



FrieslandCampina
nourishing by nature

Half-year Report 2015

Royal FrieslandCampina N.V.



First half of 2015

Major developments



Considerably higher profit, stable revenue in uncertain market

- Revenue stable at 5,645 million euro due to 1.6 percent positive volume-mix effect, 6.4 percent lower sales prices and favourable currency translation effects of 4.4 percent
- Growth in China, Hong Kong, Indonesia, Africa, South-east Europe and in the FrieslandCampina Ingredients business group
- Lower volumes in Western Europe due to difficult market conditions
- In the second quarter of the year lagging demand coupled with an increased supply of milk puts pressure on prices, especially of commodities
- Operating result up by 81.5 percent to 314 million euro in part due to the lower guaranteed price for raw milk and lower purchasing costs: positive currency translation effects on the operating result amount to 23 million euro
- Profit up by 84.6 percent to 192 million euro; positive currency translation effects amounting to 17 million euro
- Cash flow from operating activities up to 319 million euro (first half of 2014: -192 million euro) in part due to the higher profit



Milk price significantly lower, interim pay-out considerably higher

- Guaranteed price for the Cooperative's member dairy farmers down by 24.3 percent to 31.84 euro
- Value creation up by 144 percent to 4.22 euro (performance premium of 2.69 euro and member bonds reservation of 1.53 euro)
- Milk price down by 17.4 percent to 36.48 euro
- Interim pay-out (75% of the pro forma performance premium) to member dairy farmers in September 2015 up by 145 percent to 2.018 euro per 100 kilos of milk
- Milk produced by member dairy farmers up by 1.8 percent to 4,905 million kg of milk compared to first half of 2014

Per 100 kilos of milk excluding VAT at 3.47% protein, 4.41% fat and 4.51% lactose. The milk price, performance premium and reservation of member bonds are all pro forma.



route2020 strategy

- Achievement of the strategy forms the basis of the good results
- Volume mix improvement of 1.6 percent
- 15.8 percent volume growth with Friso and B2B infant nutrition
- Dairy-based beverages volume down by 0.5 percent due to difficult market conditions
- Volume of cheese for the retail segment up by 14.0 percent and margins improved. Volume of branded cheese down by 6.0 percent. Excluding the effect of the Russian boycott the volume of branded cheese rose by 0.5 percent
- Investments level down
- A further reduction in the number of accidents at FrieslandCampina facilities



Investments in efficiency and the organisation

- Friesland Huishan Dairy joint venture established on 1 April 2015. The company will exploit a fully-integrated chain of infant nutrition suppliers in China
- 182 million euro invested in increasing interest in FrieslandCampina WAMCO Nigeria Plc. from 54.58 to 67.81 percent
- 25 million euro provision for reorganisation costs related to the closure of Den Hollander Food in Lochem and efficiency measures in the Beilen, Leeuwarden and Gütersloh production facilities
- First phase of the new FrieslandCampina Ingredients production facility for special milk powders and ingredients in Borculo completed and the sustainable energy provision (pyrolysis installation) goes into service

Key figures

In millions of euros unless stated otherwise

	2015 first half-year	2014 first half-year	Change in %	2014 full year
Results				
Revenue	5,645	5,635 ¹	0.2	11,348
Revenue excluding currency translation effects	5,395	5,635	-4.3	
Operating profit	314	173	81.5	489
Operating profit excluding currency translation effects	291	173	68.2	
Profit	192	104	84.6	303
Profit excluding currency translation effects	175	104	68.3	
Operating profit as a percentage of revenue	5.6	3.1		4.3
Balance sheet				
Balance sheet total	8,418	7,485	12.5	7,676
Equity	2,908	2,601	11.8	2,823
Net debt ²	1,398	1,356	3.1	981
Equity as a percentage of the balance sheet total	34.5%	34.7%		36.8%
Cash flow				
Net cash flow from operating activities	319	-192		554
Net cash flow from investing activities	-384	-288		-627
Investments				
Investments	225	254	-11.4	656
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				
Pro forma performance premium ⁴	2.69	1.10	144.5	1.86
Meadow milk premium ⁵	0.29	0.30		0.29
Special supplements ⁶	0.13	0.09		0.10
Pro forma cash price ⁴				
Pro forma issuance of registered member bonds ⁴	1.53	0.63	142.9	1.07
Pro forma milk price ⁴				
Interest on member bonds	0.43	0.39	10.3	0.42
Pro forma retained earnings ⁴	2.58	1.00	158.0	1.93
Pro forma performance price ⁴				
Pro forma performance price ⁴	39.49	45.58	-13.4	45.05
Interim pay-out ⁷				
75% of the pro forma performance premium	2.018	0.825	144.6	
Milk supplied by members (in millions of kilos)				
Milk supplied by members	4,905	4,819	1.8	9,453

¹ Revenue for the first half of 2014 has been adjusted in view of an accounting policy change related to advertising and promotion costs. This has not affected operating profit.

² The net debt concerns non-current interest-bearing borrowings, borrowings from financiers and the net amount receivable from/payable to affiliated companies, less freely disposable cash and cash equivalents.

³ This relates to the balance of the guaranteed price of 31.92 euro and an adjustment of 0.08 euro per 100 kilos for a too high estimate over the first half of 2015.

⁴ The final figures will be determined on the basis of the profit figures for the whole year.

⁵ Dairy farmers who put their cows out to pasture receive a meadow milk premium of 1.00 euro per 100 kilos of milk. Half of this (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. To finance this 0.35 euro per 100 kilos of milk is withheld. The partial meadow milk premium is also paid out of this.

⁶ Special supplements concerns the total amount of pay-outs per 100 kilos of milk of 1.00 euro for Landliebe milk and the difference between the guaranteed price for organic milk per 100 kilos of milk (46.75 euro including an adjustment of 0.21 euro per 100 kilos of milk for a too high estimate over the first half of 2015) and the guaranteed price (31.84 euro). Averaged over all FrieslandCampina member milk this is 0.13 euro per 100 kilos of milk.

⁷ The 2015 interim pay-out per 100 kilos of milk will be paid out to member dairy farmers on 1 September 2015.

In millions of euros unless stated otherwise

	2015 first half-year	2014 first half-year	Change in %	2014 full year
Consumer Products Europe, Middle East & Africa				
Revenue	1,865	1,960	-4.8	3,874
Revenue excluding currency translation effects	1,846	1,960	-5.8	
Operating profit	144	96	50.0	245
Operating profit excluding currency translation effects	141	96	46.9	
Operating profit as a % of revenue	7.7	4.9		6.3
Price effect on revenue	▼			
Volume-mix effect on revenue	▼			
Consumer Products Asia				
Revenue	1,386	1,102	25.8	2,369
Revenue excluding currency translation effects	1,187	1,102	7.7	
Operating profit	330	169	95.3	438
Operating profit excluding currency translation effects	285	169	68.6	
Operating profit as a % of revenue	23.8	15.3		18.5
Price effect on revenue	▲			
Volume-mix effect on revenue	▲			
Cheese, Butter & Milkpowder				
Revenue	1,259	1,488	-15.4	2,893
Revenue excluding currency translation effects	1,263	1,488	-15.1	
Operating profit	-27	-27	0.0	-96
Operating profit excluding currency translation effects	-27	-27	0.0	
Operating profit as a % of revenue	-2.1	-1.8		-3.3
Price effect on revenue	▼			
Volume-mix effect on revenue	▼			
Ingredients				
Revenue	888	850	4.5	1,750
Revenue excluding currency translation effects	853	850	0.4	
Operating profit	118	87	35.6	179
Operating profit excluding currency translation effects	114	87	31.0	
Operating profit as a % of revenue	13.3	10.2		10.2
Price effect on revenue	▼			
Volume-mix effect on revenue	▲			

Revenue by business group in millions of euros

	First half-year 2015	First half-year 2014
Consumer Products Europe, Middle East & Africa	1,865 34%*	1,960 36%*
Consumer Products Asia	1,386 26%*	1,102 20%*
Cheese, Butter & Milkpowder	1,259 23%*	1,488 28%*
Ingredients	888 17%*	850 16%*

