

KRAFT FOODS INC
Form 10-K
February 27, 2009

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

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NUMBER 1-16483

Kraft Foods Inc.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

52-2284372
(I.R.S. Employer
Identification No.)

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Three Lakes Drive, Northfield, Illinois

(Address of principal executive offices)

60093

(Zip Code)

Registrant's telephone number, including area code: 847-646-2000

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the shares of Class A Common Stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock on June 30, 2008, was \$43 billion. At January 30, 2009, there were 1,469,388,330 shares of the registrant's Class A Common Stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for use in connection with its annual meeting of shareholders to be held on May 20, 2009, to be filed with the Securities and Exchange Commission (the "SEC") in March 2009, are incorporated in Part III hereof and made a part hereof.

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In this report, Kraft, we, us and our refers to Kraft Foods Inc. and subsidiaries, and Common Stock refers to Kraft's Class A common stock.

PART I

Item 1. Business.
General

Kraft was incorporated in 2000 in the Commonwealth of Virginia. We manufacture and market packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. We have operations in more than 70 countries and sell our products in approximately 150 countries. We have nine brands with revenues exceeding \$1 billion: *Kraft* cheeses, dinners and dressings; *Oscar Mayer* meats; *Philadelphia* cream cheese; *Maxwell House* and *Jacobs* coffee; *Nabisco* cookies and crackers and its *Oreo* cookie brand; *Milka* chocolates; and *LU* biscuits. We have more than 50 brands with revenues of at least \$100 million.

Prior to June 13, 2001, Kraft was a wholly owned subsidiary of Altria Group, Inc. (Altria). On June 13, 2001, we completed an initial public offering of 280,000,000 shares of our Common Stock at a price of \$31.00 per share. In the first quarter of 2007, Altria spun off its remaining interest (89.0%) in Kraft on a pro rata basis to Altria stockholders in a tax-free transaction. Effective as of the close of business on March 30, 2007, all Kraft shares owned by Altria were distributed to Altria s stockholders, and our separation from Altria was completed.

Because Kraft Foods Inc. is a holding company, our principal source of funds is from our subsidiaries. Our wholly owned subsidiaries currently are not limited by long-term debt or other agreements in their ability to pay cash dividends or make other distributions with respect to their common stock.

Reportable Segments

We manage and report operating results through two commercial units, Kraft North America and Kraft International. Kraft North America operates in the U.S. and Canada, and we manage Kraft North America s operations by product category. We manage Kraft International s operations by geographic location.

Effective August 4, 2008, we completed the split-off of the *Post* cereals business. The results of the *Post* cereals business were reflected as discontinued operations on the consolidated statement of earnings and prior period results were restated in a consistent manner.

In 2008, we implemented a new operating structure. Within the new structure, business units now have full P&L accountability and are staffed accordingly. This also ensures that we are putting our resources closer to where we make decisions that affect our consumers and customers. Our corporate and shared service functions continue to streamline their organizations and focus on core activities that can more efficiently support the goals of the business units. As a result of implementing the new operating structure, we began reporting the results of operations under this new structure in the first quarter of 2008 and restated results from prior periods in a consistent manner. The changes were:

U.S. Cheese was organized as a standalone operating segment in order to create a more self-contained and integrated business unit in support of faster growth.

Our macaroni and cheese category, as well as other dinner products, were moved from our U.S. Convenient Meals segment to our U.S. Grocery segment to take advantage of operating synergies.

Canada and North America Foodservice were structured as a standalone reportable segment. This change allows us to deliver on the unique requirements of the Canadian consumer and customer while maintaining strong North American linkages to innovation, new product development and new capabilities to drive our business. Furthermore, it allows us to manage strategic customer decisions and continue to capture cross-border sales and marketing synergies within our Foodservice operations.

Note 17, *Segment Reporting*, to our consolidated financial statements includes a breakout of net revenues, segment operating income, total assets, depreciation expense and capital expenditures by reportable segment, as well as a breakout of net revenues, long-lived assets and total assets by geographic region. Management uses segment operating income to evaluate segment performance and allocate resources. Management believes it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which is a component of cost of sales), general corporate expenses and amortization of intangibles.

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The relative percentages of total segment operating income attributable to each reportable segment were:

	For the Years Ended December 31,		
	2008	2007	2006
	(2007 & 2006 restated)		
Kraft North America:			
U.S. Beverages	8.5%	7.6%	4.7%
U.S. Cheese	14.3%	9.6%	15.2%
U.S. Convenient Meals	9.1%	9.3%	9.5%
U.S. Grocery	23.0%	24.3%	28.8%
U.S. Snacks ⁽¹⁾	12.2%	14.5%	10.2%
Canada & N.A. Foodservice	10.0%	9.7%	9.8%
Kraft International:			
European Union	9.5%	13.6%	12.6%
Developing Markets	13.4%	11.4%	9.2%
Total Kraft Segment Operating Income	100.0%	100.0%	100.0%

(1) This segment was formerly known as U.S. Snacks & Cereals.

