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

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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)					(14)		
Net unrealized loss on securities	(5)	(5)					(5)		
Other comprehensive loss	(37)	(37)							
Comprehensive income	1,040	1,040[1]							
Common dividends	(376)					(374)			(2)
Preferred dividends	(2)					(2)			
Common stock issued compensation plans	117			1	116				
Total Equity as of June 30, 2008	$ 13,344		$ 237	$ 297	$ 8,336	$ 11,466	$ (706)	$ (6,727)	$ 441

1 Includes comprehensive income attributable to noncontrolling interests of $6 and $0 for the three months ended June 30, 2009 and 2008, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Consolidated Changes in Equity for the Six 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	$ 7,552		$ 237	$ 297	$ 8,380	$ 10,456	$ (5,518)	$ (6,727)	$ 427
Acquisition of a majority interest in a consolidated subsidiary	1								1
Purchase of subsidiary shares from noncontrolling interest	(1)								(1)
Comprehensive income:									
Net income	910	910				905			5
Other comprehensive income (loss), net of tax:									
Cumulative translation adjustment	25	25					25		
Net revaluation and clearance of cash flow hedges to earnings	40	40					38		2
Pension benefit plans	87	87					87		
Other benefit plans	(18)	(18)					(18)		
Net unrealized gain on securities	1	1					1		
Other comprehensive income	135	135							
Comprehensive income	1,045	1,045[2]							
Common dividends	(746)					(745)			(1)
Preferred dividends	(5)					(5)			
Common stock issued compensation plans	61				61				
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 Six 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	$ 11,578		$ 237	$ 296	$ 8,179	$ 9,945	$ (794)	$ (6,727)	$ 442
Comprehensive income:									
Net income	2,274	2,274				2,269			5
Other comprehensive income (loss), net of tax:									
Cumulative translation adjustment	75	75					75		
Net revaluation and clearance of cash flow hedges to earnings	21	21					22		(1)
Pension benefit plans	25	25					25		
Other benefit plans	(25)	(25)					(25)		
Net unrealized loss on securities	(9)	(9)					(9)		

Other comprehensive income	87	87							
Comprehensive income	2,361	2,361[2]							
Common dividends	(748)					(743)			(5)
Preferred dividends	(5)					(5)			
Common stock issued compensation plans	158			1	157				
Total Equity as of June 30, 2008	$ 13,344		$ 237	$ 297	$ 8,336	$ 11,466	$ (706)	$ (6,727)	$ 441

[2] Includes comprehensive income attributable to noncontrolling interests of $7 and $4 for the six months ended June 30, 2009 and 2008, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 3. Fair Value Measurements

In 2008, the company implemented the provisions of SFAS 157, Fair Value Measurements for financial assets and financial liabilities reported at fair value. Effective January 1, 2009, the company prospectively implemented the provisions of FSP No. SFAS 157-2 for non-financial assets and non-financial liabilities reported or disclosed at fair value, 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.

The company has determined that its financial assets and liabilities are level 1 and level 2 in the fair value hierarchy. 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)

At June 30, 2009, the following financial assets and financial liabilities were measured at fair value on a recurring basis using the type of inputs shown:

	June 30, 2009	Fair Value Measurements at June 30, 2009 Using Level 1 Inputs	Level 2 Inputs
Financial assets			
Derivatives	$ 54	$	$ 54
Available-for-sale securities	20	20	
	$ 74	$ 20	$ 54
Financial liabilities			
Derivatives	$ 292	$	$ 292

In accordance with FSP SFAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments , 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 $10,700 at June 30, 2009, as compared to a carrying value of approximately $10,400.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 4. Other Income, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
CozaarÒ/HyzaarÒ income	$ 271	$ 264	$ 522	$ 497
Royalty income	19	21	51	48
Interest income	24	41	45	68
Equity in earnings of affiliates	19	63	52	82
Net gains on sales of assets	37	12	41	14
Net exchange losses [1]	(141)	(44)	(92)	(179)
Miscellaneous income and expenses, net [2]	1	85	10	107
Total	$ 230	$ 442	$ 629	$ 637

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, litigation settlements,

and other items.

Note 5. Employee Separation / Asset Related Charges, Net

During the second quarter of 2009, the company initiated additional actions to address the continuation of the global economic recession through a global restructuring program described below. At June 30, 2009, total liabilities relating to current and prior restructuring activities were $444.

2009 Activities

In response to the protracted global economic recession, the company has committed to an initiative to address the steep and extended downturn in motor vehicle and construction markets, and the extension of the downturn into industrial markets. The plan is designed to restructure asset and fixed cost bases in order to improve long-term competitiveness, simplify business processes, and maximize pre-tax operating income. Under the plan, the company will eliminate about 2,000 positions by severance principally located in the United States of America. As a result, a charge of $340 was recorded in Employee separation / asset related charges, net which pertains to the following financial statement line items; cost of goods sold and other operating charges 60%, selling, general and administrative expenses 30%, and research and development expenses 10%. This charge includes $212 of severance and related benefits costs, $24 of other non-personnel costs and $104 of asset-related charges, including $77 for asset shut downs and write-offs, $11 for asset impairments and $16 for accelerated depreciation. As of June 30, 2009, no cash payments related to separation costs have been made, and no employees have been separated. The company expects this initiative and all related payments to be substantially complete in 2010.

The 2009 program charge reduced segment earnings for the three and six-months ended June 30, 2009 as follows: Coatings & Color Technologies $70; Electronic & Communication Technologies $73; Performance Materials $110; Safety & Protection $86; and Other $1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

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

	Asset - Related	Employee Separation Costs	Other Non-personnel Charges[1]	Total
Net charges to income for the three- and six-months ended June 30, 2009	$ 104	$ 212	$ 24	$ 340
Asset write-offs and adjustments	(104)			(104)
Balance at June 30, 2009	$	$ 212	$ 24	$ 236

[1] Other non-personnel charges consist of contractual obligation costs.

2008 Activities

In the second quarter 2009, the company achieved work force reductions related to the 2008 program through non-severance programs and redeployments within the company. As a result, the company recorded a $75 net reduction in the estimated costs associated with the 2008 program. The $75 net reduction impacted segment earnings for the three and six-months ended June 30, 2009 as follows: Agriculture & Nutrition $(1); Coatings & Color Technologies $43; Electronic & Communication Technologies $1; Performance Materials $28; Safety & Protection $2; and Other $2. A complete discussion of all restructuring initiatives is included in the company s 2008 Annual Report in Note 5, Restructuring Activities. The account balances and activity for the company s 2008 global restructuring program are as follows:

	Employee Separation Costs	Other Non-personnel Charges	Total
Balance at December 31, 2008	$ 309	$ 17	$ 326
Payments	(54)		(54)
Net translation adjustment	(1)		(1)
Net credits to income	(75)		(75)
Balance at June 30, 2009	$ 179	$ 17	$ 196

As of June 30, 2009, approximately 1,400 employees were separated relating to the 2008 global restructuring program.

Note 6. Provision for Income Taxes

In the second quarter 2009, the company recorded a tax provision of $51, including $103 of tax benefit associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations, $91 net tax benefit related to the 2008 and 2009 restructuring programs and $17 net tax expense related to the hurricane adjustments. For year-to-date 2009, the tax impact associated with the company s hedging policy was $0.

In the second quarter 2008, the company recorded a tax provision of $335, including $8 of tax expense associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations and $26 tax benefit related to a favorable tax settlement. For year-to-date 2008, the tax benefit associated with the company s hedging policy was $133.

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, Accounting for Uncertainty in Income Taxes (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 cannot be made.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 7. 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 June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Numerator:				
Net income attributable to DuPont	$ 417	$ 1,078	$ 905	$ 2,269
Preferred dividends	(2)	(2)	(5)	(5)
Net income available to DuPont common stockholders	$ 415	$ 1,076	$ 900	$ 2,264
Denominator:				
Weighted-average number of common shares Basic	904,555,000	902,617,000	904,222,000	901,627,000
Dilutive effect of the company s employee compensation plans	3,490,000	7,463,000	2,631,000	6,505,000
Weighted-average number of common shares Diluted	908,045,000	910,080,000	906,853,000	908,132,000

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Average Number of Stock Options	70,451,000	17,644,000	75,856,000	22,085,000

Note 8. Inventories

	June 30, 2009	December 31, 2008
Finished products	$ 2,999	$ 3,156
Semifinished products	911	2,234
Raw materials and supplies	813	1,199
	4,723	6,589
Adjustment of inventories to a last-in, first-out (LIFO) basis	(823)	(908)

Total	$ 3,900	$ 5,681

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 9. Goodwill and Other Intangible Assets

There were no significant changes in goodwill for the six-month period ended June 30, 2009.

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

	June 30, 2009			December 31, 2008		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (Definite-lived):						
Purchased and licensed technology	$ 2,445	$ (1,479)	$ 966	$ 2,420	$ (1,356)	$ 1,064
Patents	169	(50)	119	128	(45)	83
Trademarks	61	(21)	40	61	(19)	42
Other	628	(277)	351	627	(260)	367
	3,303	(1,827)	1,476	3,236	(1,680)	1,556
Intangible assets not subject to amortization (Indefinite-lived):						
Trademarks / tradenames	179		179	179		179
Pioneer germplasm	975		975	975		975
	1,154		1,154	1,154		1,154
Total	$ 4,457	$ (1,827)	$ 2,630	$ 4,390	$ (1,680)	$ 2,710

The aggregate amortization expense for definitive-lived intangible assets was $68 and $167 for the three- and six-month periods ended June 30, 2009, respectively, and $79 and $172 for the three and six month periods ended June 30, 2008, respectively. The estimated aggregate amortization expense for 2009 and each of the next five years is approximately $250, $180, $190, $190, $190 and $190.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 10. Commitments and Contingent Liabilities

Guarantees

Product Warranty Liability

The company warrants that its products meet standard specifications. The company s product warranty liability was $28 and $24 as of June 30, 2009 and December 31, 2008, respectively. Estimates for warranty costs are based on historical claims experience.

Indemnifications

In connection with acquisitions and divestitures, the company has indemnified respective parties against certain liabilities that may arise in connection with these transactions and business activities prior to the completion of the transaction. The term of these indemnifications, which typically pertain to environmental, tax and product liabilities, is generally indefinite. In addition, the company indemnifies its duly elected or appointed directors and officers to the fullest extent permitted by Delaware law, against liabilities incurred as a result of their activities for the company, such as adverse judgments relating to litigation matters. If the indemnified party were to incur a liability or have a liability increase as a result of a successful claim, pursuant to the terms of the indemnification, the company would be required to reimburse the indemnified party. The maximum amount of potential future payments is generally unlimited. The carrying amount recorded for all indemnifications as of June 30, 2009 and December 31, 2008 was $100 and $110, respectively. Although it is reasonably possible that future payments may exceed amounts accrued, due to the nature of indemnified items, it is not possible to make a reasonable estimate of the maximum potential loss or range of loss. No assets are held as collateral and no specific recourse provisions exist.

