

Appendix half-year results 2020

Royal FrieslandCampina N.V.



Contents

- 3 Key figures
- 4 Condensed consolidated income statement
- 5 Condensed consolidated statement of financial position
- 6 Condensed consolidated statement of cash flows
- 7 Results Business Groups
- 11 Sustainability

Key figures

Millions of euros, unless stated otherwise

	First half-year 2020	First half-year 2019	Δ%	2019
Revenue	5,629	5,614	0.3	11,297
Operating profit	221	210	5.2	432
Profit	108	121	-10.7	278
Operating profit as a % of revenue	3.9%	3.7%		
Value creation for member dairy farmers				
Guaranteed price ²	34.96 ¹	35.89	-2.6	35.66
Pro forma performance premium ³	0.29	0.87		1.07
Meadow milk and Foqus planet premium ⁴	0.90	0.65		0.65
Special supplements ⁵	0.36	0.24		0.26
Pro forma cash price ³	36.51	37.65	-3.0	37.64
Pro forma issue of member bonds ³	0.08	0.25		0.31
Pro forma milk price ³	36.59	37.90	-3.5	37.95
Interest on member bonds	0.45	0.47		0.47
Pro forma retained earnings reserve ³	0.45	1.23	-63.4	1.58
Pro forma performance price ³	37.49	39.60	-5.3	40.00
Interim pay-out⁶				
75% of the pro forma performance premium	0.22	0.65		

¹ In euros per 100 kilos of milk (excluding VAT at 3,57% protein, 4,42% fat and 4,53% lactose).

² Concerns balance of guaranteed price of EUR 34.83 and a settlement of EUR 0.13 per 100 kilos of milk for a too low estimate over the first half-year 2020.

³ The performance premium, the issue of member bonds and the retained earnings are determined based on the full-year profit figures.

⁴ Dairy farmers applying pasture grazing will receive an EUR 1.50 meadow milk premium per 100 kilos of milk for 2020. Of this, an amount of EUR 1.00 per 100 kilos of meadow milk is paid from the operating profit. On average, on all FrieslandCampina member milk, this amounts to EUR 0.67 per 100 kilos of milk as at mid-2020. For 2020, dairy farmers will receive a Foqus planet contribution of EUR 24 million through means of a generic premium of EUR 0.125 per 100 kilos of milk and an amount for sustainable development. On average, on all FrieslandCampina member milk, this amounts to EUR 0.23 per 100 kilos of milk as at mid-2020.

	First half-year 2020	First half-year 2019	Δ%	2019
Dairy Development Programme				
Local farmers who take part in a training in DDP countries (number)	25,910	41,991	-38.3	77,934
Sustainability				
Greenhouse gas emissions production and transport (in ktonnes CO ₂ equivalent)	381	374	1.9	723
Greenhouse gas emissions from member dairy farms (in ktonnes CO ₂ equivalent) ⁷	11,990	11,494	4.3	11,964
Green electricity (as a percentage of total electricity used at production sites)	100	94	6.4	94

⁵ Special supplements concern the total amount of pay-outs per 100 kilos of milk of Landliebe milk, VLOG supplement and PlanetProof and the difference between the paid guaranteed price of organic milk and the paid guaranteed price. On average, across all FrieslandCampina member milk, this amounts to 0.36 euros per 100 kilos of milk.

⁶ The 2020 interim payment per 100 kilos of milk will be deposited into the member account on 1 September 2020 at the latest.

⁷ 12 month incremental.

Condensed consolidated income statement

In millions of euros

	First half-year 2020	First half-year 2019
Revenue	5,629	5,614
Cost of goods sold	-4,714	-4,679
Gross profit	915	935
Advertising and promotion costs	-239	-276
Selling, general and administrative costs	-435	-438
Other operating costs and income	-20	-11
Operating profit	221	210
Finance income and costs	-23	-15
Share of profit of joint ventures and associates, net of tax	8	10
Profit before tax	206	205
Income tax	-98	-84
Profit for the period	108	121
Profit attributable to:		
• holders of member bonds	23	24
• provider of Cooperative loan	4	4
• shareholder	79	63
Shareholder and other providers of capital	106	91
Shareholder as owner of non-controlling interests	-37	
Shareholder and other providers of capital (incl. owner of non-controlling interests)	69	91
Other owners of non-controlling interests	39	30
Profit for the period	108	121

