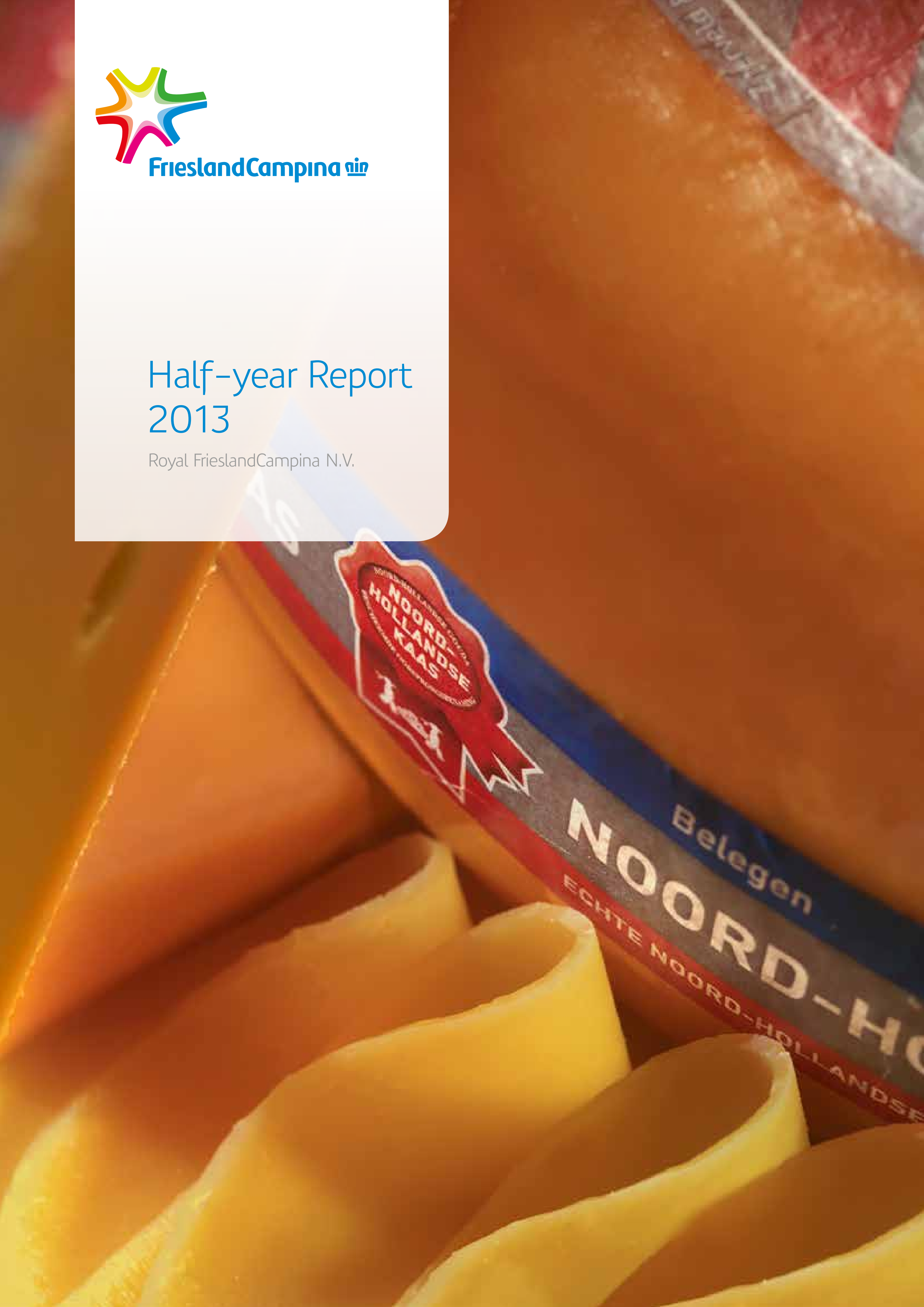


Half-year Report 2013

Royal FrieslandCampina N.V.

Key figures

	2013 first half-year	2012 [1] first half-year	change in %	2012 [1] full year
Results				
in millions of euros				
Revenue	5,524	5,089	8.5	10,309
Operating profit	275	220	25.0	487
Profit	164	140	17.1	278
Operating profit as a percentage of revenue	5.0	4.3		4.7
Balance sheet				
in millions of euros				
Balance sheet total	7,112	6,420	10.8	6,831
Equity	2,437	2,173	12.1	2,258
Net debt [2]	1,122	1,059	5.9	685
Equity as a percentage of the balance sheet total	34.3	33.8		33.1
Cash flow				
in millions of euros				
Net cash flow from operating activities	168	247	-32.0	842
Net cash flow used in investing activities	-295	-461	-36.0	-702
Investments				
in millions of euros				
Investments	185	148	25.0	423
Value creation for member dairy farmers				
in euros per 100 kilos of milk (excl. VAT at 4.41% fat, 3.47% protein)				
Pro forma performance premium [4]	1.81	1.42	27.5	1.42
Pro forma issuance of registered member bonds [4]	1.24	0.95	30.5	0.95
Guaranteed price	37.03 [3]	34.14	8.5	33.87
Pro forma milk price [4]	40.08	36.51	9.8	36.24
Pro forma meadow milk premium [5]	0.32	0.32	0.0	0.32
Pro forma other components [6]	0.10	0.11	-9.1	0.12
Pro forma milk price + other components	40.50	36.94	9.6	36.68
Milk supplied by members (in millions of kilos)	4,641	4,560	1.8	8,860

[1] Since 1 January 2013 FrieslandCampina has applied the amended IFRS regulations in respect of employee remuneration. The comparable figures for 2012 have been adjusted for the impact of the new regulations.
[2] Net debt relates to long-term interest-bearing debts, borrowings from financiers and the balance of obligations to and claims from associated companies less cash and cash equivalents.
[3] This relates to the balance of the guaranteed price of 36.95 euro and an adjustment of 0.08 euro for a too low estimate over the first half of 2013.
[4] The definite performance premium, issuance of registered member bonds and milk price are determined on the basis of the profit figures for the whole year.
[5] Dairy farmers who put their cows out to pasture receive a meadow milk premium of 0.50 euro per 100 kilos of milk. Averaged over all FrieslandCampina member milk this is 0.32 euro per 100 kilos of milk.
[6] Other components concerns the total amount of payouts per 100 kilos of milk of 0.90 euro for Campina milk and 1.00 euro for Landliebe milk. In addition FrieslandCampina pays an in-house guaranteed price for organic milk. Averaged over all FrieslandCampina member milk this is 0.05 euro per 100 kilos of milk.

5,524 million euro

revenue up by 8.5%

164 million euro

profit up by 17.1%

168 million euro

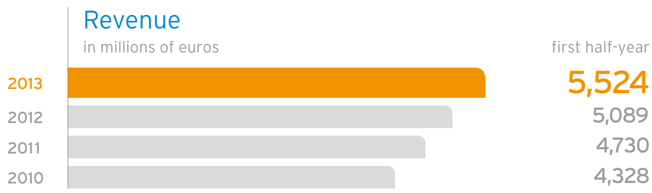
cash flow from operating activities

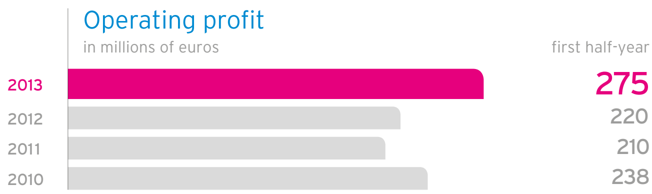
185 million euro

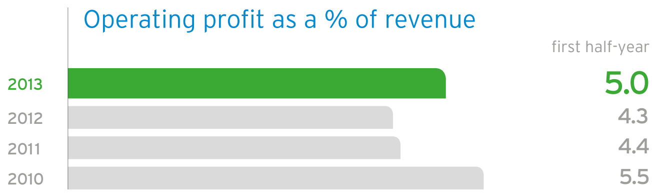
investments

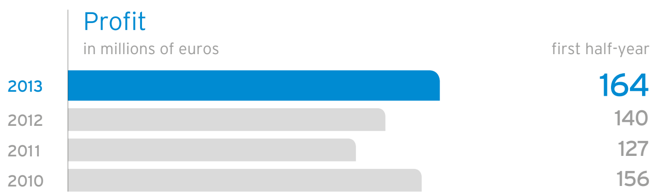
40.08 euro

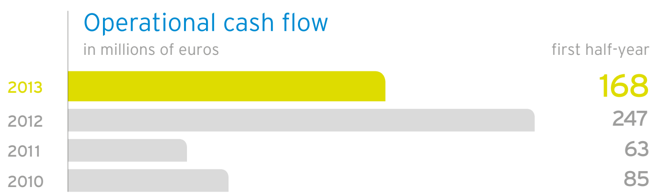
milk price for members up by 9.8%

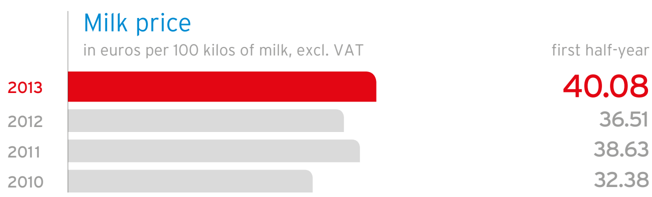












Major developments in the first half of 2013

Revenue up

Improved result

- Operating profit up by 25.0 percent to 275 million euro

- Profit up by 17.1 percent to 164 million euro
- Cash flow from operating activities down to 168 million euro (first half of 2012: 247 million euro) due to increased working capital primarily due to higher prices

