DUPONT E I DE NEMOURS & CO
Form 10-Q
July 27, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

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

Commission File Number 1-815

E. I. du Pont de Nemours and Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**51-0014090**
(State or other Jurisdiction of	(I.R.S. Employer

Incorporation or Organization)	Identification No.)

1007 Market Street, Wilmington, Delaware 19898
(Address of Principal Executive Offices)

(302) 774-1000
(Registrant s Telephone Number)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.) Yes x No o

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined by Rule12b-2 of the Exchange Act). Yes o No x

The Registrant had 906,512,000 shares (excludes 87,041,000 shares of treasury stock) of common stock, $0.30 par value, outstanding at July 15, 2010.

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E. I. DU PONT DE NEMOURS AND COMPANY

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The terms DuPont or the company as used herein refer to E. I. du Pont de Nemours and Company and its consolidated subsidiaries, or to E. I. du Pont de Nemours and Company, as the context may indicate.

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Part I. Financial Information

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

E. I. du Pont de Nemours and Company

Consolidated Income Statements (Unaudited)

(Dollars in millions, except per share)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net sales	$ 8,616	$ 6,858	$ 17,100	$ 13,729
Other income, net	464	230	824	629
Total	9,080	7,088	17,924	14,358
Cost of goods sold and other operating charges	5,984	5,007	11,780	10,192
Selling, general and administrative expenses	1,021	907	2,014	1,814
Research and development expense	404	331	769	654
Interest expense	103	106	206	212
Employee separation / asset related charges, net		265		265
Total	7,512	6,616	14,769	13,137
Income before income taxes	1,568	472	3,155	1,221
Provision for income taxes	400	51	850	311
Net income	1,168	421	2,305	910
Less: Net income attributable to noncontrolling interests	9	4	17	5
Net income attributable to DuPont	$ 1,159	$ 417	$ 2,288	$ 905
Basic earnings per share of common stock	$ 1.27	$ 0.46	$ 2.52	$ 1.00
Diluted earnings per share of common stock	$ 1.26	$ 0.46	$ 2.50	$ 0.99
Dividends per share of common stock	$ 0.41	$ 0.41	$ 0.82	$ 0.82

See Notes to the Consolidated Financial Statements.

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E. I. du Pont de Nemours and Company

Condensed Consolidated Balance Sheets (Unaudited)

(Dollars in millions, except per share)

	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 2,215	$ 4,021
Marketable securities	1,744	2,116
Accounts and notes receivable, net	8,076	5,030
Inventories	4,581	5,380
Prepaid expenses	128	129
Income taxes	621	612
Total current assets	17,365	17,288
Property, plant and equipment, net of accumulated depreciation (June 30, 2010 - $18,275; December 31, 2009 - $17,821)	10,910	11,094
Goodwill	2,134	2,137
Other intangible assets	2,435	2,552
Investment in affiliates	1,047	1,014
Other assets	3,821	4,100
Total	$ 37,712	$ 38,185
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 2,970	$ 3,542
Short-term borrowings and capital lease obligations	651	1,506
Income taxes	533	154
Other accrued liabilities	3,352	4,188
Total current liabilities	7,506	9,390
Long-term borrowings and capital lease obligations	9,577	9,528
Other liabilities	11,228	11,490
Deferred income taxes	125	126
Total liabilities	28,436	30,534
Commitments and contingent liabilities		
Stockholders equity		
Preferred stock	237	237
Common stock, $0.30 par value; 1,800,000,000 shares authorized; Issued at June 30, 2010 - 993,545,000; December 31, 2009 - 990,855,000	298	297
Additional paid-in capital	8,569	8,469
Reinvested earnings	12,245	10,710
Accumulated other comprehensive loss	(5,796)	(5,771)
Common stock held in treasury, at cost (87,041,000 shares at June 30, 2010 and December 31, 2009)	(6,727)	(6,727)
Total DuPont stockholders equity	8,826	7,215

Noncontrolling interests		450		436
Total equity		9,276		7,651
Total	$	37,712	$	38,185

See Notes to the Consolidated Financial Statements.

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E. I. du Pont de Nemours and Company

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating activities		
Net income	$ 2,305	$ 910
Adjustments to reconcile net income to cash (used for) provided by operating activities:		
Depreciation	611	621
Amortization of intangible assets	110	167
Contributions to pension plans	(149)	(155)
Other non-cash charges and credits - net	113	585
Change in operating assets and liabilities - net	(3,414)	(2,083)
Cash (used for) provided by operating activities	(424)	45
Investing activities		
Purchases of property, plant and equipment	(500)	(719)
Investments in affiliates	(54)	(15)
Payments for businesses - net of cash acquired		(12)
Proceeds from sales of assets - net of cash sold	153	49
Net decrease (increase) in short-term financial instruments	253	(381)
Forward exchange contract settlements	520	(396)
Other investing activities - net	(97)	(2)
Cash provided by (used for) investing activities	275	(1,476)
Financing activities		
Dividends paid to stockholders	(748)	(746)
Net (decrease) increase in borrowings	(831)	714
Proceeds from exercise of stock options	33	
Other financing activities - net	2	(25)
Cash used for financing activities	(1,544)	(57)
Effect of exchange rate changes on cash	(113)	
Decrease in cash and cash equivalents	$ (1,806)	$ (1,488)
Cash and cash equivalents at beginning of period	4,021	3,645
Cash and cash equivalents at end of period	$ 2,215	$ 2,157