In connection with the 2004 sale of the majority of the net assets of Textiles and Interiors, the company indemnified the purchasers, subsidiaries of Koch Industries, Inc. (INVISTA), against certain liabilities primarily related to taxes, legal and environmental matters and other representations and warranties under the Purchase and Sale Agreement. The estimated fair value of the indemnity obligations under the Purchase and Sale Agreement was $70 and was included in the indemnifications balance of $100 at June 30, 2009. Under the Purchase and Sale Agreement, the company s total indemnification obligation for the majority of the representations and warranties cannot exceed $1,400. The other indemnities are not subject to this limit. In March 2008, INVISTA filed suit in the Southern District of New York alleging that certain representations and warranties in the Purchase and Sale Agreement were breached and, therefore, that DuPont is obligated to indemnify it. DuPont disagrees with the extent and value of INVISTA s claims. DuPont has not changed its estimate of its total indemnification obligation under the Purchase and Sale Agreement as a result of the lawsuit.

Obligations for Equity Affiliates & Others

The company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates, customers, suppliers and other affiliated and unaffiliated companies. At June 30, 2009, the company had directly guaranteed $538 of such obligations, and $121 relating to guarantees of historical obligations for divested subsidiaries. This represents the maximum potential amount of future (undiscounted) payments that the company could be required to make under the guarantees. The company would be required to perform on these guarantees in the event of default by the guaranteed party.

The company assesses the payment/performance risk by assigning default rates based on the duration of the guarantees. These default rates are assigned based on the external credit rating of the counterparty or through internal credit analysis and historical default history for counterparties that do not have published credit ratings. For counterparties without an external rating or available credit history, a cumulative average default rate is used.

At June 30, 2009 and December 31, 2008, a liability of $144 and $121, respectively, was recorded for these obligations, representing the amount of payment/performance risk for which the company deems probable. This liability is principally related to obligations of the company s polyester films joint venture, which are guaranteed by the company.

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In certain cases, the company has recourse to assets held as collateral, as well as personal guarantees from customers and suppliers. Assuming liquidation, these assets are estimated to cover approximately 26 percent of the $233 of guaranteed obligations of customers and suppliers. Set forth below are the company s guaranteed obligations at June 30, 2009:

	Short-Term	Long-Term	Total
Obligations for customers, suppliers and other affiliated and unaffiliated companies[1, 2]:			
Bank borrowings (terms up to 4 years)	$ 350	$ 150	$ 500
Leases on equipment and facilities (terms less than 1 year)	12		12
Obligations for equity affiliates[2]:			
Bank borrowings (terms up to 4 years)	8	15	23
Leases on equipment and facilities (terms less than 2 years)		3	3
Total obligations for customers, suppliers, other affiliated and unaffiliated companies and equity affiliates	$ 370	$ 168	$ 538
Obligations for divested subsidiaries and affiliates[3]:			
Conoco (terms up to 17 years)	2	16	18
Consolidation Coal Sales Company (terms up to 2 years)		103	103
Total obligations for divested subsidiaries and affiliates	2	119	121
	$ 372	$ 287	$ 659

1 Existing guarantees for customers, suppliers, and other unaffiliated companies arose as part of contractual agreements.

2 Existing guarantees for equity affiliates and other affiliated companies arose for liquidity needs in normal

operations.

3 The company has guaranteed certain obligations and liabilities related to divested subsidiaries Conoco and Consolidation Coal Sales Company. Conoco and Consolidation Coal Sales Company have indemnified the company for any liabilities the company may incur pursuant to these guarantees.

Master Operating Leases

At June 30, 2009, the company has one master operating lease program relating to miscellaneous short-lived equipment with an unamortized value of approximately $79. The leases under this program are considered operating leases and accordingly the related assets and liabilities are not recorded on the Consolidated Balance Sheets. Furthermore, the lease payments associated with this program vary based on one month USD LIBOR. In November 2008, the lessor notified the company that the program will terminate by November 2009. Prior to that time, the company may either purchase the assets for their unamortized value or arrange for the sale of the assets and remit the proceeds to the lessor. If the assets are sold and the proceeds are less than the unamortized value, the company must pay to the lessor the difference between the proceeds and the unamortized value, up to the residual value guarantee, which totaled $68 at June 30, 2009.

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Litigation

PFOA

Regulatory and Environmental Actions

In January 2009, the U.S. Environmental Protection Agency (EPA) issued a national Provisional Health Advisory for PFOA of 0.4 parts per billion (ppb) in drinking water. In March 2009, EPA and DuPont entered an Order on Consent under the Safe Drinking Water Act (SDWA) reflecting an action level of 0.40 ppb. Under the terms of the 2009 consent order, DuPont will conduct surveys, sampling and analytical testing in the area around its Washington Works site located in Parkersburg, West Virginia. If tests indicate the presence of PFOA, (collectively, perfluorooctanoic acids and its salts, including the ammonium salt), in drinking water at 0.40 ppb or greater, the company will offer treatment or an alternative supply of drinking water. The 2009 consent order supersedes the November 2006 Order on Consent between DuPont and EPA which established a precautionary interim screening level for PFOA of 0.50 ppb in drinking water sources in the area around the Washington Works site. All of DuPont s remaining obligations under the 2006 consent order have been incorporated into the 2009 consent order.

In late 2005 DuPont and the EPA entered into a Memorandum of Understanding (EPA MOU) that required DuPont to monitor PFOA in the soil, air, water and biota around the Washington Works site. The required third party peer review of the data generated in the monitoring process has been completed and a final report will be issued in the third quarter 2009.

As agreed with the New Jersey Department of Environmental Protection (NJDEP), DuPont began voluntarily sampling private wells within a two-mile radius of its Chambers Works site in Deepwater, New Jersey for the presence of PFOA in the second quarter 2009.

At June 30, 2009, DuPont has accruals of about $0.4 to fund its activities under the 2009 consent order and EPA MOU and to fund its voluntary activities under the NJDEP agreement.

EPA Administrative Complaints

In July and December 2004, the EPA filed administrative complaints against DuPont alleging that the company failed to comply with the technical reporting requirements of the Toxic Substances Control Act (TSCA) and the Resource Conservation and Recovery Act (RCRA) regarding PFOA. Under a 2005 agreement settling the matter, the company paid civil fines of $10.25 and will complete two Supplemental Environmental Projects at a total cost of $6.25.

Actions: Drinking Water

In August 2001, a class action, captioned Leach v. DuPont, was filed in West Virginia state court against DuPont and the Lubeck Public Service District. DuPont uses PFOA as a processing aid to manufacture fluoropolymer resins and dispersions at various sites around the world including its Washington Works plant in West Virginia. The complaint alleged that residents living near the Washington Works facility had suffered, or may suffer, deleterious health effects from exposure to PFOA in drinking water. The relief sought included damages for medical monitoring, diminution of property values and punitive damages plus injunctive relief to stop releases of PFOA. DuPont and attorneys for the class reached a settlement agreement in 2004 and as a result, the company established accruals of $108 in 2004. The agreement was approved by the Wood County Circuit Court on February 28, 2005 after a fairness hearing. The settlement binds a class of approximately 80,000 residents. As defined by the court, the class includes those individuals who have consumed, for at least one year, water containing 0.05 ppb or greater of PFOA from any of six designated public water sources or from sole source private wells.

In July 2005, the company paid the plaintiffs attorneys fees and expenses of $23 and made a payment of $70, which class counsel has designated to fund a community health project. The company is also funding a series of health studies by an independent science panel of experts in the communities exposed to PFOA to evaluate available scientific evidence on whether any probable link exists between exposure to PFOA and human disease. The company expects the independent science panel to

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complete these health studies between 2009 and year-end 2011 at a total estimated cost of $26, of which $5 was originally placed in an interest-bearing escrow account. In addition, the company is providing state-of-the art water treatment systems designed to reduce the level of PFOA in water to six area water districts, including the Little Hocking Water Association (LHWA), until the science panel determines that PFOA does not cause disease or until applicable water standards can be met without such treatment. All of the water treatment systems are operating. The estimated cost of constructing, operating and maintaining these systems is about $22 of which $10 was originally placed in an interest-bearing escrow account. At June 30, 2009, the accrual balance relating to the funding of the independent science panel health study and the water treatment systems was $13, including $7 in interest bearing escrow accounts.

The settlement resulted in the dismissal of all claims asserted in the lawsuit except for personal injury claims. If the independent science panel concludes that no probable link exists between exposure to PFOA and any diseases, then the settlement would also resolve personal injury claims. If it concludes that a probable link does exist between exposure to PFOA and any diseases, then DuPont would also fund up to $235 for a medical monitoring program to pay for such medical testing. In this event, plaintiffs would retain their right to pursue personal injury claims. All other claims in the lawsuit would remain dismissed by the settlement. DuPont believes that it is remote that the panel will find a probable link. Therefore, at June 30, 2009, the company had not established any accruals related to medical monitoring or personal injury claims. However, there can be no assurance as to what the independent science panel will conclude.

In June 2007, the LHWA notified DuPont that it intends to file suit under RCRA alleging imminent and substantial endangerment to health and or the environment based on detection of PFOA in its wells. DuPont received in February 2009, two additional letters of intent to file suit under RCRA alleging imminent and substantial endangerment to health and or the environment based on detection of PFOA in public and private water wells in Parkersburg, West Virginia and Penns Grove, New Jersey. DuPont denies any such endangerment exists at any of these locations and intends to vigorously defend itself if a lawsuit is filed.

In September 2007, LHWA refiled the suit it originally filed in Ohio state court and voluntarily dismissed in 2006. The suit claims that perfluorinated compounds, including PFOA, allegedly released from the Washington Works plant contaminated LHWA s well fields and underlying aquifer. LHWA s complaint seeks a variety of relief including compensatory and punitive damages, and an injunction requiring DuPont to provide a new pristine well field and the infrastructure to deliver it.

In the second quarter 2006, three purported class actions were filed alleging that drinking water had been contaminated by PFOA in excess of 0.05 ppb due to alleged releases from certain DuPont plants. One of these cases was filed in West Virginia state court on behalf of customers of the Parkersburg City Water District, but was removed on DuPont s motion to the U.S. District Court for the Southern District of West Virginia. In September 2008, the U.S. District Court ruled that the case could not proceed as a class action. Plaintiffs appeal of the ruling was denied. The three plaintiffs have filed a case based on their individual claims. In the second quarter 2009, the plaintiffs added a claim based on public nuisance and moved for class certification on that claim. The company believes that the new claim is without merit and will oppose class certification. The other two purported class actions were filed in New Jersey. One was filed in federal court on behalf of individuals who allegedly drank water contaminated by releases from DuPont s Chambers Works plant in Deepwater, New Jersey. The second was filed in state court on behalf of customers serviced primarily by the Pennsville Township Water Department and was removed to New Jersey federal district court on DuPont s motion. The New Jersey cases have been combined for purposes of discovery and the complaints have been amended to allege that drinking water had been contaminated by PFOA in excess of 0.04 ppb. In December 2008, the court denied class action status in both cases, but ordered additional briefing on certain issues. The Third Circuit Court of Appeals denied the leave sought by one of the plaintiffs to appeal the ruling on class certification. The company is defending itself vigorously against these lawsuits alleging contamination of drinking water sources.

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While DuPont believes that it is reasonably possible that it could incur losses related to PFOA matters in addition to those matters discussed above for which it has established accruals, a range of such losses, if any, cannot be reasonably estimated at this time.

Consumer Products Class Actions

	Number of Cases
Balance at December 31, 2008	22
Filed	
Resolved	
Balance at March 31, 2009	22
Filed	
Dismissed	(22)
Balance at June 30, 2009	

In the second quarter 2009, plaintiffs counsel dismissed all twenty-two purported class actions that were filed against DuPont on behalf of consumers who purchased cookware with Teflon® non-stick coating in federal district courts.

