

Annual Accounts 2008



FOOD GROUP



Passion
for **Better**
Food

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The annual accounts form a part of the VION Annual Report 2008, which can be found on www.vionfood.com

Consolidated balance sheet

as at 31 December 2008 (before profit appropriation)
in thousands of euros

	<i>Note</i>	2008	2007
ASSETS			
Fixed assets			
Intangible fixed assets	4	167,042	162,772
Tangible fixed assets	5	1,435,093	1,011,345
Financial fixed assets	6	83,679	76,290
		1,685,814	1,250,407
Current assets			
Inventories	7	540,118	346,870
Receivables	8	964,753	831,959
Investments		164	755
Cash and cash equivalents		150,030	181,472
		1,655,065	1,361,056
Total assets		3,340,879	2,611,463
LIABILITIES			
Group equity			
Shareholders' equity	9	661,955	658,224
Minority interests in group equity	10	119,428	101,222
		781,383	759,446
Provisions	11	286,237	243,384
Long-term liabilities			
Subordinated loan		0	30,000
Other long-term liabilities	12	1,004,710	772,047
		1,004,710	802,047
Short-term liabilities	13	1,268,549	806,586
Total liabilities		3,340,879	2,611,463

Consolidated profit and loss account

for 2008
in thousands of euros

	Note	2008	2007
Operating income			
Net sales	17	8,540,396	6,996,025
Changes in inventories of finished products and semi-finished products		23,525	256
Other operating income	18	80,553	143,566
Total operating income		8,644,474	7,139,847
Operating costs			
Raw materials and consumables		5,955,334	4,935,119
Costs of subcontracted work and external expenses		1,351,057	1,048,688
Wages, salaries and social security charges	19	1,056,592	834,041
Depreciation of fixed assets	20	163,576	134,203
Other operating costs	21	-12,437	-17,689
Total operating costs		8,514,122	6,934,362
Operating result		130,352	205,485
Financial income and charges			
Interest income and similar revenues		20,371	14,184
Income from non-consolidated participating interests		2,453	2,217
Interest charges and similar expenses		-99,999	-62,255
Total financial income and charges		-77,175	-45,854
Result from normal business operations before taxes		53,177	159,631
Taxes	23	739	-33,586
Result after taxes		53,916	126,045
Minority interests in the result		-21,735	-21,894
Net result		32,181	104,151

Consolidated cash flow statement

for 2008
in thousands of euros

Cash flow from operating activities

Operating result

Adjustments to reconcile operating result with net cash flow from operating activities:

Depreciation

Decrease of provisions

(Increase)/decrease of current assets

- trade receivables

- inventories

- pre-paid expenses and other current assets

Increase/(decrease) of current liabilities

- trade payables

- taxes and social security charges

- various debts and accrued liabilities

Net cash flow from business operations

Financial income received

Financial charges paid

Income tax paid

Net cash flow from operating activities

Cash flow from investment activities

Investments in intangible fixed assets

Disposals of intangible fixed assets

Investments in tangible fixed assets

Disposals of tangible fixed assets

Investments in financial fixed assets

Disposals of financial fixed assets

Acquisition of group companies (including loans issued)

Divestment of group companies

Net cash flow from investment activities

	2008	2007
Operating result	130,352	205,485
Adjustments to reconcile operating result with net cash flow from operating activities:		
Depreciation	163,576	134,203
Decrease of provisions	-17,910	-31,956
(Increase)/decrease of current assets		
- trade receivables	-14,284	17,296
- inventories	-51,555	-449
- pre-paid expenses and other current assets	-21,672	8,775
Increase/(decrease) of current liabilities		
- trade payables	15,960	-14,974
- taxes and social security charges	11,933	-3,525
- various debts and accrued liabilities	-6,031	-18,689
Net cash flow from business operations	210,369	296,166
Financial income received	22,371	17,600
Financial charges paid	-101,603	-60,355
Income tax paid	-37,456	-22,849
Net cash flow from operating activities	93,681	230,562
Cash flow from investment activities		
Investments in intangible fixed assets	-11,470	-7,610
Disposals of intangible fixed assets	183	391
Investments in tangible fixed assets	-146,157	-159,069
Disposals of tangible fixed assets	12,213	37,083
Investments in financial fixed assets	-6,840	-3,282
Disposals of financial fixed assets	5,598	3,477
Acquisition of group companies (including loans issued)	-523,158	-93,626
Divestment of group companies	0	20,336
Net cash flow from investment activities	-669,631	-202,300

in thousands of euros

Cash flow from financing activities

Dividend payment	-15,235	-13,001
Borrowing of bank loans	212,154	141,800
Borrowing/(repayment) of loans and credits	269,010	-72,011
Dividend paid to minority shareholders	-11,724	-9,766
Repayment of long term non-bank loans	-3,433	-3,782

Net cash flow from financing activities

450,772 **43,240**

Effect of exchange rate differences

84,825 -386

Increase/(decrease) of cash and cash equivalents

-40,353 **71,116**

Cash and cash equivalents at the start of the year

182,227 96,594

Cash and cash equivalents of acquired companies

8,320 14,517

Cash and cash equivalents at year-end

150,194 **182,227**

Accounting principles

Note 1 – General principles

The financial statements have been drawn up in euros and are based on historic cost prices.

Comparable figures 2007

The financial data of companies acquired in 2008 have been included in the consolidated annual accounts from the moment of acquisition.

The following companies were acquired in 2008:

- J&J Tranfield Ltd of Sheffield (United Kingdom), 76% of the shares, 3 January 2008.
- J&J Tranfield Ltd of Sheffield (United Kingdom), increase of the interest from 76% to 83,13%, 3 April 2008.
- Rebière Ingredientes Alimentícios S.A. of Amparo (Brazil), 65% of the shares, 21 January 2008.
- Grampian Country Food Group of Livingston (United Kingdom), 100% of the shares, 11 August 2008.

