

Financial review

Revenue and expenses

In millions of EUR	2006	2005	Change (%)
Revenue	11,829	10,796	9.6
Other income	379	63	499.3
Raw materials, consumables and services	7,376	6,657	10.8
Personnel expenses	2,241	2,180	2.8
Amortisation, depreciation and impairments	786	768	2.4
Total expenses	10,403	9,605	8.3
Results from operating activities	1,805	1,254	44.0

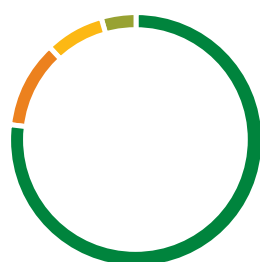
Consolidated beer volume rose 11.4 million hectolitres to 111.9 million hectolitres in 2006, which represents an increase of 11.3 per cent. Organic growth in consolidated beer volume amounted to 6.9 per cent. Consolidated Heineken premium volume (including Heineken Premium Light) rose 2.4 million hectolitres to 22.5 million hectolitres in 2006.

The volume increase, improvements in sales mix and higher selling prices caused revenue to rise by €1,033 million to €11,829 million in 2006, which represents an increase of 9.6 per cent. All regions contributed to this strong performance, in particular Central and Eastern Europe, Americas and Africa and the Middle East. Organic growth added 7.1 per cent to revenue. The positive effect of movements in exchange rates on revenue amounted to €54 million or 0.5 per cent.

The sale of a brewery site in Seville, Spain, with a gain of €320 million caused other income to rise by €316 million to €379 million in 2006.

F2F programme is delivering faster than expected. Savings were realised across the supply chain, wholesale and support functions. These early achievements have already generated gross savings before tax of €114 million in 2006. Related exceptional restructuring costs totalled €102 million before tax, of which 85 per cent related to redundancy costs. The F2F fixed-costs ratio decreased from 34.9 per cent in 2005 to 33.1 per cent in 2006. The number of employees was reduced by more than 2,200.

Revenue
In billions of EUR



	2006	2005
● Beer	9.1	8.1
● Soft drinks	1.3	1.3
● Wines and spirits	0.9	0.9
● Other income	0.5	0.5
	11.8	10.8

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Raw materials, consumables and services expenses increased by 10.8 per cent, which were mainly caused by higher packaging material, marketing and selling and energy expenses. Marketing and selling expenses increased organically by 9.2 per cent and remained stable at 12.6 per cent of revenue and reflects our continuous marketing investments efforts in various markets in 2006. Next to the volume increase, the introduction of the clear plastic label was the main cause for the rise in packaging material expenses, whilst the increase in oil and gas prices was the main cause for the rise in energy and water expenses by 22.9 per cent.

Personnel expenses increased by 2.8 per cent, including €79 million exceptional restructuring charges.

As such, total expenses increased less than revenue and rose by 8.3 per cent to €10,403 million. The effect of movements in exchange rates had an insignificant impact on total operating expenses of 0.3 per cent or €35 million.

EBIT and profit attributable to equity holders of the Company (net profit)

In millions of EUR	EBIT	Net profit
2005	1,283	761
Organic growth	149	106
Changes in consolidation	9	(15)
Effects of movements in exchange rates	19	(1)
Exceptional items and amortisation of brands	372	360
2006	1,832	1,211

EBIT and net profit

In 2006 EBIT amounts to €1,832 million compared to €1,283 million in 2005, heavily impacted by exceptionals of which the sale of the land and brewery in Seville, Spain and related expenses were important contributors. 2006 EBIT beia of €1,569 million compared to the 2005 EBIT beia of €1,392 million represents an organic growth of €10.7 per cent.

EBIT as a proportion of revenue increased to 15.5 per cent from 11.9 per cent.

The positive €19 million impact of movements in exchange rates is considerably higher than previous years, due to the stable US Dollar compared to 2005 and our hedging policy.

The effective tax rate decreased from 26.6 per cent to 22.0 per cent in 2006, mainly due to sale of real estate in Spain, which is taxed at a lower tax rate due to re-investment facilities and recognition of previously recognized deferred tax assets as a result of finalisation of local tax rulings in 2006. Without these exceptional tax gains, the tax burden would have been 27.3 per cent compared to 26.6 per cent in 2005.

Basic earnings per share increased from €1.55 to €2.47 as a result of higher net profit.

