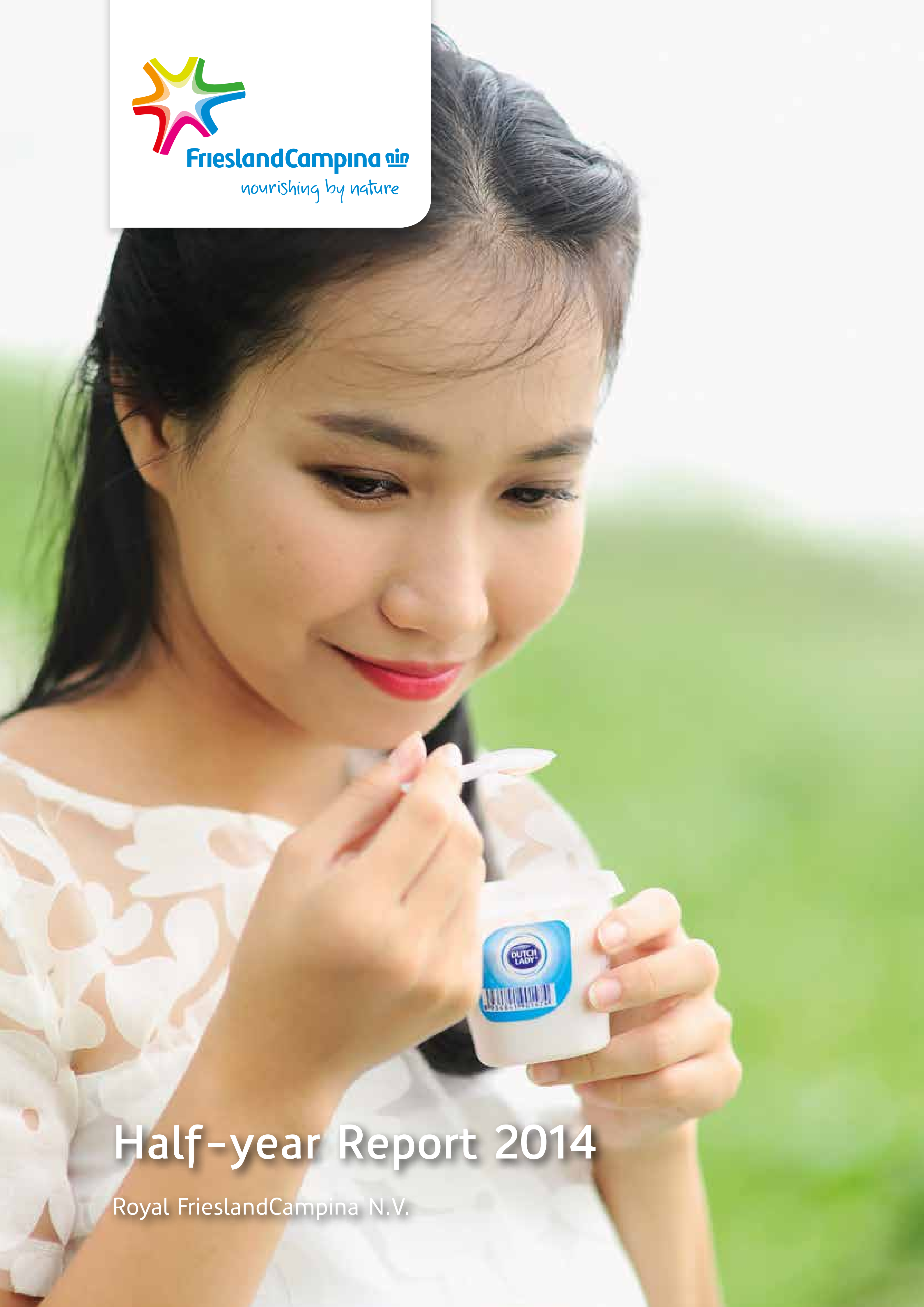


Half-year Report 2014

Royal FrieslandCampina N.V.

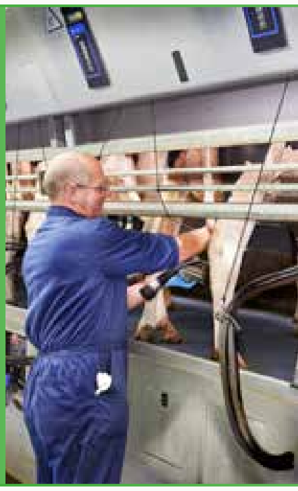
Major developments

First half of 2014

Revenue up but profit down
due to a strong euro
and the market conditions

High milk price for member
dairy farmers;
pro forma milk price up by
9.1 percent to 44.19 euro

Per 100 kilos of milk excluding VAT at 3.47% protein, 4.41% fat and 4.51% lactose



- Guaranteed price for the Cooperative's member dairy farmers up to 42.07 euro (first half of 2013: 37.03 euro)
- Pro forma performance premium (1.10 euro) and pro forma distribution of member bonds (0.63 euro) down in total to 1.73 euro (first half of 2013: 3.05 euro)

route2020
strategy

- Net revenue up by 3.5 percent to 5,713 million euro due to higher sales prices (6.4 percent) and acquisitions (1.7 percent) and despite negative currency translation effects (-3.2 percent) and smaller volumes (-1.4 percent). Organic revenue growth was 5.0 percent
- Continued growth in China
- Shrinking markets, in particular in Indonesia and Vietnam, a slow-down of growth in many countries
- Milk supply peaks putting price pressure on commodities
- Operating profit down by 102 million euro (37.1 percent) to 173 million euro; currency translation effect on operating profit amounts to 59 million euro negative
- Profit down by 60 million euro (36.6 percent) to 104 million euro; currency translation effect on profit amounts to 44 million euro negative
- Cash flow from operating activities down to -189 million euro (first half of 2013: 168 million euro) due to reduced profit and increased working capital due to higher prices of the inventories and payments to pension funds

- Pro forma milk price up to 44.19 euro (first half of 2013: 40.50 euro)
- Interim pay-out to member dairy farmers in September (75% of the pro forma performance premium): 0.825 euro per 100 kilos of milk

- Increased revenue and volume of milk
- 4.2 percent volume growth in infant nutrition for consumer market
- Dairy-based beverages volume down by 8.6 percent
- Branded cheese volume down by 3.9 percent
- Commodities volume up by 7.4 percent
- Further investments in capacity expansion and quality improvements
- Discussions regarding establishment of a new joint venture together with China Huishan Dairy Holdings Company Limited in China
- A further reduction in the number of accidents at FrieslandCampina facilities

Key figures

in millions of euros unless stated otherwise

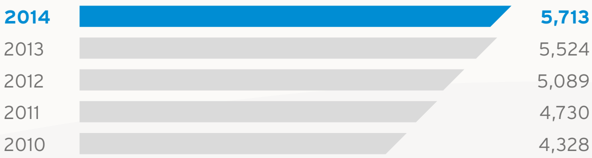
	2014 first half-year	2013 first half-year	Change in %	2013 full year
Results				
Net revenue	**5,713**	5,524	3.5	11,418
Operating profit	**173**	275	-37.1	313 [1]
Profit	**104**	164	-36.6	157 [1]
Operating profit as a percentage of net revenue	**3.0**	5.0		2,7
Balance sheet				
Balance sheet total	**7,485**	7,112	5.2	7,112
Total equity	**2,601**	2,437	6.7	2,631
Net debt [2]	**1,356**	1,122	20.9	696
Total equity as a percentage of the balance sheet total	**34.7%**	34.3%		37.0%
Cash flow				
Net cash flow used in/from operating activities	**-189**	168		596
Net cash flow used in investing activities	**-279**	-295	-5.4	-576
Investments				
Investments	**254**	185	37.3	559
Value creation for member dairy farmers in euros per 100 kilos of milk (excl. VAT at 3.47% protein, 4.41% fat and 4.51% lactose)				
Guaranteed price	**42.07** [3]	37.03	13.6	39.45
Pro forma performance premium [4]	1.10	1.81	-39.1	1.81
Meadow milk premium [5]	0.30	0.32		0.31
Special supplements [6]	0.09	0.10		0.10
Pro forma cash price [4]	**43.56**	39.26	11.0	41.67
Pro forma issuance of registered member bonds [4]	0.63	1.24	-49.2	1.23
Pro forma milk price [4]	**44.19**	40.50	9.1	42.90
Interest on member bonds	0.39	0.35	11.4	0.37
Pro forma addition to retained earnings [4]	1.00	2.27	-55.9	0.45
Pro forma performance price [4]	**45.58**	43.12	5.7	43.72
Interim pay-out [7]				
75% of the pro forma performance premium	**0.825**			
Milk supplied by members (in millions of kilos)	**4,819**	4,641	3.8	9,261

