

DUPONT E I DE NEMOURS & CO

Form 8-K

January 23, 2007

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**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of Earliest Event Reported) January 23, 2007
E. I. du Pont de Nemours and Company
(Exact Name of Registrant as Specified in Its Charter)**

Delaware
(State or Other Jurisdiction
Of Incorporation)

1-815
(Commission
File Number)
1007 Market Street

51-0014090
(I.R.S. Employer
Identification No.)

Wilmington, Delaware 19898
(Address of principal executive offices)

Registrant's telephone number, including area code: (302) 774-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 Financial Information

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Item 2.02 Results of Operations and Financial Condition

SIGNATURE

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Item 2.02 Results of Operations and Financial Condition

On January 23, 2007, the Registrant announced its consolidated financial results for the quarter ended December 31, 2006. A copy of the Registrant's earnings news release is furnished on Form 8-K. The information contained in Item 2.02 of this report on Form 8-K shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor incorporated by reference in any registration statement filed by the Registrant under the Securities Act of 1933, as amended.

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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 hereunto duly authorized.

E. I. DU PONT DE NEMOURS AND
COMPANY

(Registrant)

/s/ Barry J. Niziolek

Barry J. Niziolek
Vice President and Controller

January 23, 2007

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January 23, 2007
WILMINGTON, Del.

Contact: Anthony Farina
302-774-4005
Anthony.r.farina@usa.dupont.com

**DuPont Records Strong Earnings Growth in 4Q and Full Year 2006;
Company Expects to Grow 2007 Earnings to \$3.15 Per Share**

Highlights

Fourth quarter 2006 earnings were \$.94 per share, compared to fourth quarter 2005 earnings of \$.16 per share.

Excluding significant items, fourth quarter 2006 earnings were \$.45 per share, compared to the \$.13 per share hurricane-impacted fourth quarter 2005.

Sales grew 8 percent reflecting 4 percent higher volume, 2 percent higher local selling prices and 2 percent favorable currency.

Raw material costs were about \$80 million or 3 percent higher than fourth quarter 2005.

Fourth quarter 2006 fixed costs were flat and improved as a percentage of sales by 4 percentage points versus 2005.

Segment pretax operating margin excluding significant items improved 4 percentage points versus fourth quarter 2005.

Full-year 2006 earnings were \$3.38 per share versus \$2.07 in 2005. Earnings before significant items were \$2.88 per share for the year 2006, compared to \$2.34 for 2005, up 23 percent.

This was a strong fourth quarter for our company with improved business results across the board and strong growth outside of the United States, said Charles O. Holliday, Jr., DuPont chairman and chief executive officer. For the year, earnings per share grew 23 percent and return on invested capital increased significantly, reflecting the positive impact of executing our growth strategies and our actions to accelerate value creation. We will build on this momentum in 2007.

Global Consolidated Net Income and Sales

Total company net income for the fourth quarter 2006 was \$871 million, or \$.94 per share. Fourth quarter 2005 net income was \$154 million, or \$.16 per share

The increase in fourth quarter 2006 net income reflects 8 percent higher sales, flat fixed costs, significantly improved operating results in the Agriculture & Nutrition and Performance Materials platforms and recovery from the fourth quarter 2005 impact of Gulf Coast hurricanes Katrina and Rita.

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Fourth quarter net income included \$449 million, or \$.49 per share from significant items (see Schedule B), principally tax benefits realized and insurance recoveries, partly offset by charges for restructuring, an asset impairment, and adjustments having considered the provisions of the recently issued SEC Staff Accounting Bulletin (SAB) 108. Fourth quarter 2005 net income included a significant item benefit of \$28 million or \$.03 per share (see Schedule B).

Consolidated net sales for the fourth quarter were \$6.3 billion, up 8 percent versus the fourth quarter 2005 including 2 percent higher local selling prices, and a 2 percent currency benefit. Worldwide volumes grew 4 percent, primarily from strong volume growth outside the United States reflecting higher sales of engineering and packaging polymers, elastomers, and crop protection and seed products. Volume in the United States reflects lower sales into residential construction and automotive markets, largely due to customers' efforts to reduce inventories. Global volume growth also reflects post-hurricane recovery, principally in the titanium dioxide business.

