



FrieslandCampina
nourishing by nature



Half-year Report 2016

Royal FrieslandCampina N.V.

Key developments first half-year 2016

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Milk supply increases, revenue and profit decrease due to price and margin pressure



Milk supply member dairy farmers increased by 583 million kilos (11.9 percent)

Increase volume basic dairy products (milk powder, foil cheese and butter) sold at a loss

Further increase in volume and improvement in result in South-East Asia, China and the FrieslandCampina Ingredients business group

Volumes in Europe recovering, but result under pressure

Volumes and result in Africa under pressure due to low oil prices and political instability



Revenue decreases by 2.2 percent to 5,522 million euros; positive volume-mix effect on revenue of 5.1 percent, 5.6 percent lower sales prices and 1.5 percent unfavourable currency translation effects

Operating profit decreases by 18.8 percent to 255 million euros due to lagging operating profits Cheese, Butter & Milkpowder and Consumer Products Europe, Middle East & Africa; currency translation effects have a negative impact of 30 million euros (9.6 percent)

Profit decreases by 16.7 percent to 160 million euros; currency translation effects have a negative impact of 27 million euros (14.1 percent)

Cash flow from operational activities decreased to 165 million euros (first half-year 2015: 319 million euros), also due to lower profit and higher working capital

Milk price and interim pay-out significantly lower



Guaranteed price for member dairy farmers decreased by 14.1 percent to 27.34 euros (first half-year 2015: 31.84 euros)

Value creation (pro forma performance premium 1.56 euros and pro forma reservation of member bonds 0.89 euros) decreased by 41.9 percent to 2.45 euros (first half-year 2015: 4.22 euros)

Pro forma milk price decreased by 17.1 percent to 30.24 euros (first half-year 2015: 36.48 euros)

Interim pay-out (75 percent of the pro forma performance premium) to member dairy farmers in September 2016 decreased by 42.0 percent to 1.170 euros (first half-year 2015: 2.018 euros)

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

Strategy route2020

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Strategy route2020 on track, realisation of 2.3 percent growth in added value products in accordance with plan, in particular for infant nutrition and dairy-based beverages

'Expanding the leading positions in growth markets' successful in South-East Asia, China and in Ingredients, but is lagging behind in Africa

'Protection of the volume in home markets' in accordance with plan for Campina yoghurt, curds and cheese, Chocomel, Mona, Landliebe and Debic, but with margins under some pressure

'Developing future markets' announced acquisition of the 51 percent controlling interest in Engro Foods in Pakistan and selling drinking milk and food service products in China

Investments in capacity, replacement, quality, safety and sustainability of 215 million euros (10 million euros lower than in the first half-year 2015)

'Cost savings' on schedule based on further international roll-out of efficiency programmes in production facilities

Key figures

in millions of euros unless stated otherwise

	2016 first half-year	2015 first half-year	Δ%	2015 year
Results				
Revenue	5,522	5,645	-2.2	11,265
Revenue before currency translation effects	5,609	5,645	-0.6	
Operating profit	255	314	-18.8	576
Operating profit before currency translation effects	285	314	-9.2	
Profit	160	192	-16.7	343
Profit before currency translation effects	187	192	-2.6	
Operating profit as a % of revenue	4.6	5.6		5.1
Balance sheet				
Balance sheet total	8,253	8,418	-2.0	8,422
Total equity	3,126	2,908	7.5	3,093
Net debt ¹	1,322	1,398	-5.4	1,108
Total equity as a % of the balance sheet total	37.9%	34.5%		36.7%
Cash flow				
Net cash flow from operating activities	165	319		1,019
Net cash flows used in investment activities	-262	-384		-705
Investments				
	215	225	-4.4	564
Value creation for member dairy farmers				
in euros per 100 kilos of milk (exc. VAT, at 3.47% protein, 4.41% fat and 4.51% lactose)				
Guaranteed price	27.34 ²	31.84	-14.1	30.68
Pro forma performance premium ³	1.56	2.69	-42.0	2.25
Meadow milk premium ⁴	0.29	0.29		0.29
Special supplements ⁵	0.16	0.13		0.14
Pro forma cash price ³	29.35	34.95	-16.0	33.36
Pro forma reservation of member bonds ³	0.89	1.53	-41.8	1.28
Pro forma milk price ³	30.24	36.48	-17.1	34.64
Interest on member bonds	0.39	0.43	-9.3	0.42
Pro forma retained earnings ³	1.65	2.58	-36.0	2.17
Pro forma performance price ³	32.28	39.49	-18.3	37.23
Interim pay-out ⁶				
75% of the pro forma performance premium	1.170	2.018	-42.0	
Milk supplied by member dairy farmers (in millions of kg)				
	5,488	4,905	11.9	10,060

¹ The net debt concerns current and non-current interest-bearing borrowings, amounts payable to related companies minus cash and cash equivalents at the Company's free disposal.

² Concerns balance of guaranteed price of 27.42 euros and a settlement of 0.08 euros per 100 kilos of milk for a high estimate over the first half-year 2016.

³ The final figures are based on the full-year profit figures.

⁴ Dairy farmers applying pasturing receive a 1.00 euro meadow milk premium per 100 kilos of milk. An amount of 0.50 euros per 100 kilos of meadow milk is paid from the operating profit. On average on all FrieslandCampina member milk, this amounts to 0.29 euros per 100 kilos of milk. Furthermore, another 0.50 euros per 100 kg of meadow milk is paid out pursuant to cooperative schemes. To finance this amount, 0.35 euros per 100 kilos of milk is withheld from all milk. This also pays for the partial pasture grazing premium.

⁵ Special supplements concern the total amount of pay-outs per 100 kilos of milk of Landliebe milk of 1.00 euros per 100 kilos of milk, and the difference between the guaranteed price of organic milk (48.17 euros including a settlement of -0.25 euros per 100 kilos of milk for a high estimate over the first half-year 2016) and the guaranteed price (27.34 euros) per 100 kilos of milk. On average on all FrieslandCampina member milk, this amounts to 0.16 euros per 100 kilos of milk.

⁶ The 2016 interim pay-out per 100 kilos of milk is paid out to member dairy farmers on 1 September 2016.

First half-year 2016: further decrease in milk price for member dairy farmers

Lower profit FrieslandCampina due to losses on milk powder and cheese in spite of growth in infant nutrition and dairy-based beverages

The profit of Royal FrieslandCampina N.V. decreased by 16.7 percent over the first half-year 2016 to 160 million euros compared to the same period in the previous financial year. Due to the significant increase in the member dairy farmers' milk production (+11.9 percent), basic dairy products such as milk powder, foil cheese and butter were produced that had to be sold below cost. Growth in volume was realised in infant nutrition in China and South-East Asia, dairy-based beverages in South-East Asia and Eastern Europe and ingredients, with improved results.

Revenue decreased by 2.2 percent, down to 5,522 million euros. The decrease in revenue due to lower sales prices was largely compensated by a higher volume. The milk price for member dairy farmers decreased to 30.24 euros per 100 kilos of milk (first half-year 2015: 36.48 euros) due to the lower guaranteed price for raw milk and the lower value creation (performance premium and reservation in member bonds). The interim pay-out amounts to 1.170 euros per 100 kilos of milk (2015: 2.018 euros).

Roelof Joosten, CEO of Royal FrieslandCampina N.V.: "We can look back on a special first half year. FrieslandCampina is doing well in Asia and with ingredients, realising a fine 2.3 percent growth in volume with added value products. Due to the increased milk production, we had to process significantly higher volumes of milk into basic dairy products that we could not sell at a profit in the market. This is visible in the 17 percent decrease in both profits and milk price for the member dairy farmers."

Milk supply increased by 11.9 percent

Over the first half-year 2016 5,488 million kilos of milk were supplied by the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. This is a 583 million kilo milk increase (11.9 percent) compared to the same period last year. A high proportion of the increased milk volumes was processed into basic products.

Revenue decreases as volume increases

The revenue decreased by 2.2 percent to 5,522 million euros (first half-year 2015: 5,645 million euros). On balance, currency translation effects had a negative effect of 87 million euros (1.5 percent) on revenue. The sales (volumes) of added value products, including infant nutrition, ingredients for infant nutrition and condensed milk, increased by 2.3 percent. The volume of basic products increased even more significantly: by 16.8 percent. The sales prices decreased by 5.6 percent and the prices of added value products decreased by 4.3 percent. Over the first half year of 2016, more raw milk was sold directly to third parties due to high milk supply and fully utilised production capacity.



Lower operating profit

The operating profit decreased by 18.8 percent to 255 million euros over the first half-year 2016 (first half-year 2015: 314 million euros). Currency translation effects had a negative effect of 30 million euros on the operating profit.

The gross profit decreased by 5.6 percent to 938 million euros (first half-year 2015: 994 million euros) because the sales prices incurred a quicker decrease than the cost. The sales increased in volume; however, margins were at a lower level than in the first half year of 2015. Due to the high milk supply and the lagging demand, basic products were mostly sold under cost. Direct sales of raw milk in the spot market also showed a loss. The cost of goods sold decreased by 1.4 percent to 4,584 million euros (first half-year 2015: 4,651 million euros). This is mainly due to the lower guaranteed price for raw milk, cost-saving measures in all business groups and an improvement in purchasing conditions for other raw materials and packaging materials.