1 Operating profit for 2013 before goodwill impairment was 513 million euro, profit without goodwill impairment was 327 million euro.
2 The net debt concerns non-current interest-bearing borrowings, current borrowings and the net amount receivable from/payable to affiliated company less cash and cash equivalents at free disposal.
3 This relates to the balance of the guaranteed price of 42.00 euro and an adjustment of 0.065 euro per 100 kilos for a too low estimate over the first half of 2014.
4 The definite figures will be 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 0.30 euro per 100 kilos of milk.
6 Special supplements concerns the total amount of pay-outs per 100 kilos of milk of 1.00 euro for Landliebe milk. The guaranteed price for organic milk was 50.26 euro per 100 kilos of milk. Averaged over all FrieslandCampina member milk this is 0.09 euro per 100 kilos of milk.
7 The interim pay-out per 100 kilos of milk will be paid out to member dairy farmers on 1 September 2014.

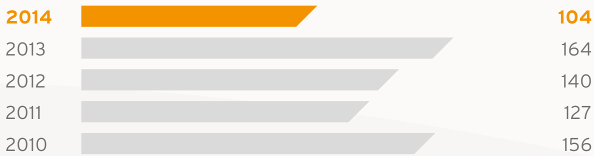
in millions of euros unless stated otherwise

	2014 first half-year	2013[8] first half-year	Change in %	2013[8] full year
Consumer Products Europe, Middle East & Africa				
Revenue from third parties	**1,990**	2,002	-0.6	4,010
Internal supplies	**191**	129	48.1	246
Operating profit	**95**	129	-26.4	20
Operating profit as a % of revenue from third parties	**4.8**	6.4		0.5
Consumer Products Asia				
Revenue from third parties	**1,149**	1,160	-0.9	2,338
Internal supplies	**10**	6	66.7	19
Operating profit	**169**	196	-13.8	385
Operating profit as a % of revenue from third parties	**14.7**	16.9		16.5
Cheese, Butter & Milkpowder				
Revenue from third parties	**1,489**	1,293	15.2	2,831
Internal supplies	**367**	234	56.8	531
Operating profit	**-26**	26	-200.0	81
Operating profit as a % of revenue from third parties	**-1.7**	2.0		2.9
Ingredients				
Revenue from third parties	**850**	905	-6.1	1,801
Internal supplies	**254**	217	17.1	468
Operating profit	**87**	127	-31.5	241
Operating profit as a % of revenue from third parties	**10.2**	14.0		13.4

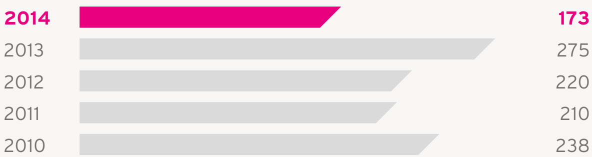
Revenue in millions of euros — first half-year



Profit in millions of euros — first half-year

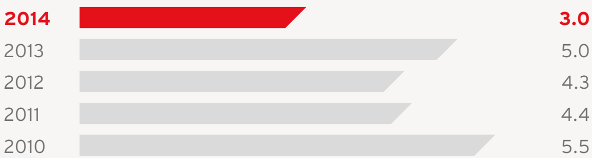


Operating profit in millions of euros — first half-year

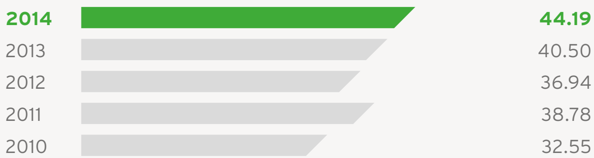


Operational cash flow in millions of euros — first half-year

Operating profit as a % of net revenue — first half-year



Milkprice in euros per 100 kilos, excl. VAT — first half-year



[8] The comparable figures in the segmentation per business group deviate from the figures in the 2013 Half-year Report and the Annual Report 2013 because of internal transfers of activities and the determination of the internal transfer price in respect of milk components has been adjusted.

Revenue up but profit down due to a strong euro and the market conditions

First half of 2014: a high milk price for member dairy farmers

In the first half of 2014 the revenue of Royal FrieslandCampina N.V. rose by 3.5 percent to 5,713 million euro. Organic revenue growth amounted to 5.0 percent. Higher sales prices contributed towards the revenue growth. The most robust growth was achieved in China, Hong Kong and the Philippines. The sales volume of infant nutrition increased. Sales volumes of dairy-based beverages, cheese and ingredients, however, decreased due to unfavourable market conditions in Europe, Indonesia and Vietnam. Exports of cheese to Russia also decreased. Profit fell by 60 million euro (36.6 percent) to 104 million euro due to a negative currency translation effect amounting to 44 million euro and pressure on margins for commodities.

Net revenue growth

The higher net revenue was achieved due to higher sales prices and acquisitions (Zijerveld and Den Hollander in May 2013). The net currency translation effect on revenue was 3.2 percent negative (-177 million euro).

Lower operating profit and profit

In the first half of 2014 operating profit fell by 102 million euro (37.1 percent) to 173 million euro. The sales prices of commodities such as basic cheese, butter and milk powder were too low to offset the high guaranteed price for the member dairy farmers. On top of that, difficult market conditions in Asia and Europe plus negative currency translation effects amounting to 59 million euro put volumes and margins under pressure.

Operating costs in the first half of 2014 rose by 5.5 percent to 5,544 million euro due to higher raw materials and packaging materials costs (first half of 2013: 5,253 million euro). As a result of the higher milk price the pro forma payment to member dairy farmers for milk rose by 12.8 percent to 2,134 million euro in the first half of 2014 (first half of 2013: 1,892 million euro).

Profit over the first half of 2014 fell by 60 million euro (37.1 percent) to 104 million euro (first half of 2013: 164 million euro). This drop in profit was due to unfavourable currency translation effects of 44 million euro and higher operating costs. The profit attributable to the Company's shareholder (the Cooperative) amounted to 72 million euro (first half of 2013: 125 million euro).

Company performance price - 45.58 euro

The FrieslandCampina pro forma performance premium for the first half of 2014 amounted to 45.58 euro per 100 kilos of milk excluding VAT, an increase of 5.7 percent compared with the 43.12 euro for the first half of 2013. FrieslandCampina's performance price in respect of the member dairy farmers comprises the guaranteed price, the performance premium, the meadow milk premium, the special supplements, the issuance of registered member bonds, the interest on member bonds and the addition to retained earnings.

The guaranteed price over the first half of 2014 was 42.07 euro per 100 kilos of milk. This 13.6 percent increase compared with the first half of 2013 (37.03 euro) was due to the higher milk prices of the reference companies. The pro forma performance premium was 1.10 euro per 100 kilos of milk (first half of 2013: 1.81 euro). The decrease was due to the lower profit. The meadow milk premium amounted to 0.30 euro per 100 kilos of milk and the supplements for special milk streams (Landliebe and organic milk) amounted to 0.09 euro per 100 kilos of milk. The pro forma issuance of registered member bonds over the first half of 2014 was 0.63 euro per 100 kilos of milk (first half of 2013: 1.24 euro). The pro forma milk price over the first half of 2014 totalled 44.19 euro excluding VAT per 100 kilos of milk. This is the highest ever milk price and an increase of 9.1 percent compared with the first half of 2013 (40.50 euro). The interest on member bonds was 0.39 euro per 100 kilos of milk. The total interest on member bonds rose from 16 million euro to 19 million euro as a result of the increased number of bonds. The pro forma addition to retained earnings amounted to 1.00 euro per 100 kilos of milk (first half of 2013: 2.27 euro).