Pro forma performance premium and milk price up

- Pro forma performance premium (1.81 euro) and pro forma distribution of member bonds (1.24 euro) up in total to 3.05 euro per 100 kilos of milk (first half of 2012: 2.37 euro)
- Guaranteed price up to 37.03 euro per 100 kilos of milk (first half of 2012: 34.14 euro)

Miscellaneous

- Acquisition of Zijerveld / Den Hollander Food

- Revenue up by 8.5 percent to 5,524 million euro due to increased sales of added-value products (2.0 percent), higher sales prices (3.2 percent), acquisitions (3.8 percent) and despite negative currency translation effects (-0.5 percent)
- Volume growth of strategic product categories 6.1 percent

- Further growth and result improvement for the Consumer Products International and Ingredients business groups
- Positive result for the Cheese, Butter & Milkpowder business group primarily due to improved market conditions
- The result of the Consumer Products Europe business group under pressure due to a further worsening of market conditions in Europe; measures are being studied

- Pro forma milk price for members of the Cooperative up to 40.08 euro per 100 kilos of milk (first half of 2012: 36.51 euro per 100 kilos of milk)
- Pro forma meadow milk premium 0.32 euro per 100 kilos of milk (first half of 2012: 0.32 euro)

- Perpetual notes repaid

A good first half of 2013 for FrieslandCampina: performance in respect of member dairy farmers up by 29 percent to 3.05 euro

Profit up by 17 percent, revenue up by 8.5 percent

In the first half of 2013 the revenue of Royal FrieslandCampina N.V. rose by 8.5 percent to 5,524 million euro while profit rose by 17.1 percent to 164 million euro. Higher sales prices and the sale of more products with added-value contributed towards the revenue increase and improved result. The Consumer Products International and Ingredients business groups once again improved their revenue and result with the most robust growth being achieved by infant & toddler nutrition in both the consumer and business to business markets. The Cheese, Butter & Milkpowder business group achieved a positive result thanks to higher sales prices. The Consumer Products Europe business group's revenue and result lagged behind due to reduced consumer spending in Europe. The Company's performance in respect of its member dairy farmers rose by 28.7 percent to 3.05 euro.

Further revenue growth

The higher net revenue was achieved due to higher sales prices as a result of the higher guaranteed price for milk, increased sales of products with added-value and acquisitions. The higher sales prices for cheese, butter and ingredients in particular made a major contribution towards the revenue growth. Other products followed this price development after some delay. In Europe volume and revenue were under pressure due to reduced consumer spending. The Consumer Products Europe business group has started a study into ways to adjust the organisation to the difficult market conditions. The shift in the portfolio from commodities to products in the growth categories of infant & toddler nutrition, dairy-based beverages and branded cheeses continued. The acquired companies Alaska Milk Corporation in the Philippines (March 2012), Yoko Cheese (October 2012) and Zijerveld and Den Hollander Food (both May 2013) contributed 195 million euro (or 3.8 percent) towards the revenue growth. Organic revenue growth amounted to 5.1 percent. The net currency translation effect on revenue was 0.5 percent negative(-22 million euro).

Improved operating profit

In the first half of 2013 operating profit rose by 25.0 percent to 275 million euro primarily due to higher sales prices for cheese, butter and milk powder, increased sales of added-value products and the improved margins of the Consumer Products International and Ingredients business groups.

Rainbow billboard in Saudi Arabia.

Operating expenses in the first half of 2013 rose by 7.7 percent to 5,253 million euro due to acquisitions and higher packaging materials and raw materials costs (first half of 2012: 4,878 million euro). The higher milk price meant that in the first half of 2013 the pro forma payment to member dairy farmers for milk rose by 11.6 percent to 1,892 million euro (first half of 2012: 1,696 million euro).
The Chinese National Development and Reform Commission (NDRC) concluded that FrieslandCampina Trading (Shanghai) had signed contracts with customers that did not comply with local legislation and, as a consequence, fined FrieslandCampina 5.9 million euro. FrieslandCampina has paid the fine and the costs have been included in the figures for the first half-year.

Higher profit

Profit over the first half of 2013 rose by 17.1 percent to 164 million euro (first half of 2012: 140 million euro). The higher profit was achieved due to the higher operating profit and despite the higher financing and operating expenses. The profit attributable to the Company's shareholder (the Cooperative) amounted to 105 million euro (first half of 2012: 84 million euro).

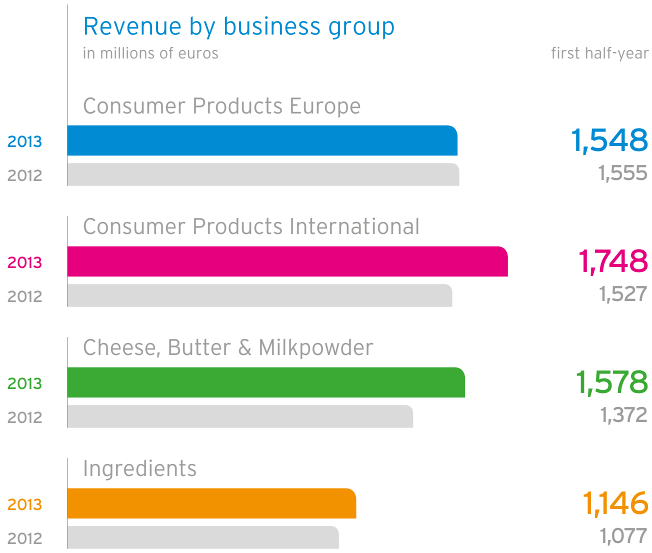
Company's performance for its member dairy farmers 3.05 euro

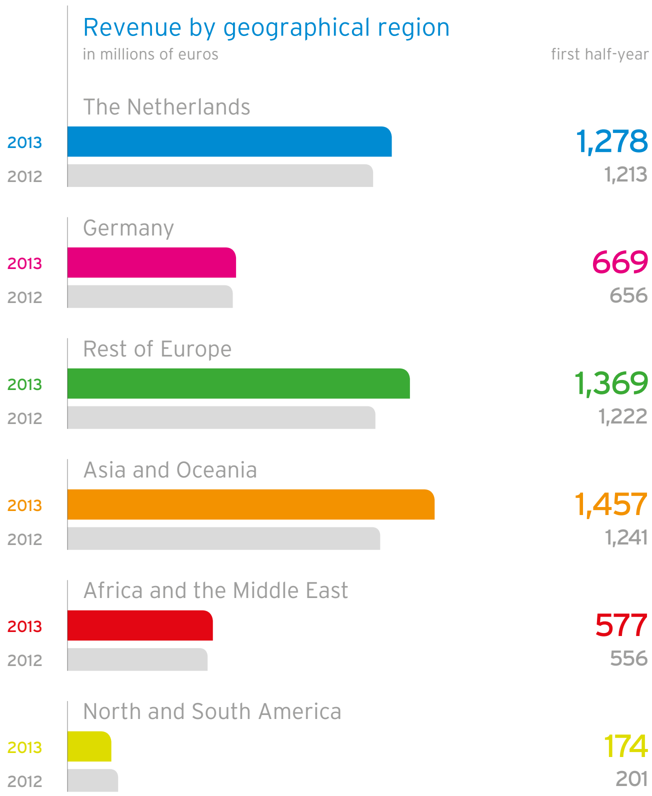
The Company's performance in respect of the Zuivelcoöperatie FrieslandCampina U.A member dairy farmers comprises the performance premium and the distribution of member bonds. The pro forma performance premium over the first half of 2013 was 1.81 euro per 100 kilos of milk excluding VAT (first half of 2012: 1.42 euro). The pro forma distribution of member bonds over the first half of 2013 amounted to 1.24 euro per 100 kilos of milk (first half of 2012: 0.95 euro). In total the Company's performance amounted to 3.05 euro per 100 kilos of milk (first half of 2012: 2.37 euro), an increase of 28.7 percent.
The guaranteed price over the first half of 2013 was 37.03 euro excluding VAT per 100 kilos of milk. This 8.5 percent increase compared with the first half of 2012 (34.14 euro) was due to the higher milk prices of the reference companies.
The pro-forma milk price for the first half of 2013 was 40.08 euro excluding VAT per 100 kilos of milk. This is 9.8 percent higher than for the first half of 2012 (36.51 euro). The pro forma milk price rose due to the higher guaranteed price, the passing on of this increase to the market and the Company's improved results.

