Half-Year Report 2021

Royal FrieslandCampina N.V.

FrieslandCampina
nourishing by nature

Key Figures

In millions of euros, unless stated otherwise

	first half year 2021	first half year 2020	Δ %	2020 year
Results				
Revenue	5,527	5,629	-1.8	11,140
Revenue before currency translation effects	5,674	5,629	0.8	
Operating profit	130	221	-41.2	268
Operating profit before currency translation effects	145	221	-34.4	
Profit	62	108	-42.6	79
Profit before currency translation effects	72	108	-33.3	
Operating profit as a percentage of revenue	2.4	3.9		2.4
Value creation for member dairy farmers				
Guaranteed price[1]	36.00	34.96	3.0	34.46
Pro forma supplementary cash payment[2]	0.00	0.29		
Meadow milk premium and Foqus planet premium[3]	0.91	0.90		0.90
Special milk streams[4]	0.34	0.36		0.36
Pro forma cash price[2]	37.25	36.51	2.0	35.72
Pro forma reservation of member bonds[2]		0.08		
Pro forma milk price[2]	37.25	36.59	1.8	35.72
Interest on member bonds	0.43	0.45		0.46
Pro forma retained earnings[2]	-0.04	0.45		-0.46
Pro forma performance price[2]	37.64	37.49	0.4	35.72
Interim payment				
75% of the pro forma supplementary cash payment	0.00	0.22		

1 In euros per 100 kilos of milk, excluding VAT, at 3.57% protein, 4.42% fat and 4.53% lactose.
2 These elements are determined on the basis of the full-year profit figures.
3 Dairy farmers applying pasture grazing receive a 1.50-euro meadow milk premium per 100 kilos of milk for 2021. An amount of 1.00 euro per 100 kilos of meadow milk is paid from the operating profit. On average, on all FrieslandCampina member milk, this amounts to 0.67 euro per 100 kilos of milk. Further, another 0.50 euro per 100 kilos of meadow milk is paid out pursuant to cooperative schemes. To finance this amount, 0.35 euro per 100 kilos of milk is withheld from all milk. This also pays for the partial pasture grazing premium. On an average, on all FrieslandCampina member milk, the Foqus planet contribution amounted to 0.24 euro per 100 kilos of milk.
4 Special milk streams concern the total amount of payments per 100 kilos of milk of Landliebe milk, VLOG [non-GMO] and the 'On the way to PlanetProof' premium of 1.00 euro per 100 kilos of milk, and the difference between the guaranteed price paid for organic milk (47.92 euro) and the guaranteed price paid (36.00 euro). On an average, on all FrieslandCampina member milk, this amounts to 0.34 euro per 100 kilos of milk.

Report of the Executive Board

Profit under pressure due to difficult infant nutrition market and provision for court ruling in Thailand

- Revenue slightly down (-1.8 percent) to 5.5 billion euros, before currency translation effects revenue up 0.8 percent driven by recovery in consumer and out-of-home channels.
- Profit decreased by 42.6 percent to 62 million euros, mainly due to a 57 million euros provision for a court ruling in Thailand and lower infant nutrition results in the business groups Specialised Nutrition and Ingredients as a result of continuing difficult market conditions in Asia.
- Underlying operating profit, excluding provision for a court ruling in Thailand and currency translation effects, decreased by 8.6 percent to 202 million euros.
- Operating cash flow decreased to 46 million euros mainly due to lower results and a one-off contribution of 88 million euros to a pension plan that was committed to in 2005.
- Accelerated implementation of *Our Purpose, Our Plan 2.0* strategy, with associated structural cost reductions of at least 100 million euros per year starting in 2022, is on track.
- Milk price for member dairy farmers increased by 1.8 percent to 37.25 euros per 100 kilos of milk compared to the first half of 2020 due to higher basic dairy prices caused by increased demand on the world market. Due to the lagging result in the first half of 2021 there will be no supplementary cash payment for the first half of 2021.
- Milk supply decreased by 2.2 percent to 5,029 million kilos due to relatively cold weather in the first months of 2021 and high animal feed prices.
- Sustainability programme *Nourishing a better planet*, including CO_2 reduction initiatives, improving biodiversity and the development of sustainable packaging, progressing well.

Hein Schumacher, CEO Royal FrieslandCampina N.V.: "Good results by the Food & Beverage and Trading business groups and realised cost reductions were not sufficient to offset the strong headwind in infant nutrition. Market conditions in this for FrieslandCampina important category remain difficult. This had a significant impact on the results of the Specialised Nutrition and Ingredients business groups.

Now that the corona measures in many markets are being relaxed, the out-of-home activities are recovering and the global demand for dairy is increasing significantly, resulting in rising basic dairy prices. This is good news for our Trading business and for the milk price paid to our members. However, the corona pandemic is not over yet and neither is the uncertainty that it brings, particularly not in countries where the vaccination coverage is still relatively low. In recent weeks we have seen the numbers of infected people increase rapidly again in various countries, so caution is still required. For the second half of the year, on the one hand we are cautiously optimistic about the recovery of the consumer and out-of-home channels, but on the other hand, the Asian infant nutrition market is not expected to recover.

The company's accelerated transformation and the associated cost savings of at least 100 million euros per year as of 2022, are on track. On 16 June, FrieslandCampina's Members' Council approved the new financing system by member dairy farmers. This is a key milestone and I would like to thank our members for this. I have every confidence that together we, employees and member dairy farmers, are doing the right things for a future-proof FrieslandCampina."

Transformation on track

On 10 November 2020, FrieslandCampina announced it would accelerate the company's transformation with a focus on growth, structurally lower costs and an optimisation of the organisational structure. The transformation's implementation is on track. Up to year-end 2021, approximately 1,000 jobs will be eliminated. Compared to the end of June 2020, a reduction of about 700 FTEs has been realised thus far.

Starting in 2022, costs are expected to be structurally lower by at least 100 million euros per year. Total restructuring costs amount to 150-175 million euros. Of these, 106 million euros were charged to the 2020 result.

The business portfolio is also being evaluated as part of the accelerated transformation of the company. The focus is on investing in strategic priority markets and disposing of non-core activities. A strategic partner was found for our animal feed business, Nutrifeed, in this respect. In addition, the sale of our Russian consumer activities to Ehrmann was announced. This transaction is expected to be completed in the third quarter.

Revenue slightly down

FrieslandCampina's total revenue, compared to the same period last year, decreased slightly by 1.8 percent to 5.5 billion (first half of 2020: 5.6 billion euros). Adjusted for currency translation effects, revenue rose by 0.8 percent.