Our brands span five consumer sectors:

Snacks primarily biscuits (cookies and crackers), salted snacks and chocolate confectionery;

Beverages primarily coffee, packaged juice drinks and powdered beverages;

Cheese primarily natural, process and cream cheeses;

Grocery primarily spoonable and pourable dressings, condiments and desserts; and

Convenient Meals primarily frozen pizza, packaged dinners, lunch combinations and processed meats.

The following table shows each reportable segment's participation in these five core consumer sectors.

Segment	Percentage of 2008 Net Revenues by Consumer Sector ⁽¹⁾					Total
	Snacks	Beverages	Cheese	Grocery	Convenient Meals	
Kraft North America:						
U.S. Beverages		35.4%				7.1%
U.S. Cheese			53.7%			9.5%
U.S. Convenient Meals					68.8%	10.1%
U.S. Grocery	0.8%			54.1%	16.3%	8.0%
U.S. Snacks	30.4%		0.9%	2.9%		11.9%
Canada & N.A. Foodservice	6.2%	6.0%	19.4%	20.0%	8.2%	10.2%
Total Kraft North America	37.4%	41.4%	74.0%	77.0%	93.3%	56.8%
Kraft International:						
European Union	38.9%	38.3%	14.9%	9.4%	5.0%	26.6%
Developing Markets	23.7%	20.3%	11.1%	13.6%	1.7%	16.6%
Total Kraft International	62.6%	58.6%	26.0%	23.0%	6.7%	43.2%
Total Kraft	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Consumer Sector Percentage of Total Kraft	37.7%	20.1%	17.7%	9.9%	14.6%	100.0%

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(1) Percentages were calculated based upon dollars rounded to millions.

Our U.S. subsidiaries export coffee products, refreshment beverage products, grocery products, cheese, biscuits and processed meats. In 2008, these exports from the U.S. amounted to \$195 million.

Products or similar products contributing 10% or more of Kraft's consolidated net revenues for the years ended December 31, were:

	2008	2007	2006
	(2007 & 2006 restated)		
Biscuits (cookies and crackers)	22%	15%	15%
Cheese	18%	19%	19%
Coffee	14%	15%	14%
Confectionery	12%	12%	11%

Our major brands within each reportable segment and consumer sector are:

Kraft North America:

U.S. Beverages

Beverages:

Maxwell House, Starbucks (under license), *Gevalia, General Foods International, Yuban, Sanka, Nabob* and *Seattle's Best* (under license) coffees; *Tassimo* hot beverage system; *Capri Sun* (under license) and *Kool-Aid* packaged juice drinks; *Kool-Aid, Crystal Light* and *Country Time* powdered beverages; and *Tazo* (under license) teas.

U.S. Cheese

Cheese:

Kraft and *Cracker Barrel* natural cheeses; *Philadelphia* cream cheese; *Kraft* grated cheeses; *Polly-O* cheese; *Kraft, Velveeta* and *Cheez Whiz* process cheeses; *Deli Deluxe* process cheese slices; and *Breakstone's* and *Knudsen* cottage cheese and sour cream.

U.S. Convenient Meals

Convenient Meals:

Lunchables lunch combinations; *Oscar Mayer* and *Louis Rich* cold cuts, hot dogs and bacon; *DiGiorno, Tombstone, Jack's, Delissio* and *California Pizza Kitchen* (under license) frozen pizzas; *South Beach Living* (under license) pizzas and meals; *Boca* soy-based meat alternatives; and *Deli Creations* complete sandwiches.

U.S. Grocery

Grocery:

Jell-O dry packaged desserts; *Cool Whip* whipped topping; *Jell-O* refrigerated gelatin and pudding snacks; *Jet-Puffed* marshmallows; *Kraft* and *Miracle Whip* spoonable dressings; *Kraft* and *Good Seasons* salad dressings; *A.I.* steak sauce; *Kraft* and *Bull's-Eye* barbecue sauces; *Grey Poupon* premium mustards; and *Shake N Bake* coatings.

Convenient Meals:

Kraft macaroni and cheese dinners; *Stove Top* stuffing mix; *Taco Bell Home Originals* (under license) meal kits; and *Back to Nature* macaroni and cheese dinners.