System change

VION has implemented a system change regarding the publication of draft guideline RJ 271.3 on employee benefits and pensions in February 2009 by the Dutch Council for Annual Reporting in its annual accounts of 2008. This draft guideline implies a fundamental change of the treatment of pension plans in the annual accounts, when compared to the IFRS oriented approach which was formerly adopted by the Council. Although the guideline is still in a draft state, the Council has created an option to implement the draft guideline in the annual accounts of 2008. VION has chosen this option, because the new and significantly simplified reporting guidelines are consistent with VION's view on the treatment of pension plans in the annual accounts.

The effect of the system change on equity as per 31 December 2007 is positive €21.7 million. The figures as of 31 December 2007 regarding the pension obligations have been adjusted to the new system.

This means that the difference between the pension obligations as accounted for in the annual accounts of 2007 and the pension obligations as valued according to the draft

guideline, has been added to equity, taking income tax into account.

The impact of the system change on the result is broadly negative €0.6 million.

Principles for consolidation

The full consolidation method has been used to compile the consolidated financial statements of VION Holding N.V. and its subsidiaries.

With respect to joint ventures, consolidation has been realized using the proportional method.

A list of the consolidated group companies has been filed with the Trade Registry of the Chamber of Commerce in Eindhoven.

On the basis of Section 402, Part 9 Book 2 of the Dutch Civil Code, the company profit and loss account is included in an abbreviated format.

Foreign currency conversion

The assets and liabilities of foreign group companies are converted into euros using the official exchange rates applicable at the end of the period under review.

Any resulting differences compared to a previous period are credited to or debited from shareholders' equity.

The amounts in the profit and loss account denominated in foreign currencies are converted at the average exchange rate during the period under review. The resulting difference between the application of the average exchange rates and the balance sheet rates is directly credited to or debited from shareholders' equity.

Hedge accounting

Derivatives are used to hedge currency and interest rate risks. Cost price hedge accounting is applied regarding derivatives which are part of an effective hedge relationship. All derivatives for which hedge accounting is not applied, are valued at cost.

Impairment of assets

For cash flow generating units of which the results do not meet expectations, the present value of future cash flows is calculated. This calculation is made each year, using current interest rates. Depending on the outcome, the valuation of the aggregate of assets (intangible, tangible and financial) may need adjustment.

Note 2 – Principles for the valuation of assets and liabilities

Intangible fixed assets

Intangible fixed assets acquired from third parties are valued at acquisition price less depreciation.

Goodwill is determined by subtracting from the acquisition price the fair value of the assets and liabilities of the acquired company, based on the valuation method of the parent company.

Intangible fixed assets are depreciated according to their estimated economic lifetime with a maximum of twenty years.

The goodwill of acquired companies is tested, based on future cash flows generated by these companies. These cash flows are expected to be perpetual.

Tangible fixed assets

Tangible fixed assets are valued at acquisition price less depreciation.

Tangible fixed assets are depreciated to their residual value following the straight-line method on the basis of the period of use. This period of use is as follows:

- business premises: 25-30 years,
- plant and equipment: 10-12.5 years,
- other fixed business assets: 3-10 years.

Depreciation begins in the year in which the asset was taken into use.

Assets no longer in use are valued at book value or lower market value. Permanent decreases in value in the financial year are directly subtracted from the book value.

Received investment subsidies are subtracted from the relevant tangible fixed assets.

Financial fixed assets

Participations are valued at net asset value in accordance with the valuation principles of the parent company.

Deferred tax assets are recognized to the extent that future taxable profits against which the assets can be utilized, are expected to be available, with a planning period consistent with the sectors in which VION operates.

Other receivables are stated at face value. A provision for uncollectable items is subtracted if necessary.

Inventories

Inventories are valued at the lower of acquisition price and market value.

The FIFO method is used to determine the value of the inventories.

Inventories of finished products and semi-finished products are valued at purchase price and a markup for production costs to be allocated. Included are the costs of raw materials and consumables, direct production costs and a proportional share of general production costs, taking the stage in the production process into account. If necessary, the valuation includes a reduction for obsolescence.

Receivables

Receivables are stated at face value. A provision for doubtful debtors is subtracted if necessary.

Investments

Investments are valued at market value or purchase price and are at the free disposal of the company.

Cash and cash equivalents

Cash and cash equivalents are at the free disposal of the company.

Provision for deferred tax obligations

The provision for deferred tax obligations is formed for obligations arising from the difference between the valuation of assets and liabilities in the financial statements and the valuation for tax purposes.

The provision is stated at face value on the basis of the applicable tax rate.

Pension provisions

A provision is included for pension obligations which are not placed with an insurance company. The provision for pension obligations includes a provision for existing pension obligations and a provision for future pension obligations.

All these obligations are calculated on the basis of actuarial calculations and assume an interest percentage based on the market interest rate.

Other provisions

The provisions for reorganisations and other obligations were formed for legal or actual obligations existing on the balance sheet date for which the amount, while it is not known exactly, can be reasonably estimated. Most of these obligations are related to historical events, the settlement of which will occur after the balance sheet date.

Restructuring provisions are also included. These are provisions related to a number of current and announced reorganisations, and the obligations related to the continuing pressure on the livestock sector in the Netherlands, Germany and the United Kingdom. This pressure will further increase the overcapacity within the industry.

VION must anticipate this and restructure its own business. Although the consequences for the individual companies within the group are not yet clear, a provision has been formed for the actual obligations which are expected to arise.

When drawing up the financial statements, management decides on estimates and assumptions which partly determine

the numbers included. The actual results may differ from these estimates.

The other provisions are stated at face value and the majority can be characterised as long-term.

Liabilities

Long-term and current liabilities are stated at face value.

