

Equity

note 22

	Issued share capital	Share premium reserve	Legal reserve	Translation reserve
■ Balance at January 1, 2005	36	91	9	(147)
Exchange differences on translating foreign operations				252
Gains/(losses) on hedges of net investments in foreign operations				(78)
Actuarial gains/(losses) on employee benefits				
Tax on items taken directly to or transferred from equity				
■ Net income recognized directly in equity	-	-	-	174
Profit for the year				
■ Total recognized income and expense for the year	-	-	-	174
Share-based payments				
Cash dividend 2004				
Stock dividend 2004	1	(1)		
Exercise of share options				
Other movements				58
■ Balance at December 31, 2005	37	90	9	85
Exchange differences on translating foreign operations				(211)
Gains/(losses) on hedges of net investments in foreign operations				12
Gains/(losses) on cash flow hedges				(2)
Actuarial gains/(losses) on employee benefits				
Tax on items taken directly to or transferred from equity				
■ Net income recognized directly in equity	-	-	-	(201)
Profit for the year				
■ Total recognized income and expense for the year	-	-	-	(201)
Share-based payments				
Cash dividend 2005				
Stock dividend 2005	0	0		
Exercise of share options				
Repurchased shares				
■ Balance at December 31, 2006	37	90	9	(116)

Treasury shares	Retained earnings	Shareholders' equity	Minority interest	Total equity
(53)	772	708	6	714
		252		252
		(78)		(78)
	3	3		3
	(1)	(1)		(1)
—	2	176	—	176
	260	260	1	261
—	262	436	1	437
	12	12		12
	(69)	(69)		(69)
		0		0
12	(1)	11		11
	(58)	0	(6)	(6)
(41)	918	1,098	1	1,099
		(211)		(211)
		12		12
		(2)		(2)
	38	38		38
	16	16		16
—	54	(147)	—	(147)
	321	321	1	322
—	375	174	1	175
	17	17		17
	(80)	(80)		(80)
		0		0
7	(3)	4		4
(19)		(19)		(19)
(53)	1,227	1,194	2	1,196

Share capital

The authorized capital amounts to €143.04 million, consisting of €71.52 million in ordinary shares (nominal value €0.12) and €71.52 million in preference shares. The issued share capital consists of ordinary shares. The number of issued ordinary shares increased from 304.4 million to 308.7 million as a result of stock dividend and shares released under the LTIP. To cover the dilutive effect of stock options and LTIP, the company holds, as of the balance sheet date, 2.7 million repurchased treasury shares.

Legal reserve

Legal reserve contains appropriations of profits of Group companies which are allocated to a legal reserve based on statutory and/or legal requirements. This reserve is not available for distribution.

Translation reserve

The translation reserve contains exchange rate differences arising from the translation of the net investment in foreign operations, and of the related hedges. When a foreign operation is sold, exchange differences that were recorded in equity prior to the sale are recycled through the income statement as part of the gain or loss on divestment. This reserve is not available for distribution.

Treasury shares

The company repurchases shares in treasury to cover the dilutive effect of stock options and the equity-settled share-based payments (LTIP). Treasury shares are recorded at cost, representing the market price on the acquisition date. This reserve is not available for distribution.

Dividends

Pursuant to Article 29 of the Articles of Association, and with the approval of the Supervisory Board, a proposal will be submitted to the Annual General Meeting of Shareholders to make a distribution of €0.58 per share in cash or in shares at a ratio to be determined and announced on April 27, 2007.

Of the 2005 dividend of €0.55 per share, 48.4% was distributed as cash dividend (2004: 42.9%).

Number of shares

For a reconciliation of average number of shares and earnings per share, see → note 1.

Share-based Payments

note 23

Long-Term Incentive Plan

In late 2003, a new strategic vision was announced that focuses on value creation. As a result, a new incentive plan for Executive Board Members and senior executives was implemented to align compensation with value creation. Under the plan, share options ceased to be awarded. Instead, Executive Board Members and senior executives are awarded shares under the equity-settled Long-Term Incentive Plan (LTIP). The vesting period of the LTIP is three years (except as disclosed in note 27) at the beginning of which a base number of shares (norm payout) is conditionally awarded to each beneficiary.

Actual awards will range anywhere from 0% to 150% of target amounts; the percentage depends on the Group's Total Shareholder Return (TSR) relative to a pre-defined group of 15 peer companies. See the → Remuneration Report for more details.