Annual Report 2015

Royal FrieslandCampina N.V.

Explanatory note
In this Annual Report we are presenting the financial results and key developments of Royal FrieslandCampina N.V. (hereafter FrieslandCampina) during 2015.

The financial statements have been prepared as at 31 December 2015. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), to the extent they have been endorsed by the European Union, and with Part 9 Book 2 of the Dutch Civil Code to the extent this is applicable.

The milk price for 2015 received by members of Zuivelcoöperatie FrieslandCampina U.A. for the milk they supplied was determined on the basis of FrieslandCampina's method for determining milk prices 2014-2016. All amounts in this report are in euro, unless stated otherwise.

This Annual Report includes statements about future expectations. These statements are based on the current expectations, estimates and projections of FrieslandCampina's management and the information currently available. The expectations are uncertain and contain elements of risk that are difficult to quantify. For this reason FrieslandCampina gives no assurance that the expectations will be realised.

This annual report is available in Dutch, English and German language versions. In the case of conflict between the versions the Dutch text is binding.

The Annual Report of Royal FrieslandCampina N.V. has also been published on the website www.frieslandcampina.com. The annual report is available on request from the Corporate Communication department of FrieslandCampina (e-mail: corporate.communication@frieslandcampina.com).

The terms used in this Annual Report include:
Royal FrieslandCampina N.V. (the 'Company' or 'FrieslandCampina')
Zuivelcoöperatie FrieslandCampina U.A. (the 'Cooperative')
Supervisory Board of the Company (the 'Supervisory Board')
Executive Board of the Company (the 'Executive Board')

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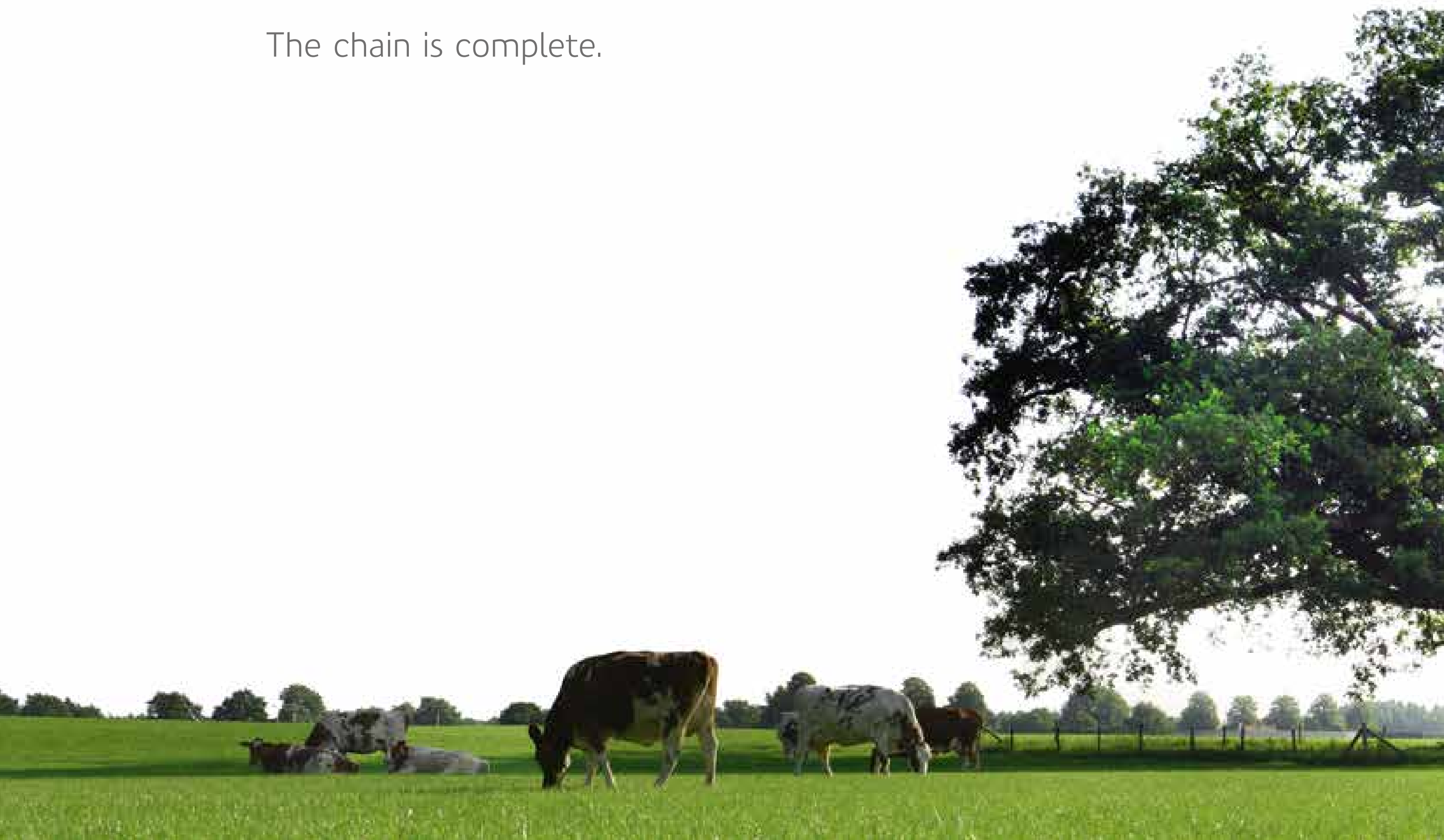
Chocomel

Milk, by nature, contains valuable nutrients.
The quality of every step in the chain is a determinant for the success of the entire chain. It begins with grass, the daily diet of cows. The cow is able to transform grass into a valuable foodstuff: milk.
This milk is then processed into a wide range of dairy products that are appreciated by consumers around the world. Satisfied customers and consumers are a prerequisite for the continuity of FrieslandCampina and, therefore, for the member dairy farmers' farms.
The chain is complete.



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Foreword from the CEO

Dear Reader,
2015 was an exceptional year for the dairy sector and for FrieslandCampina. The milk quota for dairy farmers was abolished, after 31 years, on 1 April 2015. In an uncertain dairy market FrieslandCampina performed well. This good result could, to an extent, offset the reduction of the milk price for member dairy farmers. The *route2020* strategy was updated to enable us to respond more effectively to the rapid changes in the world and in dairy farming. Within FrieslandCampina restructuring and efficiency measures were implemented and new adjustments to the organisation were announced. 2015 was also a special year for me, because the Supervisory Board asked me to take over as CEO of Royal FrieslandCampina on the departure of Cees 't Hart on 1 June 2015. The good cooperation with Cees, colleagues and the Supervisory Board has contributed towards a smooth transition. I am extremely grateful to them.

Value creation for member dairy farmers increased

FrieslandCampina's task is to process the milk supplied by Zuivelcoöperatie FrieslandCampina's member dairy farmers and to sell it at such a price that long-term and sustainable value is created for the member dairy farmers and for society. This value creation is expressed in the level of the performance premium and the reservation in member bonds, which are paid out on top of the guaranteed price the member dairy farmers receive for their milk. As a result of the profit rising by 13.2 percent to 343 million euro, in 2015 the value creation rose by 28.2 percent to 355 million euro. That is 3.53 euro per 100 kilos of milk. This increase offset, to a degree, the drop in the milk price for the member dairy farmers. The value creation was achieved thanks to the efforts of FrieslandCampina's employees who implemented the *route2020* strategy with success.

Investments in further growth

To enable value to be added to the increasing quantity of milk from the member dairy farmers, in 2015 the Company once again invested heavily in quality improvements and further capacity expansion. Capacity expansion in the Ingredients business group made a major contribution towards the improvement of the result. The cheese portfolio was expanded significantly by the acquisition of mozzarella producer Fabrelac. The Friesland Huishan Dairy joint venture broadened FrieslandCampina's activities in China. Advertising efforts were increased to achieve volume growth. And the introductions of Chocomel Vers in the Netherlands, Friso Prestige in China and Optimel Pro Age in Hong Kong are examples of significant revamps in our range.

route2020 strategy

While updating its *route2020* strategy, FrieslandCampina formulated its purpose statement: *nourishing by nature* – better nutrition for the world, a good living for our farmers, now and for generations to come. FrieslandCampina's unique dairy chain underpins its activities. In recent years FrieslandCampina has performed well in a number of attractive market positions. To remain successful, the focus must remain on the sustainable growth of the most valuable product market combinations and attention must also be paid to product market combinations that use a lot of member milk. At the same time, it is important that the Company continues to be managed in a very cost-conscious way so that the means to achieve the envisaged growth are available. Having an efficient organisation is an important prerequisite for the optimal processing and valorising of all the milk.

Sustainability is essential for continuity

To remain successful, FrieslandCampina must generate sufficient income to be able to continue investing in volume growth, the further improvement of safety and quality, innovation and sustainability. FrieslandCampina strives for climate-neutral growth and wants to contribute towards the reduction of CO_2 emissions, regarding which important agreements were made during the 2015 United Nations Climate Change Conference in Paris.

Better milk supply forecasting to remain market-oriented

Over the past six years FrieslandCampina has invested over 3 billion euro, over 70 percent of this in the Netherlands. Milk processing capacity has been increased substantially. Even so, at the end of 2015 and the beginning of 2016 FrieslandCampina, temporarily, had insufficient capacity to process the growing quantity of member milk. The increase in milk production on an annual basis had been foreseen. What had not, however, been foreseen was the enormous increase between November 2015 and February 2016. Thanks to the favourable production conditions and by purchasing extra dairy cows, the output of dairy farmers in the Netherlands was at a maximum. In 2016 the Company, together with the Cooperative, will investigate ways to improve milk supply forecasting. FrieslandCampina, following its *route2020* strategy, will also take further steps in the market-oriented sale of the increasing milk volume.

Volatile markets

At a global level the offering of raw milk and the demand for dairy products form an unstable equilibrium. At this moment global supply is higher than the demand. Uncertainties regarding the development of the world economy, the low oil prices and geopolitical tensions contribute towards this. FrieslandCampina's long-term view is positive: the need for nutrient-rich food will increase as the world's population grows.

Success of the chain

Food that is rich in nutrients is important for people's wellbeing and health. Milk, by nature, contains many valuable nutrients. The quality of every link in the chain is a determinant for the success of the entire chain and, therefore, FrieslandCampina. That success is ultimately dependent on the willingness of customers and consumers to buy FrieslandCampina's products. FrieslandCampina, with its control over the entire chain – from grass to glass – has a strong starting point. Ensuring that the nutrients in milk are even more accessible is the foundation of the successful valorisation of the member dairy farmers' milk.

Thanks

In 2015 the composition of the Executive Board changed. As a new team we have, together, updated the strategy and we complement each other well. On behalf of the entire Executive Board, I would like to thank the employees for their involvement and efforts, which formed the basis for the good result in 2015. A lot has changed within FrieslandCampina and adjustments will remain necessary to ensure that, as an organisation, we can continue to respond to the dynamics in the market and society.

Roelof Joosten
Chief Executive Officer
Royal FrieslandCampina N.V.

Amersfoort (Netherlands), 26 February 2016

Key figures

Revenue

11.3
billion euro

Revenue in millions of euro

2015	**11,265**
2014	11,348
2013	11,281
2012	10,309
2011	9,626

Profit

343
million euro

Profit in millions of euro

2015	**343**
2014	303
2013	157
2012	278
2011	216

Operating profit

576
million euro

Operating profit in millions of euro

2015	**576**
2014	489
2013	313
2012	487
2011	403

Operational cash flow

1,019
million euro

Operational cash flow in millions of euro

2015	**1,019**
2014	554
2013	588
2012	842
2011	508

Operating profit as a % of revenue

5.1%

Operating profit as a % of revenue

2015	**5.1**
2014	4.3
2013	2.8
2012	4.7
2011	4.2

Solvency

36.7%

Total equity as a % of total assets

2015	**36.7**
2014	36.8
2013	37.0
2012	33.1
2011	38.6

Milk supplied by member dairy farmers

10,060

million kilos

Milk supplied by member dairy farmers in millions of kilos

2015	**10,060**
2014	9,453
2013	9,261
2012	8,860
2011	8,838

Value creation for member dairy farmers

3.53

euro per 100 kilos of milk

Value creation in euro per 100 kilos of milk

2015	**3.53**
2014	2.93
2013	3.04
2012	2.37
2011	1.83

Milk price for member dairy farmers

34.64

euro per 100 kilos of milk

Milk price in euro per 100 kilos of milk

2015	**34.64**
2014	42.70
2013	42.90
2012	36.68
2011	38.92

Performance price company

37.23

euro per 100 kilos of milk

Performance price in euro per 100 kilos of milk

2015	**37.23**
2014	45.05
2013	43.72
2012	38.92
2011	40.73

Member dairy farms

13,542

Member dairy farms (end of year)

2015	**13,542**
2014	13,696
2013	13,887
2012	14,132
2011	14,391

Employees

22,049

Employees (average number of FTEs)

2015	**22,049**
2014	22,168
2013	21,186
2012	20,045
2011	19,036

Key figures

in millions of euro unless stated otherwise

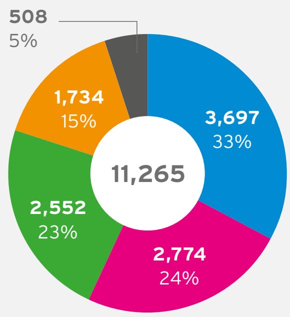
	2015	2014	Δ%
Results			
Revenue	11,265	11,348	-0.7
Revenue before currency translation effects	10,883	11,348	-4.1
Operating profit	576	489	17.8
Operating profit before one-time items [1] and currency translation effects	531	412	28.9
Profit	343	303	13.2
Profit before one-time items and currency translation effects	309	258	19.8
Operating profit as a % of revenue	5.1	4.3	
Consolidated statement of financial position			
Total assets	8,424	7,676	9.7
Equity	3,093	2,823	9.6
Net debt [2]	1,108	981	12.9
Total equity as a percentage of total assets	36.7%	36.8%	
Cash flow			
Net cash flow from operating activities	1,019	554	83.9
Net cash flow from investing activities	-705	-627	-12.4
Investments	564	656	-14.0
Value creation for member dairy farmers in euro per 100 kilos of milk (excl. VAT, at 3.47% protein, 4.41% fat and 4.51% lactose)			
Guaranteed price	30.68 [3]	39.38	-22.1
Performance premium	2.25	1.86	21.0
Meadow milk premium [4]	0.29	0.29	0
Special supplements [5]	0.14	0.10	40.0
Cash price	33.36	41.63	-19.9
Reservation of member bonds	1.28	1.07	19.6
Milk price	34.64	42.70	-18.9
Interest on member bonds	0.42	0.42	0
Retained earnings	2.17	1.93	12.4
Performance price	37.23	45.05	-17.4
Additional information			
Employees (average number of FTEs)	22,049	22,168	-0.5
Number of accidents with sick leave (per 200,000 hrs. worked)	0.24	0.33	-27.3
Number of member dairy farms at year end	13,542	13,696	-1.1
Number of member dairy farmers at year end	19,006	19,054	-0.3
Total milk processed (in millions of kilos)	11,066	10,716	3.3
Milk supplied by member dairy farmers (in millions of kilos)	10,060	9,453	6.4

[1] One-time items in 2014 concerns pension income of 131 million euro, a book profit of 20 million euro as a result of the fire in Gerkesklooster and an expense of 20 million euro as a result of the announced closing of the production facility in Belgium.
[2] Net debt concerns current and non-current interest-bearing borrowings and payables to affiliated companies minus cash and cash equivalents available for use.
[3] The net guaranteed price of 30.60 euro and a settlement of 0.08 euro per 100 kilos of milk for the too low estimate over 2015.

	2015	2014	Δ%
Consumer Products Europe, Middle East & Africa			
Revenue	**3,697**	3,874	-4.6
Operating profit	**279**	245	13.9
Operating profit as a % of revenue	**7.5**	6.3	
Employees (average number of FTEs)	**7,611**	7,921	-3.9
Price effect on revenue	▼		
Volume-mix effect on revenue	▼		
Consumer Products Asia			
Revenue	**2,774**	2,369	17.1
Revenue before currency translation effects	**2,476**	2,369	4.5
Operating profit	**631**	438	44.1
Operating profit before currency translation effects	**542**	438	23.7
Operating profit as a % of revenue	**22.7**	18.5	
Employees (average number of FTEs)	**7,217**	7,077	2.0
Price effect on revenue	▲		
Volume-mix effect on revenue	▲		
Cheese, Butter & Milkpowder			
Revenue	**2,552**	2,893	-11.8
Operating profit	**-101**	-96	-5.2
Operating profit as a % of revenue	**-4.0**	-3.3	
Employees (average number of FTEs)	**2,744**	2,746	0.0
Price effect on revenue	▼		
Volume-mix effect on revenue	▲		
Ingredients			
Revenue	**1,734**	1,750	-0.9
Operating profit	**241**	179	34.6
Operating profit as a % of revenue	**13.9**	10.2	
Employees (average number of FTEs)	**3,099**	3,101	-0.1
Price effect on revenue	▼		
Volume-mix effect on revenue	▲		

Revenue by business group

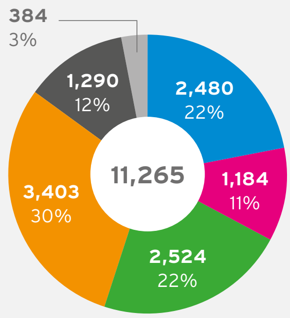
in millions of euro



- Consumer Products Europe, Middle East & Africa
- Consumer Products Asia
- Cheese, Butter & Milkpowder
- Ingredients
- Other

Revenue by geographical region

in millions of euro



- Netherlands
- Germany
- Rest of Europe
- Asia and Oceania
- Africa and the Middle East
- North and South America

[4] Dairy farmers who put their cows out in the meadow receive a meadow milk premium of 1.00 euro per 100 kilos of milk of which 0.50 euro per 100 kilos of meadow milk is paid out of the Company's profit. Averaged over all FrieslandCampina member milk, this is 0.29 euro per 100 kilos of milk. In addition, on the basis of Cooperative regulations, a further 0.50 euro per 100 kilos of meadow milk is paid out. To finance this, 0.35 euro per 100 kilos of milk is withheld from all milk. The partial meadow milk supplement is also paid out of this.

[5] Special supplements concerns the total amount paid out per 100 kilos of Landliebe milk (1.00 euro) and the difference between the organic milk guaranteed price (47.77 euro including a settlement of 0.02 euro per 100 kilos of milk for a too low estimate for 2015) and the guaranteed price (30.68) per 100 kilos of milk. Averaged over all FrieslandCampina member milk, this amounts to 0.14 euro per 100 kilos of milk.

The milk chain

The dairy farmer

Well cared-for cows are the basis for good quality milk. The better a cow feels, the more readily she gives milk and the healthier she remains. Dairy farmers care for their cows and calves day in, day out. They also pay a lot of attention to growing the feed for their animals. The majority of this feed is the grass and corn grown on their own farm. The skill and professionalism of its member dairy farmers underpin the quality, safety and sustainability of FrieslandCampina's wide range of dairy products.

Major developments in 2015

Substantially improved result with volume increase of 7.8 percent

Revenue down by 0.7 percent to 11.3 billion euro due to 2.4 percent positive volume-mix effect, 7.2 percent lower sales prices, 0.7 percent acquisitions and 3.4 percent favourable currency translation effects

Growth, especially in China, Hong Kong, Indonesia, Thailand, Southeast Europe, the Middle East and Africa, and in the FrieslandCampina Ingredients business group

Lower sales prices for basic dairy products, such as foil cheese, butter and in particular milk powder due to increased milk supply especially in Western Europe

Operating profit up by 17.8 percent to 576 million euro in part due to increased sales of products with added-value in Asia and by the Ingredients business group, lower purchasing costs and positive currency translation effects (45 million euro)

Profit up by 13.2 percent to 343 million euro; currency translation effects have a 34 million euro positive effect on profit

Cash flow from operating activities up to 1,019 million euro (2014: 554 million euro) as a result of working capital reduction and higher profit

Value creation for member dairy farmers up by 20.5 percent, milk price down by 18.9 percent

Higher profit helps offset the drop in the milk price

Guaranteed price for member dairy farmers down by 22.1 percent to 30.68 euro (2014: 39.38 euro)

Value creation (performance premium 2.25 euro and distribution of member bonds 1.28 euro) up by 20.5 percent to 3.53 euro (2014: 2.93 euro)

Milk price for member dairy farmers down by 18.9 percent to 34.64 euro (2014: 42.70 euro)

Quantity of milk supplied by member dairy farmers up to 10.1 billion kilos of milk, 6.4 percent more than in 2014

per 100 kilos of milk excl. VAT, at 3.47 percent protein, 4.41 percent fat and 4.51 percent lactose

Achievement of *route2020* strategy

- 2.4 percent positive volume-mix effect on revenue
- 9.0 percent volume growth of Friso infant nutrition and B2B infant nutrition
- Volume of dairy-based beverages stable in a highly competitive field
- Volume of cheese for the retail segment up by 12.1 percent
- Number of accidents at FrieslandCampina facilities down from 94 in 2014 to 71 in 2015

Investments in growth and efficiency

- 564 million euro invested in quality improvements and capacity expansion
- Establishment of Friesland Huishan Dairy joint venture in China as of 1 April 2015
- Investment of 182 million euro in increasing share in FrieslandCampina WAMCO Nigeria PLC from 54.58 to 67.81 percent
- Acquisition of mozzarella producer Fabrelac in Belgium
- Acquisition of the activities of Anika Group, infant nutrition distributor in Russia, Belarus and the Ukraine
- Restructuring costs of 50 million euro for announced facility closures and reorganisations. Loss of around 800 jobs in the coming two years

About Royal FrieslandCampina

route2020 strategy: sustainable growth and value creation

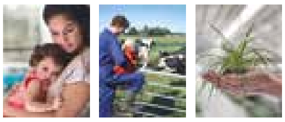
Purpose statement and aspiration

nourishing by nature

Better nutrition for the world,
a good living for our farmers,
now and for generations to come

Providing the growing world population with the right nutrients is the challenge for the coming decades. By offering trustworthy, relevant and nourishing dairy products, FrieslandCampina is contributing towards safeguarding food and nutrient security. FrieslandCampina's purpose statement – *nourishing by nature* – stands for better nutrition for the world, a good living for our farmers, now and for generations to come.

In 2015 FrieslandCampina's *route2020* strategy was updated based on developments in the world, in dairy farming and within FrieslandCampina.



nourishing by nature

Better nutrition for the world, a good living for our farmers, now and for generations to come

Leverage the Dutch dairy heritage and unique milk chain in a sustainable way to win the hearts and minds of our customers and consumers

Expand the leading positions in growth areas

Protection of the volumes in home markets

Build future markets

Highly engaged, capable people who work effectively together



Purpose statement: nourishing by nature

Better nutrition for the world
The global population is expected to grow from 7.4 billion people in 2015 to 8.5 billion people in 2030 and more than 9 billion people in 2050. This, together with the increase in wealth, will result in an increased demand for food. FrieslandCampina can, with its dairy products, contribute towards feeding the world's population. FrieslandCampina will focus on improving its products' recipes and on ensuring dairy products remain affordable and thus relevant for all income groups.

A good living for our farmers
FrieslandCampina's goal is to add as much value as possible to the milk to be able to make the maximum contribution towards the incomes and continuity of many generations of dairy farmers. FrieslandCampina strives to pay out one of the highest milk prices in Northwest Europe. By doing so FrieslandCampina remains an attractive company for the member dairy farmers. In a number of countries in Asia, Africa and Eastern Europe FrieslandCampina offers local dairy farmers assistance with improving their farm management and milk quality.

Now and for generations to come
FrieslandCampina focuses on future generations. This is why FrieslandCampina invests in sustainable long-term growth and the financial health of the Company and the Cooperative. The aim is to achieve climate-neutral growth and reduce the use of scarce natural resources such as water and fossil fuels.

Aspiration

In the context of updating its strategy FrieslandCampina has formulated the following long-term aspiration:

- achieve around **5%** annual volume growth in the selected priority product market combinations;
- process and valorise efficiently around **10** billion kilos of milk from the member dairy farmers in product market combinations that add the most value;
- grow to **15** billion euro revenue in 2020;
- be financially healthy and in harmony with nature and society in the short term and in **20** years' time in order to also create value for the following generations of dairy farmers.

A unique milk chain

Leverage the Dutch dairy heritage and unique milk chain in a sustainable way to win the hearts and minds of our customers and consumers

Markets and customers

Expand the leading positions in growth areas

Protection of the volumes in home markets

Leverage the Dutch dairy heritage and unique milk chain

During its 140 years' history FrieslandCampina has built up strong market and brand positions based on recognisable brands and differentiating quality. The unique Dutch milk chain is a valuable tool for continuing to bind customers and consumers to FrieslandCampina's products and brands. Frisian Flag, Dutch Lady, Peak, Campina, Chocomel and Frico are examples of brands that have existed for generations. FrieslandCampina wants to increase worldwide consumer demand for Dutch dairy products, including through the from grass to glass concept and by investing even more in the appeal of Dutch dairy, in part by keeping cows visible in the Dutch landscape.

Generate the maximum value from milk

FrieslandCampina is striving to generate more value from the milk supplied by focusing on combinations of main products and by-products that deliver the most value. The expected increase in the volume of milk in the coming years demands more efforts aimed at improving the result from the least profitable billions of kilos of milk because, without additional measures, both the volume and the price fluctuations (volatility) of this group of basic products will increase.

To remain attractive to customers and consumers, FrieslandCampina must offer high-quality, safe and sustainable products. The production and processing of the raw milk must, therefore, continue to meet the increasing demands from the market and society in the areas of quality, safety, sustainability and transparency.

Organisation

Build future markets

Highly engaged, capable people who work effectively together

Focus on those markets that generate the most growth, profit and valorisation of member milk

In the updated *route2020* strategy choices have been made in order to utilise capital, production capacity and employees in such a way that long-term and sustainable value is created for the member dairy farmers and society.

FrieslandCampina is active in many markets with a wide range of products. Every market situation is different and FrieslandCampina will focus on a number of specific product market combinations. The following factors determined the choice of markets:

- market growth: expected growth of the market in combination with FrieslandCampina's ability to grow in this market;
- profitability: the possibility to achieve profit in the product market combination;
- member milk valorisation: the degree to which the product contributes towards the processing of member milk while also generating profit.

Based on the above criteria, three groups of product market combinations have been selected on which FrieslandCampina will focus:

- the expansion of the leading positions in growth areas;
- the protection of the volumes in home markets;
- the development of new product market combinations to build future markets.

Highly engaged, capable people who work effectively together

FrieslandCampina's highly engaged and capable employees are the foundations on which FrieslandCampina's success has been built. Worldwide there is a strong feeling of mutual involvement. In view of the developments around and within the organisation, considerable attention will be paid to the continuous improvement of capabilities and ways of working. The primary aim of the strategy is the optimisation of the sales processes for success in the market, efficient processes and ways of working. A number of focal areas are important for the successful roll-out of the updated *route2020* strategy:

- improving the capabilities that are key for market success, including through innovation, commercial execution and further digitalisation;
- reducing costs to enable investments in growth, for example through supply chain and overhead efficiencies;
- AAA (Alignment, Accountability and Action): ensuring all employees think and act in accordance with the AAA concept, whereby proactive coordination, clear responsibilities and fast and result-oriented action are key;
- continuing to work on improving product quality and employee safety;
- applying principles of good business conduct in line with the *Compass* code of conduct, which is based on the principles of integrity, respect and transparency.

Consumer

Food service

Ingredients

The top 10 consumer brands
in revenue in euro

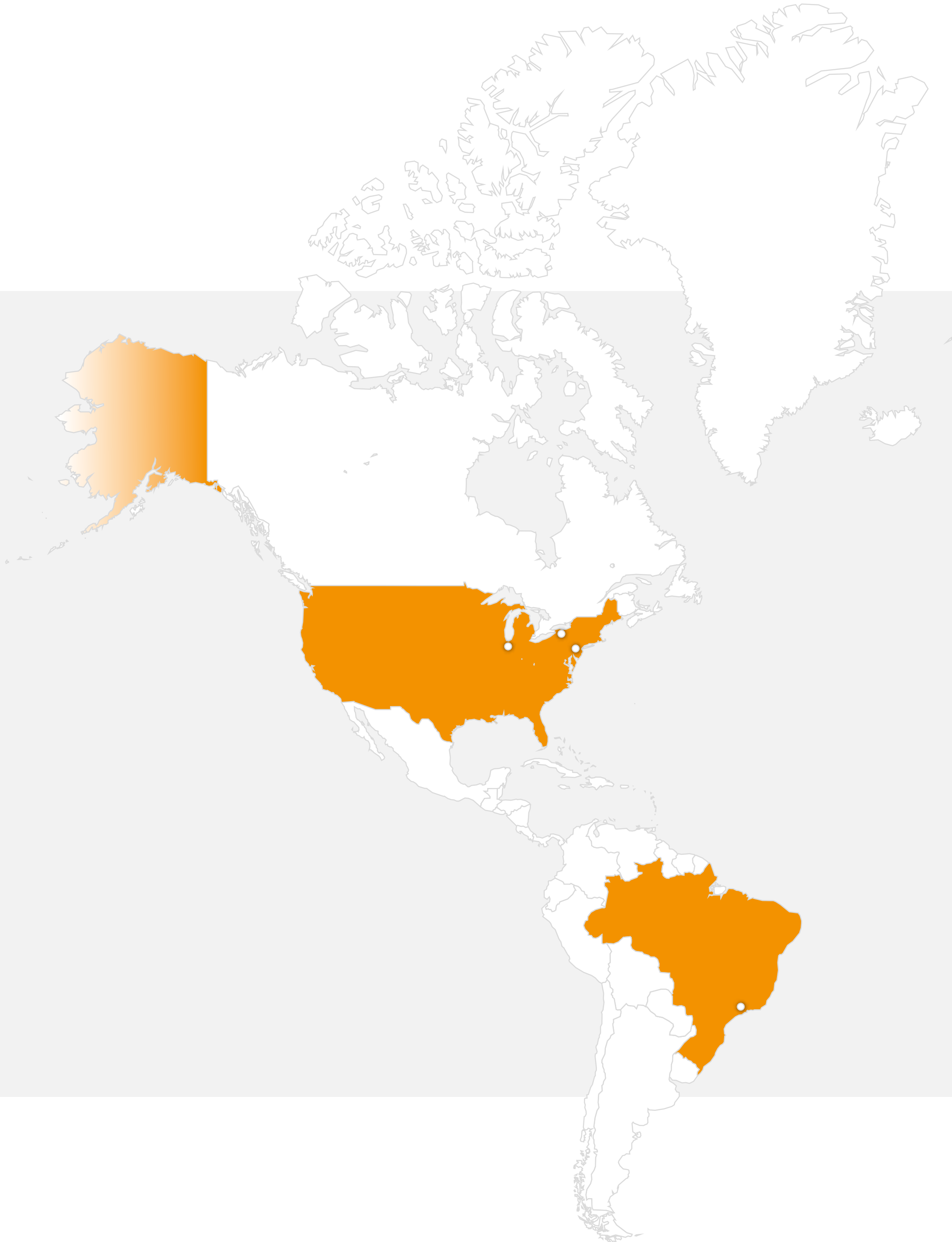
1	Friso	worldwide
2	Frisian Flag	Indonesia
3	Peak	Nigeria
4	Dutch Lady	Vietnam, Malaysia and Singapore
5	Alaska	Philippines
6	Campina	Netherlands and Belgium
7	Rainbow	Saudi Arabia and United Arab Emirates
8	Frico	worldwide
9	Landliebe	Germany, Hungary and Austria
10	Foremost	Thailand

The top 5 industrial products
in revenue in euro

1 DMV Excellion (caseinates)
2 Kievit Vana Capa (creamers)
3 Domo Vivinal GOS (galacto-oligosaccharide)
4 DFE Pharmatose (pharmaceutical lactose)
5 Kievit Vana Grasa (fat powders)



Markets



North and South America

384
revenue*

169
employees

6
facilities

United States
Brazil

Africa and the Middle East

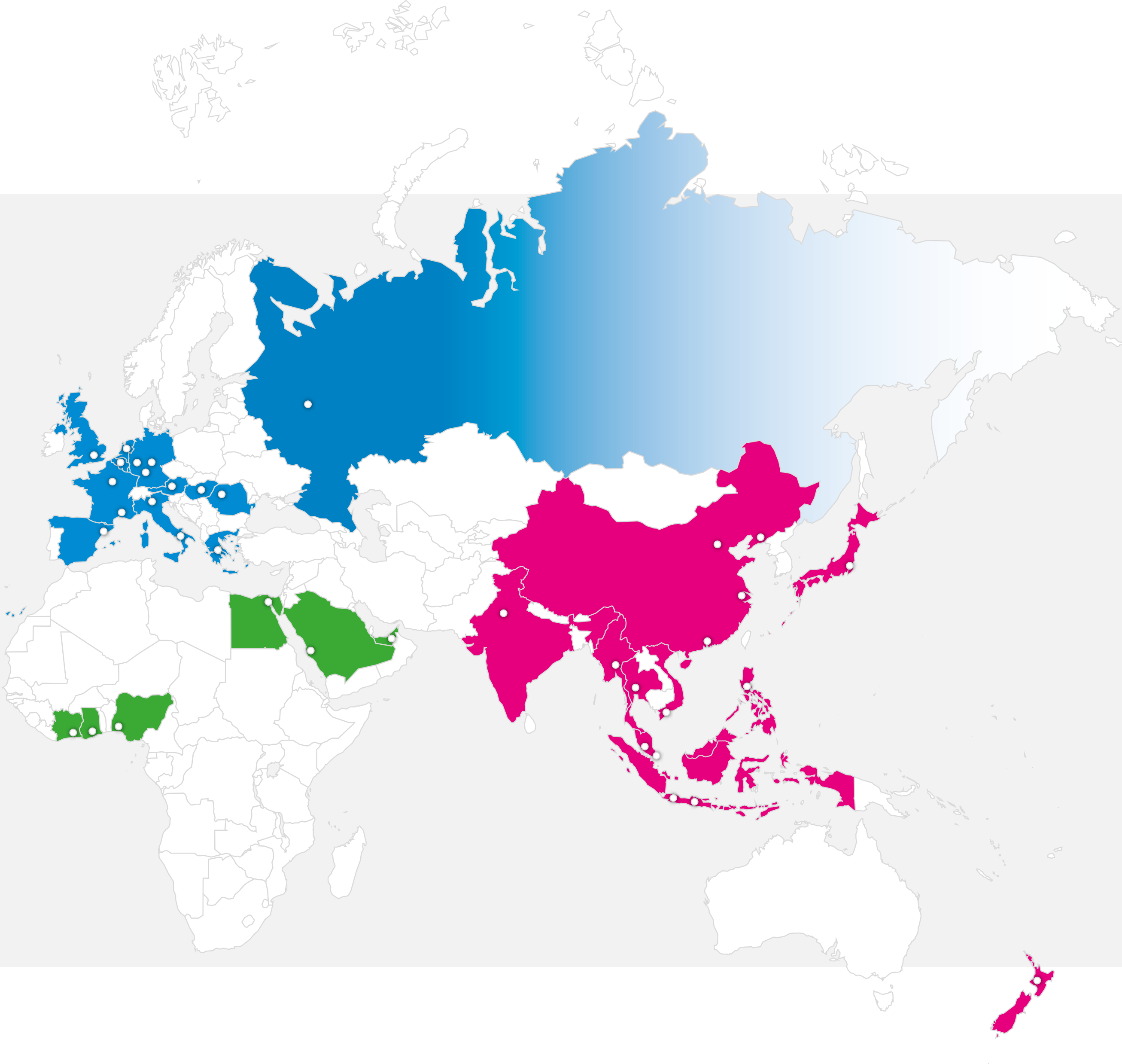
1,290
revenue*

1,157
employees

6
facilities

Nigeria
Ghana
Ivory Coast
United Arab Emirates
Saudi Arabia
Egypt

* in millions of euro



Europe

6,188
revenue*

13,025
employees

69
facilities

Netherlands
Germany
Belgium
Greece
Hungary
Romania
Russia
France
Spain
Italy
Austria
United Kingdom

Asia and Oceania

3,403
revenue*

7,698
employees

35
facilities

Indonesia
Malaysia
Singapore
Thailand
Myanmar
Vietnam
Philippines
China
Hong Kong
India
Japan
New Zealand

The milk chain

The transporter

The milk is transported from the farm to one of FrieslandCampina's production facilities in a milk truck. The quality of the milk must be the same when it arrives at the production facility as it was when it left the farm. The milk truck driver plays a major role in ensuring this. From inspecting the milk in the storage tank at the farm and taking samples, to the hygiene within the milk truck itself. The transport is becoming increasingly sustainable through the use of cleaner fuels, or even the generation of energy via solar panels on the milk trucks.

Higher profit has limiting effect on drop in milk price for member dairy farmers

In 2015 the operating profit of Royal FrieslandCampina N.V. rose by 17.8 percent to 576 million euro (2014: 489 million euro). The margins also rose due to the sale of more added-value products in Asia and by the FrieslandCampina Ingredients business group, lower purchasing costs and positive currency translation effects. Profit rose by 13.2 percent to 343 million euro (2014: 303 million euro). The volume of milk supplied by member dairy farmers increased by 6.4 percent to 10.1 billion kilo. Revenue fell by 0.7 percent to 11,265 million euro (2014: 11,348 million euro) while cash flow from operating activities rose to 1,019 million euro (2014: 554 million euro) as a result of lower working capital coupled with higher profit. The milk price for the member dairy farmers fell by 18.9 percent to 34.64 euro per 100 kilos of milk (2014: 42.70 euro) due to the lower guaranteed price for raw milk. Due to the higher profit value creation (performance premium plus reservation in member bonds) rose by 20.5 percent to 3.53 euro (2014: 2.93 euro), which to an extent limited the drop in the milk price for the member dairy farmers.

Key figures	2015	2014	Δ%
in millions of euro			
Revenue	11,265	11,348	-0.7
Revenue before currency translation effects	10,883	11,348	-4.1
Operating profit	576	489	17.8
Operating profit before one-time items and currency translation effects	531	412	28.9
Profit	343	303	13.2
Profit before one-time items and currency translation effects	309	258	19.8
Operating profit as a % of revenue	5.1	4.3	
Net cash flow from operating activities	1,019	554	83.9
Value creation per 100 kilos of milk	3.53	2.93	20.5
Milk price in euro per 100 kilos of milk	34.64	42.70	-18.9
Milk supplied by members (in millions of kilos)	10,060	9,453	6.4

Revenue down slightly

Revenue fell by 0.7 percent to 11.3 billion euro as a result of lower sales prices. On balance currency translation effects had a positive effect of 382 million euro on total revenue. The volume in the entire infant nutrition category increased by 9.0 percent (business-to-business products up by 13.5 percent and consumer products up by 1.7 percent). The increased demand for infant nutrition could be met, in part due to new production capacity. Sales of Friso infant nutrition increased in every market and in particular in China and Hong Kong. Sales volume in the dairy-based beverages category remained virtually the same due to difficult market conditions in Asian and Western European countries. Dairy-based beverage volumes did increase in Southeast Europe, Africa and the Middle East. Sales volumes of cheese for the retail segment increased by 12.1 percent and the margins improved. Branded cheese volume remained stable. The increase in branded cheese exports and the positive development of Noord-Hollandse cheese offset the lower volumes of Milner. The volume of basic products rose by 39.5 percent as a result of the higher supply of milk from member dairy farmers. In 2015 480 million kilos more raw milk was sold on directly than in 2014 (total 1.5 billions kilos of milk). Some of this milk was sold at less than cost price.

Substantially improved operating profit

The gross margin rose by 36.2 percent to 2,000 million euro due to the more favourable sales mix (higher portion of the revenue generated by products with higher added-value) and the lower revenue cost price. The revenue cost price fell by 6.2 percent to 9,265 million euro. This was mainly due to the lower guaranteed price for raw milk, cost-reducing measures in all business groups and improved purchasing conditions for other raw materials and packaging materials. Due to the lower guaranteed price, the payment to member dairy farmers for the raw milk supplied in 2015 fell by 13.4 percent to 3,514 million euro (2014: 4,056 million euro) despite the volume increasing by 6.4 percent to 10,060 million kilos of milk, the higher performance premium and the higher reservation in member bonds.

The operating profit of the Cheese, Butter & Milkpowder business group worsened because, due to market conditions and the high supply of milk, some of the milk powder, foil cheese and basic butter had to be sold at less than cost price. In Germany too profit lagged due to difficult market conditions and very competitive prices.