Note 3 – Principles for the determination of results

Net sales

Net sales as stated in the profit and loss account consist of the revenue from goods supplied to third parties less customer discounts (excluding payment discounts) and excluding sales taxes.

Other operating income

Other operating income includes (amongst other things) book profits on assets sold, revenues for research and development services, export subsidies received, as well as rent and commission income.

Costs

Costs are stated at purchase price.

Depreciation on fixed assets

Depreciation on intangible fixed assets is calculated on the basis of the purchase price, taking into account the economic lifetime.

The depreciation on tangible fixed assets incorporated into the profit and loss account is calculated on the basis of a fixed percentage of the purchase price, taking into account the residual value and the expected economic lifetime.

Also included are permanent decreases in value of assets in the financial year under review, less provisions formed for this purpose in the past.

Other operating costs

Other operating costs include the changes in provisions, as well as book losses on assets sold.

Taxes on the result

These taxes are calculated on the results, taking into account loss compensation and tax facilities which have a permanent influence on the tax burden.

The tax burden applicable in the countries in which the companies concerned are registered is used as a basis.

Financial income and expenses

This includes the costs of currency swaps and interest rate swaps.

The share of non-consolidated participations in the result is the group's share of the results of these participations.

Third party share in the result

This is the portion of the result of the company payable to other participating shareholders.

Notes to the consolidated balance sheet

ASSETS

Note 4 – Intangible fixed assets

Intangible fixed assets consist of the costs related to goodwill, software, product development, and intellectual property, as well as patent and trademark rights.

Movements in intangible fixed assets were as follows:

in thousands of euros	Goodwill	Software	Product Development	Other	Total
Balance on 1 January 2008					
Purchase price	333,529	30,561	1,780	27,308	393,178
Cumulative depreciation	192,422	15,817	758	21,409	230,406
Book value	141,107	14,744	1,022	5,899	162,772
Changes to the book value					
Acquisition of group companies	0	0	0	226	226
Investments	9,465	10,808	10	652	20,935
Disposals	0	-102	0	-81	-183
Reclassification	-61	-387	-1	449	0
Depreciation	-11,367	-5,688	-139	-1,622	-18,816
Exchange rate differences	1,636	-2	51	423	2,108
Movements	-327	4,629	-79	47	4,270
Balance on 31 December 2008					
Purchase price	339,738	41,559	1,870	28,302	411,469
Cumulative depreciation	198,958	22,186	927	22,356	244,427
Book value	140,780	19,373	943	5,946	167,042

Note 5 – Tangible fixed assets

in thousands of euros

	Buildings and land	Plant and equipment	Other business assets	Fixed business assets under con- struction	Non- pro- ductive assets	Total
Balance on 1 January 2008						
Purchase price	1,172,788	1,412,491	194,920	48,961	9,200	2,838,360
Cumulative depreciation	606,988	1,045,179	169,064	564	5,220	1,827,015
Book value	565,800	367,312	25,856	48,397	3,980	1,011,345
Changes to the book value						
Acquisition of group companies	361,989	160,188	1,202	5,201	0	528,580
Sale of group companies	-409	-113	0	0	0	-522
Investments	22,835	60,355	10,079	52,712	176	146,157
Disposals	-4,148	-5,902	-1,031	-1,132	0	-12,213
Reclassification	9,675	47,924	3,143	-60,742	0	0
Depreciation	-42,898	-92,045	-9,807	0	-10	-144,760
Exchange rate differences	-64,438	-29,123	210	-143	0	-93,494
Movements	282,606	141,284	3,796	-4,104	166	423,748
Balance on 31 December 2008						
Purchase price	1,570,721	1,922,728	209,487	44,744	9,067	3,756,747
Cumulative depreciation	722,315	1,414,132	179,835	451	4,921	2,321,654
Book value	848,406	508,596	29,652	44,293	4,146	1,435,093

The current value of tangible fixed assets on 31 December 2008 was approximately €2,121 million.

Received investment subsidies are subtracted from the relevant tangible fixed assets.

Note 6 – Financial fixed assets

in thousands of euros	2008	2007
Participating interests	20,004	18,276
Loans to non-consolidated participating interests	745	941
Deferred tax assets	41,233	32,933
Other receivables	21,697	24,140
Balance on 31 December	83,679	76,290
Participating interests		
Movements during the financial year were as follows:		
Balance on 1 January	18,276	19,166
Sale of group companies	0	-6
Participating interests acquired during the financial year	2,400	0
Participating interests sold during the financial year	-221	-1,403
Share in the result	2,453	2,217
Dividend payment	-3,035	-1,668
Exchange rate differences	131	-30
Balance on 31 December	20,004	18,276

This relates to the following participating interests with a stake of 20% or higher:

Participating interest

ASAP s.r.o., Vez (Czech Republic)	40.00%
ASAVET s.r.o., Birkov (Czech Republic)	40.00%
FX Technology & Products, Fremont (USA)	33.33%
Pigtire Group B.V., Helvoirt (The Netherlands)	22.50%
Fleischversorgungszentrum Rhein-Main Vermietungs KG, Frankfurt (Germany)	23.76%
Zweckverband 'Schlachthof Emsland', Lingen (Germany)	33.34%
Premium Fleisch-Servicegesellschaft mbH, Zeven (Germany)	42.86%
Berndt GmbH, Oberding (Germany)	21.50%
Berndt Besitz GmbH & Co. KG, Oberding (Germany)	21.50%
Berndt Verwaltungs GmbH, Oberding (Germany)	21.50%
Kurt Böhning & Rudolf Jaeke GmbH & Co KG, Hamburg (Germany)	40.00%
Unterstützungsfonds der Südvieh-Südfleisch GmbH, München (Germany)	87.72%*
WBA Wasserwerksbetriebsgesellschaft mbH, Altenburg (Germany)	33.00%
Unterstützungsfonds GmbH der Firma Lutz Fleischwaren, München (Germany)	100.00%*
Australian Lamb Company Ltd, Etobicoke (Canada)	20.00%
Australian Lamb Company Inc, Wilton (USA)	20.00%