* Before Other and Elimination of internal supplies

Revenue by geographical region In millions of euros

	First half-year 2015	First half-year 2014
The Netherlands	1,188 21%	1,383 24%
Germany	630 11%	715 13%
Rest of Europe	1,249 22%	1,369 24%
Asia and Oceania	1,710 30%	1,381 25%
Africa and the Middle East	669 12%	615 11%
North and South America	199 4%	172 3%

First half of 2015: interim pay-out to members up by 145%

FrieslandCampina's profit up by 85%

In the first half of 2015 the profit of Royal FrieslandCampina N.V. rose by 85 percent to 192 million euro (first half of 2014: 104 million euro). Margins rose due to the sale of more products with a higher added-value, positive currency translation effects, lower purchasing costs and the lower guaranteed price for raw milk. At 5,645 million euro revenue was at the same level as in the same period in 2014 (5,635 million euro). The milk price for member dairy farmers fell to 36.48 euro per 100 kilos of milk (first half of 2014: 44.19 euro) due to the lower guaranteed price for raw milk. Value creation (performance premium plus issuance of member bonds) rose by 2.49 euro to 4.22 euro (first half of 2014: 1.73 euro). The interim pay-out amounted to 2.018 euro per 100 kilos of milk (2014: 0.825 euro).

Revenue remains stable

At 5,645 million euro revenue was virtually the same as for the first half of 2014 (5,635 million euro). Currency translation effects had a net positive influence of 250 million euro (4.4 percent) on revenue (first half of 2014: -177 million euro). The volume-mix effect was 1.6 percent positive, but sales prices fell by 6.4 percent. Acquisitions contributed 0.6 percent towards revenue. Sales of infant nutrition, ingredients for infant nutrition and condensed milk rose, which increased the share of added-value products in the revenue. Revenue from dairy-based beverages rose despite a slight decrease in sales volumes due to the difficult market conditions. The volume of commodities rose, but lower sales prices put pressure on revenue. In the first half of 2015 more raw milk was sold directly via the Dutch Milk Foundation.

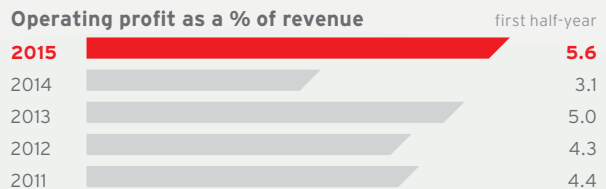
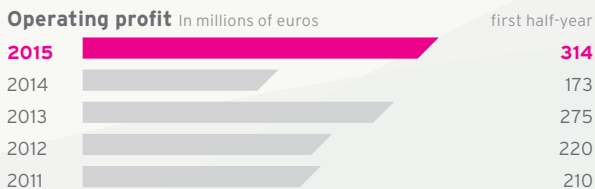
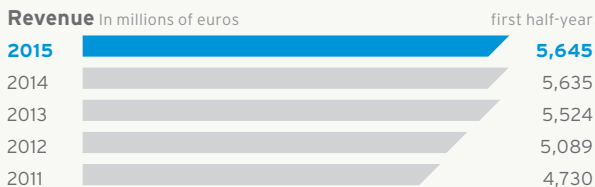
Substantially improved operating profit

In the first half of 2015 operating profit rose by 81.5 percent to 314 million euro (first half of 2014: 173 million euro). Currency translation effects had a positive influence of 23 million euro on operating profit. Three of the four business groups improved their operating profit. The operating margin improved by 2.5 percent points due to the more favourable sales mix (increased share of products with a higher added-value in the revenue), the lower guaranteed price for raw milk, cost-reducing measures in all business units, improved purchasing conditions for non-milk-related raw materials and packaging materials, and favourable currency developments. The operating profit was negatively influenced by a provision of 25 million euro for the closure of Den Hollander Food in Lochem and efficiency measures at the Beilen, Leeuwarden and Gütersloh (Germany) production facilities.

Operating costs in the first half of 2015 fell by 2.5 percent to 5,332 million euro as a result of the lower costs for milk, raw materials and energy (first half of 2014: 5,466 million euro). Despite the milk supply increasing by 1.8 percent to 4,905 million kilos of milk, the higher performance premium and the higher issuance of member bonds, in the first half of 2015 the pro forma payment to member dairy farmers for milk fell by 15.6 percent to 1,800 million euro (first half of 2014: 2,134 million euro). This was due to the lower guaranteed price.

A sharp rise in profit

Profit over the first half of 2015 rose by 84.6 percent to 192 million euro (first half of 2014: 104 million euro). This rise in profit was due to increased sales of products with a higher added-value, favourable currency translation effects of 17 million euro, the lower guaranteed price for raw milk and lower operating costs. The profit attributable to the Company's shareholder (the Cooperative) amounted to 152 million euro (first half of 2014: 72 million euro).



Pro forma milk price: 36.48 euro

The pro forma milk price for member dairy farmers over the first half of 2015 was 36.48 euro excluding VAT per 100 kilos of milk, a drop of 17.4 percent compared with the first half of 2014 (44.19 euro). The guaranteed price over the first half of 2015 was 31.84 euro per 100 kilos of milk, 24.3 percent less than in the first half of 2014 (42.07 euro). This decrease was the result of the lower milk prices of the reference companies. Value creation (performance premium and issuance of member bonds) rose by 2.49 euro to 4.22 euro (first half of 2014: 1.73 euro). The pro forma performance premium was 2.69 euro per 100 kilos of milk (first half of 2014: 1.10 euro). The increase was due to the higher profit. The meadow milk premium amounted to 0.29 euro per 100 kilos of milk and the supplements for special milk streams (Landliebe and organic milk) amounted to 0.13 euro per 100 kilos of milk. The pro forma reservation of registered member bonds over the first half of 2015 was 1.53 euro per 100 kilos of milk (first half of 2014: 0.63 euro). Interest on member bonds amounted to 0.43 euro per 100 kilos of milk and the total interest on member bonds rose from 19 million euro to 21 million euro as a result of the increased number of bonds. The pro forma addition to the retained earnings amounted to 2.58 euro per 100 kilos of milk (first half of 2014: 1.00 euro). The FrieslandCampina pro forma performance premium for the first half of 2015 amounted to 39.49 euro per 100 kilos of milk excluding VAT, a drop of 13.4 percent compared with the first half of 2014 (45.58 euro). The FrieslandCampina performance price comprises the guaranteed price, the performance premium, the meadow milk premium, the special supplements, the reservation of member bonds, the interest on member bonds and the retained earnings.

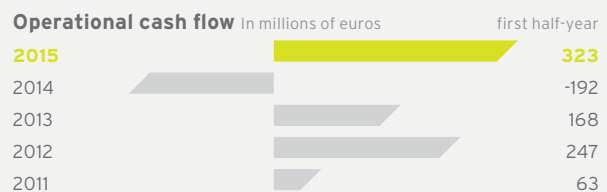
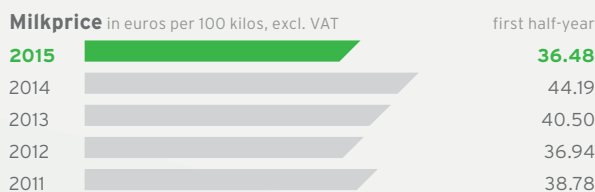
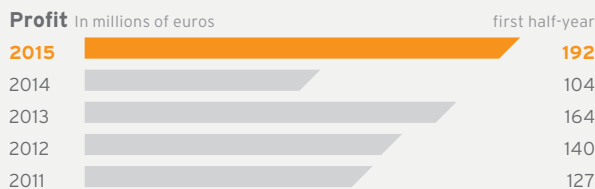
The organic milk price over the first half of 2015 amounted to 51.47 euro excluding VAT per 100 kilos of milk (first half of 2014: 52.49 euro). The organic guaranteed price over the first half of 2015 amounted to 46.75 euro excluding VAT per 100 kilos of milk (first half of 2014: 50.26 euro).