FrieslandCampina invested 536 million euro in advertising and promotions (+185 million euro compared with 2014) to improve its market positions. The increase in sales and general administration costs was due to the growth in Asia and Africa, acquisitions and currency translation effects. Other operating costs include restructuring costs amounting to 50 million euro for the closing and relocation of the Den Hollander Food cheese packaging facility in Lochem, the cheese production of FrieslandCampina Cheese in Rijkevoort and the production of organic dairy in Limmen as well as efficiency measures at the production facilities in Den Bosch, Beilen, Leeuwarden (all in the Netherlands) and Gütersloh (Germany). In 2014 other operating costs still included a one-time amount of 131 million euro resulting from an amendment to the pension plan for employees in the Netherlands and a book profit of 20 million euro related to the fire at the FrieslandCampina Cheese facility in Gerkesklooster (Netherlands).

In total operating profit rose by 17.8 percent to 576 million euro in 2015 (2014: 489 million euro), of which 45 million euro was the result of positive currency translation effects.

Higher profit

In 2015 profit rose to 343 million euro (2014: 303 million euro). The rise in profit was due to increased sales of products with a higher added-value in Asia and by the Ingredients business group, favourable currency translation effects amounting to 34 million euro, lower purchasing prices and lower operating costs.

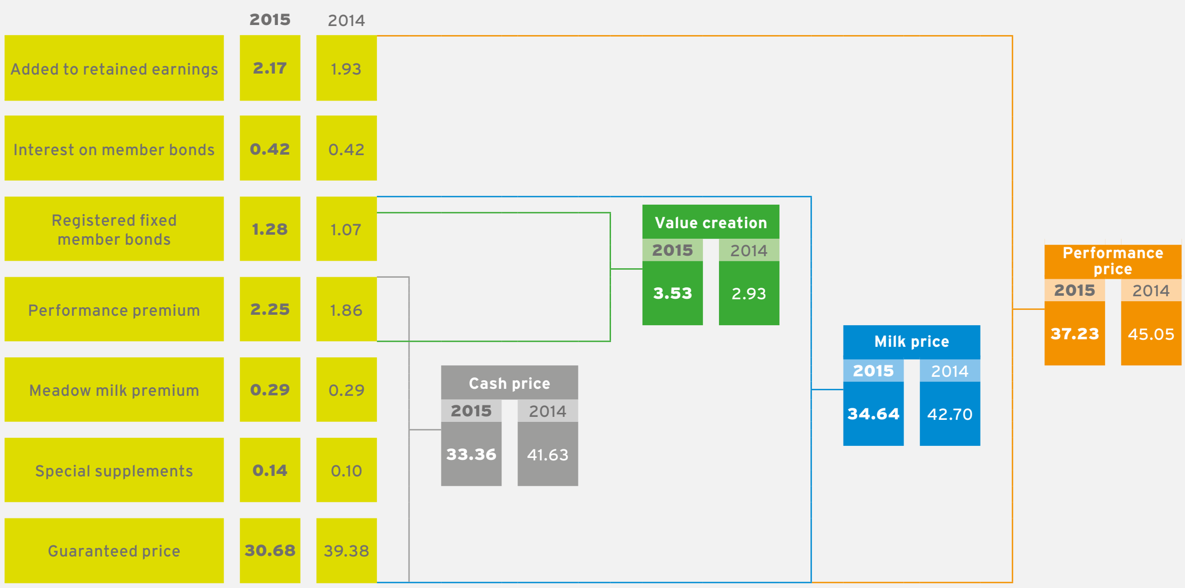
The balance of finance income and expenses improved by 5 million euro to 43 million euro negative. Net interest expense was 43 million euro (2014: 32 million euro).

In 2015 the result from joint ventures and associates rose from 13 million euro to 15 million euro.

The tax expense amounted to 205 million euro (2014: 151 million euro). The increase was due primarily to the higher profit.

Milk price and performance price

in euro per 100 kg milk, for 600.000 kg milk per year (excl. VAT, at 3,47% protein, 4,41% fat and 4,51% lactose)



Profit appropriation

Of the 343 million euro profit for 2015, 73 million euro is attributable to non-controlling interests. The Executive Board proposes that 218 million euro is added to retained earnings and the remaining profit is attributed as follows: 42 million euro to be reserved as interest payment to holders of member bonds and 10 million euro to be reserved as interest payment for the Cooperative's loan to the Company.

Milk price system and profit appropriation 2014-2016

The annual milk price that FrieslandCampina pays the member dairy farmers comprises the guaranteed price, the special supplements, the meadow milk premium, the performance premium (together the cash price) and the distribution of member bonds. The price paid for milk is based on the value of the supplied kilograms of protein, fat and lactose in the ratio 10:5:1. The FrieslandCampina performance price comprises the milk price plus the interest on member bonds and the addition to the Company's retained earnings.

The amount of the retained earnings and the performance premium is dependent on FrieslandCampina's profit. In the period 2014-2016, of the net profit of Royal FrieslandCampina N.V., based on the guaranteed price and after deduction of the recompense on member bonds and the profit attributable to non-controlling interests, 45 percent will be added to the Company's equity, 35 percent can be paid out to the member dairy farmers as performance premium and 20 percent will be paid out to the member dairy farmers in the form of fixed member bonds. The pay-out of fixed member bonds is calculated on the basis of the value of the milk supplied during the financial year.

In September of each year an interim pay-out, based on the Company's results for the first half of the year and the quantity of milk supplied, may be paid out. The interim pay-out amounts to 75 percent of the pro forma performance premium over the first half of the year. The final settlement is paid out in April of the following year on the basis of the Company's annual results and the total quantity of milk supplied.

Value creation for member dairy farmers increases

The total paid out to the member dairy farmer for 2015 on top of the guaranteed price was 355 million euro (2014: 277 million euro) of which 226 million euro was the performance premium (2.25 euro per 100 kilos of milk excluding VAT). The distribution of member bonds for 2015 amounted to 129 million euro (1.28 euro per 100 kilos of milk excluding VAT). Together the performance premium and distribution of member bonds per 100 kilos of milk added up to 3.53 euro (2014: 2.93 euro), an increase of 20.5 percent.

At 34.64 euro excluding VAT the milk price for the member dairy farmers for 2015 was 18.9 percent lower than for 2014 (42.70 euro).

The guaranteed price for 2015 was 30.68 euro per 100 kilos of milk, a decrease of 22.1 percent compared with 2014 (39.38 euro). The lower guaranteed price was due to the lower milk prices of the reference companies. The special supplements (for Landliebe and organic milk) amounted to 0.14 euro per 100 kilos of milk and the meadow milk premium was 0.29 euro per 100 kilos of milk.

The performance premium was 2.25 euro per 100 kilos of milk (2014: 1.86 euro). The increase was the result of the higher profit, of which 35 percent was attributed to the performance premium. The distribution of member bonds for 2015 amounted to 1.28 euro per 100 kilos of milk (2014: 1.07 euro).

The performance price reflects the Company's overall performance. The FrieslandCampina performance price for 2015 amounted to 37.23 euro per 100 kilos of milk excluding VAT (2014: 45.05 euro), a decrease of 17.4 percent compared to 2014. The decrease in the performance price compared to 2014 was due to the lower guaranteed price. Retained earnings amounted to 2.17 euro in 2015 compared to 1.93 euro in 2014.

The organic milk price for 2015 was 51.80 euro excluding VAT per 100 kilos of milk (2014: 52.95 euro). The organic milk guaranteed price was 47.77 euro per 100 kilos of milk. The performance premium and distribution of member bonds is based on FrieslandCampina's financial performance and is, therefore, the same as for regular milk. The organic milk price is determined by the supply of and demand for organic milk on the Western European market. The demand for organic milk increased while the supply remained stable.

In September 2015 the member dairy farmers received an interim payment of 2.018 euro per 100 kilos of milk. This was 75 percent of the pro-forma performance premium for the first half of the year (1.009 euro per 100 kilos of milk for a full year). The definitive settlement will take place in April 2016 on the basis of FrieslandCampina's results for 2015 and the quantity of milk supplied by the dairy farmer during 2015. The performance premium for 2015 amounted to 2.25 euro, which means the member dairy farmers will receive a further 1.24 euro per 100 kilos of milk in performance premium in April 2016.

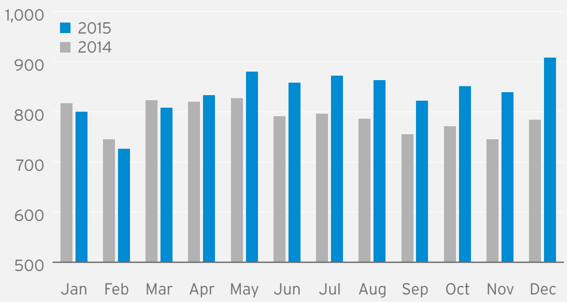
In total the interest on member bonds rose from 40 million euro to 42 million euro as a result of the increase in the number of bonds. The interest for the period 1 January – 31 May 2015 amounted to 3.431 percent, for the period 1 June – 30 November 2015 amounted to 3.299 percent and during December amounted to 3.210 percent (the interest on the 6-month Euribor was -0.040 percent for December). Per 100 kilos of member milk the average interest pay-out was 0.42 euro (2014: 0.42 euro).

Milk supply up by 6.4 percent

In 2015, 10.1 billion kilos of milk was supplied by the Cooperative's member dairy farmers. The 6.4 percent increase compared to 2014 (9.5 billion) was due to the greater number of dairy cows, good quality feed and mild weather. During the first quarter of the year the supply was slightly lower than in 2014. After 1 April milk production increased by around 9 percent and, in November and December, was respectively 13 and 16 percent higher than in the same months in 2014. In the second half of 2015 the market demand for milk lagged behind the increasing supply and caused a further drop in the prices of foil cheese, butter and milk powder. The rapidly increasing supply also created major challenges in respect of the processing of the milk, despite all the investments and measures FrieslandCampina

Milk production member dairy farmers

per month in millions of euro



Milk quota ends

On 1 April 2015 the European Union milk quota came to an end. The milk quota was introduced in 1984 to limit the increasing milk production and, therefore, to limit the surpluses and the related increased expenditure for the EU's Common Agricultural Policy. Dairy farmers who exceeded their quota had to pay the so-called superlevy.

The basis of the European agriculture policy was to support the prices of agricultural products. To be able to pay out this price, there were various marketing plans for the most important agricultural products. Because the EU is more than self-sufficient in dairy produce, export was only possible with subsidies that were paid out to bridge the price difference between the EU and the world market. This export support came in for particularly heavy criticism from both social organisations and politicians. Agreements in the WTO had already limited export subsidies. Revisions to the Common Agricultural Policy since 2003 further reduced the price support and replaced it with direct payments. The support programmes were dismantled and currently there is no export support whatsoever. As a result of these far-reaching reforms the basis for the milk quota regime also declined.

Agriculture, including dairy farming, is once again market-led in terms of pricing. Only in extreme market situations does the European Commission have a very limited arsenal of market instruments at its disposal. In the dairy sector these are the public intervention of butter and skimmed milk powder and private storage aid schemes for butter, skimmed milk powder and cheese.

had already implemented. On 28 December 2015 FrieslandCampina asked the member dairy farmers to temporarily avoid any further increases in milk supply. It was foreseen that the milk supply from member dairy farmers in the first six weeks of 2016 would be so high that from January to mid February 2016 the processing capacity and opportunities for direct sales would be insufficient. If the volume of milk supplied per day was the same or lower than the average supply per day in the comparison period of 13 to 27 December 2015, the member dairy farmers received an additional payment of 2.00 euro per 100 kilos of milk (excluding VAT) for the milk they supplied. Sixty percent of the member dairy farmers participated in this temporary measure. The result was an estimated 34 million kilos of milk less being supplied during the first six weeks of 2016. This measure cost 14.1 million euro.

Higher operational cash flow

Cash flow from operating activities rose to 1,019 million euro (2014: 545 million euro) as a result of the lower working capital and higher profit. In 2015 the outgoing cash flow for investments and acquisitions amounted to 705 million euro (2014: 627 million euro). In 2015 564 million euro was invested in production capacity and efficiency and quality improvements. A further 130 million euro was invested in the acquisition of the Friesland Huishan Dairy joint venture in China, mozzarella producer Fabrelac in Belgium and the activities of Anika Group, distributor of infant nutrition in Russia, Belarus and the Ukraine.

Cash flow from financing activities amounted to -228 million euro (2014: 132 million euro). This is the net of increasing the interest in FrieslandCampina WAMCO Nigeria PLC from 54.58 to 67.81 percent for a total of around 182 million euro, dividends paid to non-controlling interests, interest on member bonds and a higher utilisation of the credit facility.

Net cash and cash equivalents and bank current accounts rose from 606 million euro (end of 2014) to 718 million euro (end of 2015) primarily due to the higher utilisation of the credit facilities.

Financial position

As at 31 December 2015 net debt amounted to 1,108 million euro, 127 million euro higher than at the end of 2014. The increase was due in part to (currency) translation effects of 65 million euro on the loans.

Equity amounted to 3,093 million euro as at 31 December 2015 (end of 2014: 2,823 million euro). Net equity increased through the increase in the number of member bonds and the reservation of profit in retained earnings and decreased through the purchase, charged to equity, of shares in FrieslandCampina WAMCO Nigeria. Net solvency dropped to 36.7 percent (end of 2014: 36.8 percent).

Children's Council advises FrieslandCampina about healthy living

What can FrieslandCampina do to help people in the Netherlands live healthy lives? This is the question FrieslandCampina asked its Children's Council – Group 6 at the Het Zwaluwnest primary school in Amersfoort - last year. After an extensive series of orientation and information lessons and a farm visit, the children, under the guidance of Princess Laurentien, presented their findings to FrieslandCampina's Executive Board. An honest story about health and the dilemma between tasty and healthy were the topics discussed. Both the composition of the products and the packaging offer opportunities. Children, it appears, do not know how much sugar a product contains. Clear communication and an honest story about health on the packaging was, therefore, one of the recommendations. In the children's opinion healthy products must also be promoted more and made more attractive.

This is the first time FrieslandCampina has established a Children's Council. In 2014 a three-year cooperation with the Missing Chapter Foundation and UNICEF Nederland was started. Children are at the heart of the cooperation. Via a so-called Children's Council they are given a voice in social issues that will determine the future.

The net financing expense amounted to 43 million euro, 5 million euro less than for 2014. The decrease was due primarily to the outcomes of remeasurements of financial instruments.

Financing

FrieslandCampina raises loans from different groups of lenders (member dairy farmers, banks and investors). The major portion of the bank loans comprises a committed credit facility of 1.5 billion with a syndicate of banks. In April 2015 the term of this facility was extended by one year to April 2020. At the end of December 650 million euro was borrowed under this facility. The capital portion of the outstanding institutional loans amounts to 696 million US dollars. The US dollar liabilities have been converted into euro liabilities via cross-currency swaps.

Risk management financial instruments

FrieslandCampina is sensitive to various financial risks, such as credit risk, interest rate risk, liquidity risk and currency risk. The aim of the general risk policy is to enable financial risks to be identified, analysed and, when necessary, mitigated in order to prevent possible negative financial results. FrieslandCampina's principle financial instruments are debtors, creditors, loans from credit institutions and institutional investors, member bonds and cash and cash equivalents. Derivative transactions, primarily forward currency transactions and interest rate swaps, are undertaken to manage the currency and interest rate risks arising from FrieslandCampina's activities and the financing of these activities. The treasury policy related to risks concerning financial instruments has been drawn up on the basis of the risk management policy approved

Market developments

In 2015 the demand for milk on the world market did not keep pace with the worldwide increase in milk production. The result was falling sales prices for most dairy products. In part due to the relatively favourable weather conditions and the ending of the milk quota regime in the European Union on 1 April 2015, worldwide milk production increased by 2.1 percent compared to 2014. Compared to 2014, in 2015 milk production increased by 2.5 percent in the European Union and by 7.4 percent in the Netherlands. In New Zealand milk production decreased by 1.5 percent and in the United States it increased by 1.1 percent.

In the first three months of 2015 milk production decreased in the European Union due to the threat of the superlevy for exceeding the quota on 1 April 2015, and in New Zealand due to drought. In the first quarter of 2015 the reduced milk supply coupled with limited stocks of dairy products resulted in rising listed prices for cheese, butter and milk and whey powder on the European markets.

From the second quarter of 2015 sales prices for dairy products fell due to a combination of increased milk production and lower demand. China and Russia, two important dairy importers, imported less dairy products: China because of its stagnating economic growth and Russia because of its boycott of European dairy products. The demand on the world market did not recover during the year. Continuing geopolitical tension, especially in the Middle East, the sharp drop in the oil price and the disappointing economic development in the most important dairy importing regions, combined with higher stocks, led to a surplus of dairy products on the world market. As a result sales prices on the world and European markets fell to levels similar to the 2009 price levels.

Dutch listed prices

in euro per ton of product

	1 January 2015	1 April 2015	31 December 2015	Δ% 31 December compared to 1 January
Cheese (Hannover)	2,550	2,750	2,300	-9.8
Full fat milk powder	2,170	2,790	2,100	-3.2
Skimmed milk powder	1,730	2,010	1,670	-3.5
Whey powder	740	810	500	-32.4
Butter	2,760	3,180	2,830	+2.5

by the Executive Board. FrieslandCampina's policy is not to trade in financial instruments for speculative purposes. How the financial instruments are accounted for and further details regarding the risks and risk management of financial instruments is explained in Note 27 of the financial statements (page 117).

Pension charges and coverage ratio

The majority of the pension costs are related to the Dutch pension plans and concern pension liabilities in respect of defined contribution plans. This is the consequence of the switch, as of 1 January 2015, to a collective available premium plan via the newly established industry branch pension fund for the dairy sector and related industries. In addition there are still a number of (transition) plans administered by various external parties.

In connection with the establishment of the new industry branch pension fund, at the end of 2014 accrual ceased with the major administrators Avéro Achmea Pensioen and Stichting Pensioenfonds Campina. The obligation with Avéro Achmea Pensioen regarding the payment of an additional amount if the coverage rate of the separate investment fund drops below the minimum level will continue in the future. The administration agreement with Stichting Pensioenfonds Campina has been terminated. In 2015 FrieslandCampina paid an additional amount to Stichting Pensioenfonds Campina to raise the provision for future administration costs to the required level and was still in discussion with the Fund regarding definite agreements in connection with the administration of a number of residual smaller components of the plan.

At the end of 2015 the coverage rate of the separate investment fund administered by Avéro Achmea Pensioen was 118.1 percent (end of 2014: 123.2 percent). This coverage rate is determined on the basis of the insurance conditions agreed with the insurance company and is higher than it would be if it was determined on the basis of actual market value. The coverage rate of the Pensioenfonds Campina fell from 106.3 percent at the end of 2014 to 104.8 percent (policy coverage rate) at the end of 2015.

Investments

In 2015 FrieslandCampina invested 564 million euro (2014: 656 million euro). The aim of the investments is to ensure the increasing quantity of milk from the member dairy farmers due to the EU milk quota ending in 2015 could be processed, and to further improve the quality, product safety and efficiency. Since 2009 a total of 3.1 billion euro has been invested in property, plant and equipment, of which 2.2 billion (over 70 percent) has been invested in the Netherlands.

In 2015 a number of new production facilities went into service:

- FrieslandCampina Butter in Lochem (Netherlands): expansion of butter oil production capacity
- FrieslandCampina Belgium in Aalter (Belgium): new dairy-based beverages packaging line
- FrieslandCampina Ingredients in Borculo (Netherlands): first phase of the new building for the production of milk powder and infant nutrition
- Alaska Milk Corporation/FrieslandCampina Kievit in Makati City (Philippines): expansion of creamer production capacity

Alaska Milk Corporation in the Philippines opens a new and improved milk powder and creamer factory

Alaska Milk Corporation, FrieslandCampina's operating company in the Philippines, reached a new milestone with the opening of a state-of-the-art production facility for milk powder and creamers. The new production facility is enabling Alaska to produce more Alaska milk powder and Krem Top coffee milk and, therefore, to satisfy the local market demand. The production facility also produces the FrieslandCampina Kievit coffee and tea creamers for the Southeast Asia region. When designing and developing the new production facility considerable attention was paid to safety, hygiene and high quality standards.

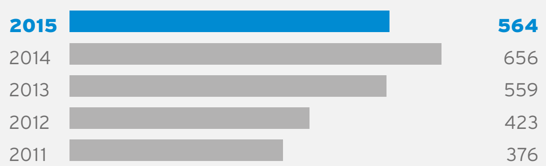
- FrieslandCampina Ingredients in Borculo: expansion of the production capacity of ingredients (Domo Vivinal GOS) for infant nutrition
- FrieslandCampina Cheese in Gerkesklooster (Netherlands): rebuilding of the cheese warehouse and brining room destroyed by fire in 2014
- FrieslandCampina Consumer Products in Maasdam (Netherlands): new distribution centre
- FrieslandCampina WAMCO Nigeria in Lagos: warehouse capacity expansion

The most important on-going investment projects
FrieslandCampina Consumer Products in Leeuwarden (Netherlands)
Investment: 138 million euro
Duration: 2014-2016
Goal: phase two of the expansion of milk processing capacity through renewing and expanding the production capacity of evaporated and condensed milk for export.

FrieslandCampina Ingredients in Borculo (Netherlands)
Investment: 135 million euro
Duration: 2014-2016
Goal: expansion of production capacity by building a new production facility with spray-drying towers for milk powder and ingredients

FrieslandCampina Ingredients in Beilen (Netherlands)
Investment: 57 million euro (in 2015)
Duration: 2015-2016
Goal: expansion of capacity for small packagings of infant nutrition

Investments
in millions of euro



Royal couple visit Dutch dairy expertise and training centre in China
On 25 October 2015, the first day of the state visit to the People's Republic of China, King Willem-Alexander and Queen Máxima, together with Bert Koenders, Minister of Foreign Affairs, and Sharon Dijksma, State Secretary for Economic Affairs, visited the Dutch Dairy Expertise Centre in Zhaojiayu Village (near Beijing) in China. The Centre is part of the Sino-Dutch Dairy Development Centre, a cooperation between the China Agricultural University, Wageningen University & Research Centre, FrieslandCampina, CRV, Rabobank and China Zhongdi Dairy Holdings. During their visit the royal couple saw how the Sino-Dutch Dairy Development Centre is helping to improve the food safety, quality and productivity of the Chinese dairy chain.

Investment projects 2016
The budget for 2016 includes investments amounting to around 550 million euro. The most important new projects are:

FrieslandCampina Cheese in Gerkesklooster, Workum and Bedum (all in the Netherlands)
Investment: 30 million euro
Duration: 2016-2017
Goal: expansion of production and cheese storage capacity to replace the cheese production facility in Rijkevoort

FrieslandCampina Ingredients in Veghel (Netherlands)
Investment: 15 million euro in 2016
Duration: 2016-2018
Goal: expansion of the production capacity and the application of high-quality microfiltration technology

Strengthening the organisation

In its efforts to achieve a more streamlined organisation, a better utilisation of its scale and the reduction of operating costs, in 2015 FrieslandCampina announced and implemented various changes in the organisation:

- Since 1 January 2015 the production facilities and production planning have been managed by the supply chain organisation of the Ingredients and Cheese, Butter & Milkpowder business groups rather than the operating companies. The operating companies focus solely on commercial activities.
- On 1 January 2015 the new FrieslandCampina Africa operating company, in which the commercial activities for North and West Africa (with the exception of Nigeria) are clustered, was established. The operating company is part of the FrieslandCampina Consumer Products Europe, Middle East & Africa business group.
- In April 2015 FrieslandCampina Hungária and Alföldi Tej reached agreement regarding the sale of the production facility in Debrecen to Alföldi Tej. The new owner will continue to produce dairy products on the site.
- In 2015 a programme aimed at improving efficiency and reducing costs was started in the FrieslandCampina production facilities in Beilen and Leeuwarden (both in the Netherlands). The proposals for improvements will lead to structural changes, such as new working methods, changes to tasks and responsibilities, more efficient staffing, an amended team composition and adjustments to the organisational structure. It is foreseen that in the coming three years between 335 and 355 of the current 1,590 jobs at FrieslandCampina in Beilen and Leeuwarden will be lost. An efficiency improvement programme is executed at the production facility in Gütersloh in Germany, resulting in the loss of 57 jobs.
- The Den Hollander Food cheese packaging facility in Lochem will close in the first quarter of 2016. The activities will be relocated to the cheese packaging facilities in Wolvega and Leerdam (all in the Netherlands). As a result 139 jobs will be lost.
- The cheese production of FrieslandCampina Cheese in Rijkevoort will be relocated to the production facilities in Bedum, Gerkesklooster and Workum (all in the Netherlands). 68 jobs will be lost at FrieslandCampina Cheese in Rijkevoort. The closure is planned in the third quarter of 2017.
- In the future FrieslandCampina Butter in Den Bosch (Netherlands) will focus primarily on milk decreaming and butter packaging. The preparation of butter specialities for industrial customers will be relocated to FrieslandCampina Butter in Noordwijk (Netherlands). 21 permanent and 19 temporary jobs will be lost. Employment for 71 people will remain in Den Bosch. The adjustments to the organisation will start in the first quarter of 2016.
- The production of organic dairy, including the Campina Boer en Land brand, will be concentrated in the Maasdam facility and the small-scale facility in Limmen (both in the Netherlands)will close in mid 2016. The closure will mean the loss of 30 jobs. Weerribben Zuivel will take over the Zuiver Zuivel brand in 2016.
- In November 2015 FrieslandCampina Kievit announced its intention to sell the commercial vending activities (products for coffee and hot chocolate drinks vending machines) carried out at the facility in Lippstadt (Germany) to Barry Callebaut Sweden AB. FrieslandCampina Kievit will continue producing these products for Barry Callebaut. The transfer is expected to be completed in March 2016.
- The Summit programme was started in 2010 to bring uniformity to the planning and information systems, processes and data of all FrieslandCampina operating companies. This programme is an important component in FrieslandCampina's strategy to achieve a more integrated network organisation. The goal is both more effective (logistics) planning and decision making and more efficient operation by making better use of scale advantages. In 2015 functionality for managing product specifications was added to the programme. The implementation of Summit is now almost half complete. During 2015 the (SAP) platform was successfully implemented at 17 facilities. Currently a total of 33 facilities and around 40 percent of all the employees who will ultimately be involved are already working with the new platform. The aim is to complete the program in 2018.
- Since 1 January 2016 FrieslandCampina's activities on the Chinese mainland have been clustered in a new business group: Consumer Products China. James Chiu has been appointed Executive Director of the business group and reports to Roelof Joosten, CEO of Royal FrieslandCampina. The establishment of the new business group underlines the increasing importance of FrieslandCampina's activities in China. Until 1 January 2016 the activities were part of the Consumer Products Asia business group.

European Union conditions related to the merger at the end of 2008

The independent Dutch Milk Foundation (DMF) implements the merger conditions stipulated by the European Union in 2008 in respect of the merger of Friesland Foods and Campina. Each year FrieslandCampina must make up to 1.2 billion kilos of Dutch raw milk available to producers of fresh dairy products and/or naturally matured cheese.

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. A contract for the supply of the remaining around 0.3 billion kilos of milk was signed with A-ware and went into force on 1 March 2015.

The Foundation also administers the severance scheme for FrieslandCampina's Dutch member dairy farmers. In the period 1 January to 31 December 2015 the DMF approved five requests (2014: nine) 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 5.0 million kilos of milk (2014: 5.6 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.

FrieslandCampina's Dutch member dairy farmers who wish to switch to Deltamilk or Arla Foods may terminate their membership at any moment and following the normal procedure utilising the severance scheme. The milk volumes they take with them are deducted from the volumes available to Deltamilk or Arla Foods. If a member dairy farmer who wishes to move to a party other than Deltamilk or Arla Foods requests the severance premium after 1 September, their request is not honoured immediately. Severance with the awarding of the severance premium is only possible after each full year. Dairy farmers who submit their request between 31 August 2015 and 31 August 2016 can transfer as of 1 March 2017 or later. This is an annually recurring cycle.

Since it went into effect in 2009, 98 member dairy farmers have utilised the severance scheme. The total quantity of milk involved is 73 million kilos.

Black&White: the taste of Hong Kong for 75 years
To celebrate the 75th anniversary of the Black&White brand, FrieslandCampina Hong Kong organised various activities. For the first time in its history the brand took part in the annual parade to celebrate Chinese New Year with the people of Hong Kong and to draw extra attention to Hong Kong's tea culture. Black&White was one of the first brands of evaporated milk on sale in Hong Kong, where the so-called 'milk tea' is extremely popular.

Innovation

Innovation within FrieslandCampina is driven by insights into the needs of consumers and industrial customers, social developments in the field of nutrition and sustainability, and the knowledge of the experts within FrieslandCampina in the area of nutrients, milk components, milk processing, products, packaging, dairy farming and sustainability.

FrieslandCampina's innovations are aimed at dairy products that, in a sustainable way, contribute towards the growth, development, health and wellbeing of consumers worldwide. In 2015 FrieslandCampina invested 73 million euro in its research & development activities (2014: 78 million euro). This is 0.6 percent of its revenue.

An important focal point of the research & development activities is reducing the amount of added sugar in products. This is important to make the products healthier and to contribute towards preventing unnecessary calorie intake. Lowering the sugar content affects the taste and texture of products. To compensate for this, recipes have to be adjusted, which demands a relatively large amount of research and development.

Reducing the salt content of cheese is another focal point. In 2015 the goal of reducing the salt content of all semi-hard Goudse 48+ cheeses by an average of 10 percent compared to 2010 was achieved. In addition to using existing techniques, such as a shorter brining time, FrieslandCampina worked on the development and implementation of new technologies for reducing salt in cheese.

In 2015 new nutritional products for different age groups were developed. Optimel Pro Age responds to the specific nutritional needs of people aged 40+, 50+ and 60+ respectively. This new product was introduced in Hong Kong. Friso Prestige is a new premium infant nutrition that was introduced in China at the end of 2015. For people who need extra protein, such as older people and sportsmen and women, Vifit extra-protein was launched in the Netherlands.

There were also ground-breaking technological developments in new market segments. FrieslandCampina developed Lattiz, a modern, automatic, milk-foaming machine for the food service sector that enables a barista-quality cappuccino topped with milk foam to be served in a few seconds. Several patents for the Lattiz technology have been applied for. The product was introduced, successfully, on the Dutch food service market in 2015.

Lattiz: barista-quality milk foam with one press of a button
At the end of October 2015 FrieslandCampina Foodservice introduced Lattiz, an automatic milk foam machine. With Lattiz every food service employee or barista can make a good cappuccino, latte macchiato or milky coffee at a rate of six cups a minute. When developing Lattiz, FrieslandCampina worked in close cooperation with specialists, such as coffee roasters and coffee machine dealers. The concept, which comprises a machine and special milk for a firm and airy foam topping, was over two years in the making.

New products must taste good. In Greece an authentic Greek yoghurt with a traditional composition and taste was introduced under the Greek brand NoyNoy Eklektó.

Sustainability is a key driver of innovation projects. Energy and water savings in production processes and a more effective use of raw materials contribute towards the achievement of the sustainability goals. In 2015 a model was developed that provides better insights into the milk streams. Along with knowledge in the fields of milk components and technology this is contributing towards improving yields and reducing environmental impact. Newly developed packaging processes and improved packaging are also contributing towards improving sustainability.

Grow older healthily with Optimel Pro Age

In the summer of 2015 FrieslandCampina Hong Kong introduced Optimel Pro Age, a specialised range of dairy products with a high calcium content and a low fat content for different phases of life. Optimel Pro Age answers the changing dietary needs of people as they get older. Optimel Silver, for people aged 40+, helps maintain mobility by supporting bones, joints and muscles. Optimel Gold, for people aged 50+, helps maintain mobility and a healthy heart. Optimel Diamond, for people aged 60+, helps maintain cognitive health, a healthy heart and mobility.

Quality

The quality and safety of milk and products are FrieslandCampina's top priority. FrieslandCampina, together with the Cooperative's member dairy farmers, commands the entire production chain from the farm to the end product from grass to glass.

Every customer and consumer everywhere around the world must be able to trust that every product is of an impeccable quality. FrieslandCampina wants all its production and distribution companies to take the same approach to safety and quality, whatever and wherever they are producing. This is why FrieslandCampina has its own integral quality system, called *Foqus*, to safeguard the safety and quality of its products throughout the entire production chain. With *Foqus*, FrieslandCampina offers consumers, customers and the authorities the guarantee that the products and production processes meet the most stringent standards in the field of food safety, quality, safety, working conditions, fire protection and environment. An extensive programme of training courses and audits helps safeguard the implementation and continuous monitoring of *Foqus* in the production facilities, on the member dairy farms and at the suppliers of raw materials.

In the *Foqus* module for the member dairy farmers (*Foqus planet*) the priority is safeguarding quality and food safety. Another key factor is the further stimulation of sustainability in dairy farming via various programmes through which member dairy farmers can achieve additional income.

The guiding principles of the quality control are the statutory stipulations supplemented with additional demands. The various international standards, such as GMP+, HACCP, ISO 9001, ISO 22000, FSSC22000, OSHAS 18000 and ISO 14000, are integrated into *Foqus* so that both FrieslandCampina's customers and the consumers can be assured that the products are safe, are of the highest quality and are produced responsibly. The *Foqus* stipulations are reviewed, and if necessary revised, each year to ensure the system always reflects the latest knowledge and insights.

The employee

Investment in improving the quality of the products and the safety at the production facilities in order to achieve the optimum valorisation of the milk is continuous. The skills and professionalism of its employees are determining factors for FrieslandCampina's success. Inspiring and motivating employees and encouraging entrepreneurship are priorities. Employees are encouraged to set an example in the field of safety, tackling challenges together, progressing together, accepting responsibility and being decisive and enterprising.

Business groups

Consumer Products Europe, Middle East & Africa

After several years of negative volume development, in 2015 volumes stabilised and then, in the second half of the year, volume development recovered compared with the second half of 2014. In the second half of the year 1.5 percent growth was achieved in Europe and 3.7 percent growth was achieved in the Middle East and Africa. Revenue fell by 4.6 percent to 3,697 million euro due to lower sales prices. Operating profit improved from 245 million euro in 2014 to 279 million euro in 2015.

Gross margin and operating profit rose due to restructuring savings and lower purchase prices. A portion of the higher margin was invested in increased advertising and promotion expenditure for Campina, Frico, Milner, Landliebe, Peak and Rainbow. In 2015 reorganisation projects were carried out in Romania, Hungary, the Netherlands (Eindhoven) and Belgium (Sleidinge). The announced restructurings at FrieslandCampina in Leeuwarden (Netherlands) and Gütersloh (Germany) and the closing of the production facility in Limmen (Netherlands) resulted in costs of 15 million euro. The restructurings reduced the business group's workforce by 465 FTEs compared with 31 December 2014.

Total volume stable after years of declining, volume growth in the Middle East and Africa, recovery of volume growth in Europe in second half of year

Restructuring savings invested in increased advertising and promotion expenditure for growth of volume and market share

Operating profit up due to lower cost price and restructuring savings, which led to a higher gross margin

Key figures	2015	2014	Δ%
in millions of euro, unless stated otherwise			
Revenue	**3,697**	3,874	-4.6
Operating profit	**279**	245	13.9
Operating profit as a % of revenue	**7.5**	6.3	
Employees (average number of FTEs)	**7,611**	7,921	-3.9
Price effect on revenue	▼		
Volume-mix effect on revenue	▼		

Western Europe

In Western Europe (Netherlands, Germany, Belgium, United Kingdom) most of the investments in 2015 were related to the Campina, Chocomel, Landliebe and Yazoo brands. This resulted in product introductions, new advertising campaigns and improved packaging. Sales prices fell due to developments in the dairy market, which meant revenue decreased. Operating profit stabilised in the Netherlands and improved in Belgium and the United Kingdom, but decreased considerably in Germany and at FrieslandCampina Foodservice. In the Netherlands the total volume decreased by 1.0 percent. Market share rose by 0.2 percent points, partly due to the successful Campina advertising campaign with Dutch gymnast and Olympic champion Epke Zonderland, which emphasised the importance of dairy in a healthy diet. Chocomel Vers, introduced in March 2015, was extremely successful, which resulted in a significant growth in volume and market share. In Germany the results were under considerable pressure due to price competition, in particular from retail brands, increased expenditure on advertising and promotion and the one-time costs of the reorganisation in Gütersloh and the SAP implementation. Landliebe achieved both volume and market share growth, which stabilised the total volume in Germany. The FrieslandCampina Foodservice operating company's revenue and operating profit fell due to lower sales prices, especially in the Netherlands and Germany, and one-time costs for restructuring and the SAP implementation. Total volume was stable with growth in the Global Accounts (fast-food chains), Industry (bakeries) and International (France and Italy) segments.

Southeast Europe

After several years of decline due to the economic crisis, the volume in Greece rose. In June 2015 NoyNoy Eklektó, a range of traditional milk and cheese products, was introduced. This improved the market share. Revenue and operating profit fell due to price reductions brought about by the difficult market conditions. In Hungary and Romania volumes, market shares and operating profit increased after a number of difficult years. In Hungary the introduction of Landliebe was very successful and the Pöttyös quark bar was relaunched and remained popular. The production facility in Debrecen (Hungary) was sold. The over 100 employees now work for the new owner.

Introduction of Campina thick yoghurt on fruit

Authentic NoyNoy Eklektó dairy products in Greece

Peak Wazobia: affordable evaporated milk for the Nigerian market

In Romania the production facility in Carei was closed and the distribution network reorganised. As a result, the number of employees was reduced by 280 FTEs compared to 31 December 2014. In Russia the operating profit was slightly lower than for 2014 due to the continuation of the trade boycott on cheese and other dairy products and the worsening economic situation in the country, which had a negative effect on purchasing power. Only products produced locally in Russia and imported infant nutrition may still be sold. The acquisition of the activities of infant nutrition distributor Anika Group was completed in December 2015.

Africa and the Middle East

In Nigeria low oil prices and geopolitical tensions had a negative effect on the economic situation. The entire dairy category, like other food categories, was under pressure. To keep products affordable, Peak and Three Crowns introduced evaporated milk and milk powder in smaller and cheaper packaging on the market. In 2015 considerable attention was also paid to improving the distribution. This strengthened the competitive position and resulted in a volume decrease smaller than that of the market. Operating profit improved significantly as a result of lower cost prices, despite higher advertising and promotion expenditure and negative currency translation effects. In West Africa (Ghana, Ivory Coast, Togo, Cameroon) and North Africa (Egypt, Algeria) volumes, revenue and operating profit improved substantially due to increasing sales of condensed milk under the Bonnet Bleu and Bonnet Rouge brands (in part due to the acquisition of Olam in 2014) and Frico cheese. In the Middle East (United Arab Emirates, Saudi Arabia) volumes, revenue and operating profit improved substantially due to the volume growth of Rainbow condensed milk in Saudi Arabia, lower cost prices and positive currency effects.

Attention points 2016

After the achievement of a positive volume development in the second half of 2015, in 2016 the emphasis will be on the further expansion of volume growth. In the declining Western European markets this means retaining volume and increasing market share for the Dutch and German master brands, as well as volume growth in food service and retail brands in Western Europe. In Southeast Europe the strategy of achieving growth in volume, market share and operating profit through new product introductions will be continued. In Africa and the Middle East the emphasis will be on accelerating volume and market share in condensed milk, infant nutrition and cheese, as well as stringent financial risk management in this region. A better utilisation of the nutritional value of dairy will continue to receive attention, as will the reduction of sugar and salt when developing products. Further efficiency improvements at production facilities and in distribution networks will be striven for throughout the entire organisation and must enable increased advertising and promotion expenditure.

Business groups

Consumer Products Asia

In 2015 the Consumer Products Asia business group's revenue rose by 17.1 percent to 2,774 million euro. The positive currency effect on revenue amounted to 298 million euro. Growth with Friso infant nutrition was achieved in all markets. In the dairy-based beverages category volume development recovered during the year. The business group's operating profit rose by 44.1 percent to 631 million euro. This includes a positive currency effect of 89 million euro.

Friso infant nutrition is the foundation of robust growth in China and Hong Kong

Efficiency improvements contribute towards improved results

Extra investments in advertising and promotion to support growth

Friesland Huishan Dairy joint venture established

Key figures	2015	2014	Δ%
in millions of euro, unless stated otherwise			
Revenue	2,774	2,369	17.1
Revenue before currency effects	2,476	2,369	4.5
Operating profit	631	438	44.1
Operating profit before currency effects	542	438	23.7
Operating profit as a % of revenue	22.7	18.5	
Employees (average number of FTEs)	7,217	7,077	2.0
Price effect on revenue	▲		
Volume-mix effect on revenue	▲		

The growth of revenue and operating profit was achieved primarily through the robust growth of Friso infant nutrition and the improved volume-mix composition. The economic situation in most Asian countries was more stable than in 2014. The exception was Malaysia, where economic development lagged behind. Growth was achieved in China, but at a slower pace. Efficiency improvements contributed towards the improved results in virtually all the countries. The distribution and range per sales point was optimised further in various countries.