The organic milk price over the first half of 2014 amounted to 52.38 euro excluding VAT per 100 kilos of milk (first half of 2013: 47.99 euro). The organic guaranteed price over the first half of 2014 amounted to 50.26 euro excluding VAT per 100 kilos of milk (first half of 2013: 44.94 euro).

The amount of the addition to retained earnings, the performance premium and the issuance of registered member bonds is dependent on FrieslandCampina's profit. For the years 2014-2016, of the profit of FrieslandCampina, based on the guaranteed price and after deduction of the profit attributable to holders of member bonds and the profit attributable to non-controlling interests, 45 percent will be added to the Company's equity (formerly 50 percent). Of the profit 35 percent will be paid out to the member dairy farmers as performance premium (formerly

30 percent) and 20 percent will be paid out to the member dairy farmers in the form of member bonds-fixed. The issuance of member bonds-fixed will be calculated on the basis of the value of the milk supplied during the financial year.

Interim pay-out of 0.825 euro per 100 kilos of milk

In September 2014 the Cooperative's member dairy farmers will receive an interim pay-out for the first time. The interim pay-out will amount to 0.825 euro per 100 kilos of milk. This is 75 percent of the pro forma performance premium over the first half of the year. The final settlement will be paid out in April 2015 on the basis of FrieslandCampina's results for 2014 and the total quantity of milk supplied by the member during 2014.

Reduced cash flow from operating activities

The cash flow from operating activities fell to -189 million euro (first half of 2013: 168 million euro), as a result of the drop in profit, payments to the pension fund and the increase in working capital due to the higher guaranteed price, which increased the value of inventories and claims. In the first half of 2014 outgoing cash flows for investments, related mainly to the expansion of production facilities, amounted to 279 million euro (first half of 2013: 295 million euro). Most of the investments could be financed from the Company's own funds. The cash flow from financing activities amounted to 311 million euro (first half of 2013: -98 million euro) due to a higher utilisation of the credit facility. Net cash and cash equivalents fell from 560 million euro (end of 2013) to 403 million euro.

Financial position

Net debt as at 30 June 2014 amounted to 1,356 million euro, an increase of 660 million euro compared with the end of 2013. The increase was due primarily to the reduced cash flows as explained in the preceding paragraph.

Revenue by business group in millions of euros

Consumer Products Europe, Middle East & Africa	2,181	34,6%
Consumer Products Asia	1,159	18.4%
Cheese, Butter & Milkpowder	1,856	29.5%
Ingredients	1,104	17.5%

Friso infant nutrition has been introduced in the Philippines.

On 30 June 2014 total equity was 2,601 million euro (end of 2013: 2,631 million euro). The decrease in total equity was due mainly to the increase in pension obligations resulting from the drop in the discount rate.

Solvency (Total equity as a percentage of the balance sheet total) fell to 34.7 percent (end of 2013: 37.0 percent) due to the higher balance sheet total and the remeasurement of the pension obligations.

The net financing expense decreased by 9 million euro, which resulted in an expense of 19 million euro. This was the result of a positive remeasurement effect of 2 million euro on claims and debts in foreign currencies in 2014 (2013: 4 million euro negative).

The result from joint ventures and associates fell by 1 million euro to 5 million euro (first half of 2013: 6 million euro). Taxation amounted to 55 million euro (first half of 2013: 89 million euro). The decrease was due primarily to the lower 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 with a syndicate of banks. In April 2014 this facility was renewed and increased to 1.5 billion euro with a term to at least April 2019. The major portion of the outstanding institutional loans amounts to 0.7 billion US dollars.

Market developments during the first half of 2014

In the first half of 2014 milk production increased around the world. Milk production increased by 5 percent in the European Union. Milk production in the Netherlands increased by 3.5 percent. The reason behind the increase was the mild winter of 2013/2014 compared to the severe winter of 2012/2013, the good quality of the cattle feed and the high milk prices received by the dairy farmers. In New Zealand milk production increased by 20 percent. Milk production also increased in Australia, the United States and Latin America.

The high milk production in the first half of 2014 led to an increase in the supply of dairy products. At the same time consumption decreased in a number of countries due to the relatively high sales prices of dairy products, a situation that was exaggerated by unfavourable currency translation effects due to the strong euro. The Russian government's restrictions on the import of cheese and the political unrest between Russia and the Ukraine meant less cheese could be exported to Russia and created uncertainties in the markets. Combined with the high milk supply this resulted in a drop in prices, especially of cheese, butter and milk powder. The price of cheese dropped by nearly 23 percent from 3.78 euro per kilo in January to 2.92 euro per kilo in June (Hannover listing) The prices of butter and skimmed milk powder dropped by 13.3 percent: Butter from 4,060 euro per ton in January 2014 to 3,520 euro per ton at the end of June 2014 and skimmed milk powder from 3,300 euro per ton to 2,860 euro per ton at the end of June. Full-fat milk powder prices dropped 16 percent from 3,790 euro per ton in January to 3,180 euro per ton in June 2014. Whey powder prices dropped by 5 percent from 990 euro per ton to 940 euro per ton.

Achievement of *route2020* strategy

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

Growth categories

In the first half of 2014 volume growth in the growth categories and the development of the result were not as good as in the first half of 2013.

The high supply of milk during the first months of the year necessitated an increase in the production of milk powder and butter and this increased the share of commodities in the revenue. Growth was achieved in the infant nutrition for the consumer market category with a 4.2 percent increase in sales volume. This growth was achieved primarily in China, Hong Kong and the Philippines. In the business-to-business market the volume decreased due to reduced sales in the Netherlands, Australia and New Zealand. Overall the infant nutrition category achieved growth of 0.8 percent. The volume in the dairy-based beverages category decreased by 8.6 percent due to high prices in part as a consequence of negative currency translation effects and difficult market conditions in Indonesia, Vietnam and the Netherlands. Branded cheese volumes fell by 3.9 percent due to reduced export to Russia and countries outside of Europe.

Geographic growth

FrieslandCampina and China Huishan Dairy Holdings Company Limited ('Huishan') are in discussions regarding the setting-up of a joint venture that will produce and sell infant nutrition products in China. FrieslandCampina and Huishan have set themselves the goal of creating a fully integrated infant nutrition supply chain. Huishan will supply the joint venture with milk from its own dairy farms in China, FrieslandCampina will supply its expertise in the field of production and marketing. The companies already work together successfully on the production of coffee creamers. Both companies will continue carrying out their already existing infant nutrition activities separately. This means Friso will continue to be produced exclusively in the Netherlands and sold by FrieslandCampina itself.

Investments

In the first half of 2014 a number of new production facilities in the Netherlands went into operation:

- FrieslandCampina Domo in Bedum: expanded whey desalination capacity;
- FrieslandCampina in Leeuwarden: first phase of the renovation and expansion of the production capacity for evaporated and condensed milk for export;
- FrieslandCampina DMV in Veghel: expanded milk reception and processing capacity.

The original investment budget for 2014 amounted to 652 million euro most of which was related to expansions. The projects in a number of facilities including Leeuwarden, Borculo and Veghel must contribute towards the processing of the expected increase in the quantity of milk supplied by member dairy farmers from 2015 – the year in which the milk quota will expire. Various production facilities have been revamped to comply with customers' demands. At FrieslandCampina Butter in Lochem a project has been started that will expand the production capacity for butter and cream products so that the increasing quantity of milk fat can be processed.