| (Dollars in billions) | Three Months Ended | | Percentage Change Due to: | | |
|---------------------------------|--------------------|-----------|---------------------------|----------|----------|
| | December 31, 2006 | | Local | Currency | Volume |
| | \$ | % Change | Price | Effect | |
| U.S. | \$2.2 | (3)% | 2 | | (5) |
| Europe | 1.9 | 16 | 2 | 6 | 8 |
| Asia Pacific | 1.2 | 12 | 2 | | 10 |
| Canada & Latin America | 1.0 | 15 | 2 | 1 | 12 |
| Total Consolidated Sales | \$6.3 | 8% | 2 | 2 | 4 |

Earnings Per Share

The table below shows the variances in fourth quarter 2006 earnings per share (EPS) versus fourth quarter 2005, by major element:

EPS ANALYSIS

| | | |
|---|--|-------------------------|
| EPS - 2005 | | 4 th Quarter |
| | | \$.16 |
| 4Q '05 Significant item (see Schedule B) | | \$ (.03) |
| Local prices | | .09 |
| Variable costs | | (.07) |
| Volume | | .10 |
| Fixed costs | | .07 |
| Other income | | .07 |
| Currency/Interest | | .04 |
| Income taxes /Other | | .02 |
| 4Q '06 Significant items (see Schedule B) | | .49 |
| EPS - 2006 | | \$.94 |

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Segment pretax operating income (PTOI) for fourth quarter 2006 was \$576 million, up 45 percent compared to \$396 million in the fourth quarter 2005. Segment PTOI and percentage changes versus fourth quarter 2005 are shown in the table below.

| PRETAX OPERATING INCOME* | Three Months Ended December 31, | | |
|---|---------------------------------|---------------|-------------------------|
| | 2006 | 2005 | % Change vs. 2005 |
| (Dollars in millions) | | | |
| Agriculture & Nutrition | \$ (350) | \$ (272) | n/m** |
| Coatings & Color Technologies | 282 | 153 | 84 |
| Electronic & Communication Technologies | 118 | 96 | 23 |
| Performance Materials | 126 | 55 | 129 |
| Pharmaceuticals | 240 | 203 | 18 |
| Safety & Protection | 211 | 212 | |
| Other | (51) | (51) | |
| Total | \$ 576 | \$ 396 | 45% |

* See Schedule B for detail of significant items.

** Percentage change not meaningful (n/m).

| SEGMENT SALES* | Three Months Ended December 31 | | Local | Percentage Change Due to: | | |
|---|-----------------------------------|-------------|-------|------------------------------|--------------------|--------|
| | \$ | % Change | | Price | Currency Effect | Volume |
| (Dollars in billions) | | | | | | |
| Agriculture & Nutrition | \$ 1.1 | 17% | 2 | 2 | | 13 |
| Coatings & Color Technologies | 1.6 | 7 | 1 | 3 | | 3 |
| Electronic & Communication Technologies | 0.9 | 3 | 2 | 1 | | |
| Performance Materials | 1.7 | 7 | 2 | 2 | | 3 |
| Safety & Protection | 1.4 | 5 | 2 | 1 | | 2 |

* Segment sales include intersegment transfers and a pro rata share of affiliates sales.

Agriculture & Nutrition

PTOI loss of \$350 million reflects normal seasonality and significant items, principally a \$194 million restructuring charge. Excluding the significant items, PTOI increased \$114 million, largely due to higher sales in both seeds and crop protection chemicals.

Fourth quarter sales increased 17 percent to \$1.1 billion. In seed products, increased sales reflect higher prices, share gains in the Southern Hemisphere and an earlier start to the 2007 corn marketing season in Western Europe. For crop protection chemicals, higher sales largely reflect gains in the Southern Hemisphere, including new products, and strong U.S. and European cereal herbicide sales, net of lower U.S. corn herbicide sales.

Coatings & Color Technologies

PTOI was \$282 million versus \$153 million earned in the hurricane-impacted fourth quarter 2005. Excluding significant items, PTOI increased 31 percent due to higher titanium dioxide sales and a gain on the sale of assets, which together more than offset the impact of lower automotive OEM coatings volumes.

Fourth quarter sales of \$1.6 billion were up 7 percent. Higher volumes in the titanium dioxide business and higher prices in the coatings businesses more than offset lower volume in automotive OEM coatings.

Electronic & Communication Technologies

PTOI grew to \$118 million due to gains in fluoroproducts, electronic materials and display technologies, partially offset by lower imaging technologies results.

Sales grew 3 percent to \$911 million due to favorable currency and higher local prices. Sales growth was particularly strong in Europe for electronic materials.

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Performance Materials

PTOI grew to \$126 million from the \$55 million earned in the hurricane-impacted fourth quarter 2005, primarily due to gains in performance elastomers and packaging and industrial polymers.