As of 2013 the organic milk price, which is paid on an annual basis to members supplying organic milk, comprises the organic guaranteed price, the performance premium and the distribution of fixed member bonds (reserve of bonds registered in the names of members). The guaranteed organic milk price over the first half of 2013 amounted to 44.94 euro excluding VAT per 100 kilos of milk at 4.41 percent fat and 3.47 percent protein. Calculated over the total quantity of FrieslandCampina milk the increased recompense for organic milk amounted to 0.05 euro per 100 kilos of milk.
Since 1 January 2012, member dairy farmers who put their cows out to pasture in the meadow for at least six hours a day on at least 120 days a year have received a meadow milk premium of 0.50 euro per 100 kilos of milk. Calculated over all member milk the meadow milk premium amounts to 0.32 euro per 100 kilos of milk. Other supplementary payments per 100 kilos of milk are 0.90 euro for Campina milk and 1.00 euro for Landliebe milk. Calculated over the total quantity of FrieslandCampina milk these special premiums amount to 0.05 euro per 100 kilos of milk. This means that the other components – the special premiums plus the recompense for organic milk – add up to 0.10 euro per 100 kilos of milk.

Compared with the first half of 2012 the interest on member bonds fell from 22 million euro to 16 million euro as a result of the lower Euribor. The average interest payout amounted to 0.35 euro per 100 kilos of member milk.

The milk price FrieslandCampina pays its member dairy farmers comprises the guaranteed price, the performance premium and the distributed member bonds. In addition the Company pays premiums for meadow milk, Campina milk, Landliebe milk and organic milk. The guaranteed price is the weighted average of the annual prices for raw milk paid by the reference companies (twelve German dairy companies, Arla Foods in Denmark, Bel Leerdammer, Cono Kaasmakers and DOC Kaas in the Netherlands and Milcobel in Belgium) and includes any back payment from the reference companies to their dairy farmers and any formation of equity in the names of the reference companies' dairy farmers. The amount of the performance premium and the distribution of registered fixed member bonds depends on FrieslandCampina's financial performance and the reservation policy. Fifty percent of the profit of Royal FrieslandCampina N.V. is added to the Company's equity, 30 percent is paid out to the member dairy farmers in cash as a performance premium for the milk supplied and 20 percent is paid-out in the form of fixed member bonds. The calculation of FrieslandCampina's milk price can be adjusted if in any year a goodwill impairment amounting to at least 100 million euro is necessary. The reservation policy will be reviewed in 2013, which could result in the system being adjusted in 2014 for the period 2014-2016.





Reduced cash flow from operating activities

The cash flow from operating activities fell to 168 million euro (first half of 2012: 247 million euro) as a result of the increase in working capital due to the higher guaranteed price, which increased the value of inventories and claims. Net outgoing cash flows from investment and financing activities rose. In the first half of 2013 outgoing cash flows for investments related to the expansion of production facilities amounted to 220 million euro (first half of 2012: 177 million euro). In addition, 80 million euro in cash was invested in the acquisition of Zijerveld and Den Hollander Food. Most of the investments could be financed from the Company's own funds. The perpetual notes amounting to 125 million euro were also repaid. The cash flow from financing activities amounted to -98 million euro.
Net cash and cash equivalents fell from 756 million euro (end of 2012) to 524 million euro.

Financial position

Net debt as at 30 June 2013 amounted to 1,122 million euro, an increase of 437 million euro compared with the end of 2012. The increase was due primarily to the repayment of the perpetual notes and the reduced cash flows as explained in the preceding paragraph.

On 30 June 2013 group equity was 2,437 million euro (end of 2012: 2,258 million euro). Group equity was strengthened by the pro forma reservation from profit and a one-time increase resulting from the expiry of the DFE put-option, which was offset by the repayment of the perpetual notes.

Since 1 January 2013 FrieslandCampina has applied the amended IFRS regulations regarding pensions. As a result the comparable figures for 2012 have been adjusted for the impact of the new regulations. The total impact on equity as at 1 January 2013 amounted to 256 million euro negative. This reduced solvency (group equity as a percentage of the balance sheet total) from 36.8 percent to 33.1 percent at the end of 2012.

During the first half of 2013 solvency rose to 34.3 percent (end of 2012: 33.1 percent) due to the strengthening of Group equity. As at 30 June 2013 FrieslandCampina complied amply with the bank covenants.

The negative balance of financing income and expense increased by 10 million euro, which resulted in an expense of 28 million euro. This was the result of a negative currency translation effect of 4 million euro in 2013 on claims and debts in foreign currencies (2012: 14 million euro positive achieved primarily on the interim financing of the acquisition of Alaska Milk Corporation) combined with the financing expense related to the DFE put-option being 13 million euro less than in the first half of 2012 because the put-option expired in 2013.

The net interest expense was 20 million euro (first half of 2012: 19 million euro).

The result from joint ventures and associates fell by 1 million euro to 6 million euro in the first half of 2013.

Taxation amounted to 89 million euro (first half of 2012: 69 million euro). The increase was due primarily to the higher profit.

Financing

FrieslandCampina raises loans from different groups of lenders (member dairy farmers, banks and investors). The major portion of the loan capital has been borrowed from financial institutions in and outside the Netherlands. The major portion of the bank loans comprises a committed credit facility amounting to 1 billion euro with a term to the end of August 2015. The major portion of the outstanding institutional loans amounts to 0.8 billion US dollars.

On 3 June 2013 FrieslandCampina repaid its 7.125 percent perpetual cumulative subordinated note of 125 million euro from 2003. This ended the quotation of the note on Euronext Amsterdam. Due to the strong equity position in 2013 the importance of the perpetual note of 125 million euro as a component of Group equity was less than it was at the time the loan was taken out in 2003. In addition, the robust cash flow and the possibility of repaying the bond immediately from existing credit facilities is enabling FrieslandCampina to profit from the current favourable interest rate levels.

Market developments during the first half of 2013

The first half of 2013 was characterised by a substantial reduction of milk production in the world's major milk exporting regions. Dairy farmers in New Zealand were confronted with a drought from mid February until the end of March. This reduced milk production by nearly 14 percent. In the EU milk production decreased by 2 percent due to the long winter and the mediocre quality of the available roughage. Dairy farmers in Australia and Argentina also had to cope with bad weather conditions, which reduced milk production in these countries by 8 and 7 percent respectively. The USA was the only place in which milk production rose – by 0.5 percent compared with the first half of 2012.

The reduced milk production led to higher prices on the dairy market. The price for full fat milk powder rose from 3,625 US dollar/ton in February 2013 to 5,100 US dollar/ton in May 2013. In the same period the listed price for skimmed milk powder rose from 3,650 to 4,800 dollar/ton. Butter oil rose from 3,700 to 4,800 dollar/ton, partly due to the extra demand for this product from China. When it became clear that no additional milk production could be expected from the EU the prices for skimmed milk powder, butter and cheese also rose. Despite the decrease in milk production, in the EU cheese production and cheese export increased considerably, especially the export of cheese to Russia. Because cheese contains a lot of fat and milk production was lower there was a substantial shortfall of fat on the European market. As a result the Dutch listed price rose from 3,340 euro/ton at the beginning of January to 4,170 euro/ton in June.

The lower milk production and higher listed prices for dairy commodities meant the prices of many consumer products also rose steadily. One consequence of the high dairy prices was a decrease in demand. The import of dairy products in Algeria, Mexico and Venezuela fell considerably. Dairy consumption was also under pressure in a number of European countries due to the economic recession.

Implementation of the *route2020* strategy

FrieslandCampina's *route2020* strategy is aimed at growth and value creation in selected markets and product categories.

Growth

Total sales volume rose by 1.5 percent, primarily due to growth in infant & toddler nutrition, dairy-based beverages and acquisitions. There was also a shift from commodities to the three growth categories of infant & toddler nutrition, dairy-based beverages and branded cheeses, which meant the volume growth within these growth categories amounted to 6.1 percent.

The introduction in Vietnam of Dutch Lady Complete for children aged from two to six years.

Organic growth was achieved in the infant & toddler nutrition category with 12.3 percent volume growth in the consumer market and 13.8 percent growth in the business-to-business market. The dairy-based beverages category achieved a volume growth of 5.2 percent due to higher sales in Asia and Africa. The volume of branded cheeses rose by 8.1 percent due to increased export to Russia and countries outside of Europe. In Europe the volume development of dairy-based beverages and branded cheese lagged behind due to the economic crisis.

Acquisitions

On 12 April 2013 the European Commission approved FrieslandCampina's acquisition of cheese specialist Zijerveld and its packaging unit Den Hollander Food. Both companies have been part of the Cheese, Butter & Milkpowder business group since 1 May 2013. A condition for the acquisition was that Amalthea (independent goat's milk cooperative) must make a portion of the sales volume of semi-soft goat's cheese previously supplied to FrieslandCampina available to one or more external parties. In addition to a wide range of Dutch and foreign cheeses Zijerveld offers its customers made-to-measure concepts. The company employs around 300 people and has its own maturation locations and packaging and distribution offices. Den Hollander Food is Zijerveld's packaging unit. The accent is on pre-sliced cheese in a range of resealable packaging. Most of the production is for large European retailers and other cheese producers. The packaging unit has nearly 140 employees. FrieslandCampina acquired Zijerveld and Den Hollander Food for a cash payment of 80 million euro plus a conditional payment of 19 million euro.

Campina Lactosevrij – a fresh, lactose-free, semi-skimmed milk for people with a lactose intolerance – was introduced at the beginning of March, in the Netherlands.