U.S. Snacks

Snacks:

Oreo, Chips Ahoy!, Newtons, Nilla, Nutter Butter and *SnackWell's* cookies; *Ritz, Premium, Triscuit, Wheat Thins, Cheese Nips, Honey Maid Grahams, Teddy Grahams* and *Kraft* macaroni and cheese crackers; *Nabisco 100 Calorie Packs*; *South Beach Living* (under license) crackers, cookies and snack bars; *Planters* nuts and trail mixes; *Handi-Snacks* two-compartment snacks; *Back to Nature* granola, cookies, crackers, nuts and fruit & nut mixes; and *Balance* nutrition and energy bars.

Grocery:

Back to Nature ready-to-eat cereals.

Canada & N.A. Foodservice

Canada and foodservice products span all Kraft North America segments and sectors.

Kraft International:

European Union

Snacks:

Milka, Suchard, Côte d'Or, Marabou, Toblerone, Freia, Terry's, Daim / Dime, Figaro, Karuna, Lacta, Pavlides, Twist, Merenda, Prince Polo / Siesta, Mirabell, Pyros Mogyoros, Alpen Gold, Sport / Smash / Jazz and *3-Bit* chocolate confectionery products; and *Oreo, Dorada, Digestive, Chiquilin, TUC, Mini-Star, Mikado, Ourson, Petit Déjeuner, Cracotte, Belin, Heudebert, Grany, Petit Écolier, Saiwa, Oro, Fonzies, Start, Prince, Pépito Opavia, Belvita* and *Gyori* biscuits.

Beverages:	<i>Jacobs, Gevalia, Carte Noire, Jacques Vabre, Kaffee HAG, Grand Mère, Kenco, Saimaza, Meisterroestung, Maxwell House, Onko, Splendid, Starbucks (under license) and Karat coffees; Tassimo hot beverage system; Tang powdered beverages; and Suchard Express, O Boy and Kaba chocolate drinks.</i>
Cheese:	<i>Kraft, Dairylea, Sottilette, Osella and El Caserío cheeses; and Philadelphia cream cheese.</i>
Grocery:	<i>Kraft pourable and spoonable salad dressings; Miracel Whip spoonable dressings; and Mirácoli sauces.</i>
Convenient Meals:	<i>Lunchables lunch combinations; Kraft and Mirácoli pasta dinners and sauces; and Simmenthal canned meats.</i>

Developing Markets

Snacks:	<i>Oreo, Chips Ahoy!, Ritz, Club Social, Express, Kraker / Honey / Aveny Bran, Marbu, Dorada, Variedad, Pacific, Belvita, Cerealitas, Lucky, Trakinas, TUC, Mikado, Ourson, Petit Déjeuner, Cracotte, Bolshevik, Prichuda, Jubilee, Major, Merendina, Jacob s, Chipsmore, Twisties, Biskuat / Tiger, Milk Biscuit, Hi Calcium Soda and PIM s biscuits; Milka, Toblerone, Lacta, Côte d Or, Shot, Terrabusi, Suchard, Alpen Gold, Karuna, Korona, Poiana, Svoge, Ukraina, Vozdushny, Chudny Vecher, Terry s and Gallito chocolate confectionery products; and Estrella, Kar, Lux and Planters nuts and salted snacks.</i>
Beverages:	<i>Maxwell House, Maxim, Carte Noire, Nova Brasilia and Jacobs coffee; Tang, Clight, Kool-Aid, Verao, Frisco, Q-Refresh-Ko, Royal and Fresh powdered beverages; and Capri Sun (under license) packaged juice drinks.</i>
Cheese:	<i>Kraft, Velveeta and Eden process cheeses; Kraft and Philadelphia cream cheese; Kraft natural cheese; and Cheez Whiz process cheese spread.</i>
Grocery:	<i>Royal dry packaged desserts; Kraft spoonable and pourable salad dressings; Miracle Whip spoonable dressings; Jell-O dessert toppings; Kraft peanut butter; and Vegemite yeast spread.</i>
Convenient Meals:	<i>Kraft macaroni and cheese dinners.</i>

Effective January 2009, we began implementing changes built on our Kraft Europe Reorganization and our *Organizing For Growth* initiative. In line with our strategies, we are evolving how we work in Europe in two key ways:

We are transitioning our European Biscuit, Chocolate, Coffee and Cheese categories to fully integrated business units, further strengthening our focus on these core categories. To ensure decisions are made faster and closer to customers and consumers, each category will be fully accountable for the P&L, including marketing, manufacturing and R&D. Category leadership, based in Zurich, will report to the Kraft Europe President, and the country organizations will be aligned with the category structure under our Kraft Europe Reorganization and report directly to category management. Going forward, these business units will comprise the Kraft Foods Europe segment.