Friso is the most robust grower

In Hong Kong and China the strongest growth of both revenue and operating profit was, once again, achieved with Friso. In China Friso achieved further growth through extending the distribution and successful e-commerce activity in cooperation with shop chains. In China Friso is the infant nutrition that generates the highest revenue through internet sales. At the end of 2015 Friso Prestige was introduced in China. The new product, produced in the Netherlands, responds to the increasing demand for differentiating, high-quality infant nutrition.

Optimel Pro Age was introduced in Hong Kong in July 2015. The new dairy-based beverage answers the specific nutrient needs of people aged 40+, 50+ and 60+ respectively. Black&White Milk Tea celebrated its 75th anniversary by organising the Hong Kong Milk Tea Day and the handing out of 75,000 tea cups. Market shares in Hong Kong improved for infant nutrition, dairy-based beverages and condensed milk.

Result improvement in most countries

In Indonesia both revenue and operating profit improved. Further improvements to the distribution network and, in particular, the recovery of sales of sweetened condensed milk formed the basis of the improvement. Sales of ready-to-drink products, milk powder and infant nutrition recovered over the course of the year.

In Vietnam revenue and operating profit increased slightly, but volume remained under pressure as a result of the economic stagnation in the country and fierce competition through intensive advertising and promotion campaigns and keen pricing.

New in Vietnam: sachets of Dutch Lady sweetened cream

Launch of Foremost Omega for children in Thailand

Introduction of Friso Prestige premium infant nutrition in China

In 2015 FrieslandCampina Thailand recovered well after a difficult 2014. Revenue and, in particular, operating profit improved substantially. Volume development was also positive thanks to the growth of Foremost ready-to-drink products and Foremost Kids.

FrieslandCampina in Myanmar had a disappointing year as a result of the difficult market situation caused, in part, by the substantial devaluation of the kyat. FrieslandCampina does, however, anticipate positive developments in the country and will, therefore, continue to invest in improving its market position. FrieslandCampina Malaysia/Singapore achieved an improved profit while revenue remained at a similar level to 2014.

In the Philippines the Alaska Milk Corporation once again improved its revenue and operating profit. The new production capacity for powders and creamers at Alaska Milk Corporation went into service in November.

In 2015 the Friesland Huishan Dairy joint venture was established in China and produced creamers for FrieslandCampina Kievit. The production facility was also made ready to start producing infant nutrition. The first Dutch Lady brand infant nutrition will be introduced on the Chinese market in 2016.

Attention points 2016

In 2016 the priority will be the recovery of volume growth in the various Asian countries. Targeted expenditure in advertising, including via the *Building Strong Families since 1871* and *Drink.Move.BeStrong* campaigns, must contribute towards the growth of dairy-based beverages. Further cost reductions through efficiency improvements and further automation must release the means to increase investments in the market. In China further growth with Friso infant nutrition is expected through the introduction of Friso Prestige and increasing internet sales. Consumer Products China has been a separate business group since 1 January 2016.

Business groups

Cheese, Butter & Milkpowder

The Cheese, Butter & Milkpowder business group's revenue fell by 11.8 percent to 2,552 million euro. Sales prices were at a lower level than in 2014. Volume increased because more cheese, milk powder and butter was produced due to the increased supply of milk from member dairy farmers. Operating profit dropped to -101 million euro. Operating profit was negatively influenced by restructuring costs of 20 million euro.

Robust volume and result growth of FrieslandCampina Export in part due to cheap euro

Volume growth with cheese for the retail segment

Market price of foil cheese, milk powder and basic butter lower than guaranteed price

Further restructuring of cheese production and packaging activities

Key figures	2015	2014	Δ%
in millions of euro, unless stated otherwise			
Revenue	**2,552**	2,893	-11.8
Operating profit	**-101**	-96	-5.2
Operating profit as a % of revenue	**-4.0**	-3.3	
Employees (average number of FTEs)	**2,744**	2,746	0.0
Price effect on revenue	▼		
Volume-mix effect on revenue	▲		

After the dismantling of the milk quota regime as of 1 April 2015 the volume of raw milk supplied rose. Over the whole of 2015 the supply of milk increased by 6.4 percent with a sharp acceleration in the fourth quarter (+13.1 percent). As a result, the volume of cheese, butter and milk powder produced increased by 3.6 percent compared with 2014.

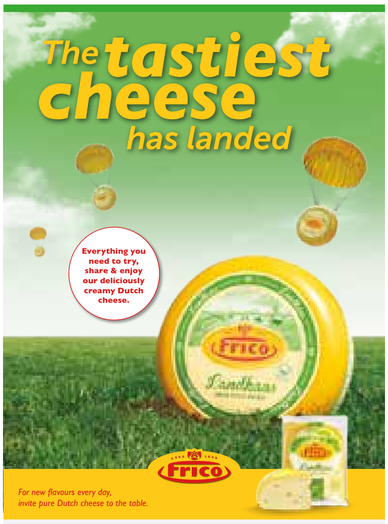
Decreasing sales prices for basic products

The sales prices of basic products, such as foil cheese, bulk butter and milk powder dropped substantially due to lagging demand on the world market, the increasing milk volume, especially in Western Europe, and fierce competition. The continuation of the Russian trade boycott, which has been in operation since August 2014, also played a major role. The market for foil cheese in particular was out of balance in 2015 with low prices as a consequence.

The FrieslandCampina Cheese operating company sold more cheese than in 2014, but due to the low sales prices revenue was down. Operating profit improved thanks to growth in the retail segments, stable results with naturally ripened cheese and lower costs. The result remained negative, mainly due to the low prices for foil cheese. As a result of the falling quoted prices for foil cheese, butter and milk powder after 1 April 2015, the guaranteed price could not be earned back by sales of these basic products in the market. Despite pressure on volumes due to increasing competition, the Zijerveld business unit improved its result, primarily through synergy effects and the growth of added-value products. The Zijerveld concept of providing design and advice support to supermarket cheese departments was successful and in 2015 a start was made on rolling out the Zijerveld formula to supermarkets in Germany and Belgium as well.

With the acquisition of Belgian mozzarella producer Fabrelac in September 2015, FrieslandCampina has expanded its cheese portfolio and gained a foothold in the fast-growing mozzarella market. Fabrelac produces mainly cows' milk mozzarella that is processed in other food.

Despite a significant increase in the quantity of milk fat supplied, in 2015 the relative performance of the butter activities was much improved, mainly because sales and performance grew more than the listed butter price of the Industrial Specialities business unit. Due to the sharp decline of the listed price for butter compared to the internal price for fat, and the increased quantity of basic butter resulting from the increased supply of milk fat, the overall result of the butter activities remained negative.



Introduction of Frico Landkaas in Australia

New in the Maldives: Dutch Lady yoghurt

Promotional campaign Maasdam, Edam and Gouda under the Kroon brand in Brazil

The revenue and operating profit of FrieslandCampina Milkpowder dropped significantly because the price level was lower than in 2014. The low listed prices for milk powders led to a substantial loss.

Export growth

FrieslandCampina Export can look back on an exceptionally good year. Despite lower sales prices its revenue and operating profit rose considerably, primarily due to volume growth of 12 percent. The substantial improvement in operating profit was due, in part, to the cheaper euro. Export to the United States, Mexico, Japan and Africa increased further with Frico cheese and evaporated milk being the most important products. Exports of Friso brand infant nutrition also rose once again.

Restructurings and new constructions in the Netherlands

The Den Hollander Food cheese packaging facility in Lochem will be closed in the first quarter of 2016 and the activities will be relocated to the cheese packaging facilities in Wolvega and Leerdam. As a result, 139 jobs will be lost in Lochem. FrieslandCampina Cheese's production in Rijkevoort will be moved to the production facilities in Bedum, Gerkesklooster and Workum in the third quarter of 2017. This will result in the loss of 55 permanent and 13 temporary jobs at FrieslandCampina Cheese in Rijkevoort. In the future FrieslandCampina Butter in Den Bosch will focus primarily on milk decreaming and butter packaging. The preparation of butter specialities for industrial customers will be moved to FrieslandCampina Butter in Noordwijk. This will result in the loss of 21 permanent and 19 temporary jobs. Jobs for 71 people will remain in Den Bosch. The adjustment of the organisation will commence in the first quarter of 2016.

Since March 2015 cheese production at the facility in Gerkesklooster has been at virtually the same level as it was before the fire in July 2014. In December 2015 the new, highly automated cheese warehouse went into service.

Attention points 2016

In 2016 the business group expects a sharp rise in cheese, milk powder and butter production due to the increase in the volume of milk supplied. How the dairy market will develop is still uncertain. Continuing pressure on sales prices and on profit from basic products must be taken into account. The business group will strive to improve its results through further cost reductions but also, first and foremost, through further growth in added-value segments, intensive collaboration with customers and the growth of Export outside of Europe. In addition, an adjustment of the office organisation will commence during the first quarter of 2016.

Business groups

Ingredients

The Ingredients business group performed well in 2015. Although revenue fell by 0.9 percent to 1,734 million (2014: 1,750 million euro) due to lower sales prices, volume rose. Increased production capacity meant the business group could respond well to the demand for high-quality dairy ingredients and infant nutrition. Operating profit rose by 34.6 percent to 241 million euro (2014: 179 million euro) despite restructuring costs of 9 million euro for efficiency measures at the production facility in Beilen (Netherlands).

Volume growth due to increasing demand for infant nutrition and dairy ingredients

Revenue share of added-value products up

After a period of investing the focus is on efficiency and delivering added-value

Key figures	**2015**	2014	Δ%
in millions of euro, unless stated otherwise			
Revenue	**1,734**	1,750	-0.9
Operating profit	**241**	179	34.6
Operating profit as a % of revenue	**13.9**	10.2	
Employees (average number of FTEs)	**3,099**	3,101	-0.1
Price effect on revenue	▼		
Volume-mix effect on revenue	▲		

FrieslandCampina Domo recovers

FrieslandCampina Domo recovered well from a disappointing 2014. The new production capacity at the Beilen and Bedum facilities (both in the Netherlands) meant the growing demand for infant nutrition could be met. The production of both Friso infant nutrition for other FrieslandCampina operating companies and complete infant nutrition or ingredients for external customers increased. As a result the operating company's volume, revenue and result were higher than in the previous financial year. In 2015 the replacement and expansion of the capacity for producing galacto-oligosaccharides (Domo Vivinal GOS, prebiotic in infant nutrition) out of whey at the Dutch production facility in Borculo went into service. With this expansion FrieslandCampina is responding to the increasing worldwide demand for high-quality ingredients for infant nutrition.

FrieslandCampina Kievit achieves growth in creamers

FrieslandCampina Kievit also improved its volume, revenue and result compared to the previous financial year despite pressure on sales prices. The newly introduced creamers and foamers for cappuccino and lattes were successful. The new creamer distinguishes itself by its creamier taste. The going into service of the new powder production capacity at Alaska Milk Corporation in the Philippines and at Friesland Huishan Dairy in China enabled a better response to the increasing demand for coffee and tea creamers from Asia. FrieslandCampina Kievit intends transferring the commercial vending activities (products for coffee and hot chocolate drinks vending machines) carried out from the German facility in Lippstadt to Barry Callebaut Sweden AB. FrieslandCampina Kievit will continue producing these vending products for Barry Callebaut. The agreement is expected to be finalised in March 2016.

FrieslandCampina DMV: increased market for proteins

In 2015 FrieslandCampina DMV's revenue was lower than in 2014 due to lower sales prices. Volume and operating profit rose. Sales of caseinates remained at a good level, partly due to the lower sales prices and the growing market for proteins. The demand for nutrients and ingredients for sports food increased.

Caseinates and whey ingredients from FrieslandCampina DMV for top athletes

'Extra Texture' foaming creamer developed by FrieslandCampina Kievit

Domo Vivinal GOS Powder: galacto-oligosaccharide now also available in powder form as an ingredient for infant nutrition

Nutrifeed, Creamy Creation and DFE Pharma

Nutrifeed (young animal feed) had a difficult year. Revenue and operating profit decreased as a result of lower sales prices and increasing competition. Unfavourable currency effects also had an onerous effect.

Creamy Creation had a good year. Revenue and operating profit rose, primarily due to increased sales of cream liqueurs in the United States and Africa.

The DFE Pharma joint venture's revenue rose and operating profit improved with a slight increase in volume.

Capacity expansion

In 2015 the first phase of the capacity expansion for ingredient production in Borculo (Netherlands) went into service. The capacity is being expanded gradually and the installations for producing milk powder and ingredients will go fully into service in the course of 2016. The construction incorporates sustainability innovations such as condensers that can reuse the heat several times. The new energy-efficient pyrolysis installation for generating energy from biomass also went into service in June 2015 and with this, FrieslandCampina took a new step towards climate-neutral growth.

Attention points 2016

After several years of capacity expansion FrieslandCampina Ingredients will focus primarily on the further optimisation of its sales activities and the utilisation of its production capacity. The optimisation of the range and quality improvements will remain important starting points.

The exporter

History has taught us that the Dutch climate, soil, location and green pastures plus the skills and entrepreneurship of farmers offer an excellent basis for dairy farming. The Netherlands and dairy are inextricably bound together. And these dairy products go all over the world. With an export value of 5.1 billion euro, FrieslandCampina makes a significant contribution towards the Dutch economy. Every day millions of people in more than 100 countries make use of FrieslandCampina's products or ingredients.

Corporate social responsibility

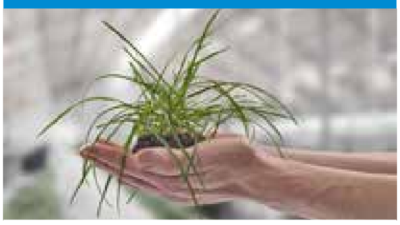
In 2015 FrieslandCampina updated its *route2020* strategy. FrieslandCampina's purpose statement – *nourishing by nature*: better nutrition for the world, a good living for our farmers, now and for generations to come – connects the daily activities and values FrieslandCampina believes important. It gives guidance to all those involved, and to the operating processes in the entire chain. It also encompasses both the earning of money in the market and the accepting of social responsibility. FrieslandCampina's policy in the field of corporate social responsibility and sustainability is fully integrated into the updated *route2020* strategy.

Better nutrition for the world

Dairy is an important component of the daily diet of many people around the world. FrieslandCampina, with its high-quality milk and milk products, wants to contribute towards food and nutrient security. FrieslandCampina also wants to help reduce the growing number of overweight people, especially children. FrieslandCampina is doing this by specifying stringent demands for product composition, through providing education and information about healthy eating and a healthy lifestyle, and by making it easier for the consumer to select healthy food.

Nourishing by nature
Better nutrition for the world, a good living for our farmers,
now and for generations to come

Leverage the Dutch dairy heritage and unique milk chain in a sustainable way
to win the hearts and minds of our customers and consumers

Better nutrition for the world	A good living for our farmers	Now and for generations to come
		
Better products	Optimal milk valorisation	Climate-neutral growth
Responsible marketing	Economic performance & profitability	Sustainable purchasing / Sustainable production
Transparent nutritional value labelling	Improved quality & quantity of milk in Dairy Development Programme	Animal health & welfare
Healthy lifestyle education	Improved knowledge and skills in Dairy Development Programme	Meadow grazing / Biodiversity

***Nourishing by nature* Governance Board | CSR implementation teams**

Dairy Sustainability Framework | Stakeholders dialogue | Partnerships | External reporting

Health & safety | Engaged employees & member dairy farmers | CSR training programmes | *Nourishing by Nature* award

Product quality and safety | Minimum standards | Supplier code | Business principles

Better products

For the past five years FrieslandCampina has paid considerable attention to lowering the quantity of trans fat [1], added sugar and added salt in products. To accelerate this process and facilitate a global approach, in 2015 a single global set of nutritional criteria for FrieslandCampina's various product groups was developed. The criteria for trans fat, saturated fat, added sugar and added salt are based on the dietary guidelines of Choices International, which were drawn up by independent scientists. Since 2015 FrieslandCampina has also had its own criteria for safeguarding valuable and naturally present nutrients in (dairy) products and criteria for enriching products with essential nutrients. In 2016 a new worldwide monitoring system that shows which products must be reformulated in order to comply with the criteria was implemented.

Responsible marketing

FrieslandCampina has committed itself to responsible marketing aimed at children. This means that, to stimulate a choice for healthier food, advertising aimed at children aged 12 or younger is only permitted for products that comply with stringent nutritional criteria. In 2015 further attention within the organisation was focused on the Company's standards for responsible marketing aimed at children, formulated in 2014. A transition period until the end of 2016 is applicable for countries outside of Europe. FrieslandCampina is also a participant in Codes of Conduct in this field, such as the EU Pledge (voluntary agreements within the European food companies regarding advertising aimed at children).

Responsible labelling

To encourage consumers to make healthy choices, in 2014 FrieslandCampina amended its standard for nutritional value labelling. This means that, when the size of the packaging permits, the energy logo is included on the front of all consumer packagings of FrieslandCampina brands plus, where relevant, the Choices logo. The nutritional value table includes information per 100 gram/ml and per portion as well as information about the contribution of the nutrients towards the daily recommended quantities.

Sport & Nutrition: a balanced basic diet contributes towards better sporting performance

Sport and nutrition are inextricably bound together. A balanced basic diet, including vegetables, fruit, grain products and dairy, contributes towards better sporting performance, strength, stamina and recovery. Top athletes have known this for a long time. Recreational sporters are also increasingly asking for dietary advice. On 20 November 2015 the FrieslandCampina Institute organised the Sport & Nutrition Congress. Over 800 nutritionists and sports experts focussed on the question of which nutrients are important for recreational and top sporters and the effects of the right diet on sporting performance.

Healthy lifestyle education

Every year FrieslandCampina reaches millions of children around the world with information about healthy eating and lifestyle. In Southeast Asia FrieslandCampina works with the National Basketball Association (NBA) to make children aware of the importance of sufficient (outdoor) sport and exercise, a healthy diet and a healthy lifestyle. The campaign, developed in cooperation with authorities and health professionals, is titled Drink.Move.BeStrong and reaches children in schools in Indonesia, Malaysia, Thailand and Vietnam. Parents and children are also informed about healthy eating and an active lifestyle via, for example, World Milk Day, school milk programmes, Goodness of Dairy campaigns, JOGG (young people at a healthy weight) and the National School Breakfast in the Netherlands. From 2016 all the activities will be clustered under the banner Drink.Move.BeStrong, with the focus on exercise, information and the reaching of both children and parents as well as authorities and non-government organisations.

[1] Trans fats are created by the partial hardening of fats (in industrial processes).

A good living for our farmers

FrieslandCampina strives to add as much value as possible to the milk to be able to make a maximum contribution towards the incomes and continuity of the members' dairy farms. FrieslandCampina has more than 140 years' experience in the world of dairy farming and uses the knowledge it has accumulated to bring about the further development of dairy farms in specific countries in Asia, Africa and Eastern Europe, including via the Dairy Development Programme. In this way FrieslandCampina contributes towards food security and more sustainable food production. To achieve this, in the Dairy Development Programme FrieslandCampina focuses on sharing sector knowledge and expertise through training courses, knowledge partnerships and the support of projects to improve the infrastructure of dairy farming. The Dairy Development Programme focuses primarily on Indonesia, Thailand, Vietnam, Malaysia, China, Russia, Romania, Hungary and Nigeria.

Now and for generations to come

FrieslandCampina has set itself the goal of ensuring that in 2020 emissions of greenhouse gasses are the same or less than they were in 2010. This will still apply if production levels increase. This target includes the greenhouse gases released at the member dairy farms, during the transport of milk from the farms to the production facilities and during the processing of dairy. To achieve climate-neutral growth, FrieslandCampina is working on a number of initiatives for an efficient and sustainable production chain. This means sustainable dairy farming, the purchase of sustainable (agricultural) raw materials and the reduction of the amount of energy used in the production of dairy products. In addition, FrieslandCampina is encouraging member dairy farmers to generate sustainable energy, for example by means of wind turbines, solar panels or biomass, by issuing green certificates. Animal welfare and biodiversity are important for FrieslandCampina. This is why there is a focus on limiting the use of antibiotics on the farm and on the dairy farmers' purchasing sustainable soy (RTRS or equivalent) as cattle feed.

Continued cooperation with Agriterra

On Friday 13 November 2015 Roelof Joosten, CEO of FrieslandCampina, and Albert Jan Maat, Chairman of Agriterra, signed the agreement to extend the cooperation in the context of the Dairy Development Programme (DDP) for a further three years. FrieslandCampina and Agriterra have worked together officially since 2012. Via the DDP, local dairy farmers and their organisations in Asia and Africa are supported by the sharing of practical expertise and experience. This is raising dairy production to a higher level in terms of both quality and quantity, ensuring farmers can earn a better income from their farms and contributing towards a liveable and economically strong rural environment.

Climate-neutral growth

As a component of the Multi-Year Energy Efficiency Agreement (MJA-3) and the Clean and Economical Agricultural Sectors Covenant (Convenant Schone en Zuinige Agrosectoren), the Dutch dairy sector has set itself the target of achieving a minimum annual energy efficiency improvement of two percent a year. FrieslandCampina commits to this target of achieving an average two percent improvement of the energy efficiency of its production facilities each year. By saving energy and producing sustainable energy, dairy farming can contribute towards the reduction of fossil fuel usage, greenhouse gas and CO_2 emissions. Since 2015 member dairy farmers have been able to keep an energy scan in *Foqus planet* and be rewarded when their total energy usage is less than 1,300 kilojoules per kilo of milk. The period for filling in the energy scan ran from 1 February 2015 to 31 January 2016. By the end of December 2015 5,500 farms had made use of the scan.

Sustainable production

FrieslandCampina has set itself the goal of reducing the Company's water usage to, or maintaining it at, the 2010 level by 2020. Targets have been set per facility on the basis of water availability. FrieslandCampina wants to limit waste and works with waste processors to increase waste recycling and reuse.

Sustainable raw material purchase

In addition to milk FrieslandCampina uses other agricultural raw materials. FrieslandCampina's goal is that in 2020 100 percent of the agricultural raw materials it purchases come from sources that are managed completely sustainably. The agricultural raw materials that will be purchased from sustainably managed sources include cocoa, soy, palm oil, selected types of fruit, cane sugar, beet sugar, starch and paper for packaging. These are products with recognised certification or products for which a sustainable development plan is being drawn up in cooperation with suppliers. In 2015, in addition to the results from previous years, the purchased palm oil came directly from a sustainable source and five percent of the purchased cane sugar was Bonsucro certificated, a globally recognised standard for sustainable sugarcane production. In 2020 FrieslandCampina wants 100 percent of the electricity it uses to be sustainable electricity from renewable sources, such as wind, sun and biomass, and as much as possible to be generated via the members' dairy farms. Member dairy farmers who generate sustainable energy can sell green certificates (Guarantees of Origin) to FrieslandCampina and thus make the electricity usage more sustainable.

Meadow grazing

In 2015 the percentage of member dairy farms in the Netherlands at which the cows were put out in the meadow to graze rose slightly to 77.9 percent (2014: 77.2 percent). This has brought to an end a years-long decline in the percentage of dairy farms applying meadow grazing or partial meadow grazing. A grazing cow is a component of the Dutch cultural landscape that is highly appreciated by residents.

FrieslandCampina encourages member dairy farmers in the Netherlands, Belgium and Germany to put their cows and calves out to graze. If the dairy cows are put out to graze on at least 120 days a year, for at least six hours a day, the dairy farmer is entitled to the meadow milk premium of 1.00 euro (gross) per 100 kilos of milk. FrieslandCampina also rewards partial meadow grazing with 0.46 euro per 100 kilos of milk. To qualify for this, dairy farmers must put at least 25 percent of the cattle on their farm out in the meadow to graze on at least 120 days a year, for at least six hours a day.

More information about FrieslandCampina's CSR policy, including the results for 2015, can be found in the FrieslandCampina CSR fact sheet published at the end of March 2016.

Drink.Move.BeStrong campaign wins a best CSR practice award

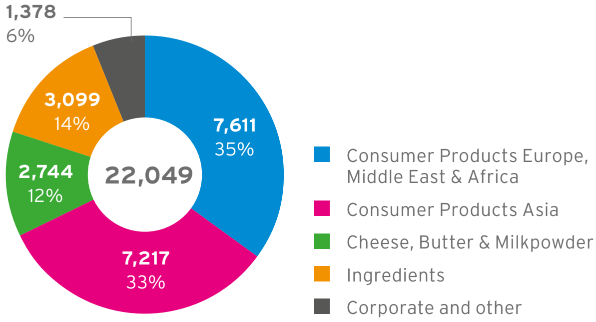
FrieslandCampina's Drink.Move.BeStrong campaign in Asia has won an award for the best example of CSR in practice in the market for consumer products in Asia. This campaign encourages children in Southeast Asia to adopt a healthy lifestyle. The award was presented on 12 August 2015 during the Best CSR Practices Awards in Singapore. The award is a recognition of FrieslandCampina's CSR policy and for the programmes that have a worthwhile and positive influence on society. It is a cooperation between the Junior NBA, schools, parents, national and local authorities, retailers and the media. The Drink.Move.BeStrong campaign is currently on-going in Malaysia, Indonesia, Thailand, Vietnam and the Philippines.

FrieslandCampina and its staff

In 2015 the average number of employees (FTEs) fell by 119 (0.5 percent) to 22,049 (2014: 22,168). The number of employees in the Consumer Products Asia business group rose by two percent to 7,217 due to the growth of the activities in China and Hong Kong and the acquisition of Friesland Huishan Dairy. In the Consumer Products Europe, Middle East & Africa business group the average number of employees fell by 3.9 percent to 7,611. The number of employees in the Ingredients and Cheese, Butter & Milkpowder business groups remained stable.

Employees by business group

Average number of FTEs

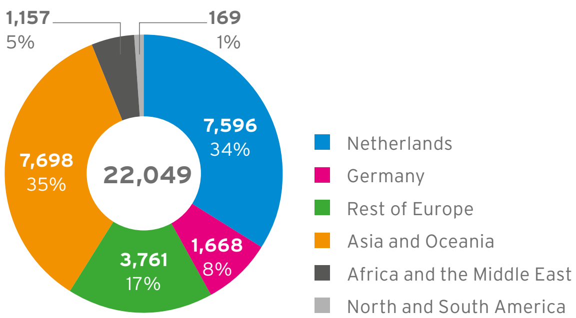


Talent management

FrieslandCampina continues to focus on both the targeted development of its own employees and the recruitment of external top talent for management and specialist positions. The goal remains the filling of senior management positions primarily from within the Company. In 2015 the percentage of management positions to which internal candidates were appointed rose to 85 percent. The processes for identifying and assessing leadership talent were improved. Since 2014 the top talent has been managed proactively on the basis of the right career steps at the right pace.

Employees by geographical region

Average number of FTEs



FrieslandCampina strives to increase the percentage of women in senior management positions. In 2015 this percentage increased to 20.6 percent (2014: 19.0 percent), slightly less growth than in 2014. Constant attention remains necessary if the target of 30 percent in 2020 is to be achieved.

Transformation into a flexible and efficient organisation

FrieslandCampina is transforming itself into a more flexible, efficient and decisive organisation. In 2015 various programmes were implemented within FrieslandCampina including the World Class Operations Management (WCOM) Reloaded programme and, within the HR discipline, the Global HR transformation programme. Process improvement, cost reduction and further professionalising are key focal points. With the WCOM Reloaded programme, potential improvements are worked on together with employees from various departments. The proposals for improvements lead to new working methods, changes to tasks and responsibilities, more efficient staffing and team composition, and amendments to the organisational structure. In 2015 the programme was started at the FrieslandCampina production facilities in Leeuwarden and Beilen (both in the Netherlands). The programme will continue for around three years and, during this period, a number of jobs will gradually be lost. In the coming years the WCOM Reloaded programme will be implemented in a number of FrieslandCampina facilities.

In 2015 the HR discipline worked on a more transparent organisation in which roles, responsibilities and teamwork between the HR departments in the countries and centres of excellence in the central office are better tuned to each other. The HR processes were put under the microscope and global standards were agreed. In 2015 FrieslandCampina implemented the new *HoRizon* personnel and organisation system in the first country – China. Preparations for the roll-out of *HoRizon* in all the other countries are proceeding at full speed. More and more of the performance management activities, talent processes and education and training courses are being digitally supported in *HoRizon*. This has led to cost savings and a reduction in the number of HR staff.

Employability centre
The aim of the employability centre in the Netherlands is the sustainable deployment and retention of employees. Employees can contact the centre with questions about sustainable employability and underlying fields. Centralising the Health, Learning & Development department, the Mobility Centre and the Recruitment department will enable a more effective response to the development, vitality and throughput of the employees. Examples are reintegration programmes, preventative mobility, counteracting long-term sick leave and support with reintegration.

Social Plan in the Netherlands
In the context of on-going and forthcoming restructurings and in view of the fact that the existing social plan expired at the end of 2015, discussions took place with the trade unions regarding the social plan. It was agreed that the existing social plan would be extended by three years. If the application of this social plan leads to unworkable outcomes during the reorganisations in the coming years, there will be further consultation between FrieslandCampina and the trade unions. Further agreements have been made regarding offering employees who cannot be re-employed internally better opportunities on the (external) labour market. Within the Dutch food industry, for example, a so-called transfer centre has been set up. This concept will be worked out further in 2016 and the first trials will be carried out in the north of the Netherlands.

Employee involvement in CSR
FrieslandCampina sets great store by its employees' involvement in substantiating nourishing by nature. How does FrieslandCampina remain an attractive employer? What can the employees themselves contribute towards the environment in which they work, with the focus on safety, sustainability, nutrition and health? In 2015 the Nourishing by nature – We Make it Happen platform was established. Employees can go to the platform for inspiration and to find examples of the activities and campaigns of their colleagues around the world, such as the Agriterra programme, in which a number of FrieslandCampina employees have participated, green teams at facilities and the cooperation with the Red Cross, which involves various initiatives. In 2016 the following step will be taken so that, in addition to the many CSR ambassadors FrieslandCampina has already has, many more employees will be involved in making *nourishing by nature* a concrete fact.

Safety

FrieslandCampina puts considerable effort into achieving the safest possible working environment for its employees and suppliers. A global safety programme has been implemented and contains detailed descriptions of which safety standards are applicable and how the processes must be carried out. The programme offers education and training courses in both safety leadership and safe conduct. Considerable attention is also paid to communication. All employees have now been in contact with these programmes. Accidents and incidents are reported and information regarding the circumstance are shared with other facilities in order to prevent reoccurrence. This is a component of FrieslandCampina's proactive approach to the continuous improvement of safety.

As a result of these efforts, in 2015 the number of accidents requiring sick leave at FrieslandCampina facilities dropped from 94 to 71, a decrease of 25 percent compared with 2014. This is the lowest ever number of accidents in a year. In 2015 the number of accidents requiring sick leave per 200,000 hours worked dropped to 0.24 (2014: 0.33).

In 2015 the most common causes of accidents were related to:

1. Falls, trips, slips
2. Internal transport (fork-lift truck and pallet truck collisions)
3. Steam, hot water and chemicals

One year without a single accident requiring sick leave was achieved at 40 of the 115 FrieslandCampina facilities. Since 2012 the number of accidents requiring sick leave has dropped by 49.3 percent to 71.

The goal for 2016 is fewer than 0.18 accidents requiring sick leave per 200,000 hours worked. The spearhead for 2016 is process safety. A good design and the correct use of production equipment are prerequisites for safe working and production. To improve process safety even more, the following spearheads have been formulated for 2016:

- ATEX (ATmosphères EXplosibles, European guideline for Explosives Safety);
- safe working with steam, hot water and chemicals;
- machine safety.

Number of accidents with sick leave

Risk management

The achievement of FrieslandCampina's business objectives goes hand-in-hand with risks and uncertainties, including due to external economic factors, market developments, calamities and internal factors. FrieslandCampina uses various methods and processes to manage business risks including:

- Strategic and operational risks are listed and the likelihood of these risks and the effect they could have on the achievement of the Company's goals are assessed systematically by means of Enterprise Risk Assessments. Measures have been taken to improve the management of these risks.
- Financial (reporting) risks are managed in several ways including through the application of the Internal Control Framework (ICF) that is based on the internationally recognised COSO framework (COSO 1992). The ICF comprises prescribed control measures that are evaluated by means of regular internal assessments including risk analysis and, if shortcomings are found, improvement measures.
- FrieslandCampina's code for good business conduct, *Compass*, plays an important role in the management of compliance risks. This code of conduct and related guidelines form the basis for the honest, respectful and transparent business conduct of FrieslandCampina's employees and the third parties with which FrieslandCampina cooperates. Compliance with this code of conduct and the guidelines is supported by training courses, designated confidential advisors worldwide, an integrity committee and a reporting platform that is available to employees 24 hours a day, seven days a week so they can, in confidence, express their concerns regarding a suspected infringement of the code or a guideline. In addition, the Corporate Manual includes the procedures and guidelines in which responsibilities and authorisations are stipulated.

In addition to the general management measures described above, there are also specific measures for the mitigation of operational risks. The most important Company risks, and the measures to mitigate them, are described below.

Product quality and food safety

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, could have enormous consequences for the Company's reputation and market position. Clients and governments are making increasingly stringent quality demands of food manufacturers.

The aim of FrieslandCampina's quality programmes (including *Foqus* in its own production companies and at members' dairy farms, at suppliers' premises and audits) is to safeguard the safety and quality of the products throughout the production chain. Every year these programmes are assessed and improved throughout the entire organisation and, where necessary, the Company implements investments to improve the quality of the production processes.

Geopolitical and economic developments

A significant portion of the growth in revenue and results FrieslandCampina achieves is generated in emerging (dairy) markets, including countries in Asia and Africa. This means that the Company's risk profile changes. A decline in economic growth, devaluation of the local currency, and loss of consumer trust in the economic situation in emerging countries could have a significant impact on revenue and result development. A stronger US dollar and/or euro compared with several Asian currencies and the Nigerian naira could have an adverse influence on the result and equity. Such risks are monitored closely and FrieslandCampina anticipates them at the earliest possible moment by means of scenarios including adjustments to the sales price policy, the composition of the product range and sales promotions and a more stringent policy in respect of the hedging of foreign currency positions. Transaction risks are, in principle, hedged but this may be waived because of specific product and market conditions. Currency risks arising from investments in foreign subsidiaries and interests are not, in principle, hedged. In addition to economic developments, (sudden) changes in legislation and regulations, such as import regulations, could have major consequences for FrieslandCampina's business operations. In its most important markets FrieslandCampina has strengthened its expertise and capacity in the field of legislation, regulations and governmental relations.

Catastrophes at production facilities and/or animal diseases

The risk of catastrophes, such as animal diseases, flooding or fire, is always present despite FrieslandCampina's continuous efforts to reduce such risks or the impact of such risks, for example through preventative measures at the dairy farms, fire protection at the (production) facilities and safety inspections. In the event of such a catastrophe, the loss of the raw material supply or of substantial production capacity could cause a significant disruption throughout the entire chain. This possible impact is being combated by the further strengthening of the measures in the area of alternative capacity, business continuity and the testing and improving of calamity plans. The Company's suppliers and insurance companies are increasingly being involved.

Reputation risk

FrieslandCampina's reputation could be severely damaged in the case of, for example, a quality problem, a change in consumers' quality perception, or an animal disease that affects the dairy sector. The potential impact of such an incident is becoming greater and greater due to the far-reaching expansion of the use of social media. It goes without saying that the Company strives to limit these risks as far as possible. FrieslandCampina follows an active policy to reinforce the trust of various stakeholder groups in the dairy sector in general and the Company in particular, including through initiatives in the field of sustainability and the optimum use of communications (tools).

Sustainability

Society's interest regarding sustainability in (dairy) farming has increased considerably, partly due to the withdrawal of the milk quota in the EU and the potential impact of this on the environment. Governments are making increasingly stringent demands of dairy farming. FrieslandCampina implements a pro-active sustainability policy of initiatives within the three pillars of better nutrition for the world, a good living for our farmers, now and for generations to come, in order to achieve the growth and sustainability targets of the *route2020* strategy. In 2015 further steps were taken towards achieving these targets. The activities within dairy farming are aimed primarily at the introduction of the revised *Foqus planet* quality and sustainability programme in which the core issues include the reduction of CO_2 emissions and the stimulation of biodiversity.

Outlook

Geopolitical tensions, the low oil price and the uncertainties regarding economic developments in China are creating both political and economic uncertainties.

Global milk production is expected to continue increasing in 2016. The situation in the Netherlands is uncertain, in part because of uncertainty regarding the details of the intended phosphate regulation. Whether the demand for dairy products on the world market will increase at the same rate as worldwide milk production is extremely uncertain. This will depend primarily on the development of the demand in China and on whether or not Russia lifts the embargo on the import of dairy products from the European Union. As a result of these developments, prices for basic dairy products are expected to remain under pressure for some time.

In view of these challenging market conditions, in 2016 FrieslandCampina will focus on continuing to create value for the member dairy farmers. Towards this end, in the updated *route2020* strategy three focal areas have been selected:

- the expansion of the leading positions in growth areas;
- the protection of the volumes in home markets;
- the development of new product market combinations to build future markets.

FrieslandCampina will continue investing in research and development even during this period of challenging market conditions. The level of investment in 2016 is expected to be the same as in 2015. Expenditure for advertising and promotion will also remain a priority to support the brands and the envisioned volume development.

In 2016 investments in quality improvements and capacity expansion of around 550 million euro are envisioned. Investments in talent and employee development will be around the same level as in 2015.

FrieslandCampina's financial base is solid and provides the Company with a good starting position for achieving its plans in the context of the *route2020* strategy. It is expected that in 2016 FrieslandCampina will have ample means to comply with the financial ratios specified by the financers.

The result for 2016 is expected to be under pressure due to the low oil price and the resulting stagnating economies in oil exporting countries such as Nigeria and the Middle East, the geopolitical tensions in several regions and the expected increase in the quantity of raw milk. Far-reaching cost reductions, both at the production facilities and in the offices, are therefore also foreseen in 2016 in order to offset the pressure on result and make investments possible.

Over the longer term the outlook remains positive. As the world's population grows and prosperity increases in many regions, the demand for food, and in particular food rich in nutrients including dairy products, will continue rising.

Innovation
FrieslandCampina's innovations are aimed at dairy products that, in a sustainable way, contribute towards the growth, development, health and wellbeing of consumers worldwide.

Management statement

The Executive Board is ultimately responsible for the management of the risks that are coupled with the Company's objectives and the reliability of the internal and external (financial) reporting. The Executive Board is also responsible for evaluating the effectiveness of these risk management measures.

The Executive Board has evaluated the internal management and control measures. On the basis of this evaluation the Executive Board is of the opinion that at the end of the 2015 financial year the internal management and control measures were functioning sufficiently effectively to provide a reasonable degree of assurance that:

- the Executive Board will be informed, in good time, of the degree to which the Company's strategic, operational and financial objectives are being achieved, and
- the internal and external (financial) reporting does not contain any material misstatement.

All the procedures relating to the internal risk management and control systems and the resulting findings, recommendations and measures have been discussed with the Audit Committee, the Supervisory Board and the external auditor.

Responsibility statement

The members of the Executive Board of Royal FrieslandCampina N.V. hereby declare, in conformance with Article 5:25c, Clause 2 under c of the Financial Supervision Act, that to the best of their knowledge the financial statements give 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. The Executive Board also declares that the annual report gives a true and fair view of the situation as at 31 December 2015 and the business development during the financial year of Royal FrieslandCampina N.V. and the associated companies for which the financial information is recognised in its financial statements. The annual report also describes the material risks with which Royal FrieslandCampina N.V. is confronted.

Executive Board

Roelof (R.A.) Joosten
Chief Executive Officer

Hein (H.M.A.) Schumacher
Chief Financial Officer

Bas (S.G.) van den Berg
Chief Operating Officer

Piet (P.J.) Hilarides
Chief Operating Officer

Gregory (G.) Sklikas
Chief Operating Officer

Amersfoort (Netherlands), 26 February 2016

The milk chain

The customer

FrieslandCampina has the high-quality expertise and technology needed to implement innovations throughout the entire chain. Ingredients of milk are used as raw materials for various products in the food and pharmaceutical industries. Product development and process innovation are put at the disposal of FrieslandCampina's customers, generally in direct collaboration projects. This leads to healthy, nutritious and tasty food products that really highlight all the goodness of milk.

Corporate governance

Corporate governance at a glance

Basic principles

Royal FrieslandCampina N.V. (the 'Company') voluntarily applies the principles of the Dutch Corporate Governance Code (the 'Code'). The manner in which these principles are applied is described in this section. The principles of the Code the Company does not apply, and the reason they are not, are also included. Zuivelcoöperatie FrieslandCampina U.A. (the 'Cooperative') is exempted from applying a structural regime. The Company is a statutory two-tier company. A covenant has been agreed with the Central Works Council (the 'CWC') on the grounds of which the members of the Company's Supervisory Board (the 'Supervisory Board') are appointed by the Supervisory Board, the so-called co-optation system.