Consumer retail and e-commerce sales recovered. The revenue of the Food & Beverage business group rose by 1.0 percent and excluding currency translation effects by 4.1 percent. The Parrano, Chocomel and Valess brands, in particular, performed well. Recovery of the out-of-home channel, improved performance in Pakistan and an effective market approach in large parts of Africa also contributed to revenue growth for Food & Beverage.

The revenues of Specialised Nutrition and Ingredients were under pressure due to the difficult infant nutrition market and decreased by 14.9 percent and 3.9 percent, respectively. The sale of Friso Gold in China and Hongkong, in particular, decreased, while Friso Prestige in the ultra-premium segment in China grew. Higher volumes and price increases drove an increase in revenue in the medical, seniors and sports nutrition segment.

Revenue of the business group Trading fell by 3.9 percent due to lower milk supply and lower sales of liquid products such as raw milk, cream, skimmed milk and milk concentrate.

Profit and operating profit lagging

Operating profit decreased by 41.2 percent to 130 million euros in the first half of 2021 (first half of 2020: 221 million euros) and profit decreased by 42,6 percent to 62 million euros (first half of 2020: 108 million euros). The underlying operating profit, excluding the provision for the court ruling in Thailand and currency translation effects, decreased by 8.6 percent to 202 million euros. The underlying result of the Food & Beverage business group rose because of the positive selling price trend, growth in priority brands and an improved market approach. The business group Trading benefited from higher prices and consequently made a significantly smaller loss than in the comparable period last year. The results of Specialised Nutrition and Ingredients decreased as a result of unfavourable market trends in the infant nutrition market.

Decreased operating cash flow

The operating cash flow in the first half of 2021 was 46 million euros (first half of 2020: 125 million euros). The decrease was primarily caused by lower results and a one-off contribution of 88 million euros to a pension plan that was committed to in 2005.

Financial position

Net debt increased by 274 million euros in comparison to year-end 2020. As at 30 June 2021, net debt amounted to 1,365 million euros. Buffer capital (equity and non-controlling interests attributable to the shareholder) increased primarily due to positive currency translation effects of our foreign operating companies and a re-measurement of pension commitments, and amounted to 1,432 million euros. As a percentage of the balance sheet total, buffer capital increased from 15.6 percent to 15.7 percent.

Market trends

In the first half of 2021, the impact of the corona pandemic for the most part continued to determine developments on the dairy market. The persistence of the pandemic meant that many people had to stay home, which caused the demand for dairy products in the retail sector to remain high. The increasing vaccinations and the decrease in the number of infections in Europe in April caused demand for dairy products to shift to the foodservice channel.

Further, China once again played a crucial role on the global dairy market. The country's aim to establish higher safety stocks and a significant economic recovery resulted in considerably higher imports of dairy products in the first four months of 2021. Imports increased by almost 30 percent compared to the same period last year.

Due to relatively cold weather and high feed prices in the first months of 2021, European milk production lagged (-1.4 percent in the first quarter) in comparison to the same period last year. Milk production started to increase slowly in April.

Despite rising feed prices, milk production in the United States increased significantly by some 2.5 percent. Government support for dairy farmers in the United States, during the corona outbreak, resulted in an increase in the number of cows.
There was a seasonal decrease in the milk supply in the southern hemisphere during the first six months of 2021, although the supply eventually ended up at a higher level compared to last year.

Milk powder prices continued to be high

Owing to the lagging milk supply in the European Union and the high global demand, milk powder stocks remained low and, over a four-month period, prices rose from 2,220 to 2,580 euros per tonne (+16 percent). Skimmed milk powder prices stabilised after this. Global market prices also rose very quickly in a short period of time.

Butter prices rapidly increased

Owing to the lagging milk supply in the European Union, butter production dropped by 2.5 percent in comparison to last year. Many buyers waited too long and were still forced to cover their demand. This caused butter quotations to increase from 3,250 euros to 4,000 euros per tonne in three months' time (+23 percent). Prices also rose significantly on the global market due to high buying interest from China.

Other product prices also continued to increase

Due to high demand, the Dutch basic cheese price tracked butter and skimmed milk powder prices, and rose from 2,825 euros in January to 3,025 euros per tonne in June. Dutch Gouda cheese rose from 3,280 euros per tonne in January to 3,500 euros per tonne in June. Thanks to a high demand for whey powder from China, followed by a high demand for whey derivatives for special nutrition (sports nutrition), whey powder prices rose by more than 25 percent, from 810 euros to 1,010 euros per tonne.

The equity directly attributable to the capital providers increased slightly to 3.6 billion euros (2020: 3.5 billion euros). Solvency, defined as the equity directly attributable to the capital providers as a percentage of the balance sheet total, decreased to 39.2 percent (2020: 40.4 percent) due to an increased balance sheet total.

Financing

FrieslandCampina made use of loans from member dairy farmers, banks, investors and development banks. Last year, FrieslandCampina successfully issued a 300 million euro perpetual bond loan listed on the Euronext Dublin (multilateral trading facility) at an effective interest rate of 2.875 percent. In March, FrieslandCampina signed an agreement with ING Bank N.V. for a new 300 million euro loan linked to sustainability. This loan has a maximum term of three years and a variable interest rate based on Euribor. In addition, FrieslandCampina receives an interest rebate if it achieves ambitious sustainability goals. FrieslandCampina's Members' Council approved a new member financing system on 16 June 2021. The core of the renewed member financing consists of coupling an important part of members' capital to the milk supplied by members and of a cooperative solution for the future tradability of member bonds-free. This reduces the skewed growth of contributed capital partly due to the greying population and strengthens the company's equity. It is expected that the majority of members will offer their fixed member bonds and/or member certificates for the milk certificates. The renewed member financing will come into effect on 1 January 2022.

Milk supply 2.2 percent lower

The milk supplied by member dairy farmers in the first half of 2021 decreased by 2.2 percent to 5,029 million kilos compared to the first half of 2020 (5,144 million kilos). This decrease is primarily due to cold weather in the first months of 2021 and increased feed prices.

Milk price increased by 1.8 percent

The milk price for member dairy farmers over the first half of 2021 increased by 1.8 percent to 37.25 euros per 100 kilos of milk, excluding VAT compared to the first half of 2020 (36.59 euros). This increase, in part, was due to an increase in commodity dairy prices resulting from growing market demand. The organic milk price was 49.16 euros, excluding VAT, per 100 kilos of milk (first half of 2020: 48.73 euros).

Interim payment

Due to the lagging result in the first half of 2021 there will be no interim payment (first half of 2020: 0.22 euro, excluding VAT, per 100 kilos of milk).

Nourishing a better planet

The sustainability programme *Nourishing a better planet*, focuses on providing good and affordable nutrition for the growing world population, produced in balance with climate and nature, and focuses on a good living for our member dairy farmers, as well as farmers outside the cooperative. The programme recognises six priorities.