Sales rose 7 percent to \$1.7 billion, reflecting volume, price and currency gains. Sales growth was particularly strong in Asia Pacific and Europe.

Safety & Protection

PTOI was \$211 million versus \$212 million earned in the prior year. Excluding significant items, PTOI was \$245 million, up 16 percent reflecting strong sales and fixed cost productivity.

Fourth quarter sales were up 5 percent to \$1.4 billion reflecting 2 percent higher volume and 3 percent higher USD prices. All regions outside the United States grew at modest rates, offsetting a slight decline in the United States.

Additional information on segment performance is available on the DuPont Investor Center website at www.dupont.com

Outlook

The company reaffirmed its 2007 outlook of about \$3.15 earnings per share. In 2007, the company expects modest volume gains as continued growth outside the United States is expected to outweigh slower growth in U.S. housing and automotive markets. Volatility in energy and ingredient costs is expected to continue, but for the full year, average costs are assumed to be about equal to 2006.

The company will continue to advance its innovation projects, with a high priority on its differentiated bio-materials and biofuels technology platform. Additional customer-driven product launches are expected to help extend the company's three-year positive pricing trend.

The company's 2007 cost productivity goal is to achieve savings of over \$400 million to offset inflation and contribute to growth project spending. The company will continue to adjust capital and resource allocation among its businesses in an effort to further enhance return on invested capital. In addition, the company will continue implementing its previously announced restructuring programs in Coatings & Color Technologies and Agriculture & Nutrition.

We will build on our momentum in 2007, strengthened by the progress we have made with our productivity initiatives and growth strategies, Holliday said. We will continue our intense focus on customer-driven product innovations and cost productivity while advancing our exciting pipeline of new products, services, and technologies.

Use of Non-GAAP Measures

Management believes that measures of income excluding significant items (non-GAAP information) are meaningful to investors because they provide insight with respect to ongoing operating results of the company. Such measurements are not recognized in accordance with generally accepted accounting principles (GAAP) and should not be viewed as an alternative to GAAP measures of performance. Reconciliations of non-GAAP measures to GAAP are provided in Schedule E.

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DuPont is a science-based products and services company. Founded in 1802, DuPont puts science to work by creating sustainable solutions essential to a better, safer, healthier life for people everywhere. Operating in more than 70 countries, DuPont offers a wide range of innovative products and services for markets including agriculture and food; building and construction; communications; and transportation.

Forward-Looking Statements: This news release contains forward-looking statements based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about the company's strategy for growth, product development, market position, expected expenditures and financial results are forward-looking statements. Some of the forward-looking statements may be identified by words like expects, anticipates, plans, intends, projects, indicates, and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, including those discussed more fully elsewhere in this release and in documents filed with the Securities and Exchange Commission by DuPont, particularly its latest annual report on Form 10-K and quarterly report on Form 10-Q, as well as others, could cause results to differ materially from those stated. These factors include, but are not limited to changes in the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries in which the company does business; competitive pressures; successful integration of structural changes, including restructuring plans, acquisitions, divestitures and alliances; cost of raw materials, research and development of new products, including regulatory approval and market acceptance; seasonality of sales of agricultural products; and severe weather events that cause business interruptions, including plant and power outages, or disruptions in supplier and customer operations.

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E. I. du Pont de Nemours and Company
 Consolidated Income Statements
(Dollars in millions, except per share amounts)

SCHEDULE A

| | Three Months Ended | | Twelve Months Ended | |
|--|--------------------|----------------|---------------------|-----------------|
| | December 31, | | December 31, | |
| | 2006 | 2005 | 2006 | 2005 |
| Net sales ^(a) | \$ 6,276 | \$ 5,827 | \$ 27,421 | \$ 26,639 |
| Other income, net ^{(b), (c)} | 559 | 408 | 1,561 | 1,852 |
| Total | 6,835 | 6,235 | 28,982 | 28,491 |
| Cost of goods sold and other operating charges ^{(a), (b), (d), (e)} | 5,114 | 4,705 | 20,440 | 19,683 |
| Selling, general and administrative expenses | 824 | 799 | 3,224 | 3,223 |
| Amortization of intangible assets | 55 | 59 | 227 | 230 |
| Research and development expenses | 341 | 360 | 1,302 | 1,336 |
| Interest expense | 113 | 154 | 460 | 518 |
| Separation charges Textiles & Interior ^(f) | | | | (62) |
| Total | 6,447 | 6,077 | 25,653 | 24,928 |
| Income before income taxes and minority interests ^(g) | 388 | 158 | 3,329 | 3,563 |
| Provision for (benefit from) income taxes ^(h) | (465) | 8 | 196 | 1,470 |
| Minority interests in earnings (losses) of consolidated subsidiaries | (18) | (4) | (15) | 37 |
| Net income ⁽ⁱ⁾ | \$ 871 | \$ 154 | \$ 3,148 | \$ 2,056 |
| Basic earnings per share of common stock ^{(i), (j)} | \$ 0.94 | \$ 0.16 | \$ 3.41 | \$ 2.08 |
| Diluted earnings per share of common stock ^{(i), (j)} | \$ 0.94 | \$ 0.16 | \$ 3.38 | \$ 2.07 |
| Dividends per share of common stock | \$ 0.37 | \$ 0.37 | \$ 1.48 | \$ 1.46 |