Shareholders structure

All the shares in the Company's capital are held by the Cooperative, the members of which are involved in dairy farming. The Cooperative's geographical area of operations is divided into 21 districts, each of which has a District Board. The Cooperative's members appoint the Boards of the 21 districts. Together the 210 members of the District Boards form the Cooperative's Member Council. The Member Council appoints the nine members of the Cooperative's Board on the recommendation of the Chairman's consultation. The Cooperative is the sole shareholder of the Company. The Board of the Cooperative exercises the Cooperative's shareholders' rights and in this capacity functions as the General Meeting of Shareholders of the Company. There are a number of decisions regarding which, on the grounds of the Company's Articles of Association, the Company's Executive Board must obtain the approval of the General Meeting of Shareholders. For a number of the decisions for which the Board of the Cooperative votes on behalf of the Cooperative, the Board of the Cooperative must obtain the approval of the Member Council before casting its vote. The Cooperative's governance structure is described in the Cooperative's Annual Report.

Board structure

The Company has a so-called two-tier structure with an Executive Board and a Supervisory Board. The Executive Board comprises five members including a Chief Executive Officer (CEO), a Chief Financial Officer (CFO) and three Chief Operating Officers (COOs). Each COO is responsible for a specific part of the organisation. The Executive Board's composition and division of tasks is explained on pages 160 and 161.

The Supervisory Board comprises nine members of the Board of the Cooperative plus four 'external' members. During the year under review there were two vacancies in the Supervisory Board. The vacancy that arose due to the resignation of an external member of the Supervisory Board on 16 December 2014 was filled as of 1 May 2015. The vacancy that arose in the Supervisory Board due to the resignation of a member of the Board of the Cooperative on 24 March 2015 was filled as of 15 December 2015. The composition of the Supervisory Board can be found on pages 156 to 159.

Supervisory Board committees

The Supervisory Board has formed two committees: the Audit Committee, which comprises four Supervisory Board members, and the Remuneration & Appointment Committee, which comprises three Supervisory Board members. The composition of the Supervisory Board's Committees can be found on pages 159.

Report of the Supervisory Board

The topics covered in the report of the Supervisory Board include the activities of the Supervisory Board and its Committees during the year under review. This report is included on pages 66 to 71.

Corporate governance

The Corporate Governance principles followed by Royal FrieslandCampina N.V. are laid down in the Articles of Association and the Regulations of the Company's various bodies, all of which are published on the Company's website. Although the Code is not applicable to the Company, because according to the Law only stock exchange listed companies are governed by the Code, the Company applies the principles and best practices provisions of the Code that are compatible with its structure of authority and the nature of the Cooperative. The provisions that are not applied are specified in this overview along with the reasons why they are deemed inappropriate. During the year under review there were no structural changes to the governance structure.

Executive Board

Tasks and responsibilities

The Executive Board, which on the grounds of the Articles of Association comprises a minimum of two members, is charged with the management of the Company. This means that the Executive Board's responsibilities include the policy and business progress within the Company and with this the achievement of the goals, strategy, profit development and the social aspects of doing business that are relevant for the Company. The Executive Board is also responsible for compliance with legislation and regulations, management of the risks coupled with the company's activities and the financing of the Company. The Executive Board discusses the internal risk management and control systems with the Supervisory Board and the Audit Committee.

In the performance of its duties the Executive Board is led by the interests of the Company and its subsidiaries and associates. The Executive Board is accountable to the Supervisory Board and the General Meeting of Shareholders for its policy.

Appointment

The members of the Executive Board are appointed by the Supervisory Board for an indefinite period. The basis for non-compliance with the recommendation of the Code (appointment for a maximum term of four years) is the fact that the Cooperative, and with it also the Company, are oriented towards the long-term The Supervisory Board notifies the General Meeting of Shareholders of an intended appointment and does not dismiss members of the Executive Board until after the General Meeting of Shareholders has expressed its opinion.

Remuneration of Executive Board members

All the relevant recommendations of the Code are applied in the remuneration policy. The remuneration policy is not made public because the Company is legally exempt from publication. The remuneration policy is proposed by the Supervisory Board and approved by the General Meeting of Shareholders and is accounted for every year in the meeting of the Cooperative's Member Council. Changes in the remuneration policy are put before the General Meeting of Shareholders for approval. FrieslandCampina is also accountable to the Cooperative's Member Council.

Supervisory Board

The Supervisory Board supervises the policy of the Executive Board and the general business progress of the Company and its associated companies and advises the Executive Board. The Supervisory Board discusses with the Executive Board the strategy and main risks related to the Company's operations as well as the organisation and functioning of and any significant changes to the risk management and control systems.

The Supervisory Board also has the authorities specified in the provisions of Book 2 of the Dutch Civil Code in respect of companies with a two-tier management structure. These include, in particular, the appointment of the Executive Board members, the determination of the number of members of the Executive Board and the approval of a number of other decisions of the Executive Board as specified in legislation. The Supervisory Board also has the authority to approve certain decisions of the Executive Board as stipulated in the Articles of Association.

In the performance of its duties the members of the Supervisory Board are led by the interests of the Company and its associates and take into account the interests of all the Company's stakeholders and all the aspects of social responsibility relevant to the Company.

Composition, independence and appointment

A covenant has been signed with the Central Works Council (CWC) that includes agreements regarding the composition of the Supervisory Board, the required profile of the members of the Supervisory Board, the strengthened rights of the CWC in respect of the appointment of Supervisory Board members and the way in which the CWC exercises these rights. The profile sketch has been published on the Company's website as an appendix to the Supervisory Board Regulations. On the basis of the Covenant the Supervisory Board is composed properly if two-thirds of its members are members of the Board of the Cooperative (the 'internal members') and one-third of its members are recruited from outside (external members).

The chosen composition reflects the two-thirds to one-third dominance of internal members in a Supervisory Board permitted by the Law for large cooperatives. This dominance by internal members is carried through to the Company level.

This stipulation deviates from the Code's best practice provision which states that all Supervisory Board members, with the exception of a maximum of one member, must be independent. All the external Board members are independent in the sense of the Code. The external Supervisory Board members are selected on the basis of the criteria laid-down in the profile sketch. At least one Supervisory Board is a so-called financial expert, which means he or she has acquired relevant expertise and experience in the field of financial administration/ accounting with a large legal entity.

Membership of other Supervisory Boards and the holding of other positions by both Supervisory Board members and Executive Board members is evaluated by the Supervisory Board on a case by case basis, taking into consideration the nature of the membership or position and the demands it would place on the time of the member concerned. Every member of the Supervisory Board and the Executive Board must ensure he or she devotes sufficient time and attention to the Company to guarantee his or her duties are fulfilled properly. None of the Supervisory Board members may hold more than five Supervisory Board memberships and/or other functions with Dutch stock exchange listed companies or other large companies and foundations, with a Chairmanship counting as double. For members of the Supervisory Board who were already members of the Board on 1 January 2013 this rule comes into effect at the time of their first reappointment after this date.

Supervisory Board members are appointed by the Supervisory Board for a term of four years and may be reappointed a maximum of twice. An exception to this is applicable for the incumbent Chairman, who may be appointed for a fourth term in connection with the fact that the Company wants to be able to appoint a Supervisory Board member for this function who has a lot of experience of the day to day operations of the Company and the Cooperative.

The term of office of a Supervisory Board member who is also a member of the Board of the Cooperative always ends upon the termination of the Board of the Cooperative membership. Information concerning the dates of (re)appointment and current terms of the Supervisory Board members can be found in the appointment and resignation roster on page 71.

Remuneration

The General Meeting of Shareholders fixes the remuneration of the Supervisory Board members on the recommendation of the Supervisory Board and is accountable to the Member Council for its decisions. The remuneration is not dependent on the Company's results.

Supervisory Board committees

The Supervisory Board has a Remuneration & Appointment Committee and an Audit Committee. The task of these Committees is to prepare the decision making of the Supervisory Board; they have no independent decision-making authority. The Regulations of the Committees are published on the Company's website. Both Committees report regularly to the Supervisory Board regarding their deliberations and findings.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee comprises the Supervisory Board member with the 'social profile', who is also the Chairman of the Remuneration & Appointment Committee, plus the Supervisory Board's Chairman and Vice-chairman.

The duties of the Remuneration & Appointment Committee include:

- proposals for the remuneration policy of the Executive Board and the individual Board members;
- compiling the remuneration report;
- selecting and appointing the members (including drawing-up appointment criteria and procedures) of the Executive Board and the external Supervisory Board members;
- regular evaluation of the size and composition of the Supervisory Board, the Supervisory Board Committees and the Executive Board;
- regular evaluation of the functioning of the Executive Board, the Supervisory Board, the individual members of both these Boards and the Supervisory Board's committees;
- preparation of the decision-making regarding the Executive Board remuneration policy; and
- supervision of the Executive Board's remuneration policy, selection criteria and appointment procedures for members of the senior management.

Audit Committee

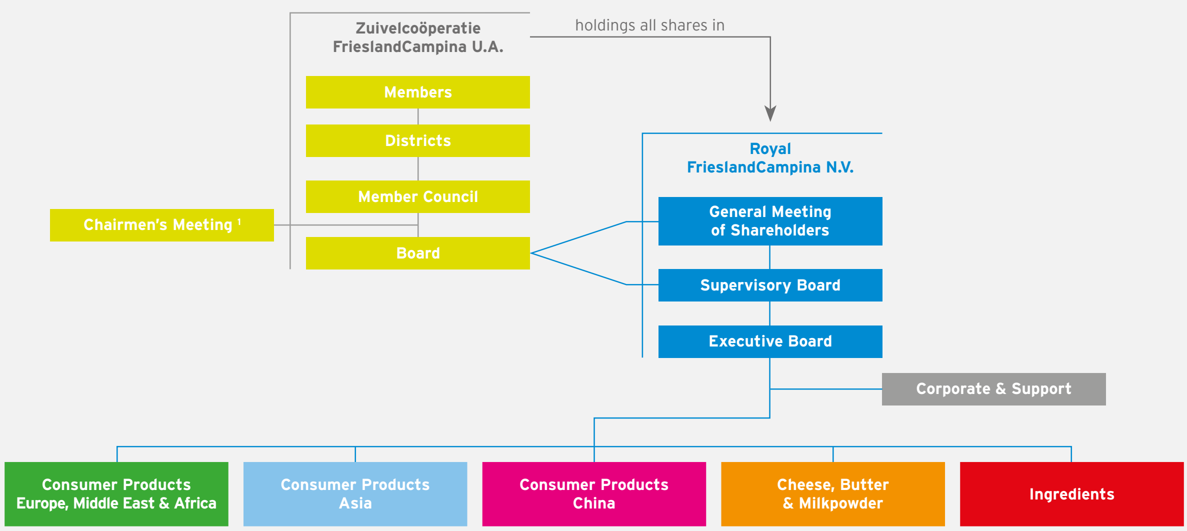
The Audit Committee comprises the financial expert and one other external Supervisory Board member plus two Supervisory Board members who are also members of the Board of the Cooperative.

The duties of the Audit Committee are of a preparatory nature and relate to:

- the accuracy and completeness of the financial reporting;
- compliance with recommendations from the Corporate Internal Audit department and the external auditor;
- the reliability and continuity of ICT systems;
- the internal administrative organisation;
- the functioning of the internal risk management and control systems;
- compliance with legislation and regulations;
- tax policy;
- financing and application of information and communication technology;
- the role and functioning of the internal auditor; and
- the appointment of and relationship with the external auditor (including the auditor's independence, remuneration and non-audit-related tasks).

The Audit Committee is the first contact point for the external auditor should the audit reveal irregularities in the Company's financial reporting.

Organisational structure as of 1 January 2016



[1] The Chairmen of the 21 District Councils

Conflict of interests

FrieslandCampina has drawn up strict rules to prevent every form and appearance of a conflict of interest between the Company on the one hand and the Executive Board and Supervisory Board members on the other hand. Decisions to enter into transactions involving conflicting interests of Executive Board or Supervisory Board members of a material significance for the Company and/or for the relevant individual must, in accordance with these rules, be approved by the Supervisory Board. During the year under review no conflicts of interests were reported.

General Meeting of Shareholders

The Company's General Meeting of Shareholders has the authority to approve certain Executive Board decisions. These decisions, which are stipulated in the Articles of Association, are major decisions relating to the operations, legal structure and financial structure of the Company (and the companies in which it holds shares) as well as decisions related to major investments.

The most important other authorities of the General Meeting of Shareholders are:

- adoption of the Company's financial statements and profit appropriation;
- discharging the members of the Executive Board for their management and the members of the Supervisory Board for their supervision of the Executive Board;
- adoption of the dividend;
- adoption of the remuneration policy for the Executive Board and the remuneration of the Supervisory Board members;
- appointment and dismissal of the external auditor;
- amendments to the Articles of Association; and
- issuing of shares, exclusion of the application right, authorisation to repurchase the Company's own shares, reduction of the paid up capital, dissolution and application for bankruptcy.

During the Company's General Meeting of Shareholders the Board of the Cooperative exercises its voting rights on behalf of the Cooperative. In respect of a number of major shareholders' decisions, stipulated in the Cooperative's Articles of Association, the Board exercises its voting rights with the prior approval of the Cooperative's Member Council.

Company, share capital and Articles of Association

Royal FrieslandCampina N.V. is a public limited liability company registered in Amersfoort, the Netherlands and with its central office at Stationsplein 4, Amersfoort. The Company's Articles of Association were last amended on 14 January 2015 and are published on the Company's website. This amendment to the Articles of Association included the implementation of changes to the Law. The Company is registered with the Chamber of Commerce under number 11057544. On 31 December 2015 the Company's authorised capital amounted to 1 billion euro divided into 10,000,000 (ten million) shares with a nominal value of 100 euro. The shares are registered. On the same day 3,702,777 shares were issued and paid up and all are held by the Cooperative. For the sake of brevity, for the stipulations regarding the issuing of shares, application rights, acquisition of own shares and capital reduction please refer to the Company's Articles of Association

Audit of the financial reporting and the roles of the internal and external auditors

Financial reporting

The Executive Board is responsible for the quality and completeness of the published financial announcements. The Supervisory Board ensures that the Executive Board fulfils this responsibility.

External auditor

The external auditor is appointed by the General Meeting of Shareholders on the recommendation of the Supervisory Board. The Supervisory Board is advised by both the Audit Committee and the Executive Board. The remuneration of the external auditor and orders to the external accountant to carry out tasks not related to the audit are approved by the Supervisory Board on the recommendation of the Audit Committee and after consultation with the Executive Board. The external auditor is present during the Supervisory Board meeting in which the decision to approve the financial statements is taken. The external auditor's findings regarding the audit of the financial statements are reported to the Executive Board and Supervisory Board at the same time.

Internal audit function

The functioning of the internal auditor is the responsibility of the Executive Board. Both the Audit Committee and the external auditor are involved in the plan of work of the internal auditor and are notified of his/her findings. The internal auditor has regular consultations with the external auditor and the Chairman of the Audit Committee.

Best practice provisions of the Code not applied by FrieslandCampina:

The Company fully endorses the Code by applying the principles and best practice provisions or by explaining why the Company deviates from the Code. The principles listed below are not applied for the reason indicated in the foregoing or following text:

II.1.1	Appointment of a member of the Executive Board for a period of a maximum of four years: see motivation under 'Executive Board – Appointment'
II.1.9-11 and IV	Response time to shareholders, Supervisory Board notification in the case of an acquisition bid; principles in respect of the (General Meeting of) Shareholders and information provision/logistics regarding the General meeting: not applicable due to the fact that the Company is not stock exchange listed and all the shares in its capital are held by the Cooperative.
II 2.12-15	Publishing of remuneration report, most important components of employment conditions or severance payment of Executive Board member: the Company utilises the statutory exception as understood in Art. 2:383b of the Dutch Civil Code for so-called 'private public liability companies'.
III.2.1	All Supervisory Board members, with the exception of a maximum of one, are independent: see motivation under 'Supervisory Board – Composition, independence and appointment'.
III.3.5	A Supervisory Board member may only be a member of the Supervisory Board member for a maximum of three terms of four years: see motivation under 'Supervisory Board – Composition, independence and appointment'.
III.5	The Remuneration Committee and the Selection & Appointment Committee have, for practical reasons, been combined into the Remuneration & Appointment Committee.

Supervisory Board activities

An important topic during the year under review was the updating of the *route2020* strategy, which was discussed in virtually every Supervisory Board meeting and which the Supervisory Board brought into force in December. During the year under review the Executive Board reported to the Supervisory Board regarding the principals adhered to while updating the strategy and the choices that had been made. A number of specific topics were looked at in depth, such as the selected growth areas, the M&A strategy, progress and further plans in the field of digital marketing and customer relations, and the innovation agenda. Other issues discussed were measures to achieve further cost efficiency, the ambition and progress in the field of sustainability, the capacities of the employees required for the execution of the strategy, risks coupled with the strategy and the *Compass* compliance programme. The financial implications of the strategic choices were also discussed in depth.

The extensive discussions regarding financing included the Company's reserves policy and its financing for the coming three years. The issuing of several financing instruments was also approved by the Supervisory Board.

Progress in the area of safety was discussed throughout the year. The Supervisory Board is delighted about the continuing reduction in the number of accidents. Other issues discussed included plans to improve the efficiency of the supply chain activities, the development of the capacity for processing member milk and the milk supply. Discussions in respect of the Summit project included cost development. The Board emphasised the importance of adjusting the organisation to the amended reporting system in order for the new automation system to be utilised to the full. On-going acquisition projects were discussed and the Board approved the acquisition of Fabrelac B.V.B.A. in Belgium, which has since been completed. Other larger acquisitions completed during the year under review had already been approved by the Board. In general the Board asked for focus in the acquisition policy and for attention to be paid to the expansion of existing market positions. The Board was also informed about the progress of the larger investment projects and approved the expansion of the packaging capacity of FrieslandCampina Ingredients in Beilen (Netherlands). Specific operating activities were also discussed and presentations about the progress of their companies were given by the managements of FrieslandCampina in Germany and China.

The Company's results were reported by the Management each quarter and discussed by the Supervisory Board, as were the findings of the Audit Committee. In February the financial statements for 2014 and the text of the annual report were discussed with the Executive Board and the external auditor and approved by the Supervisory Board. The external auditor explained and discussed with the Management the report on his findings regarding the first half year and the management letter. The report and letter did not contain any points of attention of a material nature. In December 2015 the Supervisory Board approved the budget for 2016.

In September 2015 the Supervisory Board visited FrieslandCampina's companies in the United Arab Emirates and Saudi Arabia. In October 2015 the Board paid a working visit to FrieslandCampina Belgium in Aalter. At all the facilities attention was paid to the results and strategic plans of the companies concerned.

Topics such as remuneration, the composition of the Executive Board and Supervisory Board, diversity, talent management and succession plans as well as the functioning of the various bodies within the Company were discussed, when appropriate in the absence of the Executive Board members.

The Supervisory Board met seven times during the year under review. The attendance of members was virtually 100 percent. In addition to the regular meetings there was also contact between the Supervisory Board members and with members of the Executive Board.

Supervisory Board Committees

The Supervisory Board has formed two committees, the Audit Committee and the Remuneration & Appointment Committee, to advise them and prepare their decisions in respect of specific tasks.

Audit Committee

The annual report and the financial statements for 2014 were discussed in depth, as was the report of the external auditor regarding the financial statements and the declaration of the Executive Board included in the annual report. When discussing the Company's results, annual report and half-yearly report, the Audit Committee focuses primarily on the more technical aspects of the reporting.

The planned tasks of the external auditor, the selection of the entities involved in the audit and the audit material to be handled were discussed on the basis of the audit plan approved by the Audit Committee. The 2015 half-yearly report and the external auditor's findings regarding the half-yearly report and interim audit findings were also discussed in depth. The list of additional tasks assigned to the external auditor was evaluated by the Audit Committee four times during the year under review and the Audit Committee's opinion was that the independence of the auditor was also safeguarded. The service provided by and the remuneration of the external auditor were evaluated.

During meetings of the Audit Committee a number of managers (Internal Audit, Internal Control, Enterprise Risk Management, Treasury, ICT, Tax) reported to the Audit Committee on a regular basis regarding their activities. Every year the Audit Committee discusses and approves the internal auditor's planned activities. The findings of the internal auditor and the following-up of previous findings were discussed during every meeting. Tax aspects in the different countries were discussed and attention was paid to topics such as the effective tax rate. The Audit Committee was also informed regarding the functioning of the Internal Control Framework and the analysis of the division of tasks. The outcome of the analysis of the most important operating risks and the actions being taken to mitigate these risks were reported. The Audit Committee was also informed regarding the strategic goals of the finance function. Specific accounting topics discussed were the presentation of the income statement by cost function, the way in which the Company values its inventories, the presentation of the cash flow statement and corporation tax.

Queen Máxima visits FrieslandCampina

At the beginning of September Queen Máxima visited the Stokman family's dairy farm in Koudum, one of FrieslandCampina's member dairy farms, and the FrieslandCampina production facility in Workum (both in the Netherlands). The reason behind the visit was the King Willem I Prize that FrieslandCampina received in 2014. It is customary that the winning company is visited a year later.

Sustainability and innovative strength were important factors for winning the prize. At the Stokman family's farm 300 cows are kept in a sustainable way. Queen Máxima's conversation with the Stokman family included sustainability, biodiversity and the abolition of the milk quota within the EU. She was also given a guided tour of the farm before visiting the cheese and whey production facility in Workum. Here, too, there was a focus on sustainability. The water released during whey production is reused, which saves energy.

In the ICT field the Audit Committee was informed regarding the improvements to be implemented in the area of industrial automation and the progress of the Summit project was discussed during every meeting; attention was paid to risk management, cost development and the quality of the implementation process.

An overview of material claims was discussed and the management reported to the Audit Committee regarding compliance with the FrieslandCampina Code of Conduct, including preparations for the roll-out of the revised Code of Conduct under the name *Compass*.

In addition, the Company's financing plan was discussed and the Audit Committee was updated regarding the composition and relevant financial and governance aspects of the investment portfolio.

During the year under review the Audit Committee met four times in the presence of the Management and the external auditor. In addition to these meetings the members of the Audit Committee were in contact with each other and with the management on various occasions. After every meeting the findings of the Audit Committee were reported to the Supervisory Board by the Committee's Chairman. The Audit Committee also had two meetings with the external auditor in the absence of the Executive Management. In 2014 PricewaterhouseCoopers N.V. (PwC) was selected to be charged with the audit of the Company's annual financial statements as of the 2016 financial year. With a view to ensuring a smooth transfer of the audit tasks, since August 2015 the responsible PwC audit partner and engagement partner have attended the meetings of the Audit Committee as observers.

In February 2016 the annual report and financial statements for 2015 were discussed, as was the external auditor's report regarding the financial statements and the Executive Board's responsibility statement as included in the annual report.

Remuneration & Appointment Committee
During the year under review the Remuneration & Appointment Committee paid considerable attention to the composition of the Executive Board. The Committee made the preparations for the appointment of the new CEO by the Supervisory Board and advised the Supervisory Board regarding the appointment of the Executive Director charged with responsibility for the Ingredients business group. In this context discussions were also held with the candidates for the vacant functions. The Committee also advised the Board regarding the appointment of an Executive Director responsible for the new Consumer Products China business group and about reappointments within the Supervisory Board.

'Ask the Campina farmer' in one hundred Albert Heijn shops
On Saturday 7 November 2015 100 FrieslandCampina member dairy farmers were in different Albert Heijn shops to offer shoppers tasters of Campina products and to answer all kinds of questions. According to FrieslandCampina member dairy farmer Maurice Hanegraaf: "People are really interested in hearing and seeing how a dairy farm works. People in our neighbourhood and school classes come and see us quite often, but it's just as nice, and important, for us to go to see the consumers in the shops and tell them about the route from the cow to their dairy product." This action was part of Campina's 'Ask the Campina farmer' campaign.

The Committee also made preparations for the evaluation of the Executive Board and the Supervisory Board. During the year under review evaluation discussions were held with the members of the Executive Board and reported in the Supervisory Board meetings. Evaluation discussions were also held with the members of the Supervisory Board regarding their functioning and the functioning of the Supervisory Board and its Committees. The outcome of these discussions were reported to and discussed with the Supervisory Board. Both the functioning of the Board and the cooperation with the Executive Board were once again deemed to be excellent. Attention points, such as specific meeting topics and the further deepening of the knowledge of one or more Board members in respect of areas of relevance to the Company, were followed up during the year under review.

During the year under review the Remuneration & Appointment Committee's activities included the remuneration of the Executive Board. Items discussed included issues such as the determination of the variable salary and the fixing of targets for the short- and long-term variable salary for the coming year or three years respectively. The amendments to the pension plan for Dutch employees and therefore also for the Dutch members of the Executive Board that had been decided during the previous financial year were evaluated and it was judged that the current interim plan is in line with the practice that has, in the meantime, been implemented by other large Dutch companies. In April 2015 the details of the remuneration of the members of the Executive Board and the Supervisory Board were reported to the Member Council of Zuivelcoöperatie FrieslandCampina U.A.

The Remuneration & Appointment Committee met four times during the year under review and after each meeting reported to the Supervisory Board. There was also contact between the members of the Committee and with the management at other times.

Composition of the Supervisory Board, Committees and Executive Board

The composition of the Supervisory Board and its Committees as at 26 February 2016 is stated on pages 156 to 159.

Supervisory Board

During the year under review the composition of the Supervisory Board changed.

As of 1 May 2015 René Hooft Graafland was appointed as the successor of Henk Scheffers, who was a member of the Supervisory Board until 16 December 2014 and who was not available for reappointment. René Hooft Graafland, like Chairman Ben van der Veer, qualifies as a 'financial expert' in the sense of the Supervisory Board regulations.

As of 15 December 2015 Jan Keijsers, Peter Elverding, Tex Gunning and Hans Stöcker were reappointed as members of the Supervisory Board and Bert ten Doeschot was appointed as a member of the Supervisory Board. Jan Keijsers was reappointed for a term of two years, the remainder were appointed for a term of four years. Bert ten Doeschot was appointed to fill the vacancy that arose due to the resignation of Sjoerd Galema as of 24 March 2015.

FrieslandCampina's Supervisory Board currently comprises thirteen members. Nine of the members are members of the Board of Zuivelcoöperatie FrieslandCampina U.A. and the remaining members are external Supervisory Board members. All the external members of the Board (the members who are not also members of the Board of the Cooperative) are independent of the Company as stipulated in the Dutch Corporate Governance Code and the Supervisory Board regulations.

Diversity of the Supervisory Board

FrieslandCampina strives for a composition of its Supervisory Board that is balanced and in which the combination of the members' experience, expertise and independence ensures the Supervisory Board can fulfil its various duties on behalf of the Company and its stakeholders in the best possible way. FrieslandCampina also strives for a balanced participation of men and women in the Supervisory Board with at least 30 percent of the members being female.

Two of the internal members of the Supervisory Board are female. This means that the representation of the Cooperative's female members (15 percent) is guaranteed. In 2015 four male Supervisory Board members were reappointed and one male Board member was appointed. The goal of a balanced participation of women and men was taken into consideration in respect of these appointments. The next time a vacancy arises, the search criteria specified by the Remuneration & Appointment Committee will once again emphasise the wish that the candidates should be female.

Committees

Remuneration & Appointment Committee

The composition of the Remuneration & Appointment Committee did not change during the year under review.

Audit Committee

The composition of the Audit Committee changed with the resignation of Henk Scheffers (December 2014) and the appointment of René Hoofd Graafland (May 2015). Both Ben van der Veer (Chairman) and René Hooft Graafland qualify as a 'financial expert' in the sense of the Supervisory Board regulations. The Audit Committee also includes two internal Supervisory Board members and other internal Board members attend the meetings of the Audit Committee as observers on a rota basis.

Executive Board
The composition of the Executive Board changed in 2015. Bas van den Berg was appointed Executive Director of the Cheese, Butter & Milkpowder business group as of 1 January 2015; he was then appointed Chief Operating Officer and member of the Executive Board as of 1 November 2015. Cees 't Hart resigned as of 1 June 2015 after a period of seven years as CEO of FrieslandCampina. After the merger at the end of 2008 Cees, in an inspiring way, led the integration of Friesland Foods and Campina, the determination of the Company's strategic course and the development of the organisation. Throughout his time with FrieslandCampina he played a very important and unifying role. The Supervisory Board is extremely grateful to Cees 't Hart for what he has achieved and the way he has achieved it. Cees 't Hart was succeeded as CEO by Roelof Joosten on 1 June 2015. Tine Snels was appointed Executive Director of the Ingredients business group as of 1 June 2015. She participates in the meetings of the Executive Board but is not a formal member of the Executive Board. Tine Snels reports to Roelof Joosten, who has formal responsibility for the Ingredients business group within the Executive Board. Kees Gielen, Chief Operating Officer business development, resigned as of 31 December 2015. Kees Gielen was CFO of FrieslandCampina from 2009 to 2014. As ad interim CEO and CFO of Campina, Kees Gielen played a major role in the realisation of the merger between Friesland Foods and Campina. Under his leadership the financial organisation and administrative processes were greatly improved in the period after the merger. The Supervisory Board owes Kees a considerable debt of gratitude for his dedication and contribution.

As of 1 January 2016 the Executive Board comprises five members. The full composition and portfolio division of the Executive Board is shown on pages 160 and 161.

Diversity of the Executive Board
FrieslandCampina strives for a balanced composition of the Executive Board including the balanced participation of men and women. This means that at least 30 percent of the Executive Board members should be women. Currently all the members of the Executive Board are men. It can, however, be mentioned that since 1 June 2015 Tine Snels has participated in the meetings of the Executive Board as Executive Director responsible for the Ingredients business group. For following vacancies the Remuneration & Appointment will expressly involve female candidates in the recruitment and selection process. As, in general, the preference is to recruit internal candidates, it is important that sufficient female candidates are available in the ranks under the Executive Board. FrieslandCampina implements a diversity policy that is aimed at increasing the number of women in these levels in the organisation.

Financial statements and appropriation of profit
During the Supervisory Board meeting of 26 February 2016 the Supervisory Board members and the Executive Board members discussed and signed the financial statements. The financial statements were audited by KPMG Accountants N.V., which then issued an unqualified auditor's report. The financial statements will be submitted to the General Meeting of Shareholders for adoption on 13 April 2016.

From the profit of 343 million euro, 73 million euro is attributable to non-controlling interests and 218 million euro has been added to retained earnings. The remaining profit will be appropriated as follows: 42 million euro will be reserved as interest payment for the holders of member bonds and 10 million euro will be reserved as interest payment for the loan from the Cooperative to the Company.

During the General Meeting of Shareholders it will be proposed that the members of the Executive Board be discharged for their management during the 2015 financial year and that the members of the Supervisory Board be discharged for their supervision of the Executive Board during 2015.

On 13 April 2016 the Member Council of Zuivelcoöperatie FrieslandCampina U.A. will be asked to approve the decision of the Cooperative's Board, which exercises the Cooperative's rights as shareholder and in this way functions as the General Meeting of Shareholders, to adopt the 2015 financial statements of Royal FrieslandCampina N.V. and approve the appropriation of profit.

Supervisory Board

Amersfoort (Netherlands), 26 February 2016

Supervisory Board appointment and resignation roster (as at 16 December 2015)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
P. Boer	‹				‹›				›			
J.W. Addink-Berendsen			›				›				‹	
B.E.G. ten Doeschot				›				›				‹
P.A.F.W. Elverding				‹				‹›				›
L.W. Gunning				›				‹				‹›
D.R. Hooft Graafland			›				›				‹	
A.A.M. Huijben-Pijnenburg			›				‹				‹›	
J.P.C. Keijsers		‹				‹›				›		
F.A.M. Keurentjes			‹				‹›				›	
S.R.F. Ruiter	‹				‹›				›			
H. Stöcker				›				‹				‹›
B. van der Veer		›				‹				‹›		
W.M. Wunnekink		›				‹				‹›		

› resigns, eligible for reappointment
‹ resigns, not eligible for reappointment
‹› successor of current member resigns, eligible for reappointment

The milk chain

The end user

Every day FrieslandCampina provides millions of consumers all over the world with dairy products containing valuable nutrients from milk. But milk is more than a natural source of essential nutrients. Milk has been part of the daily diet of large groups of the world's population for thousands of years. Through the centuries different cultures and customs have led to new applications in order to respond to people's habits, needs and tastes.

Financial statements 2015

Royal FrieslandCampina N.V.

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Financial statements

Consolidated income statement

In millions of euros	Note	2015	2014 [1]
Revenue	(3)	11,265	11,348
Cost of goods sold	(4)	-9,265	-9,880
Gross margin		**2,000**	1,468
Advertising and promotion costs	(4)	-536	-351
Selling, general and administrative costs	(4)	-802	-750
Other operating costs	(5)	-98	-56
Other operating income	(5)	12	178
Operating profit		**576**	489
Finance income	(6)	13	9
Finance costs	(6)	-56	-57
Share of profit of joint ventures and associates, net of tax	(10)	15	13
Profit before tax		**548**	454
Income tax expense	(7)	-205	-151
Profit for the year		**343**	303
Profit attributable to:			
• holders of member bonds		42	40
• provider of Cooperative loan		10	10
• shareholder of the Company		218	183
• shareholder and other providers of capital of the Company		**270**	233
• non-controlling interests		73	70
Profit for the year		**343**	303

[1] The presentation of the consolidated income statement, including the comparative figures, has been adjusted to a functional presentation of the operating costs (see the basis of preparation). For a specification of the types of costs based on nature of exposure, see Note 4.

Consolidated statement of comprehensive income

In millions of euros		2015		2014
Profit for the year		**343**		303
Other comprehensive income				
Items that will or may be reclassified to the income statement:				
Effective portion of cash flow hedges, net of tax	8		-9	
Currency translation differences, net of tax	18		54	
Net change in fair value of available-for-sale financial assets, net of tax	13		-4	
		39		41
Items that will never be reclassified to the income statement:				
Remeasurement of liabilities (assets) under defined benefit plans, net of tax	22		-162	
		22		-162
Other comprehensive income, net of tax		**61**		-121
Total comprehensive income for the year		**404**		182
Total comprehensive income attributable to:				
• shareholder and other providers of capital of the Company		334		109
• non-controlling interests		70		73

Consolidated statement of financial position

At 31 December, in millions of euros	Note	2015	2014
Assets			
Property, plant and equipment	(8)	2,934	2,589
Intangible assets	(9)	1,384	1,258
Deferred tax assets	(18)	341	364
Joint ventures and associates	(10)	126	122
Employee benefits	(17)	6	5
Other financial assets	(11)	174	98
Non-current assets		**4,965**	4,436
Inventories	(12)	1,307	1,264
Trade and other receivables	(13)	1,294	1,320
Income tax receivable		12	25
Other financial assets		5	2
Cash and cash equivalents	(14)	821	622
Assets held for sale	(15)	20	7
Current assets		**3,459**	3,240
Total assets		**8,424**	7,676
Equity			
Issued capital		370	370
Share premium		114	114
Member bonds		1,428	1,300
Cooperative loan		296	296
Other reserves		-46	-88
Retained earnings		670	595
Equity attributable to shareholder and other providers of capital of the Company		**2,832**	2,587
Non-controlling interests		261	236
Total equity	(16)	**3,093**	2,823
Liabilities			
Employee benefits	(17)	528	663
Deferred tax liabilities	(18)	118	108
Provisions	(19)	23	6
Interest-bearing borrowings	(20)	1,015	1,341
Other financial liabilities	(21)	23	39
Non-current liabilities		**1,707**	2,157
Interest-bearing borrowings	(22)	813	220
Trade and other payables	(23)	2,604	2,307
Income tax payable		151	119
Provisions	(19)	43	35
Other financial liabilities	(21)	12	15
Liabilities held for sale	(15)	1	
Current liabilities		**3,624**	2,696
Total liabilities		**5,331**	4,853
Total equity and liabilities		**8,424**	7,676

Consolidated statement of cash flows

In millions of euros	Note		**2015**		2014
Cash flows from operating activities					
Profit before tax			**548**		454
Adjustments for:					
• interest	(6)	43		32	
• depreciation of plant and equipment and amortisation of intangible assets		275		231	
• impairments of non-current assets and reversals of impairments		36		23	
• share of profit of joint ventures and associates	(10)	-15		-13	
• contingent consideration		-5		-16	
• other finance income and costs		-1		3	
• revaluation result of derivatives		-3		10	
• issue of member bonds-fixed		129		101	
• pension plan amendment				-131	
• gain on disposals		3			
• granted insurance compensation		-8		-51	
Total adjustments			**454**		189
Movements in:					
- inventories		-18		69	
- receivables		91		48	
- liabilities		199		-3	
- employee benefits		-108		-49	
- provisions	(19)	25		-6	
Total movements			**189**		59
Cash flows from operating activities			**1,191**		702
Dividends received			11		8
Income tax paid			-134		-137
Interest paid			-63		-51
Interest received			6		10
Insurance compensation received - operating activities	(5)		8		22
Net cash flows from operating activities			**1,019**		554
Investing activities					
Investments in property, plant and equipment and intangible assets		-570		-629	
Disposals of property, plant and equipment, intangible assets and assets held for sale		10		8	
Received repayments of loans provided		12		2	
Acquisitions, net of cash acquired	(2)	-130		-28	
Investments in securities	(11)	-27		-9	
Insurance compensation received – non-current assets				29	
Net cash flows used in investing activities			**-705**		-627
Financing activities					
Investments in non-controlling interests	(2)	-182			
Dividends paid to non-controlling interests		-74		-74	
Interest payment to holders of member bonds		-35		-28	
Interest-bearing borrowings drawn		606		1,141	
Repayment of interest-bearing borrowings		-544		-906	
Settlement of derivatives		1		-1	
Net cash flows from/used in financing activities			**-228**		132
Net cash flow			**86**		59
Cash and cash equivalents at 1 January [1]			606		510
Net cash flow			86		59
Currency translation differences on cash and cash equivalents			26		37
Cash and cash equivalents at 31 December [1]			**718**		606

[1] Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of FrieslandCampina's cash management.

Consolidated statement of changes in equity

In millions of euros — **2015**

					Other reserves						
	Issued capital	Share premium reserve	Member bonds	Coopera-tive loan	Fair value reserve	Cash flow hedge reserve	Currency translation reserve	Retained earnings	**Equity** [1]	Non-controlling interests	**Total**
At 1 January	370	114	1,300	296	11	-33	-66	595	**2,587**	236	**2,823**
Comprehensive income:											
• profit for the year			42	10				218	**270**	73	**343**
• other comprehensive income					13	8	21	22	**64**	-3	**61**
Total comprehensive income for the year			**42**	**10**	**13**	**8**	**21**	**240**	**334**	**70**	**404**
Transactions with shareholder and other providers of capital recognised directly in equity:											
• dividends paid to non-controlling interests										-74	**-74**
• interest payment to provider of Cooperative loan				-10				2	**-8**		**-8**
• interest payment to holders of member bonds			-43					9	**-34**		**-34**
• issue of member bonds-fixed			129						**129**		**129**
Total transactions with shareholder and other providers of capital			**86**	**-10**				**11**	**87**	**-74**	**13**
Changes in ownership interests in subsidiaries:											
• acquisition of subsidiary with non-controlling interest										36	**36**
• transactions with owners of non-controlling interests								-176	**-176**	-7	**-183**
Total changes in ownership interests in subsidiaries								**-176**	**-176**	**29**	**-147**
At 31 December	**370**	**114**	**1,428**	**296**	**24**	**-25**	**-45**	**670**	**2,832**	**261**	**3,093**

[1] Equity attributable to shareholder and other providers of capital of the Company.

In millions of euros — 2014

					Other reserves						
	Issued capital	Share premium reserve	Member bonds	Coopera-tive loan	Fair value reserve	Cash flow hedge reserve	Currency translation reserve	Retained earnings	**Equity** [1]	Non-controlling interests	**Total**
At 1 January	370	114	1,195	290	15	-24	-114	559	2,405	226	2,631
Comprehensive income:											
• profit for the year			40	10				183	233	70	303
• other comprehensive income					-4	-9	48	-159	-124	3	-121
Total comprehensive income for the year			40	10	-4	-9	48	24	109	73	182
Transactions with shareholder and other providers of capital recognised directly in equity:											
• dividends paid to non-controlling interests										-63	-63
• interest payment to provider of Cooperative loan				-4				2	-2		-2
• interest payment to holders of member bonds			-36					8	-28		-28
• issue of member bonds-fixed			101						101		101
• other								2	2		2
Total transactions with shareholder and other providers of capital			65	-4				12	73	-63	10
At 31 December	370	114	1,300	296	11	-33	-66	595	2,587	236	2,823

Notes to the consolidated financial statements

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 year ended 31 December 2015 comprise the financial statements of Royal FrieslandCampina N.V. and its subsidiaries (jointly referred to as FrieslandCampina).

Zuivelcoöperatie FrieslandCampina U.A. ('Cooperative') is the sole shareholder of Royal FrieslandCampina N.V.

