1.75	4,537	4,495	4,539	4,497
Annual total compensation	2,207	1,687	267,012	251,553	269,219	253,240
Average compensation	1,103	964	59	56	59	56

	2019	2018
Pay ratio (A/B)	**18.7**	**17.2**

The ratio between the annual total compensation for the management board and the average annual total compensation for our employees was 18.7 for the 2019 financial year and 17.2 for the 2018 financial year. For both years annual total compensation figures include the annual base salary, including social security costs, variable remuneration and pension benefits, of which some include 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 in which 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 2019

The annual remuneration of the members of the supervisory board was determined by the general meeting of shareholders on 26 February 2019. The total remuneration (annual fixed fee and annual committee membership fee) of the members of the supervisory board amounted to € 0.3 million (2018: € 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 2019

1 Consolidated financial statements

(in thousands of euros)

1.1 Consolidated statement of profit and loss

	note	2019	2018
Continuing operations			
Sale of goods		5,026,309	4,640,229
Rendering of services		33,831	29,932
Revenue from contracts with customers	5	**5,060,140**	**4,670,161**
Other operating income	6	8,342	8,568
Raw materials and consumables used		3,824,202	3,521,792
Subcontracted work and external costs		540,754	517,749
Employee benefits expenses	7	587,765	573,470
Depreciation and amortisation	8	59,354	41,478
Impairment of non-current assets	9	12,554	698
Other operating expenses	10	7,473	6,741
Total operating expenses		**5,032,102**	**4,661,928**
Earnings before interest and taxes		**36,380**	**16,801**
Finance costs	11	–7,404	–5,399
Finance income	11	99	370
Share of profit of associates and joint ventures		784	1,275
Profit before tax from continuing operations		**29,859**	**13,047**
Income tax income/(expense)	12	–3,226	–2,864
Profit for the year		**26,633**	**10,183**
Attributable to:			
Equity holders of the parent		25,372	7,941
Non-controlling interests		1,261	2,242
Total		**26,633**	**10,183**

1 Consolidated financial statements

(in thousands of euros)

1.2 Consolidated statement of total comprehensive income

	note	2019	2018
Profit for the year		**26,633**	10,183
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	**–78**	61
Gross (loss)/gain on cash flow hedges	24	**2,210**	–1,790
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**2,132**	**–1,729**
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	**–13,150**	805
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–13,150**	**805**
Other comprehensive income/(loss) for the year, net of tax		**–11,018**	**–924**
Total comprehensive income/(loss) for the year, net of tax		**15,615**	**9,259**
Attributable to:			
Equity holders of the parent		**14,354**	7,017
Non-controlling interest		**1,261**	2,242
Total		**15,615**	**9,259**

1 Consolidated financial statements

(in thousands of euros)

1.3 Consolidated statement of financial position

Assets	note	2019	2018
Non-current assets			
Property, plant and equipment	13	303,575	307,212
Investment properties	14	1,124	1,287
Intangible assets	15	53,008	57,525
Right of use assets	30	40,912	–
Investment in associates and joint ventures	16	7,197	6,734
Other non-current financial assets	18	3,781	3,639
Deferred tax assets	19	29,025	29,923
Total non-current assets		**438,622**	**406,320**
Current assets			
Inventories	20	221,364	173,408
Trade and other receivables	21	511,189	388,747
Prepayments		9,430	11,497
Other current financial assets	18	3,834	1,143
Income tax receivable		556	445
Cash and cash equivalent	22	4,368	6,139
Assets held for sale	23	1,200	29
Total current assets		**751,941**	**581,408**
Total assets		**1,190,563**	**987,728**

1 Consolidated financial statements

(in thousands of euros)

Equity and liabilities	note	2019	2018
Equity			
Issued capital	24	2,285	2,285
Share premium	24	372,716	372,716
Legal reserves	24	21,319	21,177
Retained earnings	24	18,833	29,194
Result for the year	24	25,372	7,941
Equity attributable to equity holders of the parent		**440,525**	**433,313**
Non-controlling interests	17	12,630	14,905
Total equity		**453,155**	**448,218**
Non-current liabilities			
Interest-bearing loans and borrowings	25	40,255	16,184
Other non-current financial liabilities	26	7,120	2,989
Provisions	27	1,559	854
Net employee defined benefit liabilities	28	135,714	127,284
Deferred tax liabilities	19	17	6
Total non-current liabilities		**184,665**	**147,317**
Current liabilities			
Trade and other payables	29	399,415	354,384
Interest-bearing loans and borrowings	25	135,729	22,033
Other current financial liabilities	26	5,793	6,668
Contract liability	5	2,368	4,719
Income tax payable		2,475	2,126
Provisions	27	6,963	2,263
Total current liabilities		**552,743**	**392,193**
Total liabilities		**737,408**	**539,510**
Total equity and liabilities		**1,190,563**	**987,728**

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 2018	**2,285**	**372,716**	**2,020**	**608**	**17,965**	**18,804**	**20,122**	**434,520**	**11,616**	**446,136**
Appropriation of net result	–	–	–	–	–	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**
Appropriation of net result	–	–	–	–	–	7,941	–7,941	**–**	–	**–**
Profit for the period	–	–	–	–	–	–	25,372	**25,372**	1,261	**26,633**
Other comprehensive income	–	–	2,210	–78	–	–13,150	–	**–11,018**	–335	**–11,353**
Total comprehensive income	**–**	**–**	**2,210**	**–78**	**–**	**–13,150**	**25,372**	**14,354**	**926**	**15,280**
Dividends	–	–	–	–	–	–3,970	–	**–3,970**	–578	**–4,548**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**–**	–	**–**
Transactions with minority shareholders	–	–	–	–	–	–3,172	–	**–3,172**	–2,623	**–5,795**
Transfer from legal reserve	–	–	–	–	–1,990	1,990	–	**–**	–	**–**
Balance at 31 December 2019	**2,285**	**372,716**	**1,561**	**591**	**19,167**	**18,833**	**25,372**	**440,525**	**12,630**	**453,155**

1 Consolidated financial statements

(in thousands of euros)

1.5 Consolidated statement of cash flows

	note	2019	2018
Cash flow from operating activities			
Profit before tax		**29,859**	**13,047**
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	13	44,852	35,838
Depreciation of right-of-use-assets		16,044	–
Depreciation and impairment of investment properties	14	163	163
Amortisation and impairment of intangible assets	15	10,849	6,176
Gain on disposal of property, plant and equipment	6	–3,729	–1,019
Finance income	11	–99	–370
Finance costs	11	7,244	4,509
Net foreign exchange differences	11	160	890
Share of profit of associates and joint ventures	16	–206	–1,275
Movement in provisions, pensions and government grants	27, 28	–1,420	–8,147
Working capital adjustments:			
(Increase)/decrease in trade and other receivables and prepayments	21	–119,891	31,809
(Increase)/decrease in inventories	20	–47,955	11,147
Increase/(decrease) in trade and other payables	29	42,380	795
		–21,749	**93,563**
Interest received		99	583
Interest paid		–7,015	–3,757
Income tax received/(paid)		–1,390	–366
Net cash flow from operating activities		**–30,055**	**90,023**

