Food that Matters

Annual report 2020

Contents

Foreword

Building Balanced Chains has made Vion more resilient

The consequences of the COVID-19 pandemic have impacted our operations, our people, customers and suppliers in many ways. Despite the challenges associated with this pandemic, Vion has demonstrated that it has the capacity to respond effectively to the changing environment and difficulties. We managed to continue supplies to our customers thanks to our diversified portfolio in the Netherlands and Germany. Our Building Balanced Chains (BBC) strategy was off to a successful start despite the COVID-19 pandemic. Our focus is on building and strengthening smart chains with our livestock farmers and customers.

The execution of strategic initiatives paid off as they delivered solid operating profits. We are confident that the Building Balanced Chains strategy has made Vion more resilient, despite the challenging circumstances we faced in 2020.

Our financial performance for 2020 was more or less the same as in 2019. Normalised EBITDA stood at € 122.3 million in 2020 (2019: € 113.2 million). Food Service was seriously impacted by the lockdown of the out-of-home market. The Pork Business Unit saw its exports to China drop against its exceptionally high exports in 2019. These effects were compensated by the successful start of the new Business Unit Retail and a recovery of the performance of the Business Unit Beef, which suffered from challenging conditions in previous years.

As did everyone in society, Vion also struggled with the pandemic. We had to temporarily close some plants and reduce production capacity. Right from the early stages of the pandemic, Vion created dedicated teams to protect the health of our employees, the continuity of our business and the cashflow of the company. Stringent measures, science-based methods and smart testing were some of the measures that were implemented to prevent the virus from spreading. During the pandemic, we engaged external expertise on health and safety, science, legislation and communications so as to challenge and verify our way of working.

As part of our new strategy, we made some changes to our organisation in 2020. The new Business Unit Retail was created at the beginning of 2020, it is led by Philippe Thomas. The retail operating companies that used to report to the Business Units Pork and Beef were transferred to the new Business Unit. In July 2020, David de Camp succeeded Bernd Stange as COO of the Business Unit Beef and Simon Morris succeeded Bernd Stark as COO of the Business Unit Food Service. Former COOs Bernd Stange and Bernd Stark will continue to serve Vion by contributing their extensive expertise of the German market and the domain of innovation and strategic customer management respectively.

Conditions in our Business Unit Pork were turbulent , not only as result of COVID-19 but also due to the discovery of African Swine Fever (ASF) in wild boars in Germany. This led to a significant increase in costs due to measures having to be taken and a drop in pig prices. The outbreak of ASF in Asia in 2018 still had a positive effect on the demand for pork meat during the reporting period, albeit less significant than in 2019. Innovations were launched for the Good Farming Star pork concept; a DNA integrity system and Vion Pork Chain VISION, a blockchain that connects the supply chain to a digital highway. BBC concept *De Groene Weg* (the Green Way) led to a substantial increase in revenue in the organic meat segment, also thanks to expansion to Germany. The planned integration of the Scherpenzeel operations into the Boxtel production facility is well underway. This integration is expected to be finalised in 2021.

The Business Unit Beef was also affected by the COVID-19 pandemic in that it suffered from disruptions in out-of-home sales channels in multiple countries. As a result, sales of premium beef products declined. The competition on the Dutch market was more stable in 2020. We found a new balance in our beef operations after having stopped beef production in Leeuwarden. The Business Unit Beef managed profitability by controlling costs and valorisation. In February 2021, we announced the acquisition of beef producer Adriaens in Zottegem, Belgium, after a period of close cooperation. We see many opportunities for Vion in the Belgium market, as one of our home markets in Western Europe.

The Business Unit Food Service was severely affected in 2020 by the closing of restaurants, hotels and public food courts in Europe due to the pandemic. That said, home delivery and takeaway-focused segments benefited greatly from the lockdown. Sales gradually returned to a satisfactory level after the first lockdown. Vion successfully launched a market restart campaign, focusing on helping restaurants to get their business back up and running effectively. Unfortunately, a second lockdown that followed rising numbers of infections dealt another blow to the Business Unit Food Service business, but with less dramatical effect than during the first lockdown.

The new Business Unit Retail had a good first year. We invested in vegetable-based meat substitutes in our converted production site in Leeuwarden. Sales volumes increased enormously. Our vegan products are rapidly becoming a household name among leading retailers and food service players. Sales volumes of pre-packed meat showed significant growth, partly driven by increasing demand from retailers as a result of rising at-home consumption during lockdowns. At the end of 2020, we decided to close our Otto Nocker business in Germany due to its disappointing performance.

The German government passed the new Occupational Health and Safety Monitoring Act for the meat industry in 2020. At 16 German locations, Vion offered permanent employment contracts to 3,300 people who had previously worked through subcontractors. Their contracts took effect on 1 January 2021. We are confident that this is the right way forward and a good development for our industry in Germany. We are looking forward to working with our new co-workers. The objective of this new legislation is an industry-wide agreement to create a level playing field for all companies in our industry.

It will take time to vaccinate the entire population against COVID-19 and before we are fully operational again. The year 2020 showed that Vion is a flexible and agile organisation, and has the capacity to adapt to suddenly changing market circumstances. The core elements of our BBC strategy have proven to be highly relevant: focus on demand-driven upgraded supply chains and creating value with our partners by working together on chain concepts. We continued producing protein products while managing our impact on the environment. I am confident that we will succeed at building balanced chains in our industry to produce Food that Matters.

Ronald Lotgerink
CEO of Vion Food Group

Company profile

Vion is an international meat producer with production locations in the Netherlands and Germany and sales support offices in 13 countries (at year-end 2020).

Through its four Business Units – Pork, Beef, Food Service and Retail – the company provides fresh pork and beef, meat products, plant-based alternatives and by-products for the retail and foodservice sectors and the meat processing industry.

Vion considers the Netherlands and Germany as its home markets. It also supplies products to customers in other European countries and around the world. Vion's headquarters are located in Boxtel, the Netherlands. In February 2021, we announced the acquisition of Adriaens, a Belgian meat packer, by which it will effectively expand its home-market operations to Belgium.

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

Vion's sole shareholder, i.e. Stichting Administratiekantoor SBT, is a trust office that has issued depositary receipts for its shares to NCB Ontwikkeling, the investment fund of ZLTO (Zuidelijke Land- en Tuinbouworganisatie), the southern chapter of the Dutch Federation of Agricultural and Horticultural Organisations, which has approximately 13,000 members.

12,124
Employees (FTEs), including flex workers

4,673
Own employees

7,451
Flex workers

4.9
Revenue for 2020 in billion euros

Over 100 million
consumers per day enjoy our meat

12
Production locations

10
Production locations

2
Food Service locations

5
Retail locations

Production sites

Business Units

Business Unit Pork

The meat produced by this Business Unit 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, Africa and North America. In addition, basic raw materials are delivered to industrial customers that process the pork into a wide range of meat products, such as cold cuts, meat snacks, smoked sausages, pizza toppings and dried ham. This Business Unit also processes fresh pork into semifinished and finished products for the domestic and export retail markets.

The Business Unit Pork has 12 production locations: four locations in the Netherlands (Apeldoorn, Boxtel, Groenlo and Scherpenzeel) and eight in Germany (Ahlen, Crailsheim, Emstek, Holdorf, Landshut, Perleberg, Twist and Vilshofen). Furthermore, the Business Unit Pork has sales support offices in 13 countries across the world. They provide sales support to the local markets.

The Business Unit head office is located in Boxtel, the Netherlands.

The Business Unit employed 7,638 FTEs on average in 2020 (including flexi-workers).

Business Unit Beef

Beef products are 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 being the largest target markets. In addition, basic raw materials are delivered to industrial customers that process the beef into a wide range of meat products. Furthermore, Vion processes fresh beef into semi-finished and finished products for the domestic and export retail markets, including Vion's Business Unit Food Service. 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 its home markets, i.e. the Netherlands and Germany, but also in Southern Europe (i.e. France, Greece, Italy and Spain) and Canada. Vion's knowledge and expertise, combined with large-scale, state-of-the-art production technology, allow the company to supply large quantities of high-quality beef to an extensive customer base. Clients can choose from a wide range of fresh and frozen beef and beef-based products. Vion is also recognised for its excellent customer service and is regarded as a reliable partner for the retail, food service and processed meat industries.

The Business Unit Beef had ten production locations at the end of the reporting period: two locations in the Netherlands (Tilburg and Enschede) and eight in Germany (Altenburg, Bad Bramstedt, Bamberg, Buchloe, Crailsheim, Furth im Wald, Hilden and Waldkraiburg). The facilities are all strategically located so as to minimise transport time for the animals. Furthermore, the Business Unit operates BestHides GmbH, a German hides company, based in EchingWeixerau and Memmingen.

The Business Unit's head office is located in Buchloe, Germany. The Business Unit employed 2,631 FTEs on average in 2020 (including flexi-workers).

Business Unit Food Service

Food Service operates two production plants in Germany: one in Großostheim, which produces hamburger patties, and one in Holzwickede, which produces schnitzels, ham hocks and spareribs, minced meat products, poultry and vegetarian/ plant protein-based products. The Business Unit offers well-established brands and boasts long-term strategic alliances with external production partners. At the production sites, the meat is predominantly processed into products for the German market and for neighbouring countries. All products are delivered frozen only.

The Business Unit's head office is located in Großostheim, Germany. At the end of 2020, it also operates three sales offices to support the company's sales and branded business activities in Europe. At year end, the Business Unit employed 522 FTEs on average (including flexi-workers).

Business Unit Retail

Following on from Vion's corporate strategy, the new Business Unit Retail was created on 1 January 2020. The existing retail operations of the Business Units Pork and Beef were transferred to this new Business Unit.

The Business Unit Retail operated two production plants for prepacked fresh meat and two production plants for processed meat in the Netherlands and Germany in 2020. The Business Unit Retail completed the investment in a factory for dedicated meat alternative products in Leeuwarden in the reporting period. Operations at Otto Nocker GmbH were discontinued at the end of 2020. This plant will be closed in 2021.

The Business Unit employed 1,029 FTEs on average in 2020 (including flexi-workers).

Corporate

In addition to its operating Business Units, Vion has a corporate structure that covers corporate functions such as leadership and strategic planning, information management and technology (IM&T) services, finance (control, treasury, legal and tax, and credit risk management), communications, human resources, quality assurance, result delivery office (responsible for the implementation and monitoring of strategic initiatives and projects) and internal audit. Most of these functions are based in Boxtel, the Netherlands. The corporate office employed 164 FTEs on average in 2020.

Strategy Development

Vion's strategy 2020-2024 – Building Balanced Chains

In 2019, Vion developed a new corporate strategy in order to create demand-driven supply chains and produce Food that Matters to help meet global food demand. At the end of 2019, this resulted in an integrated strategic roadmap for the years 2020-2024 by the name of Building Balanced Chains (BBC). With this strategy, we are moving away from a supply-driven commodity focus towards demand-driven added value concepts and finding new platforms for growth in dedicated food supply chains that incudes also meat alternatives.

Our strategic directive is to be trusted in food supply chains, by acting ahead of demand and creating value at the midpoint of connected, future-proof supply chains. The objectives of our new strategy are to build a strong, sustainable market position together with our supply chain partners, deliver a robust financial performance and make a valuable contribution to society, within a balanced ecosystem. Vion also acknowledges that animal welfare and sustainability are key aspects connected to our products.

As part of the new strategy, we have transitioned from three divisions (Pork, Beef and Food Service) to four Business Units (Pork, Beef, Food Service and Retail). The new structure is designed to ensure dedicated focus in each market segment in order 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. Each Business Unit is managed by a dedicated team that is responsible for executing the strategic plan and carrying out the Business Unit's operations.

Building Balanced Chains

To live up to our purpose of producing Food that Matters, our strategy is to Build Balanced Chains (BBC) to offer safe, healthy, tasty food while creating value across a future-proof ecosystem. We see it as our role to connect and balance demand and supply in a sustainable way.

Our mission is to create balanced food supply chains, i.e. demand-driven and relevant for all partners characterised by:

- Farm management optimisation: making relevant data available to farmers so that they can streamline their management and improve animal welfare, efficiency and environmental sustainability aspects.
- Protein valorisation: balancing supply and demand, with flexibility and a range of options for valorisation from head to tail.
- Product specialisation: offering unique concepts and product innovations that tap into popular consumer trends.

The very best products, fresh on the consumer's plate, call for supply chains that are as short as possible. This helps to get the best products to shops and restaurants as quickly and efficiently as possible. As a trusted partner at the midpoint of supply chains, we connect a group of farmers to a group of customers. This is how we aim to build tailor-made, customer-specific supply chains, so that our customers can tell consumers about added value such as provenance, animal welfare or ecological footprint. It takes time to match supply and demand. We believe that there is scope for six or seven supply chains in the Netherlands and up to ten in Germany, with Vion focusing on the best possible valorisation of meat.

BBC has become even more relevant when looking at recent developments and potential risks. External factors, such as COVID-19, African Swine Fever (ASF) and third-party employment legislation, accelerate the trends underlying our strategy. Being able to meet the increasing demand for sustainability, product integrity, food safety, animal welfare, safe working conditions, fair prices and alternative sources of protein in the market, will be decisive for our success. Over the coming years, Vion's answer to these challenges will be to build strong relationships with our supply chain partners and other stakeholders to match the related supply and demand.

In the past few years, we have actively worked to build balanced supply chains, for instance within the scope of Good Farming Balance, Geprüfte Qualität Bayern, Good Farming Star, De Groene Weg (Organic), and we recently initiated the plant-based meat alternatives supply chain. More cooperation in the chain leads to lower costs, less waste and greater transparency. Strong chains are less dependent on price increases or decreases and allow us to offer supply chain partners a fair price and financial security.

Our balanced supply chains must be based on contemporary IT systems that connect all supply chain partners to each other. The data exchange among feed producers, farmers, animal traders, slaughterhouses, meat processors, retailers and consumers has to be open and transparent. Together with its supply chain partners, Vion is setting a new standard for data exchange that is open to the public. Within the next years, the data systems should provide reliable information to the consumer about food safety, animal welfare, sustainability and product integrity. It is the consumer's right to know how their food is produced. It is our and our supply chain partners' responsibility to provide this information.

** For more information on our strategy, please read our CSR report for 2020, which has been posted on our website (www.vionfoodgroup.com).*

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	2020	2019	2018	2017
Results				
Revenue	**4,901.9**	5,060.1	4,670.2	5,070.0
Normalised EBITDA[1]	**122.3**	113.2	60.5	64.0
Earnings before interest and taxes	**52.6**	36.4	16.8	23.5
Profit for the year	**52.9**	26.6	10.2	21.8
Cash flow				
Net cash flow from operating activities	**271.7**	–30.1	90.0	39.1
Net cash flow from investment activities	**–73.5**	–51.8	–58.5	–61.5
Balance sheet				
Total equity	**493.1**	453.2	448.2	446.1
Balance sheet total	**1,071.6**	1,190.6	987.7	1,007.9
Net debt[2]	**6.9**	178.7	35.1	50.0

	2020	2019	2018	2017
Ratios				
Added value as % of revenue[3]	**26.7%**	24.4%	24.6%	21.6%
Staff costs as % of revenue	**12.6%**	11.6%	12.3%	10.9%
Normalised EBITDA as % of revenue	**2.5%**	2.2%	1.3%	1.3%
Normalised EBITDA as % of added value	**9.3%**	9.2%	5.3%	5.9%
Solvency	**46.0%**	38.1%	45.4%	44.3%
Return on average capital employed[4]	**8.9%**	8.4%	3.2%	4.8%
Employees				
Number of employees (FTEs) at year-end	**4,673**	4,544	4,558	4,386
Number of employees (FTEs) including flexworkers at year-end	**12,124**	12,445	11,929	11,925
Average number of employees (FTEs)	**4,454**	4,539	4,497	4,310
Average number of employees (FTEs) including flex workers	**11,984**	11,969	11,876	11,839

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 financial year 2020 was a challenging year for Vion, although its underlying performance was strong. The COVID-19 pandemic has impacted our operations, our people, our customers and our suppliers in different ways. Despite the challenges the year brought, Vion was able to respond quickly to the changing environment and took compensating actions to achieve a good underlying performance in 2020. EBITDA increased to € 122.3 million against 2019, while revenue decreased slightly mainly due to lower prices compared to 2019 when the demand from China was relatively high. This development continued to prove that the new Building Balanced Chains strategy, which was launched in 2019, and the related initiatives are paying off. The core elements of our strategy are more valid now than they were before: focus on demand-driven upgraded supply chains, creating value for our chain partners and producing protein products with respect for animals and people while managing the impact on the environment. Net profit increased to € 52.9 million mainly as result of an increase of the deferred tax asset (€ 14.1 million) and badwill relating to the acquisition of NWT-CT (€ 3.4 million). Both elements are non-cash items resulting from application of IFRS.

Strong underlying performance despite difficult external circumstances

The financial year 2020 brought a number of challenges that had a major impact on our business operations. What started as a health crisis now has profound consequences for the world economy, and for Vion as a company. From the start of the COVID-19 outbreak, we have worked tirelessly to ensure the health of our employees, as well as making sure that our products conform to the highest quality standards and that we were able to supply fresh and safe food to our customers, stores and suchlike every day. Vion has shown great flexibility and adaptability in the face of these challenges.

The Business Unit Pork was forced to content with volatile conditions in the world market. Both COVID-19 and the African Swine Fever (ASF) had major impact in the reporting period.

Operations in the meat industry were impacted both in the first and second waves of the virus. Although Vion also struggled with infected employees and had to temporarily close some plants or reduce production capacity, we managed to continue our supplies to customers by leveraging our production portfolio in the Netherlands and Germany. During the pandemic, we engaged external expertise on health and safety, science, legislation and communications so as to challenge and verify our way of working.

In late summer, there were cases of ASF in wild boars in Germany which caused a drop in pig prices. This was offset by the continuing impact of ASF in Asia, which gave Vion the opportunity to export pork from the Netherlands. Despite these setbacks, we did manage to continue most of our important projects, such as the expansion of our production plant in Boxtel.

Our Business Unit Food Service was hit hard when restaurants, hotels and other public food courts closed due to the lockdown. After the first wave of infections, FVZ Convenience and SALOMON FoodWorld launched a successful reopening campaign called Future Gastronomy Initiative, which was aimed at assisting restaurants in selecting their offering and achieving profitability. While a second lockdown was announced late in 2020, we remain optimistic and our aim is to grow our market shares again in 2021.

The COVID-19 pandemic also created some challenges for premium beef products due to the temporary lockdown of the out-of-home market. During these periods of lockdown, the Business Unit Beef focused on balancing volumes, market shares and profitability. In addition, great efforts were expended on finetuning the strategy of the Business Unit Beef.

Our new Business Unit Retail had a good first year. Sales volumes increased and the introduction of our plant-based meat alternatives was successful, even when it was difficult to showcase these products in supermarkets or butcher shops. Retail evaluated the strategic initiatives that were taken to gain market share and achieve profitability of consumer products going forward. As part of this evaluation, Retail announced that the activities at Otto Nocker would be discontinued at the end of 2020.