In December 2005, a motion was filed by a single named plaintiff in the Superior Court for the Province of Quebec, Canada seeking authorization to institute a class action on behalf of all Quebec consumers who have purchased or used kitchen items, household appliances or food-packaging containing Teflon® or Zonyl® non-stick coatings. This matter has been inactive since filing. The parties have agreed to jointly seek court approval to dismiss it at a hearing scheduled during the third quarter 2009.

Elastomers Antitrust Matters

Since 2002, the U.S., European Union (EU) and Canadian antitrust authorities have investigated the synthetic rubber markets for possible violations. These investigations included DuPont Dow Elastomers, LLC (DDE), as a result of its participation in the polychloroprene (PCP) and ethylene propylene diene monomer (EPDM) markets. DDE was a joint venture between The Dow Chemical Company (Dow) and DuPont.

In April 2004, DuPont and Dow entered into a series of agreements under which DuPont obtained complete control over directing DDE s response to these investigations and the related litigation and DuPont agreed to a disproportionate share of the venture s liabilities and costs related to these matters. Consequently, DuPont bears any potential liabilities and costs up to the initial $150. Dow is obligated to indemnify DuPont for up to $72.5 by paying 15 to 30 percent toward liabilities and costs in excess of $150. On June 30, 2005, DDE became a wholly owned subsidiary of DuPont and was renamed DuPont Performance Elastomers, LLC (DPE).

In July 2007, DPE pled guilty to conspiring to fix prices and paid a fine of CDN $4, approximately $3.8 USD, resolving all criminal antitrust allegations against it related to PCP in Canada.

In late March 2007, the EU antitrust authorities issued a Statement of Objections that made antitrust allegations regarding the PCP market against DPE, relating to the joint venture s activities, and DuPont, to which both responded. In December 2007, the EU antitrust authorities issued their decision, including the imposition of fines against DPE, Dow and DuPont totaling EURO 59.25. In February 2008, DuPont appealed the decision to the EU s Court of First Instance which has jurisdiction to review the findings and adjust the fine. It is very unlikely that the fine would be increased as a result of the review. In March 2008, the company provisionally paid the fine of EURO 59.25 ($90.9 USD); a portion of the payment may be refunded if the appeal is successful. While a decision on the February 2008 appeal has not been issued, the EU antitrust authorities revised the December 2007 decision by imposing an incremental fine on Dow of EURO 4.425 ($6.5 USD). Dow provisionally paid the incremental fine in the third quarter of 2008 which DuPont reimbursed under the agreements between the companies.

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DDE resolved all criminal antitrust allegations against it related to PCP in the U.S. through a plea agreement with the Department of Justice (DOJ) in January 2005 which was approved by the court on March 29, 2005. The agreement requires the subsidiary to pay a fine of $84 which, at its election, is being paid in six equal, annual installments. The last remaining installment is due in 2010. The agreement also requires the subsidiary to provide ongoing cooperation with the DOJ s investigation.

At June 30, 2009, the company has accruals of approximately $14 related to this matter and a receivable of $3.9 for the remaining amount that it expects to be reimbursed by Dow.

Benlate®

In 1991, DuPont began receiving claims by growers that use of Benlate® 50 DF fungicide had caused crop damage. DuPont has since been served with thousands of lawsuits, most of which have been disposed of through trial, dismissal or settlement. The status of Benlate® cases is indicated in the table below:

	Number of Cases
Balance at December 31, 2008	11
Filed	1
Resolved	
Balance at March 31, 2009	12
Filed	
Resolved	
Balance at June 30, 2009	12

At June 30, 2009, there were nine cases pending in Florida state court, involving allegations that Benlate® caused crop damage. Plaintiffs appealed the court s 2006 dismissal of one of the nine cases for failure to prosecute and the appellate court reinstated the case. Two of the nine cases, involving twenty-seven Costa Rican fern growers, were tried during the second quarter of 2006 resulting in a $56 judgment against the company, which was reduced to $24 on DuPont s motion. At trial, the plaintiffs sought damages in the range of $270 to $400. The plaintiffs and DuPont have appealed the verdict. DuPont believes that the appeal will be resolved in its favor and, therefore, has not established an accrual relating to the judgment.

In two other cases pending in Florida, plaintiffs allege damage to shrimping operations. These cases had been decided in DuPont s favor, but in September 2007, the judge granted plaintiffs motion for new trial thus reinstating the cases. Previously, these plaintiffs had been awarded unspecified attorneys fees as sanctions for alleged discovery abuses by DuPont. In June 2009, the Judge issued an order striking DuPont s pleadings and entering a default judgment against the company as to liability and causation. DuPont will appeal the order after the trial on damages which is expected to occur in the first quarter of 2010.

In January 2009, a case was filed in Florida state court claiming that plaintiff s exposure to Benlate® allegedly contaminated with atrazine caused plaintiff s kidney and brain cancer. The case has been removed to federal court.

The company does not believe that Benlate® caused the damages alleged in each of these cases and denies the allegations of fraud and misconduct. The company continues to defend itself in ongoing matters. As of June 30, 2009, the company has incurred costs and expenses of approximately $2,000 associated with these matters, but does not expect additional significant costs or expenses associated with the remaining 12 cases. The company has recovered approximately $275 of its costs and expenses through insurance and does not expect additional insurance recoveries, if any, to be significant. At June 30, 2009, the company does not have any remaining accruals related to Benlate®.

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Spelter, West Virginia

In September 2006, a West Virginia state court certified a class action against DuPont that seeks relief including the provision of remediation services and property value diminution damages for 7,000 residential properties in the vicinity of a closed zinc smelter in Spelter, West Virginia. The action also seeks medical monitoring for an undetermined number of residents in the class area. The smelter was owned and operated by at least three companies between 1910 and 2001, including DuPont between 1928 and 1950. DuPont performed remedial measures at the request of the EPA in the late 1990s and in 2001 repurchased the site to facilitate and complete the remediation. The fall 2007 trial was conducted in four phases: liability, medical monitoring, property and punitive damages. The jury found against DuPont in all four phases awarding $55.5 for property remediation and $196.2 in punitive damages. In post trial motions, the court adopted the plaintiffs forty-year medical monitoring plan estimated by plaintiffs to cost $130 and granted plaintiffs attorneys legal fees of $127 plus $8 in expenses based on and included in the total jury award. In June 2008, DuPont filed its petitions for appeal with the West Virginia Supreme Court seeking review of a number of issues associated with the trial court s decisions before, during and after the trial. On September 25, 2008, the Court decided to accept the case and consider the parties appeal on the merits. The oral argument was heard on April 7, 2009. The Court recessed on June 25, 2009 without ruling on the appeal. A decision is expected in due course after the Court reconvenes in September 2009. Effective with DuPont posting a bond, the execution of judgment against the company is stayed pending final disposition of DuPont s appeal to the West Virginia Supreme Court of Appeals. As of June 30, 2009, the company had recorded accruals of $55, although given the uncertainties inherent in litigation, there can be no assurance as to the final outcome.

General

The company is subject to various lawsuits and claims arising out of the normal course of its business. These lawsuits and claims include actions based on alleged exposures to products, intellectual property and environmental matters and contract and antitrust claims. Management has noted a nationwide trend in purported class actions against chemical manufacturers generally seeking relief such as medical monitoring, property damages, off-site remediation and punitive damages arising from alleged environmental torts without claiming present personal injuries. Such cases may allege contamination from unregulated substances or remediated sites. Although it is not possible to predict the outcome of these various lawsuits and claims, management does not anticipate they will have a materially adverse effect on the company s consolidated financial position or liquidity. However, the ultimate liabilities may be significant to results of operations in the period recognized. The company accrues for contingencies when the information available indicates that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Environmental

The company is also subject to contingencies pursuant to environmental laws and regulations that in the future may require the company to take further action to correct the effects on the environment of prior disposal practices or releases of chemical or petroleum substances by the company or other parties. The company accrues for environmental remediation activities consistent with the policy set forth in Note 1 in the company s 2008 Annual Report. Much of this liability results from the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, often referred to as Superfund), the Resource Conservation and Recovery Act (RCRA) and similar state laws. These laws require the company to undertake certain investigative and remedial activities at sites where the company conducts or once conducted operations or at sites where company-generated waste was disposed. The accrual also includes estimated costs related to a number of sites identified by the company for which it is probable that environmental remediation will be required, but which are not currently the subject of CERCLA, RCRA or state enforcement activities.

Remediation activities vary substantially in duration and cost from site to site. These activities, and their associated costs, depend on the mix of unique site characteristics, evolving remediation technologies, diverse regulatory agencies and enforcement policies, as well as the presence or absence of potentially responsible parties. At June 30, 2009, the Condensed Consolidated Balance Sheets included a liability of $387, relating to these matters and, in management s opinion, is appropriate based on existing facts and

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circumstances. The average time frame, over which the accrued or presently unrecognized amounts may be paid, based on past history, is estimated to be 15-20 years. Considerable uncertainty exists with respect to these costs and, under adverse changes in circumstances, potential liability may range up to two to three times the amount accrued as of June 30, 2009.

Other

The company has various purchase commitments incident to the ordinary conduct of business. In the aggregate, such commitments are not at prices in excess of current market nor are they significantly different than amounts disclosed in the company s 2008 Annual Report.

Note 11. Derivatives and Other Hedging Instruments

Effective January 1, 2009, the company prospectively implemented the provisions of SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 enhances the disclosure requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) to provide users of financial statements with a better understanding of the objectives of a company s derivative use and the risks managed.

Objectives and Strategies for Holding Derivative Instruments

In the ordinary course of business, the company enters into contractual arrangements (derivatives) to reduce its exposure to foreign currency, interest rate and commodity price risks under established procedures and controls. The company has established a variety of approved derivative instruments to be utilized in each risk management program, as well as varying levels of exposure coverage and time horizons based on an assessment of risk factors related to each hedging program. Derivative instruments utilized during the period include forwards, options, futures and swaps. The company has not designated any nonderivatives as hedging instruments.

The corporate financial risk management policy establishes an oversight committee and risk management guidelines that authorize the use of specific derivative instruments and further establishes procedures for control and valuation, counterparty credit approval and routine monitoring and reporting. The counterparties to these contractual arrangements are major financial institutions and major commodity exchanges. The company is exposed to credit loss in the event of nonperformance by these counterparties. The company manages this exposure to credit loss through the aforementioned credit approvals, limits and monitoring procedures and, to the extent possible, by restricting the period over which unpaid balances are allowed to accumulate. The company anticipates performance by counterparties to these contracts and therefore no material loss is expected. Market and counterparty credit risks associated with these instruments are regularly reported to management.

The company hedges foreign currency denominated revenue and monetary assets and liabilities, certain business specific foreign currency exposures and certain energy feedstock purchases. In addition, the company enters into exchange traded agricultural commodity derivatives to hedge exposures relevant to agricultural feedstock purchases.

Foreign Currency Risk

The company s objective in managing exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility associated with foreign currency rate changes. Accordingly, the company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency-denominated assets, liabilities, commitments, and cash flows.

The company routinely uses forward exchange contracts to offset its net exposures, by currency, related to the foreign currency-denominated monetary assets and liabilities of its operations. The primary business objective of this hedging program is to maintain an approximately balanced position in foreign currencies so that exchange gains and losses resulting from exchange rate changes, net of related tax effects, are minimized.

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Interest Rate Risk

The company uses interest rate swaps to manage the interest rate mix of the total debt portfolio and related overall cost of borrowing.