	note	2019	2018
Cash flow from investment activities			
Proceeds from sale of property, plant and equipment	13	2,554	3,097
Purchase of property, plant and equipment	13	–48,261	–52,363
Purchase of intangible assets	15	–2,209	–2,147
Development expenditures	15	–4,200	–6,739
Purchase of subsidiaries		–	–551
Dividends received from subsidiaries, associates and joint ventures		322	227
Net cash flow from investment activities		**–51,794**	**–58,477**
Cash flow from financing activities			
Proceeds from borrowings		101,225	–
Repayment of borrowings	25	–	–32,072
Payment of principal portion of lease liabilities		–14,860	–568
Proceeds from non-bank debts		545	–
Repayment of non-bank debts	26	–	–88
Acquisition of non-controlling interest		–	–1,842
Dividend paid to equity holders of the parent	24	–3,970	–9,500
Dividend paid to non-controlling interests	26	–2,509	–2,318
Net cash flow from financing activities		**80,431**	**–46,388**
Net increase/(decrease) in cash and cash equivalents		–1,418	–14,841
Net foreign exchange difference		–353	122
Cash and cash equivalents at 1 January		6,139	20,858
Cash and cash equivalents at 31 December		**4,368**	**6,139**

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 2019 were authorised for publication by the management board following the approval by the supervisory board on 12 March 2020. 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 2019. 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 equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or 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 non-controlling 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

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

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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 is 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.

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.

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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 p) 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.

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.

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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.

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

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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.

j) 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 coordinated 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.

k) 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.

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.

l) Leases
Vion assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Vion as a lessee
Vion applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Vion recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
Vion recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost

of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

– Plant and machinery	3 to 15 years
– Motor vehicles and other equipment	3 to 5 years

If the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities
At the commencement date of the lease, Vion recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments, excluding payments for service components related to the asset classes land and buildings and other equipment) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Vion and payments of penalties for terminating the lease, if the lease term reflects Vion exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Vion uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
Vion applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date or IFRS 16 adoption date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (individual asset value below € 5.000). Lease payments on short-term leases and leases of low value assets are recognised as expense 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 incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

Leases (2018 – before adoption of IFRS 16)
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.

m) 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

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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.

n) 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

o) 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 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 trademarks	10 to 15 years

p) 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.

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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.

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.

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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.

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.

q) 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.

r) 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. Inventory is reduced for estimated losses due to obsolescence. This reduction is determined based on sales in recent past and/or expected future demand.

s) 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

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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.

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.

t) 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.

u) 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.

Onerous contracts

If Vion has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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.

v) 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

New and amended standards and interpretations

Vion applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of Vion. Vion has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where Vion is the lessor.

Vion adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Vion elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, Vion applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Assets	
Right-of-use assets	46,197
Property, plant and equipment	–5,952
Deferred tax assets	10,005
Total Assets	**50,250**

Liabilities	
Interest-bearing loans and borrowings	40,245
Deferred tax liabilities	10,005
Trade and other payables	–
Total liabilities	**50,250**

Vion has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, Vion classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 2.3 (l) Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, Vion applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to note 2.3 (l) Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by Vion.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

Vion recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Vion also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:
- Right-of -use assets of € 46.2 million were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of € 6.0 million that were reclassified from Property, plant and equipment.
- Additional lease liabilities of € 40.2 million (included in Interest bearing loans and borrowings) were recognised.

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The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets

Operating lease commitments as at 31 December 2018	41,237
Less:	
Commitments relating to short-term leases	403
Commitments relating to leases of low-value assets	315
	40,519
Weighted average incremental borrowing rate as at 1 January 2019	3.14%
Discounted operating lease commitments as at 1 January 2019	**40,245**
Add:	
Commitments relating to leases previously classified as finance leases	6,571
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	–
Lease liabilities as at 1 January 2019	**46,816**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

Vion determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Vion applies significant judgement in identifying uncertainties over income tax treatments. Since Vion operates in a multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, Vion considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. Vion determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of Vion.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of Vion.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of Vion as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such

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long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements of Vion.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of Vion as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of Vion as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since Vion's current practice is in line with these amendments, they had no impact on the consolidated financial statements of Vion.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2.5 Standards issued but not yet effective

The following new and amended standards and interpretations 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.
- *Amendments to IFRS 3: Definition of a business*
  These amendments have no impact on the consolidated financial statements of Vion.
- *Amendments to IAS 1 and IAS 8: Definition of Material*
  These amendments have no impact on the consolidated financial statements of Vion.

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 34
- Sensitivity analyses disclosures — Notes 15, 27 and 34

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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.

Determining the lease term of contracts with renewal and termination options – Vion as lessee

Vion determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Vion has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, Vion reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Vion included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). Vion typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because Vion typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to note 31 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

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

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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 34.4 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 2019, the carrying amount of capitalised development costs was € 17.7 million (2018: € 18.4 million).

This amount includes significant investment in the development of VIPER software house, MES 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 in 2019

NWT
On 4 December 2019 Vion signed a purchase agreement for the acquisition of certain assets and liabilities of NWT, a company that specialises in the processing and marketing of by-products from pig slaughterhouses, from the Saria Group. NWT's activities include processing and packaging of pig trotters, ears, MSM (mechanically separated meat) and bones for customers mainly in Asia and Africa. The company also produces lardons for the Western European market. NWT is located in Twist (Germany), has around 200 employees and has a turnover of over € 43 million per year. The acquisition of the assets from NWT fits in the strategy of Vion Vion's strategy to create more value from slaughter by-products. The company has a great knowledge and experience in product development to increase the profit margin on slaughter by-products. In addition Vion can benefit from access to specific markets in Asia and Africa. Further NWT's position in the market for lardons is a good match with Vion's activities. The partnership with NWT offers additional opportunities to increase the value of pig bellies in various Western European markets.

The activities will become part of the Pork organisation, but potentially the activities will be extended to cover the by-products of our cattle slaughterhouses in the future as well. Investments to improve coordination of logistics flows, together with other measures are expected to reduce NWT's operational costs and Vion expects improved operating results for the new activities.

The total consideration to be paid for the assets and liabilities acquired amounts approximately € 5.5 million, to be adjusted for changes in working capital. In the course of 2020 the fair value of the assets and liabilities acquired will be determined and will be accounted for accordingly. This might result in the recognition of additional (intangible) assets and/or liabilities if identified as part of the purchase price accounting process.

After receiving the final regulatory approvals Vion is expected to gain control over the assets acquired in the course of March 2020. The results realised with the assets will be included in the consolidated results of the Group as from that moment.

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

4.2 Disposals

During 2019, 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 2019	For the year ended 31 December 2018
Sale of goods	5,026,309	4,640,229
Rendering of services	33,831	29,932
Total revenue from contracts with customers	**5,060,140**	**4,670,161**
Geographical markets		
The Netherlands	612,955	615,664
Germany	1,866,154	1,809,015
Italy	436,838	445,540
United Kingdom	188,532	179,467
Greece	186,286	160,173
Other European countries	932,777	882,127
Total Europe	**4,223,541**	**4,091,986**
Asia	759,094	506,911
North America	34,558	35,767
Other countries	42,947	35,497
Total revenue from contracts with customers	**5,060,140**	**4,670,161**
Timing of revenue recognition		
Goods transferred at a point in time	5,026,309	4,640,229
Services transferred at a point in time	33,831	29,932
Total revenue from contracts with customers	**5,060,140**	**4,670,161**

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(in thousands of euros, unless stated otherwise)

5.2 Contract balances	31 December 2019	31 December 2018
Trade receivables	469,379	360,763
Contract liability	2,368	4,719

Trade receivables are non-interest bearing and are generally on terms of 15 to 45 days. In 2019, € 2.8 million (2018: € 5.8 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 2019 due to the specific arrangements as of 2018 with certain customers.