Sustainability

FrieslandCampina wants to contribute towards feeding the world's growing population through the provision of safe and healthy food that has a low environmental impact by reducing its own environmental impact and by investing in innovative and sustainable solutions. During the first half of 2014 further steps towards achieving this ambition were taken. In the area of 'Nutrition & Health' further steps were taken to reduce the sugar and salt content in products. On World Milk Day FrieslandCampina also signed a collaboration agreement with the Vereniging van Nederlandse Voedselbanken (Association of Dutch Food Banks) to make the food parcels healthier by supplying dairy products. In South-east Asia FrieslandCampina entered into a cooperation with the National Basketball Association (NBA) aimed at making children aware of the importance of sufficient exercise and a healthy lifestyle. In the area of 'Developing Dairy Farming in Asia & Africa' exchange programmes in which member dairy farmers work with local cooperatives to improve local dairy farming continued. In the area of 'Efficient and sustainable production chains' the focus was on programmes aimed at improving energy and water efficiency and the use of green electricity. FrieslandCampina has reached agreement with a third party regarding the purchase of pyrolysis oil (oil from wood). The production facility in Borculo will use this oil as an alternative to natural gas. The activities in the area of 'Sustainable Dairy Farming' focused primarily on the evaluation and revision of the Foqus Planet quality and sustainability programme.

Organisational changes

During the first half of 2014 FrieslandCampina implemented various changes in the organisation:

- As of 1 January 2014 the merger of FrieslandCampina Professional and FrieslandCampina Out-of-Home into the new operating company FrieslandCampina Foodservice. The new operating company is providing an integrated service to customers in the catering sector, wholesale, bakery and fast-food chains in the Netherlands, Belgium, Germany, France and Italy;
- As of 1 January 2014 the integration of cheese sales activities in Germany into FrieslandCampina Germany. This has clustered sales activities related to supermarkets into a single organisation;
- In April 2014 FrieslandCampina Ingredients opened a new sales office in Sao Paulo, Brazil from which FrieslandCampina will be able to respond better to the growing demand for ingredients and complete infant nutrition from customers active in South America;
- The establishment of a supply chain organisation per business group and sales & operations planning that will enable production and sales to be more effectively and efficiently geared to each other.

One of the new installations at FrieslandCampina in Bedum is a fluid drying bed on which milk powders and infant nutrition can be dried and ingredients added to achieve specific product characteristics.

On Tuesday 14 May Queen Máxima presented Cees 't Hart, CEO of Royal FrieslandCampina N.V., with the King Willem I prize - the entrepreneurs' prize for companies that stood out through their 'courage, decisiveness, perseverance, sustainability and innovation'. FrieslandCampina was awarded this prize for its long-term vision and also because of the successful merger between Friesland Foods and Campina, the Company's efforts in the field of sustainability and its investments in innovation.

Left: Cees 't Hart, CEO Royal FrieslandCampina N.V.
Centre: Her Majesty Queen Máxima
Right: Klaas Knot, President of the Nederlandsche Bank (DNB)

Safety

During the first half of 2014 there was a further drop in the number of accidents at FrieslandCampina facilities. The number of accidents resulting in sick leave per 200,000 hours worked improved from 0.6 to 0.4. All the business groups improved their safety performance. Falls, machinery-related incidents and internal transport are the most common causes of accidents requiring sick leave.
A year of operating without a single accident requiring sick leave has already been achieved at 18 FrieslandCampina facilities. Four facilities have already achieved 1,000 days without an accident.
Considerable attention is being paid to encouraging all employees to feel responsible for their own and their colleagues' safety. The recognition, elimination and management of risks, as well as process and machine safety, are core issues. Every month all the incidents that have occurred at any FrieslandCampina facility anywhere in the world are collated and the information shared and discussed with the employees. This stimulates learning from mistakes.
The worldwide programme of Safety Leadership courses for managers has been implemented and to date over 50 plant managers have followed the course.

Agreement reached regarding the Collective Labour Agreement for the dairy sector

In the Netherlands the Dutch Dairy organisation (NZO) has reached agreement with the trade unions regarding a new collective labour agreement with a term of two years. The agreement includes a salary increase of 2 percent per 1 April 2014 and a further 2 percent per 1 April 2015. In accordance with the remuneration policy for management level employees, the salary scales for senior staff will be adjusted on the basis of this agreement. The current structural annual vitality contribution of 200 euro for employees covered by Collective Labour Agreement 1 will be replaced with a structural increase of 0.5 percent to the end-of-year pay-out, which will raise it to 3.5 percent. In addition, initial scales will be introduced for new employees who are younger than the fully-trained entry level age and for employees with an employment limitation.
The NZO and the trade unions have reached agreement regarding the new pension scheme for employees in the dairy industry. More information regarding this new scheme and its effects will be made known during the third quarter of 2014.

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 has not been applicable since 2 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 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. In December 2013 FrieslandCampina and A-ware signed a contract, with a term of 10 years, for the supply of around 0.3 billion kilos of milk (the available remainder of the 1.2 billion kilos of raw milk). Delivery of raw milk to A-ware is not expected to commence until after 1 March 2015.

The Foundation also administers the severance scheme for FrieslandCampina's Dutch member dairy farmers. In the period 1 January to 30 June 2014 the Dutch Milk Foundation approved seven requests (first half of 2013: two) 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 7.3 million kilos of milk. The volume of milk from Dutch member dairy farmers that leave FrieslandCampina through the severance scheme is deducted from the quantity of milk available to the DMF.

Since it went into effect in 2009, 91 member dairy farmers have utilised the severance scheme. The total quantity of milk involved is 69 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 2013 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.

To manage risks FrieslandCampina worldwide implements a programme of enterprise risk assessments (strategic and tactical risks) and an internal control framework for financial risks. In addition there are specific programmes related to certain risks, for example risks in the field of product quality and employee safety.

The major uncertainties for the second half of 2014 are related to the economic developments in various regions, currency fluctuations, the increasing regulations and demands specified by the authorities, the availability of raw materials and the development of world-market prices for raw materials and finished products and the consequences of Russia's boycott on agricultural products, including dairy products.

In addition to economic developments, (sudden) changes in, for example, import regulations could have major consequences for FrieslandCampina's business operations. A stronger dollar and euro, in particular in comparison with several Asian currencies, could have an unfavourable effect on the result and capital of the activities in Asia. Such risks are followed very closely and, to enable it to react at the earliest possible moment, FrieslandCampina uses scenarios that include amendments to sales price policy, product range composition, sales promotions and a keener policy related to the hedging of foreign currency positions. Although, in principle, transaction risks are hedged, this may not always be the case due to specific product and market conditions. Foreign currency translation risks related to investments in foreign subsidiaries and participations are not, in principle, hedged. FrieslandCampina has strengthened its expertise and capacity in the field of legislation, regulations and governmental relations in its most important markets.

In view of the nature of the end products (food and ingredients for, among others, the food and pharmaceutical industries), it goes without saying that FrieslandCampina stipulates high standards for food quality and food safety. A quality problem, or even a change in the quality perception of consumers or governments, can have enormous consequences for the Company's reputation and market position. Customers and the authorities are imposing increasingly stringent quality demands on food producers. FrieslandCampina's quality programmes (for instance Foqus in its own production facilities and member dairy farms, quality control of suppliers and audits) are being tightened even further throughout the organisation and investments are being made that will improve the quality of the production processes.

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.

Risks and uncertainties that have not 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.

Subsequent events

On 29 July 2014 fire broke out in the FrieslandCampina cheese and milk powder production facility in Gerkesklooster in the Netherlands. As a result the cheese warehouse was completely destroyed and other parts of the complex were severely damaged. Nobody was injured by the fire. Everything is being done to get the cheese and milk powder production back in operation as soon as possible.

On 6 August Russia announced that it was boycotting agricultural products, including dairy products from countries including the EU member states. For FrieslandCampina the boycott will affect primarily the export of cheese from the Netherlands and desserts from Germany. In 2013 the value of FrieslandCampina's exports to Russia amounted to around 190 million euro.

Outlook

The worldwide offering of milk is expected to increase still further in 2014. How the demand will develop is uncertain. In a number of European countries the markets will remain under pressure. As a consequence of the Russian boycott of dairy products, alternative products and markets must be found to offset the volume of milk exported to Russia, primarily in the form of cheese. FrieslandCampina cannot make any concrete statement regarding the expected result for the whole of 2014.

Management statement

The members of the Executive Board of Royal FrieslandCampina N.V. declare that, to the best of their knowledge, in accordance with Article 5:25d Clause 2 under c of the Financial Supervision Act the half-year report gives a true and fair view of the assets, liabilities and financial position as at 30 June 2014 and the profit for the first six months of 2014 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 5:25d Clause 8 of the Financial Supervision Act.