Better nutrition, affordable for everyone

FrieslandCampina's Global Nutritional Standards, applicable to the period 2021-25, have been expanded to include Affordable Nutritional Standards and were further refined to counter malnutrition and excessive food intake. The bar for the nutritional composition of FrieslandCampina products was thus raised further. New targets were also established for 2025 on the basis of the refined Global Nutritional Standards 2021-25. For example, the share of products that meets the Global Nutritional Standards will have to grow by four percent over the coming years through a focus on affordable nutrition for our lower income markets. FrieslandCampina has moved up to a third position in the 2021 Global Access To Nutrition Index (ATNI).

In 2018, FrieslandCampina initiated the second edition of the Southeast Asia Nutrition Surveys (SEANUTS II) among children in Thailand, Malaysia, Indonesia and Vietnam in order to combat malnutrition. In this large-scale survey, the targeted 13,000 children, ranging in age from six months to 12 years, have since been surveyed with regard to nutrition, health and lifestyle. The results are expected to be available in the first quarter of 2022. FrieslandCampina recently initiated the Africa Nutrition programme for vulnerable women and children in Ivory Coast. The acquired insights are essential for developing products and educational programmes that help counter malnutrition.

Better living for farmers

With the Dairy Development Programme, FrieslandCampina has been investing for many years in developing the dairy farming sector (primarily family farms) in Asia, Africa and Eastern Europe. The company achieves this in various ways – for example, by enhancing the knowledge of dairy farmers through training, entering into national and international partnerships with suppliers for better products and by initiating partnerships with knowledge institutes and governments to improve conditions for the dairy farming sector. With this FrieslandCampina helps local dairy farmers improve various aspects, such as milk quality, productivity per cow and the efficiency of their farming operations, which ultimately results in a more constant and higher income for local dairy farmers and a stronger position in local markets.
To be able to also continue developing the local dairy farming sector during the current corona pandemic, the company continues to invest in alternative forms of training to achieve the goal of over 60,000 trained dairy farmers in 2021.

FrieslandCampina makes an important contribution to the continuity of member dairy farms by producing dairy products from the milk supplied by dairy farmers affiliated with the cooperative and by valorising these products in the market. Sustainability plays an increasingly important role in this regard. For example, agreements were negotiated with various customers about the supply of dairy products with lower greenhouse gas emissions. FrieslandCampina also strives to reward its member dairy farmers for their sustainability efforts. The company accomplishes this in various ways, such as selling dairy under the 'On the way to PlanetProof' mark. This dairy is produced with extra attention to cow, nature and climate and farmers receive additional compensation for this.

Better climate, climate-neutral future

By 2050, FrieslandCampina aims to be producing (net) climate-neutral dairy and, by 2030, it intends to reduce the emission of greenhouse gases by more than one-third (compared to 2015) in line with the Paris Climate Agreement and Green Deal climate targets. In the first half of 2021, the following renewable energy results, among others, were achieved at the farm level:

- 68 additional member dairy farmers started to produce solar energy within the Solar Programme. Together with existing solar energy producers, they can produce an estimated 75 GWh of power per year;
- At present, 26 mono-manure digesters are operational and nine are under construction as part of the Jumpstart project. The manure digesters are good for generating energy and reducing methane and nitrogen emissions.

Better nature, improving biodiversity

FrieslandCampina rewards member dairy farmers on the basis of their individual performance, based on the Biodiversity Monitor. The ambition is to have a net positive biodiversity impact within the cooperative, on and around the farm, by 2050. A sound earning model for the farmers is essential for this purpose, which is why FrieslandCampina is working with public and private organisations to reward farmers on the basis of matching criteria such as those set out in the Biodiversity Monitor and/or for 'On the way to PlanetProof'.

A number of key initiatives this past half-year:

- Rotterdam de boer op (in collaboration with Natuurmonumenten);
- Biodiversity Monitor Brabant;
- In the Midden-Delfland municipal region, the rewards for nature-inclusive farming have been stepped up – the Delfland water board now also rewards farmers on the basis of matching criteria;
- Start of the development of a dashboard that provides statistical insights into the scale of dairy farmers' contribution to preserving nature, landscape and biodiversity in general (on the basis of data provided by the Foqus planet programme).

Better packaging, 100 percent circular
FrieslandCampina aims to have its packaging, throughout the world, 100 percent recyclable by 2025, and circular and climate-neutral by 2050.

The following initiatives were undertaken for this purpose in the first half of 2021:
- Fully recyclable PET plastic bottles using 100 percent recycled materials for various international brands;
- From a plastic cup with a one-time usable cover to a paper cup with a reusable cover for Campina porridge in the Netherlands;
- New packaging for Campina's organic line in the Netherlands with a reduction in packaging materials of 22 tonnes per year;
- Chocomel multi-pack packaging switched from plastic to cardboard, resulting in a reduction of eight tonnes of plastic per year in Belgium and the Netherlands;
- Switchover from patty plastic sheets to patty paper sheets between Milner cheese slices, resulting in a reduction of 60 tonnes of plastic per year.

Better procurement, 100 percent responsible
For the remaining part of our supply chain – outside the cooperative – FrieslandCampina focuses on sustainable and traceable procurement of agricultural raw materials. For the company this translates into a positive impact on the lives of farmers and animals and on nature.

In the first half of 2021, this resulted, inter alia, in the following:
- Upgrading our traceability targets of agricultural raw materials from 92 percent to 95 percent by 2025;
- FrieslandCampina became a partner in the VIVE programme for sustainable procurement. VIVE is facilitating the creation of the world's first sustainable end-to-end sugar trade.

Recognition
FrieslandCampina's sustainability efforts were also recognised by third parties:
- FrieslandCampina signed an agreement with ING Bank N.V. for a new 300 million euro loan linked to sustainability;
- Campina was once again chosen the most sustainable dairy brand in the Netherlands;
- The 'On the way to PlanetProof' seal for dairy has grown into the Number One dairy and cheese quality mark in the Netherlands;
- FrieslandCampina has moved up to a third position in the 2021 Global Access To Nutrition Index (ATNI).

Risks
The 2020 Annual Report presents the uncertainties and risks that may have a material adverse impact on both the results 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.

Owing to the corona pandemic, the world continued to be in turmoil during the first half of 2021. The economic and financial impact was perceptible – for example, through price volatility of basic dairy commodities, rising inflation and limited availability of foreign currency (U.S. dollar) in Nigeria. Major market segments continued to be under pressure, such as infant nutrition and ingredients. People continue to work from home and, in view of the increasing global digitalisation, cybercrime remains an area of concern in terms of mitigating phishing, data theft and ransomware risks.