* Not consolidated because there are no rights regarding equity and because no influence can be exercised on profit appropriation.

in thousands of euros

	2008	2007
Loans to non-consolidated participating interests		
Movements during the financial year were as follows:		
Balance on 1 January	941	7,644
Acquisition of group companies	0	-6,647
Redeemed in financial year	-196	-56
Balance on 31 December	745	941
Deferred tax assets		
Balance on 1 January	32,933	46,858
Acquisition of group companies	7,198	0
Balancing of tax assets and obligations	-2,977	2,135
Withdrawal from/addition to the result	5,794	-7,128
Exchange rate differences	-1,715	-409
	41,233	41,456
Decrease due to system change regarding valuation of pension obligations		-8,523
Balance on 31 December	41,233	32,933

At the end of 2008, there were losses at group companies of approximately €493 million with unrestricted compensation possibilities. Losses with compensation possibilities of €142 are valued at €43 million.

For losses with compensation possibilities of €351 million, actual compensation is not expected within the near future. Therefore, these losses have not been valued.

in thousands of euros

	2008	2007
Other receivables		
This relates to loans and mortgages issued (including loans to employees).		
Movements were as follows:		
Balance on 1 January	24,140	23,542
Sale of group companies	0	-44
New loans	1,987	1,065
Redeemed/claimable	-4,445	-350
Exchange rate differences	15	-73
Balance on 31 December	21,697	24,140

Note 7 – Inventories

in thousands of euros

	2008	2007
Raw materials and consumables	91,980	58,244
Semi-finished products	24,263	23,441
Finished products and trade goods	423,875	265,185
Balance on 31 December	540,118	346,870

This includes inventories valued at lower market value of €40 million (2007: €25 million).

Note 8 – Receivables

in thousands of euros

	2008	2007
Trade receivables	796,866	692,781
Taxes and social security charges	74,337	88,567
Other receivables and accrued assets	93,550	50,611
Balance on 31 December	964,753	831,959

LIABILITIES

Note 9 – Shareholders' equity

For a specification of movements in shareholders' equity, please refer to the notes to the company balance sheet.

Note 10 – Minority interests in group equity

in thousands of euros	2008	2007
Balance on 1 January	101,222	66,474
Acquisition of group companies	701	8,895
Sale of group companies	-817	0
Changes in minority interests	7,187	13,944
Share of the result	21,735	21,894
Exchange rate differences	1,124	-1,133
Dividend	-11,724	-9,766
	119,428	100,308
Increase due to system change regarding valuation of pension obligations		914
Balance on 31 December	119,428	101,222

Note 11 – Provisions

in thousands of euros	2008	2007
Deferred tax obligations	74,594	56,247
Pension obligations	109,564	112,895
Other provisions	102,079	74,242
Balance on 31 December	286,237	243,384
Other provisions include a provision for reorganisation and restructuring costs of €70 million (2007: €37 million).		
Deferred tax obligations		
Balance on 1 January	56,247	54,557
Acquisition of group companies	31,342	13,684
Sale of group companies	0	-354
Balancing of tax obligations and assets	-2,977	2,135
Addition to the result	-3,656	-13,535
Exchange rate differences	-6,362	-240
Balance on 31 December	74,594	56,247

in thousands of euros

Pension obligations

The movements in pension obligations were as follows:

	2008	2007
Balance on 1 January	112,895	147,674
Acquisition of group companies	55	272
Sale of group companies	0	-34
Withdrawal from the result	4,122	6,494
Addition to the result	-3,197	-5,464
Usage for the intended purpose	-4,237	-4,891
Exchange rate differences	-74	-44
	109,564	144,007
Decrease due to system change regarding valuation of pension obligations		-31,112
Balance on 31 December	109,564	112,895

Other provisions

Balance on 1 January	74,242	102,522
Acquisition of group companies	53,961	387
Sale of group companies	0	-537
Withdrawal from the result	23,378	30,949
Addition to the result	-17,440	-32,807
Usage for the intended purpose	-20,544	-26,237
Exchange rate differences	-11,518	-35
Balance on 31 December	102,079	74,242

Note 12 – Long-term liabilities

in thousands of euros

	2008	2007
Credit institutions	999,787	763,691
Other liabilities	4,923	8,356
Balance on 31 December	1,004,710	772,047

Note 13 – Current liabilities

in thousands of euros	2008	2007
Credit institutions	283,685	41,885
Repayment obligations	8,742	32,684
Suppliers and trade creditors	555,601	418,862
Taxes and social security charges	47,717	78,723
Other liabilities and accrued liabilities	372,804	234,432
Balance on 31 December	1,268,549	806,586

Note 14 – Liabilities owed to credit institutions

The conclusion of a new credit facility in December 2008, for an amount of €1,140 million and with a 3 year term, has replaced the existing financing agreements. No security was provided for this facility. A redemption scheme is part of the new credit agreement.

An amount of €50 million will be redeemed after 18 months, and the same amount will be repaid after 30 months. Furthermore, agreements were made on repayments regarding this facility in the event of the intended sale of some subsidiaries. In addition to the credit facility as mentioned above, bilateral facilities are available. The interest rate and maximum financial debt depend on the Debt Coverage Ratio. Minimum levels for Interest Coverage Ratio and solvency were also agreed upon.

Note 15 – Objectives and policy regarding control of financial risks

VION uses a number of financial instruments, the most important ones being bank loans and credits, interest rate swaps, forward currency contracts and currency swaps. The objective of these financial instruments is to draw financing for business activities on one hand, and on the other to control the interest rate and currency risks with respect to the business activities.