Interest rate swaps involve the exchange of fixed for floating rate interest payments to effectively convert fixed rate debt into floating rate debt based on USD LIBOR. Interest rate swaps allow the company to achieve a target range of floating rate debt.

Commodity Price Risk

Commodity price risk management programs serve to reduce exposure to price fluctuations on purchases of inventory such as natural gas, ethane, corn, soybeans and soybean meal.

The company enters into over-the-counter and exchange-traded derivative commodity instruments to hedge the commodity price risk associated with energy feedstock and agricultural commodity exposures.

Fair Value Hedges

During the quarter ended June 30, 2009, the company maintained a number of interest rate swaps, implemented at the time the debt instruments were issued, that involve the exchange of fixed for floating rate interest payments which allows the company to achieve a target range of floating rate debt. All interest rate swaps qualify for the shortcut method of hedge accounting, thus there is no ineffectiveness related to these hedges. The company maintains no other significant fair value hedges. At June 30, 2009, the company had interest rate swap agreements with gross notional amounts of approximately $1,150.

Cash Flow Hedges

The company maintains a number of cash flow hedging programs to reduce risks related to foreign currency and commodity price risk. While each risk management program has a different time maturity period, most programs currently do not extend beyond the next two-year period.

The company uses foreign currency exchange contracts to offset a portion of the company s exposure to certain foreign currency denominated revenues so that gains and losses on these contracts offset changes in the U.S. Dollar value of the related foreign currency-denominated revenues. At June 30, 2009, the company had foreign currency exchange contracts with gross notional amounts of approximately $411.

A portion of natural gas purchases are hedged to reduce price volatility using fixed price swaps and options. At June 30, 2009, the company had energy feedstock contracts with gross notional amounts of approximately $349.

The company contracts with independent growers to produce finished seed inventory. Under these contracts, growers are compensated with bushel equivalents that are marketed to the company for the market price of grain for a period of time following harvest. Derivative instruments, such as commodity futures and options that have a high correlation to the underlying commodity, are used to hedge the commodity price risk involved in compensating growers.

The company utilizes agricultural commodity futures to manage the price volatility of soybean meal. These derivative instruments have a high correlation to the underlying commodity exposure and are deemed effective in offsetting soybean meal feedstock price risk.

At June 30, 2009, the company had agricultural commodity contracts with gross notional amounts of approximately $128.

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Cash flow hedge results are reclassified into earnings during the same period in which the related exposure impacts earnings. Reclassifications are made sooner if it appears that a forecasted transaction will not materialize. The following table summarizes the effect of cash flow hedges on accumulated other comprehensive income (loss) for the periods shown:

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
	Pre-tax	Tax	After-Tax	Pre-tax	Tax	After-Tax
Beginning balance	$ (243)	$ 87	$ (156)	$ (246)	$ 88	$ (158)
Additions and revaluations of derivatives designated as cash flow hedges	(13)	5	(8)	(73)	25	(48)
Clearance of hedge results to earnings	69	(25)	44	132	(46)	86
Balance at June 30, 2009	$ (187)	$ 67	$ (120)	$ (187)	$ 67	$ (120)
Amounts expected to be reclassified into earnings over the next twelve months	$ (111)	$ 42	$ (69)	$ (111)	$ 42	$ (69)

Hedges of Net Investment in a Foreign Operation

During the quarter ended June 30, 2009, the company did not maintain any hedges of net investment in a foreign operation.

Derivatives not Designated in Hedging Relationships

The company uses forward exchange contracts to reduce its net exposure, by currency, related to foreign currency-denominated monetary assets and liabilities. The netting of such exposures precludes the use of hedge accounting. However, the required revaluation of the forward contracts and the associated foreign currency-denominated monetary assets and liabilities results in a minimal earnings impact, after taxes. At June 30, 2009, the company had forward exchange contracts with gross notional amounts of approximately $7,836.

In addition, the company has risk management programs for agricultural commodities that do not qualify for hedge accounting treatment. At June 30, 2009, the company had agricultural commodities contracts with gross notional amounts of approximately $311.

Contingent Features

During the quarter ended June 30, 2009, the company did not maintain any derivative contracts with credit-risk-related contingent features.

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The following tables provide information on the location and amounts of derivative fair values in the consolidated balance sheet and derivative gains and losses in the consolidated income statement:

Fair Values of Derivative Instruments

	Asset Derivatives **June 30, 2009**	Liability Derivatives **June 30, 2009**
Derivatives designated as hedging instruments under SFAS 133		
Interest rate swaps	$ 27[1]	$
Foreign currency contracts	3[1]	
Energy feedstocks		80[2]
Energy feedstocks		66[3]
Total derivatives designated as hedging instruments under SFAS 133	**$ 30**	**$ 146**
Derivatives not designated as hedging instruments under SFAS 133		
Agricultural feedstocks	2[1]	
Foreign currency contracts	22[1]	146[2]
Total derivatives not designated as hedging instruments under SFAS 133	**$ 24**	**$ 146**
Total derivatives	**$ 54**	**$ 292**

[1] Recorded in accounts and notes receivable, net.

[2] Recorded in other accrued liabilities.

[3] Recorded in other liabilities.

The Effect of Derivative Instruments on the Consolidated Income Statement

Fair Value Hedging

	Amount of Gain or	Amount of Gain or

Derivatives in SFAS 133 Fair Value Hedging Relationships	(Loss) Recognized in Income of Derivative **Three Months Ended June 30, 2009**		(Loss) Recognized in Income on Hedged Item **Three Months Ended June 30, 2009**	
Interest rate swaps	$	(5)[1]	$	5[1]
Total	**$**	**(5)**	**$**	**5**

	Six Months Ended June 30, 2009		**Six Months Ended June 30, 2009**	
Interest rate swaps	$	(16)[1]	$	16[1]
Total	**$**	**(16)**	**$**	**16**

1 Gain/(loss) was recognized in interest expense, which offset to $0.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Cash Flow Hedging

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI[1] on Derivative (Effective Portion) **Three Months Ended June 30, 2009**	Amount of Gain or (Loss) Reclassified from Accumulated OCI[1] into Income (Effective Portion) **Three Months Ended June 30, 2009**	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) **Three Months Ended June 30, 2009**
Foreign currency contracts	$ (7)	$ (6)[2]	$
Agricultural feedstocks	(8)	(33)[3]	(1)[3]
Energy feedstocks	2	(30)[3]	
Total	**$ (13)**	**$ (69)**	**$ (1)**

	Six Months Ended June 30, 2009	**Six Months Ended June 30, 2009**	**Six Months Ended June 30, 2009**
Foreign currency contracts	$ (2)	$ (21)[2]	$
Agricultural feedstocks	(23)	(47)[3]	(5)[3]
Energy feedstocks	(48)	(64)[3]	
Total	**$ (73)**	**$ (132)**	**$ (5)**

1 OCI is defined as other comprehensive income / (loss).

2 Loss was reclassified from accumulated other comprehensive income into net sales.

3

Loss was reclassified from accumulated other comprehensive income into cost of goods sold and other operating charges.

Derivatives not Designated in Hedging Instruments

Derivatives Not Designated in Hedging Instruments under SFAS 133	Amount of Gain or (Loss) Recognized in Income on Derivative	
	Three Months Ended June 30, 2009	**Six Months Ended June 30, 2009**
Foreign currency contracts	$ (368)[1]	$ (172)[1]
Agricultural feedstocks	(7)[2]	(4)[2]
Total	**$ (375)**	**$ (176)**

[1] Loss was recognized in other income, net.

[2] Loss was recognized in cost of goods sold and other operating charges.

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(Dollars in millions, except per share)

Note 12. Long-Term Employee Benefits

The following sets forth the components of the company s net periodic benefit cost/(credit) for pensions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Service cost	$ 47	$ 54	$ 94	$ 106
Interest cost	315	325	630	648
Expected return on plan assets	(399)	(486)	(797)	(971)
Amortization of unrecognized loss	69	14	139	28
Amortization of prior service cost	5	4	9	9
Net periodic benefit cost/(credit)	$ 37	$ (89)	$ 75	$ (180)

The company disclosed in its Consolidated Financial Statements for the year ended December 31, 2008, that it expected to contribute approximately $300 to its pension plans, other than to the principal U.S. pension plan in 2009. As of June 30, 2009, contributions of $155 have been made to these pension plans and the company anticipates additional contributions during the remainder of 2009 to total approximately $140.

The following sets forth the components of the company s net periodic benefit cost for other long-term employee benefits:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Service cost	$ 8	$ 7	$ 16	$ 14
Interest cost	61	57	122	114
Amortization of unrecognized loss	13	8	25	16
Amortization of prior service benefit	(27)	(26)	(53)	(53)
Net periodic benefit cost	$ 55	$ 46	$ 110	$ 91

The company disclosed in its Consolidated Financial Statements for the year ended December 31, 2008, that it expected to make payments of approximately $330 to its other long-term employee benefit plans in 2009. Through June 30, 2009, the company has made benefit payments of $151 related to its other long-term employee benefit plans and anticipates additional payments during the remainder of 2009 to total approximately $180.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 13. Segment Information

Segment sales include transfers. Segment pre-tax operating income/(loss) (PTOI) is defined as operating income/(loss) before income taxes, non-controlling interests, exchange gains/(losses), corporate expenses and net interest.

Three Months Ended June 30,	Agriculture & Nutrition	Coatings & Color Technologies	Electronic & Communication Technologies	Performance Materials	Safety & Protection	Pharmaceuticals	Other	Total [1]
2009								
Segment sales	$ 2,613	$ 1,383	$ 795	$ 1,087	$ 998	$	$ 31	$ 6,907
Less transfers		(11)	(15)	(9)	(14)			(49)
Net sales	2,613	1,372	780	1,078	984		31	6,858
Pre-tax operating income (loss)	580 [2]	106 [2, 3]	(35) [2, 3]	5 [2, 3, 4]	(13) [2, 3]	272	(43) [2, 3]	872
2008								
Segment sales	$ 2,541	$ 1,867	$ 1,074	$ 1,810	$ 1,583	$	$ 44	$ 8,919
Less transfers		(16)	(27)	(9)	(25)		(5)	(82)
Net sales	2,541	1,851	1,047	1,801	1,558		39	8,837
Pre-tax operating income (loss)	504	247	170	223	302	265	1 [5]	1,712

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Six Months Ended June 30,	Agriculture & Nutrition	Coatings & Color Technologies	Electronic & Communication Technologies	Performance Materials	Safety & Protection	Pharmaceuticals	Other	Total [1]
2009								
Segment sales	$ 5,675	$ 2,539	$ 1,491	$ 2,029	$ 2,031	$	$ 59	$ 13,824
Less transfers		(20)	(26)	(14)	(26)		(9)	(95)
Net sales	5,675	2,519	1,465	2,015	2,005		50	13,729
Pre-tax operating income (loss)	1,432[2]	87[2, 3]	(89)[2, 3]	(141)[2, 3, 4]	59[2, 3]	524	(87)[2, 3]	1,785
2008								
Segment sales	$ 5,424	$ 3,512	$ 2,100	$ 3,523	$ 2,948	$	$ 84	$ 17,591
Less transfers		(33)	(63)	(23)	(51)		(9)	(179)
Net sales	5,424	3,479	2,037	3,500	2,897		75	17,412
Pre-tax operating income (loss)	1,290	437	345	442	574	500	(25)[5]	3,563

1 A reconciliation of the pre-tax operating income totals reported for the operating segments to the applicable line item on the Consolidated Financial Statements is as follows:

	Three Months Ended June 30, **2009**	Three Months Ended June 30, 2008	Six Months Ended June 30, **2009**	Six Months Ended June 30, 2008
Total segment PTOI	$ 872	$ 1,712	$ 1,785	$ 3,563
Net exchange losses, including affiliates	(144)	(29)	(74)	(184)
Corporate expenses and net interest	(256)	(271)	(490)	(497)
Income before income taxes	$ 472	$ 1,412	$ 1,221	$ 2,882

[2] Includes a $75 net reduction in estimated costs related to the 2008 restructuring program, in the following segments: Agriculture & Nutrition $(1); Coatings & Color Technologies - $43; Electronic & Communication Technologies $1; Performance Materials $28; Safety & Protection $2; and Other $2. See Note 5 for additional information.

