HARDIE JAMES INDUSTRIES NV
Form 20-F
July 02, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-15240

JAMES HARDIE INDUSTRIES N.V.

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant s name into English)

The Netherlands
(Jurisdiction of incorporation or organization)

4th Level, Atrium, unit 04-07
Strawinskylaan 3077
1077 ZX Amsterdam, The Netherlands
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:

Common stock, represented by CHESS Units of Foreign Securities	New York Stock Exchange*
CHESS Units of Foreign Securities	New York Stock Exchange*
American Depositary Shares, each representing five units of CHESS Units of Foreign Securities	New York Stock Exchange

* Listed, not for trading, but only in connection with the registered American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 457,514,598 shares of common stock at March 31, 2003

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark which financial statement item the registrant has elected to follow. [ ] Item 17 [X] Item 18

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PART I

Item 1 ***Identity of Directors, Senior Management and Advisers***

Not Required

Item 2 ***Offer Statistics and Expected Timetable***

Not Applicable

Item 3 ***Key Information***

In this annual report, unless the context otherwise indicates, James Hardie Industries N.V., a naamloze vennootschap, or a Dutch public limited liability company incorporated under the laws of The Netherlands, is referred to as JHI NV. James Hardie Industries N.V. and its subsidiaries are collectively referred to as we, us, our, JHI NV and its subsidiaries, the Company or company, James Hardie or the J Hardie Group.

The term fiscal year refers to our fiscal year ended March 31 of such year, the term dollars or $ refers to U.S. dollars, the term A$ refers to Australian dollars, the term NZ$ refers to New Zealand dollars, the term PHP refers to Philippine pesos and the term CLP refers to Chilean pesos. The term msf refers to thousands of square feet and the term mmsf refers to millions of square feet.

As a company incorporated under the laws of The Netherlands, JHI NV has listed its securities for trading on the Australia Stock Exchange (ASX) through the use of the Clearing House Electronic Subregister System (CHESS) Units of Foreign Securities (CUFS). CUFS are a form of depositary security that represents a beneficial ownership interest in the securities of a non-Australian corporation. Each of our CUFS represents the beneficial ownership of one share of common stock of JHI NV, the legal ownership of which is held by CHESS Depositary Nominees Pty Ltd. The CUFS are listed and traded on the ASX under the symbol JHX.

The Company has also listed its securities for trading on the New York Stock Exchange (NYSE). The Company sponsors a program, whereby beneficial ownership of five CUFS is represented by one American Depositary Share (ADS), which is issued by the Bank of New York. These ADSs trade on the NYSE in the form of American Depositary Receipts (ADRs) under the symbol JHX. Unless the context indicates otherwise, when we refer to ADRs, we are referring to ADRs or ADSs depending on the context and when we refer to our common stock we are referring to the shares of our common stock that are represented by CUFS.

In April 2002, we completed the sale of our Gypsum operations. We had entered into an agreement to sell our Gypsum operations in March 2002, and accordingly, beginning with the quarter ended March 31, 2002, the results of our Gypsum operations have been reported as discontinued operations and our consolidated financial statements and operating results contained in this annual report reflect our Gypsum operations as discontinued operations. All comparative periods presented have been restated accordingly.

Selected Financial Data

We have included in Item 18 of this annual report the audited consolidated financial statements of JHI NV, consisting of our consolidated balance sheets and consolidated statements of changes in shareholders equity as of March 31, 2003 and March 31, 2002, and our consolidated statements of income and cash flows for the years ended March 31, 2003, 2002 and 2001, together with the related notes. For periods prior to October 19, 2001, the effective date of our corporate restructuring (see Item 4 Information on the Company History and Development of the Company Corporate Restructuring), the consolidated financial statements represent the financial position, results of operations and cash flows of James Hardie Industries Limited (JHIL) and its wholly owned subsidiaries. For periods after October 19, 2001, our consolidated financial statements represent the financial position, results of operations and cash flows of JHI NV and its wholly owned subsidiaries.