Composition of the Executive Board

In June 2014 it was announced that the composition of the Executive Board will be amended as of 1 January 2015. Kees Gielen, in the new position of Chief Operating Officer Business Development, will be responsible for the expansion of the activities, in particular in Asia and Africa. Hein Schumacher will join FrieslandCampina on 1 September 2014 and will take over as Chief Financial Officer as of 1 January 2015. Freek Rijna, Chief Operating Officer Consumer Products Asia, will be leaving FrieslandCampina and will be succeeded by Piet Hilarides. As of 1 January 2015 Bas van den Berg will succeed Piet Hilarides as Executive Director of the Cheese, Butter & Milkpowder business group.

Executive Board

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

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

Piet (P.J.) Hilarides
Chief Operating Officer

Roelof (R.A.) Joosten
Chief Operating Officer

Freek (F.) Rijna
Chief Operating Officer

Gregory (G.) Sklikas
Chief Operating Officer

Amersfoort, the Netherlands, 22 August 2014

Consumer Products Europe, Middle East & Africa

In the first half of 2014 the Consumer Products Europe, Middle East & Africa business group's net revenue from third parties remained virtually unchanged at 1,990 million euro, primarily due to price increases. Volume was down compared to the first half of 2013. The market shares of the branded products came under pressure in the Netherlands, Belgium and Nigeria due to the relatively high sales prices resulting from the passing on of the higher guaranteed price for raw milk. Operating profit fell by 26.4 percent to 95 million euro, primarily due to lagging results in Nigeria, Russia and the Middle East.

In the Netherlands and Belgium revenue and operating profit stabilised compared to the first half of 2013. Dairy consumption in the Netherlands once again decreased and, due to the high prices, branded products lost market share to private label products. Campina Boer en Land and Optimel Greek style yoghurt showed good growth. The fruit juices Appelsientje, CoolBest and DubbelFrisss gained market share. The Retail Brands operating company (sales of private label products) performed better and achieved volume growth.

Revenue stable; price increases compensate for reduced volumes

Operating profit down due to lagging results in Nigeria and the Middle East

Restructuring in the Netherlands, Germany and Hungary contribute towards reducing costs

Market shares under pressure in the Netherlands, Belgium and Nigeria

Market shares of Landliebe, Optimel, Fruttis, NoyNoy, Rainbow and Napolact increase

Revenue in millions of euros	**2014 first half-year**	2013 first half-year	Δ%	2013 full year
Revenue from third parties	**1,990**	2,002	-0.6	4,010
Internal supplies	**191**	129	48.1	246
Operating profit	**95**	129	-26.4	20
Operating profit as a % of revenue from third parties	**4.8**	6.4		0.5

In Germany revenue fell due to sales of loss-making products being stopped, but the operating profit improved substantially as a result of the implemented reorganisations. Landliebe once again gained market share and Frico cheese improved its position in Germany.

In Greece revenue and operating profit decreased. Margins were under pressure. With the exception of Milner market shares improved.

In Hungary, Romania and Russia operating profit was lower than in the first half of 2013. New production lines for Mia desserts and Milli cream products went into service at FrieslandCampina Hungary in Mátészalka. In Russia more Fruttis yoghurt and yoghurt beverages were sold, but sales of Frico cheese were lower than expected due to import restrictions. In Romania and Hungary the market shares of Napolact, Milli and Pöttyös Turo Rudi improved.

Since January 2014 the activities of the former FrieslandCampina Professional and Out of Home have been combined in FrieslandCampina Foodservice. Revenue and operating profit were down primarily due to reduced sales of branded products to the catering sector and wholesalers. Sales of products to bakeries, restaurants and fast-food chains developed positively. Iced Frappé, an iced coffee with crushed ice in Mokka and Caramel flavours, was introduced in cooperation with a fast-food chain. FrieslandCampina developed both the product and the machine.

In Nigeria revenue rose as a result of price increases but volume and operating profit fell due to increasing competition in the market and political unrest in parts of the country, which made distribution more difficult. Currency developments also had a negative effect.

In the Middle East (Saudi Arabia, United Arab Emirates) revenue was comparable to the first half of 2013. The operating profit was under pressure because, as a result of government restrictions, price increases could not be passed on without specific approval and, therefore, delays. Market share increased.

In Germany four new varieties of Landliebe yoghurt have been launched on the market. The Landliebe brand has also been introduced in Hungary.

Consumer Products Asia

At 1,149 million euro, the Consumer Products Asia business group's net revenue from third parties remained at virtually the same level as in the first half of 2013. The negative effect of currency translation on revenue amounted to 130 million euro. Adjusted for the currency translation affects net revenue rose by 10.3 percent. Growth was achieved with Friso infant nutrition. Sales increased in China and Hong Kong in particular. Dairy-based beverages were hindered by the high prices of dairy products and stagnating growth in the region and, in part due to this, volume decreased. The development of market shares was mixed. Further growth was achieved in several strategic markets (Malaysia and the Philippines) but in other markets (Indonesia and Vietnam) development stagnated or was under pressure. The business group's operating profit fell by 13.8 percent to 169 million euro. The negative currency translation effect was responsible for 48 million euro of this decrease. This was partially offset by growth in China and price increases.

Friso infant nutrition achieved further growth in nearly every country

High prices put dairy-based beverage volumes under pressure in several countries

Market share under pressure in several countries

The 48 million euro negative currency translation effects on operating profit were partially offset by growth in China and price increases

Revenue in millions of euros	**2014 first half-year**	2013 first half-year	Δ%	2013 full year
Revenue from third parties	**1,149**	1,160	-0.9	2,338
Internal supplies	**10**	6	66.7	19
Operating profit	**169**	196	-13.8	385
Operating profit as a % of revenue from third parties	**14.7**	16.9		16.5

Sales of Friso infant nutrition in China made a complete recovery from disappointing sales in the first half of 2013 caused by parallel import and the confusion regarding the origin of various brands. Friso is being sold in more and more cities and the distribution within the cities is spreading. In Hong Kong Friso's market share increased and the Dutch Lady dairy-based beverages once again achieved growth.

In Indonesia, Vietnam and Thailand both revenue and profit were lower than in the first half of 2013. In Indonesia and Vietnam the dairy market showed a downwards trend partly due to the high dairy product prices. The market shares of both Frisian Flag and Dutch Lady were under pressure. In response to the increasing demand for this type of dairy product, in May 2014 yoghurt was introduced in Vietnam under the Dutch Lady brand. In Vietnam governmental measures led to the sales prices of infant nutrition being reduced. In Thailand the higher costs of raw milk and raw materials could not be passed on in full in the sales prices due to governmental price restrictions.

In the Philippines, Alaska Milk Corporation's revenue rose due to further volume growth but its operating profit came under some pressure due to the sharp rise in the prices of several raw materials. The introduction of Friso went well and the distribution is gradually being expanded. An investment project that will result in the necessary expansion of cream production capacity has been started in the production facility in San Pedro.

In Malaysia revenue remained stable but operating profit came under some pressure due to high raw materials prices.

Yoghurt has been introduced in Vietnam under the Dutch Lady brand in response to the growing demand for this category of dairy product.

Cheese, Butter & Milkpowder

In the first half of 2014 the Cheese, Butter & Milkpowder business group's net revenue from third parties rose by 15.2 percent to 1,489 million euro. The increase was the result of the increased milk supply, which led primarily to a higher volume of milk powder, higher sales prices compared to the first half of 2013 and the acquisition of Zijerveld and Den Hollander as of 1 May 2013. Operating profit fell to -26 million euro mainly due to sales prices, especially of basic cheese, being low in comparison to the guaranteed price for raw milk. Operating profit as a percentage of revenue amounted to -1.7 percent (first half of 2013: 2.0 percent).