Results

In millions of EUR	2006	2005	Change (%)
Result from operating activities	1,805	1,254	44.0
Share of profit of associates	27	29	(6.9)
EBIT	1,832	1,283	42.7
Net finance expenses	(122)	(114)	7.0
Profit before tax	1,710	1,169	46.2
Income tax expense	(365)	(300)	21.7
Profit	1,345	869	54.8
Minority interests	(134)	(108)	23.2
Net profit	1,211	761	59.1

Cash flow

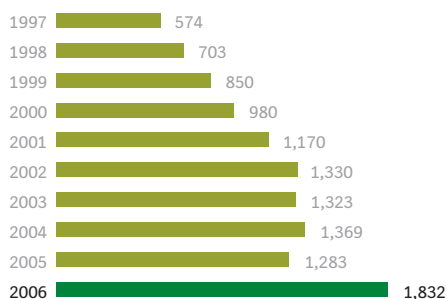
In millions of EUR	2006	2005
Cash flow from operating activities	1,849	1,872
Cash flow from investing activities	(799)	(1,194)
Cash flow from financing activities	(649)	(592)
	401	86

Cash flow and investments

Cash flow from operating activities decreased by €23 million to €1,849 million in 2006, as the substantially increased profit was more than offset by higher income taxes paid. These higher taxes were due to a refund of €70 million taxes in 2005.

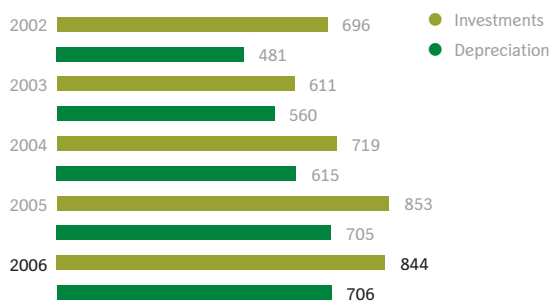
EBIT performance

In millions of EUR



Property, plant & equipment, investments and depreciation

In millions of EUR



Financial review
continued

Purchase of property, plant and equipment was on a slightly lower level compared to 2005. Proceeds from the sale of property, plant and equipment amounted to €182 million versus €161 million in 2005. A net amount of €72 million in 2006 was invested in acquisitions and expansion of existing interests, compared to €460 million in 2005. In 2005 we invested €730 million of which €530 million in Russia. As part of the divestment of non-core assets we sold amongst others our real estate business in Austria, which resulted in a total cash inflow of €270 million in 2005.

Net cash flow increased strongly to €401 million compared to €86 million in 2005. This was mainly due to the decline in cash flow from acquisitions amounting to €388 million. This decline was partly offset by higher cash flow from financing activities of €57 million, largely due to higher dividend payments of €23 million and purchase of own shares of €14 million in connection with our long-term incentive plan for our Executive Board and Senior Management.

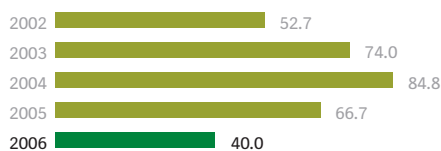
Financing structure

In millions of EUR	2006	%	2005	%
Total equity	5,520	42	4,514	38
Deferred tax liabilities	471	4	393	3
Employee benefits	665	5	664	6
Provisions	242	2	273	2
Other liabilities	6,099	47	5,985	51
	12,997	100	11,829	100

Total equity
as a percentage of total assets



Gearing
Net debt as a percentage of Shareholders' equity



Financing and liquidity

As at 31 December 2006, total equity increased by €1,006 million to €5,520 million, whilst equity attributable to equity holders of the Company increased with €1,040 million to €5,009. The total recognised income and expense attributable to equity holders of the Company of €1,246 million were offset by dividend distribution of €196 million, the purchase of own shares of €14 million and the share based payments of €4 million.

The net interest-bearing debt position improved with €734 million to €1,913 million as at 31 December 2006, in line with the strong generation of cash flow.

Profit appropriation

Heineken N.V.'s profit (attributable to shareholders of the Company) in 2006 amounted to €1,211 million. In accordance with Article 12, paragraph 7, of the Articles of Association, the Annual General Meeting of Shareholders will be invited to appropriate an amount of €294 million for distribution as dividend. This proposed appropriation corresponds to a dividend of €0.60 per share of €1.60 nominal value, on account of which an interim dividend of €0.16 was paid on 20 September 2006. The final dividend thus amounts to €0.44 per share. Dutch withholding tax will be deducted from the final dividend at 15 per cent. It is proposed that the remaining €917 million be added to retained earnings.