5.3 Customer bonusses	31 December 2019	31 December 2018
Customer bonusses	26,159	26,486

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

6 Other operating income

	2019	2018
Profit/(loss) from sales of fixed assets	1,842	1,019
Rental income	786	884
Insurance coverage	77	57
Other	5,637	6,608
Total other operating income	**8,342**	**8,568**

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(in thousands of euros, unless stated otherwise)

7 Employee benefits expenses

	2019	2018
Wages and salaries	218,390	205,560
Social security costs	37,113	35,099
Contributions to defined contribution plans	11,044	10,428
Expenses related to post-employment defined benefit plans	352	271
Post-employee benefits other than pensions	113	195
Termination benefits	3,969	2,197
Temporary staff	306,547	304,890
Other employee benefit costs	10,237	14,830
Total employee benefits expenses	**587,765**	**573,470**

An overview of the number of FTEs and flex workers is provided in the key figures on page 8.

8 Depreciation and amortisation

	2019	2018
Depreciation of property, plant and equipment	34,650	35,963
Depreciation of right of use assets	16,015	–
Amortisation of intangible assets	8,689	5,515
Total depreciation and amortisation	**59,354**	**41,478**

9 Impairment of non-current assets

	2019	2018
Impairment of property, plant and equipment	10,365	37
Impairment of intangible fixed assets	2,160	661
Impairment of right of use assets	29	–
Total impairment of non-current assets	**12,554**	**698**

The impairment charges for the write-off of fixed assets follow the strategic re-orientation of the company, the announced closure of certain production locations and IM&T related projects.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

10 Other operating expenses

	2019	2018
Restructuring expenses	2,715	281
Lease costs buildings and non-production equipment	2,482	3,134
Other	2,276	3,326
Total other operating expenses	**7,473**	**6,741**

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

11 Finance costs and income

Finance costs	2019	2018
Interest accretion pension provision	–1,718	–1,707
Interest and charges financing facility	–1,178	–338
Interest expense on lease liabilities	–1,358	–447
Interest accretion jubilee provision	–51	–46
Other	–2,780	–1,893
Total interest expenses	**–7,085**	**–4,431**
Financing fee	–159	–78
Currency exchange losses	–160	–890
Total finance costs	**–7,404**	**–5,399**

Finance income	2019	2018
Interest income on a loan to an associate	19	19
Interest accretion deferred receipts	21	278
Other	59	73
Total finance income	**99**	**370**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

12 Income tax income/(expense)

	2019	2018
Current income tax		
Current income tax charge	–2,856	–890
Adjustments in respect of current income tax of previous year	–83	–238
Deferred tax:		
Relating to origination and reversal of temporary differences	–287	–1,736
Income tax income/(expense) reported in the statement of profit or loss	**–3,226**	**–2,864**

Reconciliation between the statutory and effective tax rate	2019	2018
Statutory income tax rate	25%	25%
Profit before tax from continuing operations	29,859	13,047
Inclusion profit/(loss) joint ventures for tax purposes	613	409
Profit before income tax	**30,472**	**13,456**
Statutory income tax amount	–7,618	–3,364
Change in valuation of available losses and timing differences	2,079	–6,603
Non-taxable income	3,317	10,988
Effect of participation exemption	–146	–736
Non-deductible expenses for tax purposes	–746	–2,171
Tax rate change	1,198	–1,947
Effect of different foreign tax rates	–564	923
Adjustment prior years	–866	–
Other	–61	–53
Income tax (expense)/income including joint ventures	**–3,407**	**–2,963**
Excluding tax expense/(income) joint ventures	181	99
Income tax (expense)/income reported in the statement of profit or loss	**–3,226**	**–2,864**
Effective tax rate	**10.8%**	**22.0%**

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 2018	**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**
Adoption of IFRS 16	–7,011	–1,233	–	–	–8,244
Additions	**8,158**	**23,957**	**4,014**	**12,552**	**48,681**
Additions through business combinations	–	–	–	–	–
Disposals	**–51,468**	**–12,535**	**–5,257**	**–257**	**–69,517**
Reclassifications	**22**	**6,843**	**1,105**	**–9,072**	**–1,102**
Effect of movements in exchange rates	**2**	**–**	**18**	**–**	**20**
Balance at 31 December 2019	**584,766**	**500,354**	**11,212**	**25,232**	**1,121,564**
Depreciation and impairment					
Balance at 1 January 2018	**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**
Adoption of IFRS 16	–1,940	–352	–	–	–2,292
Depreciation	**7,348**	**22,905**	**4,229**	**–**	**34,482**
Impairment	**5,566**	**4,009**	**501**	**289**	**10,365**
Disposals	**–51,457**	**–12,401**	**–5,007**	**–234**	**–69,099**
Effect of movements in exchange rates	**2**	**–**	**17**	**–**	**19**
Balance at 31 December 2019	**437,285**	**372,989**	**7,970**	**–255**	**817,989**
Carrying amounts					
Balance at 31 December 2018	**157,297**	**124,494**	**3,102**	**22,319**	**307,212**
Balance at 31 December 2019	**147,481**	**127,365**	**3,242**	**25,487**	**303,575**

(in thousands of euros, unless stated otherwise)

Impairment

The impairment charges for the write-off of fixed assets follow the strategic re-orientation of the company and the announced closure of certain production locations.

Finance leases

As a result of the adoption of IFRS 16 the assets related to financial leases as at 31 December 2018 have been reclassed to right-of-use assets.

Assets under construction

Assets under construction per end of 2019 mainly relate to investments programs for the production sites Boxtel and Emstek where 2018 was mainly related to the investment programs for the production sites at Boxtel, Tilburg, Waldkraiburg and Altenburg.

14 Investment properties

	2019	2018
Balance at 1 January	**1,287**	**1,450**
Depreciation and impairment charges	–163	–163
Balance at 31 December	**1,124**	**1,287**

	2019	2018
Accumulated cost	5,170	5,170
Accumulated depreciation and impairment	–4,046	–3,883
Balance at 31 December	**1,124**	**1,287**

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 (2018: € 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.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

15 Intangible assets

	Goodwill	Software	Software under development	Other	Total
Cost					
Balance at 1 January 2018	**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**
Additions – internally developed	–	–	4,200	–	4,200
Additions – separately acquired	–	1,960	243	6	2,209
Reclassifications	–	3,984	–4,062	–	–78
Disposal	–	–1,420	–	–	–1,420
Balance at 31 December 2019	**25,700**	**71,500**	**4,277**	**6,626**	**108,103**
Amortisation and impairment					
Balance at 1 January 2018	**–**	**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**
Amortisation	–	8,050	–	639	8,689
Impairment	–	1,592	252	316	2,160
Disposal	–	–1,421	–	–	–1,421
Balance at 31 December 2019	**–**	**53,302**	**252**	**1,541**	**55,095**
Carrying amounts					
Balance at 31 December 2018	**25,700**	**21,895**	**3,896**	**6,034**	**57,525**
Balance at 31 December 2019	**25,700**	**18,198**	**4,025**	**5,085**	**53,008**

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Software under development

No borrowing costs have been capitalised in 2019 (2018: nil) as part of software under development.

