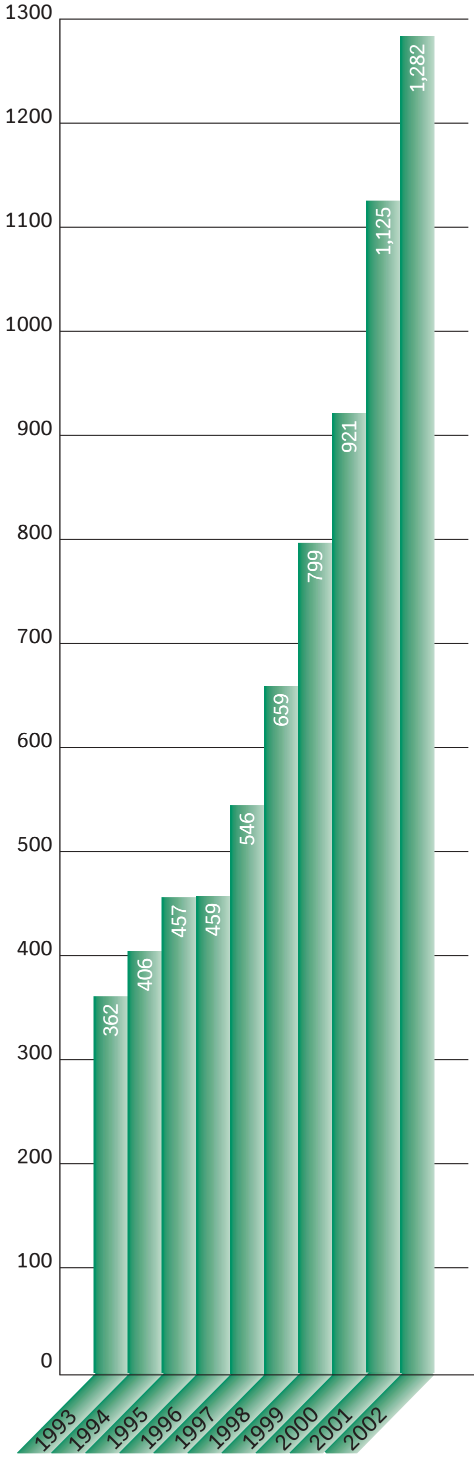
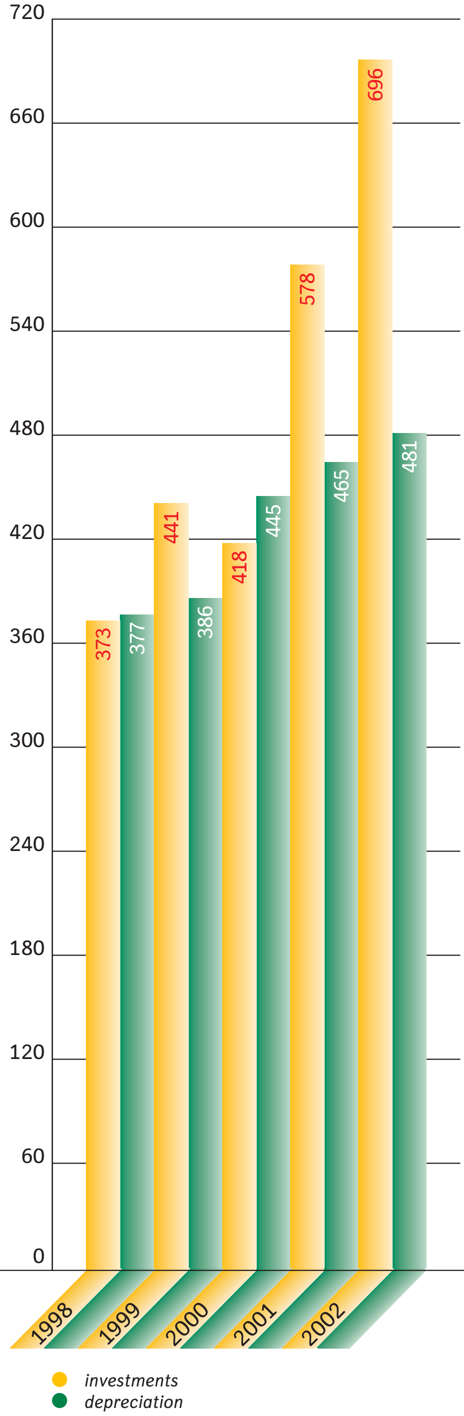
Financial Review