The coronavirus crisis has accelerated the discussion about the working and living conditions of flexi-workers has accelerated. This had been an area of concern for Vion for years. For this reason, we are delighted to welcome 3,300 new employees, who will be on our German payroll as of 1 January 2021, under the new German legislation. Preparations for including them in the payroll have been made, but a Collective Labour Agreement (CLA) has yet to be negotiated to create a level playing field for all companies in the German meat industry. In the Netherlands, Vion is involved in the debate on the treatment and living conditions of flexi-workers led by the Roemer Committee.

Besides dealing with pressing issues as they occur, Vion will not lose sight of its objectives to build a sustainable future for farmers and make a difference for our customers. Despite the challenges Vion faced this year, the company did well in most respects.

Organisational optimisation

Following the implementation of the new Building Balanced Chains strategy, Vion changed its organisational structure in 2020 from three divisions to four Business Units (Pork, Beef, Food Service and Retail). Each Business Unit has a dedicated management team. The Business Units are supported by centralised functions, which facilitates collaboration and alignment to ensure maximum synergies.

Bernd Stange, COO of the Business Unit Beef, stepped down in July 2020 to be succeeded by David de Camp, who previously served as Cluster Director North of the Business Unit Pork. At the same time, Simon Morris was appointed as COO of the Business Unit Food Service; he succeeded Bernd Stark. The former COOs of Beef and Food Services, Bernd Stange and Bernd Stark, will continue to serve Vion by contributing their extensive expertise of the German market and the domain of innovation and strategic customer management respectively. Furthermore, several functions have been created to support all Business Units so as to benefit from our scale and specific expertise, such as in the fields of logistics, non-food procurement, operational excellence in our factories, valorisation of meat, building balanced chains and strategic portfolio management.

Financial review

Results

(in millions of euros)	**2020**	**2019**
Statement of profit and Loss		
Sales volume (in kilo-tonnes of kg)	**2,030**	2,029
Revenue	**4,901.9**	5,060.1
Other operating income	**8.6**	8.3
Total operating expenses	**4,857.9**	5,032.0
Earnings before interest and taxes	**52.6**	36.4
Financial income and costs	**–4.5**	–7.3
Income taxes	**3.2**	–3.2
Share of profit of associates and joint ventures	**1.6**	0.7
Profit for the year	**52.9**	**26.6**
Attributable to non-controlling interests	**1.2**	1.2
Attributable to equity holders	**51.7**	**25.4**

In 2020, revenue decreased slightly by 3.1%, falling to € 4.9 billion, while the sales volume increased by 0.05%. The drop in revenue was driven by the lower selling prices for both pork and beef and related products resulting from volatile markets during the year. Both COVID-19 and African Swine Fever (ASF) heavily impacted the supply and demand market resulting in a drop in prices, especially for pigs, and in temporary limitations on production capacity in view of employee health and safety. In spite of the challenging markets, both Business Units Pork and Beef showed that they were able to act quickly. The Business Unit Food Service was severely affected by the COVID-19 crisis, resulting in a sharp decrease in both volume and revenues. The premium beef segment also suffered from the lockdowns. This decline was partly offset by the new Business Unit Retail, which posted an increase in volume and revenues (like-for-like to 2019) due to favourable circumstances, while the prepacked fresh segment saw an increase in demand together with solid margins.

The COVID-19 crisis had a strong impact on Vion's results. The effect was felt not only in terms of revenue, with Food Service revenue being hit hard and offset, in part, by increasing Retail revenue, but also in terms of operating costs that were incurred to ensure health and safety.

Normalised EBITDA

(in millions of euros)	2020	2019
Earnings before interest and taxes (EBIT)	52.6	36.4
Impairment of non-current assets	4.9	12.6
Restructuring costs	5.7	6.7
Disposal results	0.1	–1.9
Acquisition benefit	–3.4	–
Normalised EBIT	**59.9**	**53.8**
Amortisation and depreciation	62.4	59.4
Normalised EBITDA	**122.3**	**113.2**

Total variable and fixed costs increased by € 21.9 million in 2020. The majority of the changes compared to previous year were driven by the additional measures that had to be taken and a higher absenteeism rate due to COVID-19. From the start of the pandemic, Vion started to implement additional measures to create a safe working environment for employees. These measures were further tightened in line with developments in the COVID-19 pandemic. Vion worked tirelessly to continue production, to show commitment to both our supplying farmers and customers and to provide stores with fresh and safe foods. While these measures resulted in an increase of over € 15 million in costs, Vion was able to absorb the majority of the majority of these costs by a higher operational excellence.

The COVID-19 crisis also caused the working conditions of flexi-workers to come under scrutiny in Germany. As of 1 January 2021, Vion will hire another 3,300 employees at its German sites on permanent contracts and discontinue employment via flexible work contracts. This has resulted in one-off costs related to the changes in contracts and in our arrangements with the external service providers.

Depreciation and amortisation increased by € 3.0 million, rising to € 62.4 million (2019: € 59.4 million) due to investments made in recent years. Vion also recognised an additional impairment loss of € 4.9 million for the write-off of fixed assets following the company's strategic re-orientation and the announcement of the closure of certain production locations.

A review of the strategic direction of the Business Unit Retail led to the decision to close the production activities of Otto Nocker and to reposition Encebe. Total restructuring costs for both operating companies amounted to € 5.0 million in addition to an impairment loss of € 4.4 million. In 2019, total restructuring costs stood at € 6.7 million. Vion acquired the assets and operations of NWT in the reporting period. Based on the total acquisition price and the fair value of the assets and liabilities, the acquisition resulted in a negative goodwill of approximately € 3.4 million, which has been fully recognised through profit or loss.

Financial income and expenses decreased by € 2.8 million, falling to € 4.5 million in 2020. The drop was mainly the result of the lower interest expense on the working capital facility. Vion managed to significantly lower the use of the working capital facility and hence reduce interest expenses thanks to a strong operating profit and continues focus on cash flow. This was partly offset by higher commitment fees as a result of an adjusted credit facility. In addition, the interest expenses on the German pension plan dropped by € 1.2 million against 2019.

In 2020, a tax benefit of € 3.2 million in total was recognised as an income item. This tax benefit was significantly impacted by the initial recognition of a deferred tax asset for the net operating losses suffered by the fiscal unity Vion Food North. Another deferred tax asset was recognised for higher expected future profits of the Dutch fiscal unity and the German fiscal unity A. Moksel Organschaft.

Profit for the year amounted to € 51.7 million, compared to € 25.4 million in 2019. This increase in profit was mainly driven by the sharp increase in deferred tax assets (€ 14.1 million), badwill of NWT (€ 3.4 million) and also an higher EBIT.

Financial position

(in millions of euros)	2020	2019
Balance sheet		
Non-current assets	469.5	438.6
Current assets, including assets held for sale	602.2	751.9
Total equity	493.1	453.2
Provisions	139.0	144.2
Non-current liabilities	42.6	47.4
Current liabilities	396.8	545.8
Balance sheet total	**1,071.6**	**1.190.6**
Net debt	6.9	178.7
Solvency ratio	46.0%	38.1%

The intangible fixed assets increased by € 6.3 million to € 59.3 million (2019: € 53.0 million). In 2020 an amount of € 13.6 million has been invested in software related projects which supports the new strategy of Vion, such as blockchain solutions, business intelligence, etc. Also part of our strategic direction is the investment for the Business Unit Pork related to the integration of the operations of Scherpenzeel into the production facility in Boxtel. The plan is on track and the project is expected to be completed in 2021. In addition, an important initiative has been undertaken in Groenlo, which will further optimise the internal logistics and bring about improvements in the chilling equipment. The projects in Groenlo are expected to be completed in the first quarter of 2021.

The net employee defined benefit obligations amount to € 127.4 million at the end of 2020 (2019: € 135.7 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 decrease in the year is mainly the result of the actuarial revaluation of the liability taking into account a higher interest rate compared to prior year, partly offset by pension payments made during the year. Next to these, provisions for reorganisation and restructuring costs (2020: € 6.8 million, 2019: € 5.9 million) are part of the provisions in the balance sheet.

Following the decrease in working capital in 2020 Vion reduced the available working capital facility to zero and ended 2020 with a positive bank balance of € 49.1 million. The interest bearing loans at 31 December mainly relate to lease liabilities of € 39.2 million which are accounted for under IFRS 16.

As a result of the decreased working capital and the strong financial performance, solvency increased to 46.0% (2019: 38.1%). Solvency is defined as Total Equity / Balance sheet total.

Net debt

(in millions of euros)	2020	2019
Non-current interest-bearing loans and borrowings	11.7	11.1
Non-current lease obligations	25.1	29.2
Current interest-bearing loans and borrowings	–0.7	122.5
Current lease obligations	14.1	13.2
Other non-current financial liabilities	5.8	7.1
Cash and cash equivalents	–49.1	–4.4
Net debt	**6.9**	**178.7**

At the end of Q3 2020, Vion successfully contracted a € 250 million sustainability-linked working capital facility to refinance its existing facility. The facility highlights Vion's efforts to reinforce the alignment of its funding and the commitment it undertook in its sustainability ambitions. Through this facility, Vion has linked up its borrowing costs with the achievement of its ambitions regarding animal welfare, carbon footprint, product integrity and renewable energy.

The facility has been provided by ABN AMRO Bank, Deutsche Bank, UniCredit, NIBC and Rabobank. All banks except Rabobank (new lender) renewed their commitment, which underlined their confidence in Vion's strategy and solvency going forward. The facility involves a five-year loan, which is in line with the new strategic plan 2020-2024. It will give Vion the financial flexibility to implement the planned strategic investments.

The facility was increased from € 200 million to € 250 million. It includes an accordion option of € 100 million to allow for extra funding if needed. The facility has been contracted at the market rate.

Cash flows

(in millions of euros)	2020	2019
Cash flow statement		
Net cash flow from operating activities	271.7	–30.1
Net cash flow from investing activities	–73.5	–51.8
Net cash flow from financing activities	–153.8	80.2
Increase/(decrease) in cash and cash equivalents	44.7	–1.7
year–end	**49.1**	**4.4**

Vion generated a strong positive operating cash flow of € 271.7 million in 2020, while a cash outflow of € 30.1 million was recorded in 2019. A major decrease in the working capital position contributed to the strong positive operating cash flow, which was mainly attributable to the lower prices for livestock and meat products, an increase in payables, as well as to continuous focus on credit management.

Cash flow from investing activities stood at € 73.5 million in the reporting period (2019: € 51.8 million).. These investments were partly offset by the proceeds from sale of property, plant & equipment of € 1.0 million and dividends received from participating interests in the sum of € 0.1 million.

Thanks to its strong operating cash flow together with the cash flow from investing activities, Vion was able to reduce the amount that was drawn under the credit facility. In 2020, the company paid a dividend to its shareholder in the sum of € 14.0 million (2019: € 4.0 million).

In view of the above, cash and cash equivalents increased by € 44.7 million to € 49.1 million at the end of the year following strict cash management and various cash management initiatives.

Investments and operational improvements

Vion is firmly committed to achieving its strategic goals, streamlining its processes and improving its efficiency. To enable this, the company's capital expenditures amounted to € 67.8 million in 2020. The investments were mostly related to new initiatives, further optimisation of the company's footprint and efficiency improvements at the various production locations.

The investments for the Business Unit Pork are meant to aid in the integration of the operations of Scherpenzeel into the production facility in Boxtel. The plan is on track and the project is expected to be completed in 2021. In addition, an important initiative has been undertaken in Groenlo, which will further optimise the internal logistics and bring about improvements in the chilling equipment. The projects in

Groenlo are expected to be completed in the first quarter of 2021. In the fourth quarter of 2019, a project in Leeuwarden was initiated to convert the former beef production facility into a plant-based production facility for Retail. Further growth of volumes and assortment is foreseen in the coming years.

Vion has undertaken a multi-year programme to future-proof its IT landscape for key business processes and to embed advanced tooling and analytics, such as blockchain solutions, business intelligence, etc.

Apart from investments in optimising the footprint and expanding operations, capital was expended on operational improvements of facilities and information systems, as well as in health, safety, quality and maintenance.

Vion also took further steps in 2020 to drive valorisation in both the Business Units Pork and Beef. Valorisation enables a further optimisation of the economic value of processed animals and a better alignment of our products with global demand in the markets Vion has tapped in Asia, North America and Australia. The investments in valorisation activities in recent years have positively contributed to the results in 2020.

Business Units

Pork

Key figures	2020	2019*
Production locations	12	15
Sales volume (in millions of kg)	1,573	1,549
Revenues (in millions of euros)	3,345	3,483
FTEs	7,500	7,921

** In 2019, Pork also included Retail. With effect from 2020, there have been four Business Units (Pork, Beef, Retail and Food Service). The figures for 2019 in this table have been restated to include Pork only.*

Sales volumes increased by 1.5% compared to last year, rising to 1.57 billion kilograms. Despite the effects of both COVID-19 and the African Swine Fever (ASF), the Business Unit Pork has proven that it occupies a strong position in both the European and Asian markets. Because of the drop in market prices in 2020, total revenue decreased slightly by 4.0%.

Market developments

The financial year 2020 was characterised by both COVID-19 and the African Swine Fever (ASF), which had a major impact on the market and operations of meat producing companies. The outbreak of COVID-19 across the world resulted in a number of challenges that forced the Business Unit Pork to make changes to its operations. Additional measures were taken to ensure the health of our employees and to secure daily supplies of fresh and safe foods to stores. Although the Business Unit showed great flexibility, these measures resulted in higher costs. In addition, during the summer period, plants in the Netherlands were not permitted to export goods to China because of earlier COVID-19 contaminations at their plants. For the same reason, a COVID-19 outbreak forced a number of plants to temporarily stop their production in 2020.

The outbreak of African Swine Fever (ASF) in South-East Asia in 2018 still effected global demand for pork in 2020. In late summer, ASF was also found in wild boars in Germany. This caused a major drop in pig prices in Germany since the majority of German overseas pork exports was cancelled. Vion managed to reduce the impact by shifting production to its Dutch plants.

Both developments resulted in pressure on European selling prices due to a high supply on the European market. Products that were meant to be exported overseas from Germany and other European countries such as Denmark stayed on the European market, while consumption dropped due to lockdowns across Europe and the lack of tourists.

Demand-driven supply chains

The importance of demand-driven chains was proven in 2020 in line with previous years. The resilience of partnerships built on mutual trust, understanding and clear agreements has been a great asset for the continuity of supply.

During the year, the development of the demand-driven chains continued at various levels. At the end of 2020, Vion started to connect the Good Farming Star pork supply chain to the digital highway via blockchain. The supply chain will be digitally linked and made fully transparent. Vion Pork Chain VISION is the name that was given to Vion's digital data exchange via blockchain technology, which ties in perfectly with its Building Balanced Chains (BBC) strategy. Vion works with pig farmers, customers and other supply chain partners to create future-proof and sustainable food supply chains. The themes of sustainability, transparency, integrity, food safety and quality are becoming increasingly important in meat production. These themes are the basis of our demand-driven supply chains.

A number of specific developments, such as product innovation, further optimisation of valorisation and improved sustainability, are gaining momentum within existing chains. Vion is engaged in dialogue with various retailers and potential partners in the industry segment to build on existing relations based on the demand-driven supply chain experience.

A development by the name of Initiatieve Tierwohl (Animal Welfare Initiative), which will be adopted by German retailers, is expected in the coming year.

Operational investments and improvements

In 2020, the Business Unit Pork closed down Vleesindustrie Valkenswaard and its plant in Altenburg. The Vion plant in Altenburg now focuses on cattle slaughtering and the activities of Vleesindustrie Valkenswaard have been integrated into our production locations in Boxtel (Encebe) and Emstek.

In line with Vion's strategy to increase its share of the by-product market, the acquisition of NWT-CT GmbH was completed in 2020. This company is now being integrated into Vion. Overall, the BBC strategy is supported by our continuous improvement of valorisation standards for by-products.

Vion also made significant improvements to its operational efficiency through a combination of investments, for example in cooling and IT systems. Vion continued and started several initiatives based on our Operational Excellence Programme in the areas of production, logistics and procurement and based on the Vion Operating System. This resulted in improvements in all operational, sales and back-office processes and management systems.

Investing in the future

Integrating the activities of Scherpenzeel into the Boxtel operations is the main project Vion expects to complete in 2021. The planning of the project started as early as in 2018. It is a manifestation of the strategy to transfer the fresh pork middle activities from our plant in Scherpenzeel to Boxtel. Vion Boxtel has been modernised and expanded, and the consolidation of operations at a single location will eliminate most transportation movements between Boxtel and Scherpenzeel, creating a shorter supply chain, more efficiency, better valorisation and a more sustainable way of working.

Beef

Key figures	2020	2019*
Production locations	10	12
Sales volume (in millions of kg)	419	440
Revenues (in millions of euros)	1,241	1,324
FTEs	2,830	2,790

** In 2019, Beef also included Nocker and Convenience Großostheim. They have been included in Retail since 2020. The 10 locations do not include the BestHides GmbH locations in Eching-Weixerau and Memmingen.*

Beef was affected by the COVID-19 pandemic as well, especially in the second quarter of the year when there were disruptions in some important sales channels, including out-of-home, in several countries. This resulted in a drop in sales volume. Sales volumes decreased by 4.8% against 2019, falling to 419 million kilograms, which also resulted in a drop in revenue by 6.3% to € 1,241 million. This figure was also impacted by the drop in price per kilogram. That said, Beef managed to post a profit by controlling costs and ensuring valorisation. Its profitability increased from 2019 to 2020.

Market developments

The coronavirus pandemic had a major impact on the beef market. Consumer behaviours have changed. The demand for premium beef products dropped significantly due to the closure of restaurants, hotels and system catering in Germany and the Netherlands, as well as in many other countries. Private consumption, on the other hand, saw an increase in 2020, which allowed our Business Unit Retail to benefit.

The market for by-products in the Business Unit Beef was challenging. At the beginning of the COVID-19 pandemic, tanneries in Italy, Germany and other European countries were closed for weeks. The demand for leather almost came to a standstill.

All of Vion's production locations are certified in accordance with one of the leading food safety standards (IFS or BRC). They are also subject to a variety of other inspections by public authorities. Besides complying with food safety standards, the Business Unit Beef is certified under several quality standards, such as ISO, QS, organic, halal, regional programmes and the German animal welfare label *Für Mehr Tierschutz*.

Demand-driven supply chains

Vion has formed strong and long-term partnerships with most of its suppliers and collaborates closely with farmers, industry associations and traders. The company has also forged close partnerships throughout the supply chain with professional and reliable partners in the fields of animal feed, breeding, housing and transportation. Vion is involved in regional partnerships across the entire value chain, including farmers who are members of producers' cooperatives. The Business Unit Beef also works with a customer-specific product flow under the *Geprüfte Qualität Bayern* quality programme.