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E. I. du Pont de Nemours and Company
Notes to Consolidated Income Statements
(Dollars in millions, except per share amounts)

- a) In the fourth quarter 2006, the company considered the provisions of the recently issued SEC Staff Accounting Bulletin 108 (SAB 108) and recorded sales on a destination basis which were historically recorded when shipped, and also adjusted accruals which were historically recorded on a lag-month basis. The impact of these changes in the fourth quarter and full year 2006 is a reduction to net sales of \$107, pretax of \$58 and net income of \$39 or \$.04 per share. Sales and Pretax amounts by segment were: \$15 and \$5 Agriculture & Nutrition; \$31 and \$17 Coatings & Color Technologies; \$11 and \$5 Electronic & Communication Technologies; \$30 and \$18 Performance Materials; and \$20 and \$13 Safety & Protection, respectively.
- b) Fourth quarter 2006 includes a benefit of \$15 in Other income and a benefit of \$78 in Cost of goods sold and other operating charges resulting from insurance recoveries relating to the damage suffered from hurricane Katrina in 2005. Pretax amounts for the fourth quarter 2006 items by segment were: \$80 Coatings & Color Technologies and \$13 Safety & Protection. Total year 2006 also includes the third quarter benefit of \$50 in Cost of goods sold and other operating charges resulting from initial insurance recoveries relating to the damage suffered from hurricane Katrina in 2005. Pretax amounts by segment for the third quarter benefit were: \$43 Coatings & Color Technologies and \$7 Safety & Protection.
- c) Fourth quarter and total year 2006 includes a benefit of \$90 related to interest on certain prior year tax contingencies which had been previously reserved and \$61 of insurance recoveries, net of fees, which relate to asbestos litigation expenses incurred by the company in prior periods. Pretax amounts by segment for the insurance recoveries were: \$7 Agriculture & Nutrition; \$19 Coatings & Color Technologies; \$10 Electronic & Communication Technologies; \$12 Performance Materials; and \$13 Safety & Protection.

Total year 2005 includes a gain of \$31 from sale of certain North American assets in the Safety & Protection segment, a gain of \$23 resulting from the disposition of certain assets of DuPont Dow Elastomers LLC (DDE) to the Dow Chemical Company, a \$28 benefit related to interest on certain prior year tax contingencies, and a gain of \$48 resulting from the sale of the company's equity interest in DuPont Photomasks, Inc.

- d) Fourth quarter 2006 includes a restructuring charge of \$194 in the Agriculture & Nutrition segment associated with the investment and streamlining program announced during the quarter. The charge consists of employee separation and employee related costs of \$64, primarily associated with the elimination of approximately 1,500 positions in the segment, and asset impairment costs of \$130. Fourth quarter 2006 also includes an asset impairment charge of \$47 associated with an underperforming industrial chemicals asset held for sale within the Safety & Protection segment. Year-to-date 2006 also includes a restructuring charge of \$135 in the Coatings & Color Technologies segment in connection with the company's plans to close and consolidate certain manufacturing and laboratory sites. The Coatings & Color Technologies charge consists of employee separation costs, primarily in Europe, for approximately 1,300 employees and other exit costs.

Results for the fourth quarter and full year 2005 include a benefit of \$13 to reflect changes in estimates related to prior years' restructuring programs.

- e) Total year 2005 includes third quarter charges of approximately \$146 for charges associated with damaged facilities, inventory write-offs and clean-up costs related to hurricanes Katrina and Rita at several facilities and a charge of \$34 related to the shutdown of an Elastomers manufacturing facility in the United States. Pretax charges by segment are: \$113 Coatings & Color Technologies; \$11 Performance Materials; and \$22 Safety & Protection.
- f)

Total year 2005 includes a net gain of \$62 relating to the disposition of four equity affiliates, partly offset by other separation activities.