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

In the first half of 2015 the member dairy farmers supplied 1.8 percent more milk than in the same period in 2014. In the first quarter the volume of milk supplied fell by 2.1 percent compared with the first quarter of 2014. After the lifting of the milk quota on 1 April 2015 the milk supply increased by 5.5 percent.

Interim pay-out of 2.018 euro per 100 kilos of milk

In September 2015 the Cooperative's member dairy farmers will receive an interim pay-out of 2.018 euro per 100 kilos of milk. This is 75 percent of the pro forma performance premium over the first half of the year. The final settlement will be paid-out in April 2016 on the basis of FrieslandCampina's results for 2015 and the total quantity of milk supplied by the member during 2015.



Increased cash flow from operating activities

Cash flow from operating activities rose to 319 million euro (first half of 2014: -192 million euro), primarily due to the increase in profit. In the first half of 2015 outgoing cash flows for investments amounted to 384 million euro (first half of 2014: 288 million euro) for efficiency improvements, the expansion of production facilities and investment in the Friesland Huishan Dairy joint venture in China.

With 140 years of Dutch dairy expertise passed down from generations of farming families, you can expect quality care in retaining the goodness and delicious taste of Dutch Lady® PureFarm™. You'll be glad to know that the Dutch Lady® PureFarm™ milk you enjoy here shares the same quality standards as the milk our Dutch farmers and their families enjoy back home.

NUTRITION FOR STRONG FAMILIES

DUTCH LADY
BUILDING STRONG FAMILIES SINCE 1871

Royal FrieslandCampina N.V. is the holding company of Dutch Lady Malaysia. For more information, please visit our website at www.dutchlady.com.my or follow us on our [Facebook](#) page.

New positioning in Vietnam, Indonesia, Malaysia and Thailand

Dutch Lady, Frisian Flag and Foremost - the most important brands in Vietnam, Indonesia, Malaysia and Thailand - have been given a new positioning slogan: 'Building strong families since 1871'. In 1871 the first cooperative predecessor of FrieslandCampina was established. The new positioning was launched in the four countries at the beginning of 2015 with new products, packaging and campaigns.

Cash flow from financing activities amounted to 64 million euro (first half of 2014: 247 million euro). This is the net outcome of the acquisition of an additional interest in FrieslandCampina WAMCO Nigeria and a higher utilisation of the credit facility. Net cash and cash equivalents rose from 606 million euro (end of 2014) to 632 million euro.

Financial position

Net debt as at 30 June 2015 amounted to 1,398 million euro, an increase of 417 million euro compared with the end of 2014. The increase was due primarily to the purchase of shares in FrieslandCampina WAMCO Nigeria and an investment in Friesland Huishan Dairy.

On 30 June 2015 equity was 2,908 million euro (end of 2014: 2,823 million euro). Equity increased due to the reservation of the profit in retained earnings and decreased due to the purchase of shares in FrieslandCampina WAMCO Nigeria. This has been charged to equity. Solvency (equity as a percentage of the balance sheet total) fell to 34.5 percent (end of 2014: 36.8 percent) due to investments in FrieslandCampina WAMCO Nigeria and other investments which increased the balance sheet total.

Net financing expense amounted to 8 million euro, 11 million euro lower than for the first half of 2014. This was due primarily to currency translation differences on euro loans to components of the Company outside the euro-zone.

The result from joint ventures and associates rose by 4 million euro to 9 million euro (first half of 2014: 5 million euro).

Taxation amounted to 123 million euro (first half of 2014: 55 million euro). The increase was primarily due to the higher profit.

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 euro with a syndicate of banks. In April 2015 the term of this facility was extended by one year to April 2020. The major portion of the outstanding institutional loans amounts to 0.7 billion US dollars. The liabilities in US dollars have been converted into euro liabilities via currency swaps.

Achievement of *route2020* strategy

FrieslandCampina's *route2020* strategy is aimed at sustainable growth and value creation: sustainable growth of the Company and achieving the maximum possible value for all the milk produced by the Cooperative's dairy farmers. The improved result is, to a great extent, due to the successful implementation of the strategy formulated in 2010.

Growth categories

The overall volume of the infant nutrition category increased by 15.8 percent. Consumer products increased by 3.3 percent and the business-to-business products by 24.4 percent. Sales of Friso infant nutrition increased in all markets and in particular in China and Hong Kong. The business-to-business market recovered from a disappointing 2014. In part thanks to its new production capacity going into operation, FrieslandCampina was able to respond to the growing demand for infant nutrition. Despite the increased milk supply the share of added-value products in the revenue increased. Although sales of dairy-based beverages increased in Africa and the Middle East, the overall sales volume fell by 0.5 percent due to difficult market conditions in Asia and Western Europe. The sales volume of cheese for the retail segment increased by 14.0 percent and the margins improved. By contrast, the sales volume of branded cheese fell by 6.0 percent due to the cessation of export to Russia. The increased export of branded cheese to other countries and the positive development of 'Noord-Holland' cheese offset the drop in sales of Milner.

Market developments during the first half of 2015

In the first half of 2015, milk production worldwide increased by an estimated 1.7 percent compared with the first half of 2014. In the same period milk production increased by 0.5 percent in the European Union and by 1.9 percent in the Netherlands. In the first three months of this year milk production in the European Union decreased further as a result of the threat of the super-levy for exceeding the quota per 1 April 2015. In New Zealand milk production declined during the first months of the year due to a drought. In Australia and the United States milk production increased. Due to the reduced milk supply and limited stocks of dairy products, in the first quarter the prices of cheese, butter, milk powder and whey powder on European commodities markets rose. Despite these price increases the export of dairy products from the Eurozone remained good due to the decreasing value of the euro, in particular compared to the US dollar. With the termination of the milk quota as of 1 April 2015 milk production in the EU increased. In the Netherlands milk production in the second quarter of 2015 was 6 percent higher than in the same period in 2014 and in Ireland the growth in production averaged 10 percent. The sharp decline in exports to the major dairy importing countries, such as China and Russia, which could not be offset by increased exports to countries such as Japan and Korea, led to a surplus of milk on the world market and, as a consequence, a sharp decline in the price of dairy products during the second quarter both within the European Union and on the world market.

in euro per ton product	1 January 2015	1 April 2015	%	1 July 2015	%
Cheese (Hannover)	2,550	2,750	+ 8	2,250	- 18
Full-milk powder	2,170	2,790	+ 29	2,220	- 20
Skimmed-milk powder	1,730	2,010	+ 16	1,720	- 14
Whey powder	740	810	+ 9	590	- 27
Butter	2,760	3,180	+ 15	2,940	- 8

Geographic growth

On 1 April 2015 FrieslandCampina and China Huishan Dairy Holdings Company established the Friesland Huishan Dairy joint venture. Both partners hold a 50 percent share in the company. Friesland Huishan Dairy will produce local products for the Chinese market.

In June 2015 FrieslandCampina increased its share in its FrieslandCampina WAMCO Nigeria Plc. subsidiary from 54.58 to 67.81 percent. The purchase price of this additional 13.23 percent of the shares was 182 million euro. FrieslandCampina WAMCO Nigeria has played a prominent role in Nigeria since 1954.

Investments

The investment budget for 2015 amounts to 600 million euro, the major portion of which is related to quality improvements and capacity expansion. The on-going projects, including those in Leeuwarden, Borculo, Beilen and Veghel, must contribute towards FrieslandCampina's ability to process the increasing quantity of milk from member dairy farmers.

In the first half of 2015 a number of new production facilities went into operation:

- FrieslandCampina Butter in Lochem: expansion of the production capacity for butter-oil;
- FrieslandCampina in Aalter: a new packaging line for dairy-based beverages;
- First phase of the new FrieslandCampina Ingredients construction programme in Borculo.