Popularity of meadow milk cheese is growing

The number of dairy products made from meadow milk is increasing. In particular more meadow milk cheese will be found in the shop shelves in 2016. New is Campina cheese, a series of Gouda cheeses made from meadow milk, ranging from light to extra mature in slices and wedges. Milner and the North Holland Gouda cheese with the red label are made from meadow milk as well. A number of supermarket chains will soon start buying FrieslandCampina meadow milk cheese for their private labels.

Compared to the same period last year, the pro forma milk price to member dairy farmers decreased by 5.6 percent to 1,699 million euros. Member dairy farmers produced more milk but received a lower price. However, this decrease is lower than the decrease in the guaranteed price by 14.1 percent and the pro forma milk price by 17.1 percent.

FrieslandCampina invested 266 million euros in advertising and promotions (+11.8 percent compared to the first half-year 2015: 238 million euros) to improve its market positions. The selling, general and administrative costs showed a slight decrease, from 396 million euros to 403 million euros based on growth in growth regions such as China. The other operating costs includes restructuring costs of a 7 million euro for efficiency measures at the FrieslandCampina production facilities in Veghel, Lochem (both in the Netherlands) and Heilbronn (Germany).

Decrease in profit

Profit over the first half-year 2016 decreased by 16.7 percent to 160 million euros (first half-year 2015: 192 million euros). Of this amount, 117 million euros is at the disposal of the Shareholder and the provider of the cooperative loan (Zuivelcoöperatie FrieslandCampina U.A.) and the holders of member bonds (first half-year 2015: 152 million euros).

The negative balance of finance income and costs increased by 17 million euros to -25 million euros due to a negative result on currency translations on receivables and payables in foreign currencies.

The result from joint ventures and associates remained stable at 9 million euros.

The tax burden amounted to 79 million euros (first half-year 2015: 123 million euros). The decrease is mainly due to lower profits.

Value creation for members

The pro forma milk price for the member dairy farmers over the first half-year 2016 amounted to 30.24 euros per 100 kilos of milk excluding VAT. Compared to the first half-year 2015 (36.48 euros), this is a 17.1 percent decrease.

The guaranteed price over the first half-year 2016 is 27.34 Euro per 100 kilos of milk, which is a 14.1 percent decrease compared to the first half-year 2015 (31.84 Euro). The decrease in the guaranteed price is the result of lower milk prices of reference companies.

The pro forma value creation (performance premium and reservation in member bonds) amounts to 2.45 euros per 100 kilos of milk (first half-year 2015: 4.22 euros), which is a 41.9 percent decrease due to lower profits. The pro forma performance premium amounts to 1.56 euros per 100 kilos of milk (first half-year 2015: 2.69 euros). The pro forma reservation in member bonds-fixed amounts to 0.89 euros per 100 kilos of milk (first half-year 2015: 1.53 euros).

The meadow milk premium amounts to 0.29 euros per 100 kilos of milk and the compensation for special supplements (Landleiwe, organic milk) 0.16 euros per 100 kilos of milk.

The interest on member bonds is 0.39 euros per 100 kilos of milk (first half-year 2015: 0.43 euros). The amount per 100 kilos of milk decreased due to the growth of the milk quantity. The total of interest on member bonds increased from 20.9 million euros to 21.3 million euros due to the increase in the number of bonds. The interest over the period from 1 January to 31 May 2016 amounted to 3.210 percent. The interest over the period 1 June to 30 November 2016 amounts to 3.099 percent (the interest on the 6-month Euribor in early June of -0.151 percent plus the 3.25 percent mark-up).

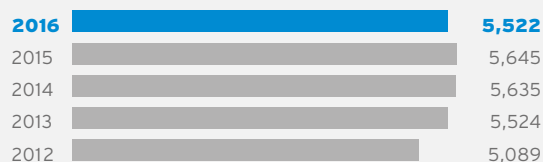
The pro forma retained earnings amount to 1.65 euros per 100 kilos of milk (first half-year 2015: 2.58 euros).

The FrieslandCampina pro forma performance price over the first half-year 2016 amounts to 32.28 euros per 100 kilos of milk excluding VAT (first half-year 2015: 39.49 euros), an 18.3 percent decrease compared to the first half-year 2015. The FrieslandCampina performance price consists of 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.

Revenue

in millions of euros

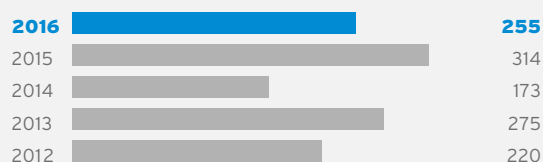
first half-year



Operating profit

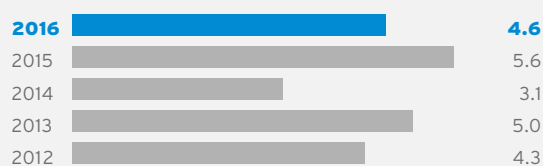
in millions of euros

first half-year



Operating profit as a % of revenue

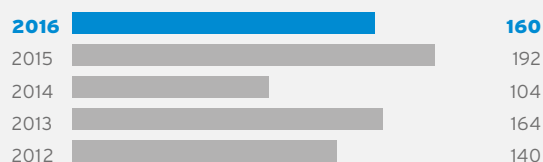
first half-year



Profit

in millions of euros

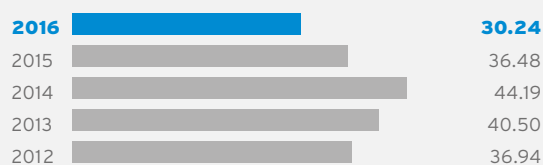
first half-year



Milk price

in euros per 100 kg of milk, excl. VAT

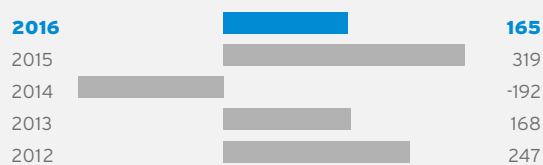
first half-year



Operational cash flow

in millions of euros

first half-year



The organic milk price over the first half-year 2016 amounts to 51.12 euros excluding VAT per 100 kilos of milk (first half-year 2015: 51.47 euros). The guaranteed price for organic milk over the first half-year 2016 amounts to 48.17 euros excluding VAT per 100 kilos of milk (first half-year 2015: 46.75 euros).

The amounts of the retained earnings and the performance premium are proportionate to FrieslandCampina's profit. For the years 2014-2016, 45 percent of FrieslandCampina's profit is added to the Company's equity based on the guaranteed price, after deducting the recompense on member bonds and the profit attributable to non-controlling interests. 35 percent of the profit is paid out to the member dairy farmers as a performance premium and 20 percent is paid out to the member dairy farmers in the form of fixed member bonds. The reservation of fixed member bonds is based on the value of the milk supplied in the relevant financial year.

Interim pay-out 1.170 euros per 100 kilos of milk

In September 2016, an interim pay-out amounting to 1.170 euros per 100 kilos of milk (excluding VAT) will be paid out to the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. This is 75 percent of the pro forma performance premium over the first half year. The interim pay-out is 42 percent lower than in 2015 (2.018 euros per 100 kilos of milk). The final settlement will be effected in April 2017 based on FrieslandCampina's results on the financial year and the quantity of milk supplied by the dairy farmers in 2016.

Decrease in operational cash flow

The cash flow from operating activities decreased to 165 million euros (first half-year 2015: 319 million euros). This is mainly due to the higher working capital, among others due to the increased quantity of milk and the decrease in profits. Over the first half-year 2016, the outbound cash flow used in investment activities amounted to 262 million euros (first half-year 2015: 384 million euros).

Market developments: over the first half-year of 2016

Worldwide growth in demand for dairy products lags behind the growth in milk production. Over the first half of 2016, worldwide milk production increased by an estimated 2 percent compared to the first half of 2015. Milk production in the European Union and the Netherlands increased by 4 percent and over 13 percent respectively in the same period. This affected both the world market prices and the revenue prices of dairy products in the European Union in the first half year.

The prices of skimmed milk powder fell to below the intervention level of 1,698 euros per ton. A total of 296,525 tons of skimmed milk powder was removed from the market in the first half-year 2016 (on a temporary basis) pursuant to the European Commission's intervention. Furthermore, 33,795 tons of skimmed milk powder was temporarily stored under the Private Storage

scheme. The European butter market had a temporary supply surplus situation. This caused prices to decrease by 16 percent in April compared to January. As butter exports increased, also based on the low prices, and more butter was temporarily removed from the market (up to 107,000 tons in late June) pursuant to the European Union's Private Storage scheme, the butter price slightly recovered to 3.11 euros per kilo in the second quarter. The cheese market showed a similar development. The Hannover quote for foil cheese fell under the historic low of 2.20 euros in January 2016, down to 1.95 euros per kilo in March and April. Between early May and late June, the Hannover quote increased to 2.30 euros per kilo of cheese. The prices of whole milk powder showed a similar fluctuation. Between January and late April, prices decreased by 18 percent, down to 1.72 euros per kilo. Subsequently, prices recovered to a level of 2.03 euros per kilo in late June.