[3] Includes a $340 restructuring charge comprised of severance and related benefit costs, asset related charges, and other non-personnel costs, in the following segments: Coatings & Color Technologies $(70); Electronic & Communication Technologies $(73); Performance

Materials $(110); Safety & Protection $(86); and Other $(1). See Note 5 for additional information.

4 Includes a $50 benefit related to a reduction in the reserve for hurricane damage in 2008 for $26, and initial insurance recoveries related to damage from Hurricane Ike in 2008 in the amount of $24.

5 Includes a $51 benefit from a litigation settlement.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statements About Forward-Looking Statements

This report contains forward-looking statements which may be identified by their use of words like plans, expects, will, anticipates, intends, projects, estimates or other words of similar meaning. All statements that address expectations or projections about the future, including statements about the company s strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. For some of the important factors that could cause the company s actual results to differ materially from those projected in any such forward-looking statements see the Risk Factors discussion set forth under Part II, Item 1A beginning on page 41. Additional risks and uncertainties not presently known to the company or that the company currently believes to be immaterial also could affect its businesses.

Results of Operations

Overview

While the Agriculture & Nutrition and Pharmaceuticals segments both had earnings growth versus 2008, a majority of the company s businesses continue to be negatively affected by the global economic recession, in particular by the downturn in global industrial production. Total company sales in the second quarter 2009 were 22 percent lower than 2008, despite a 3 percent increase from the Agriculture & Nutrition segment. Company-wide actions to reduce fixed costs and improve productivity, along with the benefit of lower raw material, energy and freight costs, helped to offset the impact on earnings from lower sales. Net income attributable to DuPont declined 61 percent versus prior year primarily related to the decline in sales volume, a restructuring charge, and a negative impact from currency exchange rates. The company continues to focus on cash generation via reductions in cost, working capital, and capital expenditures. Programs to support future growth of the company, particularly from agricultural products, protective materials and applied bio-sciences, remain a strategic priority and continue to be funded at appropriate levels.

Net Sales

Net sales for the second quarter 2009 were $6.9 billion versus $8.8 billion in the prior year, down 22 percent, reflecting 19 percent lower sales volume and a 1 percent net reduction from portfolio changes. A 3 percent increase in local selling prices was more than offset by a 5 percent reduction from currency exchange. Higher local selling prices principally reflect higher prices for seeds and other value-in-use products. The global economic recession had a significant negative impact on the company s sales volumes in all regions, particularly for products where demand is closely tied to industrial production. While volumes outside the United States declined 22 percent, volumes in the United States were 15 percent lower as higher Agriculture & Nutrition volumes partially offset significantly lower volumes in the other segments.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

The table below shows a regional breakdown of net sales based on location of customers and percentage variances from the prior year:

	Three Months Ended June 30, 2009		Percent Change Due to:			
	2009 Net Sales ($ Billions)	Percent Change vs. 2008	Local Price	Currency Effect	Volume	Portfolio
U.S.	$3.1	(13)	4		(15)	(2)
Europe, Middle East & Africa	1.7	(38)	2	(13)	(27)	
Asia Pacific	1.2	(18)	1	(3)	(16)	
Canada & Latin America	0.9	(20)	5	(9)	(16)	
Total Consolidated Sales	$6.9	(22)	3	(5)	(19)	(1)

Net sales for the six months ended June 30, 2009 were $13.7 billion versus $17.4 billion in the prior year, down 21 percent, principally reflecting the negative impact on demand for the company s products related to industries other than production agriculture. Sales volumes were down 19 percent and sales were further reduced by a 1 percent impact from portfolio changes. A 4 percent increase in local selling prices was more than offset by a 5 percent reduction from currency exchange. Higher local selling prices principally reflect higher prices for seeds and other value-in-use products. Sales volumes were lower in all regions, particularly for products closely tied to industrial production. Volumes outside the United States declined 22 percent, while volumes in the United States were 15 percent lower reflecting higher Agriculture & Nutrition volumes that partially offset significantly lower volumes in the other segments.

	Six Months Ended June 30, 2009		Percent Change Due to:			
	2009 Net Sales ($ Billions)	Percent Change vs. 2008	Local Price	Currency Effect	Volume	Portfolio
U.S.	$ 6.0	(11)	5		(15)	(1)
Europe, Middle East & Africa	3.8	(33)	2	(12)	(23)	
Asia Pacific	2.2	(22)	3	(2)	(23)	
Canada & Latin America	1.7	(21)	7	(9)	(18)	(1)
Total Consolidated Sales	$13.7	(21)	4	(5)	(19)	(1)

Other Income, Net

Second quarter 2009 other income, net, totaled $230 million as compared to $442 million in the prior year, a decrease of $212 million. The decrease is largely attributable to an increase of $97 million in net pre-tax exchange losses, a decrease of $44 million in equity in earnings of affiliates, and the absence of a $51 million favorable litigation settlement in 2008.

For the six months ended June 30, 2009, other income, net, was $629 million as compared to $637 million last year, a decrease of $8 million. The decrease was primarily attributable to a decrease in equity in earnings of affiliates of $30 million, and the absence of a $51 million favorable litigation settlement in 2008 offset by a decrease in net pre-tax exchange losses of $87 million.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

Additional information related to the company s other income, net, is included in Note 4 to the interim Consolidated Financial Statements.

Cost of Goods Sold and Other Operating Charges (COGS)

COGS totaled $5.0 billion in the second quarter 2009 versus $6.4 billion in the prior year, a decrease of 22 percent. As sales declined 22 percent, COGS as a percent of net sales was unchanged from the second quarter 2008 at 73 percent. The favorable impact of a $225 million decrease in raw material, energy and freight costs offset the adverse impact on unit costs resulting from lower capacity utilization and unfavorable currency impact. Second quarter 2009 COGS included insurance proceeds of $24 million received by the company from its insurance carriers for damages sustained from Hurricane Ike in the third quarter of 2008. The company continues to aggressively pursue insurance recoveries and expects that the next payments on account will occur during the second half of 2009 in the range of $50 - $100 million. In addition, COGS for the second quarter 2009 included a $26 million benefit related to a reduction in the reserve for Hurricane Ike recorded in 2008 as a result of lower than estimated inventory and permanent investment write-offs.

COGS for the six months ended June 30, 2009 was $10.2 billion, a decrease of 18 percent versus $12.4 billion in the prior year. COGS was 74 percent of net sales, a 3 percentage point increase from prior year. This increase principally reflects significantly lower capacity utilization and an unfavorable currency impact, partly offset by a modest decrease in raw material, energy and freight unit costs.

Selling, General and Administrative Expenses (SG&A)

SG&A totaled $907 million for the second quarter 2009 versus $987 million in the prior year. Year-to-date SG&A totaled $1.8 billion versus $1.9 billion in 2008. The decrease in SG&A was primarily due to strict cost controls in response to weak market conditions. The decrease was partially offset by increased global commissions and selling and marketing investments related to the company s seed products. SG&A was approximately 13 percent of net sales for the three and six month periods ended June 30, 2009 and 11 percent in 2008.

Research and Development Expense (R&D)

R&D totaled $331 million and $360 million for the second quarter 2009 and 2008, respectively. For the six month period ended June 30, 2009, R&D was $654 million versus $690 million last year. R&D spend was down for the three- and six-month periods versus prior year across all segments, excluding Agriculture & Nutrition, due to strict cost controls. R&D was approximately 5 percent of net sales for the three and six month periods ended June 30, 2009 and 4 percent in 2008.

Interest Expense

Interest expense totaled $106 million in the second quarter 2009 compared to $94 million in 2008. For the six-month period ended June 30, 2009, interest expense increased from $174 million in 2008 to $212 million in 2009. The increase in interest expense for the three and six months ended June 30, 2009 is due primarily to higher average gross debt and average rates.

Employee Separation / Asset Related Charges, Net

For the three and six months ended June 30, 2009, the company recorded a $340 million restructuring charge comprised of severance and related benefit costs, asset write-offs, and impairment charges, partially offset by a $75 million net reduction in the estimated costs related to the 2008 restructuring program. The $75 million net reduction in the estimated costs for the 2008 program was primarily due to work force reductions through non-severance programs and redeployments within the company. The 2009 actions are expected to produce a pre-tax cost savings of about $50 million for the remainder of 2009 and approximately $250 million per year in subsequent years. Additional information related to the company s 2009 program and reduction to the 2008 program is located in Note 5 to the interim Consolidated Financial Statements.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

Provision for Income Taxes

The company s effective tax rate for the second quarter 2009 was 10.8 percent as compared to 23.7 percent in 2008. The lower effective tax rate in 2009 versus 2008 principally relates to the tax impact associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations and the tax benefit related to restructuring, which was partially offset by a favorable tax settlement recorded in 2008.

The company s effective tax rate for year-to-date 2009 was 25.5 percent as compared to 21.1 percent in 2008. The higher effective tax rate principally relates to the tax impact associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations and a favorable tax settlement recorded in 2008. See Note 6 to the interim Consolidated Financial Statements for additional information.

Net Income Attributable to DuPont

Net income attributable to DuPont (earnings) for the second quarter of 2009 were $417 million versus $1.1 billion in the second quarter 2008, a 61 percent decrease. The decrease in earnings principally results from lower sales volume, restructuring charge, unfavorable currency impacts, higher pension costs and the absence of a prior-year favorable litigation settlement. Partly offsetting these factors were benefits from cost reduction productivity measures and lower raw material, energy and freight costs.

For the six months ended June 30, 2009, earnings were $905 million, compared to $2.3 billion in the prior year, a decrease of 60 percent. The decrease in earnings principally results from lower sales volume, unfavorable currency impacts, higher pension costs and restructuring charge. Partly offsetting these factors were benefits from cost reduction productivity measures.

Corporate Outlook

The company re-affirmed its 2009 earnings outlook range of $1.54 to $1.94 per share. The outlook includes estimated full-year earnings impact of approximately $.16 per share related to the 2009 restructuring charge, reduction in estimated costs associated with the 2008 restructuring program and the reserve for hurricane damage, and initial insurance recoveries related to damage sustained from Hurricane Ike in 2008. The outlook anticipates prevailing weak demand across key markets other than agriculture with gradual improvement from current recessionary levels during the remainder of 2009. Favorable conditions are expected in southern hemisphere agriculture markets with the benefit of increased market share for new products and related higher selling prices. The company will continue aggressive actions to reduce costs and capital expenditures, in addition to maintaining an appropriate level of investment for high-growth, high-margin businesses including seed products and photovoltaics.

Accounting Standards Issued Not Yet Adopted

See Note 1 to the interim Consolidated Financial Statements for a description of recent accounting pronouncements.