Vion is expanding its leading position in its home markets. Regionality and quality are the major drivers for the beef sector, especially in Germany. Vion fulfils its role as a trendsetter with the launch of innovative sales approaches, such as the Goldbeef Brand for premium beef specialty products. While the meat market as a whole was under pressure in the reporting period, there was increasing demand for premium beef products. Sales of our premium products such as organic or regional beef increased in 2020. The Beef Premiumisation approach and its related concepts also ties in perfectly with Vion's strategy. With our regional farmers and operations, Vion is ideally positioned to build closed supply chains with regional or supra-regional trade. What is more, regional production and marketing are suited to export as well, as Bavarian beef is appreciated in France, Italy and Spain too.

Operational investments and improvements

The company has invested continuously in improving and standardising its slaughter infrastructure. The production plant in Altenburg will focus on cattle slaughtering only. In the past year, Vion installed a new slaughter line at the plant in Altenburg, which will be ready for use in the first quarter of 2021. The area surrounding Altenburg shows great potential for growth in terms of beef because of the high density of cattle in Eastern Germany.

Investing in the future

The main investment for the coming year will be an upgrade of our slaughter and deboning plant in Tilburg, which will involve more than € 6 million. Besides creating better truck routings on the site and changes in employee routing inside the building, we will build a new packaging hall, including break rooms, and renovate the entire office space. In February 2021, we announced the acquisition of beef producer Adriaens of Zottegem after a period of close cooperation. We see many opportunities for Vion in the Belgium market as one of our home markets in Western Europe.

Food Service

Key figures	2020	2019
Production locations	2	2
Sales volume (in millions of kg)	53	64
Revenues (in millions of euros)	223	275
FTEs	492	529

In 2020, the operations and performance of the Business Unit Food Service were severely affected by the COVID-19 crisis, which hit the out-of-home sector particularly hard with closures or partial closures throughout Europe. Home delivery and takeaway-focused segments, however, thrived during the period of closure. From the end of March onwards, the sales volume of the Business Unit Food Service fell to 25%. Due to some easing measures by the German and other European governments and the initiatives of the restaurant and catering industry to step up their takeaway and delivery services, sales gradually recovered until June. The Business Unit Food Service launched a market restart campaign as soon as the lockdown was lifted, focusing on helping restaurants to get their business back up and running effectively. These efforts resulted in sales almost reaching pre-lockdown levels in September. Strict cost management and targeted sales and marketing activities helped to recover some of the profits. Due to the increase in COVID-19 infections in Germany and neighbouring countries, their governments decided to enforce a second partial lockdown in early November, which caused volumes to drop again, albeit less dramatically than during the first lockdown.

Market developments
The Business Unit Food Service serves two segments of the food market: gastronomy and impulse channels. The gastronomy segment is the more traditional segment of the food sector. The impulse segment (snacks) comprising convenience foods, is a relatively new segment and offers a lot of potential. Despite the restrictions in 2020, we still expect a growing number of people to eat out in the coming years, as well an increase in people buying food from establishments such as petrol stations and takeaway outlets.

Vion offers two food service brands: Salomon FoodWorld and FVZ Convenience. Salomon FoodWorld is positioned as an innovative convenience foods company, with a focus on customer impulses, successes and emotions. FVZ Convenience specialises in convenience products and is positioned as the modern traditionalist. Its motto is “Simply real enjoyment…”.

In Germany, Vion is the market leader in the Business Unit’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). Salomon FoodWorld and FVZ Convenience are international brands.

Operational investments and improvements
In 2020, the Business Unit Food Service made investments in expanding and optimising its production technology and ERP systems, and increasing its efficiency, effectiveness and production capacity. Specific areas of responsibility were redefined in order to build on the success factors of the past, e.g. in innovation and marketing, and to further strengthen the position of the brands in national and international business. In addition, a new product group for meat alternatives was developed and introduced for both brands.

Investing in the future
The food service market will need several years to recover from the COVID-19 pandemic. Consumers will probably be reluctant to visit restaurants for some time. People might continue to work from home more. The economic situation also creates uncertainty. Home delivery gained traction during the COVD-19 pandemic. Takeaway fast food restaurants suffered less. We have seen several new initiatives pop up, which also created new opportunities for the Business Unit Food Service. Salomon was able to respond quickly to several developments and also recovered quite fast after the first lockdown. The Business Unit Food Service has rather strong sales and innovation capabilities, which are necessary to ward off the threats that we definitely continue to face in the first half of 2021.

Retail

Key figures	2020	2019*
Production locations	5	4
Sales volume (in millions of kg)	66	52
Revenues (in millions of euros)	355	311
FTEs	1,131	1,049

** Retail was created at the start of 2020. The figures for 2019 have been restated to include the comparative figures that were previously included in Pork and Beef. In 2020 the location in Leeuwarden came into operation for the Business Unit Retail.*

Sales volumes in the Business Unit Retail increased by 26.9% compared to last year. This significant rise was driven by favourable retail consumption developments, particularly in the prepacked fresh market, due to COVID-19.

Market developments
The retail market developed favourably in 2020 due to lockdown measures across Europe as a result of the outbreak of COVID-19. This resulted in both higher volumes and an increase in revenue from retail products. The prepacked fresh category showed a particularly significant increase.

The year 2020 was characterised by volatility of meat prices of raw materials, mainly due to export ban developments, an ASF outbreak in Germany, etc. Supported by increased demand, stable selling prices and a favourable raw materials market, the Business Unit Retail managed to achieve solid margins in the prepacked fresh segment.

Demand-driven supply chains
To enforce the strategic focus on Building Balanced Chains, Retail serves as the essential link with the end consumer. The first demand-driven supply chains have been developed and will be further expanded in the future. The objective is to be the protein supplier of choice for retailers by prioritising balanced chains and innovations. The Business Unit understands its partners and support them by using trade marketing and category management tools. The goal is to identify and capitalise on consumer trends and demands, and provide differentiation tools to customers.

Operational investment and improvements
For the new Business Unit Retail, 2020 was mainly a year in which it built the foundation for the future. The new management team worked on a long-term strategy plan for

its market positioning. Important enabling initiatives were launched to facilitate the execution of the strategic plan.

An important building block is key account management, which was reorganised to harness sales capabilities. The objective is to increase customer intimacy, improve category development and speak with one voice to the customer, supported by innovation.

Giving retail partners differentiation levers based on consumer trends calls for additional product and process development resources, which is why the required skills were substantially reinforced. The first result of this initiative was the development of customer-dedicated offerings for meat-alternative products. We are taking a proactive approach to concept development, inspiring customers to buy our products for specific or special occasions, such as BBQs or at Christmas.

In order to improve cost efficiency, operational excellence training sessions based on the Vion Operating System are held at all Retail locations. This supports the further implementation of lean management. These initiatives will continue over the next few years.

Many projects were initiated based on the long-term retail strategy plan. In order to ensure achievement of this plan, a robust project management organisation has been created. This ensures that the required teams, resources and skills are in place so that the change process can gain momentum.

Investing in the future

The former beef slaughterhouse in Leeuwarden was successfully converted into a meat alternatives production facility in 2020. This plant is now operational. Further growth of volumes and product offerings is foreseen in the coming years

The management of the Business Unit Retail explored market opportunities and opportunities for further growth in 2020. The main drivers are key enablers such as innovation and automation. New product and process development will strengthen our partnerships with existing retailers and offer new market opportunities.

Improvements in the field of operational excellence and lean management supported by automation will result in further efficiency improvements and cost reductions. These investments will also capitalise on the expected shortage of production workers in the future.

Outlook 2021

The financial year 2020 was a challenging year for Vion. The consequences of the COVID-19 pandemic, African Swine Fever and the new Occupational Health and Safety Monitoring Act for the meat industry in Germany impacted our operations, our people, as well as our customers and suppliers in many ways. Despite the challenges associated with this pandemic, Vion has demonstrated that it is able to respond effectively to the changing environment and difficulties. The core elements of our Building Balanced Chains strategy, which we started early in 2020, have proven to be highly relevant: focus on demand-driven upgraded supply chains and value creation with our partners by collaborating on chain concepts.
Also for the year 2021, the company expects some challenges ahead, but also a number of opportunities. It will take time to vaccinate the entire population against COVID-19 and to become fully operational again. The food business is recognised as a crucial sector for society, so we will keep producing food products for consumers, while ensuring that food supply chains are not disrupted. Furthermore, we will continue the production of protein products and simultaneously manage our impact on the environment. Vion is confident that it will succeed at building balanced chains in our industry to produce ‘Food that Matters’. ASF will continue to have an impact on the demand and pricing of (mainly) pork related products. Vion will keep monitoring ASF closely and take immediate action when necessary. Thanks to our diversified portfolio, we are able to shift production to other plants to safeguard the uninterrupted provision of food to our customers. The new Occupational Health and Safety Monitoring Act for the meat industry that was introduced in Germany in 2020 was embraced by Vion. We are confident that this is the right way forward and a good development for our industry in Germany. We are looking forward to working together with our new colleagues.
In February 2021, Vion announced the acquisition of beef producer Adriaens of Zottegem, Belgium, after a period of close collaboration. We see many opportunities for Vion in the Belgian market as one of our home markets in Western Europe.
Vion continued to work on its unique assets that create traction in the food market, such as food safety, animal welfare, traceability concepts, sustainable products (including vegan products) and safe working conditions. The increased focus on these themes emphasises the material importance of the corresponding CSR topics. At the beginning of 2021, Vion announced the introduction of a supply chain with DNA traceability for better transparency in this chain.
We are convinced that the core values of the Building Balanced Chains strategy are more valid now than they ever were before and Vion expects this will create further value and good results in 2021.

Composition of the Executive Committee

From left to right: John Morssink (CFO), John de Jonge (COO Pork), Simon Morris (COO Food Service), Ronald Lotgerink (CEO), David De Camp (COO Beef), Philippe Thomas (COO Retail), Binne Visser (CHRO).

Personal details of the members of the Executive Committee

Ronald Lotgerink
1960, Dutch nationality
Chairman of the Management Board and Executive Committee

Principal position
CEO since 1 September 2018

Former positions
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

Principal position
CFO since 1 November 2018

Former positions
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

Principal position
CHRO since 3 September 2018

Former positions
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

Principal position
Chief Operating Officer Pork since 1 January 2019

Former positions
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

David De Camp
1973, American nationality
Member of the Executive Committee

Principal position
Chief Operating Officer Business Unit Beef since July 2020

Former positions
David joined Vion in 2016 as Plant General Manager of Vion Zeven AG and became Cluster Director North for Pork Operations in Germany. Before he joined Vion he worked in several management positions at Tillmann's Convenience and Tönnies Fleisch.

Simon Morris
1970, Canadian and British nationalities
Member of the Executive Committee

Principal position
Chief Operating Officer Business Unit Food Service since July 2020

Former positions
Simon started working for Vion as Chief Sales Officer for Salomon FoodWorld GmbH in 2019. In July 2020 he became Managing Director for Salomon FoodWorld and for FVZ Convenience GmbH. Simon began his career in the food industry in 1997 with Maple Leaf Foods and has since held several management positions at Maple Leaf Foods, McCain Foods and European Convenience Foods.

Main other positions
Vice-Chairman and board member of the German Frozen Food Association (Deutsche Tiefkühlinstitüt)

Philippe Thomas
1979, French nationality
Member of the Executive Committee

Principal position
Chief Operating Officer Retail since 1 November 2019

Former positions
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 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 structure is based on Dutch legislation, its articles of association, the Dutch Corporate Governance Code, and Vion's own code of conduct.

Management Board

The Management Board is responsible for Vion's strategy, its portfolio policy, the deployment of people and resources, the risk management system and the financial performance. The Management Board focuses on long-term value creation for the company and develops a view on the relevance of value creation. The Management Board is accountable to the General Meeting.

Decision-making by the Management Board requires an absolute majority. The Supervisory Board oversees the policies pursued by the Management Board. To allow them to do so, the Management Board provides the Supervisory Board with all necessary information 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 performance 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 in a session without the members of the Management Board being present. The Management Board, too, evaluates its own performance at least once a year, looking at its performance 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. For details, please visit the Vion's website.

Appointment, composition and conflict of interests

The Management Board members are appointed by the General Meeting after the prior binding opinion of the Supervisory Board has been presented. The General Meeting 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. While this diversity aim is taken into account, Vion's principle is that the most suitable candidate for the vacancy should be appointed. Currently, the two members of the Management Board are men. After careful consideration of all relevant selection criteria, a woman has not yet been appointed to the Management Board.

In the event of a conflict of interest with regard to a particular topic, the Management Board member in question will not take part in the discussion 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 parameters of the general remuneration policy adopted by the General Meeting.

Executive Committee

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. Besides the Management Board members, the other members of the Executive Committee are the Chief Operating Officers (COOs) of the Business Units Pork, Beef, Retail and Food Service and the Chief Human Resources

Officer (CHRO). 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 and CHRO regularly give updates on their specific lines of business in meetings of the Supervisory Board.

Supervisory Board

The Supervisory Board oversees the policies pursued by the Management Board and the general affairs of the company. The Supervisory Board offers advice and assistance to the Management Board. 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 include decisions on the nature and scale of its business operations, and decisions affecting the company's capital structure.

Decision-making by the Supervisory Board requires 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 in question. 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 in a session without the members of the Management Board being present. For more information, please read the report of the Supervisory Board on pages 45 to 49.

The Supervisory Board has laid down rules regarding its composition and performance in rules of procedure. For details, please visit the Vion'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 Dutch Corporate Governance Code. The report of the Supervisory Board on page 46 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 after the prior binding opinion of the Supervisory Board has been presented. They can be reappointed for another four-year term. 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. A Supervisory Board member can then subsequently be reappointed for a period of two years, which appointment can be extended by another period of maximum two years. The General Meeting can 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 may grant a fixed remuneration to the Supervisory Board members. For details on the remuneration see the section on remuneration on page 52. 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. The Supervisory Board currently has two female and three male members, which means this aim has been met.

In the event of a conflict of interest with regard to a particular topic, the Supervisory Board member in question will not take part in the discussion 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 on 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. For details, please visit the Vion's website.

Remuneration, Selection and Appointment Committee

The Remuneration, Selection and Appointment Committee prepares the Supervisory Board's decision-making on 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. For details please visit the Vion's website.

For more information about the Supervisory Board and its committees see the report of the Supervisory Board on page 45 to 49.

General Meeting of Shareholders

The annual General Meeting of Shareholders is held once a year with the objective of adopting the annual accounts. However, other General Meetings of Shareholders are 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 share 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 chair 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. Such important decisions include decisions on the nature and scale of its business operations, and decisions affecting the company's capital structure.

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 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. In accordance with the articles of association of SBT three out of the five board members have been appointed by NCB-Ontwikkeling. The other two board members have been appointed by NCB-Ontwikkeling in its capacity as the 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 has 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 is primarily responsible for the appointment of the auditor.

The General Meeting can choose to completely or partially release the Management Board from all liability for its management and the Supervisory Board from liability for its supervision.

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 the provisions of the code create a sound and transparent system of checks and balances for a company to regulate relations between the Management Board, the Supervisory Board and the General Meeting of Shareholders. This instils confidence in the proper and responsible management of companies and their integration into society.

In accordance with the code's 'comply-or-explain' principle Vion explains where it does not follow the code's principles and best practice provisions. 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 with broadly owned listed companies in mind.

Vion does not, or not fully, comply with the following principles and best practice provisions of the Dutch Corporate Governance Code 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, the company does not have an actual diversity policy as of yet. Vion has a plan in place for the succession of the members of the Management Board and Executive Committee. A plan for the succession of the Supervisory Board members has yet to be implemented.

Provision 2.2.1
(Appointment of 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 their long-term commitment 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 to Vion as it is not listed on a stock exchange and all shares in its capital are held by a sole shareholder.

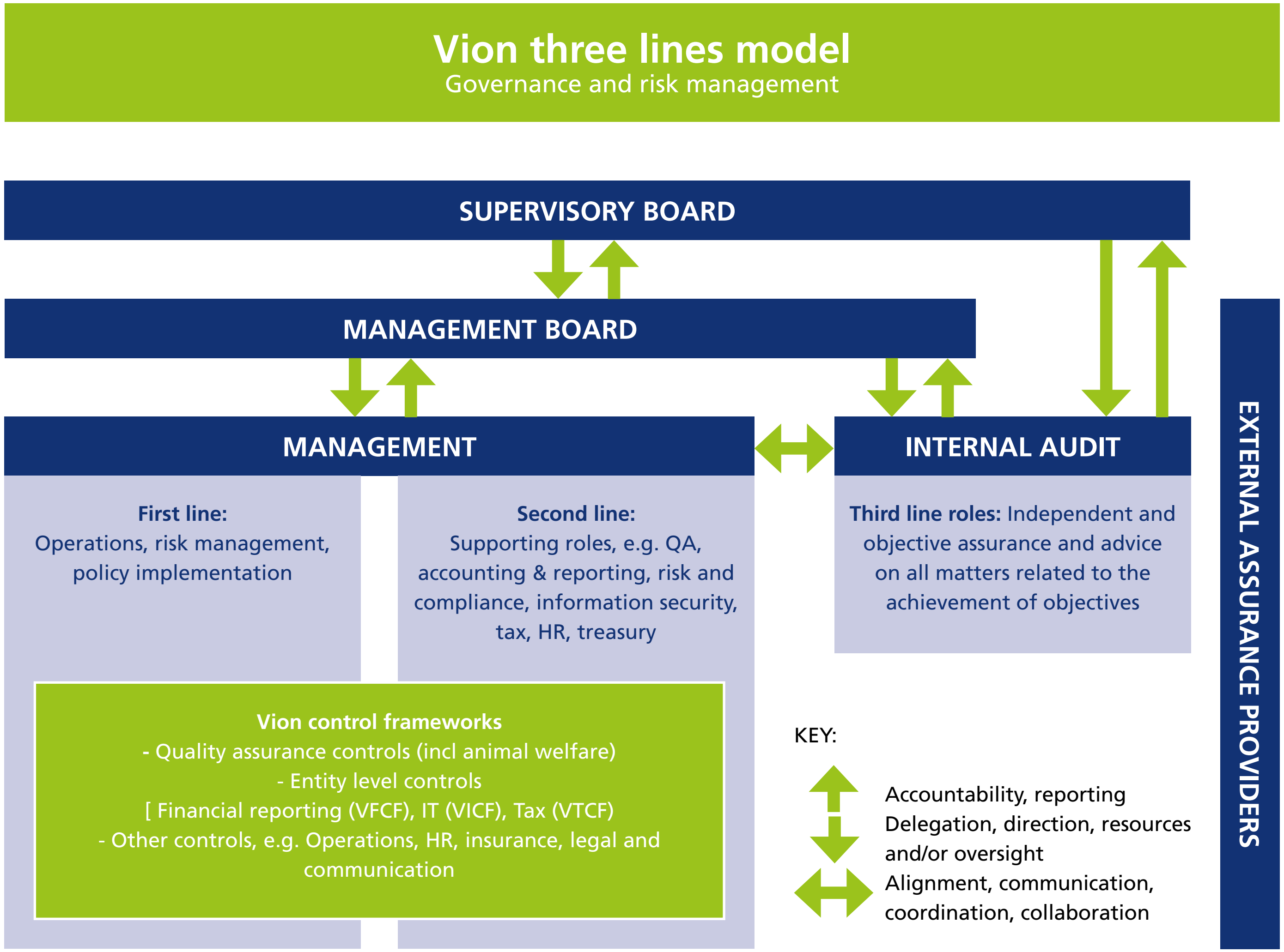
Risk management

At Vion, we consider risk management as an integral part of running our business. While we want to make use of opportunities in the markets in which we are active, any unwelcome consequences of risks must be curtailed. This section explains our risk management approach, our principal risks and our response to those risks.