Generally, VION does not engage in trading activities with respect to financial instruments, and did not do so during the financial year.

The most important risks arising from the conduct of business are interest rate and currency risks. Management assesses and approves the policy aimed at controlling these risks. In the next sections, specific policies regarding interest and currency rate risks are elaborated upon.

Interest rate risk

The risk VION faces regarding fluctuations in the market rate of interest is mainly caused by its long-term floating interest liabilities.

The policy of VION aims to partially hedge this risk using interest rate swaps. In order to hedge these interest rate risks, six interest rate swaps were agreed upon with the banks, decreasing from €380 million in 2009 to €150 million in 2013, and of which the fair value at the end of 2008 amounted to negative €8 million. For further hedging of interest rate risks, additional interest rate swaps were arranged in 2009.

Currency risk

The currency risks are mainly related to net investments in foreign subsidiaries and trade activities involving foreign currencies.

The policy of VION is aimed at partially hedging the risk with respect to the net investments in foreign subsidiaries by using loans in corresponding foreign currencies and forward currency contracts. At the end of 2008, foreign exchange forward contracts were entered into for an amount of €253 million, in American Dollar and British Pound. The fair value of the forward currency contracts used to hedge this risk amounted to €16 million at the end of 2008.

The policy regarding currency risks on trade activities is also aimed at partial hedging using forward currency contracts. The term of these contracts is linked to the moment at which the transactions take place, and the maximum term is generally one year. At the end of 2008, foreign exchange forward contracts were entered into for an amount of €289 million, mainly in American Dollar, British Pound and Japanese Yen. The fair value at the end of 2008 amounted to €15 million.

Note 16 – Off balance sheet information

A number of foreign group companies have long-term commitments related to the rental and operational leasing of assets. The composition of these commitments is as follows:

- < 1 year: €26 million,
- 1 to 5 years: €40 million,
- > 5 years: €12 million.

Group companies have issued bank guarantees amounting to €52 million.

Within the group, short-term commitments of €9.2 million have been entered into regarding current investments.

When the shares in an associated company were acquired in 1995, a group company agreed to pay (in two installments) an amount of €1.5 million above the purchase price, on the suspended condition that the company would once again pay out dividends.

Legal actions have been instigated against VION Holding N.V. and/or its group companies, which are being contested. Although the outcome of these disputes cannot be predicted with any certainty, based on legal advice and information received it is assumed that these actions will not have any significant detrimental effect on the consolidated financial position.

Notes to the consolidated profit and loss account

Note 17 – Net sales

The geographical composition of the sales is as follows:

in thousands of euros	2008	2007
Europe:		
- The Netherlands	980,665	918,136
- Germany	3,195,831	3,038,568
- Belgium	123,076	114,186
- Italy	662,165	713,332
- United Kingdom	1,526,242	501,731
- Other EU countries	1,288,739	1,047,652
- Non-EU countries	82,748	109,213
	7,859,466	6,442,818
USA	176,286	162,307
Mexico	29,547	36,525
Canada	13,990	15,070
Asia	350,858	262,060
Other countries	110,249	77,245
Total	8,540,396	6,996,025

VION is mainly active in the food industry; less than 10% of sales is generated within other lines of business.

Note 18 – Other operating income

In 2008, book profits on the sale of fixed assets amounted to €6.4 million (€32.4 million in 2007, including received indemnities for fixed assets).

Note 19 – Wages, salaries and social security charges

in thousands of euros	2008	2007
The composition of the personnel costs is as follows:		
Wages and salaries	642,982	475,287
Social security charges and other personnel costs	124,471	109,389
Pensioncosts	22,488	17,949
	789,941	602,625
Wage costs third parties	266,651	231,416
Total	1,056,592	834,041

At the end of 2008, 35,583 staff members were employed within the group (2007: 16,214). In 2008, the average number of group employees was 35,583 (2007: 15,690). In addition, an average of 7,697 employees of third parties were active within the group (2007: 5,920).

Note 20 – Depreciation and amortisation on fixed assets

in thousands of euros	2008	2007
Intangible fixed assets	18,816	19,226
Tangible fixed assets	144,760	114,977
Total	163,576	134,203

Note 21 – Other operating costs

In 2008, other operating costs included a release of provisions of €12.4 million (2007: €17.7 million).

Note 22 – Auditor's fee

in thousands of euros	BDO The Netherlands	BDO International	2008 Total
Audit annual accounts	324	1,536	1,860
Other audits	60	5	65
Fiscal	3	11	14
Non-audit	40	1,030	1,070
Total	427	2,582	3,009

In the past, the recently acquired companies were audited by other audit firms. Therefore, the fees from 2007 are not comparable and therefore not presented.

Note 23 – Taxes

In 2008, the effective tax rate on normal business operations amounted to -1.4% (2007: 21.0%).

The level of the effective tax rate is linked, among other issues, to the tax rate in the countries in which VION is active and to the use of existing loss compensation possibilities.

Starting with the nominal Dutch tax rate, the build-up of the effective tax rate can be explained as follows:

Nominal tax rate in The Netherlands	25.5%
Effect of different foreign tax rates	8.1%
Use of existing loss compensation possibilities	-27.3%
Change in valuation of losses with compensation possibilities	-15.7%
Non-deductible expenses	8.5%
Other tax effects	-0.5%
<hr/>	
Effective tax rate	-1.4%

Other information

Note 24 – Remuneration of Executive Board members and outstanding loans

in thousands of euros	2008		2007	
Total remuneration to the Executive Board	4,690		5,209	
The composition of this item is as follows:				
Fixed salary	2,852	61%	2,780	53%
Variable salary	832	18%	1,327	25%
Pension contributions and other expenses	1,006	21%	1,102	22%
Total	4,690	100%	5,209	100%

By means of certificates issued, the Executive Board collectively owns:

- 4.05% of the shares of Sobel Best N.V. and
- 4.05% of the shares of VION N.V.