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The consolidated financial statements included in this annual report have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

The selected consolidated financial information set forth below has been derived in part from JHI NV s financial statements. You should read the selected financial information in conjunction with JHI NV s financial statements and related notes contained in Item 18 and under the section entitled Operating and Financial Review and Prospects contained in Item 5. Such historic financial data is not necessarily indicative of our future results and you should not unduly rely upon it.

	Fiscal Years Ended March 31,				
	2003	**2002**	**2001**	**2000**	**1999**
	(In millions, except volume, unit and per share data)				
Consolidated Statements of Income Data:					
Net Sales					
USA Fiber Cement	$ 599.7	$444.8	$ 373.0	$310.5	$ 245.6
Asia Pacific Fiber Cement (1)	194.4	156.9	166.6	203.3	181.4
Other (2)	9.6	5.2	1.3	2.0	2.2
Total net sales	$ 803.7	$606.9	$ 540.9	$515.8	$ 429.2
Operating profit (3)	$ 131.6	$ 48.3	$ 41.3	$ 60.5	$ 18.0
Interest expense	(23.8)	(18.4)	(21.4)	(25.9)	(30.0)
Interest income	3.9	2.4	8.2	5.4	14.5
Other income (expense), net (4)	0.7	(0.4)	1.6	(1.6)	5.4
Income from continuing operations before income taxes	112.4	31.9	29.7	38.4	7.9
Income tax (expense) benefit	(27.0)	(3.6)	0.3	(13.5)	(3.1)
Income from continuing operations	$ 85.4	$ 28.3	$ 30.0	$ 24.9	$ 4.8
Net income	$ 170.5	$ 30.8	$ 38.6	$118.1	$ 38.0
Income from continuing operations per common share basic	$ 0.19	$ 0.06	$ 0.07	$ 0.06	$ 0.01
Net income per common share basic	0.37	0.07	0.09	0.29	0.09
Income from continuing operations per common share diluted	0.19	0.06	0.07	0.06	0.01
Net income per common share diluted	0.37	0.07	0.09	0.29	0.09
Dividends paid per share	0.08	0.05	0.10	0.10	0.09
Return of capital per share	$ 0.20	$ 0.05	$	$	$
Weighted average number of common shares outstanding Basic	456.7	438.4	409.6	407.0	407.0
Diluted	459.4	440.4	409.6	407.0	407.0
Consolidated Cash Flow Information:					
Cash flows provided by operating activities	$ 64.8	$ 76.6	$ 94.6	$146.3	$ 39.4
Cash flows provided by (used in) investing activities	237.9	(77.2)	(162.9)	5.8	(141.9)
Cash flows (used in) provided by financing activities	$ (279.4)	$ (40.8)	$ 1.3	$ (49.0)	$(177.2)
Other Data:					
Depreciation and amortization (5)	$ 27.6	$ 23.7	$ 20.8	$ 21.3	$ 16.6
Adjusted EBITDA (6)	159.2	72.0	69.6	81.8	34.6
Capital expenditures (7)	$ 90.2	$ 50.8	$ 115.6	$ 45.4	$ 63.3
Volume (million square feet) (8)					
USA Fiber Cement	1,273.6	988.5	852.3	724.9	586.2

Asia Pacific Fiber Cement (1)	368.3	320.7	318.9	333.8	314.0

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	Fiscal Years Ended March 31,				
	2003	2002	2001	2000	1999
	(In millions, except volume, unit and per share data)				
Average sales price per unit (in local currency, per thousand square feet)					
USA Fiber Cement	$ 471	$ 450	$ 438	$ 428	$ 419
Asia Pacific Fiber Cement (1)	A$ 843	A$ 861	A$ 857	A$ 879	A$ 836
Consolidated Balance Sheet Data:					
Net current assets	$135.2	$115.1	$ 84.9	$ 180.3	$ 95.1
Total assets	827.6	967.8	969.0	1,018.6	951.2
Long-term debt	165.0	325.0	357.3	346.5	366.4
Shareholders equity	$434.7	$370.7	$281.1	$ 244.7	$161.8

(1) Asia Pacific Fiber Cement includes all fiber cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand and Asia.

