DUPONT E I DE NEMOURS & CO
Form 10-Q
July 27, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2009

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 Incorporation or Organization)	(I.R.S. Employer 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 þ 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 þ 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	þ	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 Rule 12b-2 of the Exchange Act).
Yes o No þ

The Registrant had 903,608,000 shares (excludes 87,041,000 shares of treasury stock) of common stock, $0.30 par value, outstanding at July 15, 2009.

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,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Net sales	$ 6,858	$ 8,837	$ 13,729	$ 17,412
Other income, net	230	442	629	637
Total	7,088	9,279	14,358	18,049
Cost of goods sold and other operating charges	5,007	6,426	10,192	12,382
Selling, general and administrative expenses	907	987	1,814	1,921
Research and development expense	331	360	654	690
Interest expense	106	94	212	174
Employee separation / asset related charges, net	265		265	
Total	6,616	7,867	13,137	15,167
Income before income taxes	472	1,412	1,221	2,882
Provision for income taxes	51	335	311	608
Net income	421	1,077	910	2,274
Less: Net income (loss) attributable to noncontrolling interests	4	(1)	5	5
Net income attributable to DuPont	$ 417	$ 1,078	$ 905	$ 2,269
Basic earnings per share of common stock	$ 0.46	$ 1.19	$ 1.00	$ 2.51
Diluted earnings per share of common stock	$ 0.46	$ 1.18	$ 0.99	$ 2.49
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, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 2,157	$ 3,645
Marketable securities	456	59
Accounts and notes receivable, net	7,327	5,140
Inventories	3,900	5,681
Prepaid expenses	150	143
Income taxes	588	643
Total current assets	14,578	15,311
Property, plant and equipment, net of accumulated depreciation (June 30, 2009 - $17,395; December 31, 2008 - $16,800)	11,124	11,154
Goodwill	2,138	2,135
Other intangible assets	2,630	2,710
Investment in affiliates	892	844
Other assets	3,896	4,055
Total	$ 35,258	$ 36,209
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 2,185	$ 3,128
Short-term borrowings and capital lease obligations	2,803	2,012
Income taxes	156	110
Other accrued liabilities	3,509	4,460
Total current liabilities	8,653	9,710
Long-term borrowings and capital lease obligations	7,556	7,638
Other liabilities	10,994	11,169
Deferred income taxes	148	140
Total liabilities	27,351	28,657
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, 2009 - 990,649,000; December 31, 2008 - 989,415,000	297	297
Additional paid-in capital	8,441	8,380
Reinvested earnings	10,611	10,456
Accumulated other comprehensive loss	(5,385)	(5,518)
Common stock held in treasury, at cost (87,041,000 shares at June 30, 2009 and December 31, 2008)	(6,727)	(6,727)
Total DuPont stockholders equity	7,474	7,125
Noncontrolling interests	433	427
Total equity	7,907	7,552
Total	$ 35,258	$ 36,209

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,	
	2009	2008
Operating activities		
Net income attributable to DuPont	$ 905	$ 2,269
Adjustments to reconcile net income attributable to DuPont to cash provided by (used for) operating activities:		
Depreciation	621	578
Amortization of intangible assets	167	172
Contributions to pension plans	(155)	(148)
Other noncash charges and credits net	590	72
Change in operating assets and liabilities net	(2,083)	(3,376)
Cash provided by (used for) operating activities	45	(433)
Investing activities		
Purchases of property, plant and equipment	(719)	(892)
Investments in affiliates	(15)	(19)
Payments for businesses net of cash acquired	(12)	(67)
Proceeds from sales of assets net of cash sold	49	17
Net increase in short-term financial instruments	(381)	(66)
Forward exchange contract settlements	(396)	(298)
Other investing activities net	(2)	(9)
Cash used for investing activities	(1,476)	(1,334)
Financing activities		
Dividends paid to stockholders	(746)	(749)
Net increase in borrowings	714	2,443
Proceeds from exercise of stock options		87
Other financing activities net	(25)	(41)
Cash (used for) provided by financing activities	(57)	1,740
Effect of exchange rate changes on cash		25
Decrease in cash and cash equivalents	$ (1,488)	$ (2)

Cash and cash equivalents at beginning of period	3,645	1,305
Cash and cash equivalents at end of period	$ 2,157	$ 1,303

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, 2008, collectively referred to as the 2008 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.