Condensed consolidated statement of financial position

In millions of euros

	30 June 2020	31 December 2019
Assets		
Property, plant and equipment	3,461	3,509
Intangible assets	1,597	1,638
Deferred tax assets	177	202
Joint ventures and associates	112	114
Employee benefits	5	7
Other financial assets	65	40
Non-current assets	5,417	5,510
Inventories	1,615	1,529
Receivables	1,633	1,661
Cash and cash equivalents	470	342
Assets held for sale	7	7
Current assets	3,725	3,539
Total assets	9,142	9,049

	30 June 2020	31 December 2019
Equity		
Issued capital	370	370
Retained earnings and other reserves	1,141	1,093
Equity attributable to shareholder	1,511	1,463
Member bonds	1,537	1,641
Cooperative loan	291	295
Equity attributable to shareholder and other providers of capital	3,339	3,399
Shareholder as owner of non-controlling interests	-37	
Shareholder and other providers of capital (incl. owner of non-controlling interests)	3,302	3,399
Non-controlling interests	369	357
Total equity	3,671	3,756
Liabilities		
Employee benefits	454	465
Deferred tax liabilities	102	106
Interest-bearing borrowings	999	1,038
Other liabilities	79	76
Non-current liabilities	1,634	1,685
Interest-bearing borrowings	1,024	579
Trade payables and other liabilities	2,813	3,029
Current liabilities	3,837	3,608
Total liabilities	5,471	5,293
Total equity and liabilities	9,142	9,049

Condensed consolidated statement of cash flows

In millions of euros

	First half-year 2020	First half-year 2019
Operating activities		
Profit before tax	206	205
Depreciation of plant and equipment and amortisation of intangible assets	226	217
Movements in inventories, receivables and liabilities	-244	-126
Other operating activities	-63	-101
Net cash flows from operating activities	125	195
Investing activities		
Investments in property, plant and equipment and intangible assets	-186	-168
Disposals of property, plant and equipment, intangible assets and assets held for sale	2	9
Received repayments and loans issued		5
Loans granted	-18	
Acquisitions, net of cash and cash equivalents	-14	-7
Net cash flows used in investing activities	-216	-161

	First half-year 2020	First half-year 2019
Net cash flows used in investing activities	-216	-161
Financing activities		
Dividends paid to owners of non-controlling interests	-17	-13
Interest paid to holders of member bonds	-42	-43
Purchased member bonds	-80	
Interest-bearing borrowings drawn	1,417	751
Repayment of interest-bearing borrowings	-1,081	-618
Lease liabilities paid	-30	-31
Other financing activities	3	-3
Net cash flows from financing activities	170	43
Net cash flow	79	77
Cash and cash equivalents at 1 January ¹	309	224
Net cash flow	79	77
Currency translation differences on cash and cash equivalents	-20	8
Cash and cash equivalents at 30 June¹	368	309

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

Performance Business Groups

FrieslandCampina Consumer Dairy

FrieslandCampina Consumer Dairy provides consumers all over the world with dairy products, such as milk, yoghurt, condensed milk, dairy-based beverages, cheese, butter and cream. For professional customers, such as bakers, pastry chefs, chocolate confectioners, chefs and caterers, Consumer Dairy offers a broad product range of creams, butter, desserts and fillings.

Despite a strong start in the first quarter with an increase in both revenue and profitability, FrieslandCampina Consumer Dairy's sales volumes declined in the first half of 2020 because of the corona pandemic. Out-of-home activities in particular, including those of Foodservice, were affected worldwide by government measures, including temporary closures of companies, educational institutions and the hospitality industry. The market shares of most consumer brands, including Rainbow (Middle East), Peak (Nigeria), Olper's (Pakistan) as well as brands in the home markets such as Campina, Landliebe and Chocomel, increased. Despite the lower sales volumes, profitability increased mainly due to lower costs and the reduction of advertising and promotional costs. FrieslandCampina WAMCO announced the acquisition of a PZ Cussons production facility in order to grow further in Nigeria in line with its strategy.