(2) Includes fiber cement manufactured in Chile, sales of fiber reinforced concrete pipes in the United States and general corporate income, which is comprised primarily of rental income from subleasing office space in Sydney, Australia.

(3) Constitutes operating profit before income (loss) from discontinued operations and gains (loss) on the disposal of discontinued operations. In fiscal year 2003, we adopted the fair value provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. In addition, in accordance with SFAS No. 148, Accounting for Stock Based Compensation Transition and Disclosure, an amendment of SFAS No. 123, we elected to recognize stock compensation using the retroactive restatement method. As a result, prior year amounts have been restated accordingly.

Amount also includes restructuring and other operating income/expenses as follows: (i) for fiscal year 2003, $1.0 million income related to the settlement of our terminated derivative contract, (ii) for fiscal year 2002, $12.6 million expense related to the roofing Class Action Settlement Agreement in the United States, $7.4 million expense associated with the corporate reorganization and $8.1 million expense related to the decrease in fair value of derivative contracts, (iii) for fiscal year 2001, asset write downs, lease termination charges and employee termination costs of $15.5 million primarily associated with the restructuring of our fiber cement business in Australia and the creation of the new Asia Pacific regional structure, (iv) for fiscal year 2000, $4.1 million of employee termination costs associated with the restructuring and upgrading of the fiber cement business in Australia and (v) for fiscal year 1999, $3.5 million of employee termination costs associated with the restructuring and upgrading of the fiber cement business in Australia, $8.3 million of employee termination costs and surplus lease space reserves associated with the restructuring of the corporate office in Australia and $14.8 million associated with the corporate reorganization.

(4) Consists primarily of investment income of $0.7 million in fiscal year 2003, investment expenses of $0.4 million in fiscal year 2002, investment income of $1.6 million in fiscal year 2001, investment expenses of $1.6 million in fiscal year 2000, and dividend and investment income of $7.9 million offset by write-down of investments of $2.5 million in fiscal year 1999.

(5) Information for depreciation and amortization is for continuing businesses only.

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(6) Represents income from continuing operations before interest income, interest expense, income taxes, other nonoperating expenses, net, depreciation and amortization charges, and certain other property, goodwill and equipment impairment charges as follows:

	Fiscal Years Ended March 31,				
	2003	**2002**	**2001**	**2000**	**1999**
(**Adjusted EBITDA**)			**(In millions)**		
Income from continuing operations	$ 85.4	$28.3	$30.0	$24.9	$ 4.8
Income tax expense (benefit)	27.0	3.6	(0.3)	13.5	3.1
Interest expense	23.8	18.4	21.4	25.9	30.0
Interest income	(3.9)	(2.4)	(8.2)	(5.4)	(14.5)
Other (income) expense, net	(0.7)	0.4	(1.6)	1.6	(5.4)
Depreciation and amortization	27.6	23.7	20.8	21.3	16.6
Impairment of property, plant and equipment			7.5		
Adjusted EBITDA	$159.2	$72.0	$69.6	$81.8	$ 34.6

Adjusted EBITDA is not a measure of financial performance under U.S. GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by U.S. GAAP or as a measure of our profitability or liquidity. Not all companies calculate Adjusted EBITDA in the same manner and, accordingly, Adjusted EBITDA may not be comparable with other companies. We have included information concerning Adjusted EBITDA because we believe that this data is commonly used by investors to evaluate the ability of a company s earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements. To permit evaluation of this data on a consistent basis from period to period, Adjusted EBITDA has been adjusted for noncash charges such as goodwill and asset impairment charges, as well as nonoperating income and expense items. See our consolidated financial statements and Operating and Financial Review and Prospects for further information to assist in identifying and evaluating trends in Adjusted EBITDA.

(7) Information for capital expenditures includes both cash and credit purchases, and is for continuing businesses only.

(8) Fiber cement volume is measured in 5/16 thick square feet, which are referred to as standard feet.