Additions through business combinations

In 2019 no business combinations took place.

Reclassifications

The transfer of assets fully relates to assets under development which were brought to use during 2019. 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, Beef and Food Service.

Carrying amount of goodwill allocated to each of the divisions:

	2019	2018
Pork	2,384	2,384
Beef	438	438
Food Service	22,878	22,878
Total	**25,700**	**25,700**

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 2019, the estimated recoverable amounts of the cash-generating units tested exceeded the carrying value of the units, therefore no impairment loss was recognised.

The assumptions used in the goodwill impairment analyses for 2019 are based on the new strategic plan 'Building Balanced Chains' as finalised in the course of the last quarter of 2019. The strategic plan includes expected market developments and a number of new initiatives that have been committed or started before the end of 2019, but also includes various initiatives that have not yet been committed or started before the end of the year. Based on the strategic plan a 5-year Long Term Financial plan was prepared including the financial impact of the initiatives included in the strategic plan and taking into account expected market developments. In the impairment analyses the financial impact of only those initiatives that have been committed and/or started before the end of the year have been included in the impairment analyses for 2019. However, still certain assumptions used in determining the financial impact of the initiatives and the expected market developments are surrounded by uncertainty.
As the strategic plan, expected market developments and the financial impact of initiatives included are partly depending on developments in the future, and might be impacted by unforeseen developments or deviations in the assumptions used, the actual results of those market developments

(in thousands of euros, unless stated otherwise)

and initiatives might be different from the assumptions used in the strategic plan. This means the actual future financial results from those initiatives, and other assumptions used in the strategic plan and long term financial plan, might differ from the foreseen results used in the impairment analyses at the end of 2019.

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 2019 to 2024, 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.

(in percent)	**2019**	**2018**
Discount rate Pork	**7.07%**	7.37%
Discount rate Beef	**7.13%**	7.85%
Discount rate Food Service	**7.38%**	7.92%
Budgeted EBITDA growth rate (average of next five years) Pork	**14.4%**	48.4%
Budgeted EBITDA growth rate (average of next five years) Beef	**45.2%**	23.8%
Budgeted EBITDA growth rate (average of next five years) Food Service	**8.8%**	17.7%
Future 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 69% (2018: 72%) at a market interest rate of 0.1% negative (2018: 0.9%).

The cash flow projections used included financial budgets approved by senior management covering a five-year period.

The estimated recoverable amount of Pork exceeded its carrying amount by approximately € 175.6 million (2018: € 64.6 million), for Beef by approximately € 104.6 million (2018: 87.3 million) and for Food Service by approximately € 211.7 million (2018: € 199.3 million). For Vion the estimated recoverable amount exceeded its carrying amount by approximately € 271.5 million (2018: € 138.8 million). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount.

(in thousands of euros, unless stated otherwise)

The following changes could, individually, cause the value the estimated recoverable amount to be equal to the carrying amount:

	2019	2018
Pork		
Increase discount rate, basis points	510	133
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–466	–288
Beef		
Increase discount rate, basis points	465	329
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–584	–416
Food Service		
Increase discount rate, basis points	2,706	2,691
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–1,953	–2,116

16 Investment in associates and joint ventures

	2019	2018
Interests in associates	7,065	6,541
Joint ventures	132	193
Balance at 31 December	**7,197**	**6,734**

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.

	2019	2018
Carrying amount of interests in immaterial associates	7,065	6,541
Vion's share of:		
Profit from continuing operations	568	1,112
Total comprehensive income	**568**	**1,112**

(in thousands of euros, unless stated otherwise)

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.

	2019	2018
Carrying amount of interests in immaterial joint ventures	132	193
Vion's share of:		
Profit from continuing operations	216	154
Total comprehensive income	**216**	**154**

17 Material partly-owned subsidiaries

Material partly-owned subsidiaries relate to the non-controlling interest amounting to € 12.6 million (2018: € 14.9 million).

		2019		2018	
	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%	2,008	49.0%	3,443
Vion SBL Landshut GmbH	Germany	49.0%	5,903	49.0%	6,400
SFB Fleisch- und Kühlcentrale GmbH&Co KG	Germany	37.5%	403	37.5%	408
Best Hides GmbH	Germany	40.0%	4,482	40.0%	4,403
Other			–166		251
Total			**12,630**		**14,905**

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

Proportion of equity interest held by Vion:

	Country	2019	2018
Vion SBL Landshut GmbH	Germany	51%	51%
Vion EGN Südostbayern GmbH	Germany	51%	51%
BestHides GmbH	Germany	60%	60%

Accumulated balances of material non-controlling interest:

	2019	2018
Vion SBL Landshut GmbH	5,903	6,400
Vion EGN Südostbayern GmbH	2,008	3,443
BestHides GmbH	4,482	4,403

Profit allocated to material non-controlling interest:

	2019	2018
Vion SBL Landshut GmbH	–	69
Vion EGN Südostbayern GmbH	–	710
BestHides GmbH	–	538

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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 2019	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Revenue	**206,373**	**191,582**	**67,792**
Raw materials and consumables used	172,217	164,120	48,229
Other operational expenses	37,783	27,761	17,994
Finance costs	324	212	1,243
Profit before tax	**–3,951**	**–511**	**326**
Income tax	–20	–130	–128
Profit for the year from continuing operations	**–3,971**	**–641**	**198**
Total comprehensive income	**–3,971**	**–641**	**198**
Attributable to non-controlling interests	–	–	–
Dividends paid to non-controlling interests	69	710	700

(in thousands of euros, unless stated otherwise)

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.

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.

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(in thousands of euros, unless stated otherwise)

Summarised statement of financial position as at 31 December 2019	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Total non-current assets	**24,274**	**11,314**	**6,871**
Total current assets	**15,501**	**14,555**	**16,109**
Total current liabilities	**–18,260**	**–12,818**	**–8,325**
Total non-current liabilities	**–9,222**	**–5,242**	**–2,037**
Total provisions	**–247**	**–3,711**	**–1,412**
Total equity	**12,046**	**4,098**	**11,206**
Attributable to:			
Equity holders of the parent	6,143	2,090	6,723
Non-controlling interest	5,903	2,008	4,482
Total	**12,046**	**4,098**	**11,206**

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Summarised cash flow information for year ended 31 December 2019	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Cash flow from operating activities	–27	3,724	9,098
Cash flow from investing activities	–857	–1,116	–268
Cash flow from financing activities	884	–6,387	–1,926
Net increase/(decrease) in cash and cash equivalents	**–**	**–3,779**	**6,904**

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**	**–1,119**

(in thousands of euros, unless stated otherwise)

18 Other financial assets

	2019	2018
Non-current other financial assets		
Deferred receipts	3,497	3,279
Other	284	360
Total non-current other financial assets	**3,781**	**3,639**
Current other financial assets		
Derivatives	3,355	664
Loan to an associate	479	479
Total current other financial assets	**3,834**	**1,143**

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.

