

- (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.

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.

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.

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 technology. Despite safeguards, to the extent that a competitor is able to reproduce or otherwise capitalize on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Also, the laws of some foreign countries may not protect our intellectual property to the same extent as do the laws of the United States. In addition to patent protection of intellectual property rights, we consider elements of our product designs and processes to be proprietary and confidential. We rely on employee, consultant and vendor non-disclosure agreements and contractual provisions and a system of internal safeguards to protect our proprietary information. However, any of our registered or unregistered intellectual property rights may be challenged or exploited by others in the industry, which could harm our operating results and competitive position.

Because we have significant operations outside of the United States and report our earnings in U.S. dollars, unfavorable fluctuations in currency values and exchange rates could have a significant negative impact on our earnings.

Because our reporting currency is the U.S. dollar, our non-U.S. operations face the additional risk of fluctuating currency values and exchange rates. Such operations may also face hard currency shortages and controls on currency exchange. Approximately 25% and 26% of our net sales in fiscal years 2003 and 2002, respectively, were derived from sales outside the United States. Consequently, changes in the value of foreign currencies (principally Australian dollars, New Zealand dollars, Philippine pesos and Chilean pesos) could significantly affect our business,

results of operations and financial condition. We generally attempt to mitigate foreign exchange risk by (1) entering, where possible, into contracts providing for payment in U.S. dollars instead of the local currency and (2) having non-U.S. operations borrow in local currencies, with the exception of the Philippines and Chile. Although we did not have any existing interest rate swaps or forward exchange contracts as of March 31, 2003, we may enter into such financial instruments from time to time to manage our market risks. There can be no assurance that we will be successful in these mitigation strategies, or that fluctuations in foreign currencies and other foreign exchange risks will not have a material adverse effect on our business, results of operations and financial condition.

Our Articles of Association and Dutch law contain provisions that could delay or prevent a change of control that may be beneficial to you.

Our Articles of Association contain several provisions that could have the effect of delaying or preventing a change of control of our ownership. Broadly, our Articles of Association prohibit the holding of shares of our common stock if, because of an acquisition of a relevant interest (including interests held in the form of shares of our common stock, CUFS or ADRs) in such shares, a party's relevant interest in our common stock or voting rights in us increases from 20% or below to over 20% or from a starting point that is above 20% and below 90%. However, this prohibition is subject to exceptions, including acquisitions that result from acceptance under a takeover bid as described in our Articles of Association. Although these provisions in our Articles of Association may help to ensure that no person acquires voting control of us without making an offer to all shareholders, these provisions may also have the effect of delaying or preventing a change of control that might otherwise be in your best interest. See "Additional Information – Key Provisions of our Articles of Association – Limitations on Right to Hold Common Stock" under Item 10.

Because we are incorporated under Dutch laws, you may not be able to effectively seek legal recourse against us or our management in the United States and may have further difficulty enforcing any U.S. judgments or rulings in a foreign jurisdiction.

We are incorporated under the laws of The Netherlands. In addition, certain of our directors and executive officers and certain experts named herein are residents of jurisdictions outside the United States and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon such persons, or to enforce outside the United States judgments obtained against such persons in U.S. courts, or to enforce in U.S. courts any judgments obtained against such persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. securities laws. In addition, it may be difficult for you to enforce, in original actions brought in courts located in jurisdictions outside the United States, rights predicated upon the U.S. securities laws.

The rights of shareholders and the responsibilities of directors under the laws of The Netherlands may not be as clearly established as under statutes or judicial precedent in existence in certain U.S. jurisdictions. Therefore, our shareholders may have more difficulty in challenging the actions by our directors than they would otherwise as shareholders of a corporation incorporated in the United States.

The issuance of additional shares or the grant of additional options could dilute the value of your shares and adversely affect the price of our common stock.

Because the authority to issue shares (and to grant rights to subscribe for shares, such as options) up to the amount of our authorized share capital has been delegated to our Supervisory Board, the issuance of such shares or rights could dilute the value of your shares and adversely affect the price of our common stock.