Sustainability

FrieslandCampina wants to contribute towards feeding the world's growing population through the provision of safe and healthy food that has a low environmental impact by reducing its own environmental impact and by investing in innovative and sustainable solutions. During the first half of 2015 further steps towards achieving this ambition were taken. In the area of 'Nutrition & Health' further steps were taken to reduce the sugar and salt content in FrieslandCampina's products. Campina also began a cooperation with NOC*NSF, the authority in the field of exercise and sport, aimed at drawing the attention of people in the Netherlands to the importance of good nutrition - the role of dairy - and enough exercise. In South-east Asia the successful partnership with Jr. NBA continued teaching children the basic principles of basketball and the importance of a healthy diet. In the area of 'Developing Dairy Farming in Asia & Africa' exchange programmes in which member dairy farmers work with local cooperatives to improve local dairy farming continued. With the opening of the new production facility in Borculo, where sustainable pyrolysis oil (oil from wood) is used as an alternative to natural gas, a further step has been taken towards climate-neutral growth. The opening of the LNG fuelling station in Leeuwarden is also contributing towards this. The improvement of energy and water efficiency is a spearhead within the area of 'Efficient and sustainable production chains'. The activities in the field of 'Sustainable dairy farming' were focused primarily on the introduction of the up-dated *Foqus planet* quality and sustainability programme. With this programme member dairy farmers can achieve additional income and further sustainability in dairy farming will be encouraged.



Peak: 60 years on the Nigerian market

On 23 June 2015 FrieslandCampina WAMCO Nigeria celebrated the 60th anniversary of the launch of the Peak brand on the Nigerian market. Since its introduction the brand has continued to flourish due to the quality, availability and affordability of the Peak products.



Dutch Minister of Economic Affairs switches on new energy supply

To supply the energy requirements of both the production facilities in Borculo use will be made of certificated sustainable pyrolysis oil with extremely low direct CO₂ emissions. On 11 May 2015 Henk Kamp, Dutch Minister of Economic Affairs, officially 'switched on' the sustainable energy supply. Opting for sustainable pyrolysis oil will reduce the direct CO₂ emission by 15 percent. FrieslandCampina has been constructing a new production facility in Borculo for several years. In the future the facility will produce special milk powders and ingredients for infant nutrition. With this investment FrieslandCampina is responding to the need to process an increasing volume of milk and the increasing demand for infant nutrition.

Organisational changes

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 producing dairy products at the facility. No jobs will be lost.

At the beginning of 2015 a programme aimed at efficiency improvements and cost reduction was started in the FrieslandCampina production facilities in Beilen and Leeuwarden. The proposals for improvements led to structural changes, such as new working methods, changes to tasks and responsibilities, more efficient staffing, changes to team composition and adjustment of the organisational structure. Over the coming three years it is foreseen that between 335 and 355 of the current 1,590 jobs at FrieslandCampina in Beilen and Leeuwarden will be lost. Of these job losses, 140-160 will affect FrieslandCampina employees with employment contracts for an unlimited period. The remainder will affect temporary employees with short-term contracts. An efficiency improvement programme is also being implemented in the Gütersloh production facility in Germany.

As of January 2015 the new FrieslandCampina Africa operating company, in which the sales activities for North and West Africa (with the exception of Nigeria) are clustered, was established. The operating company forms part of the FrieslandCampina Consumer Products Europe, Middle East & Africa business group.

Safety

In the first half of 2015 the number of accidents resulting in sick leave at FrieslandCampina facilities dropped from 50 to 36, a reduction of 28 percent compared with the first half of 2014. Never before has such a low number of accidents been achieved. The number of accidents resulting in sick leave per 200,000 hours worked fell to 0.23 (first half of 2014: 0.35). The target for the whole of 2015 is fewer than 0.27 accidents resulting in sick leave per 200,000 hours worked. A year of operating without a single accident requiring sick leave has been achieved at 17 of the 115 FrieslandCampina facilities. Ten facilities have received the FrieslandCampina Safety Award for achieving 1,000 days without an accident. The most common causes of accidents were related to:

1. Falling, tripping, slipping (falling off ladders, slippery floors, stumbling);
2. Machinery safety (revolving parts, steam, pressure);
3. Internal transport (fork-lift truck and pallet truck collisions).

In 2015 the focus is on:

- The implementation of the 'Life-Saving Rules';
- Working safely with contractors;
- Process safety.

European Union measures related to the merger

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

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. The DMF reserved 0.9 billion kilos of the available 1.2 billion kilos of milk for these market players. A contract signed with A-ware for the supply of the remaining around 0.3 billion kilos of milk 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 30 June 2015 the Dutch Milk Foundation approved five requests involving a total of 5.0 million kilos of milk. The volume of milk from Dutch member dairy farmers that leave FrieslandCampina through the severance scheme is deducted from the quantity of milk available to the DMF. Since it went into effect in 2009, 98 member dairy farmers have utilised the severance scheme. The total quantity of milk involved is 73 million kilos.

Risks

The risks and uncertainties that could have an adverse material effect on the Company's result and shareholders' equity were described in the 2014 Annual Report, as were the ways in which the Company manages these risks. Reference to this description of risks and uncertainties should be deemed a component of this half-year report.

The major uncertainties for the second half of 2015 are related to the negative price trend of the commodities on the world market and the geo-political developments. In addition, the economic developments in various regions, currency fluctuations and the increasing regulations and demands specified by the authorities continue to be potential risks.

Subsequent events

Acquisition of mozzarella producer Fabrelac

On 22 July 2015 it was announced that FrieslandCampina intends acquiring mozzarella producer Fabrelac. With the acquisition of the Belgian mozzarella producer FrieslandCampina is gaining entry to the growing mozzarella market and expanding its cheese portfolio. Fabrelac produces mainly cow's milk mozzarella that is incorporated into other foods, such as pizzas. In addition to mozzarella Fabrelac also produces salad cheese, whey ingredients and cream. The transaction is subject to the approval of the competition authorities. In 2014 Fabrelac achieved revenue of 44 million euro and had 30 employees.



FrieslandCampina and Jr. NBA cooperation

The cooperation between FrieslandCampina and the Jr. NBA which began in March 2014 is continuing in 2015. The aim of the cooperation is to promote a healthy lifestyle among children in South-east Asia through games and sport. Last year 8,000 children aged between 5 and 15 from 700 schools and local communities were reached with clinics that taught them the basic principles of basketball and the importance of a healthy diet.

Outlook

The worldwide offering of milk is expected to increase slightly in the second half of 2015. Demand for dairy products in local markets and on the world market is likely to increase very little due to the lagging demand for dairy raw materials in China and Russia's on-going boycott of dairy products from the European Union. This is likely to continue putting considerable pressure on the sales prices of dairy products in the second half of the year. FrieslandCampina is not making any concrete statement regarding the expected result for the whole of 2015.

Management statement

The members of the Executive Board of Royal FrieslandCampina N.V. declare that, to the best of their knowledge, in accordance with Article 5:25d Clause 2 under c of the Financial Supervision Act the half-year report gives a true and fair view of the assets, liabilities and financial position as at 30 June 2015 and the profit for the first six months of 2015 of Royal FrieslandCampina N.V. and the companies included in the consolidation and that the report of the Executive Board gives a true and fair view of the information required in accordance with Article 5:25d Clause 8 of the Financial Supervision Act.

Composition of the Executive Board and the Supervisory Board

On 1 June 2015 Cees 't Hart resigned as Chief Executive Officer of Royal FrieslandCampina N.V., a position he had held since 1 January 2009. As his successor as of 1 June 2015 the Supervisory Board has appointed Roelof Joosten, until that date the Chief Operating Officer of FrieslandCampina's Ingredients business group. Tine Snels, formerly Managing Director of the FrieslandCampina Kievit operating company, was appointed Executive Director of the FrieslandCampina Ingredients business group as of 1 June 2015.



Filling line for plastic bottles goes into service

In the first half of 2015 a new, innovative, plastic bottle filling line that blow-moulds, fills and caps the bottles went into service at FrieslandCampina in Aalter (Belgium).