The priority was the accelerated implementation of FrieslandCampina's strategy *Our Purpose, Our Plan 2.0* to address risk-mitigating measures that strengthen the company, its results and financial foundation. Through means of various risk assessments and mitigating actions, related risks, such as excessive internal focus and difficulties managing and implementing the required changes, are monitored. Finally, a new cooperative governance structure will provide for better joint coordination of strategic objectives by the company and the cooperative.

Outlook

For the second half of 2021, FrieslandCampina expects a continuation of the situation in the second quarter. On the one hand, FrieslandCampina is cautiously optimistic about the recovery of the consumer and out-of-home channels that has set in; on the other hand, the Asian infant nutrition market is not expected to recover. Moreover, the development of the corona pandemic and its impact on the company remains uncertain. FrieslandCampina expects basic dairy prices to continue to hover around current levels in the second half of 2021 and, as a result, milk prices are expected to do the same.

Executive Board

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

Hans (J.G.) Janssen
Chief Financial Officer

Geraldine (G.M) Fraser
Chief People Officer

Roel (R.F.) van Neerbos
President FrieslandCampina Food & Beverage

Amersfoort, the Netherlands, 16 July 2021

Business Groups - Results

Food & Beverage

The Food & Beverage business group provides, on a daily basis, consumers throughout the world with dairy products, such as milk, yogurt, condensed milk, dairy-based beverages, cheese, butter and cream. The business group focuses on the consumer (B2C) and professional (B2B) channels.

- Revenue grew by 1.0 percent and excluding currency translation effects by 4.1 percent.
- Recovery out-of-home activities, optimisation of the product portfolio in Pakistan and an improved market approach in large parts of Africa are contributing to revenue growth.
- However, there were also currency translation headwinds because of the devaluation of the Nigerian naira and dollar-related currencies in Asia.
- Key brands in our domestic markets in the Netherlands, Germany and Belgium, such as Chocomel, Parrano and Valess, are increasing their market share.
- Positive selling price developments and lower advertising and promotion costs and general management costs are offsetting the inflation of our cost base.
- In the first half of the year, the business group result was strongly impacted by the 57 million provision related to a court ruling in Thailand.
- As part of the accelerated implementation of the strategy, the plants in Germany and the Philippines will be further optimised as previously announced, and the sale of the consumer business in Russia has been announced. This transaction is expected to be completed in the third quarter of 2021.

Results

In millions of euros, unless stated otherwise	first half year 2021	first half year 2020	Δ %
Third-party revenue	3,797	3,758	1.0
Revenue before currency translation effects	3,913	3,758	4.1
Operating profit	142	170	-16.5
Operating profit as a percentage of third-party revenue	3.7		

Specialised Nutrition

The Specialised Nutrition business group provides dairy products for specific consumer groups. This varies from infant nutrition to adult nutrition with specific requirements in different life stages. This business group operates in various countries in Asia, Europe, Africa and the Middle East.

- The global declining birth rate trend has accelerated as a result of the corona pandemic, which is clearly visible in the countries in which FrieslandCampina operates.
- The persistent closure of the border between Hong Kong and China, increased competition from local players in China and negative price development due to the declining dollar and increased raw material prices, resulted in a significant decrease in net-revenue and operating profit.
- Friso Prestige in China improved considerably in terms of revenue and market share in the growing ultra-premium segment, while Friso Gold in China and Hong Kong decreased.
- The refined market approach, introduced at the end of 2020 with greater emphasis on e-commerce, innovation and expansion to new cities, resulted in a growth in revenue and market share in the digital channel.
- Innovations were introduced in amongst others Southeast Asia and Greece, including improved Friso Gold, Frisian Flag and Dutch Lady products.

Results

In millions of euros, unless stated otherwise	first half year 2021	first half year 2020	Δ %
Third-party revenue	516	606	-14.9
Revenue before currency translation effects	539	606	-11.1
Operating profit	21	133	-84.2
Operating profit as a percentage of third-party revenue	4.1		

Ingredients

The Ingredients business group aims to be a global frontrunner in nutrition. It is the ideal partner for brands and producers wishing to differentiate themselves on the basis of nutrition, health and wellbeing for consumers in all life stages. Ingredients primarily focuses on the early stage of life by producing ingredients for infant nutrition. It also offers specific innovations and applications for adults in the field of medical nutrition and sports nutrition.

- The infant nutrition segment was under severe pressure due to declining birth rates and difficult market conditions in Hong Kong in the first half of 2021.
- Higher revenue in the medical, elderly and sports nutrition segments due to volume growth and price increases.
- The supply chain is showing a stable and robust trend despite declining utilisation levels due to lower market volumes.
- The sale of Nutrifeed to Denkavit, combined with a long-term contract for residual flows, was completed.

Results

In millions of euros, unless stated otherwise	first half year 2021	first half year 2020	Δ %
Third-party revenue	618	643	-3.9
Revenue before currency translation effects	626	643	-2.6
Operating profit	53	91	-41.8
Operating profit as a percentage of third-party revenue	8.6		

Trading

The Trading business group is involved in selling and sourcing commodity dairy products for internal as well as business-to-business customers. Its product portfolio comprises cheese, butter, milk powder and liquid products such as raw milk, cream, skimmed milk or milk concentrate. Trading also manages the risk of FrieslandCampina's raw material prices for dairy by hedging the company's fat and protein positions.

In addition, the business group uses its knowledge of developments in the dairy market to optimise the valorisation of FrieslandCampina's member milk and the utilisation of its production facilities.

- Following a calm start in the first quarter, commodity dairy prices rose considerably from March onwards. This resulted in improved results for the Trading business group's product portfolio.
- Through active position management and rapidly responding to price trends, the direct impact of these price trends was optimised and partially locked in for the second half of the year.
- Cheese sales continued to grow, partly due to the expansion of the mozzarella customer portfolio. This contributes to structurally improved value creation. The cooperation with a number of partners was further intensified.
- Performance within the supply chain improved in terms of conversion costs, sustainability (energy efficiency) and distribution costs.
- The milk processing network was further optimised by completing the closure of facilities in Rijkevoort and the whey and milk powder silo in Gerkesklooster in the Netherlands. The closure and disposal, respectively, of facilities in Genk and the milk powder facilities in Aalter (both in Belgium) are in progress.