See Notes to the Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 1. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained in the company s Annual Report on Form 10-K for the year ended December 31, 2009, collectively referred to as the 2009 Annual Report . The Consolidated Financial Statements include the accounts of the company and all of its subsidiaries in which a controlling interest is maintained, as well as variable interest entities in which DuPont is considered the primary beneficiary. Certain reclassifications of prior year s data have been made to conform to current year classifications.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued authoritative guidance on accounting for transfers of financial assets, which is applied to financial asset transfers on or after the effective date, which is January 1, 2010 for the company s financial statements. The new requirement limits the circumstances in which a financial asset may be de-recognized when the transferor has not transferred the entire financial asset or has continuing involvement with the transferred asset. The concept of a qualifying special-purpose entity, which had previously facilitated sale accounting for certain asset transfers, is removed by the new requirement. The adoption of this guidance did not have a material effect on the company s financial position or results of operations.

The FASB issued authoritative guidance on accounting for variable interest entities, which is effective for reporting periods beginning after November 15, 2009. The amendments change the process for how an enterprise determines which party consolidates a variable interest entity (VIE) to a primarily qualitative analysis. The party that consolidates the VIE (the primary beneficiary) is defined as the party with (1) the power to direct activities of the VIE that most significantly affect the VIE s economic performance and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. Upon adoption, reporting enterprises must reconsider their conclusions on whether an entity should be consolidated. The adoption of this guidance did not have a material effect on the company s financial position or results of operations.

Note 2. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company uses the following valuation techniques to measure fair value for its financial assets and financial liabilities:

Level 1 - Quoted market prices in active markets for identical assets or liabilities;

Level 2 - Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs);

Level 3 - Unobservable inputs for the asset or liability, which are valued based on management s estimates of assumptions that market participants would use in pricing the asset or liability.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

The company has determined that its financial assets and liabilities are level 1 and level 2 in the fair value hierarchy. At June 30, 2010, the following financial assets and financial liabilities were measured at fair value on a recurring basis using the type of inputs shown:

	June 30, 2010	Fair Value Measurements at June 30, 2010 Using Level 1 Inputs	Level 2 Inputs
Financial assets			
Derivatives	$ 236	$	$ 236
Available-for-sale securities	17	17	
	$ 253	$ 17	$ 236
Financial liabilities			
Derivatives	$ 173	$	$ 173

At December 31, 2009, the following financial assets and liabilities were measured at fair value on a recurring basis using the type of inputs shown:

	December 31, 2009	Fair Value Measurements at December 31, 2009 Using Level 1 Inputs	Level 2 Inputs
Financial assets			
Derivatives	$ 128	$	$ 128
Available-for-sale securities	27	27	
	$ 155	$ 27	$ 128
Financial liabilities			
Derivatives	$ 132	$	$ 132

The estimated fair value of the company s outstanding debt, including interest rate financial instruments, based on quoted market prices for the same or similar issues or on current rates offered to the company for debt of the same remaining maturities, was $11,200 and $11,600 as of June 30, 2010 and December 31, 2009, respectively. The carrying value of debt was approximately $10,200 and $11,000 as of June 30, 2010 and December 31, 2009, respectively.

See Note 22, Long-Term Employee Benefits to the company s 2009 Annual Report for information regarding the company s pension assets measured at fair value on a recurring basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 3. Other Income, Net

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cozaar®/Hyzaar® income	$ 69	$ 271	$ 288	$ 522
Royalty income	21	19	53	51
Interest income	21	24	40	45
Equity in earnings of affiliates	43	19	88	52
Net gains on sales of assets	89	37	94	41
Net exchange gains (losses) (1)	106	(141)	133	(92)
Miscellaneous income and expenses, net (2)	115	1	128	10
Total	$ 464	$ 230	$ 824	$ 629

(1) The company routinely uses forward exchange contracts to offset its net exposures, by currency, related to its foreign currency-denominated monetary assets and liabilities. The objective of this program is to maintain an approximately balanced position in foreign currencies in order to minimize, on an after-tax basis, the effects of exchange rate changes on net monetary asset positions. The net pre-tax exchange gains and losses are partially offset by the associated tax impact.

(2) Miscellaneous income and expenses, net, includes interest items, insurance recoveries and other items.

Note 4. Employee Separation / Asset Related Charges, Net

At June 30, 2010, total liabilities relating to prior restructuring activities were $142. A complete discussion of restructuring initiatives is included in the company s 2009 Annual Report in Note 5, Employee Separation / Asset Related Charges, Net.

2009 Restructuring Program

Account balances and activity for the 2009 restructuring program are summarized below:

	Employee Separation Costs	Other Non-personnel Charges (1)	Total
Balance at December 31, 2009	$ 150	$ 24	$ 174
Payments	(49)(2)	(20)	(69)
Net translation adjustment	(8)		(8)
Balance at June 30, 2010	$ 93	$ 4	$ 97

(1) Other non-personnel charges consist of contractual obligation costs.

(2) Payments to U.S. based employees are generally paid over a period of time not to exceed twelve months.

There were $49 of cash payments related to the 2009 restructuring program during the six months ended June 30, 2010. As of June 30, 2010, approximately 1,200 employees have been separated related to the 2009 restructuring program. The company expects this initiative to be substantially complete by the end of 2010 with payments continuing into 2011.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)