In addition, if our Supervisory Board or our shareholders authorize the issuance of a large number of our equity securities, and such securities are sold in the open market, the trading price of our equity securities could decrease. We may pursue acquisitions of businesses and may issue equity securities in connection with these acquisitions, although we do not currently have specific acquisitions planned. We cannot predict the effect, if any, the future sales or issuances of our equity securities or the availability of such securities for future sale will have on our securities market price from time to time.

If we experience labor disputes or interruptions, as we have from time to time in the past, our operations may be disrupted and our business, financial condition and results of operations may be adversely affected.

Approximately 59% of our employees in Australia and 38% of our employees in New Zealand are currently represented by labor unions. Our unionized employees are covered by a range of federal and state-based agreements in Australia and New Zealand. Our Australian and New Zealand agreements expire at various times beginning mid-2003. We cannot assure you that the agreements will be renewed on reasonable terms, or at all. We have, in the past three years, experienced occasional strikes and work interruptions lasting up to one day in Australia. In the event we experience a prolonged labor dispute at any of our facilities, any strikes or work interruptions associated with such dispute could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to potential liability because our former subsidiaries formerly manufactured products containing asbestos.

A New Zealand subsidiary of JHI NV manufactured products containing asbestos in New Zealand prior to 1987. Statutory provisions in New Zealand bar claims for compensatory damages arising from work related asbestos exposure. In addition, prior to 1987, two former subsidiaries of ABN 60 Pty Ltd, "ABN 60" (formerly JHIL), Amaca Pty Limited and Amaba Pty Limited, that are now owned and controlled by the Medical Research and Compensation Foundation (the "Foundation"), manufactured products containing asbestos in Australia. In addition, prior to 1937, JHIL, now owned by the ABN 60 Foundation Pty Ltd ("ABN 60 Foundation"), manufactured products containing asbestos in Australia. We cannot predict with any certainty any future claims or allegations that may be made, how the laws of various jurisdictions may be applied to the facts or how the laws may change in the future. If, however, a court of competent jurisdiction relying on applicable law were to find JHI NV or our New Zealand subsidiary liable for damages connected with existing or former subsidiaries or their manufacture of asbestos-containing products, we may incur liabilities in connection with any damages that may be awarded in the legal proceedings, in addition to the costs associated with defending against such claims. In addition, absent a finding of liability, the Company or its subsidiaries may be subject to claims or allegations involving present or future asbestos related liability, or relating to the establishment or adequacy of funding of the Foundation either at its inception or in the future or relating to the corporate restructuring mentioned below or associated intercompany transactions. While the Company does not believe that any such claims or allegations do or could have merit, we cannot guarantee that there would not be an adverse impact on the Company's stock price in response to associated publicity concerning such claims or the potential consequences of such claims. See Item 4 "Information on the Company – Legal Proceedings."

Under the U.S.-Netherlands income tax treaty and Netherlands law, we derive substantial tax benefits from the group finance operations of our Netherlands-based finance subsidiary, and changes in either the treaty or laws applicable to the finance subsidiary could increase our effective tax rate and, as a result, reduce our profits.

We believe the U.S.-Netherlands Income Tax Treaty (the "U.S.-NL Treaty") applies to us and our Dutch and U.S. subsidiaries and that, accordingly, we are eligible for its benefits. Under the U.S.-NL Treaty, a reduced 5% withholding tax applies to dividends, and no withholding tax applies to interest, that our U.S. subsidiaries pay to JHI NV or our Dutch finance subsidiary. The U.S.-NL Treaty has various conditions of eligibility for reduced tax withholding rates (and other treaty benefits), all of which we expect to satisfy. If, however, the U.S.-NL Treaty were not to apply, such dividend and interest payments would be subject to a 30% U.S. withholding tax.

We have concentrated our finance and treasury activities in our Dutch finance subsidiary located in The Netherlands. Under the Netherlands International Group Finance Company rules, we have obtained a ruling from the Dutch revenue authority that allows the subsidiary to set aside a portion of taxable profits from its finance activities in a Financial Risk Reserve ("FRR"). The amounts set aside in the FRR are free of current Dutch income tax. Consequently, if the risks (including currency, bad debt and foreign branch losses) for which the FRR was established do not arise, the finance subsidiary will generally incur a 15% effective tax rate on its qualifying finance income, a rate that the subsidiary can reduce to as low as 7%, depending upon the extent to which amounts from the FRR pay for capital expenditures of our operating companies. Issued in December 2000, the ruling became effective July 1, 2001, and applies for 10 years (although it will end earlier, on December 31, 2010, because of developments described below), so long as we satisfy the requirements of the International Group Finance Company provisions under Netherlands law.