Results

In millions of euros, unless stated otherwise	first half year 2021	first half year 2020	Δ %
Third-party revenue	596	620	-3.9
Operating profit	-52	-105	+50.5
Operating profit as a percentage of third-party revenue	-8.7		

Condensed consolidated income statement

In millions of euros

	first half year 2021	first half year 2020
Revenue	5,527	5,629
Cost of goods sold	-4,673	-4,714
Gross profit	**854**	**915**
Advertising and promotion costs	-243	-239
Selling and general administrative costs	-416	-435
Other operating costs and income	-65	-20
Operating profit	**130**	**221**
Finance costs and income	-21	-23
Share of profit of joint ventures and associates, net of tax	7	8
Profit before tax	**116**	**206**
Income tax	-54	-98
Profit for the period	**62**	**108**
Profit attributable to:		
- holders of member bonds	22	23
- holders of perpetual bonds	4	
- provider of cooperative loan	4	4
- shareholder	87	79
Shareholder and other providers of capital	**117**	**106**
Shareholder as holder of non-controlling interests	-89	-37
Shareholder and other providers of capital (incl. non-controlling interests shareholder)	**28**	**69**
Other holders of non-controlling interests	34	39
	62	**108**

Condensed consolidated statement of comprehensive income

In millions of euros

	first half year 2021		first half year 2020	
Profit for the period		**62**		**108**
Items that will or may be reclassified to the income statement (net of tax)				
Effective portion of cash flow hedges	7		14	
Currency translation differences	31		-51	
Share in other comprehensive income of joint ventures and associates	-1		-4	
		37		**-41**
Items that will never be reclassified to the income statement (net of tax)				
- remeasurement of liabilities (assets) under defined benefit plans	17		-6	
		17		**-6**
Other comprehensive income, net of tax		**54**		**-47**
Total comprehensive income for the period		**116**		**61**
Total comprehensive income attributable to:				
- shareholder and other providers of capital	163		69	
- shareholder as holder of non-controlling interests	-87		-37	
Shareholder and other providers of capital (incl. non-controlling interests shareholder)		**76**		**32**
- other holders of non-controlling interests		40		29
		116		**61**

Condensed consolidated statement of financial position

In millions of euros

	30 June 2021	31 December 2020
Assets		
Property, plant and equipment	3,346	3,412
Intangible assets	1,536	1,564
Deferred tax assets	221	208
Joint ventures and associates	112	113
Employee benefits	5	5
Other assets	50	36
Non-current assets	**5,270**	**5,338**
Inventories	1,577	1,407
Trade and other receivables	1,635	1,490
Cash and cash equivalents	533	466
Assets held for sale	81	16
Current assets	**3,826**	**3,379**
Total assets	**9,096**	**8,717**

	30 June 2021	31 December 2020
Equity		
Issued capital	370	370
Retained earnings and other reserves	1,364	1,203
Equity attributable toe shareholder	**1,734**	**1,573**
Member bonds	1,536	1,560
Perpetual bonds	305	301
Cooperative loan	291	295
Equity attributable to other providers of capital	**2,132**	**2,156**
Equity attributable to providers of capital	**3,866**	**3,729**
Non-controlling interests shareholder	-302	-212
Equity directly attributeble to providers of capital	**3,564**	**3,517**
Other non-controlling interests	295	300
Total equity	**3,859**	**3,817**
Liabilities		
Employee benefits	328	452
Deferred tax liabilities	90	101
Interest-bearing borrowings	1,140	927
Other financial liabilities	136	85
Non-current liabilities	**1,694**	**1,565**
Interest-bearing borrowings	588	476
Trade and other payables	2,932	2,859
Liabilities held for sale	23	
Current liabilities	**3,543**	**3,335**
Total liabilities	**5,237**	**4,900**
Total equity and liabilities	**9,096**	**8,717**

Condensed consolidated statement of cash flows

In millions of euros

	first half year 2021	first half year 2020
Operating activities		
Profit before tax	116	206
Depreciation of property, plant and equipment and amortisation of intangible assets	233	226
Movements in inventories, receivables and liabilities	-179	-244
Other operating activities	-124	-63
Net cash flows from operating activities	**46**	**125**
Investing activities		
Investments in property, plant and equipment and intangible assets	-156	-186
Disposals of property, plant and equipment and assets held for sale	3	2
Divestments of business units, net of divested cash and cash equivalents	30	
Loans issued	-97	-18
Acquisitions, net of acquired cash and cash equivalents	-1	-14
Net cash flows used in investing activities	**-221**	**-216**
Financing activities		
Dividend paid to holders of non-controlling interests	-27	-17
Interest paid to holders of member bonds	-41	-42
Repayment of member bonds		-80
Interest-bearing borrowings drawn	1,335	1,417
Repayment of interest-bearing borrowings	-1,031	-1,081
Repayment of lease liabilities	-31	-30
Payment of contingent consideration	-1	
Settlement of derivatives and other	1	3
Net cash flows used in financing activities	**205**	**170**
Net cash flow	**30**	**79**
Cash and cash equivalents at 1 January[1]	339	309
Net cash flow	30	79
Currency translation differences on cash and cash equivalents	9	-20
Cash and cash equivalents at 30 June[1]	**378**	**368**

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

Condensed consolidated statement of changes in equity

In millions of euros

	first half year 2021					first half year 2020				
	Equity attributable to providers of capital	Non-controlling interests shareholder	Equity directly attributable to providers of capital	Other non-controlling interests	Total equity	Equity attributable to providers of capital	Non-controlling interests shareholder	Equity directly attributable to providers of capital	Other non-controlling interests	Total equity
At 1 January	**3,729**	-212	**3,517**	300	**3,817**	**3,399**	51	**3,450**	306	**3,756**
Comprehensive income:										
- profit for the period	117	-89	28	34	**62**	106	-37	69	39	**108**
- other comprehensive income	46	2	48	6	**54**	-37	-1	-38	-9	**-47**
Total comprehensive income for the period	**163**	**-87**	**76**	**40**	**116**	**69**	**-38**	**31**	**30**	**61**
Transactions with providers of capital recognised directly in equity:										
- dividends paid				-27	**-27**				-17	**-17**
- interest paid	-47		-47		**-47**	-49		-49		**-49**
- repayment bonds						-80		-80		**-80**
- reallocation of goodwill due to change of segments	21	-3	18	-18						
Total transactions with providers of capital	**-26**	**-3**	**-29**	**-45**	**-74**	**-129**		**-129**	**-17**	**-146**
At 30 June	**3,866**	**-302**	**3,564**	**295**	**3,859**	**3,339**	**13**	**3,352**	**319**	**3,671**

Notes to the condensed consolidated half-year figures

In millions of euros, unless stated otherwise

General

Royal FrieslandCampina N.V. is domiciled in Amersfoort, the Netherlands. The address is: Stationsplein 4, 3818 LE Amersfoort, the Netherlands. The Company is registered in the Trade Register of the Chamber of Commerce under number 11057544. The consolidated half-year figures for the first six months ending on 30 June 2021 include Royal FrieslandCampina N.V. and its subsidiaries (collectively referred to as FrieslandCampina).