We are aligning the reporting of our Central Europe operations into our Kraft Foods Developing Markets segment to help build critical scale in these countries. We intend to operate a country-led model in these markets and, as a result, we have no plans to implement the Kraft Europe Reorganization in Central Europe. This change also will keep Kraft Foods Europe management fully focused on implementing their new structure and growing the business.

As a result of implementing this new operating structure, we will report the results of operations under this new structure beginning in the first quarter of 2009 and will restate results from prior periods in a consistent manner.

Significant Acquisitions and Divestitures

LU Biscuit Acquisition:

On November 30, 2007, we acquired the global *LU* biscuit business of Groupe Danone S.A. (*LU Biscuit*) for 5.1 billion (approximately \$7.6 billion) in cash. The acquisition included 32 manufacturing facilities and approximately 14,000 employees. We acquired net assets consisting primarily of goodwill of \$4,052 million (which will not be deductible for statutory tax purposes), intangible assets of \$3,546 million (substantially all of which are indefinite-lived), receivables of \$757 million, property, plant and equipment of \$1,054 million and inventories of \$204 million, and assumed liabilities of \$1,063 million consisting primarily of accounts payable and accruals. These purchase price allocations were based upon appraisals that were

finalized in the third quarter of 2008. *LU Biscuit* contributed net revenues of \$3.2 billion during 2008, and \$2.8 billion on a proforma basis during 2007. *LU Biscuit* reported results from operations on a one month lag in 2007; as such, there was no impact on our operating results. On a proforma basis, *LU Biscuit*'s net earnings for the year ended December 31, 2007 would have been insignificant to Kraft.

Post Cereals Split-off:

On August 4, 2008, we completed the split-off of the *Post* cereals business into Ralcorp Holdings, Inc. (*Ralcorp*), after an exchange with our shareholders. The exchange is expected to be tax-free to participating shareholders for U.S. federal income tax purposes.

In this split-off transaction, approximately 46.1 million shares of Kraft Common Stock were tendered for \$1,644 million. Our shareholders had the option to exchange some or all of their shares of Kraft Common Stock and receive shares of common stock of Cable Holdco, Inc. (*Cable Holdco*). *Cable Holdco* was our wholly owned subsidiary that owned certain assets and liabilities of the *Post* cereals business. In exchange for the contribution of the *Post* cereals business, *Cable Holdco* issued approximately \$665 million in debt securities, issued shares of its common stock and assumed a \$300 million credit facility. Following the merger of *Cable Holdco* and a *Ralcorp* subsidiary, the *Cable Holdco* common stock was exchanged for shares of *Ralcorp* common stock on a one-for-one basis. Upon closing, we used the cash equivalent net proceeds, approximately \$960 million, to repay debt. As a result of the split-off, we recorded a gain on discontinued operations of \$937 million, or \$0.62 per diluted share, in 2008. The results of the *Post* cereals business were reflected as discontinued operations on the consolidated statement of earnings and prior period results were restated in a consistent manner.

See Note 2, *Acquisitions and Divestitures*, to our consolidated financial statements for additional information on these transactions.

Customers

Our five largest customers accounted for approximately 27% of our net revenues in 2008, 29% in 2007 and 28% in 2006. Our ten largest customers accounted for approximately 36% of our net revenues in 2008, 40% in 2007 and 38% in 2006. One of our customers, Wal-Mart Stores, Inc., accounted for approximately 16% of our net revenues in 2008, 15% in 2007 and 14% in 2006.

Seasonality

Demand for some of our products may be influenced by holidays, changes in seasons or other annual events. However, sales of our products are generally evenly balanced throughout the year due to the offsetting nature of demands for our diversified product portfolio.

Competition

We face competition in all aspects of our business. Competitors include large national and international companies and numerous local and regional companies. Some competitors may have different profit objectives and some international competitors may be more or less susceptible to currency exchange rates. We also compete with generic products and retailer brands, wholesalers and cooperatives. We compete primarily on the basis of product quality, brand recognition, brand loyalty, service, marketing, advertising and price. Moreover, improving our market position or introducing a new product requires substantial advertising and promotional expenditures.