Risk Factors

Substantial and increasing competition in the building products industry could adversely affect our business.

Competition in the building products industry is based largely on price and, to a lesser extent, quality, performance and service. Our fiber cement products compete with products manufactured from natural and engineered wood, vinyl, stucco, masonry, gypsum and other materials as well as fiber cement products from other manufacturers. Some of our competitors may have greater financial and other resources than we do and, among other factors, may be less affected by reductions in margins resulting from price competition.

Some of our competitors have lowered prices of their products to compete for sales. In addition, we expect our competitors to continue to expand their manufacturing capacities, to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics. Increased competition by existing or future competitors could adversely impact fiber cement prices, as well as require us to increase our investment in product development, productivity improvements and customer service and support to compete in our markets.

Fiber cement prices in the United States, Australia and New Zealand have fluctuated for a number of years due to the entry into the market of new producers and competition from alternative products, among other reasons, and these prices could continue to fluctuate in the future. Because of the maturity of the Australian and New Zealand markets, we believe that prices in those markets may decline and that sales volumes may not increase significantly or may decline in the future. Historically, increased sales volumes of our U.S. fiber cement products, the addition of proprietary products to our product mix and improved operating efficiencies have more than offset the decrease in pricing for such products in the United States. However, there may be future price decreases and we may not be able to offset such decreases with increased volume, new products or improved operating efficiencies. For instance, unanticipated technical problems could impair our efforts to commission new equipment aimed at improving operating efficiencies. Any of these factors could have a material adverse effect on our business, results of operations and financial condition.

Our business is dependent on the residential and commercial construction markets.

Demand for our products depends in large part on residential construction markets and, to a lesser extent, on commercial construction markets. The level of activity in residential construction markets depends on new housing starts and residential remodeling projects, which are a function of many factors not within our control, including general economic conditions, mortgage and other interest rates, inflation, unemployment, demographic trends, gross domestic product growth and consumer confidence in each of the countries and regions in which we operate. Historically, in periods of economic decline, both new housing starts and residential remodeling also decline. The level of activity in the commercial construction market depends largely on vacancy rates and general economic conditions. Because residential and commercial construction markets are sensitive to cyclical changes in the economy, downturns in the economy or a lack of substantial improvement in the economy of any of our geographic markets could negatively affect operating results. Because of these and other factors, our operating results may be subject to substantial fluctuations and the results for any prior period may not be indicative of results for any future period.

We may acquire or divest businesses from time to time, and this may adversely affect our operating results and financial condition as well as significantly change the nature of the company in which you have invested.

In the past we have divested business segments and, from time to time in the future, we may acquire other businesses or sell some or all of our assets or business segments. Any such significant acquisition or sale may adversely affect our operating results and financial condition and could change the overall profile of our business. As a result, the value of our shares may decrease in response to any such acquisition or sale and, upon any such acquisition or sale, our shares may represent an investment in a company with significantly different assets and prospects from the company when you made your initial investment in us.

If our research and development efforts fail to generate new, innovative products, our overall profit margins may decrease and demand for our products may fall, which would have an adverse effect on our results of operations and financial condition.

We have invested significantly in research and development because we believe that such efforts are key to sustaining and growing our existing market leadership position in fiber cement. Because profit margins for fiber cement products and building products generally erode the longer a product has been on the market, innovation is particularly important. We rely on our research and development efforts to generate new products to increase demand and to protect profit margins. If our research and development efforts fail to generate new, innovative products, our overall profit margins may decrease and demand for our products may fall, which would have an adverse effect on our results of operations and financial condition.

Because demand for our products in our major markets is seasonal, our quarterly results of operations may vary throughout the year.

In the U.S., a large proportion of our fiber cement products is sold in three regions: the Southeast, the Southcentral and the Pacific Northwest. Demand for building products in these regions is seasonal because construction activity diminishes during the winter season. In Australia, New Zealand and the Philippines, demand for building products is also seasonal because, in Australia and New Zealand, construction activity diminishes during the summer period of December to February, and in the Philippines, construction activity diminishes during the wet season from June to September. We commenced production of fiber cement products in Chile in early 2001, where markets also experience decreased seasonal construction activity from May through September.