Dutch quotes

in euros per ton of product

	1 January 2016	1 April 2016	%	1 July 2016	%
Cheese (Hannover)	2,300	1,950	-15.2	2,300	17.9
Whole milk powder	2,100	1,790	-14.8	2,030	13.4
Skimmed milk powder	1,670	1,620	-3.0	1,720	6.2
Whey powder	500	500	0	590	18.0
Butter	2,830	2,370	-16.3	3,110	31.2

The balance of the cash flow used in financing activities amounted to -362 million euros (first half-year 2015: 64 million euros), in particular based on repaying more than withdrawing from interest-bearing borrowings (275 million euros repaid more). The net cash flow amounts to -459 million euros (first half-year 2015: -1 million Euro). The balance of cash and cash equivalents decreased to 236 million euros (first half-year 2015: 632 million euros).

Financial position

The net debt amounts to 1,322 million euros as at 30 June 2016. Compared to December 2015, this is a 214 million euro increase.

The total equity amounts to 3,126 million euros as at 30 June 2016 (end of 2015: 3,093 million euros). The equity increased due to the allocation of profit to the retained earnings and reservation in the member bonds. The solvency rate (shareholders' equity as a percentage of the balance sheet total) increased to 37.9 percent (end of 2015: 36.7 percent).

Financing

FrieslandCampina makes use of loans from several financing groups (member dairy farmers, banks and investors). The main component of the bank loans consists of a 1.5 billion euro committed credit facility provided by a bank syndicate. In April 2016, the duration of this facility was extended to April 2021. As at the end of June 2016, 250 million euros were drawn under this facility. The main component of the institutional loans outstanding amounts to 696 million US dollars. The liabilities in US dollars are converted into euro liabilities based on cross-currency swaps. In April 2016, 300 million euros in green bonds (Green Schuldschein) were issued to refinance and finance sustainable investments in the FrieslandCampina production facilities in Borculo,



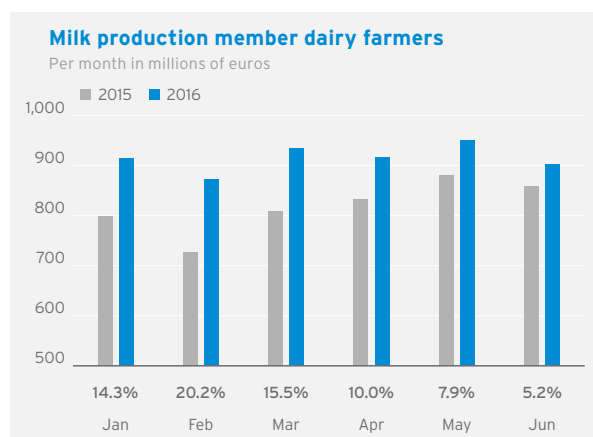
Campaign healthy breakfast in Indonesia

In Indonesia, Frisian Flag invites families to start the day with a healthy breakfast with a glass of Frisian Flag condensed milk. This milk is based on fresh milk with added vitamins and minerals including calcium and phosphorus. Forty percent of children in Indonesia do not have a healthy breakfast. With the theme 'Fuel Your Day', the campaign Morning Occasions was started up in February. Bloggers were invited to a themed session to explain why breakfast is good for you. On a special website, people were invited to share pictures and exchange breakfast recipes.

Leeuwarden, Veghel (all in the Netherlands) and in San Pedro on the Philippines. The European Investment Bank granted a credit facility capped at 150 million euros in June 2016 to finance FrieslandCampina R&D activities in Europe.

Milk supply

The milk supply of member dairy farmers increased by 583 million kilos over the first half-year 2016 (+ 11.9 percent) to 5,488 million kilos of milk. The first quarter showed an increase of 16.5 percent. Milk production increased by 7.7 percent in the second quarter.



Over the first six weeks of 2016, an estimated 34 million kilos less milk was supplied based on a request sent to member dairy farmers to not increase their milk supply for the time being. The forecast was that the milk supply in the first six weeks of 2016 would be so high that the processing capacity and direct sale options would not be adequate to cover the full supply for January and the first half of February 2016. For daily milk supply equal or below the average daily milk supply in the reference period from 13 December to 27 December 2015, the member dairy farmers received an additional amount for milk supplied of 2.00 euros per 100 kilos of milk (excluding VAT). 60 percent

of member dairy farmers participated in the temporary scheme. This scheme cost the Company 14 million euros.

From 1 February 2016, FrieslandCampina no longer accepts any milk from approximately half the Belgian suppliers. This concerns approximately 180 million kilos of milk on an annual basis. There was no direct market distribution option for this volume in Belgium. The relevant milk supply was transferred to other Belgian dairy companies.



Collaboration with the Rijksmuseum

On 1 June 2016, FrieslandCampina and the Rijksmuseum concluded a partnership agreement for a period of three years. Milk, butter and cheese are leading products in the Dutch cultural history. Dairy products have contributed to the prosperity of the Netherlands and the Dutch landscape since the 17th century. The Rijksmuseum has a wealth of works of art showing the Dutch dairy history. Johannes Vermeer's Milk Maid is probably the most famous painting. However, the still life paintings of Floris Claesz. van Dijck and the meadow landscapes of the Haagse School artists are also very special. Inspired by the Dutch masters in the Rijksmuseum, FrieslandCampina developed a Holland Master Edam cheese that is exclusively sold in the shop at the Rijksmuseum.

Investments

Over the first half year of 2016, a number of new production facilities went into operation:

- New production facility for milk powder and infant nutrition of FrieslandCampina Ingredients in Borculo (Netherlands);
- Increasing the production capacity for infant nutrition at FrieslandCampina Ingredients in Beilen (Netherlands).

New investment projects are scheduled in late 2016 and in 2017 respectively for the production facilities in Beilen (expansion of the packaging line for infant nutrition), Leeuwarden (renovation of the canned condensed milk production line), Borculo (whey processing) and Gerkesklooster (expansion of cheese production capacity), all in the Netherlands. These investments are designed to contribute to improving profitability and processing the milk of the member dairy farmers.

Reinforcing the organisation and cost reduction

- FrieslandCampina's consumer activities in China (excluding Hong Kong) were transferred to the new business group Consumer Products China as per 1 January 2016. Previously, the activities were part of the business group Consumer Products Asia.
- In March 2016, the commercial vending activities (products for coffee and cocoa drinks vending machines) of the FrieslandCampina Kievit plant in Lippstadt (Germany) were sold to Barry Callebaut Sweden AB. FrieslandCampina Kievit will continue producing these vending products for Barry Callebaut.
- Production of organic dairy of the Limmen site was moved to Maasdam (Netherlands) as the Limmen (Netherlands) site was closed. Two-thirds of the employees found a new position within FrieslandCampina or external companies. The Zuiver Zuivel brand was acquired by Weerribben Zuivel.
- In May 2016, FrieslandCampina acquired full control over the activities of FKS Frischkonzept Service GmbH (Germany) by acquiring the remaining shares (51%) for 1 million euros. The activities consist of the sale of fresh products to retailers in Germany.
- The FrieslandCampina production facilities in Lochem and Veghel (both in the Netherlands) started a programme for efficiency improvement and cost reduction in March 2016. The main portion of cost reductions is realised by improving the utilisation rate of the production lines and reducing the materials and energy consumption. In the coming three years, a total of 40 permanent FTE positions will become redundant in both FrieslandCampina facilities.

- Another 40 positions will become redundant at FrieslandCampina Germany in Heilbronn (Germany) in the second half of 2016 due to efficiency improvements in production.
- During the first half year of 2016, the Summit programme (standardisation of planning and information systems, processes and data) was successfully implemented at FrieslandCampina in Malaysia, Indonesia and Hong Kong, and for the full cheese logistics including logistics service providers. A total of 39 facilities and over 60 percent of all employees eventually to be involved are already working with the new platform. The programme is expected to be completely rolled out in 2018.

Safety

Over the first half-year 2016, the number of accidents resulting in sick leave at FrieslandCampina facilities decreased from 36 to 19. This constitutes a 47 percent decrease compared to the first half-year 2015. Over the first half-year 2016, the number of accidents resulting in sick leave per 200,000 hours worked decreased to 0.13 (first half-year 2015: 0.23). The target for the full year of 2016 is to have less than 0.18 accidents resulting in sick leave per 200,000 hours worked. The main causes of accidents were related to:

1. Falling, tripping, slipping (falling from steps, slippery floors, misstepping)
2. Machine safety (moving parts, steam, pressure)
3. Internal transport (forklift truck and pallet truck collisions)

Measures were implemented to prevent accidents, to create awareness and to adjust behaviour.

In 2016, the Company started registering accidents that lead to adjusted work and accidents resulting in medical treatment.

Sustainability

The activities relating to sustainability are directly linked to the purpose statement: *nourishing by nature* - better nutrition for the world, a good living for the farmers, now and for generations to come.

Within the pillar 'Better nutrition for the world', we further worked on gradually decreasing the quantities of trans fat, added sugar and salt in FrieslandCampina products in the first half of 2016. In 2016, the Company set up a monitoring system to check which products should be adjusted to comply with the FrieslandCampina criteria for ensuring that dairy and other products contain valuable, naturally present nutrients, and enriching products with essential nutrients.



Significant reduction of water consumption at FrieslandCampina in Aalter

The production facility in Aalter (Belgium) commissioned a new water purification plant in March, allowing for re-using 2,100 m³ water on a daily basis. This constitutes a sixty percent reduction of the water consumption. The Aalter production facility has expanded at a fast rate in the past few years. In order to realise sustainable growth and cost savings in line with the *route2020* strategy, the Company invested in the construction of a new system to re-use most of the water used.