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

	2019	2018
Deferred tax assets	29,025	29,923
Deferred tax liabilities	–17	–6
Total deferred tax	**29,008**	**29,917**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Origin of deferred tax assets and tax liabilities 2019	Net balance at 1 January	Adoption IFRS 16 as of 1 January	Recognised in profit or loss	Recognised directly in equity	Net balance at 31 December
Property, plant and equipment	11,205	–	–54	–	11,151
Intangible assets	352	–	416	–	768
Derivatives	152	–	–	–152	–
Employee benefits	10,625	–	1,485	–	12,110
Provisions	770	–	2,048	–	2,818
Loans and borrowings	59	–	1,236	–	1,295
Lease liabilities	–	10,005	229	–	10,234
Other temporary differences	10	–	4	–	14
Tax losses and tax credits	223,629	–	–7,712	–	215,917
Total gross deferred tax assets	**246,802**	**10,005**	**–2,348**	**–152**	**254,307**
Unrecognised deductible temporary differences, tax losses and tax credits	–208,403	–	–605	–	–209,008
Subtotal net deferred tax assets	**38,399**	**10,005**	**–2,953**	**–152**	**45,299**
Offsetting	–8,476	–	–7,798	–	–16,274
Net deferred tax assets	**29,923**	**10,005**	**–10,751**	**–152**	**29,025**
Property, plant and equipment	–6,686	–	3,558	–	–3,128
Intangible assets	–1,696	–	248	–	–1,448
Derivatives	–	–	–	–472	–472
Loans and borrowings	–	–	–1,189	–	–1,189
Right of use assets	–	10,005	58	–	–9,947
Other temporary differences	–100	–	–7	–	–107
Total gross deferred tax liabilities	**–8,482**	**10,005**	**2,668**	**–472**	**–16,291**
Offsetting	8,476	–	7,798	–	16,274
Net deferred tax liabilities	**–6**	**10,005**	**10,466**	**–472**	**–17**

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 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**

(in thousands of euros, unless stated otherwise)

Overview tax losses and other carry forwards 2019

Expiring term deferred tax assets unused tax losses and tax credits	2021	2022	2023	Indefinite	Total
Unused tax losses	32,459	162,291	6,125	1,050,357	1,251,232
Unused tax credits				52,758	52,758
Total unused tax losses and tax credits	**32,459**	**162,291**	**6,125**	**1,103,115**	**1,303,991**
Gross deferred tax assets on unused tax losses and tax credits	7,044	35,217	1,329	172,532	216,122
Unrecognised deferred tax assets unused tax losses and tax credits		–30,735	–1,329	–157,452	–189,516
Recognised deferred tax assets on unused tax losses and tax credits	**7,044**	**4,483**	**–**	**15,080**	**26,606**
Recognised deferred tax assets deductible temporary differences					18,693
Netted deferred tax liabilities					–16,274
Net deferred tax assets					**29,025**

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	**287**	**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**

Vion has € 1,304 million (2018: € 1,359 million) of tax losses carried forward and tax credits. This represents a gross deferred tax asset of € 216 million (2018: € 224 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 € 1,194 million (2018: € 1,232 million).
This represents a write-down of the deferred tax asset for € 190 million (2018: € 191 million). Out of the total amount of unrecognised losses an amount of € 148 million (2018: € 153 million) expire in the period 2020 – 2023. The remaining losses do not expire.

A total amount of € 69.9 million (2018: € 71.2 million) of unrecognised deductible temporary differences will expire in the years after 2023 (2018: 2023). The unrecognised deferred tax asset regarding these deductible temporary differences amount to € 19.5 million (2018: € 17.2 million).

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

20 Inventories

	2019	2018
Finished goods	184,789	137,227
Raw materials and consumables	34,519	33,771
Work in progress	2,056	2,410
Total	**221,364**	**173,408**
Allowance for obsolete inventory	–7,718	–5,069

Raw materials and consumables include packaging materials and spare parts for an amount of € 25.5 million (2018: € 30.6 million).

21 Trade and other receivables

	2019	2018
Trade receivables	469,739	360,763
VAT receivable	35,469	24,872
Receivables from associated companies	–	–
Interest receivables	664	210
Other receivables	5,317	2,902
Total	**511,189**	**388,747**

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 2019, trade receivables with an initial carrying value of € 2.8 million (2018: € 5.8 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 2018	**5,464**
Charge for the year	916
Utilised	–394
Other	494
Unused amounts reversed	–724
Balance at 31 December 2018	**5,756**
Charge for the year	1,863
Utilised	–2,611
Other	–23
Unused amounts reversed	–2,240
Balance at 31 December 2019	**2,745**

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**
2019	469,739	385,941	53,117	18,483	8,582	3,616
2018	360,763	294,031	46,191	11,696	8,838	8

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 34 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 2019, an amount of € 123.0 million (2018: € 21.8 million) was drawn under the credit facilities.

(in thousands of euros, unless stated otherwise)

22 Cash and cash equivalents

	2019	2018
Total cash and cash equivalents	**4,368**	**6,139**

The cash and cash equivalents include no amounts (2018: nil) that are only available to Vion under certain conditions.

23 Assets held for sale

	2019	2018
Freehold land and buildings held for sale	1,200	29
Total assets held for sale	**1,200**	**29**

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 has sold this asset in February 2020.

During 2019 Vion has sold its real estate in Pfarrkirchen.

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 (2018: 3,566, no movements during 2018). On 31 December 2019, there were 50,784 fully paid-up shares issued to third parties (2018: 50,784, no movements during 2018).

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 2019 and 2018. The current financing facility includes a minimum equity requirement. Vion complied with this covenant in 2019 and 2018. 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 2019	Cash flow hedge reserve	Foreign currency translation reserve	Total
Currency forward contracts	1,561	–	1,561
Foreign exchange translation reserve	–	591	591
Total	**1,561**	**591**	**2,152**

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

The other legal reserves relate to capitalised internally developed software (2019: € 17.7 million; 2018: € 20.2 million) and to not free distributable profits and reserves of shareholdings (2019: € 1.5 million; 2018: € 1.0 million).

(in thousands of euros, unless stated otherwise)

25 Interest-bearing loans and borrowings

	Interest rate	Maturity	2019	2018
Non-current interest-bearing loans and borrowings				
Loans from minority shareholders	5.0%	No end date	11,105	10,531
Lease liabilities	0.03% - 6.0% (5.0% - 6.0%)	2021 - 2111 (2020 - 2027)	29,150	5,653
Total non-current interest-bearing loans and borrowings			**40,255**	**16,184**
Current interest-bearing loans and borrowings				
Secured financing facility of € 200 million (2016: € 125 million)	based on 1 month Euribor	Mid-2020 (Mid-2019)	122,491	21,115
Lease liabilities	0.03% - 6.0% (5.0% - 6.0%)	2020 (2019)	13,238	918
Total current interest-bearing loans and borrowings			**135,729**	**22,033**
Total interest-bearing loans and borrowings			**175,984**	**38,217**

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 1.84% (2018: 1.93%).

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 2019, Vion was in compliance with these covenants.