Millions of euros, unless stated otherwise	First half-year 2020	First half-year 2019	Δ%
Revenue	2,862	2,916	-1.9
Revenue before currency translation effects	2,861	2,916	-1.9
Operating profit	140	119	18.1
Price effect on revenue	▲		
Volume trend	-3.9%		
Volume-mix effect on revenue	-2.2%		

FrieslandCampina Specialised Nutrition

FrieslandCampina Specialised Nutrition supplies nutrition to specific consumer groups worldwide, such as the elderly, children and athletes. For young children who are entirely dependent on reliable nutrition with a unique combination of nutrients, for adults in different stages of their lives and for athletes who consider sports nutrition to be an important key factor in their performance.

The total revenue of FrieslandCampina Specialised Nutrition remained stable compared to the same period last year. Profitability, however, decreased as a result of higher production costs and disappointing market developments caused by the corona pandemic. In Hong Kong, the social unrest was overshadowed by the consequences of the coronavirus with a negative impact on both revenue and market share of Friso. The child nutrition market in China recovered in the second quarter to pre-corona pandemic levels. Friso in particular achieved sales growth through Friso Prestige, which improved its market position by resolving the lactoferrin shortage. In the first half of the year, the improved Friso Gold was also introduced in various countries, including Singapore and Mexico. The Friso TrackEasy concept, launched in 2019, which enables consumers to trace the origin of their infant nutrition via a QR code, was further extended to Friso markets elsewhere in the world. In May, FrieslandCampina acquired Dutch Nutrition, a company which operates in the blending, packaging and business-to-business sales of specialised children's nutrition products. The company will continue to operate independently as part of FrieslandCampina Specialised Nutrition.

Millions of euros, unless stated otherwise	First half-year 2020	First half-year 2019	Δ%
Revenue	602	607	-0.8
Revenue before currency translation effects	600	607	-1.2
Operating profit	142	170	-16.5
Price effect on revenue	▼		
Volume trend	+5.1%		
Volume-mix effect on revenue	-0.5%		

FrieslandCampina Ingredients

FrieslandCampina Ingredients provides high quality ingredients for all life stages. With its specialised market segments Early Life Nutrition, Adult Nutrition, Pharma, Food & Beverages and Animal Nutrition, FrieslandCampina Ingredients is setting new standards in the global food market as an innovative partner in healthy and functional ingredients and solutions. FrieslandCampina Ingredients operates worldwide with regional sales offices in the Netherlands, the United States, Singapore, China and Brazil.

Compared to the same period last year, FrieslandCampina Ingredients showed an improvement in both revenue and margin in the first half of 2020. These improvements are the result of the growth in value-added products, such as those for pharmaceutical products, and higher selling prices. Sales of animal feeds also recovered. However, the total sales volume of the Ingredients business group came under pressure due to the corona pandemic. The supply of ingredients processed in products for the out-of-home market came under pressure as a result of the closure of the hospitality sector worldwide. The operational result of the supply chain improved. Improvement programmes in Beilen and at other production sites resulted in a significantly better performance. In addition, the merger of the distribution centres in the south of the Netherlands into Distributie Centrum Zuid in Veghel ensures further optimisation. FrieslandCampina Ingredients introduced Biotis™, a new product line that contributes to improving vitality in all phases of life.

Millions of euros, unless stated otherwise	First half-year 2020	First half-year 2019	Δ%
Revenue	899	868	3.6
Revenue before currency translation effects	896	868	3.2
Operating profit	107	88	21.9
Price effect on revenue	▲		
Volume trend	-2.6%		
Volume-mix effect on revenue	-0.8%		

FrieslandCampina Dairy Essentials

FrieslandCampina Dairy Essentials produces and sells Dutch cheeses, such as Gouda, Edam and Maasdam, and a wide range of foreign cheeses, different types of butter and milk powders for professional and industrial customers. This business group is responsible for allocating the milk of member dairy farmers and for valorising bulk volumes of milk on global basic dairy markets.