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E. I. du Pont de Nemours and Company
Notes to Consolidated Income Statements
(Dollars in millions, except per share amounts)

- g) Year-to-date 2005 includes \$14 of operating income related to certain DDE assets that were disposed of on June 30, 2005.
- h) Fourth quarter 2006 includes a benefit of \$479 for reversal of accruals related to tax settlements, reversals of tax valuation allowances, and the finalization of taxes related to the Company's repatriation of foreign earnings under the American Jobs Creation Act of 2004 (AJCA). Year-to-date 2006 also includes a tax benefit of \$31 associated with an increase in the deferred tax assets of a European subsidiary for a tax basis investment loss recognized on the local tax return and the reversal of \$44 of income taxes associated with favorable settlement of certain prior-year tax contingencies which had been previously reserved.

Fourth quarter 2005 includes a benefit of \$28 associated with lower than expected costs related to AJCA. Year-to-date 2005 includes \$292 for repatriation of \$9.1 billion under AJCA and a net tax benefit of \$24 related to certain prior year tax contingencies previously reserved.

- i) In the fourth quarter of 2006, the company adopted the provisions of FSP AUG AIR-1, Accounting for Planned Major Maintenance Activities, which prohibits the use of the accrue-in-advance method. Previously, the company had principally accrued in advance for significant planned major maintenance activities. As permitted by FSP AUG AIR-1, the company has early adopted the FSP's provisions and retrospectively applied the defer and amortize method effective January 1, 2005, and as a result of the retrospective application, the fourth quarter and full year 2005 results differ from those previously reported. For the three and twelve months ended December 31, 2005, net income increased by \$1 and \$3, respectively, as a result of adoption of this FSP; however, there was no change to earnings per share amounts in either period. For the nine months ended September 30, 2006, there was no change to net income or earnings per share amounts previously reported. Retrospective application prior to January 1, 2005 was impractical due to the divestiture of INVISTA in 2004.
- (j) Earnings per share are calculated on the basis of the following average number of common shares outstanding:

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|------|------------------------------------|-------------|-------------------------------------|-------------|
| | Basic | Diluted | Basic | Diluted |
| 2006 | 921,039,777 | 928,010,485 | 921,474,024 | 928,600,741 |
| 2005 | 941,433,495 | 948,329,588 | 982,192,597 | 988,954,063 |

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E. I. du Pont de Nemours and Company
Schedules of Significant Items
(Dollars in millions, except per share amounts)

SCHEDULE B
SIGNIFICANT ITEMS

| | | Pretax | | Aftertax | | (\$ Per Share) | |
|--|-------|----------|----------|----------------------|----------|-----------------------|------------------------|
| | | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 1st Quarter | Total | \$ (128) | \$ | \$ (50) | \$ | \$ (0.05) | \$ |
| 2nd Quarter | Total | \$ | \$ 118 | \$ 31 | \$ 111 | \$ 0.03 | \$ 0.11 |
| 3rd Quarter | Total | \$ 50 | \$ (146) | \$ 33 | \$ (415) | \$ 0.03 | \$ (0.42) |
| 4th Quarter: | | | | | | | |
| Sales terms and expense accrual changes SAB 108 | | \$ (58) | \$ | \$ (39) | \$ | \$ (0.04) | \$ |
| Hurricane insurance recoveries | | 93 | | 60 | | 0.07 | |
| Asbestos insurance recoveries | | 61 | | 40 | | 0.04 | |
| Agriculture & Nutrition restructuring program | | (194) | | (119) ^(a) | | (0.13) ^(a) | |
| Impairment loss on asset held-for-sale | | (47) | | (31) | | (0.03) | |
| Income tax related items | | | | | | | |
| AJCA related adjustments | | | | 20 | 28 | 0.02 | 0.03 |
| Reversal of accruals related to tax settlements and valuation allowances | | | | 459 | | 0.50 | |
| Reversal of interest on tax settlements | | 90 | | 59 | | 0.06 | |
| 4th Quarter | Total | \$ (55) | \$ | \$ 449 | \$ 28 | \$ 0.49 | \$ 0.03 |
| Full Year Total | | \$ (133) | \$ (28) | \$ 463 | \$ (276) | \$ 0.50 | \$ 0.27 ^(b) |

(a) Aftertax amount is net of minority interest benefit of \$20 or \$.02 per share.