The pillar 'A good living for our farmers' includes the value creation for the member dairy farmers of Zuivelcoöperatie FrieslandCampina U.A. (see above in the first section of this Half-year Report). In the context of the *Dairy Development Programme*, 4,800 farmers were trained by local teams in Indonesia, Vietnam, Thailand, Malaysia and Nigeria in the first half of 2016. 124 Indonesian and Malaysian dairy farmers received customised advice at their farm from Dutch dairy farmers in the context of the *Farmer2Farmer* programme. In Indonesia, two milk collection points were updated. The above efforts resulted in a significant improvement of the milk quality. In June 2016, FrieslandCampina Wamco Nigeria and the Nigerian Ministry of Agriculture and Rural Development signed a new agreement to further develop dairy farming in Nigeria with training programmes and technical support.

The activities within the pillar 'Now and for generations to come' are aimed at further implementation of the quality and sustainability programme *Foqus planet* at the member dairy farmers, realising climate-neutral growth in 2020 compared to 2010, improvement of the energy and water efficiency and socially responsible procurement of raw materials.

In order to encourage pasturing and further increasing sustainable dairy farming, member dairy farmers are rewarded for pasturing and other indicators of sustainability development such as climate & energy, biodiversity & environment, and animal welfare & animal health based on *Foqus planet*. *Foqus planet* is being developed in particular focusing on demonstrating sustainability and optimising the balance between sustainability aspects. For example, relating to biodiversity, the system is under construction.



Twenty years of Dutch Lady in Vietnam

Dutch Lady was introduced in Vietnam in 1996. It developed into one of the leading dairy brands in the country. Its growth was mainly based on a broad range in combination with good product quality. FrieslandCampina supports farmers in Vietnam through the *Dairy Development Programme*, among others by improving quality and making dairy farms more efficient. In the context of the Den Dom Dom project, Dutch Lady started construction of the 20th school in Vietnam. The construction of the school in Ham Cam ensures that approximately 100 children receive an education in a hygienic building that fulfils educational requirements.

In the context of climate-neutral growth, FrieslandCampina is working on several initiatives for an efficient and sustainable product chain. This means further sustainability in dairy farming, procurement of sustainable agricultural materials and raw materials, and reducing energy consumption in the production of dairy products. In the context of the Long-term agreements in the dairy sector, FrieslandCampina is committed to improving energy efficiency by an average of 2 percent per year. In combination with generating sustainable energy, this contributes to climate-neutral growth. The Company works on identification and transparency of various possible measures to reduce the emissions. This concerns reducing energy consumption, generating sustainable energy based on solar cells and wind mills, valorisation of manure, feeding measures and good agricultural practices.

In addition to other measures, mono manure fermentation and manure processing also contribute to reducing greenhouse gases and therefore to climate-neutral growth targets. FrieslandCampina supports two initiatives relating to manure fermentation. The cooperative 'Jumpstart' is aimed at fermentation through mono-fermentation units at farm level. The Company is currently negotiating with suppliers, governments, banks and member dairy farmers to enable this. Furthermore, the Company intends to establish 'Manure Circles' specifically aimed at manure to be carried off-site at farms. Also in this respect, the Company aims to organise this at a cooperative level. The members of a 'Manure Circle' contribute their surplus manure and jointly ensure valorisation. Both initiatives are characterised by their cooperative basis. FrieslandCampina serves as the initiator, seeking close collaboration with other parties.

In the production of dairy products, energy consumption increased by 5.5 percent to 8,439 GJ compared to the first half-year 2015. This increase is due to the increase in milk volume. Energy efficiency remained stable at 2.7 GJ/ton of finished product. Water efficiency amounted to 4.4 m³/ton of finished product (first half-year 2015: 4.5 m³/ton finished product).

New Collective Labour Agreement in the Netherlands

In the Netherlands, the Dutch Dairy Association (NZO) agreed a new two-year Collective Labour Agreement. This includes agreements on sustainable employability and flexibility. The NZO and the trade unions negotiated a 1.5 percent pay rise as per 1 April 2016 and 1.5 percent as per 1 April 2017.

Measures European Commission relating to merger

The independent Stichting Dutch Milk Foundation (DMF) implements the merger conditions that the European Commission imposed to the merger of Friesland Foods and Campina in 2008. 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 or Deltamilk are making use of this option and the volumes reserved for them. Of the 1.2 billion kilos of milk available, 0.9 billion were reserved by DMF for these market parties. For delivery of the remaining 0.3 billion kilos of milk, a contract was concluded with A-ware.

The Foundation was also responsible for the implementation of the imposed severance scheme for Dutch FrieslandCampina member dairy farmers. DMF implemented a single movement over the period between 1 January and 30 June 2016. This concerned 1.4 million kilos of milk. The milk available to the foundation is reduced by the volume of milk from Dutch member dairy farmers leaving FrieslandCampina exercising their right to the severance scheme. From the effective date of the severance scheme in 2009, a total of 99 dairy farmers made use of this option. This concerned a total of 74.6 million kilos of milk.

Risks

The 2015 Annual Report sets out the uncertainties and risks that may have an adverse material effect on both the result and equity of FrieslandCampina. It also sets out how the company controls these risks. This description of uncertainties, risks and measures forms part of this half-year report by reference.

The key uncertainties for the second half-year 2016 concern the price development of basic dairy products on the world market and the geo-political developments. Furthermore, economic developments in the various regions, currency fluctuations and the increasing regulations and requirements issued by governments remain possible risks.



Compass for good business conduct

In January 2016, the *Compass* code of conduct of FrieslandCampina was updated and extended with rules relating to privacy and safety. The code of conduct is the guideline for good business behaviour based on integrity, respect and transparency. A continuous programme is designed to enhance the employees' awareness of good business conduct within FrieslandCampina, and how they can contribute to good business conduct from their own roles and responsibilities.

Subsequent events

On 3 July 2016, Royal FrieslandCampina N.V. signed an agreement with Engro Corporation for the transfer of 51 percent of the shares in subsidiary Engro Foods Limited in Pakistan. The agreement was realised in collaboration with the World Bank's International Finance Corporation (IFC), and the Dutch development bank FMO. With the acquisition of the interest in Engro Foods, the runner-up in Pakistan's dairy companies by size, FrieslandCampina acquires a position in Central Asia. Engro Foods realised a revenue of approximately 450 million euros in 2015 with about 1,600 employees. Its main brands are Taran, Olpers, Omung and Omoré. This acquisition requires approval of the competition authorities and other relevant institutions.



European agricultural ministers and European Agricultural Commission member visit FrieslandCampina's dairy farm

In the context of the Netherlands' EU Chairmanship and at the invitation of Martijn van Dam (the Secretary of State of Economic Affairs), the European Ministers of Agriculture and Philip Hogan (the European Commission member for Agriculture) visited the dairy farm of Rik Lagendijk in Diessen during the informal agricultural council in June 2016. This is a contemporary dairy farm committed to innovation, animal welfare and sustainability. Earlier that day, the delegation visited Food to Be in Eindhoven about innovations relating to food, design and technology in the Netherlands.

Outlook

The milk prices have bottomed out. In the second half year of 2016, worldwide supply of milk is expected to decrease compared to the first half year. Demand for dairy products is expected to only show a modest increase over the second half year of 2016. This is due to the limited purchasing power in many oil-exporting countries, political instability in many countries, the limited demand for dairy materials in China and Russia continuing to block the European Union's dairy products.

The effect of the European Commission's measures to reduce milk production in the European Union based on support measures is as yet unclear. The impact of possible voluntary restriction of production of cooperatives or producer associations are also unclear. The Netherlands is expected to impose measures to reduce phosphate production in cattle farms to fall under the level of 2 July 2015. It is as yet unclear whether or not this may lead to a reduction of the milk production in 2016.

FrieslandCampina does not express any concrete outlooks relating to the results of the entire year 2016.

Executive responsibility

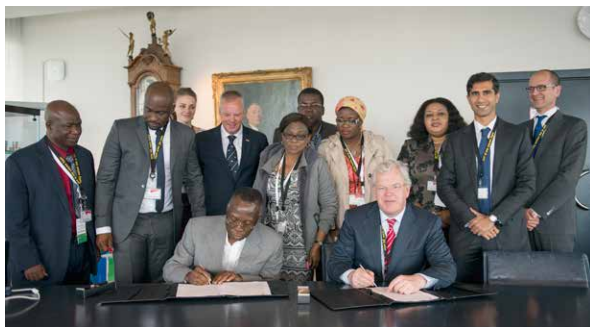
In accordance with Section 5:25d paragraph 2 under c of the Dutch Financial Supervision Act (Wft), the members of Royal FrieslandCampina N.V.'s Executive Board herewith state that, insofar they know, this half-year report provides a true and fair view of the assets, liabilities and financial position as at 30 June 2016, and of the result over the first six months of 2016 of Royal FrieslandCampina N.V. and the companies jointly consolidated; and that the half-year report provides a true and fair view of key events that happened during the first six months of 2016 and their impact on the half-year financial statements and the key risks and uncertainties for the following six months of 2016.

Members of the Supervisory Board

Frans Keurentjes was elected as the new Chairman of the Board of Zuivelcoöperatie FrieslandCampina U.A. Keurentjes will succeed Piet Boer on 20 December 2016, whose statutory term will end on that date without reappointment options. As per the same date, Keurentjes was appointed Chairman of the Supervisory Board of Royal FrieslandCampina N.V.