After a strong start in the first quarter, the performance of FrieslandCampina Dairy Essentials was severely impacted by the corona pandemic. The loss of demand in the out-of-home channel, less availability of transport options for export markets and rapidly deteriorating macro-economic conditions resulted in an imbalance in milk supply and demand on the world market resulting in a sharp drop in basic dairy prices. This had a direct impact on the performance of the Dairy Essentials business group, which is highly dependent on the development of basic dairy prices. The corona pandemic resulted in a decline in volume development in the more profitable market segments such as foodservice and Asia. Consumer sales, on the other hand, showed an upward trend.

More farm milk was supplied and processed into value-added products (cheese, butter & powder specialties) through new partnerships, among other things. In line with FrieslandCampina's strategy, FrieslandCampina focused on the growth of cheese and further differentiation of the cheese and powder range. The first mozzarella from partnerships was introduced in the market. In addition, the North Holland Lutjewinkel Gold cheese label was introduced and well received. The range of new milk powders was further expanded. Steps were also taken within the business group Dairy Essentials to improve the supply chain. The current production capacity was examined in relation to new insights into future volume developments and costs. On this basis, the closure of the production location in Rijkevoort was announced at the beginning of July.

Millions of euros, unless stated otherwise	First half-year 2020	First half-year 2019	Δ%
Revenue	1,264	1,195	5.8%
Operating profit	-101	-67	50.5%
Price effect on revenue	▼		
Volume trend	+11.9%		
Volume-mix effect on revenue	+9.0%		

Sustainability

At this time in which we must learn to deal with pandemics, like today's corona pandemic, the importance of good nutrition – such as dairy – and the importance of sustainability is greater than ever. FrieslandCampina is constantly working on reducing its environmental impact and creating a sustainable, circular dairy chain.

Software tool helps with selection of recyclable packaging

FrieslandCampina focuses, among other things, on climate, biodiversity and packaging. The ambition when it comes to packaging is to be 100% recyclable worldwide by 2025. This software tool is the first important step towards 100% climate-neutral and circular packaging.

More green certificates from our own chain

In Europe, FrieslandCampina uses 100% green electricity for the production of dairy products and has the ambition to produce all this green electricity in its own chain. Thanks to the increasing numbers of solar panels, wind turbines and manure digesters combined with favourable weather conditions, FrieslandCampina member dairy farmers have generated a record amount of green electricity: 123% of the electricity consumed by the production locations and offices in the Netherlands. An increasing proportion of this green electricity remains in the chain. The number of green certificates purchased from members was 53% higher in the first quarter than last year. In addition, 81 member dairy farmers supply their green electricity directly to FrieslandCampina via an electricity contract. The green electricity supplied in this way now accounts for 10% of FrieslandCampina's electricity needs in the Netherlands. In the first half of 2020, 47 solar roofs were installed by GroenLeven, 15 EAZ wind turbines and two Jumpstart manure digesters were taken into use, one with a mineral separator.

Energy usage increased

Compared to the same period last year, energy usage in the production of dairy products increased to 2.88 GJ/tonnes of finished product (first half of 2019: 2.81 GJ/tonnes of finished product). This increase was caused by a volume mix change (production of high energy intensive products stabilised and production of low energy intensive products decreased)

due to shifts in market demand caused by coronavirus. This was despite the process improvement in the several business groups. There is an energy saving programme aiming at a 5% reduction in 2020 compared to 2018.

Water consumption

Since 2018, water consumption per tonne of product has fallen by more than 5% as a result of the completion of investment projects and process improvements.

Dairy farmer training

Besides supporting the energy transition, extensive monitoring tools and compensation for sustainability, FrieslandCampina supports its member dairy farmers in making their dairy farms more sustainable with the latest knowledge and training. In 2019, a programme called 'Winning with Climate & Nature' was launched in which dairy farmers are trained in the field of sustainability, particularly in the themes of climate and nature. These training courses were continued in 2020. More than 2,500 dairy farmers have already attended a training course. The objective is to reach 4,000 dairy farmers. As a result of the corona measures, all meetings have been moved to autumn.