Operating profit

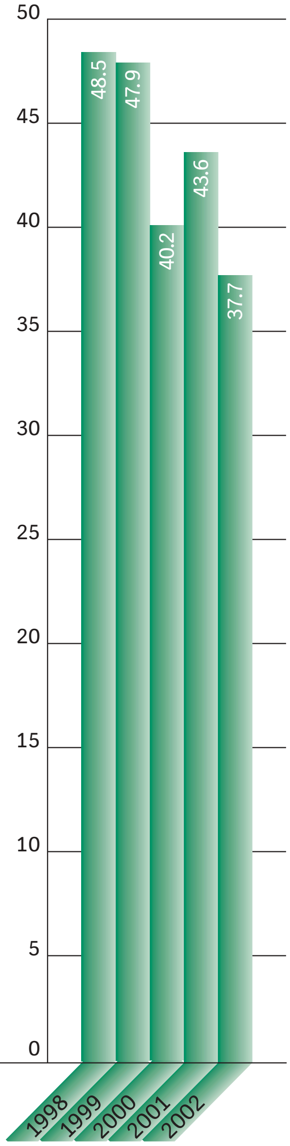
in millions of euros



Tangible fixed assets,

net investments and depreciation

in millions of euros

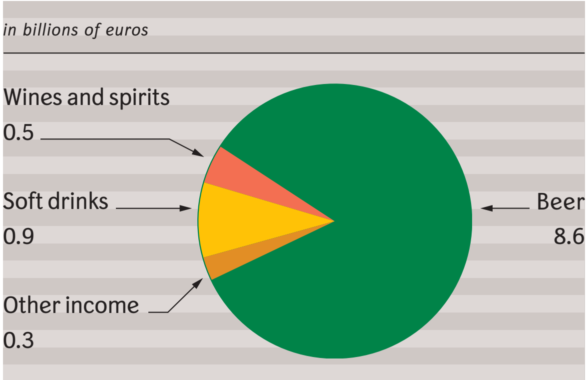


Group equity

as a percentage of

total assets

Net turnover



Net turnover and cost of sales

Net turnover in 2002 was up by 10%, at €10,293 million, an increase of €960 million, with first-time consolidations accounting for half of this increase. Organic growth in net turnover amounted to 6%, with a 4% increase accounted for by improved selling prices and a better sales mix and 2% due to higher sales volume. Exchange rate movements had the overall effect of depressing net turnover by 1%.

The following changes in the consolidation took place in 2002. The 49.9% participating interest in BrauHolding International, in Germany, a joint venture of Heineken N.V. and Bayerische BrauHolding AG, has been proportionally consolidated with effect from 1 January 2002. In 2001, this participating interest was carried at net asset value. In addition, Al Ahram Beverages Company in Egypt, Almaza in Lebanon and Barú in Panama have been fully consolidated with effect from 1 October 2002. A number of beverage wholesalers in France, Italy and Switzerland were also consolidated. And during the year we increased our interests in Heineken España from 97.2% to 97.8% and in Heineken Slovensko, in Slovakia, from 87.7% to 91.6%.

In 2002, part of the costs of temporary point-of-sale activities were reclassified as marketing and selling expenses. To facilitate comparison, these costs have been similarly reclassified in the 2001 figures, increasing both net turnover and marketing and selling expenses in 2001 by €170 million. The operating profit was unaffected.

Operating expenses rose by 9.8% to €9,011 million, half of this increase being accounted for by the new consolidations. The price of raw materials and the cost of packaging increased slightly, as did energy costs. There was once again heavy investment in strengthening our brands and market positions, lifting marketing and selling expenses by 9% to €1,585 million. Expressed as a proportion of net turnover, these costs amounted to 15.4% compared with 15.5% in 2001.

Project costs not qualifying for capitalisation were lower than in 2001.

Staff costs were higher, reflecting the increase in the number of employees due to new consolidations and additional pension charges. A total of €70 million in additional pension charges was borne in 2002. It was possible, however, to set off half of this additional pension charge against existing provisions for staff costs. There were extra write-downs in particular of stocks of finished products and spares.