(b)

Total year per share amounts do not equal the sum of the quarterly per share amounts due to changes in the average share calculations.

SIGNIFICANT ITEMS BY SEGMENT

| | Three Months Ended | | Twelve Months Ended | |
|---|--------------------|------|---------------------|---------|
| | December 31, | | December 31, | |
| | 2006 | 2005 | 2006 | 2005 |
| Agriculture & Nutrition | \$ (192) | \$ | \$ (192) | \$ |
| Coatings & Color Technologies | 82 | | (10) | (113) |
| Electronic & Communication Technologies | 5 | | 5 | 48 |
| Performance Materials | (6) | | (6) | (8) |
| Safety & Protection | (34) | | (27) | (22) |
| Other | | | | 39 |
| Total (excluding Corporate) | \$ (145) | \$ | \$ (230) | \$ (56) |

See Notes to Consolidated Income Statements for additional details on significant items.

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E. I. du Pont de Nemours and Company
 Consolidated Segment Information ⁽¹⁾
 (Dollars in millions)

SCHEDULE C

| | Three Months Ended | | Twelve Months Ended | |
|---|--------------------|--------------|---------------------|---------------|
| | December 31, | | December 31, | |
| SEGMENT SALES ^{(2), (3)} | 2006 | 2005 | 2006 | 2005 |
| Agriculture & Nutrition | \$ 1,095 | \$ 939 | \$ 6,329 | \$ 6,394 |
| Coatings & Color Technologies | 1,580 | 1,476 | 6,309 | 6,082 |
| Electronic & Communication Technologies | 911 | 881 | 3,814 | 3,658 |
| Performance Materials | 1,703 | 1,590 | 6,892 | 6,750 |
| Safety & Protection | 1,361 | 1,292 | 5,584 | 5,230 |
| Other | 12 | 13 | 57 | 52 |
| Total Segment sales | 6,662 | 6,191 | 28,985 | 28,166 |
| Elimination of transfers | (67) | (66) | (305) | (294) |
| Elimination of equity affiliate sales | (319) | (298) | (1,259) | (1,233) |
| Consolidated net sales | \$ 6,276 | \$ 5,827 | \$ 27,421 | \$ 26,639 |
| | | | | |
| | Three Months Ended | | Twelve Months Ended | |
| | December 31, | | December 31, | |
| PRETAX OPERATING INCOME/(LOSS) (PTOI) ^{(3), (4)} | 2006 | 2005 | 2006 | 2005 |
| Agriculture & Nutrition | \$ (350) | \$ (272) | \$ 507 | \$ 862 |
| Coatings & Color Technologies | 282 | 153 | 795 | 528 |
| Electronic & Communication Technologies | 118 | 96 | 589 | 571 |
| Performance Materials | 126 | 55 | 627 | 523 |
| Pharmaceuticals | 240 | 203 | 819 | 751 |
| Safety & Protection | 211 | 212 | 1,080 | 982 |
| Other | (51) | (51) | (134) | (78) |
| Total Segment PTOI | 576 | 396 | 4,283 | 4,139 |
| Exchange gains and losses ⁽⁵⁾ | (9) | 80 | (4) | 445 |
| Corporate expenses & net interest | (179) | (318) | (950) | (1,021) |
| Income before income taxes and minority interests | \$ 388 | \$ 158 | \$ 3,329 | \$ 3,563 |

(1) Certain reclassifications of segment data have been made to reflect changes in

organizational structure.

- (2) Sales for the reporting segments include transfers and a pro rata share of equity affiliate sales.
- (3) Refer to the Notes to Consolidated Income Statements for additional information on significant items included in the reported results.
- (4) Prior period amounts have been adjusted to reflect the retrospective adoption of the provisions of FSP AUG AIR-1 as of December 31, 2006.
- (5) Net aftertax exchange activity for fourth quarter and full year were a loss of \$11 and \$30 for 2006 and a loss of \$8 and \$38 for 2005, respectively. Gains and losses resulting from the company's hedging program are largely offset by

associated tax
effects.