A digital measure tool was introduced in May, which makes it possible to determine at farm level the effect of measures that contribute to the reduction of greenhouse gases and the improvement of biodiversity. In addition, extra attention was paid to digital learning tools, including e-modules, to support dairy farmers in their next step towards sustainability.

Furthermore, member dairy farmers and Stichting BoerenNatuur have been working on setting up a national database for nature and landscape management on dairy farms. Together with BoerenNatuur and the Dutch Society for the Protection of Birds (Vogelbescherming Nederland), FrieslandCampina also founded the independent Stichting Versterking Weidevogelgebieden (Foundation for the strengthening of meadow bird areas). With funds from the foundation, concrete plans by area managers and farmers for meadow bird management can be implemented. This involves support for investments in measures or management.

In order to further stimulate sustainable development at the farms of our member dairy farmers, at the end of 2019 FrieslandCampina announced that it will make an annual amount of EUR 24 million available to its members as part of the Foqus planet quality and sustainability programme. This consists of a generic company contribution of EUR 0.125 per 100 kilos of milk plus an amount for sustainable development that is determined on an annual basis. This contribution by the company will be paid for the first time in 2021 based on the results achieved in 2020 and will therefore be booked in 2020.

More pasture grazing

Efforts for pasture grazing continue to be rewarded. This year, 132 member dairy farms chose to switch to outdoor grazing (2019: 248). With this increase, the total share of FrieslandCampina's member dairy farms in the Netherlands where cows graze outdoors has risen to 83.7%, well above the sector commitment of 81.2%. The final percentage will be set in December, at the end of the grazing season.

Dairy Development Programme (DDP)

With its Dairy Development Programme (DDP), FrieslandCampina supports local dairy farmers (mainly small farmers) in Asia, Africa and Eastern Europe in improving milk quality, productivity per cow and market access. We do this by, among other things, sharing knowledge during practical training courses. In this way, we contribute to food security, more sustainable dairy production and improving the position of dairy farmers. As a result of the worldwide coronavirus outbreak and the measures to stop the virus, fewer farmers have been trained than planned in the first half of 2020, namely 25,910 farmers trained. By means of online courses, radio shows, newsletters and training (where allowed) in smaller groups, an attempt has been made to meet the demand for knowledge as much as possible.

Safety

Over the first half of 2020, the total number of accidents decreased/increased by 15% to 50 accidents (first half of 2019: 59). FrieslandCampina defines all 'accidents' that lead to absenteeism, adjusted work arrangements or medical treatment. The number of accidents leading to absenteeism, the most serious incidents, rose by 23% to 20 incidents (first half of 2019: 26). The total number of accidents per 200,000 hours worked fell in the first half of the year to 0.26 (first half of 2019: 0.36). Although we target zero accidents, our objective is to reach a level of ≤ 0.33 over the entire year. Every accident is one too many and that's why it has our concern and attention.



Royal FrieslandCampina N.V.

Royal FrieslandCampina daily provides millions of consumers throughout the world with dairy products containing valuable nutrients from milk. FrieslandCampina produces and sells consumer products such as dairy drinks, infant nutrition, condensed milk, cheese and desserts. It supplies cream and butter products for professional use to bakeries and catering businesses. Additionally, FrieslandCampina produces and sells ingredients and semi-finished products to producers of infant nutrition, the food industry and the pharmaceutical sector. The annual turnover amounted to EUR 11.3 billion in 2019. The activities of FrieslandCampina have been divided into four global business groups, being: Consumer Dairy, Specialised Nutrition, Ingredients and Dairy Essentials. FrieslandCampina has locations in 36 countries and employs about 24,000 employees. The Central Office is located in Amersfoort, the Netherlands. The company is fully owned by Zuivelcoöperatie FrieslandCampina U.A. and with 17,413 member dairy farmers in the Netherlands, Germany and Belgium, it is one of the largest dairy cooperatives in the world. For additional information, please visit our website: www.frieslandcampina.com.

Royal FrieslandCampina N.V.

Stationsplein 4
3818 LE Amersfoort
The Netherlands
T +31 33 713 3333