Operating profit and net profit

The operating profit rose by 14% in 2002 to €1,282 million. The greater part of this increase was due to the higher sales volume, the improvement in the sales mix and the higher selling prices. The newly acquired participating interests, which were included in the consolidation for

Turnover and costs *in millions of euros*	**2002**	2001	Change (%)
Net turnover	**10,293**	9,333	10
Raw materials, consumables and services	**5,558**	5,089	9
Excise duties	**1,282**	1,226	5
Staff costs	**1,642**	1,417	16
Amortisation/depreciation and value adjustments	**529**	476	11
Total operating expenses	**9,011**	8,208	10
Operating profit	**1,282**	1,125	14

Operating profit and net profit *in millions of euros*	2002	2001	Change (%)
Operating profit	**1,282**	1,125	14
Income of non-consolidated participating interests	**48**	45	7
Interest	**– 109**	– 71	54
Profit before tax	**1,221**	1,099	11
Taxation	**– 364**	– 327	11
Profit after tax	**857**	772	11
Minority interests	**– 62**	– 57	14
Net profit on ordinary activities	**795**	715	11
Extraordinary result after tax	**–**	52	–
Net profit	**795**	767	4

the first time, also contributed to the higher operating profit. The net effect of exchange rate movements was minor. The operating profit as a proportion of net turnover amounted to 12.5% compared with 12.1% in 2001. Income from non-consolidated participating interests increased by €3 million to €48 million, chiefly as a result of our share in the profits of Florida Bebidas in Costa Rica. This company, in which we acquired a 25% interest in 2002, was carried at net asset value. Interest charges rose by €38 million overall, to €109 million, owing to the financing of acquisitions. The tax burden remained unchanged at 31.0%. Minority interests in the result were higher, reflecting the strong performance in Poland in particular. Net profit rose by 11.2% to €795 million. The net profit on ordinary activities per share of €2.00 nominal value increased from €1.82 to €2.03.

Cash flow and investments

The cash flow from operating activities rose by €19 million to €1,184 million, but most of the increase in operating profit and depreciation charges was offset by an increase in working capital. Gross investments in tangible fixed assets amounted to €756 million, set against which were disposals totalling €60 million. Significant net investments were made in Nigeria (€171 million), the Netherlands (€89 million), France (€74 million), Spain (€72 million), Poland (€46 million) and Italy (€40 million). An amount of €1,222 million was invested in new acquisitions and expanding existing interests. The acquisitions related to Bravo International in Russia, Al Ahram Beverages Company in Egypt, Almaza in Lebanon and Barú in Panama, as well as beverage wholesalers in Italy, France and Switzerland. Existing

Cash flow *in millions of euros*	2002	2001
Cash flow from operating activities	**1,184**	1,165
Dividends paid	**– 187**	– 168
Cash flow from investing activities	**– 1,973**	– 783
	– 976	214
Borrowings	**484**	86
Repayments on loans	**– 56**	– 182
Other financing	**– 1**	57
	– 549	175

	2002	%	2001	%
Financing structure				
in millions of euros				
Group equity	**2,936**	**38**	3,139	44
Deferred taxation	**381**	**5**	357	5
Other provisions	**600**	**8**	667	9
Liabilities	**3,864**	**49**	3,032	42
	7,781	**100**	7,195	100

interests in Kazakhstan, the Slovak Republic and Spain were also increased, and minority participating interests were acquired in Costa Rica and Nicaragua. Investments in intangible fixed assets and other financial fixed assets amounted to €35 million and €20 million, respectively.

Financing and liquidity

Group equity decreased from €3,139 million as at 31 December 2001 to €2,936 million as at 31 December 2002. Shareholders' equity fell by €215 million to €2,543 million. Set against the addition of the net profit of €795 million and revaluations of €32 million were goodwill charges of €778 million, adverse exchange differences of €107 million and a proposed dividend distribution of €157 million. Owing to the increase in the interest-bearing liabilities and the reduction in cash, largely as a result of financing acquisitions, the net debt position increased from €152 million to €1,391 million as at 31 December 2002.

Profit appropriation

Net profit for Heineken N.V. in 2002 amounted to €795 million. In accordance with Article 12 of the Articles of Association, the Annual General Meeting of Shareholders will be invited to appropriate an amount of €157 million for distribution as dividend. This proposed appropriation corresponds to a dividend of €0.40 per share of €2.00 nominal value, out of which an interim dividend of €0.16 was paid on 23 September 2002. The final dividend thus amounts to €0.24 per share. Dutch withholding tax at 25% will be deducted from the final dividend. It is proposed to add the remaining amount of €638 million to the general reserve.

Amsterdam, 25 February 2003

Ruys	Van Boxmeer
Bolland	Hooft Graafland