Segment Reviews

Summarized below are comments on individual segment sales and pre-tax operating income/loss (PTOI) for the three- and six-month periods ended June 30, 2009 compared with the same period in 2008. Segment sales include transfers. Segment PTOI is defined as operating income/loss before income taxes, non-controlling interests, exchange gains/losses, corporate expenses and net interest.

As described in Note 5 to the Consolidated Financial Statements, the company initiated a global restructuring program during the second quarter 2009 to reduce costs and improve profitability across its businesses. The program charge reduced second quarter and year-to-date 2009 segment PTOI as follows: Coatings & Color Technologies $70 million; Electronic & Communication Technologies $73 million; Performance Materials $110 million; Safety & Protection $86 million; and Other $1 million. In addition, the company recorded a $75 million net reduction in the estimated costs associated with the

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

2008 program. The $75 million net reduction impacted segment earnings for the three and six-months ended June 30, 2009 as follows: Agriculture & Nutrition $(1) million; Coatings & Color Technologies $43 million; Electronic & Communication Technologies $1 million; Performance Materials $28 million; Safety & Protection $2 million; and Other $2 million.

Agriculture & Nutrition Second quarter 2009 sales of $2.6 billion were 3 percent higher, reflecting 7 percent higher USD selling prices, partially offset by a 4 percent decline in volume. The increase in USD selling prices reflect significantly higher local selling prices for seeds products, partially offset by unfavorable currency impacts across all regions. The volume decline was driven by lower demand for specialty herbicides, fungicides and insecticides in Latin America and Europe due to unfavorable weather conditions, lower planted acreage, the impact of the current economic recession on farmers and distributors, and lower sales of food and nutrition products. The volume decline was partially offset by higher corn and soybean seed sales in North America due to anticipated market share gains and increased planted acreage, and higher sales in Asia Pacific across the segment. PTOI for the second quarter of $580 million increased 15 percent, primarily due to the increase in sales and higher value product mix and the absence of a $52 million net charge from mark-to-market valuation of open soybean contracts in 2008, partially offset by significant unfavorable currency impacts.

Year-to-date sales were $5.7 billion, a 5 percent increase versus the prior year, reflecting 6 percent higher USD selling prices, partially offset by a 1 percent decrease in volume. The higher USD selling prices are due to higher local selling prices for seeds products, partially offset by unfavorable currency impacts across all regions. The decrease in volume was primarily due to lower sales of crop protection products and food and nutrition products, partially offset by higher seeds sales in North America. PTOI for the first half of 2009 was $1.4 billion, up 11 percent versus $1.3 billion in the same period last year, principally due to the higher sales and higher value product mix, partially offset by unfavorable currency impacts globally.

On May 4, 2009, Monsanto Company (Monsanto) filed a lawsuit against the company in federal court claiming that Pioneer Hi-Bred International, Inc. (Pioneer), a wholly-owned subsidiary of the company, is violating its Roundup Ready® license agreements by stacking its Optimum® GAT® herbicide tolerance trait with Monsanto s Roundup Ready® herbicide tolerance trait. Monsanto also alleges that sales of Pioneer stacked seeds would infringe a Monsanto patent that expires in 2014. Monsanto seeks declaratory relief, unspecified damages and a permanent injunction to prevent sales of Optimum® GAT®/ Roundup Ready® seeds. The company has filed an answer and counterclaims, including patent misuse and antitrust claims, in response to the lawsuit. Management believes that the lawsuit is unlikely to materially affect the company s commercial results for soybean and corn seed.

Coatings & Color Technologies Second quarter 2009 sales of $1.4 billion were down 26 percent, reflecting 21 percent decrease in volume and 5 percent lower USD selling prices. The decline in volume reflects lower sales of products to motor vehicle original equipment manufacturers (OEMs) due to fewer motor vehicle builds and decreased demand for industrial, refinish and titanium dioxide products due to the current economic recession. However, sales volumes improved sequentially versus first quarter 2009. The lower USD selling prices reflect unfavorable currency impacts, partially offset by higher local selling prices. Second quarter 2009 PTOI was $106 million, compared to $247 million in the second quarter 2008. The decrease in PTOI was mainly due to lower volumes, charges associated with low capacity utilization of production units, and the impact of the $70 million restructuring charge described above, partially offset by cost savings from the 2008 restructuring program. The second quarter 2009 PTOI also includes a $43 million reduction in the estimated costs associated with the 2008 restructuring program as described in Note 5.

Year-to-date 2009 sales were $2.5 billion, down 28 percent from the same period last year, reflecting 25 percent decline in volume and 3 percent lower USD selling prices. The decline in volume reflects the impact of fewer motor vehicle builds in sales to motor vehicle OEMs, and lower sales of industrial, refinish and titanium dioxide products as supply chains destocked in response to the global economic recession. Year-to-date PTOI was $87 million as compared to $437 million during the same period last year. The

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

decline in PTOI primarily reflects the impact of lower volumes, charges associated with low capacity utilization of production units and the $70 million restructuring charge recorded in the second quarter of 2009, partially offset by the $43 million reduction in the estimated costs associated with the 2008 restructuring program.

Electronic & Communication Technologies Sales in the second quarter of $795 million decreased 26 percent, reflecting a 23 percent decline in volume and 3 percent lower USD selling prices. The decreased volume is primarily related to the global economic recession which affected demand for products across all regions and markets, and the effect of colder weather patterns in North America and Europe which significantly reduced sales of refrigerants. Nevertheless, most of the segment s key products experienced sales volume improvements sequentially versus first quarter 2009, primarily in emerging regions. The lower USD selling prices were mainly driven by unfavorable currency impacts, and lower local selling prices for some products due to contractual pass-through of lower metal prices. Second quarter 2009 PTOI was a loss of $35 million compared to income of $170 million in the second quarter 2008, driven by lower volumes and the impact of the $73 million restructuring charge described above, partially offset by fixed cost productivity improvements.

Year-to-date sales of $1.5 billion were down 29 percent, reflecting 2 percent lower USD selling prices and a 27 percent decline in volume. The lower volumes reflect the effect of the global economic recession which impacted sales for products across all the segment key markets. Year-to-date PTOI was a loss of $89 million compared to income of $345 million in prior year. The decline in PTOI was driven by decreased sales, charges associated with low capacity utilization of production units, and the impact of the $73 million restructuring charge.

Performance Materials Second quarter sales of $1.1 billion were down 40 percent, reflecting a 29 percent decline in volume, 8 percent lower USD selling prices, and a 3 percent decrease related to a portfolio change. Sales volume declines occurred in all major regions and market segments, however experienced improvements sequentially versus first quarter 2009. The lower USD selling prices reflect unfavorable currency impacts and a significantly weaker sales mix driven by the economic recession. Second quarter 2009 PTOI was $5 million, compared to $223 million in the second quarter 2008, primarily due to the $110 million restructuring charge described above, the impact of lower sales, and charges associated with low capacity utilization of production units, partially offset by improvements in variable margin. The second quarter 2009 PTOI also includes a $28 million reduction in the estimated costs associated with the 2008 restructuring program as described in Note 5, initial insurance recoveries amounting to $24 million related to damages sustained from Hurricane Ike in 2008, and a benefit of $26 million from a reduction to the reserve recorded in 2008 for Hurricane Ike. The $26 million reduction was primarily due to lower than estimated inventory and permanent investment write-offs.

Year-to-date sales were $2.0 billion versus $3.5 billion in the prior year. The 42 percent decrease in sales reflects 6 percent lower USD prices, 33 percent decrease in volume, and a 3 percent reduction related to portfolio changes. The lower USD selling prices were a combination of significantly weaker sales mix and unfavorable currency impacts. The decrease in volume mainly reflects the effect of the global economic recession and destocking of downstream inventory channels during the period. Year-to-date PTOI was a loss of $141 million compared to income of $442 million in prior year. The decline in PTOI was driven by decreased sales, charges associated with low capacity utilization of production units, and the impact of the $110 million restructuring charge, partially offset by fixed costs productivity improvements.

Safety & Protection Sales in the second quarter of $1.0 billion decreased 37 percent, reflecting a 29 percent decline in volume and 8 percent lower USD selling prices. The lower volume reflects the impact of the global economic recession which continued to affect demand for products in motor vehicle, industrial, military, and residential construction markets. The lower USD selling prices were mainly driven by unfavorable currency impacts and lower local selling prices for some industrial chemicals products due to contractual pass-through of raw material price declines. Second quarter 2009 PTOI was a loss of $13 million, compared to income of $302 million in the second quarter 2008, primarily due to the $86 million restructuring charge described above, the impact of lower sales and charges associated with low

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

capacity utilization of production units, partially offset by improved variable margins and fixed costs productivity. Year-to-date sales of $2.0 billion were 31 percent lower than last year, due to 7 percent lower USD selling prices and a 24 percent decline in volume. The lower volume reflects decreased demand for products across all markets and regions as customers reduced inventories in response to the economic recession. Year-to-date PTOI was $59 million compared to $574 million in the prior year. The decrease in earnings was primarily due to the impact of lower volumes, charges associated with low capacity utilization of production units, and the impact of the $86 million restructuring charge.

Pharmaceuticals Second quarter 2009 PTOI was $272 million compared to $265 million in the second quarter 2008. Year-to-date 2009 PTOI was $524 million compared to $500 million in the prior year.

Other The company includes embryonic businesses not included in growth platforms, such as applied biosciences and nonaligned businesses in Other. Sales in the second quarter 2009 of $31 million decreased 30 percent from the second quarter 2008 due to the absence of sales from a discontinued business. PTOI for the second quarter 2009 was a loss of $43 million compared to income of $1 million in the second quarter 2008. The lower PTOI is mainly due to the absence of a benefit of $51 million from a litigation settlement in 2008.

Year-to-date sales of $59 million compared to $84 million in 2008. Year-to-date pre-tax operating loss of $87 million compared to pre-tax operating loss of $25 million in the first half of 2008. The pre-tax loss for the first half of 2008 included a benefit of $51 million from a litigation settlement.

Liquidity & Capital Resources

Despite the global economic recession and adverse conditions in the global capital markets, management believes the company s ability to generate cash from operations, coupled with cost reduction initiatives and access to capital markets, will be adequate to meet anticipated cash requirements to fund working capital, capital spending, dividend payments, debt maturities and other cash needs. The company s liquidity needs can be met through a variety of sources, including: cash provided by operating activities, cash and cash equivalents, marketable securities, commercial paper, syndicated credit lines, bilateral credit lines, equity and long-term debt markets and asset sales. The company s current strong financial position, liquidity and credit ratings have not been materially impacted by the current credit environment. In addition, cash generating actions have been implemented including spending reductions and restructuring to better align capital expenditures and costs with anticipated continuing lower global demand. However, there can be no assurance that the cost or availability of future borrowings will not be impacted by ongoing credit market instability. The company will continue to monitor the financial markets in order to respond to changing conditions.

Pursuant to its cash discipline policy, the company seeks first to maintain a strong balance sheet and second, to return excess cash to shareholders unless the opportunity to invest for growth is compelling. Cash and cash equivalents and marketable securities balances of $2.6 billion as of June 30, 2009, provide primary liquidity to support all short-term obligations. The company has access to approximately $2.6 billion in credit lines with several major financial institutions, as additional support to meet short term liquidity needs. These credit lines are primarily multi-year facilities.

The company continually reviews its debt portfolio and occasionally may rebalance it to ensure adequate liquidity and an optimum debt maturity schedule.