Zuivelcoöperatie FrieslandCampina U.A. (the 'Cooperative') holds all shares in Royal FrieslandCampina N.V.

The consolidated half-year figures have not been audited.

Accounting Principles

Statement of Compliance

This half-year report is prepared in accordance with IAS 34 'Interim Financial Reporting'. This half-year report should be read in conjunction with the 2020 consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and, insofar as this is applicable, in accordance with Title 9 Book 2 of the Dutch Civil Code.

The accounting principles and calculation methods used to prepare the 2020 consolidated financial statements are also used to prepare this half-year report.

New and revised standards, amendments and interpretations as applied by FrieslandCampina

The following amendments apply to FrieslandCampina:

Amendments to IFRS 9, IAS 39 and IFRS 7 Phase 2

Effective from 1 January 2021, FrieslandCampina has applied the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 2.
FrieslandCampina has conducted an impact analysis of outstanding financial instruments that are characterised by a reference interest rate that will no longer be published after 31 December 2021.

- FrieslandCampina does not have any interest rate derivatives that are affected by this.
- FrieslandCampina has an outstanding loan based on the 6-month USD Libor (with an outstanding principal balance of USD 60 million and an end-date of June 2026).
- FrieslandCampina has placed private loans with institutional investors in the United States (principal of USD 80 million with an end date of August 2022; USD 146 million with an end date of August 2024 and USD 123 million with an annual repayment of USD 20 million and an end date of August 2027) whose USD repayment and interest obligations have been converted into EUR obligations with a fixed interest rate through means of a swap. The Libor is used to determine the fair value of the loans and derivatives.
- FrieslandCampina has a facility with a multi-currency option whereby it makes use of Libor for currencies other than EUR.
- The Libor will be used as reference for various intercompany loans.

FrieslandCampina will work together with various counterparties towards a market-based application of the relevant reference interest rate. The yield curves for the valuation of these financial instruments will also be adjusted on this basis.
As a result, the financial impact is expected to be minimal and is not expected to result in an adjustment of the risk management strategy.

Judgements, estimates and assumptions
The preparation of the consolidated half-year figures in accordance with EU-IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting principles and the reported amounts of assets and liabilities, as well as income and costs. The actual results may deviate from these estimates.

The estimates and the underlying assumptions are constantly assessed. Use is also made of the opinions and advice of external and internal experts in these matters. Income or costs resulting from revised estimates are reported in the period in which these estimates are revised and in future periods affected by the revised estimates.

See the 2020 consolidated financial statements for an overview of the most important assumptions and estimates. No important changes, other than explained in this half-year report, occurred in the first half of 2021.

Consolidation group

There were no significant changes to the consolidation group in the first half of 2021. For more information about the divestment of FrieslandCampina Nutrifeed B.V. refer to the disclosure regarding other operating costs and income.

Financial risk management

The key financial risk management objectives and procedures within FrieslandCampina are consistent with the objectives and procedures set out in the consolidated financial statements 2020.

Seasonal influences

There are no significant seasonal patterns in comparing the first half-year with the second half-year.

Segmentation

Effective 1 April 2021, FrieslandCampina changed its management structure whereby mainly consumer activities of former business group Dairy Essentials and foodservice activities of business group Ingredients are transferred to business group Food & Beverage. Comparative figures are adjusted to reflect this change. As a result of this change, goodwill is reallocated between business groups. Effective 1 April 2021, FrieslandCampina is making a distinction between the following four segments, consisting of four market-oriented business groups:

- The Food & Beverage business group provides, on a daily basis, consumers throughout the world with dairy products, such as milk, yogurt, condensed milk, dairy-based beverages, cheese, butter and cream. The business group focuses on the consumer (B2C) and professional (B2B) channels.
- The Specialised Nutrition business group provides dairy products for specific consumer groups. This varies from infant nutrition to adult nutrition with specific requirements in different life stages. This business group operates in various countries in Asia, Europe, Africa and the Middle East.
- The Ingredients business group aims to be a global frontrunner in nutrition. It is the ideal partner for brands and producers wishing to differentiate themselves on the basis of nutrition, health and wellbeing for consumers in all life stages. Ingredients primarily focuses on the early stage of life by producing ingredients for infant nutrition. It also offers specific innovations and applications for adults in the field of medical nutrition and sports nutrition.
- The Trading business group is involved in selling and sourcing commodity dairy products for internal as well as business-to-business customers. Its product portfolio comprises cheese, butter, milk powder and liquid products such as raw milk, cream, skimmed milk or milk concentrate. Trading also manages the risk of FrieslandCampina's raw material prices for dairy by hedging the company's fat and protein positions. In addition, the business group uses its knowledge of developments in the dairy market to optimise the valorisation of FrieslandCampina's member milk and the utilisation of its production facilities.

The corporate activities, discontinued business operations and Global Shared Services are recognised as other, since these activities cannot be classified under the market-oriented business groups.

The identified operating segments concern the separate segments within FrieslandCampina for which financial information is available that is frequently evaluated by the Executive Board, as the chief operating decision maker, in order to take decisions concerning the allocation of available resources to the segment and to assess the segment's performance.

Segmentation by business group

	first half year 2021						
	Food & Beverage	Specialised Nutrition	Ingredients	Trading	Other	Elimination	**Total**
Revenue third parties	3,797	516	618	596			**5,527**
Internal deliveries[1]	202	99	201	1,127		-1,629	
Total revenue	**3,999**	**615**	**819**	**1,723**		**-1,629**	**5,527**
Operating result	142	21	53	-52	-34		**130**
Result from joint ventures and associates, after tax					7		**7**
Finance costs and income							**-21**
Profit before tax							**116**
Operating result as % net revenue from third parties	3.7	4.1	8.6	-8.7			**2.4**
Carrying amount of assets employed in operating activities[2]	3,126	657	1,684	1,445	440	-435	**6,917**
Goodwill after reallocation	738	233	113				**1,084**
Carrying amount of other assets							**1,095**
Total assets							**9,096**
Liabilities resulting from operational activities[3]	1,846	356	273	539	636	-435	**3,215**
Other liabilities							**2,022**
Total liabilities							**5,237**

1 Internal deliveries are accounted for in a similar way as transactions with third parties.
2 Relates to carrying amount of assets excluding deferred tax assets, joint ventures and associates, loans granted, securities, long-term receivables, corporate income tax receivables, receivables from Zuivelcoöperatie FrieslandCampina U.A., cash and cash equivalents, assets held for sale and goodwill.
3 Relates to employee benefits, provisions, derivative payables, trade payables and other payables, excluding payables to Zuivelcoöperatie FrieslandCampina U.A.