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E. I. du Pont de Nemours and Company
 Consolidated Income Statement Data
 (Dollars in millions, except per share amounts)

SCHEDULE D

| | Three Months Ended December 31, | | | Twelve Months Ended December 31, | | |
|--|------------------------------------|----------|-----|-------------------------------------|-----------|-----|
| | 2006 | 2005 | % | 2006 | 2005 | % |
| Consolidated net sales | \$ 6,276 | \$ 5,827 | 8% | \$ 27,421 | \$ 26,639 | 3% |
| Segment sales | 6,662 | 6,191 | 8 | 28,985 | 28,166 | 3 |
| Segment PTOI | 576 | 396 | 45 | 4,283 | 4,139 | 3 |
| Adjusted EBIT* | 418 | 270 | 55 | 3,667 | 3,884 | (6) |
| Adjusted EBITDA* | 756 | 609 | 24 | 5,019 | 5,209 | (4) |
| Income before income taxes and minority interests | 388 | 158 | 146 | 3,329 | 3,563 | (7) |
| Diluted EPS | 0.94 | 0.16 | n/m | 3.38 | 2.07 | 63 |

* See
 Reconciliation
 of Non-GAAP
 Measures
 (Schedule E).

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E. I. du Pont de Nemours and Company
 Reconciliation of Non-GAAP Measures
(Dollars in millions, except per share amounts)

SCHEDULE E**Reconciliations of Adjusted EBIT / Adjusted EBITDA to Consolidated Income Statements**

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--|------------------------------------|--------|-------------------------------------|----------|
| | 2006 | 2005 | 2006 | 2005 |
| Income before income taxes and minority interests | \$ 388 | \$ 158 | \$ 3,329 | \$ 3,563 |
| Less: Minority interest in earnings (losses) of consolidated subsidiaries ⁽¹⁾ | 20 | 4 | 16 | (40) |
| Add: Net interest expense ⁽²⁾ | 10 | 108 | 322 | 361 |
| Adjusted EBIT | 418 | 270 | 3,667 | 3,884 |
| Add: Depreciation and amortization ⁽³⁾ | 338 | 339 | 1,352 | 1,325 |
| Adjusted EBITDA | \$ 756 | \$ 609 | \$ 5,019 | \$ 5,209 |

⁽¹⁾ Excludes income taxes.

⁽²⁾ Includes interest expense plus amortization of capitalized interest less interest income.

⁽³⁾ Excludes amortization of capitalized interest.

Reconciliation of Segment PTOI

| | Three Months Ended December 31, | |
|--|------------------------------------|--------|
| | 2006 | 2005 |
| Segment PTOI before Significant Items | \$ 721 | \$ 396 |
| Significant Items included in fourth quarter PTOI (per Schedule B) | (145) | |
| Segment PTOI | \$ 576 | \$ 396 |

Reconciliation of Segment Sales

| | Three Months Ended December 31, | |
|---|------------------------------------|----------|
| | 2006 | 2005 |
| Segment sales before Significant Items | \$ 6,769 | \$ 6,191 |
| Significant Items included in fourth quarter segment sales (per Schedule B) | (107) | |
| Segment sales | \$ 6,662 | \$ 6,191 |

Calculation of Segment PTOI as a Percent of Segment Sales

Three Months Ended
December 31,

| | 2006 | 2005 | % Change |
|--|--------|--------|-------------|
| Segment PTOI before Significant Items | \$ 721 | \$ 396 | 82% |
| Segment sales before Significant Items | 6,769 | 6,191 | 9 |
| Segment PTOI as a percent of segment sales | 10.65% | 6.40% | |

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E. I. du Pont de Nemours and Company
 Reconciliation of Non-GAAP Measures
(Dollars in millions, except per share amounts)

SCHEDULE E (continued)**Reconciliation of Earnings Per Share (EPS)**

| | Three Months Ended December 31, | | |
|---|------------------------------------|---------|----------|
| | 2006 | 2005 | % Change |
| Earnings per share before Significant Items | \$ 0.45 | \$ 0.13 | 246% |
| Significant Items included in EPS | 0.49 | 0.03 | n/m |
| Reported EPS | \$ 0.94 | \$ 0.16 | 488% |

| | Twelve Months Ended December 31, | | |
|---|-------------------------------------|---------|----------|
| | 2006 | 2005 | % Change |
| Earnings per share before Significant Items | \$ 2.88 | \$ 2.34 | 23% |
| Significant Items included EPS | 0.50 | (0.27) | n/m |
| Reported EPS | \$ 3.38 | \$ 2.07 | 63% |