At 31 December 2019, an amount of € 123.0 million (2018: € 21.8 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)

26 Other financial liabilities

	2019	2018
Non-current other financial liabilities		
Dividend payable to minority shareholders	6,814	2,989
Other payables	306	–
Total non-current other financial liabilities	**7,120**	**2,989**
Current other financial liabilities		
Dividend payable to minority shareholders	4,645	5,006
Derivatives	1,148	1,662
Total current other financial liabilities	**5,793**	**6,668**
Total other financial liabilities	**12,913**	**9,657**

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

Reconciliation of liabilities arising from financing activities	2019	2018	Financing cash flow 2019	2017	Financing cash flow 2018
Interest bearing liabilities	175,984	38,217	137,767	69,797	–31,580
Other financial liabilities	12,913	9,657	3,256	6,166	3,491
Less: derivatives	–1,147	–1,662	514	–409	–1,253
Total			**141,537**		**–29,342**
Adoption IFRS 16			–40,245		–
Additional payments during the year			–		–17,046
Total financing cash flow			**101,292**		**–46,388**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

27 Provisions

Provisions 2019	Restructuring	Onerous contracts	Other	Total
At 1 January	1,629	593	895	3,117
Arising during the year	6,093	1,074	489	7,656
Utilised	–1,358	–34	–33	1,391
Unused amounts reversed	–532	–176	–187	–929
Unwinding of discount	52	17	–	69
At 31 December	**5,884**	**1,474**	**1,164**	**8,522**
Current	5,884	1,074	5	6,963
Non-current	–	400	1,159	1,559

Provisions 2018	Restructuring	Onerous contracts	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

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 contracts

This provision relates to rent payments for a long-term rent agreement and a loss making sales agreement.

Other

Other provisions are recognised for various claims and other obligations.

(in thousands of euros, unless stated otherwise)

28 Net employee defined benefit liabilities

	2019	2018
Pension commitments	131,407	123,173
Jubilee benefit commitments	4,174	3,957
Other	133	154
Total	**135,714**	**127,284**

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’ (2018: Richttafeln 2018G) is used.

An amount of € 7.4 million (2018: € 7.6 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 € 6.7 million and € 7.4 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	2019	2018
Present value of defined benefit obligations	132,045	123,802
Less: fair value of plan assets	–638	–629
Total pension commitments	**131,407**	**123,173**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Change in present value of defined benefit obligations	2019	2018
Present value as at 1 January	**123,802**	**130,002**
Current service cost	132	157
Interest expense	1,728	1,715
Net actuarial (gain) / loss on demographic assumptions	–	1,661
Net actuarial (gain) / loss on financial assumptions	15,137	–1,115
Net actuarial (gain) / loss due to liability experience	–1,665	–1,316
Benefits paid	–7,089	–7,302
Present value as at 31 December	**132,045**	**123,802**

Change in fair value of the plan assets	2019	2018
Present value as at 1 January	**629**	**620**
Expected return of plan assets	9	8
Net actuarial gain / (loss)	–	1
Present value as at 31 December	**638**	**629**

Breakdown of investments of the plan assets	2019	2018
Reinsured	**638**	**629**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Breakdown of pension costs	2019	2018
Current service cost	132	157
Interest cost on benefit obligation	1,719	1,706
Net benefit expense	**1,851**	**1,863**

Statement of other comprehensive income	2019	2018
Balance as at 1 January	**–1,834**	**–2,604**
Net actuarial gain / (loss) on financial assumptions	–	–1,661
Net actuarial gain / (loss) on financial assumptions	–15,137	1,115
Net actuarial gain / (loss) due to liability experience	1,665	1,316
Difference between actual return on plan assets and expected interest income on plan assets	–	–
Balance as at 31 December	**–15,306**	**–1,834**

The main actuarial parameters at year-end	2019	2018
Discount rate	0.39%	1.44%
Salary increase rate	2.00%	2.00%
Pension increase rate	1.50%	1.50%
Weighted average duration of the defined benefit obligation	12.35 years	11.74 years

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Sensitivity present value of pension obligations 2019	31 December 2019 In thousands of euros	31 December 2019 Change in %
Discount rate +0.5%	**124,384**	**–5.77%**
Discount rate -0.5%	**138,496**	**4.93%**
Salary increase rate +0.5%	**132,090**	**0.07%**
Salary increase rate -0.5%	**131,901**	**–0.07%**
Pension increase rate +0.5%	**139,694**	**5.83%**
Pension increase rate -0.5%	**124,920**	**–5.36%**

Sensitivity present value of pension obligations 2018	31 December 2018 In thousands of euros	31 December 2018 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%

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 € 67,749 topped with a defined contribution scheme for pensionable salaries exceeding this, tax driven maximised at € 107,593.
– Bedrijfstak Pensioenfonds Slagers runs a defined benefit scheme for pensionable salaries up to the fiscal maximum of € 107,593.
– Bedrijfstak Pensioenfonds Vervoer VLN runs a defined benefit scheme for pensionable salaries up to € 55,927 topped with a defined contribution scheme for pensionable salaries exceeding this, tax driven maximised at € 107,593.
– For Vion N.V. and ICT personnel a defined contribution pension scheme up to the fiscal maximum of € 107,593 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 2020 is € 10.5 million (2018: for 2019 expected contribution amounted € 9.9 million).

At year end, there was only a shortfall in the VLEP pension fund. At year end, the coverage ratio was 93.4% (2018: 92.8%) for the VLEP pension fund, 106.7% (2018: 112.1%) for the Pension Fund for the Butcher's Trade, and 103.2% (2018: 100.4%) 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	2019	2018
Present value as at 1 January	**3,957**	**3,899**
Current service cost	253	230
Interest addition	51	46
Benefits paid	–254	–295
Transfer in / (out)	23	114
Net actuarial results on change in assumptions:		
Mortality rate	–	–4
Retirement age	–124	–
Discount rate	268	–33
Present value as at 31 December	**4,174**	**3,957**

For the year 2020, the expected cost amounts to € 0.3 million and the expected benefits to be paid amounts to € 0.3 million.

The main actuarial parameters at year-end	2019	2018
Discount rate	0.60%	1.40%
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

	2019	2018
Trade payables	258,805	235,972
Invoices to be received	55,027	46,902
Customer bonusses	26,159	26,486
Employee benefit payables	31,851	25,334
Taxes and social security contributions	10,500	8,854
Other payables	17,073	10,836
Total	**399,415**	**354,384**

30 Leases

Group as a lessee

Vion has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. Vion's obligations under its leases are secured by the lessor's title to the leased assets. Generally, Vion is restricted from assigning and subleasing the leased assets and some contracts require Vion to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

Vion also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and Buidlings	Machinery	Fleet	Other	Total
Cost					
Balance at 31 December 2018	–	–	–	–	–
Adoption IFRS 16 (financial leases) as of 1 January	–	8,244	–	–	8,244
Adoption IFRS 16 (operating leases) as of 1 January	13,370	1,244	24,241	1,390	40,245
Total adoption IFRS 16	**13,370**	**9,488**	**24,241**	**1,390**	**48,489**
Additions	1,179	–	9,193	620	10,992
Disposal / Early Termination	–269	–53	–1,600	–80	–2,002
Balance at 31 December 2019	**14,280**	**9,435**	**31,834**	**1,930**	**57,479**
Amortisation and impairment					
Balance at 31 December 2018	–	–	–	–	–
Adoption IFRS 16 as of 1 January	–	2,292	–	–	2,292
Depreciation	3,743	1,256	10,472	544	16,015
Impairment	–	–	20	10	30
Disposal / Early Termination	–269	–54	–1,367	–80	–1,770
Balance at 31 December 2019	**3,474**	**3,494**	**9,125**	**474**	**16,567**
Carrying amounts					
Balance at 31 December 2018	–	–	–	–	–
Balance at 31 December 2019	**10,806**	**5,941**	**22,709**	**1,456**	**40,912**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