In July 2013 (after the balance sheet date) FrieslandCampina acquired a 7.5 percent participation in Synlait Milk Ltd. in New Zealand. FrieslandCampina already purchased dairy raw materials from Synlait Milk. This investment has safeguarded the supply of raw materials from Oceania for use in products for Asia. This participation is not included in the figures for the first half of the year.

Investments

In the first half of 2013 FrieslandCampina approved investments of 200 million euro. The most important are a 40 million euro investment to expand the production capacity for infant & toddler nutrition ingredients at FrieslandCampina Domo's Borculo facility, a 13 million euro investment in Thailand to renovate and improve the production facility in Samrong and a 7 million euro investment to expand the production capacity for butter at FrieslandCampina Butter in Den Bosch in order to be prepared for the expected increase in the quantity of milk after 2015. Other investments are for adjustments at various production facilities.

FrieslandCampina also plans to invest 135 million euro to construct a new factory with spray-drying towers for milk powder and ingredients in Borculo, and to invest 110 million euro to expand the production capacity for evaporated milk in Leeuwarden. Both investments are dependent on the approval of the Member Council during the meeting on 28 August 2013.

The aim of the investments is to enable FrieslandCampina to profit from the increasing demand for products with added-value and to have the capacity to process the expected increased quantity of milk supplied by member dairy farmers due to the termination of the EU milk quota in 2015.

The work related to the doubling of the cheese production capacity to 120,000 ton a year at FrieslandCampina Cheese in Workum was completed during the first half of 2013.
The FrieslandCampina Innovation Centre in Wageningen was completed in July 2013. The Innovation Centre with research facilities, laboratories, a trials factory and offices will be officially opened on 16 October.

Sustainability

During the first half of 2013 further steps were taken in the field of sustainability. A great deal of attention was paid to the implementation of the four priority areas of the sustainability policy. In the area of Nutrition & Health attention was paid to reducing the sugar and salt content of the products. The introduction of Optimel without sugar and sweetener is an example of this. In the area of Efficient & sustainable production chains, programmes for saving energy and water by using them more efficiently have been drawn-up for various production facilities. In the area of Developing Dairy Farming in Asia & Africa considerable attention was paid to the roll-out of the programme, including an exchange programme in which member dairy farmers and local cooperatives work together on improvement programmes. In the area of Sustainable Dairy Farming, in cooperation with

LTO attention was paid to the mineral programme at the dairy farm level. This answers the State Secretary for Agriculture's request that dairy companies accept responsibility in respect of the manure, minerals and methane dossier. Ways to make FrieslandCampina's sustainability efforts more visible in the total production chain have been investigated in cooperation with various major customers.

Organisational changes

Various changes in the organisation were implemented during the first half of 2013, including:

- The integration of the export activities of FrieslandCampina Cheese Specialties and FrieslandCampina Export in a new FrieslandCampina Export organisation in Wolvega as of 1 January 2013;
- The integration, as of 1 January 2013, of the cheese sales activities in the Netherlands in FrieslandCampina Branded Netherlands so that the activities related to the sale of branded products to supermarkets are clustered into one organisation;
- The establishment, as of 1 January 2013, of the Retail Brands Europe operating company within which all sales of private label products in Europe are handled;
- The implementation of the restructuring measures in Germany and Hungary announced in 2012;
- In May 2013 it was decided that, as of 1 January 2014, the operating company FrieslandCampina Professional and the sales organisation FrieslandCampina Out-of-Home will be merged and, at the same time, the current operating activities aimed at the food service market in the Netherlands, Belgium, Germany, France and Italy will be integrated into the new operating company FrieslandCampina Food service. The operating company will be managed from Amersfoort and will continue to form part of the Consumer Products Europe business group.

Safety

During the first half of 2013 the number of accidents fell by 40 percent to 0.6 (number of accidents per 200,000 hours worked). Unfortunately a number of serious accidents did happen. To improve safety and safety awareness attention continues to be paid to training courses, general communication regarding safety, introductory safety courses for new employees and the carrying out of observation walkabouts.

European Union measures related to the merger

The independent Dutch Milk Foundation (DMF) implements the merger conditions stipulated by the European Union in 2008 in connection with the merger of Friesland Foods and Campina. FrieslandCampina must make up to 1.2 billion kilos of Dutch raw milk a year available to producers of fresh dairy products and/or naturally matured cheese at the FrieslandCampina guaranteed price less 1 percent. The 1 percent discount will not be applicable after 1 July 2014.

The business units that had to be sold at the time of the merger and that are now part of Arla Foods and Deltamilk utilise this

Boer en Land has introduced new packaging and extended its range to include butter and cheese in the Netherlands.

option and the volumes reserved for them. Of the available 1.2 billion kilos of milk the DMF reserved 0.9 billion kilos for these market players.

The Foundation also administers the severance scheme for FrieslandCampina's Dutch member dairy farmers. In the period 1 January to 30 June 2013 the Dutch Milk Foundation approved 2 requests (first half of 2012: 3) from dairy farmers who wished to terminate their membership of Zuivelcoöperatie FrieslandCampina under the severance scheme of 5.00 euro per 100 kilos of milk. In total this involved 1.3 million kilos of milk.
The volume of milk from Dutch member dairy farmers who leave FrieslandCampina through the severance scheme is deducted from the quantity of milk available to the DMF.

Since it went into effect in 2009, 78 member dairy farmers have utilised the severance scheme. The total quantity of milk involved is 49 million kilos.

Risks

The risks and uncertainties that could have an adverse material effect on the Company's result and shareholders' equity were described in the 2012 Annual Report, as were the ways in which the Company manages these risks. Reference to this description of risks and uncertainties should be deemed a component of this half-year report.
During the first half of 2013 good progress was made regarding improving the programmes aimed at managing risks, including enterprise risk assessments for strategic and tactical risks and the internal control framework for operational and financial risks.

A Milner taste test in Greece.

The major uncertainties for the second half of 2013 are related to the economic developments in various regions, the increasing regulations and demands specified by the authorities, the development of world-market prices and the availability of raw materials.
Due to the worsening economic conditions in Europe consumers are seeking cheaper alternatives, which is putting the consumption of some dairy products and margins under pressure. Such risks are monitored very closely and, where possible, the Company implements additional measures including through the positioning of products and prices.
FrieslandCampina and the Dutch dairy sector are in dialogue with the authorities, fore example in Western Europe and China, regarding pro-actively applying the increasing governmental regulations and demands. Safeguarding of quality is being extended through more stringent internal quality controls and additional controls. Customers and the authorities are also specifying increasingly stringent demands regarding product quality and safety.
Substantial changes in the prices of raw materials (for example due to weather conditions), or a continuing scarcity of supply of certain products, could have a negative effect on FrieslandCampina's results and financial position. Being able to pass on higher cost prices in good time depends on several factors including the duration of contracts and the ability of markets to absorb the higher prices. Due to the pressure on sales volumes and results in several European countries, considerable attention continues to be paid to further improving efficiency. Risks and uncertainties that have not, as yet, been recognised, or have not yet been considered significant, could in the future have a substantial effect on FrieslandCampina and its goals, revenue, results, assets and liquidity.

Outlook
It is anticipated that in 2013 the global offering of milk will increase only slightly and will not exceed the 2012 volume until the end of the year. The global consumption of dairy products is stable to slightly higher in the emerging markets. In Europe the consumption of dairy products is under pressure. Small fluctuations in supply and demand on the world market have major consequences for the price development of dairy products. FrieslandCampina cannot make any concrete statement regarding the expected result for the whole of 2013.

Management statement
The members of the Executive Board of Royal FrieslandCampina N.V. declare that, to the best of their knowledge, the summarised half-year report (prepared in accordance with the applicable reporting regulations for interim reporting) gives a true and fair view of the assets, liabilities, financial position and profit of Royal FrieslandCampina N.V. and the companies included in the consolidation, and that the report of the Executive Board gives a true and fair view of the information required in accordance with Article 5:25 d (8) of the Financial Supervision Act.

Composition of the Executive Board
After a lengthy illness, on 16 January 2013 Kapil Garg passed away in Singapore at the very young age of 48. As Chief Operating Officer Consumer Products International Kapil was responsible for FrieslandCampina's activities in Asia and Africa. His inspirational character is greatly missed. Kapil's position has been taken over by Freek Rijna.

Cees (C.C.) 't Hart
Chief Executive Officer

Kees (C.J.M.) Gielen
Chief Financial Officer

Piet (P.J.) Hilarides
Chief Operating Officer Cheese, Butter & Milkpowder

Roelof (R.A.) Joosten
Chief Operating Officer Ingredients

Freek (F.) Rijna
Chief Operating Officer Consumer Products International

Amersfoort, the Netherlands, 23 August 2013

Consumer Products Europe

First half of 2013

- Economic developments in Europe put results under pressure
- Study started into adjusting the organisation for difficult market conditions
- Recovery of FrieslandCampina Professional

Revenue In millions of euros	2013 first half-year	2012 first half-year	Δ %	2012 full year
Revenue from third parties	1,484	1,498	-0.9	2,958
Internal supplies	64	57	12.3	119
Operating profit	48	49	-2.0	82
Operating profit as a % of revenue from third parties	3.2	3.3		2.8

A campaign for Debic Culinair cream aimed at FrieslandCampina Professional's customers.