In consultation with the Board of the Cooperative, Sjoerd Galema decided to resign as a member of the Board of Zuivelcoöperatie FrieslandCampina U.A. and the associated position of member of the Supervisory Board of Royal FrieslandCampina N.V. as of 24 March 2015. His successor will be announced on 26 August 2015 and will take over the role after the Members' Council meeting on 15 December 2015.

Executive Board

Roelof (R.A.) Joosten
Chief Executive Officer

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

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

Piet (P.J.) Hilarides
Chief Operating Officer

Gregory (G.) Sklikas
Chief Operating Officer

Amersfoort, the Netherlands, 21 August 2015

Consumer Products Europe, Middle East & Africa

In the first half of 2015 the Consumer Products Europe, Middle East & Africa business group's revenue fell by 4.8 percent to 1,865 million euro. Volume growth was achieved in South-east Europe, the Middle East and Africa. In Western Europe the lower guaranteed price for raw milk led to lower sales prices and negative market growth led to lower volumes. As a result revenue decreased. Despite the lower sales prices and higher expenditure on advertising and promotion operating profit rose substantially due to the lower guaranteed price, the higher share of added-value products in the revenue and reorganisation savings. Reorganisations resulted in the business group's workforce being reduced by 340 FTEs (4.3 percent) compared with 31 December 2014. As a consequence of the announced reorganisations at FrieslandCampina in Leeuwarden and Gütersloh a provision of 11 million euro has been formed.

Pressure on volumes in West European markets partially offset by growth in South-east Europe, the Middle East and Africa

Revenue down due to primarily lower sales prices and lower volumes

Increased expenditure on advertising and promotion to maintain volume and market share

Operating profit up due to the lower guaranteed price, a higher share of added-value products in the revenue and reorganisation savings

Results	2015 first half-year	2014 first half-year	2014 Full year
In millions of euros			
Revenue	1,865	1,960	-4.8 3,874
Revenue excluding currency translation effects	1,846	1,960	-5.8
Operating profit	144	96	50.0 245
Operating profit excluding currency translation effects	141	96	46.9
Operating profit as a % of revenue	7.7	4.9	6.3
Price effect on revenue	▼		
Volume-mix effect on revenue	▼		

In the Netherlands and Belgium revenue fell but operating profit rose compared with the first half of 2014. Dairy consumption decreased yet again in both countries. The market share of Campina and Milner fell still further. By contrast Chocomel showed good growth and with the successful introduction of Chocomel Vers a position in the chiller cabinet has been acquired. The market shares of the Appelsientje, CoolBest and DubbelFriss fruit juices also rose. In June 2015 the fresh dairy products production facility in Eindhoven closed and production was transferred to Rotterdam and Maasdam. Of the 134 employees involved, 65 percent have been found new jobs within FrieslandCampina.

In Germany revenue and operating profit fell due to increasing competition and pressure on milk and cheese prices, which put volumes under pressure. The Landliebe brand once again achieved market share growth, partly driven by higher advertising and promotion expenditure.

The FrieslandCampina Retail Brands Europe operating company (sales of private label products) sold less volume than in the first half of 2014 primarily because of capacity limitations in the production facility in Aalter. Operating profit was stable compared with the first half of 2014.

In Greece revenue fell due to price reductions although the volumes and operating profit rose despite the worsening economic situation and market conditions. Market shares dropped with the exception of NoyNoy cheese. In June 2015 authentic milk and cheese products were introduced under the brand name NoyNoy Eklekto.

In England, Hungary and Romania revenue and operating profit improved. In England Yazoo smoothie was introduced. In Hungary the production facility in Debrecen was sold. The 107 employees now work for the new owner. The Hungarian market shares of Pöttyös and Landliebe increased. In Romania a further reorganisation of the production facility and the distribution network reduced the workforce by 248 FTEs compared with 31 December 2014. The volume and market share of Napolact increased. This, combined with the cost reduction, led to higher operating profit.

Strong with Campina

Campina has launched the 'Strong with Campina' campaign in which the brand, together with Olympic and World Champion gymnast Epke Zonderland, encourages Dutch sportsmen and women to live a healthy lifestyle. The campaign highlights the importance of both enough exercise and a good diet. Dairy contains important nutrients needed by muscles and bones.



In Russia sales were under pressure, primarily due to the boycott of agricultural products from the EU, which meant no export of cheese and other dairy products to Russia. Russia has stated that the boycott will continue until August 2016. The economic situation has also had an adverse effect on the Russian consumer's spending power. Operating profit improved compared with 2014.

The FrieslandCampina Foodservice operating company's revenue declined still further due to lower volumes and sales prices, especially in the Netherlands and Germany. Volume growth was achieved in the Global Accounts (fast-food chains), Industry (bakeries) and International (France and Italy) segments. Operating profit fell due to the lower volumes and sales prices.

In Nigeria revenue rose slightly as a result of improvements in the distribution and increased advertising and promotion activities. The continued political unrest in the north-east of the country meant sales in this region remained under pressure. Despite negative currency translation effects of 19 million euro, operating profit increased substantially due to the improved volume mix and lower cost prices.

Higher revenue compared with the first half of 2014 was also achieved in the Middle East (Saudi Arabia and the United Arab Emirates). Operating profit increased substantially due to the better volume-mix and positive currency translation effects of 23 million euro.

The new FrieslandCampina Africa operating company performed well and achieved robust volume growth. Half of the growth was the result of the acquisition of the dairy-related activities of Olam in the Ivory Coast in November 2014. In addition, sales of Frico cheese improved yet again in Egypt and in the West African countries sales of evaporated milk, including the Bonnet Rouge brand, increased. Operating profit rose substantially due to volume growth and lower cost prices.



Chocomel Vers is introduced on 1 March 2015 in the Netherlands and available in the chilled cabinet.

Consumer Products Asia

In the first half of 2015 the Consumer Products Asia business group's revenue rose by 25.8 percent to 1,386 million euro. The positive currency translation effect on revenue amounted to 199 million euro. Growth was achieved in all markets with Friso infant nutrition. In the dairy-based beverages category competition from both local and international players was fierce. Higher advertising and promotion expenditure, including related to the 'Building Strong Families since 1871' and 'Drink.Move.BeStrong' campaigns, must support further growth recovery. The business group's operating profit rose by 95.3 percent to 330 million euro. This includes a positive currency translation effect of 45 million euro.

Robust growth of both revenue and operating profit was once again achieved in China and Hong Kong. In China further growth was achieved with Friso by widening the distribution and as a result of successful e-commerce

Further growth in China, Hong Kong, Indonesia and the Philippines

Growth slowdown in Vietnam, Malaysia and Thailand

Extra investments in advertising and promotion partly financed by cost control

Campaign for dairy-based beverages to support growth

Results	2015 first half-year	2014 first half-year	2014 Full year
In millions of euros			
Revenue	1,386	1,102	2,369
Revenue excluding currency translation effects	1,187	1,102	7.7
Operating profit	330	169	95.3
Operating profit excluding currency translation effects	285	169	68.6
Operating profit as a % of revenue	23.8	15.3	18.5
Price effect on revenue	▲		
Volume-mix effect on revenue	▲		



The 'Drink.Move.BeStrong' is on-going in several Asian countries in cooperation with the authorities and health professionals.

activities in cooperation with retail chains. In Hong Kong the Friso, Black&White and Dutch Lady brands were successful.

FrieslandCampina Indonesia showed signs of recovery after a difficult 2014. The devaluation of the rupiah meant imported food, including dairy, remained expensive for some sections of the population. Despite the difficult market conditions, revenue and operating profit improved, primarily due to further improvements in the distribution and, first and foremost, the recovery of sweetened condensed milk sales. Sales of Frisian Flag infant nutrition were lower than had been expected.

In Vietnam revenue rose slightly, but the country's economic stagnation and fierce competition on prices and from intensive advertising and promotion campaigns meant volume and result development remained under pressure. In Thailand and Malaysia both revenue and operating profit improved although in these countries too market shares were under pressure due to strong competition. Sales in Myanmar developed according to plan.

In the Philippines the Alaska Milk Corporation's revenue and operating profit improved once again. A number of investment projects to further increase the production capacity are on-going.

