DUPONT E I DE NEMOURS & CO
Form 10-Q
April 29, 2008

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 March 31, 2008

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 is a shell company (as defined by Rule12b-2 of the Exchange Act).

Yes o No þ

The Registrant has 900,706,000 shares (excludes 87,041,000 shares of treasury stock) of common stock, $0.30 par value, were outstanding at April 15, 2008.

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

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.

The DuPont Stock Accumulation and Deferred Compensation Plan for Directors
Form of Award Terms for time-vested restricted stock units granted to non-employee directors under the company's Equity and Incentive Plan
Form of Award Terms for stock appreciation rights granted under the company's Equity and Incentive Plan
Form of Award Terms for stock options granted under the company's Equity and Incentive Plan
Form of Award Terms for time-vested restricted stock units granted under the company's Equity and Incentive Plan
Form of Award Terms for performance-based restricted stock units granted under the company's Equity and Incentive Plan
Company's Salary Deferral & Savings Restoration Plan
Company's Retirement Savings Restoration Plan
Computation of Ratio of Earnings to Fixed Charges
Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Executive Officer
Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Financial Officer
Section 1350 Certification of the company's Principal Executive Officer
Section 1350 Certification of the company's Principal Financial Officer

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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 March 31,	
	2008	2007
Net sales	$ 8,575	$ 7,845
Other income, net	195	316
Total	8,770	8,161
Cost of goods sold and other operating charges	5,956	5,594
Selling, general and administrative expenses	934	846
Research and development expense	330	310
Interest expense	80	99
Total	7,300	6,849
Income before income taxes and minority interests	1,470	1,312
Provision for income taxes	273	365
Minority interests in earnings of consolidated subsidiaries	6	2
Net income	$ 1,191	$ 945
Basic earnings per share of common stock	$ 1.32	$ 1.02
Diluted earnings per share of common stock	$ 1.31	$ 1.01
Dividends per share of common stock	$ 0.41	$ 0.37

See Notes to 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)

	March 31, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 1,094	$ 1,305
Marketable securities	33	131
Accounts and notes receivable, net	7,645	5,683
Inventories	5,310	5,278
Prepaid expenses	212	199
Income taxes	567	564
Total current assets	14,861	13,160
Property, plant and equipment, net of accumulated depreciation (March 31, 2008 - $16,036; December 31, 2007 - $15,733)	10,905	10,860
Goodwill	2,074	2,074
Other intangible assets	2,781	2,856
Investment in affiliates	818	818
Other assets	4,789	4,363
Total	$ 36,228	$ 34,131
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 3,061	$ 3,172
Short-term borrowings and capital lease obligations	3,196	1,370
Income taxes	177	176
Other accrued liabilities	3,360	3,823
Total current liabilities	9,794	8,541
Long-term borrowings and capital lease obligations	5,784	5,955
Other liabilities	7,191	7,255
Deferred income taxes	894	802
Total liabilities	23,663	22,553
Minority interests	443	442
Commitments and contingent liabilities		

Stockholders equity		
Preferred stock	237	237
Common stock, $0.30 par value; 1,800,000,000 shares authorized; Issued at March 31, 2008 - 987,566,000; December 31, 2007 - 986,330,000	296	296
Additional paid-in capital	8,220	8,179
Reinvested earnings	10,764	9,945
Accumulated other comprehensive loss	(668)	(794)
Common stock held in treasury, at cost (87,041,000 shares at March 31, 2008 and December 31, 2007)	(6,727)	(6,727)
Total stockholders equity	12,122	11,136
Total	$ 36,228	$ 34,131

See Notes to 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)

	Three Months Ended March 31,	
	2008	2007
Operating activities		
Net income	$ 1,191	$ 945
Adjustments to reconcile net income to cash used for operating activities:		
Depreciation	287	290
Amortization of intangible assets	93	56
Contributions to pension plans	(89)	(84)
Other noncash charges and credits net	80	73
Change in operating assets and liabilities net	(2,513)	(1,520)
Cash used for operating activities	(951)	(240)
Investing activities		
Purchases of property, plant and equipment	(410)	(273)
Investments in affiliates	(3)	(11)
Payments for businesses net of cash acquired	(31)	
Proceeds from sales of assets net of cash sold	5	27
Net decrease in short-term financial instruments	104	10
Forward exchange contract settlements	(187)	(41)
Other investing activities net	2	19
Cash used for investing activities	(520)	(269)
Financing activities		
Dividends paid to stockholders	(372)	(347)
Net increase in borrowings	1,611	41
Repurchase of common stock		(300)
Proceeds from exercise of stock options	19	250
Other financing activities net	4	(69)
Cash provided by (used for) financing activities	1,262	(425)
Effect of exchange rate changes on cash	(2)	3
Decrease in cash and cash equivalents	$ (211)	$ (931)

Cash and cash equivalents at beginning of period	1,305	1,814
Cash and cash equivalents at end of period	$ 1,094	$ 883

See Notes to 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, 2007 as amended on Form 10-K/A (Amendment No. 1), collectively referred to as the 2007 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.