Segmentation by business group

	first half year 2020						
	Food & Beverage	Specialised Nutrition	Ingredients	Trading	Other	Elimination	**Total**
Revenue third parties	3,758	606	643	620	2		**5,629**
Internal deliveries[1]	205	274	305	1,059		-1,843	
Total revenue	**3,963**	**880**	**948**	**1,679**	**2**	**-1,843**	**5,629**
Operating result	170	133	91	-105	-68		**221**
Result from joint ventures and associates, after tax			1		7		**8**
Finance costs and income							**-23**
Profit before tax							**206**
Operating result as % net revenue from third parties	4.5	21.9	14.2	-16.9			**3.9**
Carrying amount of assets employed in operating activities[2]	3,929	961	2,092	1,417	1,856	-1,942	**8,313**
Carrying amount of other assets							**829**
Total assets							**9,142**
Liabilities resulting from operational activities[3]	2,004	458	558	1,371	714	-1,942	**3,163**
Other liabilities							**2,309**
Total liabilities							**5,472**

1 Internal deliveries are accounted for in a similar way as transactions with third parties.
2 Relates to carrying amount of assets excluding deferred tax assets, joint ventures and associates, loans granted, securities, long-term receivables, corporate income tax receivables, receivables from Zuivelcoöperatie FrieslandCampina U.A., cash and cash equivalents, assets held for sale.
3 Relates to employee benefits, provisions, derivative payables, trade payables and other payables, excluding payables to Zuivelcoöperatie FrieslandCampina U.A.

Revenue

Revenue by geographical location of customers	first half year 2021	
		%
The Netherlands	1,308	24
Germany	484	9
Rest of Europe	1,255	23
Asia and Oceania	1,779	31
Africa and the Middle East	482	9
North and South America	219	4
	5,527	**100**

Revenue primarily consists of the sale of goods with settlement of the performance obligation by FrieslandCampina at a point in time and not over time.

Operating expenses

The cost of goods sold includes the compensation paid for milk to member dairy farmers in the amount of EUR 1,895 million (first half-year 2020: EUR 1,874 million).

Other operating costs and income

Other operating costs and income mainly relate to restructuring provisions and provisions for legal claims. For more information refer to the disclosure regarding provisions.

Divestment of Nutrifeed activities

On 30 June 2021, FrieslandCampina completed the sale of FrieslandCampina Nutrifeed B.V. to Denkavit Internationaal B.V. This business unit produces and sells animal feed and formed part of the business group Ingredients.

Nutrifeed's activities are no longer being consolidated effective from 30 June 2021. The results up to the date of the divestment are recognised in the income statement. The divestment resulted in a loss of EUR 1 million and is reported under other operating costs.

Fair value of the consideration received	30
Assets transferred	-37
Liabilities transferred	12
Allocation of goodwill and recognition of contingent considerations	-5
Directly attributable costs	-1
Result on divestment of business unit	**-1**

Finance costs and income

In the first half of 2021, a negative result on currency translation in the amount of EUR 6 million for receivables and payables in foreign currencies, as well as the results realised from financial derivatives, was included under finance costs and income. In the first half of 2020 the result on currency translation was EUR 4 million. The net interest costs in the first half of 2021 amounted to EUR -12 million (first half-year 2020: EUR -15 million).

Taxes

The tax expense amounted to EUR 54 million (first half-year 2020: EUR 98 million). The decrease is partly due to the lower profit. The effective tax rate of 46.6% in the first half of 2021 is in line with the effective tax rate of the first half of 2020 (47.6%).

Property, plant and equipment

The movement of the property, plant and equipment balance sheet item in the first half of 2021 can be broken down as follows:

	Total
Carrying amount at 1 January	**3,412**
Divested through sale of business unit	-6
Additions	148
Disposals	-1
Currency translation differences	10
Remeasurement	4
Transfers	-1
Transfer to assets held for sale	-27
Depreciation	-193
Impairments	-1
Reversal of impairments	1
Carrying amount at 30 June	**3,346**

Intangible assets

Movements in intangible assets during the first half year 2021 are as follows:

	Total
Carrying amount at 1 January	**1,564**
Divested through sale of business unit	-3
Additions	6
Currency translation differences	19
Transfers	1
Transfer to assets held for sale	-9
Amortisation	-40
Impairments	-2
Carrying amount at 30 June	**1,536**

Acquisitions

In the first half of 2021, FrieslandCampina finalised the purchase price allocation with respect to the 2020 acquisition of the Dutch Nutrition activities. The final purchase price allocation resulted in an increase of the acquired liabilities, as well as the identified intangible assets, by EUR 1 million.

Inventory

Effective 30 June 2021, inventories are written down with EUR 38 million to lower net realisable value. The write-down to net realisable value is recognised in the cost of goods sold.

Cash and cash equivalents

Cash and cash equivalents in Nigeria amount to EUR 221 million as per 30 June 2021 (end of 2020: EUR 217 million). This amount is restricted for use by the group pursuant to IAS7 due to currency restrictions, including the very limited availability of USD.

Assets and liabilities held for sale

On 21 May 2021, agreement was reached with Ehrmann SE about the sale of the Russian subsidiary Campina LLC. This transaction is expected to be completed in the third quarter of 2021 following approval by the relevant authorities. As a result, effective 30 June 2021, the assets and liabilities relating to Campina LLC are reported as assets and liabilities held for sale.

In the first half-year of 2021, FrieslandCampina signed an agreement for the sale and leaseback of the land and buildings of the production site in Malaysia. Transfer of ownership is expected in the second half-year of 2021. The land and buildings are classified as assets held for sale.

Equity

Reservation policy
On 16 June 2021, the Members' Council of Zuivelcoöperatie FrieslandCampina U.A. agreed to amend the 2020-2022 reservation policy of the company. For the financial years 2021 and 2022, 60% (was 55%) of the Company's profit based on the guaranteed price, as far as it attributes to the shareholder of the Company, will be added to the retained earnings. 40% (was 35% in 2020) of the profits can be paid out in cash to member dairy farmers as a supplementary cash payment. The 10% distribution to member dairy farmers in the form of member bonds-fixed or in certain cases partly as member bonds-free are no longer applicable for financial years 2021 and 2022.

Pursuant to the reservation policy, an interim payment can be proposed on the basis of the results for the first half-year of FrieslandCampina and the quantity of milk supplied. The interim payment consists of 75% of the pro forma supplementary cash payment on the value of the quantity of milk supplied in the first half-year. Pursuant to the reservation policy, the Executive Board has decided that results in the first half-year are not sufficient to make an interim payment.

Memberbonds
From 1 January 2022, the Cooperative will be issuing its member dairy farmers with milk certificates worth 8 euros per 100 kilos of milk delivered. The quantity of milk delivered in the period from 1 October 2020 until 30 September 2021 will be used to determine the first issue of milk certificates. The expectation is that majority of the members will contribute their fixed member bonds or member certificates for the milk certificates and the remaining members contribute cash or in specific circumstances obtain a loan from the Cooperative.