FrieslandCampina processes approximately 11 billion kilograms of milk per year into a very varied range of dairy products containing valuable nutrients for consumers. In the professional market, FrieslandCampina is a key supplier of dairy products to bakeries, restaurants, bars and fast-food chains. FrieslandCampina also produces and supplies high-quality ingredients for manufacturers in the food industry and pharmaceutical sector.

The consolidated financial statements have been prepared on a going concern basis.

Basis of preparation

The important accounting policies for financial reporting are included in Note 31.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. Where applicable they also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The Company income statement is presented in accordance with the exemption of article 2:402 of the Dutch Civil Code.

After authorisation for issue by the Executive Board and the Supervisory Board on 26 February 2016 the financial statements of Royal FrieslandCampina N.V. as at 31 December 2015 will be made available for publication by the Executive Board on 3 March 2016. On 13 April 2016 the financial statements will be submitted for approval to the Board of Zuivelcoöperatie FrieslandCampina U.A. in its role as the General Meeting of Shareholders of Royal FrieslandCampina N.V.

Change to presentation

In 2015 FrieslandCampina adjusted its presentation of the consolidated income statement from a nature of expense to a function of expense. This presentation provides more insight into the functions of FrieslandCampina and reflects the way in which the management evaluates the results. The presentation of the comparative figures has been adjusted. For a specification of the types of costs on nature of expense see Note 4.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position:

- financial instruments, other than derivatives, valued at fair value through profit or loss or in equity via the consolidated statement of comprehensive income;
- derivatives measured at fair value;
- net pension obligation (asset) under the defined benefit pension plan, measured at the fair value of the plan assets less the present value of the accrued pension entitlements.

Functional and presentation currency

The consolidated financial statements are presented in euros, which is FrieslandCampina's functional currency. All financial information presented in euros has been rounded off to the nearest million, unless stated otherwise.

Judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect 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 taking into account the opinions and advices of (external) experts. Revisions to estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions considered most critical are:

- impairments (Notes 8, 9 and 15);
- useful lives of property, plant and equipment and intangible assets (Notes 8 and 9);
- utilisation of tax losses and uncertain fiscal positions (Notes 7, 18 and 24);
- measurement of defined benefit obligations (Note 17);
- key assumptions used in discounted cash flow projections (Notes 9 and 27);
- provisions and contingencies (Notes 19 and 24);
- key assumptions used to determine the fair value (Notes 2 and 27).

Consolidation of entities

FrieslandCampina holds a direct interest of 50% in DMV-Fonterra Excipients GmbH & Co. KG and has control over this entity. FrieslandCampina has a decisive influence over the entity's policies, including the appointment of the CEO.

On 1 April 2015 FrieslandCampina acquired an interest of 50% in China Huishan Dairy Investments (Hong Kong) Ltd. FrieslandCampina has control in respect of the relevant activities, which concern in the main the production, sales, distribution and marketing activities. This entity is, therefore, fully consolidated, with the recognition of a non-controlling interest.

In addition, FrieslandCampina has a 49% interest in Sahnemolkerei Hubert Wiesehoff GmbH whereby FrieslandCampina has a casting vote on the board of directors and, as a result, a decisive influence.

FrieslandCampina has assumed a put-option liability for the remaining 51% interest in Sahnemolkerei Hubert Wiesehoff GmbH. In addition, FrieslandCampina has an 80% interest in Orange Srl whereby FrieslandCampina has also assumed a put-option liability for the remaining 20% interest. As a result of the application of the anticipated acquisition method, both interests are fully consolidated without the recognition of a non-controlling interest in the statement of financial position and the income statement. Any dividends paid out to holders of the put-option are recognised under finance costs. The put-option liabilities are recognised in other financial liabilities.

FrieslandCampina holds a 82.33% interest in Dutch Dairy Ingredients B.V. and a 74.53% interest in Het Kaasmerk B.V. In both cases FrieslandCampina holds less than half of the voting rights and, as a result, has no control over these entities. These interests are accounted for using the equity method.

For more detailed information regarding the above see Notes 2, 16 and 27 of the financial statements.

1 Segment reporting

FrieslandCampina is divided into four segments – the four business groups – which are recognised in the segment reports. Each business group is concerned with a particular product group. In the Consumer Products product group an additional division is made according to geographic region. FrieslandCampina's four business groups are:

- Consumer Products Europe, Middle East & Africa: dairy based beverages, yoghurts, desserts, coffee creamers, condensed milk, infant nutrition, milk powder, butter, branded cheese, fruit juices and beverages. Brand names include Campina, Chocomel, Frico, Friso, Fruttis, Landliebe, Milli, Milner, Mona, NoyNoy, Optimel, Peak, Pearl and Rainbow;
- Consumer Products Asia: infant nutrition, dairy based beverages, yoghurts, milk powder and condensed milk. Brand names include Alaska, Dutch Lady, Foremost, Friso and Frisian Flag;
- Cheese, Butter & Milkpowder: cheese, butter and milk powder, all over the world;
- Ingredients: ingredients for infant nutrition and the food and pharmaceutical industries, all over the world.

Revenue third parties in the 'Corporate and Other' category includes the supply of raw milk to third parties resulting from the obligation imposed by the European Commission at the time of the merger in 2008. See Note 24 for further information.

The comparative figures in the segment reporting per business group deviate from the 2014 financial statements due to the internal shift of activities.

Segment reporting by business group

2015	Consumer Products EMEA	Consumer Products Asia	Cheese, Butter & Milkpowder	Ingredients	Corporate and Other	Elimination	Total
Revenue third parties	3,697	2,774	2,552	1,734	508		**11,265**
Inter-segment revenue [1]	269	52	548	640		-1,509	
Total revenue	**3,966**	**2,826**	**3,100**	**2,374**	**508**	**-1,509**	**11,265**
Operating profit	279	631	-101	241	-474		**576**
Share of profit of joint ventures and associates		6	2	4	3		**15**
Finance income and costs							-43
Income tax expense							-205
Profit for the year							**343**
Operating profit as a % of revenue third parties	7.5	22.7	-4.0	13.9			5.1
Carrying amounts of assets employed in operating activities [2]	2,213	1,287	1,247	2,013	780	-540	**7,000**
Carrying amounts of other assets							1,424
							8,424
Liabilities resulting from operating activities [3]	889	750	473	452	1,151	-540	**3,175**
Other liabilities							2,156
							5,331
Investments in property, plant, equipment and intangible assets	162	91	90	162	59		**564**
Depreciation of plant and equipment and amortisation of intangible assets	-81	-41	-52	-70	-31		**-275**
Impairments of non-current assets	-8	-9	-12	-1	-8		**-38**
Reversals of impairments of non-current assets	2						**2**
Carrying amount of share in joint ventures and associates		66	30	21	9		**126**

Geographical information

2015	Revenue [4]	Carrying amount of operating non-current assets [5]
The Netherlands	5,031	2,710
Germany	950	380
Rest of Europe	1,245	313
Asia and Oceania	3,000	776
Africa and the Middle East	901	105
North and South America	138	34
Total	**11,265**	**4,318**

1 Inter-segment revenue is accounted for a similar way to transactions with third parties.
2 Concerns the carrying amount of assets excluding deferred tax assets, investments in joint ventures and associates, loans provided, securities, long-term receivables, income tax receivables, receivables from affiliated companies, cash and cash equivalents and assets held for sale.
3 Concerns employee benefits, provisions, other financial liabilities, trade payables and other liabilities, excluding payables to affiliated companies.
4 Concerns revenue separated according to the country in which the operating company is located. See Note 3 for a breakdown of revenue according to the customer's geographical location.
5 Relates to property, plant and equipment and intangible assets.

Segment reporting by business group 2014

	Consumer Products EMEA	Consumer Products Asia	Cheese, Butter & Milkpowder	Ingredients	Corporate and Other	Elimination	Total
Revenue third parties	3.874	2.369	2.893	1.750	462		11.348
Inter-segment revenue [1]	351	18	638	533		-1.540	
Total revenue	4.225	2.387	3.531	2.283	462	-1.540	11.348
Operating profit	245	438	-96	179	-277		489
Share of profit of joint ventures and associates	-1	6	3	4	1		13
Finance income and costs							-48
Income tax expense							-151
Profit for the year							303
Operating profit as a % of revenue third parties	6,3	18,5	-3,3	10,2			4.3
Carrying amounts of assets employed in operating activities [2]	2,085	1,047	1,273	1,914	652	-512	6,459
Carrying amounts of other assets							1,217
							7,676
Liabilities resulting from operating activities [3]	845	642	419	390	1,223	-512	3,007
Other liabilities							1,846
							4,853
Investments in property, plant, equipment and intangible assets	167	70	71	287	61		656
Depreciation of plant and equipment and amortisation of intangible assets	-76	-29	-48	-57	-21		-231
Impairments of non-current assets	-16	-3	-4	-1			-24
Reversals of impairments of non-current assets	1						1
Carrying amount of share in joint ventures and associates		70	28	18	6		122

Geographical information 2014

	Revenue [4]	Carrying amount of operating non-current assets [5]
The Netherlands	5,400	2.425
Germany	1,005	387
Rest of Europe	1,348	294
Asia and Oceania	2,577	624
Africa and the Middle East	881	95
North and South America	137	22
Total	11.348	3.847

1 Inter-segment revenue is accounted for a similar way to transactions with third parties.
2 Concerns the carrying amount of assets excluding deferred tax assets, investments in joint ventures and associates, loans provided, securities, long-term receivables, income tax receivables, receivables from affiliated companies, cash and cash equivalents and assets held for sale.
3 Concerns employee benefits, provisions, other financial liabilities, trade payables and other liabilities, excluding payables to affiliated companies.
4 Concerns revenue separated according to the country in which the operating company is located. See Note 3 for a breakdown of revenue according to the customer's geographical location.
5 Relates to property, plant and equipment and intangible assets.

2 Acquisitions

Friesland Huishan Dairy

On 1 April 2015 FrieslandCampina started a joint venture with China Huishan Dairy Holdings Company Ltd. ('Huishan'). FrieslandCampina has acquired a 50% interest in China Huishan Dairy Investments (Hong Kong) Ltd. ('Friesland Huishan Dairy') for the sum of USD 114 million (EUR 105 million). The other 50% share is held by a subsidiary of Huishan.

The joint venture owns a production facility in Xiushui, China and intends introducing a new brand of infant nutrition to the Chinese market. Under this new brand high-quality infant nutrition will be produced on the basis of a fully-integrated supply chain that combines the production chain of Huishan and the international expertise and experience of FrieslandCampina. Raw milk supplied by Huishan's own dairy farms will be processed in Friesland Huishan Dairy's production facility.

This transaction offers FrieslandCampina a growth platform that is in line with the *route2020* strategic goals and reinforces its market position in the strategic growth region of Asia.

Since 1 April 2015 Friesland Huishan Dairy has been consolidated as a component of the business group Consumer Products Asia, with the recognition of a non-controlling interest. FrieslandCampina has control in respect of the relevant activities, comprising primarily the production, sales, distribution and marketing activities.

The fair value of the assets acquired and liabilities assumed recognised on acquisition date are:

Property, plant and equipment	94
Intangible assets	6
Inventories	8
Trade receivables and other assets	12
Cash and cash equivalents	10
Other payables	-57
Total identifiable assets and liabilities	**73**

The fair value of the assets acquired and liabilities assumed has been determined on the basis of the purchase price allocation carried out by FrieslandCampina, supported by a third party. FrieslandCampina has opted to value the non-controlling interest on the basis of a proportional share of the fair value of the net identifiable assets and liabilities. FrieslandCampina has finalised the purchase price allocation.

The trade receivables comprise gross contractual amounts to EUR 10 million. The whole amount was considered collectible at the time of the acquisition.

Goodwill related to the acquisition has been recognised as follows:

Consideration paid	105
Non-controlling interest on the basis of proportional share in the fair value of identifiable net assets	36
Fair value of identifiable assets and liabilities	-73
Goodwill	**68**

The goodwill is primarily attributable to the expected right to produce and sell the new brand and the synergies expected to be achieved from integrating Friesland Huishan Dairy into the business group Consumer Products Asia. The goodwill recognised is fiscally non-deductible.

The acquisition-related costs amount to EUR 1 million. These costs include external legal fees and costs related to the purchase price allocation process.

Since the date of acquisition Friesland Huishan Dairy has contributed EUR 22 million towards revenue and achieved a profit of EUR 10 million negative, primarily as a result of setting-up the activities. Management estimates that, had the acquisition taken place on 1 January 2015, the consolidated revenue and profit of FrieslandCampina in 2015 would have amounted to EUR 11,284 million and EUR 339 million respectively.
As part of the transaction between FrieslandCampina and Huishan, in June 2015 FrieslandCampina acquired shares in China Huishan Dairy Company Holdings Ltd. for a sum of EUR 27 million. These shares are listed on the Hong Kong Stock Exchange, see Note 11.

Acquisition of additional interest in FrieslandCampina WAMCO Nigeria PLC
FrieslandCampina has increased its share in its subsidiary FrieslandCampina WAMCO Nigeria PLC from 54.58% to 67.81%. The additional interest of 13.23% was acquired through the payment of EUR 182 million to the non-controlling shareholders.

FrieslandCampina WAMCO Nigeria PLC was already consolidated as FrieslandCampina has control over the entity. This increased interest is therefore recognised as a transaction between shareholders, as summarised below:

Consideration paid to non-controlling shareholders	-182
Carrying amount of the additional interest in FrieslandCampina WAMCO Nigeria PLC	7
Difference recognised in equity attributable to shareholder and other providers of the Company's capital	**-175**

In addition, transaction costs amounting to EUR 1 million have been deducted from equity.

Acquisition of the distribution-related activities of Anika Group
On 21 December 2015 FrieslandCampina acquired Anika Group's infant nutrition distribution and sales activities in Russia, Belarus and the Ukraine via an asset-deal. This acquisition strengthens FrieslandCampina's position in this region's infant nutrition market. The activities have been added to the business group Consumer Products EMEA. FrieslandCampina acquired the distribution and sales activities for the sum of EUR 23 million plus a contingent consideration of EUR 17 million.

The fair value of the assets acquired and liabilities assumed that were known on the acquisition date are as follows:

Intangible assets	21
Inventories	4
Trade receivables and other assets	4
Total identifiable assets and liabilities	**29**

The fair value of the assets acquired and liabilities assumed has been calculated on the basis of the provisional purchase price allocation carried out by FrieslandCampina. The provisional purchase price allocation has not, however, been finalised yet and for this purpose FrieslandCampina is being supported by a third party. FrieslandCampina will finalise the purchase price allocation within the valuation period.

The trade receivables comprise gross contractual amounts to EUR 3 million. The entire amount is considered collectible.

Goodwill related to the acquisition has been recognised as follows:

Fair value of the assumed consideration	40
Fair value of the identifiable assets and liabilities	-29
Goodwill	**11**

The goodwill is mainly attributable to the relationships with medical specialists and anticipated synergy benefits. As the purchase price allocation has not yet been finalised, the goodwill has been recognised on a provisional basis. The goodwill recognised is fiscally deductible.

The acquisition-related costs amount to EUR 1 million. These costs include external legal costs and due-diligence costs.

Fabrelac

On 1 September 2015 FrieslandCampina acquired full control of Commex International S.A. and its subsidiaries Fabrelac B.V.B.A. and PC&K Invest B.V.B.A. (jointly 'Fabrelac') for the sum of EUR 13 million. The fair value of the acquired assets has been determined at EUR 31 million, which includes EUR 1 million acquired cash and cash equivalents. The fair value of the liabilities assumed amounts to EUR 23 million. The related goodwill of EUR 5 million is mainly attributable to the anticipated synergy benefits with the integration of Fabrelac into the business group Cheese, Butter & Milkpowder. The goodwill has, therefore, been allocated to this business group.

The purchase price allocation in respect of the acquisition of Fabrelac will be finalised during 2016.

This acquisition does not have a material effect on FrieslandCampina in the context of the disclosure requirements of IFRS 3 Business combinations.

Acquisitions 2014

In October 2014 FrieslandCampina acquired the dairy-related activities in the Ivory Coast and the 'Pearl' brand from Olam Ivoire Sarl for a purchase consideration of EUR 22 million. As a result of the acquisition goodwill of EUR 5 million has been allocated to the business group Consumer Products EMEA.

In addition, in October 2014 FrieslandCampina acquired the activities of DEK Srl in Italy and an 80% interest in Orange Srl for a purchase consideration of EUR 8 million, including EUR 2 million acquired cash and cash equivalents. EUR 7 million of the purchase consideration was paid in 2014 and EUR 1 million concerns a put-option liability. These activities have been added to the business group Cheese, Butter & Milkpowder.

The purchase price allocations in respect of these acquisitions were finalised in 2015 and there were no material changes compared to the provisional purchase price allocations.

3 Revenue

	2015		2014	
Revenue by geographical location of customers				
		%		%
The Netherlands	2,480	22	2,686	24
Germany	1,184	11	1,368	12
Rest of Europe	2,524	22	2,714	24
Asia and Oceania	3,403	30	2,978	26
Africa and the Middle East	1,290	12	1,241	11
North and South America	384	3	361	3
	11,265	**100**	11,348	100

This concerns revenue according to the geographical location of the customers. See Note 1 for the breakdown of revenue according to the country in which the operating company is located. The revenue concerns primarily the sale of goods.

4 Operating expenses

	2015	2014
Milk from member dairy farmers	-3,514	-4,056
Cost of other raw materials, consumables used and commodities	-3,571	-3,764
Employee benefit expenses	-1,065	-1,029
Depreciation of plant and equipment and amortisation of intangible assets	-275	-231
Impairments of property, plant, equipment, intangible assets and assets held for sale	-26	-13
Advertising and promotion costs	-536	-351
Transport costs	-505	-470
Work contracted out and temporary staff	-407	-332
Energy costs	-210	-219
Various government grants	5	8
Other	-499	-524
Total of the cost of goods sold, advertising and promotion costs and selling, general and administrative costs	-10,603	-10,981

In 2015 research and development expenses amounted to EUR 73 million (2014: EUR 78 million), of which EUR 45 million related to employee costs (2014: EUR 47 million).

For an explanation of the impairments see Notes 8, 9 and 15.

Employee benefit expenses

	2015		2014	
		%		%
Wages and salaries	-848	80	-787	76
Social security charges	-119	11	-123	12
Pension costs	-98	9	-119	12
	-1,065	**100**	-1,029	100
Pension plan amendment (recognised under other operating income, see Note 5)			131	
			-898	

Employees by business group (average number of FTEs)

	2015		2014	
		%		%
Consumer Products EMEA	7,611	35	7,921	36
Consumer Products Asia	7,217	33	7,077	32
Cheese, Butter & Milkpowder	2,744	12	2,746	12
Ingredients	3,099	14	3,101	14
Corporate and other	1,378	6	1,323	6
	22,049	**100**	22,168	100

Employees by geographical region (average number of FTEs)

	2015		2014	
		%		%
The Netherlands	7,596	34	7,613	34
Germany	1,668	8	1,653	7
Rest of Europe	3,761	17	4,105	19
Asia and Oceania	7,698	35	7,574	34
Africa and the Middle East	1,157	5	1,060	5
North and South America	169	1	163	1
	22,049	**100**	22,168	100

5 Other operating costs and income

	2015	2014
Other operating costs		
Costs of implementing the ICT standardisation programme (Note 9)	-36	-24
Restructuring costs	-38	-11
Impairments resulting from restructuring (Note 8)	-12	-10
Other operating costs	-12	-11
	-98	-56
Other operating income		
Pension plan amendment (Note 17)		131
Settlement of Gerkesklooster fire	5	20
Income related to a fair value adjustment of the contingent considerations (Note 21)	5	16
Other operating income	2	11
	12	178

Settlement of the Gerkesklooster fire

On 29 July 2014 a fire at FrieslandCampina Cheese in Gerkesklooster destroyed the cheese warehouse and severely damaged other parts of the complex. The restoration work continued in 2015. In 2015 the insurance company paid out EUR 8 million for business interruption in 2015. In 2014 the insurance company had already paid out compensation for the material damage to non-current assets and inventories (EUR 36 million) and business interruption in that year (EUR 15 million).

6 Finance income and costs

	2015	2014
Finance income		
Interest income	8	9
Gains (losses) on foreign exchange	1	
Other finance income	4	
	13	9
Finance costs		
Interest expenses	-51	-41
Other finance costs	-5	-16
	-56	-57

Other finance income comprises the gain from hedging derivatives of EUR 2 million (2014: EUR -6 million) and an adjustment of the fair value of a put-option liability of EUR 2 million (2014: EUR 0 million).

Other finance costs comprises the amortisation of transaction costs and commitment fees for the syndicate loan of EUR 4 million (2014: EUR 4 million) and the unwinding of the contingent consideration of EUR 1 million (2014: EUR 3 million).

Foreign exchange results related to operational activities are included in the cost of goods sold or in the appropriate component of operating expenses. In 2015 FrieslandCampina included a neutral currency translation effect in operating profit (2014: EUR 13 million).

7 Income tax expense

	2015	2014
Breakdown of tax expense		
Current tax expense		
Current tax expense, current year	-162	-130
Adjustments for prior years	-14	
	-176	-130
Deferred tax expense		
Deferred tax expense recognised in the current year	-18	-18
Write-down of deferred tax assets	-11	-3
	-29	-21
Income tax expense	**-205**	-151

	2015		2014	
Effective tax rate	Amount	%	Amount	%
Profit before tax	548		454	
Tax payable on the basis of the Dutch tax rate	-137	25.0	-114	25.0
Effect of different tax rates outside The Netherlands	-5	0.9	-6	1.4
Share of result of joint ventures and associates	4	-0.7	4	-0.9
Withholding tax on dividends	-5	0.9	-4	0.9
Non-deductible expenses	-41	7.4	-35	7.7
Tax-exempt income	4	-0.7	7	-1.5
Write-down of deferred tax assets	-11	2.0	-3	0.7
Adjustments to estimates relating to prior years	-14	2.6		
Effective tax rate	**-205**	**37.4**	-151	33.3

	2015			2014		
	Before tax	Tax expense/ income	Net of tax	Before tax	Tax expense/ income	Net of tax
Income tax recognised directly in equity						
Interest Cooperative loan	-10	2	-8	-10	2	-8
Interest member bonds	-42	9	-33	-40	8	-32
	-52	**11**	**-41**	-50	10	-40
Income tax recognised as other comprehensive income						
Movement currency translation reserve	21	-3	18	60	-6	54
Movement cash flow hedge reserve	11	-3	8	-12	3	-9
Movement available-for-sale financial assets	18	-5	13	-4		-4
Remeasurement of liabilities (assets) under defined benefit plans	29	-7	22	-213	51	-162
	79	**-18**	**61**	-169	48	-121

8 Property, plant and equipment

2015	Land and buildings	Plant and equipment	Other operating assets	Assets under construction	Total
Cost	1,270	3,199	340	617	**5,426**
Accumulated depreciation and impairments	-633	-1,972	-232		**-2,837**
Carrying amount at 1 January	**637**	**1,227**	**108**	**617**	**2,589**
Acquired through acquisition	61	45		1	**107**
Additions	10	57	19	424	**510**
Disposals	-1	-7	-1		**-9**
Currency translation differences		3		2	**5**
Transfers	95	336	31	-462	
Transfer to assets held for sale	-6				**-6**
Depreciation	-50	-156	-28		**-234**
Impairments	-5	-24		-1	**-30**
Reversal of impairments	1	1			**2**
Carrying amount at 31 December	**742**	**1,482**	**129**	**581**	**2,934**
Cost	1,415	3,525	380	582	**5,902**
Accumulated depreciation and impairments	-673	-2,043	-251	-1	**-2,968**
Carrying amount at 31 December	**742**	**1,482**	**129**	**581**	**2,934**

2014	Land and buildings	Plant and equipment	Other operating assets	Assets under construction	Total
Cost	1,126	2,960	352	518	4,956
Accumulated depreciation and impairments	-610	-1,926	-237		-2,773
Carrying amount at 1 January	516	1,034	115	518	2,183
Acquired through acquisition	4	6			10
Additions	66	168	17	353	604
Disposals	-2	-3	-1		-6
Currency translation differences	5	14		3	22
Transfers	92	160	3	-256	-1
Transfer to assets held for sale		-2			-2
Depreciation	-42	-135	-25		-202
Impairments	-3	-15	-1	-1	-20
Reversal of impairments	1				1
Carrying amount at 31 December	637	1,227	108	617	2,589
Cost	1,270	3,199	340	617	5,426
Accumulated depreciation and impairments	-633	-1,972	-232		-2,837
Carrying amount at 31 December	637	1,227	108	617	2,589

The change due to 'Acquired through acquisition' concerns property, plant and equipment of Friesland Huishan Dairy and Fabrelac (2014: EUR 10 million property, plant and equipment of Olam Ivoire Sarl), see Note 2.

The investments of EUR 510 million relate primarily to production capacity expansions and replacement investments in the Netherlands.

EUR 4 million of the impairments of land and buildings relates to a write-down to the estimated recoverable amount of buildings and equipment as a result of the restructurings in Rijkevoort and Lochem. EUR 8 million impairments of buildings relates to a change to the expected utilisation of a production line in Thailand and EUR 8 million is the consequence of restructurings.

The carrying amount of property, plant and equipment for which financial lease agreements apply was EUR 9 million (2014: EUR 13 million).

At the end of the financial year FrieslandCampina was committed to investments in property, plant and equipment amounting to EUR 151 million (2014: EUR 159 million).

The investments include capitalised borrowing costs amounting to EUR 8 million (2014: EUR 10 million). The applicable interest rate is 2.5% (2014: 3.5%).

9 Intangible assets

2015

	Goodwill	Trademarks, customer relations and patents	Software	Other intangible assets	Intangible assets under construction	Total
Cost	1,102	270	184	3	83	**1,642**
Accumulated amortisation and impairments	-204	-60	-120			**-384**
Carrying amount at 1 January	**898**	**210**	**64**	**3**	**83**	**1,258**
Acquired through acquisition	84	27	1			**112**
Additions arising from internal development					45	**45**
Additions			3		6	**9**
Transfers			40		-40	
Transfer to assets held for sale	-2	-2				**-4**
Currency translation differences	5	7				**12**
Amortisation		-15	-25	-1		**-41**
Impairments			-2		-5	**-7**
Carrying amount at 31 December	**985**	**227**	**81**	**2**	**89**	**1,384**
Cost	1,189	306	223	3	92	**1,813**
Accumulated amortisation and impairments	-204	-79	-142	-1	-3	**-429**
Carrying amount at 31 December	**985**	**227**	**81**	**2**	**89**	**1,384**

2014

	Goodwill	Trademarks, customer relations and patents	Software	Other intangible assets	Intangible assets under construction	Total
Cost	1,080	221	160	3	69	1,533
Accumulated amortisation and impairments	-204	-31	-116			-351
Carrying amount at 1 January	876	190	44	3	69	1,182
Acquired through acquisition	5	16				21
Additions arising from internal development					50	50
Additions			2			2
Transfers		1	34		-34	1
Currency translation differences	17	16				33
Amortisation		-13	-16			-29
Impairments					-2	-2
Carrying amount at 31 December	898	210	64	3	83	1,258
Cost	1,102	270	184	3	83	1,642
Accumulated amortisation and impairments	-204	-60	-120			-384
Carrying amount at 31 December	898	210	64	3	83	1,258

The goodwill 'Acquired through acquisition' amounting to EUR 84 million relates to the acquisitions Friesland Huishan Dairy, Fabrelac and the activities of Anika Group (2014: EUR 5 million goodwill related to the acquisition of the dairy-related activities of Olam Ivoire Sarl). The other changes in 'Acquired through acquisition' concerns the acquired intangible assets of Friesland Huishan Dairy, Anika Group and Fabrelac (2014: in total EUR 16 million acquired intangible assets of Olam Ivoire Sarl, DEK Srl and Orange Srl), see Note 2.

In 2010 FrieslandCampina started a worldwide ICT-standardisation programme. During 2015 an amount of EUR 39 million (2014: EUR 45 million) was capitalised for this programme. The portion of this amount related to assets under construction at the end of 2015 is recognised in the category 'Intangible assets under construction'. In 2015 the amortisation on the ICT standardisation programme amounted to EUR 14 million and, in addition, an impairment of EUR 7 million was recognised due to the termination of a sub-project and project inefficiencies.
In 2012 the system went into service in the first group of operating companies and afterwards this implementation was rolled-out to a number of other operating companies. The roll-out to the remaining operating companies will take several years and is expected to be completed in 2018.

Amortisation costs of intangible assets were allocated to the items in the income statement on the basis of their nature and purpose.

Goodwill impairment test

FrieslandCampina carries out the goodwill impairment test during the second quarter of each year and at another time if there is a trigger for impairment. Goodwill is monitored and tested at the business group level. The goodwill impairment test calculates the recoverable amount - the value in use - per business group.

The goodwill allocated to the cash flow-generating units is as follows:

	2015	2014
Consumer Products EMEA	569	559
Consumer Products Asia	223	151
Cheese, Butter & Milkpowder	31	25
Ingredients	162	163
	985	898

The principle assumptions applied for 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	
	2015	2014	**2015**	2014	**2015**	2014
Consumer Products EMEA	4.0	3.5	7-8	7-9	12	11
Consumer Products Asia	3.0	3.0	19-20	16-21	8	9
Cheese, Butter & Milkpowder	1.5	1.5	3-6	5	8	10
Ingredients	1.5	1.5	12-13	9-17	7	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 2015 budget and the long-term plans until 2019. A cooperative surcharge for the cooperative role the business group Cheese, Butter & Milkpowder plays in processing member milk, and in particular fat, was also taken into account. For the period after 2019 a growth rate equal to the forecasted long-term inflation rate was used, as is best practice in the market.

Sensitivity to changes in assumptions
The outcome of the goodwill impairment test of the business groups show that the values in use exceed the carrying amounts. In these cases a reasonable adjustment of the assumptions did not result in values in use below the carrying amounts of these business groups.

10 Investments in joint ventures and associates

FrieslandCampina holds interests in a number of joint ventures and associates that individually are not considered to be material. The following table analyses, in aggregate, the carrying amount and share of total comprehensive income of these joint ventures and associates.

		2015		2014
	Joint ventures	Associates	Joint ventures	Associates
Carrying amount	87	39	86	36
Share of:				
Profit or loss from continuing operations, net of tax	10	5	8	5
Other comprehensive income			1	
Total comprehensive income	**10**	**5**	9	5

The interests in joint ventures and associates specified in the table above are not material for FrieslandCampina in the context of the disclosure requirements of IFRS 12 Disclosure of interests in other entities.

The largest joint venture concerns the 50% interest in Betagen Holding Ltd. This interest is accounted for using the equity method. FrieslandCampina's interest amounts to EUR 66 million (2014: EUR 68 million). The share in the 2015 profit of Betagen Holding Ltd. amounted to EUR 5 million (2014: EUR 5 million).

For a summary of the most important joint ventures and associates see page 140.

11 Other financial assets

	2015	2014
Loans issued	20	36
Securities	80	35
Derivatives	70	21
Non-current receivables	4	6
	174	98

EUR 6 million of the loans concerns a loan to the Great Ocean Ingredients Pty. Ltd. joint venture (2014: EUR 17 million). The remainder concerns loans to third parties. The average interest rate on the loans at the end of 2015 was 2.5% (2014: 2.5%). The maturity date of EUR 9 million of the loans issued is after 2020. All the loans issued are still within their terms.

In 2015 an interest in China Huishan Dairy Holdings Company Ltd. was acquired. These shares are listed on the Hong Kong Stock Exchange. On 31 December 2015 the value of this 1.1% interest was EUR 50 million. FrieslandCampina also holds a 9.99% interest in Synlait Milk Ltd., a New Zealand dairy company that is listed on the New Zealand Exchange ("NZX"). On 31 December 2015 this interest was valued at EUR 29 million (2014: EUR 30 million). Both interests are included under securities.

For information regarding derivatives see Note 21. The determination of the fair value of the securities and derivatives are included in Note 27.

12 Inventories

	2015	2014
Raw materials and consumables used	398	389
Finished goods and commodities	941	904
Write-down to net realisable value	-32	-29
	1,307	1,264

EUR 178 million (2014: EUR 196 million) of the inventories is valued at net realisable value. The write-down to net realisable value is recognised in cost of goods sold.

No inventories are pledged as collateral for liabilities.

13 Trade and other receivables

	2015	2014
	1,097	1,121
Trade receivables	59	94
Other receivables	-13	-19
Provision for doubtful debts	**1,143**	1,196
	91	70
Receivables related to tax (excluding income tax) and social security contributions	60	54
Prepayments	**1,294**	1,320
Provision for doubtful debts		
At 1 January	-19	-14
Charged to the income statement	-4	-6
Released to the income statement	4	
Trade receivables written off	6	1
At 31 December	**-13**	-19

	2015			2014		
Maturity schedule trade and other receivables	Gross	Write-down	Net	Gross	Write-down	Net
Within payment term	993	-5	**988**	1,032	-4	1,028
Overdue by less than 3 months	130	-2	**128**	122	-1	121
Overdue by 3 - 6 months	21	-1	**20**	16	-3	13
Overdue by more than 6 months	12	-5	**7**	45	-11	34
	1,156	**-13**	**1,143**	1,215	-19	1,196

The additions and releases of the provision for doubtful debts have been included in selling, general and administrative costs. Receivables are written off and charged to the provision when it is expected that they will not be collected.

Trade and other receivables are non-interest-bearing and generally fall due between 10 and 90 days.

In various countries FrieslandCampina has taken out credit insurance to mitigate the credit risk related to trade debtors. At the end of 2015 this insured position amounted to EUR 367 million (2014: EUR 393 million).

14 Cash and cash equivalents

	2015	2014
Deposits	203	198
Other cash and cash equivalents	618	424
	821	622

Cash and cash equivalents amounting to EUR 14 million concerns cash in Greece to which restrictions regarding their use outside of Greece are applicable. Funds of EUR 47 million for intercompany supplies in Nigeria are not freely available. These funds are released at the moment the goods are supplied, normally within 2 to 4 weeks.

15 Assets and liabilities held for sale

	2015	2014
Assets held for sale		
At 1 January	7	9
Transfer from property, plant and equipment	6	2
Transfer from intangible assets	4	
Transfer from current assets	8	
Disposals	-4	-2
Impairments	-1	-2
At 31 December	**20**	7
Liabilities held for sale		
Transfer from deferred tax liabilities	1	
At 31 December	**1**	

Assets held for sale comprise property, plant and equipment amounting to EUR 8 million (2014: EUR 7 million), intangible assets amounting to EUR 4 million and current assets amounting to EUR 8 million. Liabilities held for sale relate to deferred tax liabilities amounting to EUR 1 million. At the end of 2014 no liabilities related to current and non-current liabilities were held for sale.

The transfers of intangible assets, current assets and deferred tax liabilities concern the intended sale at the beginning of 2016 of commercial 'vending'-activities as a result of which related assets and liabilities have been classified as held for sale. The transfer of property, plant and equipment concerns primarily facilities that have been closed. The major portion of the disposals relates to sale of the Debrecen facility in Hungary and turbines in Borculo.

16 Equity

Issued capital

The number of issued shares at both the beginning and end of the financial year was 3,702,777. EUR 370 million has been paid up on these shares. The authorised capital amounts to EUR 1 billion, divided into 10,000,000 shares with a nominal value of EUR 100. The shares are held by Zuivelcoöperatie FrieslandCampina U.A.

Share premium reserve

The share premium comprises primarily a capital contribution of EUR 110 million by Zuivelcoöperatie FrieslandCampina U.A. in 2009.

Member bonds

The member bonds comprise member bonds-fixed and member bonds-free. Member bonds-fixed cannot be traded. On the termination of business activities and the termination of the membership the member bonds-fixed are automatically converted into member bonds-free. Legal bodies that are members of FrieslandCampina can also convert member bonds-fixed into member bonds-free on the transfer of business between members. Member bonds-free can be held interest-bearing and can be traded between member bond holders.

Member bonds have been issued to Zuivelcoöperatie FrieslandCampina U.A. and its members. The member bonds are perpetual and have no maturity date. The interest charge for the member bonds is the six month Euribor as at 1 June and 1 December of the year in question plus 3.25%. The bonds are subordinated to the claims of all other existing and future creditors to the extent that these are not subordinated. Member dairy farmers receive a portion of their compensation for the supply of milk during the financial year in the form of member bonds-fixed. Interest payments may be deferred, provided that Royal FrieslandCampina N.V. has not determined or distributed any performance premium in the 12 months prior to the annual coupon date. Deferred interest becomes payable on the date on which a performance premium is determined or next distributed. Member bonds are classified as equity.

From the profit over the 2015 financial year, EUR 42 million (2014: EUR 40 million) is attributed to the holders of the member bonds as an interest payment. In addition, in 2015 EUR 129 million (2014: EUR 101 million) is attributed to member dairy farmers through the issue of member bonds–fixed as part of the Compensation for milk supplied during 2015.

Cooperative loan

The EUR 290 million perpetual subordinated loan advanced to Royal FrieslandCampina by Zuivelcoöperatie FrieslandCampina U.A. is everlasting and has no maturity date. The interest rate applicable for the perpetual subordinated loan is the six months Euribor as at 1 June and 1 December of the year in question plus 3.25%. The loan from the Cooperative is subordinated by the claims from all other existing and future creditors to the extent that these are not subordinated. Interest payments may be deferred, provided that Royal FrieslandCampina N.V. has not determined or distributed any performance premium in the 12 months prior to the annual interest payment date. Deferred interest becomes payable on the date on which a performance premium is determined or next distributed. The perpetual subordinated loan from the Cooperative is classified as equity.

EUR 10 million of the profit from the 2015 financial year (2014: EUR 10 million) is attributed to the provider of the Cooperative loan as an interest payment.

Other reserves

Other reserves comprises the fair value reserve, the cash flow hedge reserve and the currency translation reserve.

The fair value reserve concerns the changes to the fair value of financial assets held for sale.

The cash flow hedge reserve concerns changes in the fair value of interest rate swaps, cross currency swaps and forward exchange contracts to the extent they classify as highly effective cash flow hedges.

The currency translation reserve concerns accumulated foreign currency differences arising from the translation of subsidiaries, and foreign currency differences on loans of a permanent nature issued to subsidiaries.

Retained earnings

Retained earnings comprise the balance of accumulated profits that have not been distributed to the shareholder. Pursuant to the Articles of Association a decision to distribute dividends may be taken if and to the extent that equity exceeds the issued share capital plus the statutory reserves and in accordance with the other legal stipulations.

The reserve policy stipulates that 45% of the Company's profit, on the basis of the guaranteed price and after deduction of the compensation paid on member bonds and the profit attributable to minority interests, is added to the Company's equity. As a component of the payment for milk supplied in 2015 35% of the profit may be paid-out in cash to the member dairy farmers as performance premium and 20% will be paid-out to the member dairy farmers in the form of fixed member bonds. The Executive Board may, in the event of an impairment greater than EUR 100 million, decide to add the entire amount to the Company's equity via the profit appropriation. The reserve policy is laid down in the milk price regulation and is revised every three years. The current reserve policy is applicable for the period 2014 to 2016. After the financial statements have been approved by the General Meeting of Shareholders the issue of member bonds is finalised. The issue of member bonds has been included in the financial statements. The cash payment of the performance premium has also been included in the financial statements and accounted for in cost of goods sold.

Non-controlling interests

Non-controlling interests concerns the share in equity that is not attributed to FrieslandCampina.

The table below summarises the financial information of each of the subsidiaries in which FrieslandCampina has a material non-controlling interest, based on FrieslandCampina's accounting policy, before any intra-group eliminations and on the basis of the latest publicly-available information.

						2015
	FrieslandCampina WAMCO Nigeria PLC [1]	China Huishan Dairy Investments (Hong Kong) Ltd. [2]	DMV-Fonterra Excipients GmbH & Co. KG [3]	Dutch Lady Milk Industries Berhad	Other	**Total**
Non-controlling interest percentage	32.19%	50.00%	50.00%	49.04%		
Non-current assets	84	97	24	20		
Current assets	233	30	86	66		
Non-current liabilities	-25	-36	-11	-1		
Current liabilities	-225	-32	-26	-52		
Net assets	**67**	**59**	**73**	**33**		
Carrying amount of non-controlling interest	22	30	130	16	63	**261**
Revenue	550	40		231		
Profit for the year	59	-10	42	33		
Other comprehensive income	1	-1	2	-4		
Total comprehensive income	**60**	**-11**	**44**	**29**		
Profit allocated to non-controlling interest	22	-5	20	16	20	**73**
Other comprehensive income allocated to non-controlling interest		-1	1	-2	-1	**-3**
Dividends paid-out to non-controlling interest	12		13	16	33	**74**
Net cash from/used in operating activities	37	-11		45		
Net cash used in investing activities	-12	-6		-5		
Net cash from/used in financing activities	47	11		-31		
Net cash flows	**72**	**-6**		**9**		

1 During the financial year the interest in FrieslandCampina Wamco Nigeria PLC was increased, see Note 2.
2 On 1 April 2015 FrieslandCampina acquired an interest of 50% in China Huishan Dairy Investments (Hong Kong) Ltd., see Note 2.
3 As the 2015 figures for DFE are not yet publicly available the 2014 figures have been disclosed. DFE's revenue and cash flows are not disclosed as they are not publicly available.