Accounting Standards Issued Not Yet Adopted

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised 2007) Business Combinations (SFAS 141R) which replaces SFAS No. 141. SFAS 141R addresses the recognition and measurement of identifiable assets acquired, liabilities assumed, and non-controlling interests in business combinations. SFAS 141R also requires disclosure that enables users of the financial statements to better evaluate the nature and financial effect of business combinations. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R will be adopted by the company on January 1, 2009. The company is currently evaluating the impact of adoption on its Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS 160) which changes the accounting and reporting for minority interests and for the deconsolidation of a subsidiary. It also clarifies that a third-party, non-controlling interest in a consolidated subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires disclosure that clearly identifies and distinguishes between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. SFAS 160 will be adopted by the company on January 1, 2009. The company is currently evaluating the impact of adoption on its Consolidated Financial Statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS 161). Effective for fiscal years and interim periods beginning after November 15, 2008, the new standard requires enhanced disclosures about derivative and hedging activities that are intended to better convey the purpose of derivative use and the risks managed. A tabular format will display derivatives fair values and gain or loss recognized and the classification of those amounts within the financial statements. SFAS 161 will not affect the company s financial position or results of operations because the new standard solely affects the disclosure of information.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 2. Effect of Implementation of FASB Statement of Financial Accounting Standards No. 157 Fair Value Measurements (SFAS 157)

Effective January 1, 2008, the company prospectively implemented the provisions of SFAS 157 for financial assets and financial liabilities reported or disclosed at fair value. As permitted by FASB Staff Position No. FAS 157-2, the company elected to defer implementation of the provisions of SFAS 157 for non-financial assets and nonfinancial liabilities until January 1, 2009, except for non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The disclosures focus on the inputs used to measure fair value.

SFAS 157 establishes the following hierarchy for categorizing these inputs:

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 - Significant unobservable inputs

At March 31, 2008, the following financial assets and financial liabilities were measured at fair value on a recurring basis using the type of inputs shown:

Financial assets

	March 31, 2008	Fair Value Measurements at March 31, 2008 Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Derivatives	$ 83	$	$ 83	$
Available-for-sale securities	30	30		
	$ 113	$ 30	$ 83	$

Financial liabilities

	March 31, 2008	Fair Value Measurements at March 31, 2008 Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Derivatives	$ 138	$	$ 138	$

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 3. Other Income, Net

	Three Months Ended March 31,	
	2008	2007
CozaarÒ/HyzaarÒ income	$ 233	$ 224
Royalty income	27	25
Interest income	27	34
Equity in earnings of affiliates	19	6
Net gains on sales of assets	2	10
Net exchange losses [1]	(135)	(21)
Miscellaneous income and expenses, net [2]	22	38
Total	$ 195	$ 316

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 pretax exchange gains and losses are largely offset by the associated tax impact.

2 Miscellaneous income and expenses, net, includes interest items, insurance recoveries,

litigation settlements,
and other items.

Note 4. Restructuring Activities

During the three months ended March 31, 2008, there were no significant changes in estimates related to liabilities established for restructuring initiatives recorded in 2006. A complete discussion of all restructuring initiatives is included in the company s 2007 Annual Report in Note 4, Restructuring Activities.

The account balances and activity for the company s restructuring programs are as follows:

	2006 Programs
Balance at December 31, 2007	$ 70
Employee separation payments	(20)
Balance at March 31, 2008	$ 50

As of March 31, 2008, approximately 1,170 employees were separated relating to the 2006 Agriculture & Nutrition refocus plan. There have been no additional employee separations under the Coatings & Color Technologies business transformation plan since December 31, 2007.

Note 5. Provision for Income Taxes

In the first quarter 2008, the company recorded a tax provision of $273, including $141 of tax benefit associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

In the first quarter 2007, the company recorded a tax provision of $365, including $10 of tax benefit associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations.

Each year the company files hundreds of tax returns in the various national, state and local income taxing jurisdictions in which it operates. These tax returns are subject to examination and possible challenge by the taxing authorities. Positions challenged by the taxing authorities may be settled or appealed by the company. As a result, there is an uncertainty in income taxes recognized in the company s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes (SFAS 109) and FASB Interpretation No. 48 (FIN 48). It is reasonably possible that changes to the company s global unrecognized tax benefits could be significant, however, due to the uncertainty regarding the timing of completion of audits and possible outcomes, a current estimate of the range of increases or decreases that may occur within the next twelve months can not be made.

Note 6. Earnings Per Share of Common Stock

Set forth below is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated:

	Three Months Ended March 31,	
	2008	2007
Numerator:		
Net income	$ 1,191	$ 945
Preferred dividends	(3)	(3)
Net income available to common stockholders	$ 1,188	$ 942
Denominator:		
Weighted-average number of common shares Basic	900,646,000	924,020,000
Dilutive effect of the company s employee compensation plans	5,547,000	9,247,000
Weighted-average number of common shares Diluted	906,193,000	933,267,000

The following average number of stock options were antidilutive, and therefore, were not included in the diluted earnings per share calculations:

	Three Months Ended March 31,	
	2008	2007
Average Number of Stock Options	26,526,000	21,774,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 7. Inventories

	March 31, 2008	December 31, 2007
Finished products	$ 3,748	$ 3,043
Semifinished products	1,176	1,865
Raw materials and supplies	1,053	1,000
	5,977	5,908
Adjustment of inventories to a last-in, first-out (LIFO) basis	(667)	(630)
Total	$ 5,310	$ 5,278

Note 8. Goodwill and Other Intangible Assets

There were no significant changes in goodwill for the three-month period ended March 31, 2008.

The gross carrying amounts and accumulated amortization in total and by major class of other intangible assets are as follows:

	March 31, 2008			December 31, 2007		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (Definite-lived):						
Purchased and licensed technology	$ 2,412	$ (1,220)	$ 1,192	$ 2,410	$ (1,142)	$ 1,268
Patents	150	(50)	100	155	(56)	99
Trademarks	55	(17)	38	53	(17)	36
Other	548	(251)	297	536	(237)	299
	3,165	(1,538)	1,627	3,154	(1,452)	1,702