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We may experience adverse fluctuations in the supply and cost of raw materials necessary to our business and a significant reduction or cessation of shipments from an important supplier could adversely affect our business if we are unable to secure alternative supplies within a short time on reasonable terms.

Our fiber cement business periodically experiences fluctuations in supply and costs of raw materials. Cellulose fiber, silica, cement and water are the principal raw materials utilized in the production of fiber cement. Cellulose fiber has been subject to significant price fluctuations. Although we have not experienced any shortages of raw materials that have materially affected our operations in the past, price fluctuations or material delays may occur in the future due to lack of raw materials or suppliers. The loss or deterioration of our relationship with a major supplier, an increase in demand by third parties for a particular supplier s products or materials or delays in obtaining materials could have a material adverse effect on our business, results of operations and financial condition.

Demand for our products is subject to changes in consumer preference.

The continued development of builder and consumer preference for our fiber cement products over competitive products is critical to sustaining and expanding demand for our products. Therefore, the failure to maintain and increase builder and consumer acceptance of our fiber cement products would have a material adverse effect on our growth strategy as well as our business, results of operations and financial condition.

We rely on only a few distributors to distribute our fiber cement products and the loss of any distributor could adversely affect our business.

Our top three U.S. distributors accounted for approximately 70% of our total U.S. fiber cement sales in fiscal year 2003. Our top two distributors in Australia and our top four distributors in New Zealand accounted for approximately 27% and 78% of our total sales of fiber cement in Australia and New Zealand, respectively, in fiscal year 2003. Our top distributor in the Philippines accounted for approximately 14% of our total sales of fiber cement in the Philippines in fiscal year 2003. We generally do not have long-term contracts with our large distributors. Accordingly, if we were to lose one or more of these distributors because our competitors were able to offer distributors more favorable pricing terms or otherwise, we may not be able to replace such distributors on reasonable terms and in a timely manner. The loss of one or more distributors could have a material adverse effect on our business, results of operations and financial condition.

If one or more of our fiber cement products fail to perform as expected or contain a design defect, this failure or defect and any resulting negative publicity could result in lower sales and may subject us to claims from purchasers or users of our fiber cement products.

Because our fiber cement products have been used only since the early 1980s, we cannot assure you that these products will perform in accordance with our expectations over an extended period of time or that there are no serious design defects in such products. If our fiber cement technology fails to perform as expected or a product is discovered to have design defects, such failure or defects and any resulting negative publicity could result in lower sales of these products and may subject us to claims from purchasers or users of these products, either of which could have a material adverse effect on our business, results of operations and financial condition.

Warranty claims resulting from unforeseen defects in our products and exceeding our warranty reserves could have a material adverse effect on our business, results of operations and financial condition.

We have offered, and continue to offer, various warranties on our products, including a 50-year limited warranty on certain of our fiber cement siding products in the United States. Although we maintain reserves for warranty-related claims and legal proceedings that we believe to be adequate, we cannot assure you that warranty expense levels or the results of any warranty-related legal proceedings will not exceed our reserves.

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If damages resulting from product defects exceed our insurance coverage, paying these damages could result in a material adverse effect on our business, results of operations and financial condition.

The actual or alleged existence of defects in any of our products could subject us to significant product liability claims. Although we do not have replacement insurance coverage for damages to, or defects in, our products, we do have product liability insurance coverage for consequential damages that may arise from our products. Although we believe this coverage to be adequate and currently intend to maintain this coverage in the future, we cannot assure you that this coverage will be sufficient to cover all future product liability claims or that this coverage will be available at reasonable rates in the future. The successful assertion of one or more claims against us that exceed our insurance coverage could require us to incur significant expenses to pay these damages. These additional expenses could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on our senior management.