Under the European Union Code of Conduct on Direct Business Taxation, member states of the European Union have agreed to eliminate harmful tax competition within the European Union. Accordingly, the EU Council of Economic and Finance Ministers, a working group of EU member countries, reviewed the tax regimes of all its member countries and identified certain tax concessions the Council considered as harmfully competitive and therefore in violation of the Code of Conduct. Among the identified tax concessions is the Netherlands International Group Finance Company regime. In December 2002, the Netherlands agreed to end its International Group Finance Company regime for new entrants.

In a separate but related development, the European Commission, the executive arm of the European Union, similarly has reviewed the tax regimes of its member countries to identify tax concessions that the Commission considers a form of “prohibited state aid” and therefore contrary to the provisions of the European Community Treaty. In February 2003, the Commission concluded that the existence of special tax concessions in certain countries, including the Netherlands International Group Finance Company regime, cannot be reconciled with EU rules regarding state aid. Accordingly, the Commission banned certain concessionary tax regimes, including the Netherlands International Group Finance Company regime, but allowed companies then operating under that regime, including our Dutch finance subsidiary, to continue to operate under the regime until December 31, 2010. Some uncertainty exists whether, during this extended period of the International Group Finance Company regime, qualifying companies can: (1) continue to set aside profits in their FRR and (2) defer any taxable recovery of profits from their FRR until the expiration date. Until December 31, 2010, we intend to maintain and continue to add to the FRR of our Dutch finance subsidiary all allowable profits the subsidiary earns, and to fund capital expenditures of our operating companies with amounts from the FRR.

Despite the express permission allowing our Dutch finance company to derive benefits from operating under the Netherlands International Group Finance Company rules until December 31, 2010, we can not guarantee that either the EU again, or another relevant authority or legislative body, would attempt to repeal that law earlier, or that a court of competent jurisdiction would not invalidate it, possibly with retrospective effect.

Our effective income tax rate could increase and adversely affect our operating results.

We operate in multiple jurisdictions and pay tax on our income according to the tax laws of these jurisdictions. Various factors, some of which are beyond our control, determine our effective tax rate, including changes in or interpretations of tax laws in any given jurisdiction; our ability to use net operating losses and tax credit carry forwards and other tax attributes; changes in geographical allocation of income and expense; and our judgment about the realizability of deferred tax assets.

In addition, because we derive a majority of our income in the U.S., certain proposed changes in U.S. tax laws, if enacted, could increase our effective tax rate. In particular, recent legislative and regulatory proposals would reduce or eliminate certain of our tax advantages as a foreign-based company with U.S. operations. Specifically, such proposals recommend measures that include (1) amending the earnings stripping rules (to restrict further the ability to reduce U.S. taxable income through interest payments to related foreign parties); (2) preventing the shifting of income through related-party transactions with more stringent enforcement of the arm's length standards, including pre-approval of certain related party, cross-border transactions; (3) amending the rules governing cross-border reorganizations; and (4) denying treaty benefits for certain deductible payments to a foreign entity. If any of these proposals were enacted, our U.S. income tax liability could increase and thus reduce our earnings. We cannot predict whether one or more of such proposals will be enacted and the extent to which any enacted proposal would apply to us.

If we are classified as a “controlled foreign corporation,” a “passive foreign investment company” or a “foreign personal holding company,” shareholders could be subject to increased tax liability as a consequence of their investment in our securities.

Our U.S. citizen and resident shareholders could incur adverse U.S. federal income tax consequences if we are classified as a “controlled foreign corporation,” a “passive foreign investment company” or a “foreign personal holding company” for U.S. federal income tax purposes. For information regarding these consequences, see Item 10 – “Additional Information – Taxation – United States Taxation.” In addition, shareholders could be adversely affected by changes in the current tax laws, regulations and interpretations thereof in the United States and The Netherlands, including changes that could have retroactive effect.