Reconciliation of Earnings Per Share (EPS) Outlook

| | Year Ended December 31, | | |
|---|----------------------------|----------------|----------------|
| | 2007 Outlook | 2006 Actual | 2005 Actual |
| Earnings per share excluding Significant Items | \$ 3.15 | \$ 2.88 | \$ 2.34 |
| Significant Items included EPS: | | | |
| Agriculture & Nutrition restructuring charges | | (0.13) | |
| Coatings & Color Technologies restructuring charges | | (0.10) | |
| American Jobs Creation Act | | 0.02 | (0.29) |
| Hurricane related items | | 0.10 | (0.09) |
| Asbestos insurance recovery | | 0.04 | |
| Asset impairment Safety & Protection | | (0.03) | |
| Sales terms and expense accrual changes SAB 108 | | (0.04) | |
| Textiles & Interiors separation charges | | | 0.03 |
| Sale of Photomasks stock | | | 0.03 |
| Corporate tax-related items | | 0.64 | 0.05 |
| Net benefit/(charge) for Significant Items | | 0.50 | (0.27) |
| Reported EPS | \$ 3.15 | \$ 3.38 | \$ 2.07 |

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E. I. du Pont de Nemours and Company
 Reconciliation of Non-GAAP Measures
(Dollars in millions, except per share amounts)

SCHEDULE E (continued)**Reconciliations of Base Income Tax Rate to Effective Income Tax Rate**

| | Three Months Ended | | Twelve Months Ended | |
|--|--------------------|-------------|---------------------|--------------|
| | December 31, | | December 31, | |
| | 2006 | 2005 | 2006 | 2005 |
| Income before income taxes and minority interests | \$ 388 | \$ 158 | \$ 3,329 | \$ 3,563 |
| Remove: Significant Items charge/(benefit) | 55 | | 133 | 28 |
| Net exchange (gains)/losses | 9 | (80) | 4 | (445) |
| Income before income taxes, significant items, exchange gains/losses and minority interests | \$ 452 | \$ 78 | \$ 3,466 | \$ 3,146 |
| Provision for income taxes | \$ (465) | \$ 8 | \$ 196 | \$ 1,470 |
| Remove: (expense)/benefit | | | | |
| Tax on Significant Items | 484 | 28 | 576 | (248) |
| Tax on exchange gains | (2) | (88) | (26) | (483) |
| Provision for income taxes, excluding taxes on Significant Items and exchange gains | \$ 17 | \$ (52) | \$ 746 | \$ 739 |
| Effective income tax rate | (119.8)% | 5.1% | 5.9% | 41.3% |
| Base income tax rate | 3.8% | (66.7)% | 21.5% | 23.5% |

The base income tax rate in the fourth quarter 2006 as compared to the fourth quarter 2005 is impacted by the regional mix of earnings, end of year full year tax rate adjustments, the effect of tax law changes in several foreign jurisdictions, tax reserve releases, and the disruptions to business suffered as a result of the Gulf Coast Hurricanes in 2005.

Net income for the full year 2006 reflects a lower than expected base tax rate because of the change in geographic mix of earnings and fruition of tax planning strategies.

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E. I. du Pont de Nemours and Company
 Reconciliation of Non-GAAP Measures
(Dollars in millions, except per share amounts)

SCHEDULE E (continued)**Reconciliations of Fixed Costs as a Percent of Sales**

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|----------|-------------------------------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| Total charges and expenses | Consolidated Income | | | |
| Statements | \$ 6,447 | \$ 6,077 | \$ 25,653 | \$ 24,928 |
| Remove: | | | | |
| Interest expense | 113 | 154 | 460 | 518 |
| Fixed costs | | | | 18 |
| Textiles & Interiors | | | | (62) |
| Separation charges | | | | |
| Textiles & Interiors | | | | (62) |
| Variable costs ⁽¹⁾ | 3,234 | 2,939 | 13,301 | 12,407 |
| Significant Items | 114 | | 199 | 180 |
| charge/(benefit) ⁽²⁾ | | | | |
| Fixed cost | \$ 2,986 | \$ 2,984 | \$ 11,693 | \$ 11,867 |
| Consolidated net sales | \$ 6,276 | \$ 5,827 | \$ 27,421 | \$ 26,639 |
| Add: Significant Items included in net sales | 107 | | 107 | |
| Adjusted consolidated net sales | \$ 6,383 | \$ 5,827 | \$ 27,528 | \$ 26,639 |
| Fixed costs as a percent of adjusted consolidated net sales | 46.8% | 51.2% | 42.5% | 44.5% |

(1) Includes variable manufacturing costs, freight, commissions and other selling expenses which vary with the volume of sales.

(2) See Schedule B and Notes to Consolidated Income Statements for detail of significant items.