In the year under review, 0.4% of the shares of VION N.V. were repurchased from the Executive Board.

Loans to finance the purchase of share certificates are provided to members of the Executive Board. The outstanding amount of these loans at the end of the year under review was €20.2 million compared to €21.7 million at the end of 2007.

Interest of 4% per annum is added to the principal amount each year. In 2008, new loans were redeemed for an amount of €2.4 million.

Note 25 – Remuneration of Supervisory Board members

In 2008, the remuneration paid to Supervisory Board members amounted to €328 (2007: €297).

Company balance sheet

as at 31 December 2008 (before profit appropriation)
in thousands of euros

	Note	2008	2007
ASSETS			
Fixed assets			
Financial fixed assets	a	758,435	750,259
		758,435	750,259
Current assets			
Receivables from group companies		0	474
Other receivables		2,353	1,512
		2,353	1,986
Total assets		760,788	752,245
LIABILITIES			
Paid-in capital		2,285	2,285
Share premium reserve		372,716	372,716
Legal reserve participations		5,173	5,844
Reserve for differences on exchange		-39,899	-26,684
Other reserves		289,499	199,912
Unappropriated profit		32,181	104,151
Shareholders' equity	b	661,955	658,224
Subordinated loan		0	30,000
Current liabilities to group companies		2,228	0
Other current liabilities		96,605	64,021
Total liabilities		760,788	752,245

Company profit and loss account

for the year ended 31 december 2008
in thousands of euros

Result of group companies
Other results

Net result as specified in the consolidated profit and loss account

2008	2007
36,669	108,567
-4,488	-4,416
32,181	104,151

Notes to the company balance sheet

ASSETS

Note a – Financial fixed assets

This item includes the participating interests in group companies. These interests are valued at net asset value.

Changes in the company's share were as follows:

in thousands of euros	2008	2007
Balance on 1 January	750,259	636,386
Dividends received	0	-5,966
Repayment of capital	-15,278	-6,971
Result	36,669	108,567
Transfer of provisions for participations	0	7,137
Exchange rate differences	-13,215	-10,569
	758,435	728,584
Increase due to system change regarding valuation of pension obligations		21,675
Balance on 31 December	758,435	750,259

Provisions kept in the past were allocated to participations. In 2007, these have been transferred to the relevant participations.

LIABILITIES

Note b – Shareholders' equity

The authorised capital of the company was €4,500,000, divided into 100,000 shares with a nominal value of €45. Currently, the company has 3,566 shares in portfolio. On 31 December 2008, 50,784 shares were issued and fully paid up.

Changes to the separate components of shareholders' equity were as follows:

in thousands of euros	Paid-in capital	Share premium reserve	Legal reserve participations	Reserve for differences on exchange	Other reserves	Unappropriated profit	Total
Balance on 31 December 2007	2,285	372,716	5,844	-26,684	178,237	104,151	636,549
System change regarding valuation of pension obligations					21,675		21,675
	2,285	372,716	5,844	-26,684	199,912	104,151	658,224
Profit appropriation 2007					88,916	-88,916	0
Dividend payment in financial year						-15,235	-15,235
Exchange rate differences				-13,215			-13,215
Mutation			-671		671		0
Unappropriated profit financial year						32,181	32,181
Balance on 31 December 2008	2,285	372,716	5,173	-39,899	289,499	32,181	661,955

Note c – Overview of comprehensive income

	2008	2007
Net result after taxes	32,181	104,151
System change regarding valuation of pension obligations		21,675
Exchange rate differences charged directly to equity	-13,215	-10,569
Comprehensive income	18,966	115,257

Note d – Off balance sheet information

The company heads the Dutch fiscal entity for corporate income tax. On the basis of this fact, the company is severally liable for the corporate income tax of the fiscal entity as a whole.

Son en Breugel, 19 march, 2009

Executive Board

Ir. D. van Doorn, Chairman
A.M.M. Lammers RA, Vice-Chairman
Dr. U.C. Tillmann, Vice-Chairman
Ir. D. Kloosterboer
Drs. P.M.J. Beckers
Drs. A.M. Christiaanse

Supervisory Board

Ing. A.J.A.M. Vermeer, Chairman
Dr. J.A.J. Vink, Vice-Chairman
Drs. H. Visser
A.J.M. van Hoof
Ir. G.J.P. van Oosten
Drs. M.P.M. de Raad
W. Hilse
Ing. T.P. Koekkoek

Other information

in thousands of euros

Statutory stipulations regarding the appropriation of profit

Article 23 of the Articles of Association reads as follows:

- clause 1 From the profit as shown in the financial statements approved by the General Meeting of Shareholders, such amounts will be reserved as the Executive Board, with the approval of the Supervisory Board, shall determine. The remaining profit is at the disposal of the General Meeting of Shareholders.
- clause 2 The company may only pay out to shareholders and others so entitled the profit available for payment as dividend to the extent that its shareholders' equity is greater than the amount of the paid up capital increased by the legally obligatory reserves.

Proposed profit appropriation

The proposed profit appropriation is as follows:

Profit 2008		32,181
Dividend proposal		
Interim dividend 2008	7,821	
Final dividend 2008	<u>7,821</u>	
Dividend payable		15,642
Addition to other reserves		<u>16,539</u>

To: VION Holding N.V., Postbus 380, 5680 AJ Best

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of VION Holding N.V., Best, which comprise the consolidated and company balance sheet as at December 31, 2008, the consolidated and company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of VION Holding N.V. as at December 31, 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, March 19, 2009

BDO CampsObers Audit & Assurance B.V.