The percentages stated in the table above indicate the direct non-controlling interest held by third parties in these entities. For all the entities included in the above table the indirect non-controlling interest is the same as the direct non-controlling interest, with the exception of DMV-Fonterra Excipients GmbH & Co. KG (DFE). FrieslandCampina's indirect interest in DFE is lower than the direct interest as a result of intermediate holding companies in which FrieslandCampina does not hold a 100% interest. In the table above the carrying amounts, total comprehensive income and dividends allocated to non-controlling interests are based on the indirect non-controlling interest.

					2014
	FrieslandCampina WAMCO Nigeria PLC	DMV-Fonterra Excipients GmbH & Co. KG [1]	Dutch Lady Milk Industries Berhad	Other	Total
Non-controlling interest percentage	45.42%	50.00%	49.04%		
Non-current assets	79	24	20		
Current assets	145	86	61		
Non-current liabilities	-25	-11	-2		
Current liabilities	-155	-26	-43		
Net assets	44	73	36		
Carrying amount of non-controlling interest	20	130	18	68	236
Revenue	577		230		
Profit for the year	49	42	25		
Other comprehensive income	-3	2	3		
Total comprehensive income	46	44	28		
Profit allocated to non-controlling interest	22	20	12	16	70
Other comprehensive income allocated to non-controlling interest	-1	1	1	2	3
Dividend paid-out to non-controlling interest	20	13	16	14	63
Net cash from operating activities	24		31		
Net cash used in investing activities	-17		-3		
Net cash used in financing activities	-43		-34		
Net cash flows	-36		-6		

[1] The revenue and cash flows of DFE are not publically available and therefore these figures have not been disclosed.

17 Employee benefits

Pension situation – Dutch employees covered by the Collective Labour Agreement for the dairy sector

At the end of July 2014, FrieslandCampina, as part of the Dutch Dairy Organisation (NZO), reached agreement with the trade unions and the Central Works Council regarding a new pension plan, effective as of 1 January 2015. From that moment on all Dutch employees who are covered by the Collective Labour Agreement for the dairy sector will accrue their pension benefits in a defined contribution plan as specified below.

Annual pensionable salary	Pension plan for Dutch employees covered by the Collective Labour Agreement for the dairy sector as from 1 January 2015
Up to € 61,653	Collective defined contribution plan based on a fixed contribution and executed by the Industry wide Pension Fund for the Dairy Sector
Between € 61,653 and € 100,000	Individual defined contribution plan administered by a premium pension institution
Above € 100,000	A net pension savings plan administered by the same premium pension institution

In connection with the pension situation since 1 January 2015 the accrual of pension benefits in the pension plan for former Campina employees, administered in a company pension fund, and the pension plan for former Friesland Foods employees and new FrieslandCampina employees since the merger (1 January 2009), administered by an insurance company in a segregated investment fund, has ceased. In 2014 this created a one-time benefit of EUR 131 million in the income statement. As far as the plan for former Campina employees is concerned, on the basis of the administration agreement FrieslandCampina is now only obliged to settle a number of smaller guarantee contracts. FrieslandCampina expects to reach agreement with the pension fund regarding this settlement in 2016 after which the entire plan will be deemed to be settled. At that moment the present value of the gross obligation in connection with the pension benefits ('gross defined benefit liability') and the fair value of the plan assets (at end of 2015 both: EUR 1,373 million) will be released from net defined benefit liability in the statement of financial position because FrieslandCampina will no longer be subject to risks. This will not affect the income statement because the current, and at the moment of settlement expected, net defined benefit liability (the gross defined benefit liability minus the fair value of plan assets) amounts to nil.

The pension plan for pension benefits accrued until 2015 by former Friesland Foods employees and new FrieslandCampina employees remains a defined benefit plan. At the end of 2015 this plan accounted for 49% of the total gross defined benefit liability (2014: 52%) and is disclosed in more detail below.

	Pension plan entitlements accrued until 2015 by former Friesland Foods employees and new FrieslandCampina employees
Plan characteristics	From 2015 the regular pension accrual has been terminated. Accrued benefits until 2015 for active participants will be annually increased during the term of the five-year collective agreement by a fixed rate of 1.75%, for as long as the employment continues. Conditional indexation is applicable for (non-active) participants.
Pension administrator	An insurance company, in a segregated investment fund via a guarantee contract.
Funding agreements	Each year FrieslandCampina pays a premium, calculated based on market value, for the indexation of the pensions of active participants. In the four years from 2015 to 2018 FrieslandCampina will pay a fixed amount of EUR 16 million per annum into the segregated fund for the indexation of the pensions of non-active participants. After this four year period, FrieslandCampina will not be liable for any further contributions. Finally, in respect of the segregated investment fund, if the coverage ratio remains lower than the contractual 110% for longer than 18 consecutive months from the end of the calendar year, FrieslandCampina will make good the shortfall. At the end of 2015 the coverage ratio was 118.1% determined on the basis of the principles specified in the insurance contract (2014: 123.2%).
Supervision and governance	The insurer is responsible for holding sufficient resources to pay out all accrued benefits. This is supervised by DNB (Dutch National Bank). The investment policy for the insurance contract is agreed jointly by FrieslandCampina and the insurance company.
Participants	Approximately 62% of the participants are active, 25% are former employees and 13% are pensioners. The average duration of the pension obligations is around 20 years.
Most significant risks	The most significant risk is that the coverage ratio at the end of the calendar year drops below 110%. If this situation continues for more than 18 consecutive months, FrieslandCampina is obliged to pay an additional amount such that the 110% coverage ratio is restored. As the pension obligations in the contract are calculated on the basis of a fixed interest rate, the movements in the value of plan assets have a significant impact on the coverage ratio.

The pension plan for pension benefits accrued until 2015 by former Campina employees also concerns a defined benefit plan. At the end of 2015 this plan accounted for 41% (2014: 40%) of the total gross defined benefit liability. During the five year period of the Collective Labour Agreement all the pension benefits accrued by active participants up to 2015 will be increased by a fixed indexation rate of 1.75% if and for as long as they remain employed by FrieslandCampina. This 1.75% indexation, which has been insured with an insurance company in a guarantee contract without profit sharing, will be increased by a fixed percentage to cover indexation after retirement.

Other plans for Dutch employees covered by the Collective Labour Agreement for the dairy sector
In addition to the plan disclosed above, the Dutch employees who were employed at the end of 2005 are also entitled to a supplementary lump-sum contribution, determined on an individual basis, if they retire from active employment. This conditional lump-sum amount will be awarded in 2021, or on retirement if this is earlier. At that moment FrieslandCampina will purchase pension benefits at the then prevailing tariffs for these lump-sum amounts. At the end of 2015 this plan accounted for 3% of the total gross defined benefit liability (2014: 2%).

Dutch employees covered by the Collective Labour Agreement for Cheese Wholesale
FrieslandCampina employees who are covered by the Collective Labour Agreement for Cheese Wholesale participate in the industry wide pension plan for the agricultural and food trade (AVH). This plan qualifies as a defined contribution plan.

Foreign employees
In respect of FrieslandCampina's foreign activities both defined contribution and defined benefit pension plans are applicable. The most important defined benefit pension plans are the plans in Germany. These are primarily unfunded pension plans based on salary, length of service and fixed amounts that account for 3% (2014: 3%) of FrieslandCampina's total gross defined benefit liability. The accrued benefits are increased each year by a maximum of the price inflation. This is a conditional entitlement.

Due to its size, the remainder of this Note is based explicitly on FrieslandCampina's Dutch pension plans. The same method for calculating the discount rate and inflation rate assumptions is used for the majority of the foreign pension plans.

Assumptions
The tables below summarise the assumptions used when calculating the (movements in the) gross defined benefit liability, the plan assets and the relevant components of the defined benefit costs as recognised in the consolidated statement of financial position and consolidated income statement.

Assumptions [1]	**2015**	2014
	%	%
Discount rate	2.2 - 2.4	1.6 - 2.0
Wage inflation	n.a.	n.a.
Price inflation / increase franchise	2.0	2.0
Indexation		
- active employees	1.75 - 2.0	1.75 - 2.0
- former and retired employees	0.0 - 2.0	0.0 - 2.0
Life expectancy	in years	in years
- 65 year old man / woman at end of year	20.0 / 23.0	19.9 / 22.9
- 65 year old man / woman in 20 years	22.6 / 25.3	22.5 / 25.2

[1] The percentages shown concern the Dutch pension plans mentioned above (excluding the other plans), which represent 91% (2014: 92%) of the gross defined benefit liability and 98% (2014: 99%) of the fair value of the plan assets respectively.

The discount rate is based on the yield on high quality corporate bonds and takes into account the average term of the defined benefit obligation for each plan individually. At the end of 2015 the method for determining the discount rate was amended due to the change of service provider.

Movement in net defined benefit liability

	Gross defined benefit liability		Fair value of plan assets		Net defined benefit liability	
	2015	2014	**2015**	2014	**2015**	2014
At 1 January	**3,743**	2,963	**-3,085**	-2,339	**658**	624
Included in the income statement						
Operating expenses:						
Current service costs	12	81			12	81
Pension plan amendment		-131				-131
Interest expense or income	70	100	-57	-84	13	16
Administration costs			1	3	1	3
Total	**82**	50	**-56**	-81	**26**	-31
Recognised in equity:						
Remeasurement gain or loss due to:						
Return on plan assets, excluding the interest income and adjusted guaranteed value			258	-607	258	-607
Changes in financial assumptions	-322	849			-322	849
Changes in demographic assumptions	-6	-27			-6	-27
Experience adjustments	40	-3			40	-3
Total remeasurement gain or loss	**-288**	819	**258**	-607	**-30**	212
Currency translation differences	2	5	-1	-2	1	3
Total	**-286**	824	**257**	-609	**-29**	215
Other						
Contributions paid by the employer to the plan			-133	-150	-133	-150
Benefits paid	-109	-94	109	94		
Reclassification	22		-22			
Total	**-87**	-94	**-46**	-56	**-133**	-150
At 31 December	**3,452**	3,743	**-2,930**	-3,085	**522**	658
Classification						
Non-current assets					6	5
Non-current liabilities					528	663

At the end of 2015, EUR 263 million of the EUR 3,452 million gross defined benefit liability had not yet been funded (2014: EUR 283 million of the EUR 3,743 million not yet funded). The contributions to the plan paid by the employer of EUR 133 million are the premiums paid by FrieslandCampina in 2015, of which EUR 76 million relates to 2014.

Defined benefits costs or income recognised through the income statement	2015	2014
Current service costs	-12	-81
Pension plan amendment		131
Interest expense or income	-13	-16
Administration costs	-1	-3
Defined benefit cost or income recognised through the income statement	**-26**	31
Benefit cost for defined contribution plans	-80	-25
Employees' share in pension costs	8	6
Benefit cost or income recognised through the income statement	**-98**	12

The amendments to the pension plan in 2014 concerns the termination of the accrual in defined benefit plans as of 1 January 2015. This led to a one-time benefit of EUR 131 million in 2014. From this date on future pension benefits are accrued in defined contribution plans.

Of the EUR 60 million FrieslandCampina expects to contribute towards its defined benefit plans in 2016, EUR 19 million concerns 2015. Of the remaining EUR 41 million, EUR 24 million is for the plans that provide Dutch employees indexation on the benefits accrued up to 2015. In 2016 FrieslandCampina expects to contribute EUR 81 million towards the defined contribution plans, primarily related to the new collective and individual contribution plans that apply for Dutch employees as from 1 January 2015.

Disaggregation of the fair value of plan assets into asset classes		2015		2014
	%	%	%	%
	Company pension fund	Insurance contract	Company pension fund	Insurance contract
Shares				
- North America	8		8	
- Europe	5		3	
- Japan	2		2	
- Emerging Markets	3		2	
- Other	1		1	
Fixed income securities				
- Investment grade (at least BBB rating)	26		28	
- Non-investment grade (BB rating or lower)	2		2	
Guaranteed value of insurance contract		51		53
Total	**47**	**51**	46	53

At the end of 2015 the plan assets in the company pension fund and the guaranteed value of the insurance contract amounted to 47% and 51% of the total plan assets respectively (2014: 46% and 53%). Of the plan assets in the company pension fund EUR 1 million (2014: EUR 1 million) does not have a direct or indirect quoted market price. In addition, approximately EUR 24 million is invested in Zuivelcoöperatie FrieslandCampina U.A. subordinated bonds. 54% Of the interest rate risk relating to the company pension fund is hedged. Of the hedged amount 58% is hedged by means of government bonds and 42% by means of interest rate swaps. The collateral of the swap portfolio is invested in a widely-spread cash funds with an AAA rating. The currency risk related to foreign debt and equity instruments is hedged for 70% to 100%. The value of the plan assets in the insurance contract is based on its guaranteed value. The profit sharing in this contract is, however, determined based on the investments in the segregated investment fund. Approximately 61% of these investments are fixed-income securities, 35% are shares and 4% are other investments. Because the insurer determines the pension obligation at a fixed interest rate, the interest rate hedge is limited. The remaining plan assets compromising 2% of the total amount (2014: 1%) are related to foreign pension plans and consist of insurance contracts and various investments.

Sensitivity analysis

The table below shows the impact of a change in key actuarial assumptions on the present value of the gross defined benefit liability in respect of the Dutch pension plans.

Effect on the gross defined benefit liability at 31 December	2015		2014	
	Increase	Decrease	Increase	Decrease
Change of 0.25% to discount rate	-139	149	-161	173
Change of 0.25% to indexation of former participants	116	-110	134	-126
Change of 1 year to life expectancy	125	-125	142	-142

As a result of cross effects, changes in multiple assumptions could have additional implications for the individual effects. In addition, the impact on the net defined benefit obligation is usually less because the effect shown in the sensitivity analyses is partly offset by a change in the guaranteed value of the insurance contract or a change in the indexation rate assumption for the company pension fund.

18 Deferred tax assets and liabilities

2015	Property, plant and equipment	Intangible assets	Employee benefits	Inventories, trade receivables, derivatives, trades payables and provisions	Unused tax losses and facilities	Total
At 1 January	-63	50	131	88	50	256
Arising from acquisition		-1			1	
Recognised through the income statement	-2	8	-33	5	-7	-29
Recognised in equity			-7	-5	5	-7
Currency translation differences	-1	-2		4		1
Other	2	1	-1			2
At 31 December	-64	56	90	92	49	223

Deferred tax assets and liabilities relate to the following items of the statement of financial position:

	Assets	Liabilities	Net
Property, plant and equipment	3	67	-64
Intangible assets	120	64	56
Employee benefits	93	3	90
Inventories, trade receivables, derivatives, accounts payable and provisions	100	8	92
Unused tax losses and facilities	49		49
Netting	-24	-24	
Net deferred tax asset	341	118	223

2014	Property, plant and equipment	Intangible assets	Employee benefits	Inventories, trade receivables, derivatives, trades payables and provisions	Unused tax losses and facilities	Total
At 1 January	-53	49	117	64	45	222
Arising from acquisition		-3				-3
Recognised through the income statement	-10	9	-37	20	-3	-21
Recognised in equity			51	-3	10	58
Currency translation differences	-1	-5		6		
Other	1			1	-2	
At 31 December	-63	50	131	88	50	256

Deferred tax assets and liabilities relate to the following items of the statement of financial position:

	Assets	Liabilities	Net
Property, plant and equipment	2	65	-63
Intangible assets	114	64	50
Employee benefits	134	3	131
Inventories, trade receivables, derivatives, accounts payable and provisions	94	6	88
Unused tax losses and facilities	50		50
Netting	-30	-30	
Net deferred tax asset	364	108	256

At the end of the financial year the unused tax losses and facilities amounted to EUR 49 million (2014: EUR 50 million) of which EUR 17 million (2014: EUR 22 million) concerned unused tax losses and EUR 32 million (2014: EUR 28 million) concerned unused facilities. The expectation, based on long-term planning, is that it will be possible to offset these against future profits.

Deferred tax assets are not recognised if it is not probable that there will be future taxable profits within the entities against which the losses can be utilised.

Deferred tax assets have not been recognised in respect of the following losses and facilities:

	2015	2014
Unrecognised tax losses	226	346
Unrecognised facilities	1	1
	227	347

EUR 32 million of the unrecognised tax losses expire between 5 and 10 years (2014: EUR 23 million). The remaining unrecognised tax losses and facilities will not elapse under the current fiscal rules.

In 2015 a portion of the recognised and unrecognised losses in Germany was written-off as a result of a dispute with the German tax authorities. The total amount of these non-recorded losses is EUR 176 million.

19 Provisions

			2015			2014
	Restructuring provisions	Other provisions	**Total**	Restructuring provisions	Other provisions	Total
At 1 January	29	12	**41**	33	14	47
Additions charged to the income statement	42	17	**59**	17	9	26
Released to the income statement	-5	-3	**-8**	-11	-5	-16
Utilised	-18	-8	**-26**	-10	-6	-16
At 31 December	**48**	**18**	**66**	**29**	**12**	**41**
Non-current provisions	16	7	**23**	1	5	6
Current provisions	32	11	**43**	28	7	35
	48	**18**	**66**	29	12	41

Restructuring provisions

In 2015 restructurings of parts of the facilities in Beilen, Leeuwarden, Lochem, Rijkevoort, Den Bosch and Limmen in the Netherlands were announced. Restructurings of the facility in Gütersloh in Germany and in the facility in Lagos in Nigeria were also announced. Provisions for these restructurings were formed during 2015 and concerned primarily redundancy payments and related costs. The loss of jobs is the result of efficiency measures, whereby in several cases the facility will be closed after the activities have been relocated to other facilities. The aim of these restructurings is a better utilisation of FrieslandCampina's scale and the reduction of operating costs.

The restructuring provision at the end of 2014 was primarily related to Reshape, the multi-year restructuring programme started in 2013 in the business group Consumer Products EMEA. This provision comprises primarily redundancy payments plus related costs as a consequence of the closure of production facilities in the Netherlands (phase 1) and Belgium (phase 2).

Most of the total amount of EUR 5 million released to the income statement relates to a release from the provision for Reshape. These releases are due primarily to the fact that more employees could be re-deployed than was anticipated at the end of 2014. In 2015 the withdrawals were mainly related to provisions for Reshape, the provision in Nigeria and the provision for the business group Consumer products EMEA' facilities in Germany.

The restructuring provisions will result in future cash outflows. The provisions are recognised at nominal value because their present value is not materially different.

Other provisions

These provisions relate primarily to received claims and other provisions and are recognised at nominal value as their present value is not materially different. Other provisions includes an amount of EUR 3 million (2014: EUR 2 million) for onerous contracts and an amount of EUR 9 million (2014: EUR 5 million) related to claims received.

20 Non-current interest-bearing borrowings

	2015	2014
Borrowings from syndicate of credit institutions	296	695
Borrowings from institutional investors	666	600
Financial lease liabilities	8	12
Borrowings from credit institutions	1	1
Other interest-bearing borrowings	44	33
	1,015	1,341

The terms and conditions of outstanding non-current borrowings are as follows:

Loan	Currency	Nominal interest rate	Year of maturity	Nominal amount 2015	Carrying amount 2015	Nominal amount 2014	Carrying amount 2014
Syndicate (variable interest)	EUR	0.7	2020	300	296	700	695
Private Placement (fixed interest)	USD/EUR	4.4	2017	129	129	117	117
Private Placement (fixed interest)	USD	5.7	2020	122	122	110	110
Private Placement (fixed interest)	USD	4.0	2022	74	74	66	66
Private Placement (fixed interest)	USD	4.2	2024	134	134	121	121
Private Placement (fixed interest)	USD	4.0	2017-2027	207	207	186	186
Fonterra (variable interest)	EUR /NZD	2.8	2017-2025	22	22	27	27
Huishan (variable interest)	CNY	4.6	2018	18	18		
Other				13	13	19	19
				1,019	**1,015**	1,346	1,341

Borrowings from syndicate of credit institutions

In 2014 FrieslandCampina agreed a new credit facility of EUR 1.5 billion with a term of 5 years. In the first half-year of 2015 this credit facility was (under the same terms) extended by one year to April 2020. On 31 December 2015 EUR 650 million of the credit facility had been utilised (2014: EUR 700 million), of which EUR 300 million is classified as non-current (2014: full amount non-current).

Borrowings from institutional investors (private placements)

In total FrieslandCampina has taken out loans with institutional investors in the United States amounting to USD 696 million (2014: USD 696 million) and a loan with an European investor amounting to EUR 25 million (2014: EUR 25 million).

Cross-currency swaps have been used to convert the USD repayment and interest liabilities related to these borrowings into EUR liabilities at fixed interest rates. The cross-currency swaps were entered into to hedge the cash flows. Cash flow hedging has been applied to them. The cross-currency swaps have been recognised at fair value. The portion of the gains and losses made on these hedge instruments regarded as effective hedges is recognised directly in equity. The borrowings of USD 696 million (2014: USD 696 million) have been fixed by these swaps at EUR 532 million (2014: EUR 532 million).

On 31 December 2015 the total amount of borrowings from institutional investors (private placements) was classified as non-current (2014: full amount).

Financial lease liabilities

		2015			2014	
	Future minimum lease payments	Average interest %	Present value of minimum lease payments	Future minimum lease payments	Average interest %	Present value of minimum lease payments
Less than one year	3		3	3		3
Between 1 and 5 years	7		7	12		11
More than five years	1		1	2		1
	11	6.6	**11**	17	6.8	15

The lease installments payable includes EUR 6 million (present value EUR 6 million) for the agreement with a third party for ripening, storing and packaging cheese (2014: EUR 10 million).
EUR 3 million (2014: EUR 3 million) of the present value of the minimum payments is current and recognised under current interest-bearing borrowings.

No collateral has been pledged for current and non-current borrowings.

21 Other financial liabilities

	2015	2014
Non-current other financial liabilities		
Derivatives	5	31
Contingent consideration	17	7
Put-option liability	1	1
	23	39
Current other financial liabilities		
Derivatives	4	8
Contingent consideration	3	
Put-option liability	5	7
	12	15

The non-current contingent consideration concerns the acquisition of distribution-related activities of Anika Group in 2015. Further information regarding this acquisition is included in Note 2. The current contingent consideration relates to the acquisition of Zijerveld in 2013.

Further information regarding contingent considerations and put-option liabilities is included in Note 27.

Derivatives

In the statement of financial position the hedging derivatives are recognised in current and non-current other financial assets and liabilities. An explanation of FrieslandCampina's goal, course of action and policy regarding the use of derivatives and other financial instruments is included in Note 27.

Hedging activities				2015
	Maturity date	Assets	Liabilities	Contract volume at year-end
Cross currency swaps	After 2016	69		641
Interest rate swaps	2019	1	2	100
Total cash flow hedges subject to hedge accounting		**70**	**2**	
Cross currency swaps	2017		3	26
Forward exchange derivatives	2016	1		107
Forward exchange derivatives	2016		4	240
Derivatives not subject to hedge accounting		**1**	**7**	
Total derivatives		**71**	**9**	
Classified as current		1	4	
Classified as non-current		70	5	

Hedging activities				2014
	Maturity date	Assets	Liabilities	Contract volume at year-end
Cross currency swaps	2017 and 2020	21		202
Cross currency swaps	After 2017		28	373
Interest rate swaps	2015		2	100
Total cash flow hedges subject to hedge accounting		21	30	
Cross currency swaps	2015 and 2017		3	37
Forward exchange derivatives	2015	2		63
Forward exchange derivatives	2015		5	211
Derivatives not subject to hedge accounting		2	8	
Total derivatives		23	38	
Classified as current		2	7	
Classified as non-current		21	31	

Cash flow hedges

To hedge interest rate and currency risks on the borrowings of USD 696 million (2014: USD 696 million), cross-currency interest rate swaps have been contracted, as a result of which the USD repayment and interest liabilities to institutional investors have been converted into EUR liabilities.

The interest rate swaps were contracted in 2015 to convert the floating-interest liabilities on the interest-bearing borrowings into fixed interest liabilities. For effective hedging purposes a floor of 0%, as for the hedged floating-interest liabilities, has been applied to the interest rate swaps.

The hedges to which hedge accounting is applied meet the documentation requirements for hedge accounting under IAS 39 and are tested for effectiveness prior to and per the reporting date. These hedges proved to be effective as a result of which, at the end of 2015 EUR -25 million (2014: -33 million) was recognised in equity as cash flow hedge reserve. Of this amount, EUR -24 million (2014: EUR -32 million) relates to the cross currency swaps and EUR -1 million (2014: EUR -1 million) to the interest rate swaps.

Derivatives not subject to hedge accounting

Derivatives not subject to hedge accounting have been contracted primarily to hedge currency risks related to anticipated sales and purchases, loans and outstanding receivables and payables. The movements in the value of the receivables and payables are largely compensated by being offset against movements in the value of derivatives. FrieslandCampina's policy is, and was throughout the financial year under review, that no trading takes place for speculative purposes.

22 Current interest-bearing borrowings

	2015	2014
Current portion of non-current interest-bearing borrowings	357	3
Current loans	318	161
Borrowings from member dairy farmers	35	40
Bank overdrafts	103	16
	813	220

At the end of 2015 an amount of EUR 350 million of a withdrawal of a current nature from the credit facility was recognised under the current portion of the non-current interest-bearing borrowings.

At the end of 2015 an amount of EUR 115 million (2014: EUR 107 million) for Commercial Papers, as well as an amount of EUR 100 million drawn from the uncommitted facilities (2014: EUR 0 million) was recognised under current loans.

The borrowings from member dairy farmers amounting to EUR 34 million (2014: EUR 39 million) concern three-year deposit loans held by member dairy farmers. These loans are repayable on demand by the member dairy farmers with the payment of a 1% interest penalty.

The average interest rate on current interest-bearing borrowings at the end of 2015 was 2.6% (2014: 4.3%).

23 Trade and other payables

	2015	2014
Owed to member dairy farmers	476	448
Trade payables	1,538	1,324
Payables related to tax (excluding income tax) and social security contributions	47	50
Payables to affiliated company	40	42
Other payables	503	443
	2,604	2,307

24 Commitments and contingencies

				2015
	2016	2017 - 2020	After 2020	**Total**
Operational lease commitments	45	97	48	**190**
Purchase commitments for non-current assets	143			**143**
Other commitments	33	21		**54**
	221	**118**	**48**	**387**

				2014
	2015	2016 - 2019	After 2019	Total
Operational lease commitments	41	104	47	192
Purchase commitments for non-current assets	153	6		159
Other commitments	38	25		63
	232	135	47	414

Commitments related to the merger

In the context of the merger in 2008 of Friesland Foods and Campina two commitments were made to the European Commission.

The first commitment requires member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. who terminate their membership to be paid a lump-sum leaving premium of EUR 5 per 100 kilograms of milk delivered in the year prior to the year in which the application for eligibility for the lump-sum leaving premium is made. The eligibility requirement for the lump-sum leaving premium is that the member dairy farmer must become a supplier to another purchaser of raw milk in the Netherlands.

The second commitment is that a maximum of 1.2 billion kilograms of raw milk per annum must be made available to purchasers who have a dairy plant and who produce fresh dairy products, naturally ripened Dutch cheese, or either of these in combination with other dairy products. Purchasers may only obtain this milk to expand production in existing plants, for production in new plants or for production in the plants in Nijkerk (fresh dairy products) and Bleskensgraaf (cheese) disposed of by FrieslandCampina in accordance with the agreement with the European Commission.

The milk is to be made available through an independent foundation. The price of the milk is the guaranteed milk price (paid by FrieslandCampina for milk delivered by its member dairy farmers) applicable in the month of delivery.

The commitments will remain in force until member dairy farmers with a total milk volume of 1.2 billion kilograms have left FrieslandCampina or until the requirement is withdrawn by the European Commission when it is convinced that sufficient Dutch raw milk is available for the aforementioned purchasers.

The business units that had to be sold at the time of the merger and that now form part of Arla Foods and Deltamilk, utilise this option. The Dutch Milk Foundation has reserved 0.9 billion kilograms of the available 1.2 billion kilograms of milk for these market parties. FrieslandCampina and A-ware signed a contract with a term of 10 years for the supply of around 0.3 billion kilograms of milk. The supply of raw milk to A-ware started 1 March 2015.

Other liabilities

Participation in Ondernemend Oranje Kapitaal stimulation fund

In 2014 FrieslandCampina committed to participation in the Ondernemend Oranje Kapitaal Coöperatief U.A. stimulation fund. The objective of this fund is investment in the risk-bearing capital of small and medium-sized Dutch businesses, whereby the investor can earn a defined return.

A number of large Dutch companies have committed to participation in this fund. FrieslandCampina has committed an amount of EUR 5 million of which EUR 1 million has been already been requested.

Tax risks

Transfer pricing uncertainties

FrieslandCampina has issued internal guidelines regarding transfer pricing policies which are in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Transfer pricing has a cross-border effect and, as a consequence, local tax authorities often focus on the impact of transfer pricing on the local result. To reduce transfer pricing risks FrieslandCampina has implemented monitoring procedures to safeguard the correct application of the transfer pricing policies. In certain countries FrieslandCampina has proactively approached the tax authorities with the aim of seeking alignment of the applied transfer pricing policies.

Acquisitions, partnering & divestments
FrieslandCampina is involved in mergers and acquisitions ('M&A' transactions) whereby shares or assets are acquired or divested, or whereby joint ventures are entered into. Such transactions may result in different tax risks and uncertain tax positions. Examples are the transfer of historical tax liabilities to FrieslandCampina upon an acquisition, non-deductibility of acquisition related costs and tax risks arising from the integration of the acquired activities. Within FrieslandCampina, M&A transactions are managed by M&A teams comprising representatives from all the relevant functional disciplines, including tax specialists. Uncertainties regarding the tax position resulting from M&A transactions are, therefore, investigated and risks are mitigated if required and to the extent possible.

Contingent liabilities

Bank guarantees
As of 31 December 2015 FrieslandCampina has provided bank guarantees to third parties amounting to a total of EUR 16 million (2014: EUR 10 million).

25 Transactions with related parties

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

See Note 26 for the remuneration of the Executive Board and the Supervisory Board.

Zuivelcoöperatie FrieslandCampina U.A.
Zuivelcoöperatie FrieslandCampina U.A., the shareholder of the Company, and FrieslandCampina Nederland B.V., a subsidiary of the Company, have agreed that the latter will purchase the milk supplied by the Cooperative's members. In 2015 this was 10.1 billion kilograms (2014: 9.5 billion kilograms). The price to be paid for this milk is based on the weighted average milk price in Germany, the Netherlands, Denmark and Belgium, which represents 50 billion kilograms of milk in total. The milk price calculated in this way is guaranteed and, therefore, referred to as the guaranteed price.

The reserve policy agreed for the period 2014-2016 specifies that 45% of the Company's profit, based on the guaranteed price and after deduction of the payment to members in the form of member bonds and the profit attributable to non-controlling interests, be added to the Company's equity. As a component of the payment for milk supplied in 2015, 35% of the profit will be paid out to the member dairy farmers in cash as a performance premium and 20% will be paid out to the member dairy farmers in the form of member bonds. In September 2015 an interim amount based on the Company's results for the first half of the year and the quantity of milk supplied was paid-out. The interim pay-out amounts 75% of the pro forma performance premium for the value of the quantity of milk supplied during the first half of the year.

As disclosed in detail in Note 16, to finance the activities of Royal FrieslandCampina N.V. Zuivelcoöperatie FrieslandCampina U.A. has provided a perpetual subordinated loan of EUR 290 million at arm's length.

The relations are specified in the tables below:

	2015	2014
Interest on the Cooperative loan	10	10
Interest on member bonds	8	8
Other income	6	6
Cooperative loan (equity instrument)	296	296
Member bonds (equity instrument)	218	242
Liabilities	40	42

Joint ventures and associates

FrieslandCampina regularly purchases and sells goods from and/or to joint ventures and associates in which FrieslandCampina has no control. The conditions under which these transactions take place are the same as for transactions with third parties. The relations are specified in the tables below:

Joint ventures	**2015**	2014
Purchase of raw materials, consumables used and commodities	17	16
Sales of raw materials, consumables used and commodities	2	2
Receivables from joint ventures	10	17
Payables to joint ventures	2	6

Associates	**2015**	2014
Purchase of raw materials, consumables used and commodities	29	29
Sales of raw materials, consumables used and commodities	69	92
Receivables from associates	2	3
Payables to associates	1	4

Member dairy farmers

FrieslandCampina regularly purchases goods from member dairy farmers. The conditions under which these transactions take place are the same as for transactions with third parties. The relations are specified in the table below:

	2015	2014
Purchase of raw materials, consumables used and commodities	3.514	4.056
Interest on member bonds	34	32
Member bonds (equity instrument)	1,210	1,058
Borrowings from member dairy farmers	511	488

Supervisory Board and Executive Board

As member dairy farmers, the members of the Supervisory Board who are also members of the Cooperative's Board conduct transactions with FrieslandCampina, including supplying FrieslandCampina with milk. This results in an obligation on 31 December to compensate the members of the Supervisory Board for the milk they have supplied. The Supervisory Board members also hold member bonds. The relations of the members who were members of the Supervisory Board on 31 December 2015 are specified in the table below:

	2015	2014
Purchase of raw materials	3	3
Member bonds	1	1

No transactions took place between FrieslandCampina and the Executive Board other than remuneration. See Note 26.

26 Remuneration of members of the Supervisory Board and the Executive Board

	2015	2014
Supervisory Board		
Short-term remuneration	1.1	1.0
	1.1	1.0
Executive Board		
Short-term remuneration	5.0	5.1
Long-term remuneration	1.0	1.9
Termination benefits	0.3	0.6
Pension plans	0.6	0.9
Remuneration of Executive Board	**6.9**	8.5

27 Financial risk management and financial instruments

Capital management

FrieslandCampina strives to achieve a balance between a prudent financing and reserve policy, investment in the Company and payments to the member dairy farmers. The relationship between the reserves and the payments to member dairy farmers is reviewed every three years and approved by the Member Council. When reviewing the policy expected future circumstances are taken into consideration. Potential risks over which FrieslandCampina has no influence are also taken into account.

The Executive Board, under the supervision of the Supervisory Board, is responsible for, and formulates the policy for, FrieslandCampina's risk management and internal control measures. This policy is revised on a regular basis to ensure it reflects changes in market conditions or activities. The internal control framework within FrieslandCampina supports the Executive Board in its monitoring tasks.

Financial risk management

FrieslandCampina is a multinational concern with many operating companies in various countries. This makes FrieslandCampina sensitive to various financial risks, such as credit risks, interest rate risks, liquidity risks and currency translation risks. The general risk policy is aimed at identifying and analysing risks and, if necessary, mitigating these risks in such a way that possible negative financial results are prevented. Corporate Treasury has been given the mandate to implement these mitigating measures. These measures are laid-down in clearly formulated policy. Corporate Treasury reports the exposure to financial risks, including the liquidity risk, currency translation risk, interest rate risk and credit risk related to financial services providers to the Treasury Committee.

FrieslandCampina's principal financial instruments are borrowings from credit institutions and institutional investors, members bonds and cash and cash equivalents. The main purpose of this mix of financial instruments is to raise funds for FrieslandCampina's operations from a variety of markets and investors. FrieslandCampina has various other financial instruments, such as trade receivables and trade payables, which arise directly from its operations. FrieslandCampina monitors the market risks relative to all financial instruments, mainly currency risks and interest rate risks, very closely.

FrieslandCampina also enters into derivative transactions, primarily forward exchange contracts and interest rate swaps, in order to manage the currency risks and interest rate risks arising from its operations and the financing of its operations. FrieslandCampina's policy is, and was throughout the year under review, that no trading in financial instruments takes place for speculative purposes. The main risks arising from FrieslandCampina's financial instruments are currency risks, interest rate risks, liquidity risks and credit risks.

Currency risks

As FrieslandCampina conducts business worldwide, a considerable portion of its assets, liabilities and results is sensitive to currency fluctuations. The purpose of the policy for managing transaction risks is to limit the effect of currency fluctuations on financial performance. Although, in principle, transaction risks are hedged, specific product and market circumstances may mean that this is not done, for example in the case of the Nigerian naira and the Vietnamese dong.

Currency risks resulting from investments in foreign subsidiaries and joint ventures and associates are, in principle, not hedged. The currency translation risks arising from loans to foreign subsidiaries are, in principle, hedged. By financing foreign subsidiaries in the local currency to the extent that this is possible, the risk arising from a currency 'mismatch' between assets and liabilities is limited. The solvency requirements that FrieslandCampina imposes on its foreign subsidiaries do, however, result in a degree of currency translation risk.

Exposure to currency risk
The summary of quantitative data about FrieslandCampina's exposure to foreign currency risk provided to management based on its risk management policy was as follows (positions stated in EUR):

	2015					2014				
	EUR /USD	NGN/USD	IDR/USD	SGD/HKD	EUR /CNY	EUR /USD	NGN/USD	IDR/USD	SGD/HKD	EUR /CNY
Receivables	218	1	4	81	61	200	2	2	86	62
Cash and cash equivalents	32	21	6		-3	7	13	12		5
Liabilities	127	23	42			89	34	61		
Net statement of financial position	**123**	**-1**	**-32**	**81**	**58**	118	-19	-47	86	67
Forecasted sales next year	1,204	9		339	363	1,218	8	8	243	279
Forecasted purchases next year	546	276	260		5	505	289	245		
Net forecasted transactions	**658**	**-267**	**-260**	**339**	**358**	713	-281	-237	243	279
Forward exchange contracts	56		-17	65	52	57			25	7
Net exposure 31 December	**725**	**-268**	**-275**	**355**	**364**	774	-300	-284	304	339
Sensitivity analysis										
Impact on profit before tax	36	-13	-14	18	18	39	-15	-14	15	17

Sensitivity analysis
FrieslandCampina is sensitive primarily to fluctuations in the US dollar exchange rate due to its sales and purchases in dollars. The largest currency pairs are EUR/USD, NGN/USD, IDR/USD, SGD/HKD and EUR/CNY. As far as the euro is concerned this relates mainly to sales in American dollars and Chinese yuan. As far as other currencies are concerned this relates mainly to the purchase of raw materials on the world market. The breakdown above summarises the impact of a 5% change in the specified exchange rate against the local currency on the income statement. A change in the exchange rate of 5% is assumed to be a realistic possibility.

A strengthening of the specified exchange rate, as indicated above, against the EUR, NGN, IDR, and SGD on 31 December would have increased (decreased) profit or loss by the amounts shown above. A weakening of the specified exchange rate has an opposite impact. This analysis is based on foreign currency exchange rate variances that FrieslandCampina considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currently a 5% exchange rate movement would not lead to a material impact on the cash flow hedge reserve, which is therefore not disclosed.

Interest rate risk
The objective of interest rate risk management is to limit the effect of interest rate fluctuations on profit and to reduce interest expense where possible. Interest rate derivatives are used to match the effective interest in borrowings to the intended interest rate risk profile. The treasury policy specifies that the percentage characterised by a fixed interest rate, or that is fixed by means of a hedge, varies with a bandwidth of 40%-80% with a minimum time horizon of at least three full calendar years. The percentage which is characterised by a fixed interest percentage or is fixed by means of a hedge at the end of 2015 was 42%. The overview below shows the situation at the end of the year:

	2015		2014	
	Carrying amount excluding hedging	Carrying amount including hedging	Carrying amount excluding hedging	Carrying amount including hedging
Interest on borrowings				
Fixed rate	666	766	600	700
Variable rate	1,162	1,062	961	861
	1,828	**1,828**	1,561	1,561

FrieslandCampina carried out a sensitivity analysis based on the influence of interest rates on derivatives and other financial instruments at the end of the year. The analysis of cash and cash equivalents and liabilities with variable interest rates was carried out based on the assumption that the outstanding amount at the end of the year had been outstanding throughout the year. This sensitivity analysis indicates that, if interest had risen or fallen by 0.5%, the cumulative interest expense for the current year would have been less than EUR 2 million higher or lower.

Share price risk

As FrieslandCampina has an interest in Synlait Milk Ltd. (New Zealand), the shares of which are listed on the New Zealand Exchange, and has also purchased shares in China Huishan Dairy Holdings Company Ltd., the shares of which are listed on the Hong Kong stock exchange, these shareholdings cause share price risk for FrieslandCampina. These positions are held for strategic purposes.

Liquidity risk

FrieslandCampina's objective is to maintain a balance between the continuity and flexibility of its funding by using a range of financial instruments. Total net debt should be covered mainly by long-term borrowings and committed credit facilities. FrieslandCampina manages its liquidity mainly by keeping available a significant amount of headroom under the committed credit facilities totalling EUR 2,166 million (2014: EUR 2,100 million). Of these facilities EUR 850 million (2014: EUR 800 million) was unused at the end of 2015, which is substantially more than the minimum credit headroom of EUR 350 million required according to FrieslandCampina's financial policy.