In the first half of 2013 the Consumer Products Europe business group was confronted with a further worsening of market conditions in Europe. Consumer spending dropped further due to the sombre economic outlook, rising debt levels and increasing unemployment. Consumer Products Europe's revenue from third parties was 1,484 million euro. Volume fell as sales of both branded and supermarkets' private label dairy products declined. Volumes were most under pressure in Hungary, Romania, Germany and the Netherlands. The higher guaranteed price for raw milk could be passed-on, albeit with some delay due to existing contracts. The market share of most brands was under pressure. Operating profit fell to 48 million euro despite fixed costs being lower due to earlier reorganisations, cost management and reduced spending on advertising & promotion campaigns. Ways to adjust the organisation to difficult market conditions are being studied.

In the Netherlands and Belgium FrieslandCampina's revenue and result was lower than in the first half of 2012. The drop in revenue was due to lower sales volumes of branded products. The market share of branded products was also under pressure, with the exception of Chocomel and Boer en Land which increased their market share. In Belgium agreement was reached with Limelco regarding the transfer of FrieslandCampina suppliers (no members) in North-east Belgium to Limelco. This brought the purchase of Belgian milk more in line with the needs of both dairy companies.
In Germany revenue rose as a result of price increases. This did, however, have a negative effect on sales volume due to keen price competition in Germany and only Landliebe succeeded in further strengthening its position. The result decreased. The reorganisation went according to plan.
FrieslandCampina was able to maintain its market position in Greece despite the country's dire economic situation. Volume, revenue and result were, however, under pressure.
In Hungary and Romania both volume and revenue were lower than in 2012. The slight improvement of the result in Hungary was partly due to the reorganisation.
In Russia both revenue and volume increased. More yoghurt, yoghurt drinks and, in particular, cheese were sold. The result was down due to increased raw materials prices.

FrieslandCampina Professional recovered well after a difficult 2012. Volumes stayed the same, but revenue rose slightly. Organisational and production technology improvements led to an improved result. Volumes were under pressure in the Netherlands and Belgium. In Italy and France growth was achieved including with cream, butter and desserts.

Introductions:
The Netherlands: Campina lactose-free, Campina Boer (Farmer) and Land cheese, Milner Cow & Goat, Milner Flakes, Milner Rasp (Grated), Milner Lente Graskaas (Spring Grass Cheese), newly designed Chocomel, Mona and Yoki.
Greece: NoyNoy Noulac infant & toddler nutrition.

Consumer Products International

First half of 2013

- Positive development of result and revenue
- Higher milk and raw materials prices in the main passed on in sales prices
- Volume growth of 16.4 percent; market shares of infant & toddler nutrition higher than in 2012

Revenue In millions of euros	**2013 first half-year**	2012 first half-year	Δ %	2012 full year
Revenue from third parties	1,606	1,371	17.1	2,933
Internal supplies	142	156	-9.0	296
Operating profit	271	224	21.0	495
Operating profit as a % of revenue from third parties	16.9	16.3		16.9

New Frisian Flag 123 and 456 campaign in Indonesia.

The Consumer Products International business group's revenue from third parties in the first half of 2013 rose by 17.1 percent to 1,606 million euro. The revenue increase was achieved due to volume growth and price increases and despite a negative currency translation effect of 13 million euro. Sales of both infant & toddler nutrition and dairy-based beverages (especially condensed milk) showed good growth. In a number of countries the higher raw milk and raw materials costs could not be passed on in the sales price due to local government restrictions. In most countries the market share was better than in 2012, in part thanks to increased investments in advertising and promotion campaigns. The integration of Alaska Milk Corporation, which was acquired in 2012, proceeded smoothly. The business group's operating profit rose by 21.0 percent to 271 million euro (first half of 2012: 224 million euro). In most countries competition increased, particularly from local dairy companies.

FrieslandCampina China experienced pressure on sales of infant & toddler nutrition during the first half of 2013 as a result of parallel imports and confusion concerning the origin of various brands. Confidence in Friso has now been restored. In Hong Kong sales of both Friso and Dutch Lady dairy-based beverages increased.

FrieslandCampina Indonesia achieved both revenue and result improvements compared with the same period in 2012.
Frisian Flag's market shares for dairy-based beverages with sweetened condensed milk recovered. Although sales of Frisian Flag's Growing Up Milk for infants & toddlers increased, due to the fierce competition there was no improvement in market share.

The implemented improvement measures bore fruit in Vietnam. FrieslandCampina Vietnam achieved a substantial revenue increase compared with the first half of 2012, mainly due to higher sales volumes, especially of dairy-based beverages and Friso infant & toddler nutrition. Keener competition put some pressure on margins.

FrieslandCampina Wamco Nigeria/West Africa recovered well from a disappointing first half of 2012 and both revenue and result improved. Continuing unrest in the north of the country did cause disruptions to distribution and lower revenue in these regions.

The other countries performed better than in the first half of 2012.

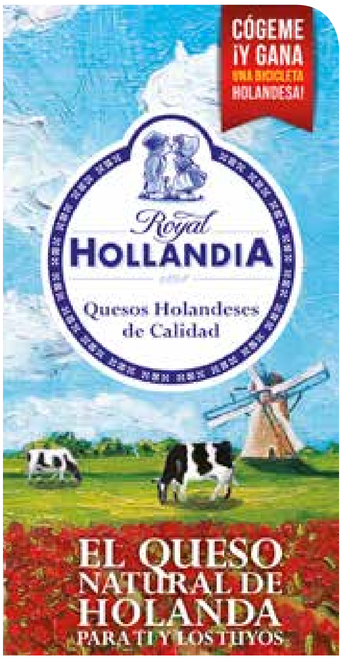
Introductions:
Indonesia: Frisian Baby Step 1&2 (Growing Up Milk)
Middle East: Rainbow Choco Milk
Nigeria: Peak Choco 3-in-1
Vietnam: Dutch Lady Complete
Malaysia: Dutch Lady Chocolate Drink

Cheese, Butter & Milkpowder

First half of 2013

- Positive result due to improved market conditions
- Higher commodity and milk prices passed on in the market in good time
- Zijerveld and Den Hollander Food acquired: the integration proceeded smoothly
- Investments in expanding butter production capacity in Den Bosch

Revenue In millions of euros	2013 first half-year	2012 first half-year	Δ %	2012 full year
Revenue from third parties	1,380	1,230	12.2	2,451
Internal supplies	198	142	39.4	276
Operating profit	19	-32		-30
Operating profit as a % of revenue from third parties	1.4	-2.6		-1.2



Royal Hollandia roll-out in Spain.

During the first half of 2013 the Cheese, Butter & Milkpowder business group's revenue from third parties rose by 12.2 percent to 1,380 million euro. Although the sales volume was comparable to the first half of 2012, revenue rose as a result of price increases throughout the business group. Operating profit rose by 51 million euro to 19 million euro due to improved market conditions. Operating profit as a percentage of revenue amounted to 1.4 percent (first half of 2012: -2.6 percent).

FrieslandCampina Cheese improved both its revenue and its result during the first half of the year. Sales of basis cheese were positive and, thanks to demand being high and supply being limited, price increases could be passed on in the market. As far as sales of pre-packed cheese were concerned, the result lagged behind slightly due to on-going contracts which meant a delay before the higher prices could be passed on. As Zijerveld and Den Hollander Food have only been part of the operating company since 1 May 2013 the effect on revenue and result is still limited. Yoko Cheese, which was acquired in October 2012, made a positive contribution towards revenue and result.

Sales of branded cheese suffered from the effects of the economic crisis in Germany and Spain because although the sales volume remained stable in these countries the higher raw materials prices could not be passed on in full.
In June 2013 the renovated cheese production facility in Workum went into service. The processing capacity has been doubled to 1 billion kilos of milk a year from which 120,000 tons of cheese is produced.

FrieslandCampina Butter made a good profit from the rising butter prices. Although sales volume remained the same revenue rose and the operating company's result was significantly higher than in the first half of 2012.

FrieslandCampina Milkpowder's result improved due to the higher sales prices for milk powder. Most of the milk powder production was taken by FrieslandCampina facilities in Asia and Africa.

FrieslandCampina Export has been part of the Cheese, Butter & Milkpowder business group since 1 January 2013. The operating company achieved a slight increase in revenue while sales volume remained the same. Exports of Frico cheese (Middle East and North Africa) in particular increased. Exports of evaporated milk lagged slightly due to a shortfall of capacity. This meant the result was slightly lower than for the first half of 2012.

Introductions:
Export: Holland Gouda logo on Gouda cheese
France: Holland Master, Royal Hollandia
Spain: Royal Hollandia

Ingredients

First half of 2013

- Improved revenue and result, especially from Domo, DMV and DFE Pharma
- Growth in added-value products
- Investments in capacity expansion for ingredients on schedule

Revenue

In millions of euros

	2013 first half-year	2012 first half-year	Δ %	2012 full year
Revenue from third parties	905	847	6.8	1,698
Internal supplies	241	230	4.8	428
Operating profit	140	119	17.6	227
Operating profit as a % of revenue from third parties	15.5	14.0		13.4

The introduction of DFE Pharma's new MCC (Microcrystalline Cellulose) product group.