In the first half of 2014 the revenue of FrieslandCampina Cheese rose due to sales prices being higher than in the first half of 2013. Volume was virtually the same as in the first half of 2013. Operating profit was, however, substantially lower because cheese and cheese stocks, produced while the guaranteed price was relatively high, had to be sold at steeply declining market prices. The decline in market prices was caused by a combination of the high volume of milk supplied throughout Western Europe, which meant all the available production capacity had to be used, and the restrictions on the export of cheese to Russia due to new demands imposed by the Russian government. The integration of the Yoko Cheese, Zijerveld and Den Hollander Food acquisitions proceeded smoothly and contributed towards improved cooperation with customers and marketing, especially of pre-packed cheese.

FrieslandCampina Butter's revenue also rose due to higher sales prices. The sales prices of butter were, however, lower than the guaranteed price, which had a negative effect on the operating profit. Because the sales prices were at a world-market level, export to countries outside the EU was possible and this held the accumulation of stock in check.

FrieslandCampina Milkpowder's revenue rose due to the increase in volume resulting from the high quantity of milk supplied and higher sales prices compared to the first half of 2013. Operating profit remained at the same level.

FrieslandCampina Export achieved a slight increase in revenue from lower volumes. Operating profit was down slightly due to pressure on margins and investments in advertising and promotion in several strategic export countries. Although the volume of Frico cheese that was exported decreased slightly, price increases meant revenue rose slightly. The export of infant nutrition lagged behind due to a shortage of capacity.

The sales prices of commodities were too low to offset the high guaranteed price

Investments in the expansion of the butter production capacity at FrieslandCampina in Lochem

Revenue in millions of euros	**2014 first half-year**	2013 first half-year	Δ%	2013 full year
Revenue from third parties	**1,489**	1,293	15.2	2,831
Internal supplies	**367**	234	56.8	531
Operating profit	**-26**	26	-200.0	81
Operating profit as a % of revenue from third parties	**-1.7**	2.0		2.9

The Frico campaign in Egypt, Algeria and Morocco.

Ingredients

In the first half of 2014 the Ingredients business group's net revenue and operating profit was lower than in the first half of 2013. The demand for high-quality, nutritious, dairy ingredients decreased. In addition, as a result of the high level of supply on the market sales prices were under pressure in a number of specific markets. This, combined with the high guaranteed price, resulted in operating profit being lower than in the first half of 2013.

FrieslandCampina Domo was hindered by the increased offering of whey derivatives and lactose on the market, which put volume, revenue and profit under pressure. The start-up costs of investments in new drying towers in Beilen and Bedum resulted in profit being lower than in the first half of 2013. The production of Friso baby food for internal supply once again increased. Quality control has once again been improved and more stringent internal quality demands are being met. The production facility in Beilen has been checked and approved by both the Chinese and Russian authorities.

FrieslandCampina Kievit's revenue and profit were higher than in the first half of 2013. The increasing supply and competition did, however, put some pressure on prices, especially in Eastern Europe. As of 1 April 2014 the activities of FrieslandCampina Kievit and Satro have been merged in the operating company FrieslandCampina Kievit.

FrieslandCampina DMV's profit fell because the higher guaranteed price could not always be passed on in the market. Revenue did rise due to an increase in volume. During the second quarter of the year a new de-creaming installation went into service in Veghel.

Nutrifeed had a good first half year with both volume and profit developing positively.

The DFE Pharma joint venture's revenue and profit were lower than in the first half of 2013. The high volume of lactose available put the volume and prices in the commodity segment under pressure.

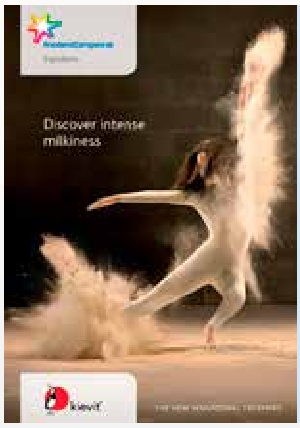
In April 2014 FrieslandCampina Ingredients opened a new sales office in Sao Paulo, Brazil, from which FrieslandCampina will be able to respond better to the growing demand for ingredients and complete infant nutrition from customers active in South America.

Reduced demand for dairy ingredients and, due to the increased supply, sales prices under pressure

Operating profit under pressure due to market dynamics and the high guaranteed price

Investments in capacity expansion for ingredients

Revenue in millions of euros	**2014 first half-year**	2013 first half-year	Δ%	2013 full year
Revenue from third parties	**850**	905	-6.1	1,801
Internal supplies	**254**	217	17.1	468
Operating profit	**87**	127	-31.5	241
Operating profit as a % of revenue from third parties	**10.2**	14.0		13.4



FrieslandCampina Kievit has introduced Creamer 2.0 - a new creamer with a fuller milk taste.

Condensed consolidated income statement

In millions of euros	first half-year 2014	first half-year 2013
Revenue	5,713	5,524
Other operating income	4	4
Operating income	**5,717**	5,528
Operating expenses	-5,544	-5,253
Operating profit	**173**	275
Share of profit of joint ventures and associates	5	6
Net finance costs	-19	-28
Profit before tax	**159**	253
Income tax expense	-55	-89
Profit for the period	**104**	164
Profit attributable to:		
• holders of member bonds	19	16
• holder of cooperative loan	5	
• holders of perpetual notes		4
• shareholder of the company	48	105
• shareholder and other providers of capital of the company	**72**	125
• non-controlling interests	32	39
Profit for the period	**104**	164

Condensed consolidated statement of comprehensive income

In millions of euros		first half-year 2014		first half-year 2013
Profit for the period		**104**		164
Items of other comprehensive income that are or may be reclassified to the income statement:				
Effective portion of cash flow hedges, net of tax	-6		-5	
Currency translation differences, net of tax	6		-19	
Net change in fair value of available-for-sale financial assets, net of tax	-3			
Net other comprehensive income that is or may be reclassified to the income statement		**-3**		-24
Items of other comprehensive income that will never be reclassified to the income statement:				
Remeasurements of obligations (assets) arising from defined benefit schemes, net of tax	-90		23	
Net other comprehensive income that will never be reclassified to the income statement		**-90**		23
Other comprehensive income, net of tax		**-93**		-1
Total comprehensive income for the period		**11**		163
Attributable to:				
• shareholder and other providers of capital of the company		-21		126
• non-controlling interests		32		37

Condensed consolidated statement of financial position

In millions of euros	30 June 2014	31 December 2013
Assets		
Property, plant and equipment	2,313	2,183
Intangible assets	1,200	1,182
Deferred tax assets	364	320
Employee benefits	6	6
Other financial assets	198	192
Non-current assets	**4,081**	3,883
Inventories	1,502	1,303
Receivables	1,494	1,357
Cash and cash equivalents	403	560
Assets held for sale	5	9
Current assets	**3,404**	3,229
Total assets	**7,485**	7,112
Equity		
Issued capital	370	370
Retained earnings and reserves	512	550
Cooperative loan	290	290
Member bonds	1,207	1,195
Equity attributable to shareholder of the company and other providers of capital	**2,379**	2,405
Non-controlling interests	222	226
Total equity	**2,601**	2,631
Liabilities		
Employee benefits	664	630
Deferred tax liabilities	99	98
Interest-bearing borrowings	1,123	876
Other non-current liabilities	112	111
Non-current liabilities	**1,998**	1,715
Current borrowings	514	371
Other current liabilities	2,372	2,395
Current liabilities	**2,886**	2,766
Total liabilities	**4,884**	4,481
Total equity and liabilities	**7,485**	7,112

Condensed consolidated statement of cash flows

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

In millions of euros	**first half-year 2014**	first half-year 2013
Profit before tax	159	253
Depreciation of plant and equipment and amortisation of intangible assets	111	103
Movements in inventories, receivables and liabilities	-290	-145
Other operating activities	-169	-43
Net cash used in/from operating activities	**-189**	168
Investments in property, plant, equipment and intangible assets	-284	-220
Acquisitions, net of cash acquired		-79
Other investing activities	5	4
Net cash flow used in investing activities	**-279**	-295
Interest-bearing borrowings drawn and repayments	386	140
Repayment of perpetual notes		-125
Other financing activities	-75	-113
Net cash from/used in financing activities	**311**	-98
Net cash flow	**-157**	-225
Cash and cash equivalents at 1 January	560	756
Net cash flow	-157	-225
Exchange gains/(losses) on cash and cash equivalents		-7
Cash and cash equivalents at 30 June	**403**	524