Risk management approach

Our approach to risk management aims to achieve a reasonable level of assurance that we will achieve our objectives. It is based on the Enterprise Risk Management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 model. This model enables us to identify the principal risks we incur and how we respond to them. We aim to embed risk awareness and risk management at all levels at Vion to ensure that decisions are taken with based on calculated risks that are in line with the risk appetite. Risk management is the responsibility of the Management Board, but has been delegated to the line (first and second line of defence). Our risk management approach is illustrated in the Vion three-lines-of-defence model.

The model shows that we view risk management as a responsibility of all Business Units and corporate support departments. As part of the second line of defence, a risk and compliance committee has been created to facilitate and coordinate risk management and to oversee compliance with the relevant laws, regulations and policies. This committee is chaired by the Chief Financial Officer (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 an open debate about 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 on the risk appetite and strategy, and to assist the Management Board in defining and communicating the company's risk appetite and strategy.
3. To monitor the company's risk profile, i.e. Vion's 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 take a consistent approach to identifying, mitigating and monitoring key business risks throughout Vion.
5. To ensure that an adequate internal controls for financial reporting are and continue to be in place. For this purpose, Vion continues to optimise the Vion Financial Control Framework. Based on this control framework, self-assessments are performed, monitored and reported upon on a quarterly basis.
6. To oversee the company's compliance efforts with respect to the relevant laws, regulations and policies including, but not limited to, a quarterly internal certification process.
7. To assist the Management Board in informing the Audit Committee of the Supervisory Board on matters concerning risk management, compliance with the relevant laws and regulations and the effectiveness of the code of conduct.

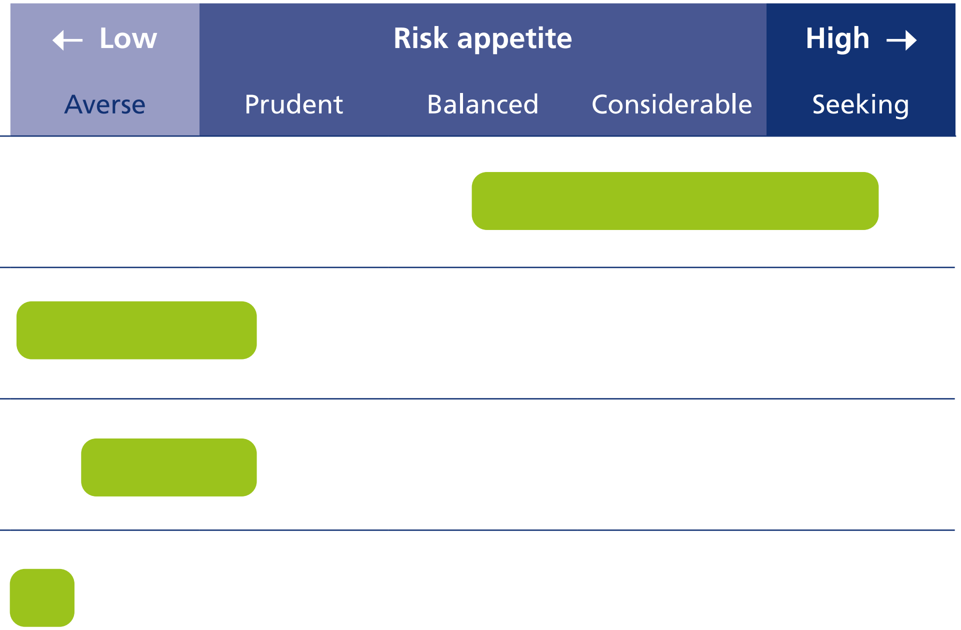
Vion's internal audit department (IAD) forms the third line of defence. Its objective is to provide independent and objective assurance, as well as advice on adding value and improving the organisation's operations.

Although Vion sees risk management as an important responsibility, we are aware that there are limitations to each form of risk management and internal control. This means that the management systems and procedures will not prevent every occurrence of specific inaccuracies or errors, or every instance of fraud or non-compliance.

Risk appetite

An important aspect of our risk management approach is the definition of Vion's risk appetite by the Management Board. Our risk appetite is the level of risk we are willing to accept to achieve our strategic goals. This calls for adequate understanding and awareness of potential risks and their possible implications for Vion.

Vion is transparent about risk; our risk appetite differs per risk area. Product quality and safety, worker safety and compliance with laws and regulations are the company's highest priorities. This means that reducing the risks associated with food and worker safety and meeting statutory obligations will take priority over any other business objectives. We distinguish between strategic, operational, financial and reporting, and compliance risks. Our risk appetite can be summarised as follows:



Strategic risks

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

We have identified various risk categories. In the following section, we will describe how the specific risks in each category are mitigated and how we see the general trend for the risk evolving. Unchanged =, Decreasing ▼ or Increasing ▲.

Strategic

Risk	Managing the risk
Market cyclicality risk We operate in markets that are characterised by strong competition and price cyclicality. Prices of raw materials and agricultural products will fluctuate, as will purchase costs of pigs and cattle. This can lead to significant and unwelcome fluctuations in our financial results. General risk trend =	Distributing activities across different geographical markets and channels helps us to mitigate specific market threats to some extent. This distribution pattern also allows us to seize opportunities in various markets and channels. We also aim to reduce the impact of market cyclicality by acting ahead of demand and creating value at the midpoint of connected future-proof balanced chains. An example of such a balanced chain is the Good Farming Balance programme, which has reduced our exposure to volume fluctuations for pork in the Netherlands and Germany, thereby also lowering, to some extent, the discrepancy between purchase and sales markets. Going forward, we aim to implement more balanced chains initiatives to better match demand and supply and to increase margins.
Changing meat consumption patterns Consumer behaviour in relation to meat consumption is changing. In North Western European markets, people are limiting their meat consumption and consumption is shifting to different species of meat. To ensure continuity and growth, we acknowledge these trends and are adapting to them. General risk trend =	We are seeing that consumers are increasingly choosing local and/or healthy products that benefit animals and the environment, and are offered at a fair price. In view of this, we are constantly aligning our product portfolio to the changing expectations of our customers. One example is our growing offering of plant-based meat products, which are supplied by the recently created Business Unit Retail and produced in a dedicated plant-based plant in Leeuwarden. Overall, we are confident in our efforts to develop and define new product/market combinations and a successful consumer portfolio.

Risk	Managing the risk
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 =	We are aiming to offset the effects of a drop in supply of animals 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 due to various causes such as ASF, escalating global trade wars, breaches of statutory requirements or supply chain errors. General risk trend =	Vion has measures in place to mitigate the consequences of an outbreak of animal diseases as much as possible. We also manage the customer supply chain in a standardised and controlled manner so as to prevent errors in documentation and/or the delivery of sub-standard quality products. Vion closely monitors any developments in geopolitical situations and we have prepared ourselves for different scenarios. Thanks to our access to global markets, we are confident that we will be able to adapt to developments rapidly. In 2020, ASF was discovered in Germany, which caused a major share of German pork exports to outside EU to be blocked. Because of our presence in two home markets, we managed to partly offset this effect by higher exports of pork products of Dutch origin. Market prices in the European pork market were adjusted immediately to mitigate exposure to the market.

Risk	Managing the risk
Reputation Loss of reputation would have serious consequences in the form of a drop in sales, leakage of talent, closer monitoring and stricter regulations, or regulatory penalties. General risk trend =	Vion has taken measures to mitigate reputation risk by stepping up our monitoring procedures and our webcare skills in the media landscape, including social media. We actively participate in public debates, such as with stakeholder organisations (NGOs), and proactively ensure our media messages are fully aligned with the CSR strategy. We also have mitigating measures in place for crisis management and training. Public attention for our industry is increasing and examples of undercover footage involving other companies in our industry have raised awareness in general. We expect to receive more questions through social media channels, resulting in more dialogue and more transparent communication.

Operational

Risk	Managing the risk
Health, safety and environment Risks in production processes can adversely affect the financial performance. Unlikely scenarios can result in major incidents with a high impact on the company's internal organisation, causing business continuity risks and loss of reputation. Vion is firmly committed to the health, safety and environment (HSE) of all employees. General risk trend ▲	In order to achieve our high ambition and goals in relation to HSE, we apply a systematic approach to HSE management, which is designed to (i) maintain and promote our workers' health and employability, (ii) improve the working environment and ensure work practices become conducive to safety and health, and (iii) develop work organisations and working cultures in a direction that is conducive to health and safety at work. HSE risks are inherent in our labour-intensive industry and we will continue our systematic approach to HSE management. In this respect, we will also continue to roll out the Vion Operating System (VOS), which focuses on safe working conditions. In close cooperation with the authorities, Vion implemented measures following the outbreak of the COVID-19 pandemic. The measures were aimed at keeping individuals healthy, minimising the risk of infections among our employees and securing production continuity as much as possible. In a limited number of cases, individual sites had to stop or reduce their production for a time. Any adverse effects were absorbed by other Vion companies.

Risk	Managing the risk
Attracting and retaining human capital Employing the right people, with the right capabilities, experience and mindset is what, to a large extent, determines the success of our organisation. Regulation and employee shortages will increase labour costs. Together with changing requirements in terms of skills, this will make finding qualified people even more difficult. General risk trend ▲	Being an employer of choice, creating engagement among 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 that we hire and retain suitably qualified personnel for the right positions. It is our ambition to achieve this, both in terms of quality and in numbers. We seek to streamline our processes (including automation, where possible) to balance production needs and the availability of qualified staff. As of 2021, many workers we used to insource via agencies in Germany will be put on the Vion payroll. This will enable effective competence development and employee training, so that our people can grow and attain the right level of craftmanship.
Culture and behaviour Vion has a business culture in which individual responsibility, entrepreneurial spirit and commitment are strongly encouraged. We have defined this as the Vion Way of Working. The three adjectives that describe the Vion Way of Working are Sharp, Connected and Brave. In our view, this way of working is the key to achieving our mission and objectives. General risk trend =	To provide the organisation with guidance and to set the tone for the type of organisation we aspire to be, we continuously stress the importance of the Good Business Practice Guide. This booklet describes our way of working, the code of conduct and the whistle-blower policy. Going forward, our HR departments will integrate elements of culture and behaviour into performance reviews and will initiate programmes to further strengthen the basis for the corporate culture that defines us.

Risk	Managing the risk
Project execution In 2020 a number of key initiatives were started as part of our strategy 2020-2024. If we fail to bring those initiatives to a successful conclusion, we might under-deliver on the expected benefits that are critical to Vion's sustainable future. General risk trend =	All projects are led by experienced and competent project managers. The strategic initiatives are owned by the Executive Committee. The defined key deliverables are closely monitored by a dedicated execution monitoring office. In addition, steerco meetings are held with the Management Board and the CHRO to monitor progress.
Food safety Producing wholesome and safe foods is one of Vion's top priorities. In view of the nature of the products, it goes without saying that Vion adheres to 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 major consequences for the company's reputation and market position. Demographic developments in society, such as an ageing population, also change consumer requirements for 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 such that customer satisfaction and operational excellence are achieved, all Vion's facilities are ISO 9001-certified. In addition to adhering to its own Vion–HACCP and the quality standards within its operations, all Vion facilities are certified under at least one of the food safety and quality schemes recognised by the Global Food Safety Initiative (GFSI), such as IFS and BRC. Food safety is an inherent risk in our industry. In addition to following our Vion–HACCP procedures, we will continue to emphasise the importance of food safety, provide training and pursue continuous monitoring at local and central level.

Risk	Managing the risk
Traceability and product integrity Vion acknowledges that product and process integrity are essential to being a trustworthy supplier and preventing public health issues. Traceability is also key to improving the sustainability in the supply chain. Consumers and Vion customers expect that Vion's products have the attributes that are communicated to the market and that Vion can demonstrate this, anytime and anywhere. General risk trend =	Vion implements process integrity schemes within its operations to assure product integrity. Product integrity and full transparency are viewed as today's relevant challenges. With a view to professionalising its integrity schemes, Vion actively cooperates with standard-setting bodies to move toward an internationally recognised and accredited standard, such as IFS-PIA. These efforts are being made to ensure a fair 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, we will implement modern DNA technology in high-end market schemes to control product integrity within the entire supply chain, including consumers.
Animal welfare in transportation and slaughtering Wholesome and safe animal products can only be produced from healthy livestock. There is a strong correlation between the welfare and the health of livestock. Vion is committed to animal integrity. General risk trend =	The handling of livestock within the food supply chain is integrated into the company's quality schemes. This implies humane handling of animals at farm level, during transport and at meat processing plants. Vion demands that intermediaries and hauliers in the supply chain also adopt these standards. Every Vion meat processing plant has several animal welfare officers, who monitor the handling of animals to ensure that animal welfare standards are met. Vion has implemented its own animal welfare standards at its facilities that go beyond the statutory requirements.

Risk	Managing the risk
Catastrophes at production facilities and/or animal diseases There is always a risk of catastrophes, such as animal diseases or fire, long-term interruptions of the water or electricity supply as well as failures of the integrated IT systems despite Vion's continuous efforts to reduce such this risk and its impact. Another risk in this context is that of persons intruding our facilities to interfere with our business continuity. General risk trend ▲	Vion's efforts to reduce the related risks include preventive measures at farms, fire protection at production and other facilities, strict access control and safety inspections. In the event of a catastrophe, the loss of animals or of substantial production capacity could cause a major disruption throughout the entire product supply chain. This possible impact is mitigated by alternative capacity arrangements, business continuity plans, emergency plans that are continuously tested and improved, and insurance cover. ASF was found in Germany in 2020. Vion addressed this situation together with the local authorities. Vion has also taken precautionary measures for its Dutch locations and is in close contact with the Dutch authorities that are monitoring the situation. The objective is to act quickly and effectively if needed.

Operational risks: technology

Risk	Managing the risk
Information management Vion's IT strategy is aimed at both upgrading its infrastructure to bring it up to par and converging its IT application landscape into fewer and more up-to-date ERP and production systems, as well as other critical applications. The number of digital business transactions with our customers, suppliers and other stakeholders is constantly increasing. If our IT systems are offline it 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 upgrade its systems and infrastructure by implementing more up-to-date systems and technologies, and to increase the overall level of its information management services. An IT control framework is in place, based on which the company monitors its processes and can take additional action if necessary. The controls and risk management activities are updated and/or new controls and/or risk management activities are implemented as needed. As part of our strategic initiatives, we are progressing with our digital agenda, which allows us to steer the supply chain and streamline internal production processes using data and technology to become demand-driven and make the best possible use of raw materials and resources.

Risk	Managing the risk
Cyber Security The threat of unauthorised access to IT systems and misuse of sensitive information or disruptions of our operations continues to increase. Such unauthorised access or misuse could inhibit our business operations in a number of ways, potentially causing disruptions in the sales and production processes. General risk trend =	To reduce the risk of cybersecurity incidents impacting our business, we have firewalls and threat monitoring systems in place, including immediate response capabilities to mitigate identified threats. To further support on our IT strategy and work towards cyber resilience, we have prepared and implemented a security roadmap for the coming years. This roadmap has led to up-to-date security policies, awareness training on security and privacy issues, and stricter security for administrator's access to our online environment. In addition, we have introduced an automatic patch management process and have put in place extended security support for our on-premise infrastructure. Vion is one of the founding members of the cyber resilience initiative for the agrifood sector, which was created in 2020. Our membership enables us to take the lead in setting the standards for cybersecurity in our sector and supporting the strategy for building balanced chains.

Financial and reporting

Risk	Managing the risk
Financing To carry out our operations, we have raised external financing. This exposes our company to capital markets and financial risks. We also conduct transactions in currencies other than the euro, our functional currency, which leads to foreign currency risks. General risk trend ▼	Vion is adequately financed with a five-year facility. Vion is comfortable with the effectiveness of its credit and currency risk controls. We renewed our facility in 2020 in line with the financing requirements of our strategy 2020-2024. **Managing capital markets risk** Vion seeks to maintain a strong liquidity position through committed credit facilities. The potential for raising loans 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 on its interest-bearing borrowings are variable. **Managing credit risk** Vion has a credit risk management function in place. Its objective is to minimise credit losses by keeping the 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 invested in working capital. **Managing foreign currency risk** Vion uses financial instruments to hedge its exposure to foreign currency risks arising from its operational, financing and investing activities. Vion's policy is not to hold financial instruments for speculative purposes.

Compliance

Risk	Managing the risk
Non-compliance risk Non-compliance risk is the risk is that Vion is found to be non-compliant with the applicable laws and regulations. This may adversely affect our reputation and expose the company to financial losses. In general, Vion sees a trend towards increasing and more complex legislation. General risk trend =	Vion is committed to complying with rules and regulations in every country in which we operate. Vion has adopted policies and procedures aimed at compliance with the applicable legislation and regulations, and we are dedicated to actively sharing our CSR policies with the public. We also have a code of conduct that goes beyond the statutory requirements for employee conduct. The Vion whistle-blower policy is a manifestation of our commitment to compliance with the applicable laws, integrity in financial management, a healthier and safer work environment and effective corporate governance. We want to ensure that any employee can make a report under this policy without the risk of retaliation and having the assurance that their report will be treated confidentially and will be duly investigated. In addition to reporting directly to management, human resources or the Management Board, employees can also contact the whistle-blower desk, which is operated by an external service provider. This allows employees to report issues anonymously.

Vion financial, tax and IT control frameworks

To ensure the effectiveness of its financial reporting, Vion has a Financial Control Framework (VFCF), a Tax Control Framework (VTCF) and IT Control Framework (VICF). All these frameworks are subjected to a control risk self-assessment (CRSA) four times a year.

The objective of the Vion Financial Control Framework (VFCF) is to operate an internal control framework that is adequate in structure and effectiveness, so that the Vion management is in control of financial reporting. Vion uses a dedicated tool for its quarterly reporting about the VFCF and the effectiveness of the controls. It is the responsibility of local management to implement the controls for their respective company and to report on them using the tool.

The Vion Tax Control Framework (VTCF) defines Vion's tax strategy and tax policy. It also covers tax KPIs, roles and responsibilities, and tax processes and procedures. Selected tax risks are managed, controlled and monitored using tax controls.