The Ingredients business group once again performed well with revenue from third parties amounting to 905 million euro – a 6.8 percent increase compared with the first half of 2012. The increase in revenue was due to higher demand for high-quality ingredients for infant & toddler nutrition and the passing on of price increases. The volume of added-value products rose and, as a result, less commodities were produced. Operating profit rose by 17.6 percent to 140 million euro.

The revenue from and sales volume of FrieslandCampina Domo rose. The high demand for both infant & toddler nutrition and high-value nutritious dairy ingredients continued to increase. During the second half of 2013 more capacity will gradually become available as a number of investments in Bedum and Beilen are completed. Quality will be further safeguarded by higher internal quality demands and more quality controls. Customers and authorities are also specifying increasingly stringent demands regarding product quality and safety.

FrieslandCampina Kievit's revenue and result were slightly down compared to the first half of 2012. The operating company performed well in Europe, but in Asia the company was hindered by increasing competition from China. This put the volume development of creamers under pressure. As of 2014 the activities of Kievit and Satro will be integrated into the Kievit operating company.

FrieslandCampina DMV's revenue and result improved due to higher sales prices and a slight increase in volume. Investments in the expansion of special caseinate (whey protein) production capacity and cream extraction capacity were implemented in Veghel.

Nutrifeed had a difficult first half year and saw both revenue and result decreasing. The volume was under pressure due to adverse developments in the demand for animal feed especially from Russia and China. The introduction of Nutrifeed rearing milk to the member dairy farmers went well.

The DFE Pharma joint venture achieved increased revenue and result compared with the first half of 2012. The operating company's volume increased in line with the market for pharmaceutical lactose.

Condensed consolidated income statement

In millions of euros, unless stated otherwise	first half-year 2013	first half-year 2012 [1]
Revenue	5,524	5,089
Other operating income	4	9
Operating income	**5,528**	5,098
Operating expenses	-5,253	-4,878
Operating profit	**275**	220
Share of profit of joint ventures and associates	6	7
Finance income and costs	-28	-18
Profit before tax	**253**	209
Income tax expense	-89	-69
Profit for the period	**164**	140
Profit attributable to:		
• holders of member bonds	16	22
• holders of perpetual notes	4	4
• shareholder of the company	105	84
• shareholder and other providers of capital of the company	**125**	110
• non-controlling interests	39	30
Profit for the period	**164**	140

Condensed consolidated statement of comprehensive income

In millions of euros, unless stated otherwise	first half-year 2013		first half-year 2012 [1]	
Profit for the period		**164**		140
Items of other comprehensive income that are or may be reclassified subsequently to the income statement:				
Currency translation differences, net of tax	-19		28	
Effective portion of cash flow hedges, net of tax	-5		4	
Net other comprehensive income that is or may be reclassified subsequently to the income statement		**-24**		32
Items of other comprehensive income that never will be reclassified to the income statement:				
Remeasurements of pension costs payable, net of tax	23		-156	
Net other comprehensive income that never will be reclassified to the income statement		**23**		-156
Other comprehensive income for the period, net of tax		**-1**		-124
Total comprehensive income for the period		**163**		16
Attributable to:				
• shareholder and other providers of capital of the company		126		-17
• non-controlling interests		37		33

[1] The comparative figures for 2012 have been adjusted for the impact of the new standard of Employee benefits (IAS 19, revised 2011).

Condensed consolidated statement of financial position

In millions of euros, unless stated otherwise	30 June 2013	31 December 2012 [1]
Assets		
Property, plant and equipment	1,997	1,918
Intangible assets	1,391	1,290
Deferred tax assets	261	295
Employee benefits	4	4
Financial assets	179	178
Non-current assets	**3,832**	3,685
Inventories	1,323	1,139
Receivables	1,427	1,244
Cash and cash equivalents	524	756
Assets held for sale	6	7
Current assets	**3,280**	3,146
Total assets	**7,112**	6,831
Equity		
Issued capital	370	370
Retained earnings and reserves	706	556
Perpetual notes		130
Member bonds	1,120	1,084
Equity attributable to shareholder of the company and other providers of capital	**2,196**	2,140
Non-controlling interests	241	118
Total equity	**2,437**	2,258
Liabilities		
Employee benefits	565	602
Deferred tax liabilities	123	128
Interest-bearing borrowings	1,230	1,080
Other non-current liabilities	78	55
Non-current liabilities	**1,996**	1,865
Current borrowings	386	393
Other current liabilities	2,293	2,315
Current liabilities	**2,679**	2,708
Total liabilities	**4,675**	4,573
Total equity and liabilities	**7,112**	6,831

[1] The comparative figures for 2012 have been adjusted for the impact of the new standard of Employee benefits (IAS 19, revised 2011).

Condensed consolidated statement of cash flows

This statement shows the cash flows, translated into euros where applicable. Cash flows denominated in foreign currencies are translated into euros at the exchange rates ruling on the transaction date. The cash flow statement has been prepared using the indirect method.

In millions of euros, unless stated otherwise	first half-year 2013	first half-year 2012
Profit before tax	253	209
Depreciation and amortisation of property, plant, equipment and intangible assets	103	93
Movements in inventories, receivables and liabilities	-145	-63
Other operating activities	-43	8
Net cash from operating activities	**168**	247
Investments in property, plant, equipment and intangible assets	-220	-177
Acquisitions	-79	-298
Other investing activities	4	14
Net cash used in investing activities	**-295**	-461
Interest-bearing borrowings drawn and repayments	140	338
Repayment of perpetual notes	-125	
Other financing activities	-113	-109
Net cash (used in) / from financing activities	**-98**	229
Net cash flow	**-225**	15
Cash and cash equivalents at 1 January	756	420
Net cash flows	-225	15
Translation differences in cash and cash equivalents	-7	8
Cash and cash equivalents at 30 June	**524**	443

Condensed consolidated statement of changes in equity

In millions of euros, unless stated otherwise	first half-year 2013			first half-year 2012 [1]		
	Equity [2]	Non-controlling interests	**Total**	Equity [2]	Non-controlling interests	Total
At 1 January	2,140	118	**2,258**	2,078	116	2,194
Total comprehensive income for the period	126	37	**163**	-17	33	16
Transactions with shareholder and other providers of capital recognised directly in equity:						
• dividends paid to non-controlling interests		-50	**-50**		-40	-40
• repayment of perpetual notes	-125		**-125**			
• amounts paid to holders of perpetual notes	-8		**-8**	-8		-8
• amounts paid to holders of member bonds	-34		**-34**	-40		-40
• pro forma issuance of registered member bonds	58		**58**	43		43
• other changes	-2		**-2**			
Total transactions with shareholder and other providers of capital	**-111**	**-50**	**-161**	-5	-40	-45
Changes in ownership interests in subsidiaries:						
• transactions with owners of non-controlling interests		-5	**-5**		8	8
• Expiry of DFE put-option	41	141	**182**			
At 30 June	**2,196**	**241**	**2,437**	2,056	117	2,173

[1] The comparative figures for 2012 have been adjusted for the impact of the new standard of Employee benefits (IAS 19, revised 2011).

[2] Equity attributable to shareholder of the company and other providers of capital.

Notes to the condensed consolidated half-year figures

In millions of euros, unless stated otherwise

General

Royal FrieslandCampina N.V. has its registered office in Amersfoort, the Netherlands. The address is: Stationsplein 4, 3818 LE, Amersfoort, the Netherlands. The consolidated financial statements for the half year ended 30 June 2013 comprise Royal FrieslandCampina N.V. and its subsidiaries (jointly referred to as FrieslandCampina).

Zuivelcoöperatie FrieslandCampina U.A. is the sole shareholder of Royal FrieslandCampina N.V.

The half-year figures in this report have not been audited or subjected to a limited review.

Accounting policies

This half-year report has been prepared in accordance with IAS 34 'Interim financial reporting', insofar as endorsed by the European Union. This half-year report must be read together with the 2012 financial statements, which were prepared in accordance with IFRS as endorsed by the European Union and their interpretations as adopted by the International Accounting Standards Board (IFRSs).

The accounting policies applied in this consolidated half-year report are consistent with the policies for valuation and determination of result and the calculation methods used in preparing the 2012 financial statements. The company has, in addition, applied the following new or amended IFRS standards as per 1 January 2013:

- IAS 1 Presentation of items of other comprehensive income – Amendments to IAS 1
- IAS 19 (revised 2011) Employee benefits
- IFRS 13 Fair Value Measurement

As required by IAS 34, the nature and the effect of these changes are disclosed below. Several other new standards and amendments are applicable for the first time in 2013, but do not impact the annual consolidated financial statements of FrieslandCampina or the interim condensed consolidated financial statements of FrieslandCampina.

IAS 1 Presentation of Items of other comprehensive income – Amendments to IAS 1

The amendment to IAS 1 introduces a grouping of items presented in the consolidated statement of comprehensive income. Items that may be reclassified (or recycled) to the income statement at a future point in time (e.g. exchange differences on currency translation of foreign operating activities, net movement on cash flow hedges) now have to be presented separately from items that will never be reclassified (e.g. remeasurements pension costs payable). The amendment only affects presentation and has no impact on FrieslandCampina's financial position or performance.