On its behalf,

P.P.J.G. Saasen RA

Report of the Executive Board on risk management and internal control of the company

Corporate Governance

VION Holding N.V. is a Dutch public limited company whose registered seat is in Best, the Netherlands. The company is managed by an Executive Board, which is supervised by an independent Supervisory Board. The company is a 'closed' public limited company, which is not listed. As a result, the General Meeting of Shareholders has far-reaching powers. The company has one shareholder, NCB Ontwikkeling, which is closely affiliated with the Zuidelijke Land en Tuinbouworganisatie (ZLTO). VION is a strategic participation for ZLTO, serving its members' long-term interests.

To safeguard the continuity of the company, the shareholder has transferred formal control of the shares and, as a result, the influence it can exert, to a Trust. The Trust board is composed partly of members outside the shareholder's circle and these board members can veto certain important decisions. Both the company and the shareholder attach great value to the principles of proper business management.

The Executive Board is of the opinion that the contents of the Dutch Corporate Governance Code have been complied with, except some provisions regarding the composition and publication of the outlines of the remuneration report by the Supervisory Board. In view of the company's structure, such formalisation is not considered useful.

Proper business management also implies employees' representation as is customary locally. In the Netherlands, Ingredients (Sobel Nederland B.V.) and Food (VION Fresh Meat en Convenience Nederland B.V.) each have their own employees' representation bodies in the form of their own Works Councils. Employees' representation abroad is implemented as is obligatory in the countries in question.

Post balance sheet events

No events which materially influenced VION's assets and/or results occurred after the balance sheet date.

Information and communication technology

Further centralisation of the VION ICT organisation took place in 2008. This was mainly achieved by centralising data centres, standardising applications and integrating the ICT departments of VION in the United Kingdom. An important development involved outsourcing a major share of the processing activities to the data centre of T-Systems in Munich. Some of the main applications were housed there in 2008 resulting in improved data processing continuity and reliability.

VION UK has been integrated into the VION ICT organization. The first hardware and software harmonisation steps have been carried out.

Since VION ICT works according to the Cobit process management model, some steps were taken last year to improve the management and control of service levels and general IT controls. The 'wide area network' was also standardised, leading to an increased level of security. In addition, a great deal of attention was paid to providing better insight into the ICT costs and controlling them.

In 2008, several branches were fitted out with the standard applications for their type of business. The Viper ERP application was implemented at a number of meat production and processing companies. JD Edwards was rolled out at several Rousselot branches, both in Europe and in North and South America. In addition, standards were rolled out for office software and for consolidation software. The go-ahead was given for the 'One Financial Backbone' project and the design phase has now been completed.

Risk management and internal control

VION has opted to use the COSO risk management model. The policy in respect of risk management is laid down by the Risk Committee, consisting of the CFO and the COOs of the divisions.

The COSO model is in line with VION's decentralised management philosophy, which gives operational units scope to fill in the details of their responsibilities, within a predefined framework. This philosophy is contained in the Management Charter.

The business operations and results are controlled by means of process descriptions, monitoring, self assessments and audits.

Monitoring takes place on the basis of a predefined planning and control system. The financial results of the specific group operations are presented and assessed once a week, in order to respond quickly to price developments in the procurement and sales markets. In addition, the results are evaluated thoroughly by management and the Executive Board once a month.

The processes are laid down in the various control systems. Most operational processes are coupled to systems to assure quality and food safety, e.g. ISO and HACCP. The organisational and financial processes are laid down in the VION Accounting & Control Manual and in specific process descriptions for the various individual entities. The functioning of the controls is assessed by means of Control Review Self Assessments. As part of these assessments, the responsible management for the company in question confirms the configuration and operation of the management and control measures and signs a Letter of Representation. The former Grampian companies will be included in this structure during 2009.

In addition to the Self Assessments, audits are used to determine whether the operational units operate within the predefined framework. The internal and external audits required under ISO are used for the operational systems, often complemented by separate audits initiated by the buyers of the products. Organisational and financial audits are mainly conducted by the Internal Audit Department which audits the processes and the financial reports. The Internal Audit Department's positioning, working method and audit approach is so extensive that the external auditor relies to a great extent on the Internal Audit Department's reports and records for its work.

The findings of the Internal Audit Department are discussed – according to the principle that both sides must be heard – and reported to the local management, with copies going to the Executive Board and senior management. In addition, the main findings and the external auditor's findings are discussed with the Audit Committee of the Supervisory Board.

Strategic risks

The strategic risks which the company might be confronted with have been identified and described. The effects of most risks can be lessened to some extent. For example, activities have been spread in certain fields, resulting in less dependence on a single supply flow or a single sales channel.

However, there are also risks against which the company cannot or can insufficiently protect itself, such as a veterinary disease breaking out or a food safety crisis. However, the company tries to act proactively to such risks, as was the case when dioxin was found in meat of Irish origin in December 2008.

What this means in effect is that the main risk factors have been identified and that the company has taken initiatives to control the risks better if and when they occur or to cover them by means of insurance policies.

Operational risks

The main operational risks are the quality, safety and environmental risks run at the production sites.

Quality is taken to mean continuous control of food safety and product specifications. This control is laid down in ISO 9000, GMP and the HACCP systems, with several sites being subject to additional testing by the government, independent certifying bodies or buyers.

To assure safety, the structural 'Risk Engineering' programme has been continued in all companies. Under the terms of this programme, measures are taken in respect of technical systems, preventative maintenance and technical procedures. This programme is currently also being introduced into the former Grampian companies.

Finally, the company complies with the environmental directives of the European Commission and several companies are also ISO 14001 certified.

Financial risks and internal control

The financial risks can be divided into risks concerning reporting and other risks. The reliability of the interim and annual reports is assured because guidelines for financial reporting have been laid down in the VION Accounting & Control Manual. They can be used all over the world, since they are based on generally applicable guidelines.