Vion uses the Vion IT Control Framework (VICF) to monitor its IT processes. Additional controls can be implemented as needed.

Internal Audit verifies the effectiveness of the self-assessment process as part of its operational audits. If controls are inadequate, measures will be taken and logged to be revisited later.

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

Vion's business principles, core values and whistle-blower policy have been formalised in the company's Good Business Practice Guide.

In 2020, the company received a total of seven reports under the whistle-blower policy (2019: eight), all of which were HR-related. Every report was followed up and appropriate action was taken.

We have started to embed our core values Sharp, Connected and Brave in our day-to-day way of working.

Transparency

Vion is subject to demanding quality requirements in all its production locations. Food safety, animal welfare, product integrity, worker safety and transparency are key elements of these requirements. Vion takes full responsibility for these aspects, which is why, in addition to the annual report, Vion will issue a separate corporate social responsibility (CSR) report for 2020. This CSR report will cover all important aspects relating to social responsibility based on the defined materiality matrix. The CSR report should be read in conjunction with the annual report for a more comprehensive understanding of the company's activities.

In addition, Vion runs several transparency websites, i.e. www.vion-transparenz.de and www.vion-transparantie.nl. On these websites, we use videos and texts, photographs and charts to illustrate the facts regarding the production and processing of meat, and provide a platform for dialogue with visitors.

Management statement on assessment of internal risk management and control

The Management Board bears ultimate responsibility for the management of the risks inherent in the company's objectives, and for the reliability of the internal and external financial and non-financial reporting. The Management Board is also responsible for evaluating the effectiveness of these risk management measures. To fulfil its responsibility, the Management Board bases itself on the following information:

- Letters of representation signed on a quarterly basis by the management of the operating companies and Business Units. Functional management will sign these letters at year end.
- Quarterly self-assessments of internal control of financial reporting as provided by the Vion Financial, IT and Tax Control Frameworks.
- Reports by the internal audit and quality assurance departments on reviews and audits performed during the year. Any findings and measures that need to be taken to address the reported matters are discussed by the operating company management, Business Unit management and/or the Management Board. The summaries of the reports are discussed by the Audit Committee. The internal audit department tracks the follow-up on the findings and gives status reports on a quarterly basis.
- Management letters from the external auditor with findings and comments on the internal control measures 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 2020 financial year and at the date of this annual report, the internal risk management procedures and controls were sufficiently effective to provide a reasonable degree of assurance that:

- The Management Board will duly be informed of the degree to which the company's strategic, operational and financial objectives are being achieved.
- The internal and external reporting provide an adequate understanding of any significant failings in the effectiveness of the internal risk management and control systems and that the financial statements do not contain any material misstatements.
- Based on the current situation, it is justified that the financial statements have been prepared on a going-concern basis.
- The annual report specifies those material risks and uncertainties that are relevant to the company's expected ability to continue as a going concern for the period of 12 months after the preparation of this report.

All 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 company's general affairs, long-term strategy and operational performance. The Supervisory Board is guided in its duties by the interests of the company, focusing on the overall good of the company and the relevant interests of all its stakeholders.

This report describes the activities of the Supervisory Board and its committees in 2020.

Supervisory Board activities

The most important item throughout the year was Vion's approach to the COVID-19 pandemic. The Supervisory Board was regularly updated by the Management Board on the strict measures taken by Vion in order to help prevent the spread of the virus through the company and the impact of COVID-19 on Vion's financial results and liquidity. The Supervisory Board was also kept up-to-date on workforce management. Although workforce management was a priority for Vion before the COVID-19 pandemic and changes in German flexible work legislation as of 1 January 2021 drew extra attention to this topic.

Consistent themes for the Supervisory Board in 2020 were major investment decisions, the implementation of Vion's Strategy Plan that was formulated in 2019, the development of the results of the company and the annual budget. Other topics the Supervisory Board discussed with the Management Board during the year included the spread of African Swine Fever (ASF) and the progress of the modernisation and expansion of the Boxtel plant.

The Supervisory Board was informed about key developments in the field of CSR. The implementation of the IT strategy, HR strategy and risk management were also given due attention.

The outcomes and recommendations of the annual evaluation of the Supervisory Board, as well as its committees and its individual members, were discussed by the Supervisory Board in a dedicated session in November 2020. The Supervisory Board recognised the findings. It will review during the annual evaluation in 2021 whether the recommendations have been followed up.

Finally, the Supervisory Board discussed and approved the annual plan 2021 of the internal audit department in December 2020.

Composition of the Supervisory Board

The composition of the Supervisory Board changed in 2020.

The General Meeting of Shareholders appointed Martine Snels as a member of the Supervisory Board for a period of four years on 19 March 2020.

Tom Heidman stepped down as a member and vice-chair of the Supervisory Board on 3 July 2020 and Hans Huijbers stepped down as a member on 14 July 2020. While the Supervisory Board regrets their decision, it also respects their wishes. The Supervisory Board would like to take this opportunity to thank Tom Heidman and Hans Huijbers for their contribution and great commitment to Vion over the years.

Rogier Jacobs succeeded Tom Heidman as vice-chair of the Supervisory Board. He was appointed as vice-chair by the Supervisory Board on 3 July 2020.

The Supervisory Board currently has the following five members: Theo Koekkoek (chair), Rogier Jacobs (vice-chair), Marieke Bax, Ton van der Laan and Martine Snels.

One of Vion’s diversity aims is to achieve a reasonable gender balance in the Supervisory Board. The Supervisory Board is pleased that, now that it has two female members and three male members, this aim has been met.

Composition of the Management Board

The composition of the Management Board did not change in 2020.

The members of the Management Board are Ronald Lotgerink (CEO) and John Morssink (CFO).

The Supervisory Board evaluated the performance of the Management Board as a whole and that of the individual members in December 2020. The Management Board also evaluated its own performance and effectiveness in October 2020. The Management Board members gave each other feedback on their strengths and points to consider and reflected on this feedback.

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 2020. Bernd Stange (COO Business Unit Beef) and Bernd Stark (COO Business Unit Food Service) both stepped down as COO and member of the Executive Committee in July 2020. Bernd Stange was succeeded by David de Camp as COO Business Unit Beef and Bernd Stark was succeeded by Simon Morris as COO Business Unit Food Service. They both joined the Executive Committee in July 2020.

Besides the Management Board members, the other members of the Executive Committee are John de Jonge (COO Business Unit Pork), David de Camp (COO Business Unit Beef), Simon Morris (COO Business Unit Food Service), Philippe Thomas (COO Business Unit 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 they face in their specific lines of business.

Independence

The Supervisory Board confirms that all Supervisory Board members were independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code during the reporting period and up to 11 March 2021.

Corporate governance

The members of the Supervisory Board do not receive any remuneration that is linked to the company's financial performance. In the event of a conflict of interest with regard to a particular topic, the Supervisory Board member in question will not take part in the discussion 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 duties for Vion and its stakeholders in the best possible way.

Supervisory Board meetings

The Supervisory Board met 12 times in 2020. With a limited number of exceptions, which occurred for valid reasons, all Supervisory Board members attended each of the Supervisory Board meetings. In every instance where a Supervisory Board members was unable to attend, they made sure that they were represented. The Supervisory Board received all the information needed to perform its duties from the Management Board and the company's external auditors. The agendas of the Supervisory Board meetings were drawn up by its chair, in dialogue with the Management Board and the company secretary.

Remuneration, Selection and Appointment Committee

The composition of the Remuneration, Selection and Appointment Committee changed in 2020.

Tom Heidman stepped down as a member on 3 July 2020 and Hans Huijbers did the same on 14 July 2020. Martine Snels succeeded Tom Heidman as a member and chair of the Remuneration, Selection and Appointment Committee on 3 July 2020.

The current members of the Remuneration, Selection and Appointment Committee are Martine Snels (chair) and Theo Koekkoek.

The Remuneration, Selection and Appointment Committee met four times in 2020. 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 a number of human resources-related matters.

Audit Committee

The composition of the Audit Committee did not change in 2020.

The members of the Audit Committee are Marieke Bax (chair), Rogier Jacobs and Ton van der Laan.

The Audit Committee met five times in 2020. The members of the Audit Committee meet in an executive session before each meeting of the Audit Committee to discuss the agenda. The chair interacts regularly with the chair of the Supervisory Board, the CFO and the external auditor.

The Audit Committee advised the Supervisory Board on Vion's financial statements for 2020 and on the discussions with the external auditor about these financial statements.

The Audit Committee meetings focused on the operational and financial performance of the group. Risk management, compliance and internal control are topics that receive ongoing attention by the Audit Committee and are fixed items on the agenda. From a risk management perspective the most important item during the year was the impact of COVID-19 on Vion's financial performance and liquidity. The Audit Committee also closely monitored the refinancing of the working capital facility which was successfully closed at the end of Q3 2020. At the Audit Committee meetings a number of managers presented to the Audit Committee about the following topics: treasury, IT, tax, CSR, quality assurance, cyber security and fraud prevention. Both the external auditor and the internal auditor attend the Audit Committee meetings. In addition, the Audit Committee met with the external auditor without the members of the Management Board being present.

Financial statements

The financial statements for 2020 were initially discussed by the Audit Committee and then by the plenary Supervisory Board in the presence of the Management Board and EY, the external auditor. The Supervisory Board then approved the financial statements. The Supervisory Board proposes that the General Meeting of Shareholders adopt the financial statements for 2020 .

The Supervisory Board would like to take this opportunity to thank Vion's management and all its employees for their efforts over the past year, which was a challenging one due to the COVID-19 pandemic.

Boxtel, the Netherlands, 11 March 2021

On behalf of the Supervisory Board,
Theo Koekkoek, chair

Personal details of the members of the Supervisory Board

Theo Koekkoek
Chair
1971, male, Dutch nationality

Principal position
Agricultural entrepreneur

Main other positions
Member advisory board Coöperatie Cosun, Chair advisory board Aeres and Chair Supervisory Board Efteling B.V.

Rogier Jacobs
Vice-chair
1960, male, Dutch nationality

Principal position
ONE Program Owner ASML

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

Main other positions
Sounding board IT Defensie

Marieke Bax
1961, female, Dutch nationality

Former positions
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, Initiator Talent to the Top and Boardroom advisor Digital Strategy KPMG and Deloitte

Main other positions
Member Supervisory Board FastNed, Non-executive director Frontier Economics, Member advisory board University of Amsterdam and Non-executive director and Chair Audit Committee InPost S.A.

Ton van der Laan
1953, male, Dutch nationality

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

Main other positions
Chair Supervisory Board of Royal De Heus, Member Supervisory Board Dümmen Orange, Vice- chair Supervisory Board Rain Forrest Alliance and Non-executive director Marel

Martine Snels
1969, female, Belgian nationality

Former positions
Member executive board GEA Group Aktiengesellschaft and FrieslandCampina and various management functions at Nutreco and Kemin Industries Ltd.

Main other positions
Member Supervisory Board Electrolux Professional AB and Resilux N.V.

Rotation plan of the Supervisory Board

	Commencement date first appointment	Current term expires in	Commencement date of latest term	Reappointment possible
Ton van der Laan	24 April 2014	2021	4 April 2017	Yes
Theo Koekkoek	27 November 2017	2021		Yes*
Marieke Bax	1 October 2015	2023	21 March 2019	Yes
Rogier Jacobs	15 May 2019	2023		Yes
Martine Snels	19 March 2020	2024		Yes

** Theo Koekkoek was a member of the Supervisory Board of Vion from 9 May 2007 to 9 September 2010. Allowance will be made for this period when determining his maximum appointment period.*

Remuneration

Summary of remuneration policy

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.

The remuneration policy was adopted by the General Meeting of Shareholders on 13 February 2017. There were no changes to this policy in 2020. For details on the remuneration policy, please visit our website.

The Supervisory Board is responsible for ensuring the remuneration policy is implemented and that it supports our general objectives. To make sure that the remuneration is linked to performance, a significant share of the remuneration package is variable, meaning that it is dependent on the short-term performance of the individual board member and the company. The performance targets set must be both realistic and sufficiently stretched. Particularly with regard to variable remuneration components, the Supervisory Board ensures that there is a correlation between the chosen performance criteria and the strategic objectives, as well as between awarded remuneration and performance. These are properly reviewed and accounted for, in setting and achieving.

In accordance with the requirements of the Dutch Corporate Governance Code, the Remuneration, Selection and Appointment Committee carried out scenario analyses before setting targets that were presented to the Supervisory Board for adoption. The scenarios were based on possible outcomes if target and maximum performance levels are achieved, and how this may affect the level and structure of the total remuneration package of the members of the Management Board.

The Remuneration, Selection and Appointment Committee engaged a professional independent remuneration expert to apply an industry benchmark. It reviewed the impact on pay differentials within the company, which was taken into account by the Supervisory Board when determining the overall remuneration. Any other benefits or allowances awarded are reviewed by the Supervisory Board for their competitiveness in the market.

In setting the remuneration levels for the Management Board, allowance is made for the relevant statutory requirements, corporate governance guidelines and best practices in the Netherlands. The point of reference of the total executive remuneration package is the median of the peer group in the labour market. To make sure that we attract and can retain highly skilled and qualified executives, 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, complexity and/or industry, such as Arla Foods, Tönnies Fleischwerk, Cranswick, Danish Crown, FrieslandCampina, Westfleisch and AVEBE. The company is benchmarked every few years.

Variable compensation, which forms a considerable share 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 is comprised of the following components:

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

In addition to the remuneration, the members of the Management Board are entitled to a number of additional benefits, such as reimbursement of expenses, a contribution towards health insurance premiums and a company car.

Base salary in 2020

Upon joining the Management Board, members receive a base salary that is comparable with the median of the peer group in the labour market. The base salary can be changed at the discretion of the Supervisory Board to take account of both the external and internal developments. The reference date for determining the base salary is the 1 January of each year.

The Supervisory Board decided to increase the base salary with the inflation correction as of January 2020.

Amounts in €	Base salary in 2020	Base salary in 2019
Management Board	1,231,200	1,200,000

Short-term cash incentives in 2020

The short-term incentive plan (STIP) rewards the Management Board for delivering a sound operational performance in the competitive environment in which Vion operates. 60% of the target incentive is linked to Vion's financial results and 40% is linked to the achievement of both strategic and personal objectives.

The STIP objectives, including the personal objectives, are set at a challenging level each year, taking into account the general trends in the relevant markets. The incentive that is linked to financial targets will only be paid if the minimum targets have been achieved.

The STIP objectives are revised annually, to ensure they are up-to-date, stretching and realistic. Considerations regarding the targets are influenced by the operational and strategic course taken by Vion and Vion's ambitions. The targets are determined by the Supervisory Board at the beginning of the year, for each member of the Management Board individually.

If the Management Board members have achieved all their targets, they will be awarded an incentive of 50% of their annual base salary. An outstanding performance with regard to the financial targets can increase the STIP level to a maximum of 67.5% of their annual base salary.

The Supervisory Board has approved and reviewed the extent to which the targets were met in 2020. The appropriate short-term incentives will be paid out in 2021 after the financial statements have been adopted.

Short-term cash incentives

Amounts in €	2020	2019
Management Board	618,432	750,000

Changes in remuneration

As the ultimate remedy, the Supervisory Board has the power to change the amount of the variable remuneration components that are awarded if, for any reason, the regular result determination produces an unfair result. In addition, a variable remuneration component awarded to a member of the Management Board can also be clawed back if it turns out that this component was awarded on the basis of incorrect financial or non-financial data. No bonuses that were awarded for the financial year 2019 were revised or clawed back in 2020.

Pensions

Vion offers the following pension provisions to its Management Board members:

– participation in the group defined contribution plan, in which process Vion contributes the average of 20.54% for both Management Board members. The Management Board members, in their capacity as employees, contribute 6% (2019: Vion average contribution for management members: 20.43%; employees: 6%) of their base salary, up to the maximum tax-facilitated amount for 2020 of € 110,111 (2019: € 107,593) per annum, and starting from a level of € 14,167 (2019: € 13,785) (the so-called franchise); and
– an allowance of 20% of the base salary exceeding € 110,111 (2019: € 107,593) per annum; this allowance is taxable.

Pay ratio

Vion has disclosed the pay ratio between the members of Management Board and the other staff on the company's own payroll. We have defined the total Vion population as the average number of FTEs during the year, excluding flex-workers.

The table below shows the average cost of executive remuneration for the past two years:

Amounts in €	2020	2019
Pay ratio (A/B)	17.3	18.7

The ratio between the annual total executive remuneration and the average annual total compensation of employees was 17.3 in the reporting period and 18.7 in the 2019 financial year. For both years, the annual total compensation figures are based on the annual base salary, including social security contributions, variable remuneration and pension benefits, which include some defined benefit plan elements.

Management Board contracts

Agreements for members of the Management Board are concluded for an indefinite duration. The notice period for a termination of the agreement by the board member is 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 the incumbent members of the Management Board provide for severance pay, which has been determined 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 Supervisory Board

The remuneration package for the Supervisory Board is comprised of an annual fixed fee and an annual committee membership fee.

Remuneration awarded to Supervisory Board in 2020

The annual remuneration of the members of the Supervisory Board was determined by the General Meeting of Shareholders on 19 March 2020. The total remuneration (annual fixed fee and annual committee membership fee) of the members of the Supervisory Board amounted to € 0.3 million in the reporting period (2019: € 0.3 million).

Chair Supervisory Board (including membership remuneration, selection and appointment committee)	**€ 75,000**
Vice-chair Supervisory Board	**€ 45,000**
Member Supervisory Board	**€ 40,000**
Chair Audit Committee	**€ 10,000**
Member Audit Committee	**€ 7,500**
Chair and member Remuneration, Selection and Appointment Committee	**€ 7,500**

Loans

The company does not provide any loans to the members of the Management Board and the Supervisory Board.