Cheese, Butter & Milkpowder

In the first half of 2015 the Cheese, Butter & Milkpowder business group's revenue fell by 15.4 percent to 1,259 million euro. Sales prices were lower than in the first half of 2014 and less butter was produced. By contrast, cheese production increased. FrieslandCampina Export had a good first six months. Operating profit amounted to -27 million euro, the same as in the comparable period in 2014. This includes the formation of a 4 million euro provision for the restructuring costs related to the closure of the Den Hollander Food cheese packaging facility in Lochem plus an impairment of 3 million euro. The decline in the listed prices of basis cheese, butter and milk powder after 1 April 2015 meant the level of the guaranteed price could not be recovered in the market during the second quarter.

In the first half of 2015 the revenue of FrieslandCampina Cheese fell compared with the first half of 2014 due to sales prices being lower. Volume was slightly higher, in part



Zijerveld (Netherlands) has been elected Golden Partner 2015 by the magazine Levensmiddelenkrant.

Cheese recovers, but still fails to achieve a positive operating profit

FrieslandCampina Export able to profit from the cheap euro

Milk powder and butter cannot achieve the guaranteed price in the market

Reorganisation of the cheese packaging activities

due to a new client in Spain. Operating profit improved thanks to a relatively good first quarter. Since March 2015 the production facility in Gerkesklooster has been producing virtually the same volume of cheese as before the fire in July 2014. Zijerveld had a good first six months. 'Noord-Holland' cheese did well in the Netherlands and the Zijerveld concept for equipping and advising supermarkets' cheese section was successful. In 2015 a start was made on rolling-out the formula to supermarket chains in Germany and Belgium.

FrieslandCampina Butter's revenue fell due to lower volumes and pressure on prices. Although sales of speciality butter increased this could not offset the pressure on the result exerted by the falling sales prices in the second quarter.

FrieslandCampina Milkpowder's revenue and operating profit fell sharply compared to the first half of 2014 due to the low price levels.

FrieslandCampina Export can look back of a good six months in which volume, revenue and operating profit all improved. Thanks to the relatively cheap euro its competitive position improved and this meant more Frico cheese, condensed milk and infant nutrition could be exported.

Results	2015 first half-year	2014 first half-year	Δ%	2014 Full year
In millions of euros				
Revenue	1,259	1,488	-15.4	2,893
Revenue excluding currency translation effects	1,263	1,488	-15.1	
Operating profit	-27	-27	0.0	-96
Operating profit excluding currency translation effects	-27	-27	0.0	
Operating profit as a % of revenue	-2.1	-1.8		-3.3
Price effect on revenue	▼			
Volume-mix effect on revenue	▼			

Ingredients

In the first half of 2015 the Ingredients business group's revenue and operating profit recovered from a difficult 2014. Revenue rose by 4.5 percent to 888 million euro and operating profit rose by 35.6 percent despite the formation of a 9 million euro provision for reorganisation costs for efficiency measures at the production facility in Beilen. The demand for high-quality dairy ingredients rose again after a disappointing 2014 and the margins recovered. The increased capacity and good demand resulted in the business group processing more milk than in the first half of 2014.

FrieslandCampina Domo's revenue and operating profit improved due to the increasing demand for infant nutrition and ingredients, especially from China and Hong Kong. Sales to a number of major food producers (key accounts) also increased. The revenue from whey products was under pressure as a result of the high availability on the market. Vivinal Milkfat - a new ingredient specifically for infant nutrition - was introduced.

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

Added-value products increase their share of the revenue

A cheap euro makes export easier

After a period of investing the focus is now on efficiency and cost reduction

Results	2015 first half-year	2014 first half-year	Δ%	2014 Full year
In millions of euros				
Revenue	888	850	4.5	1,750
Revenue excluding currency translation effects	853	850	0.4	
Operating profit	118	87	35.6	179
Operating profit excluding currency translation effects	114	87	31.0	
Operating profit as a % of revenue	13.3	10.2		10.2
Price effect on revenue	▼			
Volume-mix effect on revenue	▲			



A DMV advertising campaign for specialised proteins.

FrieslandCampina Kievit's revenue and profit were higher than in the first half of 2014 although there was some pressure on prices due to the increasing supply and competition, especially in Eastern Europe. The newly-introduced coffee concepts for Cappuccino, White coffee and Lattes were successful.

FrieslandCampina DMV's revenue and operating profit improved mainly due to the increasing demand for caseinates resulting from the lower sales prices and the growing market for proteins.

FrieslandCampina Nutrifeed, FrieslandCampina Creamy Creation and DFE Pharma also had a good first half year with volumes and operating results developing positively.

The new powder towers at FrieslandCampina Ingredients in Beilen and Bedum are enabling the Company to respond to the increasing demand for Friso infant nutrition and infant nutrition and ingredients for third parties. At FrieslandCampina Ingredients in Borculo the replacement and expansion of the production capacity for galacto-oligosaccharides from whey, which are used as a prebiotic in infant nutrition, was completed. In Borculo the new energy-efficient pyrolysis installation went into service in June 2015. Construction of the first phase of the completely new production facility for special milk powders and ingredients in Borculo was completed. The facility is expected to be fully operational in mid-2016.

Condensed consolidated income statement

In millions of euros	first half-year 2015	first half-year 2014 ¹
Revenue	5,645	5,635
Other operating income	1	4
Operating expenses	-5,332	-5,466
Operating profit	314	173
Finance income and costs	-8	-19
Share of profit of joint ventures and associates	9	5
Profit before tax	315	159
Income tax expense	-123	-55
Profit for the period	192	104
Profit attributable to:		
- holders of member bonds	21	19
- provider of Cooperative loan	5	5
- shareholder of the Company	126	48
- shareholder and other providers of the Company's capital	152	72
- non-controlling interests	40	32
Profit for the period	192	104

Condensed consolidated statement of comprehensive income

In millions of euros	first half-year 2015	first half-year 2014
Profit for the period	192	104
Items that are or may be reclassified to the income statement:		
Effective portion of cash flow hedges, net of tax	7	-6
Currency translation differences, net of tax	39	6
Net change in fair value of available-for-sale financial assets, net of tax	-6	-3
	40	-3
Items that will never be reclassified to the income statement:		
Remeasurement of obligations (assets) in connection with defined benefit plans, net of tax	17	-90
	17	-90
Other comprehensive income, net of tax	57	-93
Total comprehensive income for the period	249	11
Attributable to:		
- shareholder and other providers of the Company's capital	209	-21
- non-controlling interests	40	32

¹ The comparative figures for 2014 have been adjusted as described in the basis of preparation (refer to page 22).

Condensed consolidated statement of financial position

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In millions of euros	30 June 2015	31 December 2014
Assets		
Property, plant and equipment	2,779	2,589
Intangible assets	1,354	1,258
Deferred tax assets	358	364
Employee benefits	6	5
Other financial assets	267	220
Non-current assets	4,764	4,436
Inventories	1,394	1,264
Receivables	1,406	1,347
Cash and cash equivalents	848	622
Assets held for sale	6	7
Current assets	3,654	3,240
Total assets	8,418	7,676
Equity		
Issued capital	370	370
Cooperative loan	291	296
Member bonds	1,353	1,300
Retained earnings and other reserves	633	621
Equity attributable to shareholder and other providers of the Company's capital	2,647	2,587
Non-controlling interests	261	236
Total equity	2,908	2,823
Liabilities		
Employee benefits	553	663
Deferred tax liabilities	122	108
Interest-bearing borrowings	1,394	1,341
Other non-current liabilities	30	45
Non-current liabilities	2,099	2,157
Current borrowings	741	220
Other current liabilities	2,670	2,476
Current liabilities	3,411	2,696
Total liabilities	5,510	4,853
Total equity and liabilities	8,418	7,676