Our success is dependent upon the management and the leadership skills of members of our senior management. The loss of any of these individuals or an inability to attract and retain additional qualified personnel could adversely affect us. We cannot assure you that we will be able to retain our existing senior management personnel or attract additional qualified personnel.

We rely on a continuous power supply and availability of utilities to conduct our operations, and any shortages and interruptions could disrupt our operations and increase our expenses.

In the manufacture of our products we rely on a continuous and uninterrupted supply of electric power, water and natural gas as well as the availability of water, waste and emissions discharge facilities. Any future shortages or discharge curtailments could significantly disrupt our operations and increase our expenses. We currently do not have backup generators to maintain power and do not have alternate sources of power in the event of a blackout. In addition, our current insurance does not provide coverage for any damages that we or our customers may suffer as a result of any interruption in our power supply. If blackouts interrupt our power supply, we would be temporarily unable to continue operations at the affected facilities. Any future interruption in our ability to continue operations at our facilities could damage our reputation, harm our ability to retain existing customers and to obtain new customers and could result in lost revenue, any of which could have a material adverse effect on our business, results of operations and financial condition.

We may incur significant costs in the future to comply with applicable environmental and health and safety laws and regulations, and if we fail to comply with these laws and regulations, or these laws or regulations change, we may be subject to significant damages or penalties.

We are subject to U.S. federal, state and local and foreign environmental and health and safety laws and regulations governing, among other matters, our operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by us or any of our affiliates. Under these laws and regulations we may be held jointly and severally responsible for the remediation of any hazardous substance contamination at our or our predecessors past or present facilities and at third-party waste disposal sites and may also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. We will continue to be liable for any environmental problems that occurred while we owned or operated any of the three gypsum facilities that we sold in April 2002. See Information on the Company Capital Expenditures and Divestitures Divestitures.

Many James Hardie products contain chrystalline silica, which can be released in a respirable form by inappropriate cutting practices and inhaled if proper protective equipment is not used. Repeated and prolonged overexposures to dust containing crystalline silica have been reported to cause silicosis (scarring of the lung), lung cancer and other adverse human health effects. James Hardie companies may face future costs of engineering and compliance to meet new standards relating to chrystalline silica if standards are made more stringent. In addition, there is a risk that claims for silica related disease could arise. At this time, James Hardie entities have no silica related claims, prosecutions or litigation.

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The costs of complying with environmental and health and safety laws relating to our operations, or the liabilities arising from past or future releases of, or exposure to, hazardous substances or from product liability matters may result in us making future expenditures that could have a material adverse effect on our business, results of operations or financial condition. In addition, we cannot make any assurances that the laws currently in place will not change. Also, if applicable laws or judicial interpretations related to successor liability or piercing the corporate veil were to change, it could have a material adverse effect on our business, results of operations and financial condition. See Information on the Company Legal Proceedings in Item 4.

Changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could result in, among other consequences, the loss of our assets in such jurisdiction, the elimination of certain rights that are critical to the operation of our business in such jurisdiction, the imposition of additional taxes or other costs or a decrease in revenues.

Because we manufacture and sell our products internationally, our activities are subject to political, economic, legal and other uncertainties, including:

- changing political and economic conditions;
- changing laws and policies affecting trade, investment and taxation;
- the general hazards associated with the assertion of sovereign rights over certain areas in which we conduct our business; and
- laws limiting or conditioning the right and ability of subsidiaries and joint ventures to pay dividends or remit earnings to affiliated companies.

Although we seek to take applicable laws, regulations and conditions into account in structuring our business on a global basis, changes in, or our failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could result in, among other consequences, the loss of our assets in such jurisdiction, the elimination of certain rights that are critical to the operation of our business in such jurisdiction, the imposition of additional taxes or other costs or a decrease in revenues. Therefore, any change in laws, regulations, policies or conditions of a jurisdiction could have a material adverse effect on our business, results of operations and financial condition.

Our reliance on intellectual property and other proprietary information subjects us to the risk that competitors could copy these key ingredients of our business.

Our success depends, in part, on the proprietary nature of our technology, including non-patentable intellectual property such as our process technol