Financial statements 2020

1 Consolidated financial statements

(in thousands of euros)

1.1 Consolidated statement of profit and loss

For the year ended 31 December 2020

	note	2020	2019
Continuing operations			
Sale of goods		4,861,496	5,026,309
Rendering of services		40,360	33,831
Revenue from contracts with customers	**5**	**4,901,856**	**5,060,140**
Other operating income	6	8,576	8,342
Raw materials and consumables used		3,594,791	3,824,202
Subcontracted work and external costs		570,909	540,754
Employee benefits expenses	7	616,868	587,765
Depreciation and amortisation	8	62,444	59,354
Impairment of non-current assets	9	4,920	12,554
Other operating expenses	10	7,947	7,473
Total operating expenses		**4,857,879**	**5,032,102**
Earnings before interest and taxes		**52,553**	**36,380**
Finance costs	11	–4,509	–7,404
Finance income	11	45	99
Share of profit of associates and joint ventures		1,648	784
Profit before tax from continuing operations		**49,737**	**29,859**
Income tax income/(expense)	12	3,211	–3,226
Profit for the year		**52,948**	**26,633**
Attributable to:			
Equity holders of the parent		51,727	25,372
Non-controlling interests		1,221	1,261
Total		**52,948**	**26,633**

1 Consolidated financial statements

(in thousands of euros)

1.2 Consolidated statement of total comprehensive income

For the year ended 31 December 2020

	note	2020	2019
Profit for the year		52,948	26,633
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	52	–78
Gross (loss)/gain on cash flow hedges	24	–333	2,210
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**–281**	**2,132**
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	1,976	–13,150
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,976**	**–13,150**
Other comprehensive income/(loss) for the year, net of tax		**1,695**	**–11,018**
Total comprehensive income/(loss) for the year, net of tax		**54,643**	**15,615**
Attributable to:			
Equity holders of the parent		53,422	14,354
Non-controlling interest		1,221	1,261
Total		**54,643**	**15,615**

1 Consolidated financial statements

(in thousands of euros)

1.3 Consolidated statement of financial position

For the year ended 31 December 2020

Assets	note	2020	2019
Non-current assets			
Property, plant and equipment	13	321,922	303,575
Investment properties	14	961	1,124
Intangible assets	15	59,260	53,008
Right of use assets	30	37,394	40,912
Investment in associates and joint ventures	16	9,101	7,197
Other non-current financial assets	18	4,005	3,781
Deferred tax assets	19	36,833	29,025
Total non-current assets		**469,476**	**438,622**
Current assets			
Inventories	20	188,122	221,364
Trade and other receivables	21	348,176	511,189
Prepayments		10,093	9,430
Other current financial assets	18	5,603	3,834
Income tax receivable		1,116	556
Cash and cash equivalent	22	49,058	4,368
Assets held for sale	23	-	1,200
Total current assets		**602,168**	**751,941**
Total assets		**1,071,644**	**1,190,563**

1 Consolidated financial statements

(in thousands of euros)

	note	2020	2019
Equity			
Issued capital	24	2,285	2,285
Share premium	24	372,716	372,716
Legal reserves	24	22,143	21,319
Retained earnings	24	31,076	18,833
Result for the year	24	51,727	25,372
Equity attributable to equity holders of the parent		**479,947**	**440,525**
Non-controlling interests	17	13,141	12,630
Total equity		**493,088**	**453,155**
Non-current liabilities			
Interest-bearing loans and borrowings	25	36,817	40,255
Other non-current financial liabilities	26	5,799	7,120
Provisions	27	737	1,559
Net employee defined benefit liabilities	28	127,410	135,714
Deferred tax liabilities	19	137	17
Total non-current liabilities		**170,900**	**184,665**
Current liabilities			
Trade and other payables	29	368,289	399,415
Interest-bearing loans and borrowings	25	13,350	135,729
Other current financial liabilities	26	5,842	5,793
Contract liability	5	2,879	2,368
Income tax payable		6,409	2,475
Provisions	27	10,887	6,963
Total current liabilities		**407,656**	**552,743**
Total liabilities		**578,556**	**737,408**
Total equity and liabilities		**1,071,644**	**1,190,563**

1 Consolidated financial statements

(in thousands of euros)

1.4 Consolidated statement of changes in equity

For the year ended 31 December 2020

		Attributable to the equity holders of the parent									
				Legal reserves							
	Note	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 2019		**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**
Reclassification		–	–	–	–	–	–	–	**–**	–	**–**
Transfer to legal reserves		–	–	–	–	–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
Appropriation of net result		–	–	–	–	–	25,372	–25,372	**–**	–	**–**
Profit for the period		–	–	–	–	–	–	51,727	**51,727**	1,221	**52,948**
Other comprehensive income		–	–	–333	52	–	1,976	–	**1,695**	43	**1.738**
Total comprehensive income		–	–	–333	52	–	1,976	51,727	53,422	1,264	54,686
Dividends		–	–	–	–	–	–14,000	–	**–14,000**	–753	**–14,753**
Acquisition of subsidiaries		–	–	–	–	–	–	–	**–**	–	**–**
Transactions with minority shareholders		–	–	–	–	–		–	**–**		**–**
Transfer from legal reserve		–	–	–	–	1,105	–1,105	–	**–**	–	**–**
Balance at 31 December 2020		2,285	372,716	1,228	643	20,272	31,076	51,727	479,947	13,141	493,088

1 Consolidated financial statements

(in thousands of euros)

1.5 Consolidated statement of cash flows

For the year ended 31 December 2020

	note	2020	2019
Cash flow from operating activities			
Profit before tax		**49,737**	**29,859**
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	13	42,086	44,852
Depreciation and impairment of right-of-use-assets		16,708	16,044
Depreciation and impairment of investment properties	14	163	163
Amortisation and impairment of intangible assets	15	8.407	10,849
Gain on disposal of property, plant and equipment	6	–268	–3,729
Finance income	11	–45	–99
Finance costs	11	5,993	7,244
Net foreign exchange differences	11	–1,484	160
Share of profit of associates and joint ventures	16	–895	–206
Movement in provisions, pensions and government grants	27, 28	–7,532	–1,420
Working capital adjustments:		–3,443	
(Increase)/decrease in trade and other receivables and prepayments	21	165,103	–119,891
(Increase)/decrease in inventories	20	38,480	–47,955
Increase/(decrease) in trade and other payables	29	–36,365	42,380
		276,645	**–21,749**
Interest received		606	99
Interest paid		–4,606	–7,015
Income tax received/(paid)		–949	–1,390
Net cash flow from operating activities		**271,696**	**–30,055**

	note	2020	2019
Cash flow from investment activities			
Proceeds from sale of property, plant and equipment	13	979	2,554
Purchase of property, plant and equipment	13	–58,864	–48,261
Proceeds from sale of intangible assets		27	–
Purchase of intangible assets	15	–8,924	–2,209
Development expenditures	15	–5,022	–4,200
Proceeds from sale of financial fixed assets		26	–
Purchase of subsidiaries	4	–1,432	–
Dividends received from subsidiaries, associates and joint ventures		45	322
Proceeds from sale of associates		–300	–
Net cash flow from investment activities		**–73,465**	**–51,794**
Cash flow from financing activities			
Proceeds from borrowings		–122,987	101,225
Payment of principal portion of lease liabilities		–16,293	–14,860
Proceeds from non-bank debts		1,311	545
Dividend paid to equity holders of the parent	24	–14,000	–3,970
Dividend paid to non-controlling interests	26	–1,879	–2,509
Net cash flow from financing activities		**–153,849**	**80,431**
Net increase/(decrease) in cash and cash equivalents		44,382	–1,418
Net foreign exchange difference		308	–353
Cash and cash equivalents at 1 January		4,368	6,139
Cash and cash equivalents at 31 December		**49,058**	**4,368**

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 2020 were authorised for publication by the management board following the approval by the supervisory board on 11 March 2021. 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 2020. 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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

– Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

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

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

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

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

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

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

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

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

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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.

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.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

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

i) Non-current assets held for sale and discontinued operations

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

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

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations
- Is part of a single 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.

j) Property, plant and equipment

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

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

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

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

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

k) Leases

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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.

l) Borrowing costs

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

m) Investment properties

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

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

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

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

n) Intangible assets

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

o) Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to Vion. Vion measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Vion's financial assets at amortised cost includes trade receivables and loans 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.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

In making that evaluation, Vion reassesses the internal credit rating of the debt instrument. In addition, Vion considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Vion considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Vion may also consider a financial asset to be in default when internal or external information indicates that Vion is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Vion. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

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

Derecognition

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

Offsetting of financial instruments

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

p) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

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

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

Cash flow hedges

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

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

q) Inventories

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventory is reduced for estimated losses due to obsolescence. This reduction is determined based on sales in recent past and/or expected future demand.

r) Impairment of non-financial assets

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

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

Vion assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Vion estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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 unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

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

s) Cash and cash equivalents

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

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

t) Provisions

General

Provisions are recognised when Vion has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Vion expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring provisions

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

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.

u) Pensions and other post-employment benefits

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

Defined contribution plan

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

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

Defined benefit plan

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

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

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Vion recognises the following changes in the net defined benefit obligation under 'Employee benefits expense' and 'Finance costs' in the consolidated statement of profit and loss:
– Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
– Net interest expense or income

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

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

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

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

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations
Vion applied IFRS 16 Leases in 2019, amendment below relates to this specific standard.

Several amendments and interpretations apply for the first time in 2020, 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.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of Vion.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of Vion as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to Vion.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. 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
– Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
– IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
– IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
– IAS 41 Agriculture – Taxation in fair value measurements

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

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current:
  In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.
  The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. These amendments have no material 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 include:
– Financial instruments risk management and policies Note 34
– Sensitivity analyses disclosures Notes 15, 28 and 34

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 30 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 (for the estimates made as per year-end 2020, Covid-19 and ASF have been considered by management on Business Unit level). 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.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about pension obligations are provided in note 28.1.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See note 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 2020, the carrying amount of capitalised development costs was € 17.0 million (2019: € 17.7 million).

The amount includes significant investments in the common design for the new ERP system for Pork and Beef, the implementation of a new Vion wide master data management system as well as development of a blockchain which supports the Vion strategy pillar BBC (building balanced chains).

4 Acquisitions and disposals

4.1 Acquisitions in 2020

Etn. Adriaens NV

On 30 November 2020 Vion signed an agreement to purchase the shares of Etn. Adriaens NV, a company that slaughters and debones cattle on and for the Belgium and Dutch markets. With the envisaged purchase of the Adriaens shares Vion will expand its footprint to the Belgian market, create access to Belgian cattle and consolidate its position in Western Europe. Adriaens is located in Zottegem (Belgium), southwest of Antwerp, has around 125 employees and a turnover of over € 50 million per year. Adriaens fits into Vion's strategy to build balanced chains and enable locally sourced products for our customers. The company has one of the best and most modern slaughterhouses in Belgium and as such fits the portfolio of Vion. Adriaens also slaughters and debones the so-called Blue Belgians, one of the highest quality meat races of cattle which are mainly sold locally.

Upon completion of the transaction, the activities will become part of the Business Unit Beef but will be managed locally to optimally serve the local needs and opportunities. Investments and focus on animal welfare and high quality of production will strengthen the position of Adriaens on the local market and open this market for Vion. The total consideration to be paid for the shares amounts to € 2.5 million.

On 17 February 2021 Vion closed the agreement to purchase the shares of Etn. Adriaens NV. Vion has gained control over the activities from 17 February 2021.The results realized 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.

NWT-CT GmbH

On 4 December 2019 Vion signed a purchase agreement for the acquisition of certain assets and liabilities of NWT, GmbH and CT GmbH, companies that specialise in the processing and marketing of by-products from pig slaughterhouses, from the Saria Group.

After receiving the final regulatory approvals Vion gained control over the assets and liabilities acquired as from 29 March 2020 onwards. The results realised with the assets have been included in the consolidated results of the Group the same date as when the assets were acquired.

The total consideration to be paid for the assets and liabilities acquired amounts to € 1.4 million. The initial consideration, which amounted to approximately € 5.5 million, was adjusted for changes in working capital. In 2020 the fair value of the assets and liabilities acquired was determined and is accounted for accordingly.

As a result a gain on the transaction, for NWT GmbH has been recognised of € 3.4 million which is included in the line Other operating income in the consolidated statement of profit and loss.

4.2 Disposals

During 2020, 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 2020	For the year ended 31 December 2019
Sale of goods	4,861,496	5,026,309
Rendering of services	40,360	33,831
Total revenue from contracts with customers	**4,901,856**	**5,060,140**
Geographical markets		
The Netherlands	639,656	612,955
Germany	1,749,303	1,866,154
Italy	397,445	436,838
United Kingdom	189,183	188,532
Greece	161,347	186,286
Other European countries	875,426	941,850
Total Europe	**4,012,360**	**4,232,614**
Asia	799,516	750,021
North America	45,725	34,558
Other countries	44,255	42,947
Total revenue from contracts with customers	**4,901,856**	**5,060,140**
Timing of revenue recognition		
Goods transferred at a point in time	4,861,496	5,026,309
Services transferred at a point in time	40,360	33,831
Total revenue from contracts with customers	**4,901,856**	**5,060,140**

(in thousands of euros, unless stated otherwise)

5.2 Contract balances	31 December 2020	31 December 2019
Trade receivables	319,407	469,739
Contract liability	2,879	2,368

Trade receivables are non-interest bearing and are generally on terms of 15 to 45 days. In 2020 € 1.4 million (2019: €2.8 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.

5.3 Customer bonusses	31 December 2020	31 December 2019
Customer bonusses	21,310	26,159

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

6 Other operating income

	2020	2019
Profit/(loss) from sales of fixed assets	–117	1,842
Rental income	802	786
Insurance coverage	2	77
Other	7,889	5,637
Total other operating income	**8,576**	**8,342**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

7 Employee benefits expenses

	2020	2019
Wages and salaries	222,371	218,390
Social security costs	37,617	37,113
Contributions to defined contribution plans	11,520	11,044
Expenses related to post-employment defined benefit plans	633	352
Post-employee benefits other than pensions	136	113
Termination benefits	3,839	3,969
Temporary staff	328,136	306,547
Other employee benefit costs	12,616	10,237
Total employee benefits expenses	**616,868**	**587,765**

An overview of the number of FTEs and flex workers is provided in the key figures on page 12.

8 Depreciation and amortisation

	2020	2019
Depreciation of property, plant and equipment	37,382	34,650
Depreciation of right of use assets	16,708	16,015
Amortisation of intangible assets	8,354	8,689
Total depreciation and amortisation	**62,444**	**59,354**

9 Impairment of non-current assets

	2020	2019
Impairment of property, plant and equipment	4,867	10,365
Impairment of intangible fixed assets	53	2,160
Impairment of Right of Use assets	–	29
Total impairment of non-current assets	**4,920**	**12,554**

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.

(in thousands of euros, unless stated otherwise)

10 Other operating expenses

	2020	2019
Restructuring expenses	1,844	2,715
Lease costs buildings and non-production equipment	3,743	2,482
Other	2,360	2,276
Total other operating expenses	**7,947**	**7,473**

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

11 Finance costs and income

Finance costs	2020	2019
Interest accretion pension provision	–491	–1,718
Interest and charges financing facility	–725	–1,178
Finance charges payable under finance leases and hire purchase contracts	–1,185	–1,358
Interest accretion jubilee provision	–23	–51
Other	–3,013	–2,780
Total interest expenses	**–5,437**	**–7,085**
Financing fee	–556	–159
Currency exchange losses / gains	1,484	–160
Total finance costs	**–4,509**	**–7,404**

Finance income	2020	2019
Interest income on a loan to an associate	–	19
Interest accretion deferred receipts	–	21
Other	45	59
Total finance income	**45**	**99**

(in thousands of euros, unless stated otherwise)

12 Income tax income/(expense)

	2020	2019
Current income tax		
Current income tax charge	–3,070	–2,856
Adjustments in respect of current income tax of previous year	–1,268	–83
Deferred tax:		
Relating to origination and reversal of temporary differences	7,549	–287
Income tax income/(expense) reported in the statement of profit or loss	**3,211**	**–3,226**

Reconciliation between the statutory and effective tax rate	**2020**	**2019**
Statutory income tax rate	25%	25%
Profit before tax from continuing operations	49,737	29,859
Inclusion profit/(loss) joint ventures for tax purposes		613
Profit/(loss) before tax from discontinued operations	223	-
Profit before income tax	**49,960**	**30,472**
Statutory income tax amount	–12,490	–7,618
Change in valuation of available losses and timing differences	16,108	2,079
Non-taxable income	610	3,317
Effect of participation exemption	455	–146
Non-deductible expenses for tax purposes	–512	–746
Tax rate change	2,095	1,198
Effect of different foreign tax rates	–1,405	–564
Adjustment prior years	–1,898	–866
Other	182	–61
Income tax (expense)/income including joint ventures	**3,145**	**–3,407**
Excluding tax expense/(income) joint ventures	66	181
Income tax (expense)/income reported in the statement of profit or loss	**3,211**	**–3,226**
Effective tax rate	**–6.5%**	**10,8%**

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 2019	**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**
Additions	11,989	25,882	2,847	18,084	58,802
Additions through business combinations	**525**	**1,424**	**495**	**83**	**2,527**
Disposals	**–2,174**	**–9,263**	**–9,019**	**–210**	**–20,666**
Reclassifications	**2,722**	**1,127**	**971**	**–4,843**	**–23**
Effect of movements in exchange rates	**–2**	**–**	**–19**	**–**	**–21**
Balance at 31 December 2020	**597,826**	**519,524**	**6,487**	**38,346**	**1,162,183**
Depreciation and impairment					
Balance at 1 January 2019	**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**
Depreciation	11,241	21,412	4,515	–	37,168
Impairment	**913**	**3,591**	**236**	**128**	**4,868**
Disposals	**–2,114**	**–8,882**	**–8,874**	**–144**	**–20,014**
Reclassifications	**–**	**–**	**–**	**271**	**271**
Effect of movements in exchange rates	**–4**	**–**	**–17**	**–**	**–21**
Balance at 31 December 2020	**447,321**	**389,110**	**3,830**	**–**	**840,261**
Carrying amounts					
Balance at 31 December 2019	**147,481**	**127,365**	**3,242**	**25,487**	**303,575**
Balance at 31 December 2020	**150,505**	**130,414**	**2,657**	**38,346**	**321,922**

2 Notes to the consolidated financial statements

(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.

Assets under construction

Assets under construction per end of 2020 mainly relates to investments programs for the production site Boxtel, for which the construction is expected to be finalized at the start of Q2 2021, where 2019 was mainly related to the investments programs for the production sites Boxtel and Emstek.

14 Investment properties

	2020	2019
Balance at 1 January	**1,124**	**1,287**
Depreciation and impairment charges	–163	–163
Balance at 31 December	**961**	**1,124**

	2020	2019
Accumulated cost	5,170	5,170
Accumulated depreciation and impairment	–4,209	–4,046
Balance at 31 December	**961**	**1,124**

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 (2019: € 0.3 million).

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

(in thousands of euros, unless stated otherwise)

15 Intangible assets

	Goodwill	Software	Software under development	Other	Total
Cost					
Balance at 1 January 2019	**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
Additions through business combinations	–	–		–	–
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**
Additions – internally developed	**–**	**–**	**5,022**	**–**	**5,022**
Additions – separately acquired	**–**	**5,090**	**3,834**	**–**	**8,924**
Additions through business combinations	**224**	**30**	**–**	**581**	**835**
Reclassifications	**–**	**4,843**	**–4,940**	**–**	**–97**
Disposal	**–**	**–14,062**	**–23**	**–**	**–14,085**
Balance at 31 December 2020	**25,924**	**67,401**	**8,170**	**7,207**	**108,702**
Amortisation and impairment					
Balance at 1 January 2019	**–**	**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**
Amortisation	**–**	**7,695**	**–**	**660**	**8,355**
Impairment	**–**	**53**	**–**	**–**	**53**
Disposal	**–**	**–14,061**	**–**	**–**	**–14,061**
Balance at 31 December 2020	**–**	**46,989**	**252**	**2,201**	**49,442**
Carrying amounts					
Balance at 31 December 2019	**25,700**	**18,198**	**4,025**	**5,085**	**53,008**
Balance at 31 December 2020	**25,924**	**20,412**	**7,918**	**5,006**	**59,260**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Additions through business combinations
Software include intangible assets acquired through business combinations.