Cash flows on borrowings

The table below gives an overview of the maturity dates of the financial liabilities of contractual nominal payments including related interest liabilities. This table does not show derivatives recognised under the current and non-current other financial assets. For derivatives recognised under the other financial liabilities the table shows both the incoming and outgoing contractual cash flows.

					2015
	Carrying amount	Contractual cash flows	2016	2017 - 2020	After 2020
Non-derivative financial liabilities					
Interest-bearing borrowings	1,817	**-2,019**	-850	-758	-411
Financial lease liabilities	11	**-11**	-3	-7	-1
Trade and other payables	2,604	**-2,604**	-2,604		
Contingent considerations	20	**-20**	-3	-17	
Derivatives					
Interest rate swaps	2	**-2**	-1	-1	
Cross currency swaps - inflow		**23**		23	
Cross currency swaps - outflow	3	**-26**	-1	-25	
Forward exchange - inflow		**236**	236		
Forward exchange - outflow	4	**-240**	-240		
	4,461	**-4,663**	**-3,466**	**-785**	**-412**

2014					
	Carrying amount	Contractual cash flows	2015	2016 - 2019	After 2019
Non-derivative financial liabilities					
Interest-bearing borrowings	1,546	-1,768	-255	-1,000	-513
Financial lease liabilities	15	-17	-3	-12	-2
Trade and other payables	2,307	-2,307	-2,307		
Contingent consideration	7	-8		-8	
Derivatives					
Interest rate swaps	2	-2	-2		
Cross currency swaps - inflow		486	27	127	332
Cross currency swaps - outflow	31	-517	-28	-128	-361
Forward exchange - inflow		207	207		
Forward exchange - outflow	5	-212	-212		
	3,913	-4,138	-2,573	-1,021	-544

Credit Risk

FrieslandCampina is exposed to credit risk in respect of its trade receivables, cash and cash equivalents and derivative financial instruments. FrieslandCampina manages credit risk by systematically monitoring the credit rating of its customers at a decentralised level and financial counterparties at a central level.

FrieslandCampina generally trades with reputable third parties with whom it maintains long-standing trading relationships. In accordance with FrieslandCampina's credit management policy, customers are categorised, and depending on their credit profile, the following types of risk mitigating measures are taken:

- prepayment, paid cash on delivery or collateralisation;
- coverage by letter of credit or bank guarantee;
- credit insurance.

Thanks to the spread of geographical areas and product groups there is no significant concentration of credit risk in FrieslandCampina's trade receivables (no single customer accounts for more than 3.0% (2014: 3.5%) of revenue). The total write-offs of trade receivables amounts to less than 0.1% of annual revenue. For further information regarding trade receivables see Note 13.

Whenever possible, cash and cash equivalents have been deposited with first-class international banks, i.e. those with at least a 'single A' credit rating. Over recent years the credit rating of banks worsened across the board. Cash and cash equivalents held by subsidiaries in relatively unstable political climates are, however, subject to local country risks. To limit these risks as far as possible FrieslandCampina follows an active dividend policy in relation to these subsidiaries. Many countries in which FrieslandCampina is active, in particular emerging markets, have credit rating far lower than 'single A'. As a result, local banks in these countries have a correspondingly low credit rating, or no credit rating. FrieslandCampina has, for example, substantial cash positions in Nigeria and to mitigate this risk not only has an active dividend policy but also a stringent bank policy with maximum limits per bank.
Derivatives are traded only with financial institutions with good credit ratings, i.e. at least 'investment grade'. Whenever possible FrieslandCampina strives for offsetting in accordance with the ISDA agreements. FrieslandCampina's maximum credit risk exposure on financial assets is equal to the current carrying amount.

The overview below shows the credit ratings of outstanding cash and cash equivalents and derivative financial instruments as at 31 December:

	2015		2014	
	Cash positions	Contract volume derivatives	Cash positions	Contract volume derivatives
Credit rating financial institution				
AA	319	188	156	227
A	197	853	352	758
BBB	122	73	32	1
< BBB	53		42	
No rating	130		40	
	821	**1,114**	622	986

Active risk management

The heightened volatility of the currency markets, the sharp decline of economic growth in emerging markets and the problems in the Eurozone (for example Greece) could, in different ways, have a material effect on FrieslandCampina's future results.

FrieslandCampina follows an active risk management policy that includes scenario plans and measures to mitigate possible problems. Which is why measures to limit risks, for the time being, remain in place in Greece. On a going concern basis and on the grounds of monitoring and risk analysis in all of FrieslandCampina's operating companies, business plans are adjusted where necessary and maintained through a targeted package of risk mitigating measures.

Covenant guidelines

Existing guidelines for financial ratios:

Net Debt / EBITDA	< 3.5
EBITDA / Net Interest	> 3.5

The terms for both facilities (Syndicate and Private Placement) have been met. The amounts drawn under the credit facility and the private placements become repayable on demand if the related terms and conditions cease to be met.

The table below sets out the specification of the net debt at year-end:

	2015	2014
Non-current interest-bearing borrowings	1,015	1,341
Current interest-bearing borrowings	813	220
Payable to affiliated company	40	42
Cash and cash equivalents	-821	-622
Cash and cash equivalents not freely available	61	
Net debt	**1,108**	981

Derivatives designated as cash flow hedges with the application of hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair values of the related hedging instruments.

2015

	Fair value	Expected cash flows	2016	2017 - 2020	After 2020
Interest rate swaps					
Assets	1	**1**		1	
Liabilities	2	**-2**	-1	-1	
Cross Currency swaps					
Assets	69	**65**	6	55	4

2014

	Fair value	Expected cash flows	2015	2016 - 2019	After 2019
Interest rate swaps					
Liabilities	2	-2	-2		
Cross Currency swaps					
Assets	21	22	2	12	8
Liabilities	28	-26	1	2	-29

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 amounts 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 reporting date, without further liabilities. The different levels of input data for the determination of the fair value are defined as follows:

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

Level 2: input other than quoted market prices that come under Level 1 that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: input related to the asset or liability that is not based on observable market data (unobservable input) whereby this input has a significant impact on the outcome.

	Note	Designated at fair value	Fair value hedging instruments	Available-for-sale	Loans and receivables	Other financial liabilities	**Total carrying amount**	Level 1	Level 2	Level 3	**Total Fair value**
											2015
Financial assets not measured at fair value											
Loans issued - fixed rate					21		**21**		22		**22**
Loans issued - variable rate					3		**3**				
Non-current receivables	(11)				4		**4**				
Trade and other receivables	(13)				1,294		**1,294**				
Cash and cash equivalents	(14)				821		**821**				
					2,143		**2,143**				
Financial assets measured at fair value											
Hedging derivatives	(21)		71				**71**		71		**71**
Securities	(11)			80			**80**	79		1	**80**
			71	**80**			**151**				
Financial liabilities not measured at fair value											
Non-current interest-bearing borrowings – fixed rate	(20)					666	**666**		678		**678**
Non-current interest-bearing borrowings – variable rate	(20)					349	**349**				
Current portion of the non-current interest-bearing borrowings	(22)					357	**357**				
Current loans	(22)					353	**353**				
Bank overdrafts	(22)					103	**103**				
Trade and other payables	(23)					2,604	**2,604**				
						4,432	**4,432**				
Financial liabilities measured at fair value											
Hedging derivatives	(21)		9				**9**		9		**9**
Put-option liabilities	(21)	6					**6**			6	**6**
Contingent considerations	(21)	20					**20**			20	**20**
		26	**9**				**35**				

2014

	Note	Designa-ted at fair value	Fair value hedging instru-ments	Available-for-sale	Loans and receiva-bles	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets not measured at fair value											
Loans issued - fixed rate	(11)				33		33		34		34
Loans issued - variable rate	(11)				3		3				
Non-current receivables	(11)				6		6				
Trade and other receivables	(13)				1,320		1,320				
Cash and cash equivalents	(14)				622		622				
					1,984		1,984				
Financial assets measured at fair value											
Hedging derivatives	(21)		23				23		23		23
Securities	(11)			35			35	30		5	35
			23	35			58				
Financial liabilities not measured at fair value											
Non-current interest-bearing borrowings – fixed rate	(20)					600	600		598		598
Non-current interest-bearing borrowings – variable rate	(20)					741	741				
Current portion of the non-current interest-bearing borrowings	(22)					3	3				
Current loans	(22)					201	201				
Bank overdrafts	(22)					16	16				
Trade and other payables	(23)					2,307	2,307				
						3,868	3,868				
Financial liabilities measured at fair value											
Hedging derivatives	(21)		38				38		38		38
Put-option liabilities	(21)	8					8			8	8
Contingent consideration	(21)	7					7			7	7
		15	38				53				

To calculate the fair value of the interest-bearing borrowings with a fixed interest rate an average weighted interest rate of 3.80% (2014: 3.84%) is used. The fair value of the loan provided with a fixed interest rate is determined using an average interest rate of 2.72% (2014: 3.06%).

Securities

In 2015 a 1.1% interest in China Huishan Dairy Holdings Company Ltd. was acquired. FrieslandCampina also holds a 9.99% interest in Synlait Milk Ltd. These interests are classified as other financial assets. Level 1 is used as the measurement method for the valuation and the stock quotations are used as a basis for measurement.

FrieslandCampina holds interests in two companies that are not listed on a stock exchange. These interests are classified as other financial assets. The fair value of these interests is derived from the equity value of the third parties. This measurement method is classified as Level 3.

Hedging derivatives

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

Contingent consideration

The fair value of the contingent consideration relating to the acquisition of a subsidiary was determined based on the estimation of the expected EBITDA growth over the period 2013-2015, discounted at a discount rate of 11%. This measurement method is classified as Level 3.
In addition, a contingent consideration has been assumed as a result of the acquisition of the activities of Anika Group. This contingent consideration is valued on the basis of the present value of the expected payment, which is partly dependent on currency translation developments of the Russian Ruble and external market developments.

Put-option liabilities

FrieslandCampina has agreed put-options with the co-owners of two subsidiaries. The fair value was determined on the basis of the present value of the expected exercise price, should use be made of the agreed put-options. These liabilities are classified as Level 3.

Movements and transfers

During 2015 movements of the financial instruments classified as Level 3 were as follows:

			2015
	Contingent considerations	Put-option liabilities	Securities
Carrying amount at 1 January	7	8	5
Arising from acquisition	17		
Finance costs	1		
Fair value adjustment	-5	-2	-4
Carrying amount at 31 December	**20**	**6**	**1**

			2014
	Contingent consideration	Put-option liabilities	Securities
Carrying amount at 1 January	20	7	5
Finance costs	3		
Fair value adjustment	-16	1	
Carrying amount at 31 December	7	8	5

The fair value adjustments of the contingent considerations are accounted for in other operating costs and income. Fair value adjustments to the liabilities in respect of put-options are accounted for in finance income and costs. In 2015 and 2014 there were no transfers to or from Level 1, 2 of 3.

28 Specification of external auditor's fees

	KPMG Accountants N.V.	Other KPMG network	**Total KPMG network**
			2015
Audit of the financial statements	1.3	1.5	**2.8**
Other audit engagements		0.2	**0.2**
	1.3	**1.7**	**3.0**

	KPMG Accountants N.V.	Other KPMG network	Total KPMG network
			2014
Audit of the financial statements	1.2	1.5	2.7
Other audit engagements		0.1	0.1
Tax related engagements		0.1	0.1
Other non-audit engagements		0.1	0.1
	1.2	1.8	3.0

29 Cash flow statement

The statement of cash flows has been prepared in accordance with the indirect method.

The table below shows the underlying relationships between the movements in the statement of financial position and the statement of cash flows for inventories, receivables and liabilities in 2015.

	Inventories	Receivables	Liabilities
At 31 December 2014	1,264	1,320	2,307
At 31 December 2015	1,307	1,294	2,604
Cash flow resulting from movement in statement of financial position	**-43**	**26**	**297**
Adjustments:			
Currency translation effect	13	26	-45
Acquired through acquisition	12	42	-54
Interest on member bonds and Cooperative loan not yet paid			-12
Movement in liability related to capital expenditure			13
Other movements		-3	
Movements in statement of cash flows	**-18**	**91**	**199**

30 Subsequent events

There were no events after the statement of financial position date that have a significant impact on the financial statements.

31 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all FrieslandCampina's entities.

Changes in accounting policies and disclosures

New and amended standards, changes and interpretations as adopted by FrieslandCampina

The following new interpretations were mandatory for the first time for the financial year beginning 1 January 2015:

IFRIC 21 Levies

This interpretation provides further guidance regarding the recognition of and accounting for a liability in respect of a levy imposed by a government. The interpretation covers both levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and levies for which the amount and timing is certain. This change has no material impact on the consolidated financial statements of FrieslandCampina.

Other amendments

Various other amendments were applicable for the first time in 2015 but do not have any impact on FrieslandCampina's consolidated financial statements.

New and revised standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not adopted early

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. This concerns the following new standards:

IFRS 9 Financial instruments

IFRS 9 comprises revised stipulations regarding the classification and measurement of financial instruments, including a new model for anticipated credit losses for the purpose of calculating the devaluation of financial assets, and the new general requirements for hedge accounting. FrieslandCampina will not early adopt this standard and the extent of the impact has not yet been determined. This standard has yet to be endorsed by the EU. IFRS 9 is expected to become effective from 1 January 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers to determine if, how much and when revenue should be recognised. IFRS 15 also includes more extensive disclosure requirements than the current IFRS guidance for revenue. The impact of IFRS 15 for FrieslandCampina's consolidated financial statements is currently being investigated. IFRS 15 is expected become effective from 1 January 2018, although this standard has yet to be endorsed by the EU.

IFRS 16 Leases

IFRS 16 comprises a single accounting method for all lease agreements in the statement of financial position, whereby lessees must include all leased assets and liabilities in the statement of financial position, except leases for a period of (less than) 12 months and lease contracts linked to assets with a limited value. This will mean that the assets and liabilities related to operating leases will be recognised in the statement of financial position. FrieslandCampina is currently assessing the effect of the application of IFRS 16 on the consolidated financial statements of FrieslandCampina. IFRS 16 is expected to become effective from 1 January 2019. This standard has yet to be endorsed by the EU.

Basis of Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the control is transferred to FrieslandCampina. FrieslandCampina is deemed to have control if, on the basis of its involvement with the entity, it is exposed to or is entitled to variable returns and has the power to influence the variable returns on the basis of its control over the entity.

FrieslandCampina measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

If the excess is negative, a bargain purchase gain is recognised immediately in the income statement. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Transaction costs incurred by FrieslandCampina in connection with a business combination, which are not costs in connection with the issue of shares or bonds, are recognised in the income statement when they are incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity it is not remeasured and settlement is accounted for within equity. Subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

For each business combination, FrieslandCampina elects to measure any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Acquisition of non-controlling interests

Changes in FrieslandCampina's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners in their capacity as owners). Adjustments to non-controlling interests whereby control is retained are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in the income statement.

Subsidiaries

Subsidiaries are entities controlled by FrieslandCampina. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

Loss of control

At the moment of loss of control, FrieslandCampina derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If FrieslandCampina retains any interest in the previous subsidiary such interest is measured at fair value at the date control ceases. Subsequently the interest is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Associates and joint ventures

Associates are those entities in which FrieslandCampina has significant influence, but not control, over the financial and operating policies. Joint ventures are the entities in which FrieslandCampina has joint control and related to which FrieslandCampina is entitled to a portion of the net assets rather than the assets and liabilities of the entity.
A joint venture is a contractual arrangement whereby FrieslandCampina and other parties undertake an economic activity through a jointly controlled entity.
Joint control exists when strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include FrieslandCampina's share of the results and other comprehensive income of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When FrieslandCampina's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest that forms a part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that FrieslandCampina has an obligation or has made payments on behalf of the investee.

Elimination of inter-company transactions

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of FrieslandCampina's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A list of the principal subsidiaries, joint ventures and associates is included on page 140.

Foreign currency translation

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates on the statement of financial position date. Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction.

Non-monetary items valued at historical cost in foreign currencies are translated at the exchange rates on the date of the initial transaction. Non-monetary items valued at fair value in foreign currencies are translated using the exchange rates on the date on which the fair value was determined.

Foreign currency differences arising on translation are recognised in the income statement, except for the following differences, which are recognised in other comprehensive income arising on the translation of:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in the consolidated statement of comprehensive income are reclassified to the income statement);
- a financial liability designated as a hedge of the net investment in a foreign operation;
- qualifying cash flow hedges to the extent the hedges are very effective.

These differences are recognised in equity via the consolidated statement of comprehensive income.

Foreign operations

Assets and liabilities of foreign subsidiaries are translated at the exchange rates on the statement of financial position date; their income and expenses are translated at the exchange rates on the date of the transaction. Foreign currency translation differences are recognised in other comprehensive income and presented in the currency translation reserve in equity. If however, the foreign operation is a subsidiary that is not owned by FrieslandCampina for 100%, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When FrieslandCampina disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is classified as a non-controlling interest. When FrieslandCampina disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

If the settlement of a monetary receivable from or obligation to a foreign activity is neither planned nor likely in the foreseeable future, this is considered as a net investment in the foreign activity. Currency translation differences that arise through the translation of a receivable or liability that is classified as a net investment in a foreign activity are recognised in the consolidated statement of comprehensive income and accounted for in the currency translation differences reserve in equity. If this receivable or liability is repaid, the portion of the currency translation differences reserve related to this net investment is transferred to the income statement.

The following exchange rates have been used in the preparation of the consolidated financial statements:

	2015	
	At year-end	Average
US dollar	1.09	1.11
Chinese yuan	7.09	6.98
Philippine peso	51.25	50.55
Hong Kong dollar	8.42	8.61
Indonesian rupiah (10,000)	1.51	1.49
Malaysian ringgit	4.69	4.34
Nigerian naira (100)	2.16	2.19
Russian ruble	78.85	68.02
Singapore dollar	1.54	1.53
Thai baht	39.12	38.03
Vietnamese dong (10,000)	2.44	2.43

	2014	
	At year-end	Average
US dollar	1.21	1.33
Chinese yuan	7.51	8.19
Philippine peso	54.19	58.98
Hong Kong dollar	9.38	10.30
Indonesian rupiah (10,000)	1.50	1.58
Malaysian ringgit	4.23	4.35
Nigerian naira (100)	2.21	2.19
Russian ruble	70.23	51.03
Singapore dollar	1.60	1.68
Thai baht	39.94	43.14
Vietnamese dong (10,000)	2.59	2.82

Financial Instruments

Non-derivative financial assets

FrieslandCampina initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through the income statement) are recognised initially on the trade date, which is the date that FrieslandCampina becomes a party to the contractual provision of the instrument.

FrieslandCampina derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position if, and only if, FrieslandCampina has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

FrieslandCampina classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of the option liability is determined on the basis of the discounted cash flows.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is designated as such on initial recognition or if the financial asset is reclassified as an available-for-sale financial asset. Attributable transaction costs are recognised in the income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the income statement.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. The fair value of trade receivables and other receivables outstanding for longer than a year are determined at the discounted value of future cash flows, discounted at the market interest rate on the statement of financial position date.

Subsequent to initial recognition, loans and receivables are measured at amortised costs using the effective interest method, less any impairment losses.

Available-for-sale financial assets
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and any changes, other than impairment losses, are recognised in the consolidated statement of other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised the gain or loss accumulated in equity is reclassified to the income statement.

The fair value of securities of entities listed on the stock exchange is determined on the basis of the stock exchange price. The fair value of the securities of entities not listed on the stock exchange is determined using information not based on observable market data.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and in hand and short-term deposits ordinarily with original maturities of three months or less from the acquisition date.

Non-derivative financial liabilities
FrieslandCampina initially recognises debt securities and subordinated liabilities on the date on which they were originally issued. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that FrieslandCampina becomes a party to the contractual provision of the instrument.

FrieslandCampina derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

FrieslandCampina classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised costs using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Derivatives (including hedge accounting)
FrieslandCampina holds derivatives to hedge its foreign currency risk, cash flow risks and interest rate risk exposure.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes are accounted for as described below, depending on whether hedge accounting has been applied. When measuring derivatives the credit risk arising from adjustments to the fair value for the credit risk of the counterparty (Credit Valuation Adjustment (CVA)) and the Company's credit risk (Debit Valuation Adjustment (DVA)) are taken into account.

The fair value of forward exchange contracts is generally determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract. The fair value of interest rate swaps and cross currency swaps is determined by discounting the cash flows resulting from the contractual interest rates of both sides of the transaction. The fair value takes into account the current interest rates, current foreign currency rates and the current creditworthiness of both the counterparties and FrieslandCampina itself.

Derivatives for which hedge accounting is applied
FrieslandCampina applies cash flow hedge accounting on a portion of its foreign currency and interest rate derivatives.

Determination of hedge effectiveness
On initial designation of the derivative as a hedging instrument, FrieslandCampina formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. At the start of the hedge relationship, and on each subsequent reporting date, FrieslandCampina assesses whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in fair value or cash flow attributable to the hedged position(s) throughout the period of the hedge such that the actual result of every hedge will be between 80% and 125%. The criteria for a cash flow hedge of an anticipated transaction are that it is very probable that the transaction will take place and that this transaction will create an exposure to fluctuations in cash flow of such a significance that they could ultimately affect the reported profit or loss.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or as a highly probable forecast transaction that could affect the income statement, the effective portion of changes in the fair value of the derivative is recognised in the consolidated statement of other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the hedged item is a non-financial asset the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to the income statement in the same period that the hedged item affects the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, is terminated or is exercised, hedge accounting is terminated from the date of the most recent assessment of effectiveness. If the forecast transaction is no longer expected to occur the balance in equity is reclassified to the income statement.

Derivatives without application of hedge accounting
When a derivative is not designated as a hedge relationship that qualifies for hedge accounting all changes in its fair value are recognised immediately in the income statement.

Equity

Share capital
The shares are classified as equity. Costs directly attributable to the extension of the share capital are deducted from equity after taxation. The authorised capital comprises paid-up capital and the remaining portion concerns share premium reserve.

Other financial instruments
Other financial instruments are classified as equity if the instruments do not have a maturity date and FrieslandCampina can defer the interest payments.

Dividends
Dividends are recognised as a liability in the period in which they are declared.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost price includes any costs directly attributable to the acquisition of the asset. The cost price of self-constructed assets comprises:

- costs of materials and direct labour costs;
- any other costs directly attributable to making the asset ready for use;
- if FrieslandCampina has an obligation to remove the asset, an estimate of the cost of dismantling and removing the items;
- capitalised borrowing costs.

Property, plant and equipment also include assets of which FrieslandCampina has obtained economic ownership under finance lease agreements. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

If parts of an item of property, plant and equipment have different useful lives the parts are accounted for as separate components of property, plant and equipment. Any gain or loss on the disposal of an item of property, plant and equipment is determined on the basis of a comparison of the proceeds from the sale and the carrying amount of the property, plant or equipment and is recognised in the income statement.

Acquisition of property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which property could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm’s length transaction based on negotiations wherein the parties had each acted knowledgeably.
The fair value of items of plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement costs when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Subsequent costs
Subsequent costs are capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to FrieslandCampina. Ongoing repair and maintenance costs are expensed as incurred.

Depreciation
Items of property, plant and equipment are depreciated on a straight-line basis in the income statement over the estimated useful life of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that FrieslandCampina will obtain ownership at the end of the lease term. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives for the current year of significant items of property, plant and equipment and other operational assets are as follows:

Land	not depreciated
Buildings	10-25 years
Plant and equipment	5-33 years
Other operational assets	3-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and if appropriate, adjusted.

Intangible assets and goodwill
Goodwill
Goodwill that arises on the acquisition of subsidiaries is presented as an intangible asset. For the measurement of goodwill at initial recognition, see the basis of consolidation for business combinations. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees the carrying amount of goodwill is included in the carrying amount of the investment and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Research and development
Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognised in the income statement as incurred. Development activities include the drawing-up of a plan or design for the production of new or significantly improved products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and FrieslandCampina intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets
Other intangible assets which are acquired by FrieslandCampina and which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Acquisition of intangible assets
The fair value of patents and trademark names acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Subsequent costs
Subsequent costs are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

Amortisation
Intangible assets other than goodwill are amortised on a straight-line basis in the income statement over their estimated useful lives calculated from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Trademarks and patents	10-40 years
Customer relations	5-20 years
Software	5 years
Other intangible non-current assets	5-20 years
Capitalised internal development costs	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Inventories
Inventories are measured at the lower of cost and market value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Acquisition of inventories
The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated cost of completion and sale and plus a reasonable profit margin based on the effort required to complete and sell the inventories.

Impairments
Non-derivative financial assets
A financial asset that is not classified at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event has had a negative effect on the estimated future cash flows of the asset that can be measured reliably. An objective indication of impairment can comprise significant payment difficulties of a debtor or group of debtors, indications that it is possible a debtor may not be able to meet payment obligations or may file for bankruptcy, the disappearance of an active market that will bring about, or observable data indicating, a measurable decline in the expected cash flows of a group of financial assets.

Financial assets measured at amortised cost
FrieslandCampina measures financial assets at amortised cost at both a specific asset and collective level. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Financial assets classified as available-for-sale
Impairment losses on financial assets classified as available-for-sale are recognised by transferring the accumulated loss in the fair value reserve to comprehensive income. The transferred amount is the difference between the acquisition price, less any repayment of the acquisition price and amortisation, and the current fair value, reduced by any impairment loss previously recognised in the result.

Non-financial assets
The carrying amounts of FrieslandCampina's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. Goodwill and intangible assets with an indefinite life are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to dispose. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. The value in use is determined on the basis of the budget and the long-term plans and there after the cooperative surcharge of Cheese, Butter & Milkpowder is allocated to other business groups.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to the operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level within FrieslandCampina at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the FrieslandCampina CGUs that are expected to benefit from the synergies of that combination.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss on other assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets held for sale or distribution

Non-current assets (or disposable groups) of which the carrying amount is expected to be recovered primarily via a sale transaction rather than through continuing use are classified as held for sale or distribution. Immediately before being classified as such the assets (or the components of a group of assets that will be disposed of) are remeasured in accordance with FrieslandCampina's accounting policies. Thereafter, the assets (or disposable groups) are generally measured at the lower of their carrying amount and their fair value less costs to sell. An impairment on a disposal group is first allocated to goodwill and then on a pro rata basis to the remaining assets and liabilities, except that no impairment is allocated to inventories, financial assets, deferred tax assets or employee related provisions, which continue to be measured in accordance with FrieslandCampina's accounting policies. Impairment losses arising from the initial classification as held for sale or distribution and gains or losses from subsequent remeasurement are recognised through the income statement. If the carrying value exceeds the cumulative impairment loss this difference is not recognised.

Once they have been classified as held for sale or distribution, intangible assets and property, plant and equipment are not amortised or depreciated.

In addition, equity accounting of equity accounted investments ceases once classified as held for sale or distribution.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which the related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The portion of the pension obligation FrieslandCampina has placed with an industry-branch pension fund in the Netherlands can be qualified as a defined contribution plan.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net pension liability (asset) in respect of defined benefit plans are calculated annually for each plan on the basis of expected future developments in discount rates, salaries and life expectancy, less the fair value of the fund investments related to the plan. The present value of the obligations is calculated actuarially using the projected unit credit method. The discount rate used is the return at the balance sheet date on high-quality corporate bonds with at least an AA credit rating and with maturity dates similar to the term of the pension obligations.

The net present value per pension plan is recognised as a pension obligation, or as a pension asset, under non-current financial assets.

Remeasurement of the net pension liability (asset), comprising actuarial gains and losses resulting from changes in the assumptions for calculating the pension obligation, the return on plan assets (excluding interest) and the impact of the effect of the asset ceiling (if applicable) is carried out for each individual plan and recognised immediately in the consolidated statement of comprehensive income.

If the calculation of the net pension liability per pension plan results in a positive balance, the asset recognised is limited to the sum of the present value of any future repayments by the fund or lower future pension contributions.

FrieslandCampina determines the net interest expenses (gains) resulting from the defined benefit plan by multiplying the net pension liability (asset) with the discount rate used to measure the defined pension plan at the start of the year. Changes in the net pension liability (asset) during the year as a result of benefits being paid out are taken into account. The net interest expenses (gains) and other costs related to the defined benefit plan are recognised in the income statement.

FrieslandCampina recognises results due to the adjustment (plan amendment, curtailment and settlement) of pension plans through the income statement at the time an adjustment occurs or at the moment a restructuring provision is formed.

Other long-term employee benefits

The net obligation for other long-term employee remuneration is recognised similarly to defined benefit plans.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed at the time the related service is provided. A liability is recognised for the amount expected to be paid as a short-term employee benefit if FrieslandCampina has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

A provision is recognised in the statement of financial position when, as a result of a past event, FrieslandCampina has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

Provisions for restructuring are formed when FrieslandCampina has formalised a detailed and formal restructuring plan and has either started implementing the restructuring plan or has announced the main aspects of the restructuring in such a way that the employees who will be affected by it have a valid expectation the restructuring will take place.

A provision for onerous contracts is recognised when the expected benefits to be derived by FrieslandCampina from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established FrieslandCampina recognises any impairment loss on the assets associated with the contract.

Revenue
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue as the sales are recognised.

FrieslandCampina has customer loyalty programmes in place through which customers can earn points when they purchase certain FrieslandCampina products. When a minimum number of points has been earned they can be exchanged for discounts on third-party goods or services. The proceeds are allocated to the products sold and the points granted with the value attributed to the points being their fair value. The fair value of the value attributed to the points is deferred until the savings points are redeemed, at which point the fair value is recognised as revenue.

Cost of goods sold
Cost of goods sold comprise primarily the purchase of goods (including milk from the member dairy farmers and other raw materials and consumables), production costs (including personnel costs, depreciation and impairments of production facilities) and related transport and logistics costs.

The raw materials and consumables costs that are a component of cost of goods sold are determined in accordance with the first-in-first-out principle. The costs include the currency translation differences on trade receivables and payables as well as differences in the measurement of related derivatives.

Advertising and promotion costs
Advertising and promotion costs comprise mainly expenditure for marketing and consumer campaigns.

Selling, general and administrative costs
Selling, general and administrative costs comprise mainly the costs of the sales organisation, outbound transport costs, research and development costs, general costs and administrative costs.

Other operating costs and income
Other operating costs and income consist of costs and income that, according to the management, are not the direct result of normal business operations and/or that in terms of nature and size are so significant that for a proper analysis of the underlying result they must be considered separately.

Government grants
Government grants are recognised at fair value when there is reasonable assurance that the grant will be received and all related conditions will be complied with. When a grant relates to an expense item it is deducted from the costs made over the period that are necessary to match the grant on a systematic basis to the costs that it is intended to compensate. By reducing the depreciation expense this grant is accounted for in the income statement as income over the period of the expected useful life of the asset to which the grant relates.

Leases
At the inception of an arrangement FrieslandCampina determines whether such an arrangement is, or contains, a lease. This will be the case if the following two criteria are met: the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and the arrangement contains a right to use the asset(s). At inception, or on reassessment of the arrangement, FrieslandCampina separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If FrieslandCampina concludes that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an implied finance cost on the liability is recognised using FrieslandCampina's incremental borrowing rate.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so at to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and costs

Finance income comprises interest received on loans and receivables from third parties, dividend income, positive changes to the fair value of financial assets valued at fair value after incorporating changes in value in the income statement, gains on hedging instruments that are recognised in the income statement and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised in the income statement as it accrues using the effective interest method.

Finance costs comprises interest expenses on borrowings and other obligations to third parties, fair value losses on financial assets at fair value through profit or loss, unwinding the discount on provisions, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in the income statement and reclassifications of amounts previously recognised in other comprehensive income. Interest expenses are recognised in the consolidated income statement as they accrue by means of the effective interest method.

Foreign currency gains and losses from trade debtors and creditors are recognised as a component of operating profit. All other foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Taxes

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not be settled in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax FrieslandCampina takes into account the effect of uncertain tax positions and whether additional taxes and interest may be due. FrieslandCampina operates in several different tax jurisdictions. This leads to complex tax issues. The ultimate decision regarding these complex tax issues is often outside the control of FrieslandCampina and depends on the efficiency of the legal processes in the relevant tax jurisdiction. FrieslandCampina believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions about future events. New information may become available that causes FrieslandCampina to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will affect tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the assets and liabilities relate to taxes levied by the same tax authority, on the same taxable entity or on different tax entities, but they intend either settling current tax liabilities and assets on a net basis or realising their tax assets and liabilities simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Segmentation

The identified operating segments are the separate segments within FrieslandCampina for which financial information is available and frequently evaluated by the Executive Board in order to come to decisions regarding the attribution 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, Middle East & Africa; Consumer Products Asia; Cheese, Butter & Milkpowder and Ingredients. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, corporate expenses, the performance premium and the distribution of member bonds–fixed.

Cash flows

The cash flow statement is prepared using the indirect method. Cash flows in foreign currencies have been translated into euros at the exchange rates prevailing on the transaction date.

Principal subsidiaries, joint ventures and associates [1]

Principal subsidiaries

The Netherlands

Den Hollander Food B.V., Lochem
FrieslandCampina Cheese & Butter B.V., Amersfoort
FrieslandCampina Consumer Products Europe B.V., Amersfoort
FrieslandCampina Consumer Products International B.V., Amersfoort
FrieslandCampina Creamy Creation B.V., Amersfoort
FrieslandCampina DMV B.V., Amersfoort
FrieslandCampina Domo B.V., Amersfoort
FrieslandCampina International Holding B.V., Amersfoort
FrieslandCampina Kievit B.V., Meppel
FrieslandCampina Nederland B.V., Amersfoort
FrieslandCampina Nutrifeed B.V., Amersfoort
FrieslandCampina Riedel B.V., Amersfoort
Zijerveld en Veldhuyzen B.V., Bodegraven

Belgium

Fabrelac B.V.B.A., Bree
FrieslandCampina Belgium N.V., Aalter
FrieslandCampina Belgium Cheese N.V., Aalter
FrieslandCampina Cheese N.V., Aalter
FrieslandCampina Professional N.V., Lummen
FrieslandCampina C.V.B.A., Aalter (99.84%)
Yoko Cheese N.V., Genk (99.89%)

Germany

CMG Grundstücksverwaltungs- und Beteiligungs - GmbH, Heilbronn (89.56%) [2]
DMV-Fonterra Excipients GmbH & Co. KG, Goch (50%) [3]
FrieslandCampina Cheese GmbH, Essen
FrieslandCampina Germany GmbH, Heilbronn (94.9%)
FrieslandCampina Kievit GmbH, Lippstadt
FrieslandCampina Professional GmbH, Cologne
Milchverwaltung FrieslandCampina Germany GmbH, Cologne
Sahnemolkerei Hubert Wiesehoff GmbH, Schoppingen (49%) [3]

France

FrieslandCampina Cheese France S.A.S., Sénas
FrieslandCampina France S.A.S., Saint-Paul-en-Jarez

Greece

FrieslandCampina Hellas S.A., Athens

Hungary

FrieslandCampina Hungária zRt, Budapest (99.99%)

Italy

FrieslandCampina Italy Srl, Verona
Orange Srl, Bari (80%) [2]

Austria

FrieslandCampina Austria GmbH, Stainach

Romania

FrieslandCampina Romania S.A., Satu Mare (99.99%)

Russia

Campina LLC, Moscow

[1] Ownership 100%, unless stated otherwise. If the percentage is less than 100% the direct interest of the parent in the subsidiary is stated.
[2] FrieslandCampina is, on the grounds of an agreement, entitled to 100% of the profit of this company.
[3] FrieslandCampina has control over these entities.

Spain
FrieslandCampina Canarias S.A., Las Palmas
FrieslandCampina Iberia S.L., Barcelona
United Kingdom
FrieslandCampina UK Ltd., Horsham
China
FrieslandCampina Ingredients (Beijing) Co. Ltd., Beijing
FrieslandCampina Ingredients (Shanghai) Co. Ltd., Shanghai
FrieslandCampina Trading (Shanghai) Co. Ltd., Shanghai
Hong Kong
China Huishan Dairy Investments (Hong Kong) Ltd., Hong Kong (50%) [3]
FrieslandCampina (Hong Kong) Ltd., Hong Kong
Philippines
Alaska Milk Corporation, Makati City (99.86%)
Indonesia
PT Frisian Flag Indonesia, Jakarta (95%)
PT Kievit Indonesia, Jakarta
Malaysia
Dutch Lady Milk Industries Berhad, Petaling Jaya (50.96%)
Singapore
FrieslandCampina (Singapore) Pte. Ltd., Singapore
FrieslandCampina AMEA Pte. Ltd., Singapore
Thailand
FrieslandCampina Fresh (Thailand) Co. Ltd., Bangkok
FrieslandCampina (Thailand) PCL, Bangkok (99.71%)
Vietnam
FrieslandCampina Ha Nam Co. Ltd., Phu Ly
FrieslandCampina Vietnam Co. Ltd., Binh Duong province (70%)
Saudi Arabia
Friesland Arabia Ltd., Jeddah
United Arab Emirates
FrieslandCampina Middle East DMCC, Dubai
Egypt
FrieslandCampina Egypt Consulting and Trading S.A.E., Cairo
Ghana
FrieslandCampina West Africa Ltd., Accra
Ivory Coast
FrieslandCampina Ivory Coast S.A., Abidjan
Nigeria
FrieslandCampina WAMCO Nigeria PLC, Ikeja (67.81%)
USA
FrieslandCampina Ingredients North America Inc, Paramus, State: New Jersey

Joint ventures and associates [4]

Betagen Holding Ltd., Hong Kong, China (50%)
Coöperatieve Zuivelinvesteerders U.A., Oudenhoorn, the Netherlands (49.9%)
Dutch Dairy Ingredients B.V., Leeuwarden, the Netherlands (82.33%)
Great Ocean Ingredients Pty. Ltd., Allansford, Victoria, Australia (50%)

[4] FrieslandCampina has no joint control or significant influence in these joint ventures and associates. This has been determined on the basis of an analysis of both the shares held and FrieslandCampina's voting rights within the joint venture or associate.

Company statement of financial position

As at 31 December, before profit appropriation, in millions of euros

	Note	2015	2014
Assets			
Investments in subsidiaries	(2)	2,179	2,144
Loans to subsidiaries	(3)	362	1,557
Deferred tax assets		8	11
Other financial assets	(9)	77	38
Non-current assets		**2,626**	3,750
Other receivables	(4)	4,398	3,575
Other financial assets	(9)	15	14
Cash and cash equivalents		285	46
Current assets		**4,698**	3,635
Total assets		**7,324**	7,385
Equity			
Issued capital		370	370
Share premium		114	114
Member bonds		1,428	1,300
Cooperative loan		296	296
Fair value reserve		24	11
Cash flow hedge reserve		-25	-33
Currency translation reserve		-45	-66
Profit for the year attributable to the shareholder of the Company		218	183
Retained earnings		452	412
Equity attributable to the shareholder of the Company and other providers of capital	(5)	**2,832**	2,587
Liabilities			
Interest-bearing borrowings	(6)	964	1,298
Other financial liabilities	(9)	5	31
Non-current liabilities		**969**	1,329
Current borrowings	(7)	692	158
Trade and other payables		8	9
Other liabilities	(8)	2,819	3,295
Other financial liabilities	(9)	4	7
Current liabilities		**3,523**	3,469
Total liabilities		**4,492**	4,798
Total equity and liabilities		**7,324**	7,385

Company income statement

In millions of euros

	2015	2014
Share of profit of subsidiaries, net of tax	215	196
Other results, net of tax	55	37
Profit for the year	**270**	233

Notes to the company financial statements

In millions of euros, unless stated otherwise

1 General

Accounting policies and notes

The Company financial statements are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code, making use of the option of article 2:362, paragraph 8 of the Dutch Civil Code regarding the application of the accounting policies for the measurement of assets and liabilities and determination of result (measurement principles) applied in the consolidated financial statements. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The company income statement is presented in accordance with article 2:402 of the Dutch Civil Code.

See the Notes to the consolidated financial statements for items not included in the Notes to the company financial statements. Investments in subsidiaries are measured using the net asset value.

A statutory reserve has been formed for the retained earnings of subsidiaries where distribution is subject to restrictions.

A list of subsidiaries and other companies in which the Company participates directly or indirectly, is available for inspection at FrieslandCampina's offices and has been filed with the Trade Registry.

2 Investments in subsidiaries

	2015	2014
At 1 January	2,144	2,001
Profit for the year	215	196
Other comprehensive income	56	-113
Transactions with holders of non-controlling interest	-176	
Reclassification of loans to subsidiaries	-60	60
At 31 December	**2,179**	2,144

3 Loans to subsidiaries

	2015	2014
At 1 January	1,557	1,225
Reclassification of loans of subsidiaries	60	-60
Reclassification of current loans to other receivables	-1,237	-35
Loans issued	39	497
Repaid loans	-57	-70
At 31 December	**362**	1,557

			2015			2014
Maturity schedule	2017 - 2020	After 2020	**Total repayments**	2016 - 2019	After 2019	Total repayments
Loans to subsidiaries	342	20	**362**	1,533	24	1,557

The loans issued serve to finance subsidiaries. The current portion of these issued loans is recognised under other receivables. The average interest rate on the total of financing of subsidiaries at the end of 2015 was 1.54% (2014: 1.50%).