Cash provided by operating activities was $45 million for the six months ended June 30, 2009 compared to cash used for operating activities of $433 million during the same period ended in 2008. The $478 million increase is primarily due to a reduction in working capital increases, including a $1.5 billion decrease in the change in inventory levels, partially offset by lower earnings in 2009.

Cash used for investing activities was $1.5 billion for the six months ended June 30, 2009 compared to $1.3 billion for the same period last year. The increase was mainly due to a larger increase in short-term

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

financial instruments, partially offset by lower capital expenditures. Purchases of property, plant and equipment (PP&E) for the six months ended June 30, 2009 totaled $719 million, a reduction of $173 million compared to the prior year.

Cash used for financing activities was $57 million for the six months ended June 30, 2009 compared to cash provided by financing activities of $1.7 billion in the prior year. The reduction was primarily due to a decrease in the net proceeds from borrowings.

Dividends paid to shareholders during the six months ended June 30, 2009 totaled $746 million. In April 2009, the company s Board of Directors declared a second quarter common stock dividend of $0.41 per share. The second quarter dividend was the company s 419th consecutive quarterly dividend since the company s first dividend in the fourth quarter 1904.

Cash and Cash Equivalents and Marketable Securities

Cash and cash equivalents and marketable securities were $2.6 billion at June 30, 2009, a decrease of $1.1 billion from $3.7 billion at December 31, 2008. The use of cash combined with cash generated from proceeds from borrowings and earnings were mainly used to fund working capital, capital projects and dividend needs.

Debt

Total debt at June 30, 2009 was $10.4 billion, an increase of $0.7 billion from the $9.7 billion at December 31, 2008. The proceeds from the increased borrowings along with earnings and cash were primarily used to fund normal seasonal working capital needs, principally in the Agriculture & Nutrition segment as well as capital projects and dividends.

Guarantees and Off-Balance Sheet Arrangements

For detailed information related to Guarantees, Indemnifications, Obligations for Equity Affiliates and Others, Certain Derivative Instruments, and Master Operating Leases, see pages 36 - 37 to the company s 2008 Annual Report, and Note 10 to the interim Consolidated Financial Statements.

Contractual Obligations

Information related to the company s contractual obligations at December 31, 2008 can be found on page 38 of the company s 2008 Annual Report.

PFOA

DuPont manufactures fluoropolymer resins and dispersions as well as fluorotelomers, marketing many of them under the Teflon ® and Zonyl ® brands. The fluoropolymer resins and dispersions businesses are part of the Electronic & Communication Technologies segment; the fluorotelomers business is part of the Safety & Protection segment. Fluoropolymer resins and dispersions are high-performance materials with many end uses including architectural fabrics, telecommunications and electronic wiring insulation, automotive fuel systems, computer chip processing equipment, weather-resistant/breathable apparel and non-stick cookware. Fluorotelomers are used to make soil, stain and grease repellants for paper, apparel, upholstery and carpets as well as firefighting foams and coatings.

A form of PFOA (collectively, perfluorooctanoic acid and its salts, including the ammonium salt) is used as a processing agent to manufacture fluoropolymer resins and dispersions. For over 50 years, DuPont purchased its PFOA needs from a third party, but beginning in the fall of 2002, it began producing PFOA to support the manufacture of fluoropolymer resins and dispersions. PFOA is not used in the manufacture of fluorotelomers; however, it is an unintended by-product present at trace levels in some fluorotelomer-based products.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

DuPont Performance Elastomers, LLC (DPE) uses PFOA in the manufacture of raw materials to manufacture Kalrez® perfluoroelastomer parts. PFOA is also used in the manufacture of some fluoroelastomers marketed by DPE under the Viton® trademark. The wholly owned subsidiary is a part of the Performance Materials segment.

PFOA is bio-persistent and has been detected at very low levels in the blood of the general population. As a result, the EPA initiated a process to enhance its understanding of the sources of PFOA in the environment and the pathways through which human exposure to PFOA is occurring. In 2005, the EPA issued a draft risk assessment on PFOA stating that the cancer data for PFOA may be best described as suggestive evidence of carcinogenicity, but not sufficient to assess human carcinogenic potential under the EPA s Guidelines for Carcinogen Risk Assessment. At EPA s request, the Science Advisory Board (SAB) reviewed and commented on the scientific soundness of this assessment. In its May 2006 report, the SAB set forth the view, based on laboratory studies in rats, that the human carcinogenic potential of PFOA is more consistent with the Guidelines descriptor of likely to be carcinogenic. However, the report stated that additional data should be considered before the EPA finalizes its risk assessment of PFOA. The EPA has acknowledged that it will consider additional data, including new research and testing, and has indicated that another SAB review will be sought after the EPA makes its risk assessment. DuPont disputes the cancer classification recommended in the SAB report. Although the EPA has stated that there remains considerable scientific uncertainty regarding potential risks associated with PFOA, it also stated that it does not believe that there is any reason for consumers to stop using any products because of concerns about PFOA.

DuPont respects the EPA s position raising questions about exposure routes and the potential toxicity of PFOA and DuPont and other companies have outlined plans to continue research, emission reduction and product stewardship activities to help address the EPA s questions. In January 2006, DuPont pledged its commitment to the EPA s 2010/15 PFOA Stewardship Program. The EPA program asks participants (1) to commit to achieve, no later than 2010, a 95 percent reduction in both facility emissions and product content levels of PFOA, PFOA precursors and related higher homologue chemicals and (2) to commit to working toward the elimination of PFOA, PFOA precursors and related higher homologue chemicals from emissions and products by no later than 2015. In October 2008, (for the year 2007), DuPont reported to the EPA that it had achieved a 98 percent reduction of PFOA emissions in U.S. manufacturing facilities. The company achieved about a 97 percent reduction in global manufacturing emissions, exceeding the EPA s 2010 objective. DuPont will work individually and with others in the industry to inform EPA s regulatory counterparts in the European Union, Canada, China and Japan about these activities and PFOA in general, including emissions reductions from DuPont s facilities, reformulation of the company s fluoropolymer dispersions and new manufacturing processes for fluorotelomers products.

DuPont introduced in late 2006, Echelon™ technology which reduces the PFOA content 99 percent in aqueous fluoropolymer dispersion products. DuPont has converted customers representing over 95 percent of the sales volume for these product lines to newly formulated Echelon™ technology.

In February 2007, DuPont announced its commitment to no longer make, use or buy PFOA by 2015, or sooner if possible. DuPont has developed PFOA replacement technology and successfully used this technology in its global manufacturing facilities to produce test materials for all major fluoropolymer product lines. DuPont has begun to supply fluoropolymer products without PFOA to customers for testing in their processes, and is working to obtain appropriate regulatory approvals for this technology.

In the first quarter 2008, DuPont introduced its next generation fluorotelomer products. The products are marketed as DuPont™ Capstone™ products for use in home furnishings, stone and tile, fire fighting foam, fluorosurfactants, textiles and leather goods. The U.S. Food and Drug Administration (FDA) has authorized two new DuPont grease and oil repellents for use in paper packaging. Additional products will be introduced for paper packaging and other end use markets pending appropriate regulatory approvals.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

In January 2009, the EPA issued a national Provisional Health Advisory for PFOA of 0.4 parts per billion (ppb) in drinking water. In March 2009, EPA and DuPont entered an Order on Consent under the Safe Drinking Water Act (SDWA) reflecting an action level of 0.40 ppb (see Note 10 to the interim Consolidated Financial Statements).

In February 2007, the New Jersey Department of Environmental Protection (NJDEP) identified a preliminary drinking-water guidance level for PFOA of 0.04 ppb as part of the first phase of an ongoing process to establish a state drinking-water standard. During the first quarter 2009, the NJDEP began the process to establish a permanent Maximum Contaminant Level (MCL) for PFOA in drinking water. The process is estimated to take 1 to 2 years. While the NJDEP will continue sampling and evaluation of data from all sources, it has not recommended a change in consumption patterns.

Occupational exposure to PFOA has been associated with small increases in some lipids (e.g. cholesterol). These associations were also observed in a recent community study. It is not known whether these are causal associations. Based on health and toxicological studies, DuPont believes the weight of evidence indicates that PFOA exposure does not pose a health risk to the general public. To date, there are no human health effects known to be caused by PFOA, although study of the chemical continues.

There have not been any regulatory or government actions that prohibit the production or use of PFOA. However, there can be no assurance that the EPA or any other regulatory entity or government body will not choose to regulate or prohibit the production or use of PFOA in the future. Products currently manufactured by the company representing approximately $1 billion of 2008 revenues could be affected by any such regulation or prohibition. DuPont has established reserves in connection with certain PFOA environmental and litigation matters (see Note 10 to the interim Consolidated Financial Statements).

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, on pages 46 and 47 of the company s 2008 Annual Report for information on the company s utilization of financial instruments and an analysis of the sensitivity of these instruments.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, *Continued*

Item 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

The company maintains a system of disclosure controls and procedures for financial reporting to give reasonable assurance that information required to be disclosed in the company s reports submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of June 30, 2009, the company s Chief Executive Officer (CEO) and Chief Financial Officer (CFO), together with management, conducted an evaluation of the effectiveness of the company s disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective.

b) Changes in Internal Control over Financial Reporting

There has been no change in the company s internal control over financial reporting that occurred during the quarter ended June 30, 2009 that has materially affected or is reasonably likely to materially affect the company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

PFOA: Environmental and Litigation Proceedings

Information related to this matter is included in Note 10 to the company s interim Consolidated Financial Statements under the heading PFOA.

Elastomers Antitrust Matters

Information related to this matter is included in Note 10 to the company s interim Consolidated Financial Statements under the heading Elastomers Antitrust Matters.

Environmental Proceedings

TSCA Voluntary Audit

DuPont voluntarily undertook a self-audit concerning reporting of inhalation studies pursuant to Toxic Substances Control Act (TSCA) section 8(e). DuPont voluntarily reported the results of that audit to the EPA. The EPA has reviewed the information submitted under this self-audit and has indicated potential violations exist with respect to some of the submitted studies. Based upon communications with the EPA, the company believes the EPA will seek a penalty.

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Item 1A. RISK FACTORS

The company s operations could be affected by various risks, many of which are beyond its control. Based on current information, the company believes that the following identifies the most significant risk factors that could affect its businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Price increases for energy and raw materials could have a significant impact on the company s ability to sustain and grow earnings.

The company s manufacturing processes consume significant amounts of energy and raw materials, the costs of which are subject to worldwide supply and demand as well as other factors beyond the control of the company. Significant variations in the cost of energy, which primarily reflect market prices for oil and natural gas and raw materials affect the company s operating results from period to period. When possible, the company purchases raw materials through negotiated long-term contracts to minimize the impact of price fluctuations. Additionally, the company enters into over-the-counter and exchange traded derivative commodity instruments to hedge its exposure to price fluctuations on certain raw material purchases. The company has taken actions to offset the effects of higher energy and raw material costs through selling price increases, productivity improvements and cost reduction programs. Success in offsetting higher raw material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the market served. If the company is not able to fully offset the effects of higher energy and raw material costs, it could have a significant impact on the company s financial results.

Failure to develop and market new products could impact the company s competitive position and have an adverse effect on the company s financial results.

The company s operating results are largely dependent on its ability to renew its pipeline of new products and services and to bring those products and services to market. This ability could be adversely affected by difficulties or delays in product development such as the inability to identify viable new products, successfully complete research and development, obtain relevant regulatory approvals, obtain intellectual property protection, or gain market acceptance of new products and services. Because of the lengthy development process, technological challenges and intense competition, there can be no assurance that any of the products the company is currently developing, or could begin to develop in the future, will achieve substantial commercial success. Sales of the company s new products could replace sales of some of its current products, offsetting the benefit of even a successful product introduction.