Condensed consolidated statement of changes in equity

In millions of euros	**first half-year 2014**			first half-year 2013		
	Equity [1]	Non-controlling interests	**Total**	Equity [1]	Non-controlling interests	Total
At 1 January	2,405	226	**2,631**	2,140	118	2,258
Total comprehensive income for the period	-21	32	**11**	126	37	163
Transactions with shareholder and other providers of capital recognised directly in equity:						
• dividends paid to non-controlling interests		-36	**-36**		-50	-50
• repayment of perpetual notes				-125		-125
• amounts paid in respect of cooperative loan	-5		**-5**			
• amounts paid to providers of perpetual notes				-8		-8
• amounts paid to providers of member bonds	-31		**-31**	-34		-34
• pro forma issuance of member bonds-fixed	30		**30**	58		58
• other	1		**1**	-2		-2
Total transactions with shareholder and other providers of capital	**-5**	**-36**	**-41**	-111	-50	-161
Changes in ownership interests in subsidiaries:						
• transactions with owners of non-controlling interests					-5	-5
• expiry of DFE put-option				41	141	182
Total changes in ownership interests in subsidiaries				41	136	177
At 30 June	**2,379**	**222**	**2,601**	2,196	241	2,437

[1] 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 half-year figures for the period ending 30 June 2014 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 consolidated half-year figures in this report have not been audited.

Basis of presentation and 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 2013 financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, insofar as applicable.

The accounting policies applied in the consolidated half-year figures are consistent with the policies for the valuation and determination of result and the calculation methods used in preparing the 2013 financial statements. In addition, FrieslandCampina has applied the following new or amended IFRS standards as per 1 January 2014:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 36 Recoverable amount disclosures for non-financial assets
- IAS 39 Renewal of derivatives and continuation of hedge accounting

As required by IAS 34, the nature and effect of these changes are disclosed below. Although several other new standards and amendments are applicable for the first time in 2014, they have no material effect on the annual consolidated financial statements of FrieslandCampina, apart from some changes to disclosure requirements.

IFRS 10 Consolidated financial statements

IFRS 10 replaces the consolidation requirements in SIC 12 and IAS 27. IFRS 10 changes the definition of control such that the same criteria are applied to all entities in order to assess whether control exists. The revised definition of control focuses on the need to have both power and variable returns before control exists. The new standard includes guidelines for determining whether control exists with less than half of the voting rights and for agent/principal relationships. This change has no material effect on the consolidated financial statements of FrieslandCampina.

IFRS 11 Joint arrangements

This new standard focuses on the rights and obligations of the parties to the joint arrangement rather than on its legal form. There are two types of joint arrangements: joint operations and joint ventures. Under IFRS 11 interests in joint operations are accounted for on the basis of the interest in the assets and liabilities. Interests in joint ventures are accounted for using the equity method. This change has no material effect on the consolidated financial statements of FrieslandCampina.

IFRS 12 Disclosure of interests in other entities

This new standard includes all of the disclosures that were previously included in IAS 27, IAS 31 and IAS 28 and a number of new disclosures. This new standard will only affect disclosures relating to interests in subsidiaries, joint arrangements and associates. This change has no material effect on the consolidated financial statements of FrieslandCampina.

IFRS 10, IFRS 11 and IFRS 12 Transitional arrangement – Amendments to IFRS 10, 11 and 12

This transitional arrangement provides additional guidelines for the changes in IFRS 10, IFRS 11 and IFRS 12, whereby only adjusted comparable information should be disclosed over the most recent prior period. In addition, differences in carrying value due to the implementation of IFRS 10 are recognised immediately in equity. This transitional arrangement has no material effect on the consolidated financial statements of FrieslandCampina.

IAS 36 - Recoverable amount disclosures for non-financial assets (amendment to IAS 36)

This amendment limits the obligation to provide the difference between the recoverable amount and the carrying amount of a cash-generating unit for the period in which no impairment has occurred or is reversed. In addition, the disclosure requirements have been expanded in respect of the recoverable amount if this has been determined on the basis of fair value less costs of disposal. This change has no material effect on the consolidated financial statements of FrieslandCampina.

IAS 39 Renewal of derivatives and continuation of hedge accounting (amendment to IAS 39)
This amendment to IAS 39 enables companies, in certain circumstances, to continue a hedging relationship when the underlying contract is renewed. This can be the case when a novation is necessary to settle accounts with a central counterparty due to changes in legislation and regulations. The amendment of IAS 39 is the result of changes in legislation and regulations in many jurisdictions that will lead to a great many renewals of hedging instruments. This change has no material effect on the consolidated financial statements of FrieslandCampina.

Judgements, estimates and assumptions

The preparation of the consolidated half-year figures 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. For an overview of the most important assumptions and estimates please see the 2013 financial statements. During the first half of 2014 there were no major changes in this context. In the half-year report the performance premium is calculated pro forma, including the pro forma issuance of member bonds-fixed.

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 2013 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 which is frequently evaluated by the Executive Board in order to come to decisions regarding the provision of means to the segments and to determine the performance of the segments. FrieslandCampina has divided the operating segments into the business groups: Consumer Products Europe, Middle East & Africa (Consumer Products EMEA); Consumer Products Asia; Cheese, Butter & Milkpowder and Ingredients.

Segmentation by business groups — **first half-year 2014**

	Consumer Products EMEA	Consumer Products Asia	Cheese, Butter & Milkpowder	Ingredients	Other	Elimination	**Total**
Revenue third parties	1,990	1,149	1,489	850	235		**5,713**
Inter-segment revenue	191	10	367	254		-822	
Total revenue	**2,181**	**1,159**	**1,856**	**1,104**	**235**	**-822**	**5,713**
Operating profit	95	169	-26	87	-152		**173**
Share of profit of joint ventures and associates		3	1	1			**5**
Net finance costs							-19
Income tax expense							-55
Profit for the period							**104**
Operating profit as a % of revenue third parties	4.8	14.7	-1.7	10.2			3.0
Carrying amounts of assets employed in operating activities	2,139	1,026	1,444	1,792	785	-689	**6,497**
Carrying amounts of other assets							988
							7,485

Segmentation by business groups — first half-year 2013

	Consumer Products EMEA	Consumer Products Asia	Cheese, Butter & Milkpowder	Ingredients	Other	Elimination	Total
Revenue third parties	2,002	1,160	1,293	905	164		5,524
Inter-segment revenue	129	6	234	217		-586	
Total revenue	2,131	1,166	1,527	1,122	164	-586	5,524
Operating profit	129	196	26	127	-203		275
Share of profit of joint ventures and associates		4	2				6
Net finance costs							-28
Income tax expense							-89
Profit for the period							164
Operating profit as a % of revenue third parties	6.4	16.9	2.0	14.0			5.0
Carrying amounts of assets employed in operating activities	2,245	950	1,367	1,466	728	-624	6,132
Carrying amounts of other assets							980
							7,112

Due to internal transfers of activities and an adjustment to the determination of the transfer price in relation to milk components, the comparative figures in the segmentation by business groups deviate from the figures in the half-year report 2013. In addition, as of October 2013 the management structure changed, as explained in the consolidated financial statements for 2013.

Acquisitions

The purchase price allocation related to the acquisition of Zijerveld and Den Hollander Food in 2013 was settled definitively early 2014. There were no material changes compared to the preliminary purchase price allocation.

Operating expenses

Operating expenses include the milk payments to member dairy farmers of EUR 2,134 million (first half-year 2013: EUR 1,892 million).

Net finance costs

The decrease of the finance income and costs during the first half of 2014 was primarily due to the translation effect on receivables and payables in foreign currencies being EUR 2 million positive whereas in the first half of 2013 the translation effect was EUR 4 million negative.

In the first half of 2014 FrieslandCampina arranged a new credit facility of EUR 1.5 billion. This committed credit facility has a term of 5 years and replaces the EUR 1 billion credit facility that was due to expire August 2015. The new credit facility allows for more flexibility in cash management and will be used for operational purposes. FrieslandCampina now has a significantly larger amount available against favourable terms.