Also as per 20 December 2016, Erwin Wunnekink was appointed vice Chairman of the Executive Board and vice Chairman of the Supervisory Board. Wunnekink succeeds Jan Keijzers. Jan Keijzers will remain a member of the Cooperative's Executive Board until December 2017, which is when his statutory term expires without reappointment options.

Hans Hettinga and Gjalt Mulder were appointed Executive Board members as per 20 December 2016. Both will also become Supervisory Board members as per the same date. The two new Board members succeed Piet Boer and Simon Ruiter respectively, as their statutory term expires without reappointment options. All appointments were announced on 14 June 2016.



Farmer2Farmer programme started up in Nigeria

In late May, the Nigerian Minister of Agricultural and Rural Development visited the Netherlands for an introduction to the Dutch dairy sector and FrieslandCampina. During his two-day visit, an agreement was reached about the start of the *Farmer2Farmer* programme in Nigeria as part of the *FrieslandCampina Dairy Development Programme*. The delegation visited the FrieslandCampina facility in Leeuwarden, the FrieslandCampina Innovation Centre in Wageningen and Wageningen University (Wageningen UR). A visit to the farm of one of the member dairy farmers was also on the programme.

The Executive Board members

Tine Snels was appointed an Executive Board member as per 1 June 2016. She serves as the Chief Operating Officer in the Executive Board and is responsible for the FrieslandCampina Ingredients business group. She was the Executive Director of the business group FrieslandCampina Ingredients since 1 June 2015.

Executive Board

Roelof (R.A.) Joosten

Chief Executive Officer

Hein (H.M.A.) Schumacher

Chief Financial Officer (CFO)

Bas (S.G.) van den Berg

Chief Operating Officer (COO)

Piet (P.J.) Hilarides

Chief Operating Officer (COO)

Gregory (G.) Sklikas

Chief Operating Officer (COO)

Tine (M.A.K.) Snels

Chief Operating Officer (COO)

Amersfoort (Netherlands), 26 August 2016

Consumer Products Europe, Middle East & Africa

Slight growth in volumes - adjusted for disposals - driven by Europe, but pressure on volumes in Africa

Sales prices under pressure due to market developments and higher promotional pressure

Operating profit decreased by lower sales prices in Europe and negative currency translation effects in Africa, in spite of restructuring and lower operating costs

Market share in Europe improved based on targeted advertising and promotion expenses

Over the first half of 2016, volumes increased slightly - adjusted for disposals. Volume growth was realised mainly in Europe. In Africa, volumes are under pressure due to challenging economic conditions. Revenue decreased by 7.1 percent, down to 1,725 million euros due to lower sales prices and negative currency translation effects. The operating profit decreased due to lower sales prices, higher promotional pressure in the market and negative currency translation effects in Africa. Cost control and restructuring resulted in lower operating costs.

Western Europe

In Western Europe, the sales prices and margins of dairy products are under pressure due to the high milk supply and challenging market conditions. In order to process and valorise the increased milk supply, the volumes in the Netherlands, at Food Service and Retail Brands (Netherlands / Germany) significantly increased. However, this has resulted in lower sales prices and lower operating profit.

In the Netherlands, growth was realised in the dairy volume. The dairy market share in the Netherlands grew with brands such as Chocomel, Mona and Campina yoghurt. Food Service realised significant volume growth in the professional segment (Debic), milk for coffee (Lattiz) and global and industrial accounts (McDonalds, bakeries). The juices volume decreased due to market pressure. Retail Brands realised significant growth in volume in private labels of Dutch and German retailers. However, this was at the expense of the operating profit due to extreme price pressure, in particular in Germany. In Germany, volume growth was realised with Landliebe, but volume was lost in other brands. The operating profit decreased due to general price pressure. A provision was created for restructuring the Heilbronn production facility (Germany). In April, the 49 percent interest in Sahnemolkerei Hubert Wiesehoff GmbH was sold to Hubert Wiesehoff, who already held the other 51 percent. The market shares of Cécémel in Belgium and Yazoo in the United Kingdom increased.

South-Eastern Europe

In Greece, the volumes are under pressure, with decreasing revenue due to the difficult economic and market situation. However, the brands NoyNoy and Friso realised market share growth. Volumes and operating profit improved both in Hungary and Romania based on previous restructuring efforts and targeted investments in the brands Pöttyös, Napolact and Landliebe. All three brands realised market share growth.

Results	2016 first half-year	2015 first half-year	Δ%	2015 year
in millions of euros				
Revenue	1,725	1,856	-7.1	3,681
Operating profit	▼			
Price effect on revenue	▼			
Volume-mix effect on revenue	▼			





Based on the continued Russian trade boycott of cheese and other dairy products and the deteriorated economic and currency situation, the operating profit in Russia decreased. Only products produced locally in Russia (Fruttis and Nezhny) and imported infant nutrition (Friso) are permitted for selling. In end June, the Russian government announced that the import prohibition will be continued at least until 2017. The integration process of the infant nutrition distributor taken over in December 2015 is progressing according to plan.

Points of attention

In the second half of 2016, the focus in Europe is on improving margins. Further efficiency improvements and cost control measures remain important in this context. The SAP implementation (Summit) is in the preparation phase in the operations in the Netherlands, Belgium and England, and is scheduled to go live in the first quarter of 2017.

Africa and the Middle East

In Nigeria, the volume, revenue and operating profit all decreased. Due to the continued low oil price and political tensions, Nigeria's economic situation deteriorated, resulting in a significant devaluation of the naira. The gross impact of devaluation was minimised due to an active currency policy, cost and margin improvements and lower milk powder prices. Other African countries were also confronted with significant pressure on volume and operating profit. This is mainly due to low oil prices and import restrictions in North Africa. In general, a shortage of dollars causes payment arrears. In the Middle East, the volume was growing while the operating profit was declining due to strong price competition and a deterioration in the product mix due to an increase in condensed milk in private labels and B2B contracts. The Rainbow brand managed to achieve growth in market share in Saudi Arabia.

Volume growth in all countries except Hong Kong

Revenue decreased due to lower sales prices and unfavourable currency translation effects

Investments in advertising and promotion resulted in volume and market share growth

Efficiency improvements contribute to improved results

The Consumer Products Asia business group realised excellent volume growth. Growth was realised in all markets in the dairy-based beverages category. The infant nutrition volumes also grew, with the brand Friso as the spearhead. The operating profit of the business group improved based on growth in volume, lower cost and efficiency improvements, such in spite of higher advertising and promotion spending. The highest growth was realised in Indonesia and Vietnam. Revenue decreased by 1.9 percent over the first half of 2016, down to 1,151 million euros due to lower sales prices and negative currency translation effects. The negative currency translation effect on revenue amounted to 50 million euros.

Growth in almost all markets

The Company realised growth in Indonesia in terms of volume, revenue and operating profit. This was mainly based on an increase in the sale of both dairy-based beverages and infant nutrition, also due to improved distribution. The new Frisian Flag cans pack with easy-open lids that was introduced in 2015 was a major factor in the growing sales of sweetened condensed milk. The recently introduced squeezable packaging with screw tops was also well-received.

In Vietnam, revenue decreased as a result of lower sales prices due to continued fierce competition on price. After a few challenging years, the volume increased again, also as a result of the successful introduction of Yomost yoghurt drinks. The operating profit improved based on the rising sales figures of added value products.

FrieslandCampina Thailand and Alaska Milk Corporation on the Philippines both improved their operating profit. In both markets, the sales of dairy-based beverages increased combined with a decrease in revenue due to lower sales prices and unfavourable currency translation effects. In Thailand, distribution improved and condensed milk was introduced, specifically aimed at application in the food service segment.

Hong Kong and Malaysia are lagging behind

In Hong Kong, sales were under pressure due to decreasing visitor numbers from China, importing restrictions that the Chinese government imposed on Hong Kong and the stabilisation of the Chinese economy. As a result, the sales, revenue and operating profit decreased slightly in Hong Kong.

Volumes increased for FrieslandCampina Malaysia/Singapore. However, revenue and operating profit were under pressure. Consumer confidence is relatively low in Malaysia due to low prices for many raw materials, in particular oil and gas, combined with political uncertainties.

Points of attention

With the realisation of volume growth, the production capacity was fully utilised in some FrieslandCampina production facilities in Asia. Investments in capacity and quality are required to realise further growth. The focus on efficiency improvements and cost control will be continued.

Results	2016 first half-year	2015 first half-year	Δ%	2015 year
in millions of euros				
Revenue	1,151	1,173	-1.9	2,328
Operating profit	▲			
Price effect on revenue	▲			
Volume-mix effect on revenue	▲			



Consumer Products China

Volume, revenue and operating profit increased

Friso Prestige successfully introduced

Black&White and Completa condensed milk growing

Friesland Huishan Dairy introduces Dutch Lady infant nutrition in the second half of 2016

Compared to the first half-year 2015, revenue of the business group Consumer Products China increased by 39.0 percent. The operating profit improved. Friso infant nutrition is the key product in China. The joint venture Friesland Huishan Dairy is preparing for selling locally produced infant nutrition in the second half of 2016.

FrieslandCampina's consumer activities in China were transferred to the new business group FrieslandCampina China as per 1 January 2016. Previously, the activities were part of the business group Consumer Products Asia. Setting up a new business group highlights the increasing importance of FrieslandCampina's activities in China. Further growth in China will be based on expanding the product range, distribution and increasing e-commerce activities. The joint venture Friesland Huishan Dairy is part of the business group as a separate operating company.