IAS 19 Employee benefits (revised 2011)

IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in the consolidated statement of other comprehensive income and permanently excluded from the income statement; expected returns on plan assets are no longer recognised in the income statement, instead interest on the net defined benefit liability/asset must be recognised in the income statement, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in the income statement at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

The comparable figures for 2012 have been adjusted for the effects of this new standard. The effects of the changes are explained under Note Employee benefits.

IFRS 13 Fair Value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by FrieslandCampina.

IFRS 13 also requires specific disclosures on fair values in the half-year and/or annual financial statements, some of which replace existing disclosure requirements in other standards, including *IFRS 7 Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16 A 9j), thereby affecting the half-year report. FrieslandCampina provides these disclosures in Note Financial instruments.

Judgements, estimates and assumptions

The preparation of the consolidated half-year financial statements in conformance with IFRS requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from management's estimates.

The assumptions and estimates are reviewed on an ongoing basis. For an overview of the most important assumptions please see the 2012 Financial Statements. During the first half of 2013 there were no major changes. In the half-year report the performance premium is calculated pro forma, including the pro forma issuance of registered member bonds and the reservation performance premium.

Financial risk management

The most important objectives and procedures of the financial risk management within FrieslandCampina are consistent with the objectives and procedures presented in the 2012 consolidated financial statements.

Seasonal influences

There is no significant seasonal pattern when comparing the first half and the second half of a year.

Segmentation

The identified operating segments are the separate segments within FrieslandCampina for which financial information is available that is frequently evaluated by the highest decision making body (Executive Board) in order to come to decisions regarding the attributing of the available means to the segment and to determine the performance of the segment. FrieslandCampina has divided the operating segments into business groups: Consumer Products Europe; Consumer Products International; Cheese, Butter & Milkpowder and Ingredients.

In millions of euros, unless stated otherwise

first half-year 2013

Segmentation by business groups

	Consumer Products Europe	Consumer Products International	Cheese, Butter & Milkpowder	Ingredients	Other	Elimination	Total
Revenue third parties	1,484	1,606	1,380	905	149	-	**5,524**
Inter-segment revenue	64	142	198	241	-	-645	-
Total revenue	**1,548**	**1,748**	**1,578**	**1,146**	**149**	**-645**	**5,524**
Operating profit	48	271	19	140	-203		**275**
Share of profit of joint ventures and associates		4	2	-1			**6**
Finance income and costs							-28
Income tax expense							-89
Profit for the period							**164**
Operating profit as a % of revenue third parties	3.2	16.9	1.4	15.5			5.0
Carrying amounts of assets employed in operating activities	1,827	1,357	1,381	1,466	728	-627	**6,132**
Carrying amounts of other assets							980
							7,112

first half-year 2012[1]

Segmentation by business groups

	Consumer Products Europe	Consumer Products International	Cheese, Butter & Milkpowder	Ingredients	Other	Elimination	Total
Revenue third parties	1,498	1,371	1,230	847	143		5,089
Inter-segment revenue	57	156	142	230		-585	
Total revenue	1,555	1,527	1,372	1,077	143	-585	5,089
Operating profit	49	224	-32	119	-140		220
Share of profit of joint ventures and associates		4	2	1			7
Finance income and costs							-18
Income tax expense							-69
Profit for the period							140
Operating profit as a % of revenue third parties	3.3	16.3	-2.6	14.0			4.3
Carrying amounts of assets employed in operating activities	1,748	1,336	1,040	1,248	674	-515	5,531
Carrying amounts of other assets							889
							6,420

[1] Due to internal transfers, the comparative figures in the segmentation by business groups have changed compared to the Half-year Report 2012. Also as from year end 2012 the performance premium and issuance of registered member bonds are no longer attributed to the business groups, but to Other instead.

Acquisitions

During the first half of 2013 FrieslandCampina acquired full control of Zijerveld en Veldhuyzen B.V. and G. den Hollander Holding B.V. (Zijerveld and Den Hollander Food). The acquisition date is 1 May 2013.

Zijerveld Food not only offers its clients a wide range of specialty items such as the North Holland cheeses and farmhouse cheeses but also knowledge, tailor-made concepts and its own logistics services. Den Hollander Food is a packaging business unit with its focus on sliced cheeses in various reclosable packages. This acquisition is in line with FrieslandCampina's *route2020* ambitions of to become the preferred supplier for our clients in various market segments. Zijerveld complements the existing business of FrieslandCampina in the pre-pack segment and contributes to further value growth for our customers, in particular in the fresh counter segment with specialty cheeses.

As of the acquisition date, Zijerveld and Den Hollander Food have been consolidated as part of the Cheese, Butter & Milkpowder business group. In the two months until 30 June 2013 Zijerveld and Den Hollander Food contributed EUR 78 million towards revenue and EUR 3 million negative towards profit including one-time effects related to acquisitions. The management estimates that, had the acquisition taken place on 1 January 2013, the contribution towards FrieslandCampina's revenue would have been EUR 5,690 million and the contribution towards the consolidated profit during the first half of the year would have been EUR 161 million. The management based these figures on the same fair value corrections on the acquisition date as would have been applicable if the acquisition had taken place on 1 January 2013.

FrieslandCampina acquired Zijerveld and Den Hollander Food for the sum of EUR 80 million plus a contingent consideration of EUR 19 million.

The major assets acquired and liabilities assumed recognised at the acquisition date are as follows:

Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	21
Intangible assets	48
Inventories	28
Other financial assets	69
Cash and cash equivalents	1
Deferred tax liabilities	-12
Other payables	-81
Total net identifiable assets	**74**

The fair values of the net identifiable assets acquired and liabilities assumed have been determined based on the preliminary purchase price allocation performed by a third party. In respect of the acquisition the European Union has specified that Amalthea (independent goat's milk cooperative) must make a portion of the sales volume of semi-soft goat's cheese previously supplied to FrieslandCampina available to one or more external parties. FrieslandCampina will finalise the purchase price allocation during a one-year measurement period.

The trade and other receivables comprise gross contractual amounts of EUR 66 million, of which EUR 3 million was expected to be uncollectible at the acquisition date.

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	99
Fair value of identifiable assets and liabilities	-74
Goodwill	**25**

The goodwill relates primarily to the synergies expected to be achieved from integrating Zijerveld and Den Hollander Food into the Cheese, Butter & Milkpowder business group. The included goodwill is fiscally non-deductible.

Acquisition related costs of EUR 2 million are included under 'other expenses' in the income statement for the first half year and include legal fees and due diligence costs.

Operating expenses

Operating expenses include the milk payments to member dairy farmers of EUR 1,892 million (first half-year 2012: EUR 1,696 million).

Net finance costs

The increase of the finance income and costs during the first half of 2013 are due primarily to a negative currency translation effect of EUR 4 million on receivables and liabilities in foreign currency. In the first half of 2012 the currency translation effect was EUR 14 million positive. In addition, in the first half of 2013 the put-option expense amounted to EUR 2 million (2012: EUR 15 million), the decrease of the put-option expense was caused by the expiry of the put-option in June 2013.

Income tax expense

The 35% tax expense in the first half of 2013 is higher than the 33% tax expense in the first half of 2012. This is due to a number of reasons including the writing off of losses in Hungary capitalised in the past and non-deductible source tax on received dividends from Nigeria, Indonesia and Thailand.

Property, plant and equipment

The development of property, plant and equipment during the first half of 2013 can be specified as follows:

Carrying amount at 1 January	1,918
Consolidation	21
Additions	159
Disposals	-3
Currency translation differences	-6
Depreciation	-92
Carrying amount at 30 June	**1,997**

The investments in consolidation relate to property, plant and equipment amounting to EUR 21 million acquired from Zijerveld and Den Hollander Food. The investments of EUR 159 million relate primarily to the expansion of production capacity in the Netherlands.

Intangible fixed assets

The development of intangible non-current assets during the first half of 2013 can be specified as follows:

Carrying amount at 1 January	1,290
Consolidation	73
Additions	26
Currency translation differences	-12
Amortisation	-11
Change in value in connection with put-option	25
Carrying amount at 30 June	**1,391**

The investments in consolidation relate to the intangible fixed assets acquired from Zijerveld and Den Hollander Food (EUR 48 million) and the goodwill related to this acquisition (EUR 25 million). The intangible fixed assets comprise mainly client relations and know-how and will be amortised in 2 to 15 years.

During the first half of 2013 an amount of EUR 16 million was capitalised in respect of the global IT standardisation programme FrieslandCampina started in 2010. During 2012 the system went live for the first group of operating companies. Rolling-out the system to the other operating companies will take several years.

During the first half of 2013 the value of the liability in respect of the DFE put-option rose by EUR 25 million. This increase in value has been added to the goodwill. The put-option expired in June 2013. This had no effect on the recognised amount of goodwill.

Impairment tests

The impairment test will be carried out during the second quarter of every year. The impairment test comprises calculating the recoverable amounts per group of cash flow-generating units, or at another time if there is an indication for impairment. Goodwill is monitored and tested at the business group level (groups of cash flow-generating units). Due to the acquisition of Zijerveld and Den Hollander Food as of 2013 goodwill will also be allocated to Cheese, Butter and Milkpowder.