Reclassifications
The transfer of assets fully relates to assets under development which were brought to use during 2020. 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 Business Units Pork, Beef, Retail and Food Service.

Carrying
Amount of goodwill allocated to each of the Business Units:

	2020	2019
Pork	2,384	2,384
Beef	662	438
Food Service	22,878	22,878
Total	**25,924**	**25,700**

Pork, Beef, Retail and Food Service
The recoverable amounts of the Business Units Pork, Beef and Food Service, have been determined based on a value in use calculation. No goodwill has been recognised in the Business Unit Retail.

In the annual impairment test performed in the fourth quarter of 2020, 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 2020 are based on the new strategic plan 'Building Balanced Chains'. The strategic plan includes expected market developments and a number of new initiatives that have been committed or started before the end of 2020, 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 2020. However, still certain assumptions used in determining the financial impact of the initiatives and the expected market developments are surrounded by uncertainty.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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 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 2020.

The key assumptions used in the impairment test are set out below. The pre-tax cash flow projections were determined using the management's internal forecasts that cover an initial period from 2020 to 2025, 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)	**2020**	**2019**
Discount rate Pork	**6.95%**	7.07%
Discount rate Beef	**7.06%**	7.13%
Discount rate Food Service	**7.24%**	7.38%
Budgeted EBITDA growth rate (average of next five years) Pork	**9.6%**	14.4%
Budgeted EBITDA growth rate (average of next five years) Beef	**14.4%**	45.2%
Budgeted EBITDA growth rate (average of next five years) Food Service	**35.4%**	8.8%
Further growth rate used	**nil**	nil

The discount rate was a pre-tax measure estimated based on the historical industry weighted-average cost of capital, with a possible debt leveraging of 72% (2019: 69%) at a market interest rate of 0.93% negative (2019: 0.11% negative). The budgeted EBITDA growth rate has been calculated using the reporting year as the base line. The EBITDA for Pork and Beef for the reporting year is higher than last year.

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 € 339.8 million (2019: € 175.6 million), for Beef by approximately € 113.2 million (2019: € 104.6 million) and for Food Service by approximately € 189.1 million (2019: € 211.7 million). For Vion the estimated recoverable amount exceeded its carrying amount by approximately € 379.7 million (2019: € 271.5 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:

	2020	2019
Pork		
Increase discount rate, basis points	7.98%	5.10%
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–6.53%	–4.66%
Beef		
Increase discount rate, basis points	4.62%	4.65%
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–3.66%	–5.84%
Food Service		
Increase discount rate, basis points	18.31%	27.06%
Decrease forecasted EBITDA growth rate (average of next four years), basis points	–21.83%	–19.53%

16 Investment in associates and joint ventures

	2020	2019
Interest in associates	8,890	7,065
Joint ventures	211	132
Balance at 31 December	**9,101**	**7,197**

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.

	2020	2019
Carrying amount of interests in immaterial associates	8,890	7,065
Vion's share of:		
Profit from continuing operations	1,570	568
Total comprehensive income	**1,570**	**568**

(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.

	2020	2019
Carrying amount of interests in immaterial joint ventures	211	132
Vion's share of:		
Profit from continuing operations	78	216
Total comprehensive income	**78**	**216**

17 Material partly-owned subsidiaries

Material partly-owned subsidiaries relate to the non-controlling interest amounting to € 13.1 million (2019: € 12.6 million).

		2020		2019	
	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%	2,565	49.0%	2,008
Vion SBL Landshut GmbH	Germany	49.0%	5,699	49.0%	5,903
SFB Fleisch- und Kühlcentrale GmbH&Co KG	Germany	37.5%	407	37.5%	403
Best Hides GmbH	Germany	40.0%	4,565	40.0%	4,482
Other			-94		-166
Total			**13,141**		**12,630**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

Proportion of equity interest held by Vion:

	Country	2020	2019
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:

	2020	2019
Vion SBL Landshut GmbH	5,699	5,903
Vion EGN Südostbayern GmbH	2,565	2,008
BestHides GmbH	4,565	4,482

Profit allocated to material non-controlling interest:

	2020	2019
Vion SBL Landshut GmbH	–	–
Vion EGN Südostbayern GmbH	315	–
BestHides GmbH	–	–

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

Summarised statement of profit and loss for 2020	**Vion SBL Landshut GmbH**	**Vion EGN Südostbayern GmbH**	**BestHides GmbH**
Revenue	**203,829**	**177,436**	**42,547**
Raw materials and consumables used	165,795	147,076	26,293
Other operational expenses	38,695	27,425	15,853
Finance costs	226	1,336	65
Profit before tax	**–887**	**1,599**	**336**
Income tax	–22	–540	–130
Profit for the year from continuing operations	**–909**	**1,059**	**206**
Total comprehensive income	**–909**	**1,059**	**206**
Attributable to non-controlling interests	–	315	–
Dividends paid to non-controlling interests	122	718	700

2 Notes to the consolidated financial statements

(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 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

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

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Summarised statement of financial position as at 31 December 2020	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Total non-current assets	21,885	11,156	5,782
Total current assets	9,749	12,508	15,865
Total current liabilities	–10,157	–10,419	–7,496
Total non-current liabilities	–9,718	–4,524	–1,368
Total provisions	–129	–3,487	–1,371
Total equity	**11,630**	**5,235**	**11,412**
Attributable to:			
Equity holders of the parent	5,932	2,670	6,847
Non-controlling interest	5,699	2,565	4,565
Total	**11,630**	**5,235**	**11,412**

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	4,483
Total	12,046	4,098	11,206

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Summarised cash flow information for year ended 31 December 2020	Vion SBL Landshut GmbH	Vion EGN Südostbayern GmbH	BestHides GmbH
Cash flow from operating activities	7,061	5,945	3,875
Cash flow from investing activities	–944	–1,560	–121
Cash flow from financing activities	–4,910	–1,629	–2,079
Net increase/(decrease) in cash and cash equivalents	**1,207**	**2,756**	**1,674**

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

(in thousands of euros, unless stated otherwise)

18 Other financial assets

	2020	2019
Non-current other financial assets		
Deferred receipts	3,299	3,497
Other	706	284
Total Non-current other financial assets	**4,005**	**3,781**
Current other financial assets		
Derivatives	1,989	3,355
Loan to an associate	–	479
Other	3,614	–
Total Current other financial assets	**5,603**	**3.834**

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

	2020	2019
Deferred tax assets	36,833	29,025
Deferred tax liabilities	–137	–17
Total deferred tax	**36,696**	**29,008**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Origin of deferred tax assets and tax liabilities 2020	Net balance at 1 January	Recognised in profit or loss	Recognised directly in equity	Net balance at 31 December
Property, plant and equipment	11,151	641	–	11,792
Intangible assets	768	–118	–	650
Derivatives	–	–	–	–
Employee benefits	12,110	1,614	–325	13,399
Provisions	2,818	1,144	–	3,962
Loans and borrowings	1,295	–280	–	1,015
IFRS 16 - lease liability	10,234	65	–	10,299
Other temporary differences	14	–14	–	–
Tax losses and tax credits	215,917	738	–	216,655
Total gross deferred tax assets	**254,307**	**3,790**	**–325**	**257,772**
Unrecognised deductible temporary differences, tax losses and tax credits	–209,008	3,922	325	–204,761
Subtotal net deferred tax assets	**45,299**	**7,712**	**–**	**53,011**
Offsetting	–16,274	96	–	–16,178
Net deferred tax assets	**29,025**	**7,808**	**–**	**36,833**
Property, plant and equipment	–3,128	–137	–	–3.265
Intangible assets	–1,448	–12	–	–1.460
Derivatives	–472	–	142	–330
Provisions	–	–15	–	–15
Loans and borrowings	–1,189	–56	–	–1.245
IFRS 16 - right of use asset	–9,947	34	–	–9.913
Other temporary differences	–107	19	–	–88
Total gross deferred tax liabilities	**–16,291**	**–166**	**142**	**–16,315**
Offsetting	16,274	–96	–	16,178
Net deferred tax liabilities	**–17**	**–262**	**142**	**–137**

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 2019	Net balance at 1 January	Recognised in profit or loss	Recognised directly in equity	Other	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**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Overview tax losses and other carry forwards 2020

Expiring term deferred tax assets unused tax losses and tax credits	2021	2022	2023	Indefenite	Total
Unused tax losses	11.678	162,291	6,125	997,601	1,177,695
Unused tax credits	–	–	–	45,720	45,720
Total unused tax losses and tax credits	**11,678**	**162,291**	**6,125**	**1,043,321**	**1,223,415**
Gross deferred tax assets on unused tax losses and tax credits	2,920	40,573	1,531	162,896	207,920
Unrecognised deferred tax assets unused tax losses and tax credits	–	–35,769	–	–133,013	–168,782
Recognised deferred tax assets on unused tax losses and tax credits	**2,920**	**4,804**	**1,531**	**29,883**	**39,138**
Recognised deferred tax assets deductible temporary differences					13,873
Netted deferred tax liabilities					–16,178
Net deferred tax assets					**36,833**

2 Notes to the consolidated financial statements

(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	Indefenite	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**	**1,303,990**
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	–	–32,064	–	–157,452	–189,516
Recognised deferred tax assets on unused tax losses and tax credits	**7,044**	**3,153**	**1,329**	**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**

Vion has € 1.223 million (2019: € 1.304 million) of tax losses carried forward and tax credits. This represents a gross deferred tax asset of € 208 million (2019: € 216 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 € 1.030 million (2019: € 1.194 million).
This represents a write-down of the deferred tax asset for € 169 million (2019: € 190 million). Out of the total amount of unrecognised losses an amount of € 143 million (2019: € 148 million) expire in the period 2020 – 2023. The remaining losses do not expire.

A total amount of € 94 million (2019: € 69.9 million) of unrecognised deductible temporary differences will expire in the years after 2023 (2019: 2023). The unrecognised deferred tax asset regarding these deductible temporary differences amount to € 27 million (2019: € 19.5million).

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

20 Inventories

	2020	2019
Finished goods	148,883	184,789
Raw materials and consumables	37,489	34,519
Work in progress	1,750	2,056
Total	**188,122**	**221,364**
Allowance for obsolete inventory	–15,131	–7,718

Raw materials and consumables include packaging materials and spare parts for an amount of € 29.4 million (2019: € 25.5 million).

21 Trade and other receivables

	2020	2019
Trade receivables	319,407	469,739
VAT receivable	23,422	35,469
Interest receivables	102	664
Other receivables	5,245	5,317
Total	**348,176**	**511,189**

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 2020, trade receivables with an initial carrying value of € 1.4 million (2019: € 2.8 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 2019	**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**
Charge for the year	1,527
Utilised	–942
Other	–
Unused amounts reversed	–1,885
Balance at 31 December 2020	**1,445**

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
2020	319,407	281,759	24,479	9,678	3,358	133
2019	469,739	385,941	53,117	18,483	8,582	3,616

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 2020, an amount of € 0 million (2019: € 123.0 million) was drawn under the credit facilities.

(in thousands of euros, unless stated otherwise)

22 Cash and cash equivalents

	2020	2019
Total cash and cash equivalents	**49,058**	**4,368**

The cash and cash equivalents include no amounts (2019: nil) that are only available to Vion under certain conditions, as agreed with credit insurers.

23 Assets held for sale

	2020	2019
Freehold land and buildings held for sale	–	1,200
Total assets held for sale	**–**	**1,200**

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

The property located on the freehold lands was previously used in Vion's operations. Vion has sold this asset in February 2020.

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 (2019: 3,566, no movements during 2019). On 31 December 2020, there were 50,784 fully paid-up shares issued to third parties (2019: 50,784, no movements during 2019).

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 2020 and 2019. The current financing facility includes a minimum equity requirement. Vion complied with this covenant in 2020 and 2019. More information about liquidity and capital management is stated in the section liquidity risk, as part of chapter financial risk management.

(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 2020	2020	2019
Cash flow hedge reserve	1,228	1,561
Foreign exchange translation reserve	643	591
Other legal reserves	20,272	19,167
Total	**22,143**	**21,319**

As at 31 December 2020	Cash flow hedge reserve	Foreign currency translation reserve	Total
Currency forward contracts	1,228	–	1,228
Foreign exchange translation reserve	–	643	643
Total	**1,228**	**643**	**1,871**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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**

Other Legal reserves As at 31 December 2020	2020	2019
Reserve for not free distributable profits and reserves of share holdings	3,274	1,448
Reserve for capitalised internally developed software	16,998	17,719
Total	**20,272**	**19,167**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

25 Interest-bearing loans and borrowings

	Interest rate	Maturity	2020	2019
Non-current interest-bearing loans and borrowings				
Loans from minority shareholders	5.00%	No end date	11,723	11,105
Lease liabilities	0.03% - 6.0% (0.03% - 6.0%)	2022-2111 (2021-2111)	25,094	29,150
Total non-current interest-bearing loans and borrowings			**36,817**	**40,255**
Current interest-bearing loans and borrowings				
Secured financing facility of € 250 million (2019: € 200 million)	based on 1 month Euribor	Mid-2024 (Mid-2021)	–712	122,491
Lease liabilities	0.03%-6.0% (0.03%-6.0%)	2021(2020)	14,062	13,238
Total current interest-bearing loans and borrowings			**13,350**	**135,729**
Total interest-bearing loans and borrowings			**50,167**	**175,984**

Secured financing facility

On 17 September 2020 Vion closed a committed € 250 million sustainability linked Working Capital facility, refinancing its existing facility. The facility is provided by ABN AMRO Commercial Finance, NIBC, UniCredit and Deutsche Bank, UniCredit, NIBC and Rabobank. The facility has a duration of 5 year and its size has been increased from € 200 million to € 250 million. The effective interest rate is 1.51% (2019: 1.84%).

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 2020, Vion was in compliance with these covenants.

At 31 December 2020, an amount of € 0 million (2019: € 123.0 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

26 Other financial liabilities	2020	2019
Non-current other financial liabilities		
Dividend payable to minority shareholders	4,936	6,814
Other payables	863	306
Total non-current other financial liabilities	**5,799**	**7,120**
Current other financial liabilities		
Dividend payable to minority shareholders	5,445	4,645
Derivatives	397	1,148
Total current other financial liabilities	**5,842**	**5,793**
Total other financial liabilities	**11,641**	**12,913**

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	2020	2019	Financing Cash Flow 2020	2018	Financing Cash Flow 2019
Interest bearing liabilities	50,167	175,984	–125,817	38,217	137,767
Other financial liabilities	11,641	12,913	–1,272	9,657	3,256
Less: derivatives	–397	–1,147	750	–1,662	515
Total			**–126,339**		**141,537**
Adoption IFRS 16			–		–40,245
Total financing cash flow			**–126,339**		**101,292**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

27 Provisions

Provisions 2020	Restructuring	Onerous contracts	Other	Total
At 1 January	5,884	1,474	1,164	8,522
Arising during the year	5,759	8	3,878	9,645
Utilised	–5,182	–1,074	–47	–6,303
Unused amounts reversed	–240	–	–	–240
Unwinding of discount	–	–	–	–
At 31 December	**6,221**	**408**	**4,995**	**11,624**
Current	5,843	408	4,636	10,887
Non-current	378	–	359	737

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	–	–33	–1,391
Unused amounts reversed	–532	210	–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

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. Additions in 2020 are mainly related to the closing of a location and a restructuring of a location at the Business Unit Retail. 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.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

28 Net employee defined benefit liabilities	2020	2019
Pension commitments	123,005	131,407
Jubilee benefit commitments	4,275	4,174
Other	130	133
Total	**127,410**	**135,714**

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 € 7.2 million (2019: € 7.4 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 € 7.2 million and € 6.5 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	2020	2019
Present value of defined benefit obligations	123,653	132,045
Less: fair value of plan assets	–648	–638
Total pension commitments	**123,005**	**131,407**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Change in present value of defined benefit obligations	2020	2019
Present value as at 1 January	**132,045**	**123,802**
Current service cost	152	132
Interest expense	500	1,728
Net actuarial (gain) / loss on financial assumptions	–582	15,137
Net actuarial (gain) / loss due to liability experience	–1,567	–1,665
Benefits paid	–6,894	–7,089
Present value as at 31 December	**123,653**	**132,045**

Change in fair value of the plan assets	2020	2019
Present value as at 1 January	**638**	**629**
Expected return of plan assets	9	9
Net actuarial gain / (loss)	1	–
Present value as at 31 December	**648**	**638**

Breakdown of investments of the plan assets	2020	2019
Reinsured	**648**	**638**

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Breakdown of pension costs	**2020**	**2019**
Current service cost	**152**	132
Interest cost on benefit obligation	**491**	1,719
Net benefit expense	**643**	**1,851**

Statement of other comprehensive income	**2020**	**2019**
Balance as at 1 January	**–15,306**	**–1,834**
Net actuarial gain / (loss) on financial assumptions	**582**	–15,137
Net actuarial gain / (loss) due to liability experience	**1,567**	1,665
Difference between actual return on plan assets and expected interest income on plan assets	**1**	–
Balance as at 31 December	**–13,155**	**–15.306**

The main actuarial parameters at year-end	**2020**	**2019**
Discount rate	**0.43%**	0.39%
Salary increase rate	**2.00%**	2.00%
Pension increase rate	**1.50%**	1.50%
Weighted average duration of the defined benefit obligation	**11.99**	12.35

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

Sensitivity present value of pension obligations 2020	31 December 2020 In thousands of euros	Change in %
Discount rate +0.5%	**116,689**	**–5.77%**
Discount rate -0.5%	**130,123**	**5.28%**
Salary increase rate +0.5%	**123,305**	**0.24%**
Salary increase rate -0.5%	**123,173**	**–0.34%**
Pension increase rate +0.5%	**130,635**	**5.69%**
Pension increase rate -0.5%	**117,126**	**–5.24%**

Sensitivity present value of pension obligations 2019	31 December 2019 In thousands of euros	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%

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 € 68,807 topped with a defined contribution scheme for pensionable salaries exceeding this, tax driven maximised at € 110,111.
- Bedrijfstak Pensioenfonds Slagers runs a defined benefit scheme for pensionable salaries up to the fiscal maximum of € 110,111.
- Bedrijfstak Pensioenfonds Vervoer VLN runs a defined benefit scheme for pensionable salaries up to € 57,232 topped with a defined contribution scheme for pensionable salaries exceeding this, tax driven maximised at € 110,111.
- For Vion N.V. and ICT personnel a defined contribution pension scheme up to the fiscal maximum of € 110,111 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 2021 is € 10.4 million (2019: for 2020 expected contribution amounted€ 10.5 million)

At year end, there was only a shortfall in the VLEP pension fund. At year end, the coverage ratio was 90.1% (2019: 93.4%) for the VLEP pension fund, 101.5% (2019: 106.7%) for the Pension Fund for the Butcher's Trade, and 103.5% (2019: 103.2%) 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	2020	2019
Present value as at 1 January	**4,174**	**3,957**
Current service cost	278	253
Interest addition	23	51
Benefits paid	–319	–254
Transfer in / (out)	49	23
Net actuarial results on change in assumptions:		
Mortality rate	–	–
Retirement age	–2	–124
Discount rate	72	268
Present value as at 31 December	**4,275**	**4,174**

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	2020	2019
Discount rate	0.40%	0.60%
Salary increase rate	1.62-2.50%	1.62-2.50%
Dismissal chance	Depending on age. between 1.0-8.0%	Depending on age. between 1.0-8.0%

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

29 Trade and other payables

	2020	2019
Trade payables	230,836	258,805
Invoices to be received	62,245	55,027
Customer Bonusses	21,310	26,159
Employee benefit payables	28,479	31,851
Taxes and social security contributions	10,903	10,500
Other payables	14,516	17,073
Total	**368,289**	**399,415**

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 2019	**14,280**	**9,435**	**31,834**	**1,930**	**57,479**
Reclassifications	–	–	–99	–17	–116
Additions	3,758	55	9,649	554	14,016
Disposal / Early Termination	–2,559	–251	–3,725	–257	–6,792
Balance at 31 December 2020	**15,479**	**9,239**	**37,659**	**2,210**	**64,587**
Amortisation and impairment					
Balance at 31 December 2019	**3,474**	**3,494**	**9,125**	**474**	**16,567**
Reclassifications	–	–	–98	–16	–114
Depreciation	3,612	1,213	10,801	690	16,316
Disposal / Early Termination	–1.639	–254	–3,425	–258	–5,576
Balance at 31 December 2020	**5,447**	**4,453**	**16,403**	**890**	**27,193**
Carrying amounts					
Balance at 31 December 2019	**10,806**	**5,941**	**22,709**	**1,456**	**40,912**
Balance at 31 December 2020	**10,032**	**4,786**	**21,256**	**1,320**	**37,394**

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	2020	2019
As at 1 january	**42,388**	**6,571**
Adoption IFRS 16	–	40,245
Additions	15,601	10,992
Accretion of interest	1,185	1,358
Payments	–17,608	–16,218
Early termination / disposal	–2,410	–560
As at 31 December	**39,156**	**42,388**
Current	14,062	13,238
Non-current	25,094	29,150

The maturity analysis of lease liabilities is as followed:

	2020			2019		
	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	14,914	0,03-6%	14,062	14,350	0,03-6%	13,238
Between one and five year	22,857	0,03-6%	21,384	25,827	0,03-6%	23,923
More than five years	4,450	1,62-6%	3,710	6,227	1,62-6%	5,227

The carrying value of the related assets amounts to € 37.4 million (2019: € 40.9 million).