Successful introduction Friso Prestige

The Chinese market continues to grow. However, the economy is developing at a slower rate than in previous years. As a result, also the market for infant nutrition shows signs of economic slow-down after many years of growth. Friso Prestige was introduced in December 2015. The new infant nutrition product responds to increasing demand in China for distinct, high-end infant nutrition. Initially, Friso Prestige was only available online. In the past few months, distribution was gradually expanded. The product is now also available in specialist mother-baby stores and some supermarkets in the twenty largest cities of China.

The introduction was supported by online advertising campaigns. Both Friso Prestige and Friso Gold gained market share with this introduction. Friso Gold is now the fifth largest infant nutrition brand in China, and the largest infant nutrition brand in terms of online sales.

In addition to infant nutrition, FrieslandCampina also sells Friesche Vlag (long-life milk), Black&White and Completa condensed milk in China. Friesche Vlag milk is available only online and sales are gradually increasing. Black&White is sold in the food service segment, mainly to teashops in the south of China and Shanghai.

Friesland Huishan Dairy

Friesland Huishan Dairy produces creamers for FrieslandCampina Kievit and infant nutrition and milk powder for its joint venture partner Huishan. Furthermore, Friesland Huishan Dairy is preparing for local production in Shenyang and sale of infant nutrition under FrieslandCampina's Dutch Lady label. The facilities must comply with FrieslandCampina's high quality standards for the production of infant nutrition.

Points of attention

In the second half of 2016, the introduction of the improved version of Friso Gold plays a central role. The introduction is supported with a new online campaign, with the Dutch origin of Friso and the dairy farmers being a key theme. For Friesland Huishan Dairy, the introduction of Dutch Lady is the key development. A continuous point of attention in China is compliance with the legislation and regulations, which are amended at a fast rate.

Results	2016 first half-year	2015 first half-year	Δ%	2015 year
in millions of euros				
Revenue	296	213	39.0	446
Operating profit	▲			
Price effect on revenue	▲			
Volume-mix effect on revenue	▲			



Cheese, Butter & Milkpowder

The business group processes 9.1 percent more milk; volume increases by 16 percent; volume of basic products increases to 40 percent

Milk powder, foil cheese and butter cannot realise the guaranteed price level in the market

Exports under pressure due to challenging market conditions in Africa, the Middle East and Central America, and increasing competition on cheese

Meadow milk cheese successfully introduced in the Netherlands, realising premium price

Over the first half year of 2016, the revenue of the business group Cheese, Butter & Milkpowder remained at almost the same level as in the first half year of 2015 with 1,261 million euros. The volume increased by 16 percent due to higher milk supply. The sales prices were at a significantly lower level than in the first half-year 2015. The operating profit decreased into negative figures due to selling milk powder, foil cheese and butter under the guaranteed price level.

Negative margins on basic products

Retail Cheese Europe sold more cheese, but margins were mostly negative. In particular in Germany and Italy, sales prices were at an extremely low level for both natural cheese and foil cheese. A positive factor is the successful introduction of meadow milk cheese (at a premium price) in two supermarket chains in the Netherlands.

In B2B Basic Products (foil cheese, milk powder and butter), volume significantly increased combined with a lower level of sales prices. For butter, sales prices were at world market level. This allowed a volume increase in sales, but generated at a loss. The combination of milk powder and butter was more profitable than foil cheese for a while due to the market-regulation effect of intervention for milk powder in the EU. This allowed for stock levels of foil cheese to

remain somewhat limited in the second quarter. As demand increased in late May 2016, the sales prices of foil cheese could be raised again for the first time. Sales of mozzarella increased in 2016. However, the sales prices were under pressure for this cheese type too, due to the high supply levels.

B2B Specialty Products realised a slight improvement in results, in particular due to the growth in turnover of special butter blends in Asia and production of meadow milk cheese for a third party.

Zijerveld achieved a reasonable first half-year with a positive result. Volume and revenue increased due to expansion of the customer package in both Germany and Belgium; however margins were under pressure also in this segment. In the Netherlands, North-Holland cheese continues its strong performance.

FrieslandCampina Exports realised a positive result, but at a lower level than in the first half-year 2015. The operating company was affected by the deteriorating economic situation in some countries in Central America, Africa and the Middle East due to low oil prices, political unrest and increasing competition. In part, this was compensated by an increase in turnover of cheese exported to Australia and the United States. Exports of evaporated milk to Haiti also increased.

Improvements in the organisation

In the butter and milk powder facility in Lochem (Netherlands), an efficiency programme was started up. The Summit programme (standardisation of planning and information systems, processes and data) was successfully implemented for the entire cheese logistics, including logistics service providers. Improvements were implemented in the mozzarella production facility in Bree (Belgium) relating to quality and safety. The activities of Den Hollander in Lochem were transferred upon closing the facility. Almost all employees found a different position within FrieslandCampina or with an external employer.

Points of attention

In the second half of 2016, the focus is on improving the margins of basic dairy products and further cost reduction.

Results	2016 first half-year	2015 first half-year	Δ%	2015 year
in millions of euros				
Revenue	1,261	1,268	-0.6	2,568
Operating profit	▼			
Price effect on revenue	▼			
Volume-mix effect on revenue	▼			



Ingredients

Growth in volume due to increasing demand for and capacity for infant nutrition and dairy ingredients

Revenue share of added value products increased

New production facility in Borculo went into operation

Focus on further efficiency, delivery reliability and quality

The business group Ingredients realised a significant increase in volume over the first half-year 2016. Among others, the new production facility in Borculo (Netherlands) went into operation and enabled higher production of milk powder. The facilities in Bedum, Beilen and Veghel produced more than in the first half-year 2015. Revenue decreased by 3.8 percent, down to 854 million euros, due to lower sales prices.

The operating profit improved based on a one-off revenue item by selling the commercial vending activities (products for coffee and cocoa drinks vending machines) to Barry Callebaut Sweden AB in March 2016. Excluding this one-off revenue would see a slight decrease in the operating profit.

FrieslandCampina Domo is growing

FrieslandCampina Domo's first half-year of 2016 was excellent. Both in terms of volume, revenue and operating profit, the performance improved compared to the first half-year 2015. Production of both Friso infant nutrition for other FrieslandCampina operating companies, and ingredients for infant nutrition and complete baby food for external customers increased. In February 2016, FrieslandCampina Domo and the American company Glycosyn signed an agreement for joint development of new ingredients for infant nutrition. Glycosyn developed patented technology for production of oligosaccharides from lactose. FrieslandCampina Domo will produce and market these new ingredients worldwide.

FrieslandCampina DMV disappointing

FrieslandCampina DMV's first half-year of 2016 was disappointing. High milk supply necessitated processing milk into caseinates, which led to lower sales prices and lower results. A number of specialties, including nutrients and ingredients for sports nutrition, showed positive development.

FrieslandCampina Kievit strong in Asia

FrieslandCampina Kievit showed a positive development. Both the volume and operating profit improved. Revenue decreased due to lower sales prices. Demand for creamers to be used in coffee and tea increases, specifically in Asia. In particular cappuccino and latte in powder form are popular. Using the production capacity of Alaska Milk Corporation in the Philippines and at Friesland Huishan Dairy in China can serve to fulfil demand. However, price competition is increasing in the creamer segment. Creamy Creation, part of FrieslandCampina Kievit since 2016, closed a difficult half-year due to challenging market conditions and lack of currency in Africa, which is the main sales market for cream liqueurs after the United States; and also due to lower revenue prices from cream.

Results	2016 first half-year	2015 first half-year	Δ%	2015 year
in millions of euros				
Revenue	854	888	-3.8	1,734
Operating profit	▲			
Price effect on revenue	▼			
Volume-mix effect on revenue	▲			



Nutrifeed and DFE Pharma

Nutrifeed's revenue and operating profit (nutrition for young animals) decreased due to the lower sales prices and pressure on the margins. Volume increased, among others due to a successful partnership with Agrifirm and an increase in exports.

The volume and operating profit of DFE Pharma (pharmalactose) remained at virtually the same level as in the first half year of 2015. Revenue was significantly lower due to lower sales prices.

Increase in capacity

From February 2016, the new Borculo (Netherlands) production facility of FrieslandCampina Ingredients was in full operation producing milk powder. This was necessary to process the increasing quantity of members' milk. In the second half of the year, the plant will start preparing for production of ingredients for infant nutrition. This means that the production processes must comply with higher standards.

Points of attention

Production was mainly focused on increasing capacity in the past few years. Currently, the plants are focusing on further improvement on reliability of delivery, quality, safety and efficiency. The three-year efficiency programme started in 2015 on the Beilen production facility is on schedule. In March 2016, the programme was also started in the Veghel production facility. The programme focuses on cost reductions by improving the utilisation rate of the production lines and reducing the materials and energy consumption. Updating the working methods allowed for changing the employees' tasks and responsibilities and reducing the number of jobs at various levels in the organisation.



New high protein ingredient

FrieslandCampina Domo has launched Refit Micellar Casein Isolate at Vitafoods 2016, a high protein ingredient which can be used for dairy-based medical drinks. Its high protein content and low viscosity allow development of smaller servings with an equal protein content. The neutral flavor will aid acceptance among patients which is important because of the reduced appetite of many patients.