Lease liability	2019	2018
As at 1 january	**6,571**	**7,139**
Adoption IFRS 16	40,245	–
Additions	10,992	–
Accretion of interest	1,358	447
Payments	–16,218	–1,015
Early termination / disposal	–560	–
As at 31 December	**42,388**	**6,571**
Current	13,238	918
Non-current	29,150	5,653

The maturity analysis of lease liabilities is as followed:

	2019			2018		
	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	14,350	0.03-6%	13,238	964	5-6%	918
Between one and five year	25,827	0.03-6%	23,923	4,210	5-6%	3,464
More than five year	6,227	1.62-6%	5,227	3,348	6%	2,189

The carrying value of the related assets amounts to € 40.9 million (2018: € 5.9 million).

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

The following are the amounts recognised in profit or loss:

Profit & Loss	2019	2018
Depreciation expenses of right-of-use assets	16,015	–
Interest expense on lease liabilities	1,358	–
Expense relating to short-term leases	4,371	–
Expense relating to leases of low-value assets	1,002	–
Variable lease payments	4,287	–
Total amount recognised in profit or loss	**27,033**	**–**

Vion has lease contracts that contain variable payments based on the usage of the leased assets. These terms are negotiated by management to align the lease expense with the usage of the assets or the revenues earned using these assets. The following provides information on Vion's variable lease payments, including the magnitude in relation to fixed payments:

2019	Fixed Payments	Variable Payments	Total
Fixed rent	15,107	–	15,107
Variable rent with minimum lease payments	1,111	3,527	4,638
Variable rent only	–	760	760
Total	**16,218**	**4,287**	**20,505**

Vion has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with Vion's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. No termination options are expected to be exercised and therefore not included in the lease term.

(in thousands of euros, unless stated otherwise)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	More than five years	Total
Extension options expected not to be exercised	–	2,185	2,185
Termination options expected to be exercised	–	–	–
	–	**2,185**	**2,185**

31 Commitments and contingencies

Contractual commitments to acquire property, plant and equipment

At the end of 2019 Vion has contractual commitments to acquire property, plant and equipment for the amount of nil (2018: € 0.3 million).

Rental and operational leasing of assets and service contracts

With the adoption of IFRS 16 'Lease accounting' as per 1 January 2019, the operation lease contracts were capitalised which resulted that no contingent obligations relating to these kind of contracts exists anymore as per that date.

In 2018 some of Vion companies had long-term liabilities arising from the rental and operational leasing of assets and service contracts. The composition of these obligations is as follows:

	2019	2018
< 1 years	**€ 2 million**	€ 14 million
1 to 5 years	**€ 3 million**	€ 24 million
> 5 years	**€ 2 million**	€ 10 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 € 10.2 million was issued in bank guarantees (2018: € 3.7 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)

32 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')	2019	–	–	117	–	–
	2018	–	–	148	–	–
Associates						
Topigs Group B.V.	2019	–	131	–	–	–
	2018	–	84	–	–	–
HY-CO Hybridschweine - Cooperationsgesellschaft GmbH	2019	143	3,582	–	112	–
	2018	359	3,189	–	91	12

		Interest received	Amounts owed by related parties
Loans from/to related parties			
Associates			
Topigs Group B.V.	2019	19	479
	2018	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 13,000 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 2019, Vion has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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 2019 and 2018.

33 Remuneration of key management

The table below specifies the remuneration of key management.

2019	R.E.M. Lotgerink	J.P.M. Morssink	Total
Short-term employee benefits:			
– Fixed remuneration	800	400	1,200
– Variable remuneration	500	250	750
Post-employment pension benefits	160	75	235
Other	78	54	132
Total	**1,538**	**779**	**2,317**

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. Sliepenbeek 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**

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 € 305 thousand in 2019 (2018: € 354 thousand).

(in thousands of euros, unless stated otherwise)

34 Financial risks and financial instruments

34.1 Financial assets	2019	2018
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	3,355	664
Financial assets measured at fair value through profit & loss		
Deferred receipts	3,497	3,279
Total financial instruments at fair value	**6,852**	**3,943**
Financial assets at amortised cost		
Trade and other receivables	511,189	388,747
Loan to an associate	479	479
Other financial assets	284	360
Total financial assets at amortised costs	**511,982**	**389,586**
Total	**518,804**	**393,529**
Total current	515,307	390,250
Total non-current	3,497	3,279
Total	**518,804**	**393,529**

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.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

34.2 Financial liabilities	2019	2018
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	1,147	1,662
Total financial instruments at fair value	**1,147**	**1,662**
Interest-bearing loans and borrowings at amortised costs		
Secured financing facility of € 200 million (2016: € 125 million)	122,491	21,115
Loans from minority shareholders	11,105	10,531
Financial lease obligations	42,388	6,571
Total interest-bearing loans and borrowings at amortised costs	**175,984**	**38,217**
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables	399,416	354,384
Dividend payable to minority shareholders	11,459	7,995
Contract liability	2,368	4,719
Other payables (note 26 Other financial liabilities)	306	–
Total other financial liabilities at amortised costs	**413,548**	**367,098**
Total	**590,679**	**406,977**
Total current	545,304	387,804
Total non-current	47,375	19,173
Total	**590,679**	**406,977**

Interest-bearing loans and borrowings

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

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.

(in thousands of euros, unless stated otherwise)

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.

34.3 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.

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts designated as hedging instruments				
Fair value	3,355	1,147	664	1,662

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 2019 were assessed to be highly effective and a net unrealised gain of € 1.7 million (2018: € 0.8 million loss), with a deferred tax liability of € 0.7 million (2018: deferred tax asset of € 0.2 million) relating to the hedging instruments, is included in OCI.

The amount removed from OCI during the year and included in the carrying amount of the hedged items as a basis adjustment for 2019 amounts to € 2.2 million (2018: € 1.8 million). The amounts retained in OCI at 31 December 2019 are expected to mature and affect the statement of profit and loss in 2020.

34.4 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 2019 and 2018 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	2019: – 2018: –	The current part of the dividend payable fully relates to the results of the current year. The non-current part relates to 2021 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 hierarchy for liabilities as at 31 December 2019	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		31-12-19	1,799	–	1,799	–
– Foreign exchange forward contracts JPY		31-12-19	1,423	–	1,423	–
– Foreign exchange forward contracts other currencies		31-12-19	133	–	133	–
Deferred receipts	18	31-12-19	3,497	–	3,497	–
Assets for which fair values are disclosed						
Investment properties	14					
– Retail properties		31-12-19	1,124	–	1,124	–
Loan to an associate	18	31-12-19	479	–	479	–
Other financial assets	18	31-12-19	283	–	283	–
Liabilities measured at fair value						
Derivatives financial liabilities	26					
– Foreign exchange forward contracts USD		31-12-19	410	–	410	–
– Foreign exchange forward contracts JPY		31-12-19	97	–	97	–
– Foreign exchange forward contracts other currencies		31-12-19	640	–	640	–
Liabilities for which fair values are disclosed						
Interest-bearing loans and borrowings	25					
– Secured financing facility of € 200 million (2016: € 125 million)		31-12-19	122,491	–	122,491	–
– Financial lease obligations		31-12-19	42,388	–	42,388	–
– Loans from minority shareholders		31-12-19	11,105	–	11,105	–
Dividend payable to minority shareholders	26	31-12-19	11,459	–	–	11,459

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Fair value measurement hierarchy for liabilities as at 31 December 2018	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		31-12-2018	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		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

34.5 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 2019 and 2018. 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 2019.