Subsequent Events

The company s management has evaluated the period from July 1, 2009 through July 27, 2009, the date the financial statements herein were issued, for subsequent events requiring recognition or disclosure in the financial statements. During this period, no material recognizable subsequent events were identified.

Accounting Standards Issued Not Yet Adopted

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Financial Accounting Standard (SFAS) 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets, which is effective for fiscal years ending after December 15, 2009. The new standard expands disclosures for assets held by employer pension and other postretirement benefit plans. FSP SFAS 132(R)-1 will not affect the company s financial position or results of operations.

In June 2009, FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140. SFAS 166 is applied to financial asset transfers on or after the effective date, which is January 1, 2010 for the company s financial statements. SFAS 166 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 SFAS 166. The company expects that SFAS 166 will not have a material effect on its financial position or results of operations.

In June 2009, FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) which deals with accounting for variable interest entities and 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. SFAS 167 defines the party that consolidates the VIE (the primary beneficiary) 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 of SFAS 167, reporting enterprises must reconsider their conclusions on whether an entity should be consolidated and should a change result, the effect on net assets will be recorded as a cumulative effect adjustment to retained earnings. The company expects that adoption of SFAS 167 will not have a material effect on its financial position or results of operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 2. Implementation of FASB Statement of Financial Accounting Standards No. 160 Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51 (SFAS 160)

Effective January 1, 2009, the company implemented the provisions of SFAS 160 for the reporting of non-controlling interests in the company s Consolidated Financial Statements and accompanying notes. The pronouncement changed the accounting and reporting of minority interests (now referred to as non-controlling interests) in the company s Consolidated Financial Statements. The following tables illustrate the changes in equity for the three and six months ended June 30, 2009 and 2008, respectively:

Consolidated Changes in Equity for the Three Months Ended June 30, 2009	**Total**	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Reinvested Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests
Beginning balance	$ 7,643		$ 237	$ 297	$ 8,396	$ 10,569	$ (5,558)	$ (6,727)	$ 429
Purchase of subsidiary shares from noncontrolling interest	(1)								(1)
Comprehensive income:									
Net income	421	421				417			4
Other comprehensive income (loss), net of tax:									
Cumulative translation adjustment	93	93					93		
Net revaluation and clearance of cash flow hedges to earnings	38	38					36		2
Pension benefit plans	49	49					49		
Other benefit plans	(8)	(8)					(8)		
Net unrealized gain on securities	3	3					3		
Other comprehensive income	175	175							
Comprehensive income	596	596[1]							
Common dividends	(374)					(373)			(1)
Preferred dividends	(2)					(2)			
Common stock issued compensation plans	45				45				
Total Equity as of June 30, 2009	$ 7,907		$ 237	$ 297	$ 8,441	$ 10,611	$ (5,385)	$ (6,727)	$ 433

Consolidated Changes in Equity for the Three Months Ended June 30, 2008	Total	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Reinvested Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests
Beginning balance	$ 12,565		$ 237	$ 296	$ 8,220	$ 10,764	$ (668)	$ (6,727)	$ 443
Comprehensive income:									
Net income	1,077	1,077				1,078			(1)
Other comprehensive income (loss), net of tax:									

Cumulative translation adjustment	(45)	(45)	(45)	
Net revaluation and clearance of cash flow hedges to earnings	16	16	15	1
Pension benefit plans	11	11	11	
Other benefit plans	(14)	(14)		