The company s results of operations could be adversely affected by litigation and other commitments and contingencies.

The company faces risks arising from various unasserted and asserted litigation matters, including, but not limited to, product liability, patent infringement, antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. The company has noted a nationwide trend in purported class actions against chemical manufacturers generally seeking relief such as medical monitoring, property damages, off-site remediation and punitive damages arising from alleged environmental torts without claiming present personal injuries. Various factors or developments can lead to changes in current estimates of liabilities such as a final adverse judgment, significant settlement or changes in applicable law. A future adverse ruling or unfavorable development could result in future charges that could have a material adverse effect on the company. An adverse outcome in any one or more of these matters could be material to the company s financial results.

In the ordinary course of business, the company may make certain commitments, including representations, warranties and indemnities relating to current and past operations, including those related to divested businesses and issue guarantees of third party obligations. If the company were required to make payments as a result, they could exceed the amounts accrued, thereby adversely affecting the company s results of operations.

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As a result of the company s current and past operations, including operations related to divested businesses, the company could incur significant environmental liabilities.

The company is subject to various laws and regulations around the world governing the environment, including the discharge of pollutants and the management and disposal of hazardous substances. As a result of its operations, including its past operations and operations of divested businesses, the company could incur substantial costs, including cleanup costs. The costs of complying with complex environmental laws and regulations, as well as internal voluntary programs, are significant and will continue to be so for the foreseeable future. The ultimate costs under environmental laws and the timing of these costs are difficult to predict. The company s accruals for such costs and liabilities may not be adequate because the estimates on which the accruals are based depend on a number of factors including the nature of the matter, the complexity of the site, site geology, the nature and extent of contamination, the type of remedy, the outcome of discussions with regulatory agencies and other Potentially Responsible Parties (PRPs) at multi-party sites and the number and financial viability of other PRPs.

The company s ability to generate sales from genetically enhanced products, particularly seeds and other agricultural products, could be adversely affected by market acceptance, government policies, rules or regulations and competition.

The company is using biotechnology to create and improve products, particularly in its Agriculture & Nutrition segment. Demand for these products could be affected by market acceptance of genetically modified products as well as governmental policies, laws and regulations that affect the development, manufacture and distribution of products, including the testing and planting of seeds containing biotechnology traits and the import of crops grown from those seeds.

The company competes with major global companies that have strong intellectual property estates supporting the use of biotechnology to enhance products, particularly in the agricultural products and production markets. Speed in discovering and protecting new technologies and bringing products based on them to market is a significant competitive advantage. Failure to predict and respond effectively to this competition could cause the company s existing or candidate products to become less competitive, adversely affecting sales.

Changes in government policies and laws could adversely affect the company s financial results.

Sales outside the U.S. constitute more than half of the company s revenue. The company anticipates that international sales will continue to represent a substantial portion of its total sales and that continued growth and profitability will require further international expansion, particularly in emerging markets. The company s financial results could be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of U.S. and non-U.S. governments, agencies and similar organizations. These conditions include but are not limited to changes in a country s or region s economic or political conditions, trade regulations affecting production, pricing and marketing of products, local labor conditions and regulations, reduced protection of intellectual property rights in some countries, changes in the regulatory or legal environment, restrictions on currency exchange activities, burdensome taxes and tariffs and other trade barriers. International risks and uncertainties, including changing social and economic conditions as well as terrorism, political hostilities and war, could lead to reduced international sales and reduced profitability associated with such sales.

Economic factors, including inflation and fluctuations in currency exchange rates, interest rates and commodity prices could affect the company s financial results.

The company is exposed to fluctuations in currency exchange rates, interest rates and commodity prices. Because the company has significant international operations, there are a large number of currency transactions that result from international sales, purchases, investments and borrowings. The company actively manages currency exposures that are associated with monetary asset positions, committed currency purchases and sales and other assets and liabilities created in the normal course of business. Failure to successfully manage these risks could have an adverse impact on the company s financial position, results of operations and cash flows.

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Conditions in the global economy and global capital markets may adversely affect the company s results of operations, financial condition, and cash flows.

The company s business and operating results have been and will continue to be affected by the global recession, including the credit market crisis, declining consumer and business confidence, fluctuating commodity prices, volatile exchange rates, and other challenges currently affecting the global economy. The company s customers may experience deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. As a result, existing or potential customers may delay or cancel plans to purchase products and may not be able to fulfill their obligations in a timely fashion. Further, suppliers may be experiencing similar conditions, which could impact their ability to fulfill their obligations to the company. If the global recession continues for significant future periods or deteriorates significantly, the company s results of operations, financial condition and cash flows could be materially adversely affected.

Business disruptions could seriously impact the company s future revenue and financial condition and increase costs and expenses.

Business disruptions, including supply disruptions, increasing costs for energy, temporary plant and/or power outages and information technology system and network disruptions, could seriously harm the company s operations as well as the operations of its customers and suppliers. Although it is impossible to predict the occurrences or consequences of any such events, they could result in reduced demand for the company s products, make it difficult or impossible for the company to deliver products to its customers or to receive raw materials from suppliers, and create delays and inefficiencies in the supply chain. The company actively manages the risks within its control that could cause business disruptions to mitigate any potential impact from business disruptions regardless of cause including acts of terrorism or war, and natural disasters. Despite these efforts, the impact from business disruptions could significantly increase the cost of doing business or otherwise adversely impact the company s financial performance.

Inability to protect and enforce the company s intellectual property rights could adversely affect the company s financial results.

Intellectual property rights are important to the company s business. The company endeavors to protect its intellectual property rights in jurisdictions in which its products are produced or used and in jurisdictions into which its products are imported. However, the company may be unable to obtain protection for its intellectual property in key jurisdictions. Additionally, the company has designed and implemented internal controls to restrict access to and distribution of its intellectual property, including confidential information and trade secrets. Despite these precautions, it is possible that unauthorized parties may access and use such property. When misappropriation is discovered, the company reports such situations to the appropriate governmental authorities for investigation and takes measures to mitigate any potential impact.

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Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

There were no purchases of the company s common stock during the three months ended June 30, 2009.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders was held on April 29, 2009. A total of 712,497,455 shares of common stock were voted in person or by proxy, representing 79 percent of the shares entitled to be voted. The following are the voting results on proposals considered and voted upon at the meeting, all of which are described in the company s 2009 Proxy Statement.

1. Election of Directors. The 13 nominees listed below were elected to serve on the Board of Directors for the ensuing year.

Director	For	Against	Abstentions
S.W. Bodman	699,809,072	9,496,454	3,191,929
R. H. Brown	699,460,606	9,889,612	3,147,237
R. A. Brown	700,160,425	9,128,309	3,208,721
B. P. Collomb	700,852,533	8,359,910	3,285,012
C. J. Crawford	689,945,256	19,175,068	3,377,131
A. M. Cutler	689,051,940	20,230,988	3,214,527
J. T. Dillon	697,294,689	11,956,762	3,246,004
E. I. du Pont	698,844,432	9,921,353	3,731,670
M. A. Hewson	701,208,617	8,150,492	3,138,346
C. O. Holliday, Jr.	684,619,402	24,622,646	3,255,407
L. D. Juliber	697,618,538	11,617,137	3,261,780
E. J. Kullman	698,197,220	11,181,515	3,118,720
W. K. Reilly	696,007,089	13,073,303	3,417,063

		For	Against	Abstentions	Broker Non-Votes
2.	Ratification of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm.	703,974,379	6,217,643	2,305,433	
3.	Stockholder proposal requesting the Board of Directors to adopt a policy on shareholder say on executive pay.	247,366,367	288,749,896	23,704,804	152,676,388

Item 6. EXHIBITS

Exhibits: The list of exhibits in the Exhibit Index to this report is incorporated herein by reference.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

E. I. DU PONT DE NEMOURS AND COMPANY
(Registrant)

Date: July 27, 2009

By: /s/Jeffrey L. Keefer
Jeffrey L. Keefer
Executive Vice President and Chief Financial Officer (As Duly Authorized Officer and Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
3.1	Company's Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the company's Annual Report on Form 10-K for the year ended December 31, 2007).
3.2	Company's Bylaws, as last amended effective March 4, 2009 (incorporated by reference to Exhibit 3.1 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2009).
4	The company agrees to provide the Commission, on request, copies of instruments defining the rights of holders of long-term debt of the company and its subsidiaries.
10.1*	The DuPont Stock Accumulation and Deferred Compensation Plan for Directors, as last amended effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.2*	Company's Supplemental Retirement Income Plan, as last amended effective June 4, 1996 (incorporated by reference to Exhibit 10.3 to the company's Annual Report on Form 10-K for the year ended December 31, 2006).
10.3*	Company's Pension Restoration Plan, as restated effective July 17, 2006 (incorporated by reference to Exhibit 99.1 to the company's Current Report on Form 8-K filed on July 20, 2006).
10.4*	Company's Rules for Lump Sum Payments adopted July 17, 2006 (incorporated by reference to Exhibit 99.2 to the company's Current Report on Form 8-K filed on July 20, 2006).
10.5*	Company's Stock Performance Plan, as last amended effective January 25, 2007 (incorporated by reference to Exhibit 10.7 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.6*	Company's Equity and Incentive Plan as approved by the company's shareholders on April 25, 2007 (incorporated by reference to pages C1-C13 of the company's Annual Meeting Proxy Statement dated March 19, 2007).
10.7*	Terms and conditions of performance-based restricted stock units granted in 2007 under the company's Stock Performance Plan (incorporated by reference to Exhibit 10.12 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.8*	Form of Award Terms under the company's Equity and Incentive Plan (incorporated by reference to Exhibit 10.8 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2009).
10.9*	Company's Retirement Savings Restoration Plan, as last amended effective January 1, 2009 (incorporated by reference to Exhibit 10.15 to the company's Quarterly Report on Form 10-Q for the period ended June 30, 2008).

10.10*	Company's Retirement Income Plan for Directors, as last amended August 1995 (incorporated by reference to Exhibit 10.17 to the company's Annual Report on Form 10-K for the year ended December 31, 2007).
10.11*	Letter Agreement and Employee Agreement, dated as of December 9, 2008, as amended, between the company and R.R. Goodmanson (incorporated by reference to Exhibit 10.12 to the company's Annual Report on Form 10-K for the year ended December 31, 2008).

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Exhibit Number	Description
10.12*	Company's Bicentennial Corporate Sharing Plan, adopted by the Board of Directors on December 12, 2001 and effective January 9, 2002 (incorporated by reference to Exhibit 10.19 to the company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).
10.13*	Company's Management Deferred Compensation Plan, adopted on May 2, 2008, as last amended July 16, 2008 (incorporated by reference to Exhibit 10.20 to the company's Quarterly Report on Form 10-Q for the period ended June 30, 2008).
10.14*	Supplemental Deferral Terms for Deferred Long Term Incentive Awards and Deferred Variable Compensation Awards (incorporated by reference to Exhibit 10.12 to the company's Annual Report on Form 10-K for the year ended December 31, 2008).
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Financial Officer.
32.1	Section 1350 Certification of the company's Principal Executive Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
32.2	Section 1350 Certification of the company's Principal Financial Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or

arrangement
required to be
filed as an
exhibit to this
Form 10-Q.