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.

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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 2019 and 2018 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 2019 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 entities and the net result of foreign entities.

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 € 421 million net at year-end 2019 (2018: € 156 million). The fair value of these contracts at the balance sheet date was an amount totalling € 2.2 million (2018: € 1.0 million negative). The fair values of all financial instruments approximate the book values. All forward exchange contracts are to be settled within 1 year.

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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
2019	+5%	–	**+13,225**
	–5%	–	**–14,617**
2018	+5%	–	+3,712
	–5%	–	–4,102

	Change in JPY rate	Effect on profit before tax	Effect on pre-tax equity
2019	+5%	–	**+4,499**
	–5%	–	**–4,973**
2018	+5%	–	+2,366
	–5%	–	–2,615

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 2019 (2018: none).

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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
2019	**Euro**	**+50**	**–338**
	Euro	**–50**	**+338**
2018	Euro	+50	– 71
	Euro	–50	+71

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.

(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 2019	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)	–	122,491	–	–	–	122,491
– Financial lease obligations	–	3,310	9,929	23,923	5,227	42,388
– Loans from minority shareholders	–	–	–	11,105	–	11,105
Dividend payable to minority shareholders	–	–	4,645	6,814	–	11,459
Other payables (note 26 Other financial liabilities)	–	–	–	306	–	306
Subsequent payments and earn out agreements related to acquisitions	–	–	–	–	–	–
Trade and other liabilities	–	379,906	19,509	–	–	399,415
Contract liability	–	2,368	–	–	–	2,368
Derivatives financial liabilities	–	907	233	7	–	1,147
Total	–	508,981	34,316	42,155	5,227	590,679

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
Other payables (note 26 Other financial liabilities)	–	–	–	–	–	–
Subsequent payments and earn out agreements related to acquisitions	–	–	–	–	–	–
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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

(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 Scotland Ltd *		United Kingdom
VION Groenlo B.V.		the Netherlands
VION Hilden GmbH		Germany
VION Holdorf TK GmbH		Germany
VION Leeuwarden B.V.		the Netherlands

35 List of principal subsidiaries

(in percent)

	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

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. 94.0% 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.

36 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	2019	2018
Non-current assets			
Subsidiaries	2	428,425	420,883
Other non-current financial assets		–	–
Deferred tax assets	3	11,526	11,152
Total non-current assets		**439,951**	**432,035**
Current assets			
Receivables from group companies		1,599	4,656
Income tax receivable		3,449	46
Other receivables		–	–
Cash and cash equivalents		–	–
Total current assets		**5,048**	**4,702**
Total assets		**444,999**	**436,737**

3 Company financial statements

(in thousands of euros)

Equity and liabilities	note	2019	2018
Equity			
Issued capital	4	2,285	2,285
Share premium	4	372,716	372,716
Legal reserves	4	21,319	21,177
Retained earnings	4	18,833	29,194
Result for the year	4	25,372	7,941
Total equity	4	440,525	433,313
Current liabilities			
Payables to group companies		4,465	3,403
Income tax Payable		–	–
Other payables		9	21
Cash and cash equivalents		–	–
Total liabilities		4,474	3,424
Total equity and liabilities		444,999	436,737

3.2 Company statement of profit and loss

	2019	2018
Result from group companies after taxation	21,732	13,079
Other results after taxation	3,640	-5,138
Net result for the period	25,372	7,941

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

	2019	2018
Balance at 1 January	420,883	**407,452**
Result	21,732	13,079
Transactions with minority shareholders	–3,172	1,276
Other comprehensive income	–11,018	–924
Balance at 31 December	**428,425**	**420,883**

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

3 Deferred tax assets

	2019	2018
Balance at 1 January	11,152	16,151
Additions	374	–
Deduction	–	–4,999
Balance at 31 December	11,526	11,152

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)

4 Equity

Statement of changes in equity	Issued capital	Share premium	Cash flow hedge reserve	Foreign currency translation reserve	Other Legal reserves	Retained earnings	Result for the year	Total Equity
			Legal reserves					
Balance at 1 January 2018	**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**
Appropriation of result	–	–	–	–	–	7,941	–7,941	–
Profit for the period	–	–	–	–	–	–	25,372	25,372
Other comprehensive income	–	–	2,210	–78	–	–13,150	–	–11,018
Total comprehensive income	**–**	**–**	**2,210**	**–78**	**–**	**–13,150**	**25,372**	**14,354**
Dividends	–	–	–	–	–	–3,970	–	–3,970
Transactions with minority shareholders	–	–	–	–	–	–3,174	–	–3,174
Reclassification	–	–	–	–	–1,990	1,990	–	–
Transfer to legal reserve	–	–	–	–	–	–	–	–
Balance at 31 December 2019	**2,285**	**372,716**	**1,561**	**591**	**19,167**	**18,833**	**25,372**	**440,525**

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

The other legal reserves relates to capitalised internally developed software (2019: € 17.7 million; 2018: € 20.2 million) and to not free distributable profits and reserves of shareholdings (2019: € 1.5 million; 2018: € 1.0 million).

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

5 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.

6 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:

	2019			2018		
	EY The Netherlands	EY International	Total	EY The Netherlands	EY International	Total
Annual accounts audit	693	729	1,422	614	734	1,348
Other audit related services	52	322	374	68	356	424
Tax related activities	–	–	–	–	–	–
Other	–	–	–	–	–	–
	745	1,051	1,796	682	1,090	1,772

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

7 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 2019 of € 25.4 million a sum of € 11.4 million should be added to the reserves. The remaining € 14.0 million is at the disposal of the general meeting of shareholders.

We propose that the remaining sum be distributed as dividend, implying a dividend for 2019 of € 275.68 (€ 14.0 million/50,784) per share.

	2019
Addition to reserves	11,372
Dividend distribution	14,000
Net result 2019	**25,372**

8 Subsequent events

No subsequent events occurred, that are significant to Vion.

Boxtel, 12 March 2020

Management board
Ronald Lotgerink, CEO
John Morssink, CFO

Supervisory board
Theo Koekkoek, chairman
Tom Heidman, vice chairman
Marieke Bax
Hans Huijbers
Rogier Jacobs
Ton 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 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 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 2019, and of its result and its cash flows for 2019 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 2019, and of its results for 2019 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 2019;
– the following statements for 2019: 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 2019;
– the company statement of profit and loss account for 2019; 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, Strategy development in 2019, Vision, purpose and positioning, 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 and the supervisory board 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 among others:

- 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 entity '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, 12 March 2020

Ernst & Young Accountants LLP

signed by R.E.J. Pluymakers

Vion

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