Condensed consolidated income statement

In millions of euros	first half-year 2016	first half-year 2015 ¹
Revenue	5,522	5,645
Cost of goods sold	-4,584	-4,651
Gross profit	938	994
Advertising and promotion costs	-266	-238
Selling, general and administrative costs	-403	-396
Other operating costs and income	-14	-46
Operating profit	255	314
Finance income and costs	-25	-8
Share of profit of joint ventures and associates, net of tax	9	9
Profit before tax	239	315
Income tax expense	-79	-123
Profit for the period	160	192
Profit attributable to:		
• holders of member bonds	21	21
• provider of Cooperative loan	5	5
• shareholder of the Company	91	126
• shareholder and other providers of capital of the Company	117	152
• non-controlling interests	43	40
Profit for the period	160	192

¹ The presentation of the comparative figures for 2015 has been adjusted to a functional presentation of the operating expenses.

Condensed consolidated statement of comprehensive income

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In millions of euros	first half-year 2016	first half-year 2015
Profit for the period	160	192
Items that will or may be reclassified to the income statement:		
Effective portion of cash flow hedges, net of tax	3	7
Currency translation differences, net of tax	-26	39
Net change in fair value of available-for-sale financial assets, net of tax	3	-6
	-20	40
Items that will never be reclassified to the income statement:		
Remeasurement of liabilities (assets) under defined benefit plans, net of tax	-58	17
	-58	17
Other comprehensive income, net of tax	-78	57
Total comprehensive income for the period	82	249
Total comprehensive income attributable to:		
• shareholder and other providers of capital of the Company	45	209
• non-controlling interests	37	40

Condensed consolidated statement of financial position

In millions of euros	30 June 2016	31 December 2015
Assets		
Property, plant and equipment	2,945	2,932
Intangible assets	1,385	1,384
Deferred tax assets	356	341
Employee benefits	5	6
Other financial assets	284	300
Non-current assets	4,975	4,963
Inventories	1,354	1,307
Receivables	1,429	1,311
Cash and cash equivalents	488	821
Assets held for sale	7	20
Current assets	3,278	3,459
Total assets	8,253	8,422
Equity		
Issued capital	370	370
Member bonds	1,455	1,428
Cooperative loan	291	296
Retained earnings and other reserves	762	738
Equity attributable to shareholder and other providers of capital of the Company	2,878	2,832
Non-controlling interests	248	261
Total equity	3,126	3,093
Liabilities		
Employee benefits	571	528
Deferred tax liabilities	109	118
Interest-bearing borrowings	1,163	1,015
Other non-current liabilities	36	44
Non-current liabilities	1,879	1,705
Interest-bearing borrowings	518	813
Other current liabilities	2,730	2,811
Current liabilities	3,248	3,624
Total liabilities	5,127	5,329
Total equity and liabilities	8,253	8,422

Condensed consolidated statement of cash flows

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In millions of euros	first half-year 2016	first half-year 2015
Profit before tax	239	315
Depreciation of plant and equipment and amortisation of intangible assets	149	130
Movements in inventories, receivables and liabilities	-177	-44
Other operating activities	-46	-82
Net cash flows from operating activities	165	319
Investments in property, plant and equipment and intangible assets	-288	-275
Disposals of property, plant and equipment and intangible assets	3	5
Disposals business units, net of cash disposed	28	
Received repayments and loans provided	-4	7
Acquisitions, net of cash acquired	-1	-94
Investments in securities		-27
Net cash flows used in investing activities	-262	-384
Investments in non-controlling interests		-183
Dividends paid to non-controlling interests	-50	-43
Interest payment to holders of member bonds	-36	-35
Interest-bearing borrowings drawn	477	520
Repayment of interest-bearing borrowings	-752	-192
Settlement of derivatives	-1	-3
Net cash flows from/used in financing activities	-362	64
Net cash flow	-459	-1
Cash and cash equivalents at 1 January ¹	718	606
Net cash flow	-459	-1
Currency translation differences on cash and cash equivalents	-23	27
Cash and cash equivalents at 30 June ¹	236	632

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

Condensed consolidated statement of changes in equity

In millions of euros	first half-year 2016			first half-year 2015		
	Equity ¹	Non-controlling interests	Total	Equity ¹	Non-controlling interests	Total
At 1 January	2,832	261	3,093	2,587	236	2,823
Total comprehensive income for the period	45	37	82	209	40	249
Transactions with shareholder and other providers of capital directly recognised in equity:						
• dividends paid to non-controlling interests		-50	-50		-43	-43
• interest payment to provider of Cooperative loan	-9		-9	-9		-9
• interest payment to holders of member bonds	-39		-39	-39		-39
• pro forma issuance of fixed member bonds	49		49	75		75
Total transactions with shareholder and other providers of capital	1	-50	-49	27	-43	-16
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	2,878	248	3,126	2,647	261	2,908

¹ 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 2016 comprise 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.

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

Basis of preparation

Statement of compliance

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 2015 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 results and the calculation methods used in preparing the 2015 financial statements. Various other amendments became effective as of 2016. These amendments do not have any impact on the consolidated annual financial statements of FrieslandCampina.

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 management evaluates the results. The presentation of the comparative half-year figures has been adjusted accordingly.

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 key assumptions and estimates please refer to the 2015 financial statements. During the first half-year of 2016 there were no major changes in this context, aside from those explained in this report.

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

Consolidation group

On 20 May 2016, FrieslandCampina acquired full control of the activities of FKS Frischkonzept Service GmbH ('FKS') by acquiring the remaining shares (51%). This entity is therefore fully consolidated.

In addition on 11 April 2016, FrieslandCampina sold its 49% interest in subsidiary Sahnemolkerei Hubert Wiesehoff GmbH. From the date of loss of control, the assets and liabilities of the subsidiary were no longer included in the statement of financial position.

Please refer to the 2015 annual financial statements for the other consolidation principles.

Financial risk management

The key objectives and procedures of financial risk management within FrieslandCampina are consistent with the objectives and procedures disclosed in the 2015 consolidated annual financial statements.

Seasonal influences

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

Segmentation

From 2016 onwards information about the segmentations in the disclosure is cancelled.

Acquisitions

Acquisitions 2016

Acquisition of FKS Frischkonzept Service GmbH

On 20 May 2016, FrieslandCampina acquired full control of the activities of FKS Frischkonzept Service GmbH ('FKS') by acquiring the remaining shares (51%) for 1 million euros. FKS' activities consist of the sale of fresh products to retailers in Germany.

The fair value of the assets acquired has been determined at EUR 8 million. The fair value of the liabilities assumed amounts to EUR 6 million.

Acquisitions 2015

Acquisition of distribution-related activities Anika Group

The 'purchase price allocation' with respect to the acquisition of the distribution-related activities of Anika Group is finalised at the end of June 2016. The final 'purchase price allocation' resulted in a change in the fair value of the acquired intangible assets and the goodwill recognised.

The final assumed consideration decreased by EUR 2 million because the estimation of the fair value of the contingent consideration as at the acquisition date decreased by EUR 2 million.

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

Intangible assets	22
Inventories	4
Trade receivables and other assets	4
Total identifiable assets and liabilities	30

Goodwill related to the acquisition has been recognised as follows:

Fair value of the assumed consideration	38
Fair value of the identifiable assets and liabilities	-30
Goodwill	8

Fabrelac

The 'purchase price allocation' with respect to the acquisition of Commex International S.A. and its subsidiaries Fabrelac B.V.B.A. (renamed FrieslandCampina Bree B.V.B.A.) and PC&K Invest B.V.B.A. (jointly 'Fabrelac') is finalised as per June 2016. The final 'purchase price allocation' resulted in a change in the fair value of the acquired property, plant and equipment and the goodwill recognised.

The purchase price amounted to EUR 13 million. The fair value of the acquired assets has been determined at EUR 29 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 7 million is mainly attributable to the anticipated synergy benefits to be achieved with the integration of Fabrelac into the business group Cheese, Butter & Milkpowder. The goodwill has, therefore, been allocated to this business group.

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

Operating expenses

The cost of goods sold includes milk payments to member dairy farmers of EUR 1,699 million (first half-year 2015: EUR 1,800 million).

Other operating costs and income

The result on the sale of the 49% interest in Sahnemolkerei Hubert Wiesehoff GmbH and the sale of commercial vending activities is included in other operating costs and income.

In the first half-year of 2016, restructuring projects were announced in the Netherlands for the Veghel and Lochem sites. Restructuring of the facility in Heilbronn in Germany was also announced. For this purpose, restructuring provisions were recognised, mainly relating to severance payments and associated restructuring expenses. The redundancies on these locations are the consequence of efficiency measures. These restructurings aim to better utilise production capacity and reduce the consumption of materials and energy. For this purpose, an amount of EUR 7 million is included in other operating costs and income in the first half-year of 2016.

Furthermore, a release of the restructuring provisions of EUR 6 million is recognised because more employees could be re-deployed within FrieslandCampina than was anticipated.

Finance income and costs

In finance income and costs a negative result on currency translations on receivables and payables in foreign currencies of EUR 7 million is recognised in the first half-year of 2016. In the first half-year of 2015 this was a positive result of EUR 13 million.

Income tax expense

The effective tax rate in the first half-year of 2016 was 33% (first half-year of 2015: 39%). The main causes of this decrease are adjustments to the estimates related to previous years.

Property, plant and equipment

The movements in property, plant and equipment during the first half-year of 2016 can be specified as follows:

Carrying amount at 1 January	2,932
Divested due to selling business unit	-12
Additions	187
Disposals	-2
Currency translation differences	-28
Transfers	-1
Depreciation	-127
Impairments	-4
Carrying amount at 30 June 2016	2,945

The additions of EUR 187 million relate primarily to expanding production capacity and replacement investments in the Netherlands (first half-year of 2015: EUR 199 million).