(in thousands of euros, unless stated otherwise)

The following are the amounts recognised in profit or loss:

Profit & Loss	2020	2019
Depreciation expenses of right-of-use assets	16,708	16,015
Interest expense on lease liabilities	1,185	1,358
Expense relating to short-term leases	4,495	4,371
Expense relating to leases of low-value assets	1,269	1,002
Variable lease payments	4,973	4,287
Total amount recognised in profit or loss	**28,630**	**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:

2020	**Fixed Payments**	**Variable Payments**	**Total**
Fixed rent	16,435	–	16,435
Variable rent with minimum lease payments	1,173	4,205	5,378
Variable rent only	–	768	768
Total	**17,608**	**4,973**	**22,581**

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	1,093	1,092	2,185
	1,093	**1,092**	**2,185**

31 Commitments and contingencies

Contractual commitments to acquire property, plant and equipment

At the end of 2020 Vion has contractual commitments to acquire property, plant and equipment.

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 2020 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:

	2020	2019
< 1 year	**€ 3 million**	€ 2 million
1 to 5 years	**€ 3 million**	€ 3 million
> 5 years	**€ 1 million**	€ 2 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 € 4.1 million was issued in bank guarantees (2019: € 10.2 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 arguments.
Vion has reacted by immediate filings to court (“Sprungklage”) in one sample case and by corresponding formal objections at tax authorities level. In first instance the court ruled in favour of Vion. The tax authorities have appealed against the court’s decision. In the unexpected event of an unfavourable supreme 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 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')	2020	–	–	164	–	–
	2019	–	–	117	–	–
Associates						
Topigs Group B.V.	2020	–	–	–	–	–
	2019	–	131	–	–	–
HY-CO Hybridschweine - Cooperationsgesellschaft GmbH	2020	–	–	–	–	–
	2019	143	3,582	–	112	–

		Interest received	Amounts owed by related parties
Loans from/to related parties			
Associates			
Topigs Group B.V.	2020	3	–
	2019	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 2020, Vion has not recorded any impairment of receivables relating to amounts owed by related parties (2019: € 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 2020 and 2019.

33 Remuneration of key management

The table below specifies the remuneration of key management.

2020	Management Board
Short-term employee benefits:	
– Fixed remuneration	1,231
– Variable remuneration	618
Post-employment pension benefits	242
Other	132
Total	2,223

2019	Management Board
Short-term employee benefits:	
– Fixed remuneration	1,200
– Variable remuneration	750
Post-employment pension benefits	235
Other	132
Total	2,317

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 € 0.3 million in 2020 (2019: € 0.3 million).

(in thousands of euros, unless stated otherwise)

34 Financial risks and financial instruments

34.1 Financial assets	2020	2019
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	1,989	3,355
Derivatives designated as hedging instruments		
Deferred receipts	3,299	3.497
Total financial instruments at fair value	**5,288**	**6,852**
Financial assets at amortised cost		
Trade and other receivables	348,176	511,189
Loan to an associate	–	479
Other financial assets	706	284
Total financial assets at amortised costs	**348,882**	**511,952**
Total	**354,170**	**518,804**
Total current	350,871	515,307
Total non-current	3,299	3,497
Total	**354,170**	**518,804**

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

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

(in thousands of euros, unless stated otherwise)

34.2 Financial liabilities	**2020**	**2019**
Derivatives designated as hedging instruments		
Foreign exchange forward contracts	397	1,147
Total financial instruments at fair value	**397**	**1,147**
Interest-bearing loans and borrowings at amortised costs		
Secured financing facility of € 250 million (2019: € 200 million)	–712	122,491
Loans from minority shareholders	11,723	11,105
Financial lease obligations	39,156	42,388
Total interest-bearing loans and borrowings at amortised costs	**50,167**	**175,984**
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables	368,289	399,416
Dividend payable to minority shareholders	10,381	11,459
Contract liability	2,879	2,368
Other payables (note 25 Other financial liabilities)	863	306
Total other financial liabilities at amortised costs	**382,412**	**413,548**
Total	**432,976**	**590,679**
Total current	390,360	545,304
Total non-current	42,616	47,375
Total	**432,976**	**592,679**

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.

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

(in thousands of euros, unless stated otherwise)

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.

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts designated as hedging instruments				
Fair value	**1,989**	**397**	3,355	1,147

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 2020 were assessed to be highly effective and a net unrealised gain/loss of € 1.3 million (2019: € 1.7 million), with a deferred tax liability of € 0.3 million (2019: deferred tax liability of € 0.7 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 2020 amounts to € 0.3 million negative (2019: € 2.2 million). The amounts retained in OCI at 31 December 2020 are expected to mature and affect the statement of profit and loss in 2021.

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 2020 and 2019 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	2020: – 2019: –	The current part of the dividend payable fully relates to the results of the current year. The non-current part relates to 2022 and is based on the contractual minimum. 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 2020	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		31-12-2020	1,296	–	1,296	–
– Foreign exchange forward contracts JPY		31-12-2020	454	–	454	–
– Foreign exchange forward contracts other currencies		31-12-2020	239	–	239	–
Deferred receipts	18	31-12-2020	3,299	–	3,299	–
Assets for which fair values are disclosed						
Investment properties	14					
– Retail properties		31-12-2020	961	–	961	–
Loan to an associate	18	31-12-2020	–	–	–	–
Other financial assets	18	31-12-2020	706	–	706	–
Liabilities measured at fair value						
Derivatives financial liabilities	26					
– Foreign exchange forward contracts USD		31-12-2020	15	–	15	–
– Foreign exchange forward contracts JPY		31-12-2020	92	–	92	–
– Foreign exchange forward contracts other currencies		31-12-2020	290	–	290	–
Liabilities for which fair values are disclosed						
Interest-bearing loans and borrowings	25					
– Secured financing facility of € 250 million (2019: € 200 million)		31-12-2020	–712	–	–712	–
– Financial lease obligations		31-12-2020	39,156	–	39,156	–
– Loans from minority shareholders		31-12-2020	11,723	–	11,723	–
Dividend payable to minority shareholders	26	31-12-2020	10,381	–	–	10,381

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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		31-12-2019	1,799	–	1,799	–
– Foreign exchange forward contracts JPY		31-12-2019	1,423	–	1,423	–
– Foreign exchange forward contracts other currencies		31-12-2019	133	–	133	–
Deferred receipts		31-12-2019	3,497	–	3,497	–
Assets for which fair values are disclosed						
Investment properties	14					
– Retail properties		31-12-2019	1,124	–	1,124	–
Loan to an associate	18	31-12-2019	479	–	479	–
Other financial assets	18	31-12-2019	284	–	284	–
Liabilities measured at fair value						
Derivatives financial liabilities	26					
– Foreign exchange forward contracts USD		31-12-2019	410	–	410	–
– Foreign exchange forward contracts JPY		31-12-2019	97	–	97	–
– Foreign exchange forward contracts other currencies		31-12-2019	640	–	640	–
Liabilities for which fair values are disclosed						
Interest-bearing loans and borrowings	25					
– Secured financing facility of € 200 million (2016: € 125 million)		31-12-2019	122,491	–	122,491	–
– Financial lease obligations		31-12-2019	42,388	–	42,388	–
– Loans from minority shareholders		31-12-2019	11,105	–	11,105	–
Dividend payable to minority shareholders	26	31-12-2019	11,459	–	–	11,459

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 Business Units 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 2020 and 2019. 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 2020.

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.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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 2020 and 2019 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 2020 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 € 195 million net at year-end 2020 (2019: € 421 million). The fair value of these contracts at the balance sheet date was an amount totalling € 1.6 million (2019: € 2.2 million). The fair values of all financial instruments approximate the book values. All forward exchange contracts are to be settled within 1 year.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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
2020	+5%	–	**+ 4,979**
	-5%	–	**– 5,503**
2019	+5%	–	+ 13,225
	-5%	–	– 14,617

	Change in JPY rate	Effect on profit before tax	Effect on pre-tax equity
2020	+5%	–	**+ 2,057**
	-5%	–	**– 2,273**
2019	+5%	–	+ 4,499
	-5%	–	– 4,973

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 2020 (2019: none).

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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
2020	**Euro**	**+50**	**–731**
	Euro	**–50**	**–365**
2019	Euro	+50	– 338
	Euro	–50	+ 338

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 € 250 million maturing in September 2024.

2 Notes to the consolidated financial statements

(in thousands of euros, unless stated otherwise)

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

Year ended 31 December 2020	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 € 250 million (2019: € 200 million)	–	–712	–	–	–	–712
– Financial lease obligations	–	3,516	10,546	21,384	3,710	39,156
– Loans from minority shareholders	–	–	–	11,723	–	11,723
Dividend payable to minority shareholders	–	–	5,445	4,936	–	10,381
Other payables (note 25 Other financial liabilities)	–	–	–	863	–	863
Trade and other liabilities	–	347,943	20,346	–	–	368,289
Contract liability	–	2,879	–	–	–	2,879
Derivatives financial liabilities	–	356	41	–	–	397
Total	–	353,982	36,378	38,906	3,710	432,976

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	6,815	–	11,459
Other payables (note 25 Other financial liabilities)	–	–	–	306	–	306
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

35 List of principal subsidiaries

(in percent)	Proportion of ordinary shares directly held by Vion	Country of incorporation
A. Moksel GmbH		Germany
Ahlener Fleischhandel GmbH	87.5	Germany
BestHides GmbH	60	Germany
CEMO GmbH		Germany
De Groene Weg B.V.		the Netherlands
Encebe Vleeswaren B.V.		the Netherlands
FVZ Convenience GmbH		Germany
Me-at Leeuwarden B.V.		the Netherlands
NWT-CT GmbH		Germany
Otto Nocker Fleischmarkte GmbH		Germany
Otto Nocker GmbH		Germany
Salomon Food World GmbH		Germany
Salomon Hitburger GmbH		Germany
SFB Fleisch- und Kühlcentrale GmbH&Co KG	62,5	Germany
Südfleisch Bamberg GmbH		Germany
Südfleisch Waldkraiburg GmbH		Germany
Südost-Fleisch GmbH		Germany
VION Apeldoorn B.V.		the Netherlands
VION Bad Bramstedt GmbH		Germany
VION Beef Süd 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

(in percent)	Proportion of ordinary shares directly held by Vion	Country of incorporation
VION Hilden GmbH		Germany
VION Holdorf TK GmbH		Germany
VION Perleberg GmbH		Germany
VION Retail Groenlo B.V.		the Netherlands
VION Retail Nederland B.V.		the Netherlands
VION Rundvee B.V.		the Netherlands
VION SBL Landshut GmbH	51	Germany
VION Scherpenzeel B.V.		the Netherlands
VION Tilburg B.V.		the Netherlands
VION Trading B.V.		the Netherlands
VION Zucht- und Nutzvieh GmbH		Germany

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

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

Consolidated subsidiaries

Unless otherwise indicated, these are wholly owned subsidiaries. The disclosed significant subsidiaries represent the most important subsidiaries based on revenues and operating result, before elimination of intercompany transactions within the Group. The list of companies represents approx. 98,7% 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

On 17 February 2021 Vion closed the agreement to purchase the shares of Etn. Adriaens NV. Vion has gained control over the activities from 17 February 2021 and will include the results realised with the assets in the consolidated result from this date onwards.

3 Company financial statements

(in thousands of euros)

3.1 Company statement of financial position

Assets	note	2020	2019
Non-current assets			
Subsidiaries	2	484,406	428,425
Deferred tax assets	3	9,202	11,526
Total non-current assets		**493,608**	**439,951**
Current assets			
Receivables from group companies		–	1,599
Income tax receivable		78	3,449
Total current assets		**78**	**5,048**
Total assets		**493,686**	**444,999**

3 Company financial statements

(in thousands of euros)

Equity and liabilities	note	2020	2019
Equity			
Issued capital	4	2,285	2,285
Share premium	4	372,716	372,716
Legal reserves	4	22,143	21,319
Retained earnings	4	31,076	18,833
Result for the year	4	51,727	25,372
Total Equity	4	479,947	440,525
Current liabilities			
Payables to group companies		13,731	4,465
Other payables		8	9
Total liabilities		13,739	4,474
Total equity and liabilities		493,686	444,999

3.2 Company statement of profit and loss

	2020	2019
Result from group companies after taxation	54,286	21,732
Other results after taxation	–2,559	3,640
Net result for the period	51,727	25,372

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

	2020	2019
Balance at 1 January	428,425	**420,883**
Result	54,286	21,732
Transactions with minority shareholders	–	–3,172
Other comprehensive income	1,695	–11,018
Balance at 31 December	**484,406**	**428,425**

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

3 Deferred tax assets

	2020	2019
Balance at 1 January	11,526	**11,152**
Additions	–	374
Deductions	–2,324	–
Balance at 31 December	**9,202**	**11,526**

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	Legal reserves: Cash flow hedge reserve	Legal reserves: Foreign currency translation reserve	Legal reserves: Other Legal reserves	Retained earnings	Result for the year	Total Equity
Balance at 1 january 2019	**2,285**	**372,716**	**-649**	**669**	**21,157**	**29,194**	**7,941**	**433,313**
Appropriation of net 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 share-holders	–	–	–	–	–	–3,174	–	–3,174
Reclassification	–	–	–	–	–	–	–	–
Transfer to legal reserves	–	–	–	–	–1,990	1,990	–	–
Balance at 31 december 2019	**2,285**	**372,716**	**1,561**	**591**	**19,167**	**18,833**	**25,372**	**440,525**
Appropriation of net result	–	–	–	–	–	25,372	–25,372	–
Profit for the period	–	–	–	–	–	–	51,727	51,727
Other comprehensive income	–	–	–333	52	–	1,976	–	1,695
Total comprehensive income	**–**	**–**	**–333**	**52**	**–**	**1,976**	**51,727**	**53,422**
Dividends	–	–	–	–	–	–14,000	–	–14,000
Transactions with minority share-holders	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–	–
Transfer to legal reserves	–	–	–	–	1,105	–1,105	–	–
Balance at 31 december 2020	**2,285**	**372,716**	**1,228**	**643**	**20,272**	**31,076**	**51,727**	**479,947**

4 Notes to the company financial statements

(in thousands of euros, unless stated otherwise)

The other legal reserves relates to capitalised internally developed software (2020: € 17.0 million; 2019: € 17.7 million) and to not free distributable profits and reserves of shareholdings (2020: € 3.3 million; 2019: € 1.5 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:

			2020			2019
	EY The Netherlands	EY International	Total	EY The Netherlands	EY International	Total
Annual accounts audit	717	728	1,445	693	729	1,422
Other audit related services	23	226	249	52	322	373
Tax related activities	–	–	–	–	–	–
Other	–	–	–	–	–	–
	740	954	1,694	745	1,051	1,795

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 2020 of € 51.7 million a sum of € 34.2 million should be added to the reserves. The remaining € 17.5 million is at the disposal of the general meeting of shareholders.

	2020
Addition to reserves	34,227
Dividend distribution	17,500
Net result 2020	**51,727**

We propose that the remaining sum be distributed as dividend, implying a dividend of € 344.59 (€ 17.5 million/50,784) per share.

8 Subsequent events

On 17 February 2021 Vion closed the agreement to purchase the shares of Etn. Adriaens NV. Vion has gained control over the activities from 17 February 2021 and will include the results realised with the assets in the consolidated result from this date onwards.

Boxtel, 11 March 2021

Management board
Ronald Lotgerink, CEO
John Morssink, CFO

Supervisory board
Theo Koekkoek, chair
Rogier Jacobs, vice chair
Marieke Bax
Ton van der Laan
Martine Snels

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 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Vion Holding N.V. based in Best. The financial statements comprise the consolidated and 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 December 31, 2020, and of its result and its cash flows for 2020 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 December 31, 2020, and of its results for 2020 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 December 31, 2020.
– The following statements for 2020: 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.
– 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 December 31, 2020.
– The company statement of profit and loss account for 2020.
– 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, Strategy development, 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.

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.

5 Other information

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.
- 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.
- 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.

5 Other information

We communicate with the supervisory board and management 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, March 11, 2021

Ernst & Young Accountants LLP

signed by R.E.J. Pluymakers

Vion

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Annual report 2020

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