Condensed consolidated statement of cash flows

In millions of euros	first half-year 2015	first half-year 2014
Profit before tax	315	159
Depreciation of plant and equipment and amortisation of intangible assets	130	111
Movements in inventories, receivables and liabilities	-44	-302
Other operating activities	-82	-160
Net cash flow from/used in operating activities	319	-192
Investments in property, plant and equipment and intangible assets	-275	-284
Acquisitions, net of cash acquired	-94	
Investments in securities	-27	-9
Other investing activities	12	5
Net cash used in investing activities	-384	-288
Dividends paid to and acquisition of non-controlling interests	-226	-35
Interest-bearing borrowings drawn and repayments	328	310
Amounts paid to providers of member bonds and other	-38	-28
Net cash flow from financing activities	64	247
Net cash flow	-1	-233
Cash and cash equivalents at 1 January ¹	606	510
Net cash flow	-1	-233
Exchange gains/losses on cash and cash equivalents	27	
Cash and cash equivalents at 30 June¹	632	277

Condensed consolidated statement of changes in equity

In millions of euros	first half-year 2015			first half-year 2014		
	Equity ²	Non-controlling interests	Total	Equity ²	Non-controlling interests	Total
At 1 January	2,587	236	2,823	2,405	226	2,631
Total comprehensive income for the period	209	40	249	-21	32	11
Transactions with shareholder and other providers of capital directly recognised in equity:						
• dividends paid to non-controlling interests		-43	-43		-36	-36
• interest payment to provider of Cooperative loan	-9		-9	-5		-5
• interest payment to holders of member bonds	-39		-39	-31		-31
• pro forma issuance of fixed member bonds	75		75	30		30
• other				1		1
Total transactions with shareholder and other providers of capital	27	-43	-16	-5	-36	-41
Changes in ownership of interests in subsidiaries:						
• acquisition of subsidiary with non-controlling interest		35	35			
• transactions with owners of non-controlling interests	-176	-7	-183			
Total changes in ownership of interests in subsidiaries	-176	28	-148			
At 30 June	2,647	261	2,908	2,379	222	2,601

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

² Equity attributable to shareholder and other providers of the Company's capital.

Notes to the condensed consolidated half-year figures

In millions of euros, unless stated otherwise

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General

Royal FrieslandCampina N.V. has its registered office in Amersfoort, the Netherlands. The address is: Stationsplein 4, 3818 LE Amersfoort, the Netherlands. The consolidated half-year figures for the period ending 30 June 2015 comprise Royal FrieslandCampina N.V. and its subsidiaries (jointly referred to as FrieslandCampina).

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

The consolidated half-year figures in this report have not been audited.

Basis of preparation

This half-year report has been prepared in accordance with IAS 34 'Interim financial reporting'. This half-year report must be read in conjunction with the 2014 financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, where applicable.

The accounting policies applied in the consolidated half-year figures are consistent with the policies for the valuation and determination of result and the calculation methods used in preparing the 2014 financial statements, with the exception of the following new IFRSs applied as per 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 became effective as of 2015. These amendments do not have any impact on the consolidated financial statements of FrieslandCampina.

At the end of 2014 costs related to advertising and promotion were reclassified. The comparable figures for the first half-year of 2014 have been adjusted and this has led to a reclassification from operating expenses (reduced by EUR 78 million) to revenue (reduced by EUR 78 million). This adjustment has no effect on operating profit, equity or the balance sheet total.

Judgements, estimates and assumptions

The preparation of the consolidated half-year figures 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. For an overview of the most important assumptions and estimates please refer to the 2014 financial statements. During the first half-year of 2015 there were no major changes in this context.

In the half-year report the performance premium is calculated pro forma, including the pro forma issuance of fixed member bonds.

Financial risk management

The most important objectives and procedures of financial risk management within FrieslandCampina are consistent with the objectives and procedures disclosed in the 2014 consolidated financial statements.

Seasonal influences

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

Segmentation

The identified operating segments are the separate segments within FrieslandCampina for which financial information is available which is frequently evaluated by the Executive Board in order to come to decisions regarding the 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 EMEA); Consumer Products Asia; Cheese, Butter & Milkpowder and Ingredients.

Segmentation by business groups							first half-year 2015	
	Consumer Products EMEA	Consumer Products Asia	Cheese, Butter & Milkpowder	Ingredients	Other	Elimination	Total	
Revenue third parties	1,865	1,386	1,259	888	247		5,645	
Inter-segment revenue	143	21	293	308		-765		
Total revenue	2,008	1,407	1,552	1,196	247	-765	5,645	
Operating profit	144	330	-27	118	-251		314	
Share of profit of joint ventures and associates		5	2	2			9	
Finance income and costs							-8	
Income tax expense							-123	
Profit for the period							192	
Operating profit as a % of revenue third parties	7.7	23.8	-2.1	13.3			5.6	
30 June 2015								
Carrying amounts of assets employed in operating activities	2,185	1,326	1,242	1,955	885	-625	6,968	
Carrying amounts of other assets							1,450	
							8,418	
Segmentation by business groups							first half-year 2014	
	Consumer Products EMEA	Consumer Products Asia	Cheese, Butter & Milkpowder	Ingredients	Other	Elimination	Total	
Revenue third parties	1,960	1,102	1,488	850	235		5,635	
Inter-segment revenue	192	10	356	254		-812		
Total revenue	2,152	1,112	1,844	1,104	235	-812	5,635	
Operating profit	96	169	-27	87	-152		173	
Share of profit of joint ventures and associates		3	1	1			5	
Finance income and costs							-19	
Income tax expense							-55	
Profit for the period							104	
Operating profit as a % of revenue third parties	4.9	15.3	-1.8	10.2			3.1	
31 December 2014								
Carrying amounts of assets employed in operating activities	2,085	1,047	1,273	1,914	652	-512	6,459	
Carrying amounts of other assets							1,217	
							7,676	

The comparative figures in the segmentation by business groups deviate from the figures in the Half-Year Report 2014 due to the reclassification of advertising and promotional expenses (refer to previous page) and internal transfers of activities between business groups.

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 EUR 104 million. The other 50% share is held by a subsidiary of Huishan.

The joint venture is owner of a modern 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 high-quality 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 the market position in the strategic growth region of Asia.

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

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

Identifiable acquired assets and liabilities assumed	
Property, plant and equipment	94
Intangible assets	1
Inventories	8
Other assets	12
Cash and cash equivalents	10
Other liabilities	-55
Total identifiable acquired assets and liabilities assumed	70

The fair value of the net identifiable assets acquired and liabilities assumed were determined based on the provisional purchase price allocation carried out by FrieslandCampina with the support of a third party. FrieslandCampina will finalise the purchase price allocation during the valuation period. 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.

The trade receivables comprise gross contractual sums amounting to EUR 10 million. The whole amount is considered collectible.

Goodwill related to the acquisition has been recognised as follows:

Consideration paid	104
Non-controlling interest on the basis of proportional share in the fair value of identifiable net assets	35
Fair value of identifiable net assets	-70
Goodwill	69

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 Consumer Products Asia business group. The recognised goodwill is fiscally non-deductible.

Acquisition-related costs amounting to EUR 0.2 million are recognised as operating expenses in the income statement for the first half of the year. These costs include external legal fees and costs related to the purchase price allocation process.

Since the acquisition date Friesland Huishan Dairy has contributed EUR 6 million towards revenue and achieved an operating result of EUR 3 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 the first half-year of 2015 would have amounted to EUR 5,664 million and EUR 188 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. On 30 June 2015 the value of this interest was EUR 29 million, which is disclosed under securities.

Acquisition of additional interest in FrieslandCampina WAMCO Nigeria

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

FrieslandCampina WAMCO Nigeria 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 interests	-182
Carrying amount of the additional interest in FrieslandCampina WAMCO Nigeria	7
Difference recognized in equity attributable to shareholder and other providers of the Company's capital	-175

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

Acquisitions 2014

At the end of June 2015 the purchase price allocations related to the acquisition of the dairy-related activities of Olam Ivoire Sarl and the acquisition of DEK Srl and an interest of 80% in Orange Srl still has to be finalised. These purchase price allocations will be finalised definitively in the second half of the year.