Distribution

Our products are generally sold to supermarket chains, wholesalers, supercenters, club stores, mass merchandisers, distributors, convenience stores, gasoline stations, drug stores, value stores and other retail food outlets. In general, the retail trade for food products is consolidating. Food products are distributed through distribution centers, satellite warehouses, company-operated and public cold-storage facilities, depots and other facilities. We currently distribute most products in North America through a combination of direct-store-delivery and warehouse delivery. Kraft International's products are distributed through warehouse delivery and through the services of independent sales offices and agents. We support our selling efforts through three principal sets of activities: consumer advertising in broadcast, print, outdoor and on-line media; consumer incentives such as coupons and contests; and trade promotions to support price features, displays and other merchandising of our products by our customers.

Raw Materials

We are a major purchaser of dairy, coffee, cocoa, wheat, corn products, soybean and vegetable oils, nuts, meat products, and sugar and other sweeteners. We also use significant quantities of plastic, glass and cardboard to package our products, and natural gas for our factories and warehouses. We continuously monitor worldwide supply and cost trends of these commodities so we can act quickly to obtain ingredients and packaging needed for production.

We purchase our dairy raw material requirements, including milk and cheese, from independent third parties such as agricultural cooperatives and independent processors. The prices for milk and other dairy product purchases are substantially influenced by market supply and demand, as well as by government programs. Dairy commodity costs on average were higher in 2008 than in 2007. Significant cost items in our biscuit and grocery products are grains (wheat, corn and soybean oil). Grain costs have experienced significant increases as a result of burgeoning global demand for food, livestock feed and biofuels such as ethanol and biodiesel. Grain costs on average were higher in 2008 than in 2007. The most significant cost item in coffee products is green coffee beans, which are purchased on world markets. Green coffee bean prices are affected by the quality and availability of supply, changes in the value of the U.S. dollar in relation to certain other currencies and consumer demand for coffee products. Green coffee bean costs on average were higher in 2008 than in 2007. A significant cost item in chocolate confectionery products is cocoa, which is purchased on world markets, and the price of which is affected by the quality and availability of supply and changes in the value of the British pound and the U.S. dollar relative to certain other currencies. Cocoa bean and cocoa butter costs on average were higher in 2008 than in 2007.

During 2008, our aggregate commodity costs rose significantly as a result of higher dairy, coffee, cocoa, wheat, nuts, meat products, soybean oil and packaging costs. For 2008, our commodity costs were approximately \$1.8 billion higher than 2007, following an increase of approximately \$1.3 billion for 2007 compared with 2006. Overall, we expect commodity costs to moderately increase in 2009.

The prices paid for raw materials and agricultural materials used in our products generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of governmental agricultural programs. Although the prices of the principal raw materials can be expected to fluctuate as a result of these factors, we believe there will be an adequate supply of the raw materials we use and that they are generally available from numerous sources. We use hedging techniques to limit the impact of price fluctuations in our principal raw materials. However, we do not fully hedge against changes in commodity prices, and these strategies may not protect us from increases in specific raw material costs.

Intellectual Property

We consider our trademarks, in the aggregate, to be material to our business. We protect our trademarks by registration or otherwise in the U.S. and in other markets where we sell our products. Trademark protection continues in some countries for as long as the mark is used, and in other countries, for as long as it is registered. Registrations generally are for renewable, fixed terms. From time to time, we grant third parties licenses to use one or more of our trademarks in particular locations. Similarly, we sell some of our products under brands we license from third parties. These licensed brands include, among others:

Starbucks coffee, *Seattle's Best* coffee and *Tazo* teas for sale in U.S. grocery stores and other distribution channels;
Starbucks and *Seattle's Best* coffee T-Discs and *Tazo* teas T-Discs for use in our *Tassimo* hot beverage system;
Capri Sun packaged juice drinks for sale in the U.S., Canada and within our Developing Markets segment;
Taco Bell Home Originals Mexican style food products for sale in U.S. grocery stores;
California Pizza Kitchen frozen pizzas for sale in grocery stores in the U.S. and Canada; and
South Beach Living pizzas, meals, breakfast wraps, lunch wrap kits, crackers, cookies, snack bars, cereals and dressings for sale in grocery stores in the U.S.

Additionally, we own numerous patents worldwide. While our patent portfolio is material to our business, the loss of one patent or a group of related patents would not have a material adverse effect on our business. We have either been issued patents or have patent applications pending that relate to a number of current and potential products, including products licensed to others. Patents, issued or applied for, cover inventions ranging from basic packaging techniques to processes relating to specific products and to the products themselves. Our issued patents extend for varying periods according to the date of patent application filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual

protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage as determined by the patent office or courts in the country, and the availability of legal remedies in the country. We consider that in the aggregate our patent applications, patents and licenses under patents owned by third parties are of material importance to our operations.

We also have proprietary trade secrets, technology, know-how processes and related intellectual property rights that are not registered.