4 Other receivables

EUR 2,816 million (2014: 3,271 million) of the other receivables relates to a temporary current account with subsidiaries resulting from the sweeping of bank positions within FrieslandCampina and EUR 1,579 million (2014: EUR 304 million) relates to the current receivables from subsidiaries and the current portion of loans to subsidiaries. Loans expected to be repaid in 2016 include loans to FrieslandCampina Nederland Holding B.V. and FrieslandCampina International Holding B.V. amounting to a total of EUR 1,225 million. These loans were, therefore, classified as current at the end of 2015.

5 Equity attributable to the shareholder and other providers of capital of the Company

The number of issued shares at both the beginning and the end of the financial year was 3,702,777. EUR 370 million has been paid-up on these shares. The authorised capital amounts to EUR 1 billion, divided into 10,000,000 shares with a nominal value of EUR 100. The shares are held by Zuivelcoöperatie FrieslandCampina U.A.

The cash flow hedge reserve and the currency translation reserve are statutory reserves and as such cannot be distributed. In 2014 EUR 4 million of the fair value reserve was also classified as a statutory reserve in respect of the remeasurement of the investments for which there is no frequent quoted market price. In 2015 this reserve decreased to EUR 0 million. A further EUR 261 million (2014: EUR 152 million) of the retained earnings is classified as a statutory reserve (‘reserve deelnemingen’). This statutory reserve concerns, among other items, the implementation costs of the ICT standardisation programme (see Note 9 in the consolidated financial statements) and as such cannot be distributed.

The equity that is attributable to the shareholder of the Company and other providers of capital and that is included in the company financial statements is equal to the equity attributable to the shareholder and other providers of capital of the Company that is included in the consolidated financial statements. See Note 16 in the consolidated financial statements for more details regarding equity.

6 Non-current interest-bearing borrowings

	2015	2014
Borrowings from syndicate of credit institutions	296	695
Borrowings from institutional investors	666	600
Other interest-bearing borrowings	2	3
	964	1,298

The terms and conditions of outstanding non-current borrowings are as follows:

Loan	Currency	Nominal interest rate	Year of maturity	Nominal amount 2015	Carrying amount 2015	Nominal amount 2014	Carrying amount 2014
Syndicate	EUR	0.7	2020	300	296	700	695
Private Placement	USD/EUR	4.4	2017	129	129	117	117
Private Placement	USD	5.7	2020	122	122	110	110
Private Placement	USD	4.0	2022	74	74	66	66
Private Placement	USD	4.2	2024	134	134	121	121
Private Placement	USD	4.0	2017-2027	207	207	186	186
Other				2	2	3	3
				968	**964**	1,303	1,298

See Note 20 in the consolidated financial statements for the disclosure of borrowings from the syndicate of credit institutions and borrowings from institutional investors.

7 Current borrowings

	2015	2014
Current portion of non-current interest-bearing borrowings	349	
Current loans	215	107
Borrowings from member dairy farmers	34	39
Bank overdrafts	94	12
	692	158

At the end of 2015 an amount of EUR 350 million of a withdrawal of a current nature from the syndicate facility was recognised under the current portion of the non-current interest-bearing borrowings.

EUR 115 million (2014: EUR 107 million) of the current borrowings is related to Commercial Papers and EUR 100 million to uncommitted facilities (2014: EUR 0 million).

The obligations to member dairy farmers concern three-year deposit loans held by member dairy farmers. These loans are repayable on demand by the member dairy farmers with the payment of a 1% interest penalty.

8 Current liabilities

EUR 2,772 million (2014: EUR 3,252 million) of the current liabilities concerns a temporary current account with subsidiaries as a result of the sweeping of bank positions within FrieslandCampina. In addition a liability to Zuivelcoöperatie FrieslandCampina U.A. of EUR 40 million is recognised (2014: EUR 42 million).

9 Other financial assets and liabilities

	2015	2014
Other financial assets		
Cross currency swaps	69	21
Interest rate swaps	1	
Forward exchange contracts	4	5
Loans issued	8	17
Interest receivable	10	9
	92	52
Other financial liabilities		
Cross currency swaps	3	31
Interest rate swaps	2	2
Forward exchange contracts	4	5
	9	38

The cross currency swaps and interest rate swaps are equal to the consolidated financial statements (see Note 21 of the consolidated financial statements). As a result of derivatives arranged with subsidiaries, the forward exchange contracts recognised in other financial assets in the company financial statements are higher than in the consolidated financial statements. The contract volumes for the forward exchange contracts are EUR 278 million (assets) and EUR 267 million (liabilities) (2014: EUR 173 million and EUR 176 million respectively).

10 Financial instruments

FrieslandCampina is sensitive to various financial risks, such as credit risks, interest rate risks, liquidity risks and currency risks. The Notes to the consolidated financial statements contain information regarding FrieslandCampina's exposure to each of these risks and FrieslandCampina's objectives, principles and procedures for managing and measuring these risks, see Note 27 of the consolidated financial statements.

These risks, objectives, principles and procedures for the management and measurement of these risks are correspondingly applicable for the Company financial statements of FrieslandCampina. The following quantitative disclosure is also included.

Fair value

The fair value of most of the financial instruments recognised in the statement of financial position is virtually the same as the carrying amount. The carrying amounts of financial assets and liabilities as recognised in the company statement of financial position, and the financial instruments that are either measured at fair value, or that have a carrying value that differs from the fair value, are stated in the table below per valuation method. The fair value is the amount that would be received or paid if the receivables and/or liabilities were settled on the reporting date, without further liabilities.

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets not measured at fair value				
Loans to subsidiaries	362	363	1,557	1,558
Other receivables	4,398	4,398	3,575	3,575
Other financial assets (excluding hedging derivatives)	18	18	26	26
Cash and cash equivalents	285	285	46	46
	5,063	**5,064**	5,204	5,205
Financial assets measured at fair value				
Hedging derivatives	74	74	26	26
	74	**74**	26	26
Financial liabilities not measured at fair value				
Non-current interest-bearing borrowings - fixed rate	666	678	600	598
Non-current interest-bearing borrowings - variable rate	298	298	698	698
Current portion of the non-current interest-bearing borrowings	349	349		
Current borrowings	343	343	158	158
Current payables to subsidiaries	2,819	2,819	3,295	3,295
Trade and other payables	8	8	9	9
	4,483	**4,495**	4,760	4,758
Financial liabilities measured at fair value				
Hedging derivatives	9	9	38	38
	9	**9**	38	38

11 Commitments and contingencies

Royal FrieslandCampina N.V. has issued statements of liability in conformance with Article 403, Part 9 Book 2 of the Dutch Civil Code in respect of liabilities resulting from legal acts of FrieslandCampina Nederland B.V., FrieslandCampina International Holding B.V. and most of the Dutch subsidiaries of FrieslandCampina Nederland B.V. and FrieslandCampina International Holding B.V.

FrieslandCampina N.V., together with the majority of the Dutch operating companies and Zuivelcoöperatie FrieslandCampina U.A., forms the fiscal unit Zuivelcoöperatie FrieslandCampina U.A. for VAT and income tax. On these grounds the Company is severally liable for the tax liability of the fiscal unit as a whole.

12 Remuneration of the Supervisory Board and the Statutory Directors

The remuneration of members of the Supervisory Board and the Statutory Directors is equal to the remuneration of members of the Supervisory Board and the Executive Board as disclosed in Note 26 of the consolidated financial statements. During the year under review no employees were employed by the Company.

Amersfoort, the Netherlands, 26 February 2016

Executive Board
Royal FrieslandCampina N.V.
R.A. Joosten, CEO
H.M.A. Schumacher, CFO
S.G. van den Berg
P.J. Hilarides
G. Sklikas

Supervisory Board
Royal FrieslandCampina N.V.
P. Boer, Chairman
J.P.C. Keijsers, Vice-chairman
J.W. Addink-Berendsen
B.E.G. ten Doeschot
P.A.F.W. Elverding
L.W. Gunning
D.R. Hooft Graafland
A.A.M. Huijben-Pijnenburg
F.A.M. Keurentjes
S.R.F. Ruiter
H. Stöcker
B. van der Veer
W.M. Wunnekink

Other Information

Provisions of the Articles of Association governing profit appropriation

The provisions regarding the appropriation of profit are included in Article 28 of the Articles of Association. These can be summarised as follows: profit will be distributed after adoption of the financial statements showing such distribution to be legitimate. The profit will be at the disposal of the General Meeting of Shareholders. The General Meeting will adopt the Company's reserve policy, as included in Article 27 of the Articles of Association, on a proposal from the Executive Board approved by the Supervisory Board. Distributions chargeable to a reserve may be made on a proposal from the Executive Board, which will be subject to the approval of the Supervisory Board, pursuant to a resolution passed by the General Meeting. Unretained profit will be distributed.

Proposed appropriation of profit attributable to the shareholder of the Company

The Supervisory Board has approved the Executive Board's proposal that of the EUR 270 million profit, EUR 10 million is reserved as interest compensation for the Cooperative loan, EUR 42 million is reserved as interest compensation on the member bonds and EUR 218 million is added to the retained earnings. This profit appropriation has been incorporated into the financial statements.

Subsequent events

For information regarding subsequent events, see Note 30 of the consolidated financial statements 2015.

Independent auditor's report

To: the General Meeting and the Supervisory Board of Royal FrieslandCampina N.V.

Report on the audit of the annual financial statements 2015

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Royal FrieslandCampina N.V. as at 31 December 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the company financial statements give a true and fair view of the financial position of Royal FrieslandCampina N.V. as at 31 December 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of Royal FrieslandCampina N.V. (the company), based in Amersfoort. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2015;
2 the following consolidated statements for 2015: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company statement of financial position as at 31 December 2015;
2 the company income statement for 2015; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

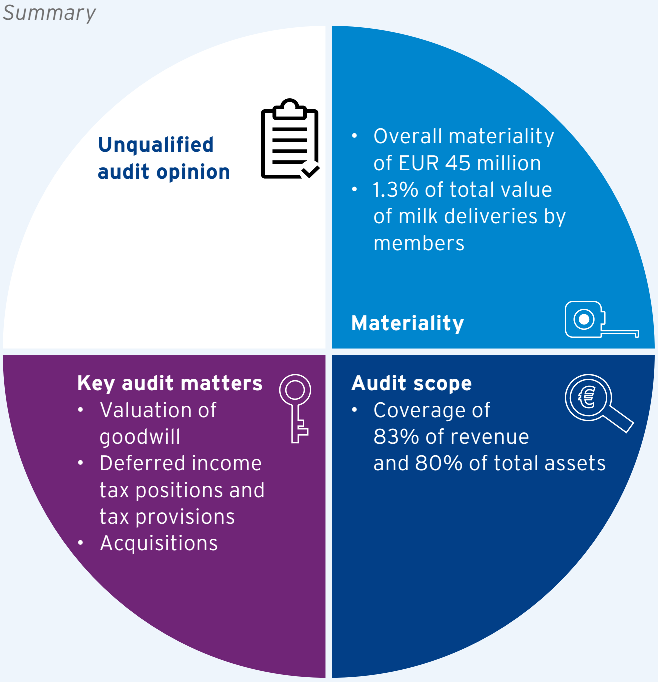
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the financial statements’ section of our report.

We are independent of Royal FrieslandCampina N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)' and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants (VGBA)'.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Audit approach

Summary



Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 45 million (2014: EUR 45 million). The materiality is based on the total value of milk deliveries by the members of Zuivelcoöperatie FrieslandCampina U.A. (approximately 1.3% of this, 2014: 1.1%). The total milk deliveries are included in the consolidated income statement under Cost of goods sold. We consider this benchmark to be most relevant as the member dairy farmers, as members of the shareholder (the cooperative) are also the suppliers of the company and the remuneration for the total milk deliveries comprise the largest part of the remuneration the member dairy farmers receive from the cooperative. In addition, the appropriateness for the materiality was assessed by comparing the amount to consolidated revenue (approximately 0.4% of this, 2014: 0.4%). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 1 million (2014: EUR 1 million), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Royal FrieslandCampina N.V. is head of a group of entities. The financial information of this group is included in the financial statements of Royal FrieslandCampina N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for the components. Decisive were the size and/or the risk profile of the components or operations. On this basis, we selected the components for which an audit on the complete set of financial information or an audit of specific account balances were necessary.

KPMG

We scoped components of Royal FrieslandCampina N.V. into the group audit where they are of significant size or contain specific risks. Where this did not give adequate coverage we used our judgement to bring additional components in scope.

Applying these scoping criteria led to a full scope audit for 20 components and to audits on specific account balances for 40 components. Furthermore, the group audit team performed audit procedures on significant risk areas at group level, for example on acquisitions, the goodwill impairment test, income taxes and pensions.

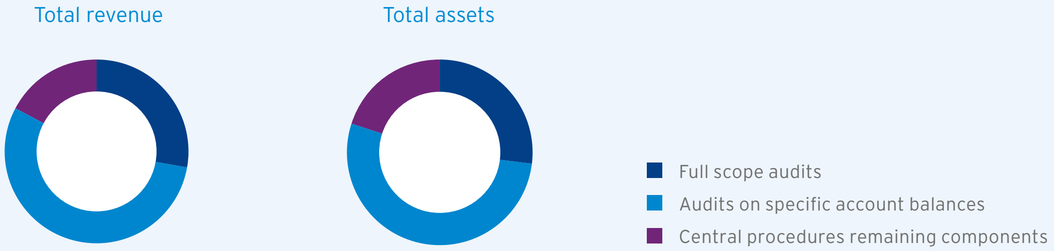
This resulted in coverage of 83% of total group revenue and 80% of total group assets.

For the remaining components, we performed amongst others analytical procedures to corroborate our assessment that there are no significant risks of material misstatement within these.

Materiality levels for the audits of components were, for the majority of them, based on the relevant local statutory audit materiality which is considerably lower than group materiality. In the other cases, component materiality was determined by the judgment of the group audit team. Component materiality did not exceed EUR 30 million (2014: EUR 30 million).

The group audit team sent detailed instructions to all component auditors part of the group audit, covering the significant areas that should be covered (which included the relevant risks of material misstatement) and set out the information required to be reported back to the group audit team. The group audit team has a scheme to visit the major components every three year. In relation to the 2015 audit the component locations in China, Hong Kong and Germany were visited. Telephone conferences were also held with component auditors that form part of the group audit. At these visits and telephone conferences, the audit approach, findings and observations reported to the group audit team were discussed in more detail. For certain components also file reviews were performed.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.



Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compared to last year 'acquisitions' have been included as a key audit matter due to the number and size of the acquisitions. 'Pensions' were no longer a key audit matter following the further de-risking of the pension liabilities by the company in the Netherlands.

KPMG

Valuation of goodwill

Description
The annual impairment test performed by FrieslandCampina was significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future economic and market conditions. In performing the impairment testing for goodwill, the company used various assumptions in respect of future economic and market conditions, such as the discount rate, revenue and margin development, expected inflation rates and the terminal value growth.

Our response
We included in our team a valuation expert to assist us in the audit. For our audit we evaluated and tested the assumptions, methodologies and data used by the company, for example by comparing them to external data in respect of expected inflation and market growth, peers and by performing sensitivity analysis on the outcome of the calculations. We specifically focused on the sensitivity in the available headroom of cash generating units. We also assessed the historical accuracy of management's estimates. Based on our procedures performed we consider management's key assumptions to be within a reasonable range. We evaluated the adequacy of the company's disclosures included in Note 9 about those assumptions to which the outcome of the impairment test is most sensitive.

Income tax positions and tax provisions

Description
Income tax was a key audit matter because the valuation of the income tax positions is complex and judgmental and requires estimates. The company's operations are subject to income taxes in various jurisdictions.

Our response
We have used the knowledge and experience of our own local and international tax specialists for our audit of income tax. In respect of deferred tax assets, we tested management's assumptions to determine the probability that deferred tax assets recognised in the balance sheet will be recovered through taxable income in future years and available tax planning strategies in the respective jurisdictions. During our procedures, we used amongst others budgets, forecasts and tax laws. In addition we assessed the historical accuracy of management's assumptions. To analyse and challenge the assumptions used to determine tax provisions and uncertain tax positions, among others, we corroborated the assumptions with the earlier mentioned supporting evidence and we read the correspondence with the relevant tax authorities. Based on our procedures performed we consider management's key assumptions to be within a reasonable range. We also assessed the adequacy of the company's disclosure included in Notes 7, 18 and 24 in respect of tax and uncertain tax positions.

Acquisitions

Description
In 2015, FrieslandCampina acquired a controlling interest in in China Huishan Dairy Investments (Hong Kong) Ltd., extended its shareholding in FrieslandCampina WAMCO Nigeria Plc, acquired the activities of the Anika Group (Russia, Ukraine and Belarus) and obtained the shares in Fabrelac (Belgium). Acquisitions are a key audit matter due to the financial significance of the transactions and because judgements are required for the identification and for the determination of the (provisional) fair value of the assets acquired and liabilities assumed at acquisition date. In determining the fair value of the assets and liabilities, the company used various assumptions, such as the discount rate, revenue and margin development, the terminal value growth, the useful life of customer relationships and the added value of licenses.

Our response
For our audit we read the purchase agreements and verified the correct accounting treatments. We also reconciled the purchase prices to the bank statements and tested all material accounting entries recorded in connection with the acquisitions to determine whether the reporting thereof was appropriate. In addition, we evaluated and tested the assumptions, methodologies and data used by the company to calculate the fair values of the assets acquired and liabilities assumed, for example by comparing them with external data and to business plans. We included in our team a valuation expert to assist us in this audit. We evaluated the adequacy of the company's disclosures included in Note 2 regarding the acquisitions.

KPMG

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the annual report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA): www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the annual report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the annual report and other information):

- We have no deficiencies to report as a result of our examination whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the annual report, to the extent we can assess, is consistent with the financial statements.

Engagement

We have operated as auditor of Royal FrieslandCampina N.V. since the audit of the financial statements 2008. The Annual General Meeting re-appointed us as auditor of the financial statements 2015 of the company on 29 April 2015.

Amstelveen, 26 February 2016

KPMG Accountants N.V.
E.H.W. Weusten RA

Overviews

Financial history

In millions of euros, unless stated otherwise

	2015	2014	2013	2012	2011
Key figures					
Income statement					
Revenue	11,265	11,348	11,281	10,309	9,626
Operating profit before one-time items		412	513		407
Operating profit	576	489	313	487	403
Profit for the year	343	303	157	278	216
Guaranteed price	30.68	39.38	39.45	33.87	36.94
Performance premium in euros per 100 kg	2.25	1.86	1.81	1.42	1.10
Issue of member bonds in euros per 100 kg	1.28	1.07	1.23	0.95	0.73
Meadow milk premium per 100 kg of milk	0.29	0.29	0.31	0.32	0.03
Special supplements in euros per 100 kg	0.14	0.10	0.10	0.12	0.12
Milk price in euros per 100 kg	34.64	42.70	42.90	36.68	38.92
Financial position					
Total assets	8,424	7,676	7,112	6,831	5,684
Equity	3,093	2,823	2,631	2,258	2,194
Equity attributable to the shareholder and other providers of capital	2,832	2,587	2,405	2,140	2,078
Net debt	1,108	981	696	685	699
Cash flows					
Net cash flows from operating activities	1,019	554	588	842	508
Net cash flows used in investing activities	-705	-627	-576	-702	-340
Depreciation of plant and equipment and amortisation of intangible assets	275	231	213	194	176
Additional information					
Equity as a % of total assets	36.7	36.8	37.0	33.1	38.6
Employees (average number of FTEs)	22,049	22,168	21,186	20,045	19,036
Total milk processed (in millions of kg)	11,066	10,716	10,659	10,215	10,140
Milk supplied by members (in millions of kg)	10,060	9,453	9,261	8,860	8,838

Milk price overview

In euros per 100 kilos of milk at 3.47% protein, 4.41% fat and 4.51% lactose in the ratio 10:5:1 excluding VAT

	2015	2014
Fat price	11.02	14.14
Protein price	17.33	22.26
Lactose price	2.25	2.89
	30.60	39.29
Adjustment guaranteed price	0.08	0.09
Guaranteed price	**30.68**	39.38
Performance premium	2.25	1.86
Meadow milk premium [1]	0.29	0.29
Special supplements [2]	0.14	0.10
Cash price	**33.36**	41.63
Issue of member bonds	1.28	1.07
Milk price	**34.64**	42.70
Interest member bonds	0.42	0.42
Retained earnings	2.17	1.93
Performance price	**37.23**	45,05

[1] Member dairy farmers who put their cows out to graze in the meadow receive a business activity meadow milk premium of EUR 0.50 per 100 kg of milk. Averaged over all FrieslandCampina member milk this is EUR 0.29 per 100 kg of milk.

[2] Special supplements concerns the total amount paid out per 100 kilos of Landliebe milk (1.00 euro) and the difference between the organic milk guaranteed price (47.77 euro including a settlement of 0.02 euro per 100 kilos of milk for a too low estimate for 2015) and the guaranteed price (30.68) per 100 kilos of milk. Averaged over all FrieslandCampina member milk this amounts to 0.14 euro per 100 kilos of milk.

Piet (P.) Boer
(1960)

Position
Chairman of the Supervisory Board of Royal FrieslandCampina N.V., Chairman of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
31 December 2008
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
Member of the Supervisory Board of Alfa Top-Holding B.V., Chairman of Commissie Duurzame Melkproductie NZO (Dutch Dairy Association Sustainable Milk Production Committee), Member of the Topteam Topsector Agri & Food

Jan (J.P.C.) Keijsers
(1955)

Position
Vice-chairman of the Supervisory Board of Royal FrieslandCampina N.V., Vice-chairman of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
31 December 2008
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
None

Sandra (J.W.) Addink-Berendsen
(1973)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
16 December 2014
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
Member of the Supervisory Board of ForFarmers B.V.

Bert (B.E.G.) ten Doeschot
(1971)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
15 December 2015
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
Member of the Supervisory Board of Rabobank Centraal Twente

Peter (P.A.F.W.) Elverding

(1948)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V.
First appointed
31 December 2008
Nationality
Dutch
Other positions held
Chairman of the Supervisory Board of Koninklijke BAM Groep nv, Vice-chairman of the Supervisory Board of SHV Holdings N.V., Member of the Board of Stichting Berenschot Beheer, Member of the Board of Stichting Instituut Gak

Tex (L.W.) Gunning

(1950)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V.
First appointed
14 December 2011
Nationality
Dutch
Other positions held
CEO TNT Express

René (D.R.) Hooft Graafland

(1955)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V.
First appointed
1 May 2015
Nationality
Dutch
Other positions held
Member of the Supervisory Board of Koninklijke Ahold NV, Member of the Supervisory Board of Wolters Kluwer NV, Chairman of the Supervisory Board of Koninklijk Theater Carré, Chairman of the Board of Stichting African Parks Foundation

Angelique (A.A.M.) Huijben-Pijnenburg

(1968)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
15 December 2010
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
Member of the Supervisory Board of AB Brabant

Frans (F.A.M.) Keurentjes
(1957)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
31 December 2008
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
Member of the Groningen Provincial Council, Member of Grondkamer Noord (Agricultural Land Tenancies Authority North)

Simon (S.R.F.) Ruiter
(1958)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
31 December 2008
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
Councillor Alkmaar Town Council, Member of the Board of Hoogheemraadschap Hollands Noorderkwartier (Water Board)

Hans (H.) Stöcker
(1964)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
14 December 2011
Nationality
German
Occupation
Dairy farmer
Other positions held
Chairman of Landesvereinigung Milch NRW, Chairman of the Supervisory Board of Milchverwertungsgesellschaft NRW, Member of Kreisstelle Oberberg der Landwirtschaftskammer NRW, Member of Landschaftsbeirat Oberbergischer Kreis, Member of Aufsichtsrat Raiffeisenerzeuger-genossenschaft Bergisch Land, Chairman of the 'Milch und Kultur Rheinland und Westfalen' Association

Ben (B.) van der Veer
(1951)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V.
First appointed
1 October 2009
Nationality
Dutch
Other positions held
Non-executive Director RELX Plc and NV, Member of the Supervisory Board of Aegon N.V., Member of the Supervisory Board of TomTom N.V.

Erwin (W.M.) Wunnekink
(1970)

Position
Member of the Supervisory Board of Royal FrieslandCampina N.V., Member of the Board of Zuivelcoöperatie FrieslandCampina U.A.
First appointed
16 December 2009
Nationality
Dutch
Occupation
Dairy farmer
Other positions held
Member of the Supervisory Board of ForFarmers B.V.

Remuneration & Appointment Committee

Peter Elverding
Chairman
Piet Boer
Jan Keijsers

Audit Committee

Ben van der Veer
Chairman
René Hooft Graafland
Simon Ruiter
Erwin Wunnekink

Composition of the Supervisory Board

René Hooft Graafland joined the Supervisory Board of Royal FrieslandCampina N.V. on 1 May 2015. He has filled the vacancy created by the departure of Henk Scheffers on 31 December 2014. Bert ten Doeschot joined the Supervisory Board on 15 December 2015. He has filled the vacancy created by the departure of Sjoerd Galema on 24 March 2015.

Executive Board

Composition of the Executive Board

The Supervisory Board appointed Roelof Joosten as Chief Executive Officer of Royal FrieslandCampina N.V. as of 1 June 2015. He was Chief Operating Officer of the FrieslandCampina Ingredients business group.

Roelof Joosten has succeeded Cees 't Hart, who resigned as Chief Executive Officer of Royal FrieslandCampina N.V. as of 1 June 2015. Cees 't Hart had filled this position since 1 January 2009. When he left FrieslandCampina, Cees 't Hart was appointed as Officer in the Order of Orange-Nassau for his considerable services on behalf of the Dutch dairy and agricultural sector.

Bas van den Berg was appointed as a member of the Executive Board with responsibility for the Cheese, Butter & Milkpowder business group as of 1 November 2015.

Roelof (R.A.) Joosten

(1958)

Position
Chief Executive Officer
Appointed
1 January 2012
Nationality
Dutch
Responsible for
Cooperative Affairs, Corporate Communication, Sustainability, Corporate Human Resources, Corporate General Counsel & Company Secretary, Corporate Public & Quality Affairs, Corporate Research & Development, Corporate Strategy, Corporate Supply Chain, Business group Ingredients, Business group Consumer Products China
Other positions held
Chairman of the Board of the Nederlandse Zuivelorganisatie NZO (Dutch Dairy Association)

Hein (H.M.A.) Schumacher

(1971)

Position
Chief Financial Officer
Appointed
1 September 2014
Nationality
Dutch
Responsible for
Corporate Finance & Reporting, Corporate ICT, Corporate Internal Audit, Corporate Mergers & Acquisitions, Corporate Procurement, Corporate Risk Management, Corporate Tax, Corporate Treasury, Summit
Other positions held
Member of the Supervisory Board of TIAS School for Business & Society

Bas (S.G.) van den Berg

(1968)

Position
Chief Operating Officer
Appointed
1 November 2015
Nationality
Dutch
Responsible for
Business group Cheese, Butter & Milkpowder, Milk Valorisation & Allocation
Other positions held
Member of the Board of VNO-NCW, Chairman of Federatie Nederlandse Levensmiddelen Industrie (FNLI), Member of the Supervisory Board of CSK Food Enrichment

Kees Gielen resigned as a member of the Executive Board as of 31 December 2015. Kees Gielen was the Chief Financial Officer of Royal FrieslandCampina N.V. from 1 January 2009 to 31 December 2014. From 1 January 2015 he was Chief Operating Officer business development.

Piet (P.J.) Hilarides
(1964)

Position
Chief Operating Officer
Appointed
1 January 2009
Nationality
Dutch
Responsible for
Business group Consumer Products Asia

Gregory (G.) Sklikas
(1964)

Position
Chief Operating Officer
Appointed
1 January 2014
Nationality
Greek
Responsible for
Business group Consumer Products Europe, Middle East & Africa

Tine (M.A.K.) Snels
(1969)

Executive Director Tine Snels is not officially a member of the Executive Board, but does participate in the meetings. Since 1 June 2015 she has been responsible for the Ingredients business group and reports to Roelof Joosten.

Position
Executive Director
Appointment
1 June 2015
Nationality
Belgian
Responsible for
Business group Ingredients, Corporate Key Account Management

Corporate staff

Robbert (R.J.) Brakel	Corporate Director Summit
Werner (W.S.J.M.) Buck	Corporate Director Public & Quality Affairs
Ramon (R.M.H.K.) van Deventer	Corporate Director Internal Audit
Jeroen (J.H.W.) Elfers	Corporate Director Cooperative Affairs
Jeroen (J.J.H.) Fey	Corporate Director Milk Valorisation & Allocation
Hans (J.) van Hout	Corporate Director Tax
Margrethe (M.J.) Jonkman	Corporate Director Research & Development
Johan (J.H.A.) Keerberg	Corporate Director Supply Chain
Aafke (A.A.) Keizer	Corporate Director Strategy
Heidi (H.) van der Kooij	Corporate Director General Counsel & Company Secretary
Hans (J.P.F.) Laarakker	Corporate Director Mergers & Acquisitions
Erwin (W.F.F.) Logt	Corporate Director ICT
Frank (F.A.C.) van Ooijen	Corporate Director Communication, Sustainability
Klaas (K.A.) Springer	Corporate Director Treasury
Marco (M.C.) van Veen	Corporate Director Finance & Reporting
Jaap (J.C.) de Vries	Corporate Director Human Resources
Vacancy	Corporate Director Procurement

Business groups and adresses

FrieslandCampina Consumer Products Europe, Middle East & Africa

The Consumer Products Europe, Middle East & Africa business group provides consumers and professional customers in Europe, the Middle East and West Africa with dairy products, such as dairy-based beverages, yoghurts, desserts, infant nutrition, butter and branded cheese. In the Netherlands and Belgium the business group also sells fruit juices, fruit drinks and sports drinks. The business group is active in 17 countries (Netherlands, Belgium, Germany, France, Russia, Hungary, Romania, Greece, Spain, Italy, United Kingdom, Saudi Arabia, United Arab Emirates, Egypt, Nigeria, Ghana and the Ivory Coast).

Chief Operating Officer:
Gregory (G.) Sklikas
Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Branded Netherlands
Managing Director:
Berndt (B.H.M.) Kodden
Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Germany
Managing Director:
Peter (P.S.) Weltevreden
Wimpfener Strasse 125
74078 Heilbronn
Germany
T +49 71 314 890

FrieslandCampina Hellas
Managing Director:
Kostas (K.G.) Maggioros
18, Nik. Zekakou & K. Karamanli str.
15125 Marousi, Athens
Greece
T +30 210 61 66 400

FrieslandCampina Hungary
Managing Director:
Péter (P.) Szautner
Váci út 33
1134 Budapest
Hungary
T +36 1 802 7700

FrieslandCampina Romania
Managing Director:
Corneliu (C) Caramizaru
Lakeview Building
301-311 Barbu Vacarescu Street,
10th floor
020276 Bucharest
Romania
T +40 212 068 600

FrieslandCampina Russia
Managing Director:
Jan Willem (J.W.) Kivits
Naberezhnaya Tower,
10, Presnenskaya 123317 Moscow
Russia
T +7 4959 333 646

FrieslandCampina Branded Belgium
General Manager:
Katrien (K.) Bousson
Schaessestraat 15
9070 Destelbergen
Belgium
T +32 9 326 40 00

FrieslandCampina Foodservice Europe
Managing Director:
Karl (C.G.F.) Buiks
Smallepad 32-36
3811 MG Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina UK
Managing Director:
Tracey (T.) Barney
Denne House, Denne Road
Horsham
West Sussex RH12 1JF
United Kingdom
T +44 1403 273 273

FrieslandCampina Retail Brands Europe
Managing Director:
Eric (E.H.) Schut
Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Middle East
Managing Director:
Bas (B.A.A.A.) Roelofs
Palladium Tower, 8th Floor
Cluster-C, Jumeirah Lake Towers
Dubai
United Arab Emirates
T +971 4 4551800

FrieslandCampina WAMCO Nigeria
Managing Director:
Rahul (R.) Colaco
Plot 7B Acme Road
Ogba
Ikeja Industrial Estate
Lagos State
Nigeria
T +234 1 271 51 00

FrieslandCampina Africa
Managing Director:
Peter (P.) Eshikena
Per 1 May 2016:
Dustin (D.) Woodward
Smallepad 32-36
3811 MG Amersfoort
Netherlands
T +31 33 713 2500

FrieslandCampina West Africa
Director Business Development
West Africa:
Marc (M.G.) Desenfans
Ridge Street No. 10
Roman Ridge
Accra
Ghana
T +233 2176 0433

FrieslandCampina Ivory Coast
Market Development Director:
Marc (M.G.) Desenfans
Zone Industrielle de Youpogon,
Abidjan
Route Industrap/Cemoi
01 BP 342 Abidjan 01
Ivory Coast
T +225 23 53 07 55

FrieslandCampina Egypt Consulting and Trading
Market Development Director:
Jeries (J.) Alghawaly
Lot No 227 Second Zone, 5th District
New Cairo
Egypt
T +201 013 633 340

FrieslandCampina Consumer Products Asia

The Consumer Products Asia business group provides consumers in Asia with dairy products such as infant nutrition and dairy-based beverages. The business group is active in eight countries in Asia (Philippines, Hong Kong, Indonesia, Malaysia, Singapore, Thailand, Myanmar and Vietnam). Many products are produced locally. Several products, such as Friso, are exported from the Netherlands to Asia.

Chief Operating Officer:
Piet (P.J.) Hilarides
#11-01 Centennial Tower
3 Temasek Avenue
Singapore 039190
T +65 65808100

Alaska Milk Corporation
Managing Director:
Fred (W.S.) Uytengsu
6th Floor, Corinthian Plaza Building
121 Paseo de Roxas
Makati City 1226
Philippines
T +632 840 4500

FrieslandCampina Hong Kong
Managing Director:
Harvey (H.) Uong
39/f Office Tower
Langham Place
8 Argyle Street
Mongkok
Kowloon
Hong Kong
T +852 2547 6226

FrieslandCampina Indonesia
Managing Director:
Maurits (E.M.) Klavert
Jalan Raya Bogor Km 5
Jakarta 13760
Indonesia
T +62 21 841 0 945

FrieslandCampina Malaysia
Managing Director:
Chooi Lee (C.L.) Saw
Level 5, Quill 9,
No 112, Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T +603 7953 2600

FrieslandCampina Myanmar
Managing Director:
Pascal (P.) Bardouil
MICT Park, Building 18, Level 6
Hlaing Campus,
Hlaing Township, Yangon,
Myanmar
T +95 12305374

FrieslandCampina Singapore
General Manager:
Eddie (B.L.) Koh
47, Scotts Road
Goldbell Towers
Singapore 228233
T +65 6419 8450

FrieslandCampina Thailand
Managing Director:
Marco (M.G.) Bertacca
6th floor, S.P. Building
388 Paholyothin Road
Samsen Nai, Phayathai
Bangkok 10400
Thailand
T +66 26201900

FrieslandCampina Vietnam
Managing Director:
Arnoud (A.) van den Berg
Binh Hoa Ward
Thuan An Town
Binh Duong Province
Vietnam
T +84 65 03754 420

FrieslandCampina Consumer Products China

The Consumer Products China business group provides consumers in China with dairy products such as infant nutrition and dairy-based beverages. Prior to becoming an independent business group on 1 January 2016, Consumer Products China was part of the Consumer Products Asia business group.

FrieslandCampina China (Shanghai)
Executive Director:
James (J.) Chiu
29/F Shanghai Times Square Office Tower
No 93 Huai Hai Zhong Road
Shanghai 200021
China
T +8621 639 10066

Friesland Huishan Dairy
Managing Director:
Leon (L.) Coolen
29/F Shanghai Times Square Office Tower
No 93 Huai Hai Zhong Road
Shanghai 200021
China
T +8621 639 10066

FrieslandCampina Cheese, Butter & Milkpowder

The Cheese, Butter & Milkpowder business group sells cheese, condensed milk, infant nutrition, butter and milk powder worldwide. The product range comprises a wide variety of Gouda, Edam, Maasdam and foil cheese, both as whole cheeses and in pre-packed pieces and slices, different types of butter and milk powders. The business group has offices in six countries (Netherlands, Germany, Belgium, France, Italy and Spain) and exports to more than 100 countries.

Chief Operating Officer:
Bas (S.G.) van den Berg
Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Cheese Butter & Milkpowder B2B

Managing Director:
Hans (J.A.M.) Meeuwis
Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Cheese & Butter Retail Europe

Managing Director:
Fridjov (F.E.) Broersen
Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

Yoko Cheese

General Manager:
Fridjov (F.E.) Broersen
Bosdel 51
3600 Genk
Belgium
T +32 89 363388

FrieslandCampina Cheese Germany

General Manager:
Fridjov (F.E.) Broersen
Am Alfredusbad 2
45133 Essen
Germany
T +49 201 8712 70

FrieslandCampina Cheese France

General Manager Operations:
Frédéric (F.B.) Baeza
Quartier Les Crillons Sénas
13560 Sénas
France
T +33 490 572 929

Orange

Managing Director:
Onofrio (O.) De Carne
Via G. Mameli 28a
CAP 70123 Bari
Italy
T +39 080 558 42 03

FrieslandCampina Cheese, Butter & Milkpowder Italy

Managing Director:
Onofrio (O.) De Carne
Via Alessandro Maria Calefati 6
CAP 70121 Bari
Italy
T +39 080 558 66 15

FrieslandCampina Cheese Spain

General Manager:
Fridjov (F.E.) Broersen
Roger de Lluria 50
Planta 4
8009 Barcelona
Spain
T +34 932 413 434

Zijerveld

Director:
Ron (R.T.) Lekkerkerker
Broekveldselaan 9
2411 NL Bodegraven
Netherlands
T +31 172 630100

FrieslandCampina Export

Managing Director:
Thom (T.J.C.M.) Albers
Frisaxstraat 4
8471 ZW Wolvega
Netherlands
T +31 561 692102

FrieslandCampina Ingredients

The Ingredients business group develops nutritious and functional ingredients that add value to existing products. The business group supplies natural ingredients based on milk, cheese whey and vegetable raw materials to industrial customers in the infant nutrition branch, the food industry, the pharmaceutical industry and the young animal feed industry worldwide. The Ingredients business group has offices in 11 countries (Netherlands, Germany, United States of America, Indonesia, China, Singapore, Japan, Brazil, Egypt, New Zealand and India).

Executive Director:
Tine (M.A.K.) Snels

Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Ingredients

Business Unit Director Asia Pacific:
Janine (J.) Choo

#11-01 Centennial Tower
3 Temasek Avenue
Singapore 039190
T +65 65808100

FrieslandCampina Ingredients Beijing

Managing Director:
Berend Jan (B.J.) Kingma

RM2506, West Tower of LG Twin Towers
B12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
China
T +86 1065666099

FrieslandCampina Domo

Managing Director:
Herman (H.W.A.) Ermens

Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Domo Americas

Regional Director:
Rudy (R.) Dieperink

61 S. Paramus Road
Suite 535
Paramus, NJ 07652
United States of America
T +1 551 497 7315

FrieslandCampina DMV

Managing Director:
Joost (J.) van de Rakt

Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Kievit

Managing Director:
Steen (S.) Londal

Stationsplein 4
3818 LE Amersfoort
Netherlands
T +31 33 713 3333

FrieslandCampina Kievit Indonesia

President Director:
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Every day Royal FrieslandCampina provides millions of consumers all over the world with dairy products that are rich in valuable nutrients from milk. With annual revenue of 11.3 billion euro, FrieslandCampina is one of the world's largest dairy companies.

FrieslandCampina produces and sells consumer products such as dairy-based beverages, infant nutrition, cheese and desserts in many European countries, in Asia and in Africa via its own subsidiaries. Dairy products are also exported worldwide from the Netherlands. In addition, products are supplied to professional customers, including cream and butter products to bakeries and catering companies in West Europe. FrieslandCampina sells ingredients and half-finished products to manufacturers of infant nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina has offices in 32 countries and employs over 22,000 people. FrieslandCampina's products find their way to more than 100 countries. The Company's central office is based in Amersfoort, the Netherlands.

FrieslandCampina's activities are divided into five market-oriented business groups: Consumer Products Europe, Middle East & Africa; Consumer Products Asia; Consumer Products China; Cheese, Butter & Milkpowder and Ingredients.

The Company is fully owned by Zuivelcoöperatie FrieslandCampina U.A, with 19,000 member dairy farmers in the Netherlands, Germany and Belgium one of the world's largest dairy cooperatives.

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