Employee benefits

FrieslandCampina has contributed an additional amount of EUR 88 million into its defined benefit pension scheme. The additional amount concerns the settlement of the supplementary lump-sum payment for employees in the Netherlands who were employed at the end of 2005 up to and including 2020.

Interest-bearing borrowings

FrieslandCampina negotiated a new loan of EUR 300 million with ING Bank in the first half of 2021. The loan, consisting of four tranches with terms varying from 6 months to 3 years has a variable EURIBOR-based interest rate and an interest rate discount when sustainability targets are attained. The proceeds are used to refinance existing credit facilities.

Effective 30 June 2021, FrieslandCampina had drawn an amount of EUR 10 million from the credit facility negotiated with a syndicate of credit institutions (year-end 2020: EUR 10 million). This position is entirely classified as current.

In 2016, FrieslandCampina issued 'Green Schuldschein' debt securities amounting to EUR 300 million, consisting of four tranches at fixed interest rates. In the first half of 2021, the first tranche amounting to EUR 49 million was repaid.

In addition, in the first half of 2021, FrieslandCampina repaid an amount of USD 7 million of the loan granted by International Finance Corporation (IFC). The outstanding carrying value of this loan was USD 66 million as at 30 June 2021.

In 2017 FrieslandCampina started issuing Euro Commercial Paper (ECP). The maximum term of the issued paper is 12 months. As at 30 June 2021, the withdrawals under the ECP Programme were EUR 205 million (2020: EUR 510 million).

Financial instruments

Accounting classifications and fair values

The table below contains the financial instruments that are valued at fair value by valuation method. The fair value is the amount that would be received or paid if the receivables and/or liabilities were settled on the reporting date, without further liabilities. The different levels of input data for the determination of the fair value are defined as follows:

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

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

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

	30 June 2021			
	Level 1	Level 2	Level 3	**Total fair value**
Fair value hedge accounting instruments				
Hedging derivatives - assets		21		**21**
Hedging derivatives - liabilities		6		**6**
Mandatorily at fair value through profit or loss				
Hedging derivatives - assets		10		**10**
Hedging derivatives - liabilities		5		**5**
Put option liabilities			55	**55**
Contingent considerations			5	**5**

FrieslandCampina also has financial assets and liabilities that are not valued at fair value. In principle, the fair value of these financial assets and liabilities does not differ significantly in comparison to the carrying amount, since the interest paid is market-based and the term is of short duration. The difference between the fair value and the carrying amount is significant for the following financial liabilities:

	30 June 2021	
	Total carrying amount	Total fair value
Financial liabilities not measured at fair value		
Interest-bearing borrowings - fixed rate	921	968
Interest-bearing borrowings - variable rate	807	808

Hedging derivatives
The fair value of forward currency contracts is calculated by comparing them with the current forward prices of contracts with equal remaining terms. The fair value of interest rate swaps is determined on the basis of the present value based on current market data provided by Bloomberg. The fair value of the commodity swaps is determined on the basis of the statement of market-to-market valuations of the relevant counterparties based on EEX quotations.

Put option liabilities
The put option liabilities to other shareholders in the Dutch legal entity that holds 51% of the shares in FrieslandCampina Engro Pakistan Ltd. amounts to EUR 55 million as at 30 June 2021. The exercise price is primarily dependent on FrieslandCampina Engro Pakistan Ltd's profit before interest, taxes, and depreciation and amortisation.
If FrieslandCampina Engro Pakistan Ltd's expected profit before interest, taxes, and depreciation and amortisation had been 10% higher, then FrieslandCampina's result over the first half-year of 2021 would have been EUR 1 million lower due to the remeasurement of the put option liabilities.

Movements and transfers
The following movements of the financial instruments classified as level 3 took place in the first half of 2021:

	30 June 2021	
	Contingent considerations	Put option liabilities
Carrying amount at 1 January	3	54
Originated by divestment of business units	3	
Redemptions	-1	
Finance costs		1
Carrying amount at 30 June 2021	**5**	**55**

There were no transfers to or from levels 1, 2 or 3 during the first half of 2021.

Provisions

Restructuring costs
In the first half of 2021, EUR 7 million restructuring provisions were recognised pursuant to announced restructurings. Furthermore EUR 10 million was released from the provision for restructuring costs due to adjusted estimates, primarily because it proved possible to relocate more employees internally or employees found a new job outside FrieslandCampina.

Legal claims and disputes
From time to time FrieslandCampina is involved in legal and arbitration proceedings resulting from normal business operations. When specific problems occur, provisions are made as necessary. Due to the nature of the legal proceedings the timing of making use of these provisions is uncertain.

On 31 May 2021, a court in Thailand issued a ruling in a business dispute between FrieslandCampina Thailand and a business-to-business client. The court, on the basis of its interpretation of the contract between both parties, concluded that FrieslandCampina has charged its client too much over a period of 10 years. Pursuant to this ruling, FrieslandCampina is required to compensate its client for an amount of EUR 57 million. FrieslandCampina disagrees with this ruling and will be filing an appeal against it. The result of the appeal is uncertain and therefore an amount of EUR 57 million in accordance with the court ruling has been charged to the other operating costs.

Commitments and contingencies

The commitments and contingencies do not materially deviate from the commitments and contingencies that were included in the consolidated financial statements 2020.

Transactions with related parties

There was no change in the nature of the information concerning related parties. The scope does not materially deviate in comparison to the consolidated financial statements 2020.

Subsequent events

There were no subsequent events that have a significant impact on the half-year report.

Amersfoort, the Netherlands, 16 July 2021

Every day Royal FrieslandCampina provides millions of consumers all over the world with dairy products that are rich in valuable nutrients from milk.

With an annual revenue of 11.1 billion euros, 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, through its subsidiaries. Dairy products are also exported worldwide from the Netherlands to more than 100 countries. In addition, products are supplied to professional customers, including cream and butter products to bakeries and catering companies. FrieslandCampina sells ingredients and semi-finished products to manufacturers of infant nutrition, the food industry and the pharmaceutical sector around the world.

FrieslandCampina has branch offices in 38 countries and employs more than 23,000 people. The company's central office is based in Amersfoort, the Netherlands. FrieslandCampina's activities are divided into four market-oriented business groups: Food & Beverage, Specialised Nutrition, Ingredients and Trading.

The company is fully owned by Zuivelcoöperatie FrieslandCampina U.A. and, with nearly 17.000 member dairy farmers in the Netherlands, Germany and Belgium, it is one of the world's largest dairy cooperatives.

FrieslandCampina
nourishing by nature

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