The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows:

Consumer Products Europe	756
Consumer Products International	145
Cheese, Butter & Milkpowder	25
Ingredients	163
	1,089

The principle assumptions applied when calculating the business value per business group are:

	% Terminal value	% Budgeted EBITDA	% Pre-tax discount rate
Consumer Products Europe	2.0	6-8	11
Consumer Products International	2.5	16-20	13
Cheese, Butter & Milkpowder	2.0	4-5	11
Ingredients	2.0	14-23	10

Budgeted EBITDA margins are based on current experience, specific expectations for the near future and market-based growth rates. The discount rates are based on statements from financial advisers. The discount rates are pre-tax, in accordance with IAS 36.55.

The recoverable amounts, being the value in use, of the cashgenerating units were determined on the basis of the 2013 budget and long term plans. For the period after 2017 a growth rate was used that is equal to the expected long-term inflation rates, equal to the terminal value.

The outcome of the impairment tests was that the recoverable amount exceeds the carrying amounts of the cash-generating units.

Sensitivity to changes in assumptions
The impairment test showed that the estimated recoverable amount of Consumer Products Europe exceeds the carrying amount by EUR 279 million. The Executive Board has identified two important assumptions which, if changed, could lead to impairment. The extent to which one of these two assumptions must change in percentage points in order for the estimated recoverable amount to equal the carrying value is shown for each assumption.

Change needed for the carrying amount to equal the recoverable amount:

Pre-tax discount rate	+2%
Estimated EBITDA	-1%

The values attributed to the important assumptions represent Management's judgement regarding future developments in Consumer Products Europe and are based on both external and internal sources.

The outcome of the impairment testing of Consumer Products International, Cheese, Butter & Milkpowder and Ingredients showed that the recoverable amount amply exceeded the carrying value of the cash flow generating units. In these instances a reasonable amendment of the assumption will not lead to a lower recoverable value than the carrying value of these business groups.

Inventories
An amount of EUR 208 million (first half-year 2012: EUR 162 million) of the inventories of finished goods and goods for resale was carried at lower market value. In the first half-year of 2013 the write-down of inventories to net realisable value amounted to EUR 13 million.

Equity
On 3 June 2013 FrieslandCampina repaid its 7.125 percent perpetual cumulative subordinated note of EUR 125 million from 2003. The note is no longer listed on Euronext Amsterdam. In addition to the capital a further EUR 8 million owed interest was paid.

Employee benefits
IAS 19 revised 2011 has been applied from 1 January 2013. As a result, expected returns on plan assets of defined benefit plans are not recognised in the income statement. Instead, interest on the net defined benefit obligation/asset is recognised in the income statement, calculated using the discount rate used to measure the net defined benefit obligation or asset.

Unvested past service costs can also no longer be deferred and recognised over the future vesting period. Instead all past service costs are recognised at the earlier of when the amendment to a pension plan occurs and when FrieslandCampina recognises related restructuring or termination costs. Until 2012, unvested past service costs were recognised as an expense on a straight-line basis over the average period until the benefits become vested.

Impact of the IAS 19 revised 2011 on interim condensed consolidated statement of financial position as at 31 December 2012:

Impact of IAS 19 revised 2011 on pension costs payable	
Pension costs payable before transition	257
Increase in pension costs payable due to transition	341
Pension costs payable after transition	**598**
Classified as non-current asset	4
Classified as non-current liability	602
Impact of IAS 19 revised 2011 on equity	
Increase in pension costs payable	-341
Increase in deferred tax assets (non-current)	85
Net impact on equity	**-256**

The net negative impact on equity of EUR 256 million comprises EUR 260 million unrecognised actuarial results and not yet recognised past service costs offset by EUR 4 million net impact on the income statement for 2012, resulting from the calculation of the income from investments on the basis of the discount rate that is also used to measure the defined benefit obligation. The unrecognised actuarial results and not yet recognised past service costs (EUR 260 million) relate for EUR 190 million to 2012 and for EUR 70 million to previous years.

For the purpose of comparison with the first half of 2012, the impact on the interim condensed consolidated statement at 30 June 2012 is specified below:

Increase in profit before tax	3
Increase in income tax expense	-1
Increase in profit for the period	**2**
Remeasurements of pension costs payable before 2012, net of tax, included in opening balance	-70
Remeasurements of pension costs payable, net of tax, recognised in comprehensive income	-156
Net impact on equity	**-224**

Other current liabilities

On the basis of an agreement between FrieslandCampina and Fonterra Co-operative Group Ltd., FrieslandCampina was obliged to acquire the 50% participation in DMV-Fonterra Excipients GmbH & Co KG held by Fonterra for an amount that at least equalled the input value of Fonterra at the time the joint venture was established in 2006. As Fonterra did not utilised its right to exercise this put-option in June 2013 the put-option expired. As FrieslandCampina remains control of DMV-Fonterra Excipients GmbH & Co KG after the expiry, the transaction is recognised as a transaction between shareholders. As a result the EUR 182 million liability in respect of the put-option has been credited to the reserves and the non-controlling interests to equity.

Financial instruments

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are stated below. The fair value is the amount that would be received or paid if the receivables and/or liabilities were settled on the balance sheet date, without further liabilities.

						30 June 2013
	Designated at fair value through income statement	Derivatives in hedge relationship	Loans and receivables	Other financial liabilities	**Carrying amount**	Fair value
Other financial assets		12	44		**56**	59
Trade and other receivables	1		1,404		**1,405**	1,405
Cash and cash equivalents			524		**524**	524
Other financial liabilities	20	48			**68**	68
Interest-bearing borrowings				1,230	**1,230**	1,318
Current borrowings				386	**386**	389
Trade and other (financial) payables	8	8		2,106	**2,122**	2,122

The fair value is equal to the carrying value, with the exception of the interest-bearing liabilities and the other financial assets with a fixed interest percentage. To calculate the fair value of these liabilities an average weighted interest percentage of 2.2% (2012: 1.5%) has been used. The fair value of the other financial assets has been calculated using an average interest rate of 1.5%.

Fair values hierarchy

The table below analyses financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured using inputs other than those in level 1 that are observable for the asset or liability, either directly for example, as prices) or indirectly (for example, derived from prices);

Level 3: fair value measured using inputs that are not based on observable market data.

In respect of financial instruments that are recognised at fair value on a recurring basis, at the end of each reporting period it is determined whether transfers have occurred between the hierarchical levels.

				30 June 2013
	Level 1	Level 2	Level 3	**Total**
Other financial assets		12		**12**
Trade and other receivables		1		**1**
Total assets		**13**		**13**
Other financial liabilities		49	19	**68**
Trade and other payables		16		**16**
Total liabilities		**65**	**19**	**84**

The derivatives are classified as Level 2 valuation method. The fair value of the forward currency contracts is calculated by comparison with the actual forward prices of contracts for comparable remaining terms. The fair value of interest swap contracts is determined using the discounted value based on actual market information.

During the first half of 2013 the movements of the financial instruments classified as Level 3 were as follows:

	DFE put-option	Contingent consideration
Carrying amount at 1 January	155	
Arising from acquisition		19
Finance costs	2	
Adjustment in value via goodwill	25	
Transfer from Level 3	-182	
Carrying amount at 1 January		**19**

The DFE put-option expired in June 2013 and the closing value of the put-option was determined on the basis of the present value method which uses quoted market prices and future cash flows. The future cash flows are discounted against the current discount rates. The contingent consideration in respect of the acquisition of Zijerveld and Den Hollander Food was determined on the basis of the fair value at 30 June 2013 of the maximum contingent consideration of EUR 25 million. To this end the expected EBITDA growth over the coming three years was estimated and the expected contingent consideration was discounted at a discount rate of 11%.

Commitments and contingencies

Commitments and contingencies do not materially differ from those included in the most recently published Financial statements (2012).

Related-party transactions

There were no changes in respect of the nature and size of the related parties compared with the Notes to the 2012 financial statements.

Subsequent events

No events that must be included in the 2013 half-year report have occurred since the balance sheet date.

Amersfoort, 23 August 2013

Every day Royal FrieslandCampina provides around 1 billion consumers all over the world with food that is rich in valuable nutrients. With annual revenues of 10.3 billion euro, FrieslandCampina is one of the world's five largest dairy companies.

FrieslandCampina supplies consumer products such as dairy-based beverages, infant & toddler nutrition, cheese and desserts in many European countries, in Asia and in Africa. Products are also supplied to professional customers, including cream and butter products to bakeries and catering companies. FrieslandCampina also supplies ingredients and half-finished products to manufacturers of infant & toddler nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina has offices in 28 countries and employs a total of 19,946 people. FrieslandCampina's products find their way to more than 100 countries. The Company's central office is in Amersfoort, the Netherlands. FrieslandCampina's activities are divided into four market-oriented business groups: Consumer Products Europe; Consumer Products International; Cheese, Butter & Milkpowder and Ingredients. The Company is fully owned by Zuivelcoöperatie FrieslandCampina U.A., with 19,487 member dairy farmers in the Netherlands, Germany and Belgium one of the world's largest dairy cooperatives.

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