The treasury control measures for the other risks were strengthened in 2008. The three main currencies for the company are the euro, the British pound and the American dollar. The lower exchange rate of the British pound specifically affected the results of the Fresh Meat West business unit in 2008. Some of the currency and interest rate risks are covered by hedging contracts.

To be able to fund the acquisition of Grampian, the existing credit facility was revised and extended in late 2008. This led to an increase in long-term liabilities. The resulting change to the balance sheet ratios is in line with the margins set for this.

Compliance risks

The compliance risks the company might be confronted with have been identified and described in the enterprise risk management system. The company aims to comply with all the relevant legislation and regulations. However, no absolute certainty can be given in this respect, due to the many laws and rules and their frequent ambiguities and changes.

Statement of the Executive Board on the assessment of the risk management and internal control of the company

The risk control and internal control systems employed by VION were designed to ensure that the risks which are inherent to the business operations are identified in time. The risk control system specifies how to react to the risks.

Internal statements of branch managers, evaluation by management and independent audits are an integral element of the risk management approach within VION. If deviations are found at the level of an individual entity, adequate action is taken to correct them. The most important actions undertaken in the year under review were reported to and discussed with the Audit Committee of the Supervisory Board.

On the basis of this, the Executive Board is of the opinion that the risk control and internal control systems applied to the company's financial reporting provide a reasonable degree of certainty that the financial reports do not contain any significant inaccuracies, that the risk management and control systems functioned adequately in the year under review and that there is no reason to presume that this will change. The annual accounts offer a true picture of the financial situation and the results of the company operations and contain the required information.

However, the above does not mean that the systems and procedures can prevent inaccuracies, mistakes, fraud or any failure to comply with rules in all cases, nor that all the company's objectives will be achieved in their entirety.

Taking the above into account, it is the Executive Board's opinion that the best practice provisions of the Dutch Corporate Governance Code have been satisfied, taking into consideration the recommendations of the Corporate Governance Code Monitoring Committee about their application.

Personal information Supervisory Board

A.J.A.M. (Antoon) Vermeer
(1949, Dutch nationality)

Chairman

Scheduled to step down in 2009 (eligible for re-election).
Agricultural Contractor, Chairman of the Southern Agriculture and Horticulture Organisation ZLTO, Vice-Chairman of the Supervisory Board of Rabobank Nederland, Vice-Chairman of LTO Nederland, Chairman of the Foundation management of the Den Bosch Agricultural College of Higher Education.

Dr. J.A.J. (Jaap) Vink
(1947, Dutch nationality)

Vice-Chairman

Scheduled to step down in 2010 (eligible for re-election).
Chairman of the Board of Management of CSM N.V. until 1 May 2005, Chairman of the Supervisory Board of Aegon Nederland N.V., Member of the Supervisory Board of Cargill B.V. and Nutreco Holding N.V., Member of the Supervisory Board of Wageningen University and Research Centre.

W. (Werner) Hilse
(1952, German nationality)

Scheduled to step down in 2011 (eligible for re-election).
Agricultural Contractor, President of the Lower Saxony Regional Farmers' Association, Vice-president of the German Farmers' Association, Chairman of the Supervisory Board of the German agricultural produce marketing organization "Centrale Marketinggesellschaft für Agrarprodukte Deutschlands CMA", alternate chairman of the Supervisory Board of AVEBE, Chairman of CESPU (Committee of the European Starch Potato Producers' Unions), Chairman of the German Potato Industry Federation (UNIKA), Chairman of the German Starch Potato Producers' Association.

A.J.M. (Toon) van Hoof
(1954, Dutch nationality)

Scheduled to step down in 2011 (eligible for re-election).
Agricultural Contractor, Member of Management of the Southern Agriculture and Horticulture Organisation ZLTO, Chairman of the Supervisory Board of Amalthea, Member of the Advisory Board for Animal Affairs (Dutch Ministry of Agriculture, Nature and Food Quality).

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

Scheduled to step down in 2011 (eligible for re-election).
Agricultural Contractor, Member of Management of the Southern Agriculture and Horticulture Organisation ZLTO, Chairman of Agrifirm UA cooperation board, Chairman of the Supervisory Board of Agrifirm B.V., Member of the Supervisory Board of Rabobank Altena.

G.J.P. (Gerard) van Oosten
(1958, Dutch nationality)

Scheduled to step down in 2010 (eligible for re-election).
Managing Director of the Southern Agriculture and Horticulture Organisation ZLTO, member of the Supervisory Board of Agro & Co Kapitaalfonds B.V., Agroportal B.V. and Lucel B.V.

M.P.M. (Theo) de Raad
(1945, Dutch nationality)

Scheduled to step down in 2012 (eligible for re-election).
Member of the Board of Management of Koninklijke Ahold N.V. until 2004, Vice-Chairman of the Supervisory Board of CSM N.V., Vice-chairman of the Supervisory Board of Hagemeyer N.V. (until April 2008), Member of the Supervisory Board of HAL Holding N.V., Metro AG (since May 2008), Vollenhoven Olie Groep B.V., TiasNimbas business school (Tilburg University), Chairman of the Supervisory Board of Jeroen Bosch Hospital ('s-Hertogenbosch).

Drs. H. (Henk) Visser
(1944, Dutch nationality)

Scheduled to step down in 2009 (not eligible for re-election).
Member of the Board of Management of NUON N.V. until 2003, Chairman of the Supervisory Board of Royal Huisman Shipyards B.V., Member of the Supervisory Board of Teleplan International N.V. and Sterling Strategic Value Limited, Member of the Board of AGCO Corporation, Member of Management of the Preferente Aandelen OPG N.V. Foundation, Chairman of Koninklijke Vereniging Warmbloed Paardenstamboek.



VION N.V.

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