Operating expenses

Operating expenses include milk payments to member dairy farmers of EUR 1,800 million (first half-year 2014: EUR 2,134 million).

Operating expenses during the first half-year of 2015 includes an amount of EUR 25 million resulting from an addition to the provision for restructuring costs. This concerns primarily severance payments and related costs pertaining to restructurings at the Beilen, Leeuwarden and Lochem facilities in the Netherlands and Gütersloh in Germany. The loss of jobs at Beilen and Leeuwarden is due to efficiency measures. Job losses at the Den Hollander facility in Lochem are due to the closing of this facility after the cheese packaging activities are relocated to other facilities.

Finance income and costs

The lower finance income and costs during the first half-year of 2015 was primarily due to the translation effect on receivables and payables in foreign currencies of EUR 13 million positive compared with EUR 2 million positive in the first half of 2014.

In 2014 FrieslandCampina arranged 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.

Income tax expense

The tax rate in the first half-year of 2015 was 39% compared with 35% in the first half-year of 2014. The causes of this increase include higher non-deductible costs and adjustments to the estimates related to previous years.

Property, plant and equipment

The movements on property, plant and equipment during the first half-year of 2015 can be specified as follows:

Carrying amount at 1 January	2,589
Acquired through acquisition	94
Additions	199
Disposals	-2
Currency translation differences	18
Transfer to assets held for sale	-2
Depreciation	-112
Impairment	-5
Carrying amount at 30 June 2015	2,779

The movement related to 'acquired through acquisition' concerns the acquired property, plant and equipment of Friesland Huishan Dairy.

The additions of EUR 199 million relate primarily to the expansion of production capacity and replacement investments in the Netherlands.

Intangible fixed assets

The movements on intangible fixed assets during the first half-year of 2015 can be specified as follows:

Carrying amount at 1 January	1,258
Acquired through acquisition	70
Additions	26
Currency translation differences	20
Amortisation	-18
Impairment	-2
Carrying amount at 30 June 2015	1,354

The movement related to 'acquired through acquisition' concerns the acquired intangible assets of Friesland Huishan Dairy amounting to EUR 1 million and the goodwill of EUR 69 million related to this acquisition.

In 2010 FrieslandCampina started a global ICT-standardisation programme. The carrying amount at 30 June was EUR 131 million. During the first half-year of 2015 an amount of EUR 20 million was capitalised, EUR 5 million was amortised and an impairment of EUR 2 million was recognised. During 2012 the system went live for the first group of operating companies and subsequently the implementation was rolled-out to other operating companies. Rolling-out the system to the remaining operating companies will take several years and is expected to be completed in 2018.

Goodwill impairment test

FrieslandCampina carries out the goodwill impairment test during the second quarter of each year and whenever there is an indication that goodwill may be impaired. Goodwill is monitored and tested at business group level. The goodwill impairment test calculates the recoverable amount (the value in use) per business group.

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

	30 June 2015	31 December 2014
Consumer Products EMEA	559	559
Consumer Products Asia	229	151
Cheese, Butter & Milkpowder	25	25
Ingredients	163	163
	976	898

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

	2015			2014		
	%	%	%	%	%	%
	Growth rate terminal value	Budgeted EBITDA ¹	Pre-tax discount rate	Growth rate terminal value	Budgeted EBITDA ¹	Pre-tax discount rate
Consumer Products EMEA	4.0	7-8	12	3.5	7-9	11
Consumer Products Asia	3.0	19-20	8	3.0	16-21	9
Cheese, Butter & Milkpowder	1.5	3-6	8	1.5	5	10
Ingredients	1.5	12-13	7	1.5	9-17	9

¹ Budgeted EBITDA in relation to revenue

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 Cheese, Butter & Milkpowder business group plays in processing member milk, and in particular fat, was also taken into account. As is best practice in the market, for the period after 2019 a growth rate was applied that is equal to the forecasted long-term inflation rates.

The outcomes of the goodwill impairment test of the business groups Consumer Products EMEA, Consumer Products Asia, Cheese, Butter & Milkpowder and Ingredients show that their values in use exceed their carrying values. In these instances a reasonably possible change in a key assumption would not cause the values in use to fall below the level of the carrying amounts.

Inventories

An amount of EUR 240 million of the inventories of finished goods and commodities was carried at net realisable value (end of 2014: EUR 196 million). In the first half-year of 2015 the write-down of inventories of finished goods and commodities to net realisable value amounted to EUR 30 million (first half-year 2014: EUR 18 million).

Financial instruments

Accounting classifications and fair values

The carrying amounts of financial assets and liabilities, as recognised in the statement of financial position, are stated below as are the financial instruments that are either measured at fair value, or for which the carrying amounts differ from the fair value. The fair value is the amount that would be received or paid if the receivables and/or liabilities were settled on the statement of financial position date, without further liabilities. The different 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 prices included within 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).

30 June 2015

	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
Financial assets not measured at fair value										
Loans issued - fixed rate				13		13		14		14
Loans issued - variable rate				14		14				
Long-term receivables				4		4				
Trade and other receivables				1,382		1,382				
Cash and cash equivalents				848		848				
				2,261		2,261				
Financial assets measured at fair value										
Hedging derivatives		53				53		53		53
Securities			55			55	50		5	55
		53	55			108				
Financial liabilities not measured at fair value										
Non-current interest-bearing borrowings - fixed rate					648	648		653		653
Non-current interest-bearing borrowings - variable rate					746	746				
Short-term part of the non-current interest-bearing borrowings					117	117				
Short-term interest-bearing borrowings					407	407				
Bank overdrafts					217	217				
Trade payables and other liabilities					2,478	2,478				
					4,613	4,613				
Financial liabilities measured at fair value										
Hedging derivatives		7				7		7		7
Put-option liabilities	7					7			7	7
Contingent consideration	7					7			7	7
	14	7				21				

The fair value of the interest-bearing borrowings with a fixed interest rate has been calculated using an average weighted interest percentage of 2.68% (end of 2014: 2.60%). The fair value of the loan issued with a fixed interest rate has been calculated using an average interest rate of 3.02% (end of 2014: 3.06%).

Securities

In 2015 a 0.99% 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 2.

Hedging derivatives

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

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 the first half-year of 2015 movements of the financial instruments classified as Level 3 were as follows:

	Contingent consideration	Put-option liabilities	Securities
Carrying amount at 1 January	7	8	4
Investments			1
Finance costs	-		
Fair value adjustment		-1	
Carrying amount at 30 June 2015	7	7	5

The first half-year of 2015 there were no transfers to or from Level 1, 2 or 3.

Commitments and contingencies

Commitments and contingencies do not differ materially from the commitments and contingencies included in the 2014 consolidated financial statements.

Related parties

There were no changes in respect of the nature and size of the related parties compared with the Notes to the 2014 consolidated financial statements.

Subsequent events

In July 2015 FrieslandCampina announced its acquisition of 100% of the shares in Fabrelac. Fabrelac is a Belgian manufacturer of mozzarella, and produces primarily mozzarella from cow's milk that is incorporated in other foods. With the acquisition of Fabrelac, FrieslandCampina expands its cheese portfolio and enters the fast-growing mozzarella market. The revenue of Fabrelac in 2014 was EUR 44 million and 30 employees were employed.

The transaction is subject to the approval of the competition authorities.

Amersfoort, the Netherlands, 21 August 2015



Every day Royal FrieslandCampina provides millions of consumers all over the world with food that is rich in valuable nutrients. With annual revenue of 11.3 billion euro, FrieslandCampina is one of the world's six largest dairy companies.

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

FrieslandCampina has offices in 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 in Amersfoort, the Netherlands.

FrieslandCampina's activities are divided into four market-oriented business groups: Consumer Products Europe; Middle East & Africa; Consumer Products Asia; Cheese, Butter & Milkpowder and Ingredients.

The Company is fully owned by Zuivelcoöperatie FrieslandCampina U.A., with over 19,000 member dairy farmers in the Netherlands, Germany and Belgium one of the world's largest dairy cooperatives.

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