Intangible assets

The movements in intangible assets during the first half-year of 2016 can be specified as follows:

Carrying amount at 1 January	1,384
Acquired through acquisition	6
Divested due to selling business unit	-1
Additions	28
Transfers	1
Currency translation differences	-8
Disposals	-3
Amortisation	-22
Carrying amount at 30 June 2016	1,385

In 2010 FrieslandCampina started a global ICT-standardisation programme. The carrying amount at 30 June 2016 is EUR 145 million. During the first half-year of 2016 an amount of EUR 19 million was capitalised and an amount of EUR 9 million was amortised. During 2012 the system went live for the first group of operating companies. 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 performs the annual 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) for each business group.

The management structure and reporting to the Executive Board have changed as per 1 January 2016. The activities relating to the consumer products for Asia were split into the business group Consumer Products China and the business group Consumer Products Asia. Due to the management structure changes the goodwill in Asia was reallocated.

In 2015 goodwill arose due to obtaining control in China Huishan Dairy Investments (Hong Kong) Ltd., as a result of acquiring a 50% interest. This goodwill is allocated to Consumer Products China, as this recent acquisition relates to activities in China. The remaining goodwill was allocated to Consumer Products Asia and Consumer Products China respectively based on the relative values.

The goodwill allocated to each cash-generating unit is as follows, the figures for 2016 were adjusted to this change in management structure.

	30 June 2016	31 December 2015
Consumer Products EMEA	563	566
Consumer Products Asia	109	223
Consumer Products China	109	
Cheese, Butter & Milkpowder	33	33
Ingredients	162	162
	976	984

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

	%		%		%	
	Growth rate terminal value		Average growth rate gross profit		Pre-tax discount rate	
	2016	2015	2016	2015	2016	2015
Consumer Products EMEA	2.5	4.0	4	0	10	12
Consumer Products Asia	3.0	3.0	3	6	8	8
Consumer Products China	3.0		16		8	
Cheese, Butter & Milkpowder	1.0	1.5	11	13	8	8
Ingredients	1.0	1.5	10	4	7	7

The average growth rate of the gross profit for each business group in the long-term plans to 2020 are based on past experience, specific expectations for the near future and market-based growth percentages. The increases were mainly related to the forecasted increase in revenue and efficiency improvements. 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 based on the 2016 budget and the long-term plans until 2020. A surcharge for the cooperative role the business group Cheese, Butter & Milkpowder performs in processing member milk, and in particular fat, was also taken into account. This compensation by the other business groups serves to cover the loss on processing member milk into basic dairy products realised by Cheese Butter & Milkpowder, as all milk supplied by the member dairy farmers must be purchased. For the period after 2020, a growth rate equal to the forecasted long-term inflation rate was applied, as is best practice in the market, capped at the forecast inflation rate with respect to government bonds.

The outcome of the goodwill impairment test of the business groups Consumer Products EMEA, Consumer Products Asia, Consumer Products China, Cheese, Butter & Milkpowder and Ingredients shows that the values in use exceed the carrying amounts. In these cases a reasonable adjustment of the assumptions does not result in values in use below the carrying amounts of these business groups.

Inventories

An amount of EUR 136 million of the inventories of finished goods and commodities is valued at net realisable value (end of 2015: EUR 178 million). In the first half-year of 2016 the write-down to net realisable value that pertains to the inventories of finished goods and commodities as stated in the statement of financial position as at 30 June 2016 amounts to EUR 21 million (end of 2015: EUR 32 million).

Interest-bearing borrowings

In the first half-year of 2016, FrieslandCampina issued 'green bonds' (Green Schuldschein) amounting to EUR 300 million, consisting of four tranches at fixed interest rates with terms ranging between 5 and 10 years. These bonds are stated under the non-current interest-bearing borrowings, issuance costs are recognised in the consolidated statement of financial position and amortised over the duration of the bonds.

In June 2016, FrieslandCampina agreed on a loan facility capped at EUR 150 million with the European Investment Bank (EIB). This loan will be used for research into and development of new products. The loan is subject to a 7 or 10-year term from the date FrieslandCampina starts making use of this facility. The interest rate will be determined at that time and the issuance costs will be amortised over the duration of the loan. As at 30 June 2016, FrieslandCampina had not yet made use of the loan facility from the EIB.

In 2014, FrieslandCampina agreed a credit facility of EUR 1.5 billion with a term of 5 years. In 2015, the term was extended to April 2020. In the first half of 2016, this credit facility was extended with another year to April 2021 under the same conditions.

Also due to the issue of 'green' bonds and fixating the interest rate on variable loans in the first half year, the percentage of the loan portfolio characterised by a fixed interest rate or fixed by means of a hedge increased from 42% to 71%.

Financial instruments

Accounting classifications and fair values

The carrying amounts of financial assets and liabilities, as recognised in the consolidated statement of financial position, are stated in the table below per valuation method, 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 price that would be received or paid if the receivables and/or payables 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), whereby this input has a significant impact on the outcome.

30 June 2016

	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				14		14		15		15
Loans issued - variable rate				12		12				
Long-term receivables				4		4				
Trade and other receivables				1,366		1,366				
Cash and cash equivalents				488		488				
				1,884		1,884				
Financial assets measured at fair value										
Hedging derivatives		60				60		60		60
Securities			84			84	83		1	84
		60	84			144				
Financial liabilities not measured at fair value										
Non-current interest-bearing borrowings - fixed rate					868	868		897		897
Non-current interest-bearing borrowings - variable rate					295	295		298		298
Current part of the non-current interest-bearing borrowings - fixed rate					81	81		84		84
Current part of the non-current interest-bearing borrowings - variable rate					27	27				
Current loans					158	158				
Bank overdrafts					252	252				
Trade payables and other liabilities					2,494	2,494				
					4,175	4,175				
Financial liabilities measured at fair value										
Hedging derivatives		9				9		9		9
Put-option liabilities	2					2			2	2
Contingent considerations	17					17			17	17
	19	9				28				

The fair value of the interest-bearing borrowings with a fixed interest rate was calculated based on an average weighted interest percentage of 2.74% (end of 2015: 3.80%). The fair value of the loan issued with a fixed interest rate has been calculated using an average interest rate of 2.77% (end of 2015: 2.72%).

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 valuation method for the valuation and the stock quotations are used as a basis for measurement.

FrieslandCampina holds a few interests in 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 valuation 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 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 considerations

The fair value of the contingent consideration relating to the acquisition of a subsidiary was determined based on an estimate of the expected payment. The final settlement is currently being completed.

Furthermore, a contingent consideration has been assumed as a result of the acquisition of the distribution-related activities of the Anika Group. This contingent consideration is valued based on the present value of the expected payment, which is partly dependent on currency translation developments of the Russian Ruble and external market developments. These valuation methods are classified as level 3.

Put-option liability

FrieslandCampina agreed a put option to the co-owner of a subsidiary. The fair value is determined based on the present value of the expected exercise price if the put option issued is exercised. The valuation method for this liability is classified as level 3.

The put option related to tot Sahnemolkerei Hubert Wiesehoff GmbH was settled in the first half-year of 2016 as a result of the sale of the 49% interest in this company.

Movements and transfers

During the first half-year of 2016 movements of the financial instruments classified as Level 3 were as follows:

	2016		
	Contingent considerations	Put-option liabilities	Securities
Carrying amount at 1 January	20	6	1
Adjustment purchase price allocation	-3		
Divested due to selling business unit		-4	
Carrying amount at 30 June 2016	17	2	1

No transfers to or from Levels 1, 2 or 3 have occurred in the first half-year of 2016.

Commitments and contingencies

Commitments and contingencies do not differ materially from the commitments and contingencies included in the 2015 consolidated annual financial statements.

Transactions with related parties

There were no changes in respect of the nature of the disclosures on the related parties and size does not differ materially compared with the Notes to the 2015 consolidated annual financial statements.

Subsequent events

In July 2016, FrieslandCampina, in partnership with the World Bank Group's International Finance Corporation (IFC) and the Dutch development bank FMO signed an agreement with Engro Corporation for the transfer of 51% of the shares in the subsidiary Engro Foods Limited. Engro Corporation holds approximately 87% of the total share capital in Engro Foods and the remaining 13% is listed on the Pakistani Stock Exchange (PSX). This acquisition enables FrieslandCampina to obtain a position in Central Asia. Engro Foods has a leading position in Pakistan in the overall UHT milk segment, including the Specialised Tea Creaming segment. The company has approximately 1,600 employees and has annual revenues of about EUR 450 million. This acquisition is subject to regulatory approval from competition authorities and other relevant institutions.

The structure of the transaction entails the acquisition of a 51% interest in Engro Foods to be acquired by a Dutch legal entity controlled by FrieslandCampina. At closing of the transaction, FrieslandCampina will hold approximately 80% of this Dutch legal entity, with IFC and FMO holding the remaining shares. Depending on the final agreement, the total cost of acquiring the 51% interest in Engro Foods will amount to an estimated EUR 420 million. This share will give FrieslandCampina control of Engro Foods. Engro Corporation, the current majority shareholder of Engro Foods, will remain a shareholder and key partner in Engro Foods.

Amersfoort, the Netherlands, 26 August 2016



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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