Income tax expense

The effective tax rate in the first half of 2014 was 35%, the same as in the first half of 2013.

Property, plant and equipment

The development of property, plant and equipment during the first half of 2014 can be specified as follows:

Carrying amount at 1 January	2,183
Additions	229
Disposals	-2
Currency translation differences	4
Depreciation	-98
Impairment	-3
Carrying amount at 30 June	**2,313**

The investments of EUR 229 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 2014 can be specified as follows:

Carrying amount at 1 January	1,182
Additions	26
Disposals	-1
Currency translation differences	6
Amortisation	-13
Carrying amount at 30 June	**1,200**

During the first half of 2014 an amount of EUR 23 million was capitalised in respect of the global ICT-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.

Impairment test
FrieslandCampina carries out the goodwill impairment test during the second quarter of each year, or at another time if impairment is indicated. Goodwill is monitored and tested at the business group level, which comprises a group of cash flow-generating units. The goodwill impairment test calculates the recoverable amount (the value in use) per business group. As of 1 October 2013, the management of FrieslandCampina changed, which led to the composition of the business groups being amended. The goodwill impairment test was based on the amended composition.

The goodwill allocated to each cash-generating unit is as follows:

Consumer Products EMEA	554
Consumer Products Asia	137
Cheese, Butter & Milkpowder	25
Ingredients	163
	879

The key assumptions used in the calculation of the value in use per business group are listed in the table below:

	% Growth rate terminal value	% Budgeted EBITDA in relation to revenue	% Pre-tax discount rate
Consumer Products EMEA	3.5	7-9	11
Consumer Products Asia	3.0	16-21	9
Cheese, Butter & Milkpowder	1.5	5	10
Ingredients	1.5	9-17	9

The budgeted EBITDA margins are based on past experience, specific expectations for the near future and market-based growth percentages. The discount rate for each business group is based on information that can be verified in the market and is before tax.

The values in use of the business groups were determined on the basis of the 2014 budget and the long-term plans until 2018. A cooperative surcharge for the cooperative role the Cheese, Butter & Milkpowder business group plays by processing member milk and fat in particular, was also taken into account. For the period after 2018 a growth rate was used that is equal to the expected long-term inflation rates.

The outcomes of the impairment tests of the business groups Consumer Products EMEA, Consumer Products Asia, Cheese, Butter & Milkpowder and Ingredients show that the value in use exceeds the carrying value of the business groups. In these instances a reasonable amendment of the assumption will not lead to the value in use of these business groups being less than the carrying value.

Inventories
An amount of EUR 268 million of the inventories of finished goods and commodities was carried at lower market value. In the first half-year of 2014 the write-down of inventories to net realisable value amounted to EUR 18 million.

Financial instruments
Accounting classifications and fair values

The carrying amounts of financial assets and liabilities, as recognised in the statement of financial position, are stated below as are the financial instruments measured at fair value, or with carrying amount that differ from the fair value, shown by valuation method. The fair value is the amount that would be received or paid if the receivables and/or liabilities were settled on the statement of financial position date, without further liabilities. The different valuation methods are 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.

										30 June 2014
	Designated at fair value	Fair value hedging instruments	Available for sale	Loans and receivables	Other financial liabilities	**Carrying amount**	Level 1	Level 2	Level 3	**Fair value**
Financial assets not measured at fair value										
Loans				39		**39**		42		**42**
Long-term receivables				7		**7**				
Trade and other receivables				1,472		**1,472**				
Cash and cash equivalents				403		**403**				
				1,921		**1,921**				
Financial assets measured at fair value										
Hedging derivatives		3				**3**		3		**3**
Securities			36			**36**	32	4		**36**
		3	**36**			**39**				
Financial liabilities not measured at fair value										
Non-current interest-bearing borrowings - fixed rate					533	**533**		611		**611**
Non-current interest-bearing borrowings - variable rate					590	**590**		597		**597**
Short-term part of the non-current interest-bearing borrowings					282	**282**				
Short-term interest-bearing borrowings					196	**196**				
Bank overdrafts					36	**36**				
Trade payables and other (financial) liabilities (excluding put-option liability and contingent consideration)					2,155	**2,155**				
					3,792	**3,792**				
Financial liabilities measured at fair value										
Hedging derivatives		74				**74**		74		**74**
Put-option liability	7					**7**		7		**7**
Contingent consideration	22					**22**			22	**22**
	29	**74**				**103**				

The fair value of the interest-bearing borrowings with a fixed interest rate has been calculated using an average weighted interest percentage of 0.6%. The fair value of the loan provided with a fixed interest rate has been calculated using an average interest rate of 0.4%.

Movements and transfers
In 2014 the 7.5% interest in Synlait Milk Ltd acquired in 2013 has been increased to 9.99%. Level 1 was used as the measurement method for the rating and the listing will be used as a basis of measurement.

FrieslandCampina holds an interest of < 1% in a third party that is classified under other financial assets. The fair value of this interest is derived from the equity value of the third party. This measurement method is classified as Level 2.

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

The fair value of the contingent consideration relating to the acquisition of Zijerveld and Den Hollander Food as at 30 June 2014 has been determined based on the estimation of the expected EBITDA growth over the period 2013-2015, discounted using a discount rate of 11%. During the first half of 2014 movements of the financial instruments classified as Level 3 were as follows:

	Contingent consideration
Carrying amount at 1 January	20
Finance costs	2
Carrying amount at 30 June	**22**

In the first half of 2014 there were no transfers from or to Level 1,2 or 3.

Commitments and contingencies
Commitments and contingencies do not materially differ from those included in the 2013 consolidated financial statements.

Related parties
There were no changes in respect of the nature and size of the related parties compared with the Notes to the 2013 consolidated financial statements. The reservation policy changed from 1 January 2014. Based on the review of the reservation policy it has been decided that as of 2014 45% will be added to FrieslandCampina's equity, 35% will be distributed in cash to the member dairy farmers as a performance premium and 20% will be paid out to the member dairy farmers in the form of member bonds-fixed. In September 2014 for the first time, an interim amount will be paid out on the basis of FrieslandCampina's results for the first half of the year and the amount of milk delivered. The pay-out amounts to 75% of the pro forma performance premium for the first half of the year. The final settlement will take place in April of the following year, based on FrieslandCampina's results for the year and the total quantity of milk delivered.

Subsequent events
In July 2014 a new basic pension was agreed by the Dutch Dairy Association's member employers and the trade unions. The new pension, which will be applicable from 1 January 2015, will be implemented in the - yet to be established – dairy industry pension fund. On 29 July 2014 FrieslandCampina has also reached agreements with the Central Works Council regarding a new pension scheme for incomes above the maximum covered by the basic pension and the winding-up of the current pension scheme. The financial impact of the agreements on the statement of financial position and income statement cannot be estimated reliably at this time and can therefore not yet be given.

On 29 July 2014 a fire completely destroyed FrieslandCampina's cheese warehouse in Gerkesklooster and severely damaged other areas of the complex. This event led to a loss that is expected to be largely covered by insurance.

Amersfoort, the Netherlands, 22 August 2014

FrieslandCampina
nourishing by nature

Every day Royal FrieslandCampina provides millions of consumers all over the world with dairy products containing valuable nutrients. With annual revenue of 11.4 billion euro, FrieslandCampina is one of the world's five largest dairy companies.

FrieslandCampina supplies consumer products such as dairy-based beverages, infant 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 nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina has offices in 30 countries and employs a total of over 21,000 people. FrieslandCampina's products find their way to more than 100 countries. The Company's central office is in Amersfoort. FrieslandCampina's activities are divided into four market-oriented business groups: Consumer Products Europe, Middle East & Africa; Consumer Products Asia; Cheese, Butter & Milkpowder and Ingredients. The Company is fully owned by Zuivelcoöperatie FrieslandCampina U.A, with over 19,000 member dairy farmers in the Netherlands, Germany and Belgium is one of the world's largest dairy cooperatives.

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