DUPONT E I DE NEMOURS & CO
Form 10-Q
October 31, 2007

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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 September 30, 2007

OR

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

Commission File Number 1-815

E. I. du Pont de Nemours and Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware	51-0014090
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1007 Market Street, Wilmington, Delaware 19898
(Address of Principal Executive Offices)
(302) 774-1000
(Registrant s Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated þ Filer Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the Registrant is a shell company (as defined by Rule12b-2 of the Exchange Act).

Yes o No þ

899,047,755 shares (excludes 87,041,427 shares of treasury stock) of common stock, $0.30 par value, were outstanding at October 15, 2007.

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 September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Net sales	$ 6,675	$ 6,309	$ 22,395	$ 21,145
Other income, net	365	336	1,045	1,002
Total	7,040	6,645	23,440	22,147
Cost of goods sold and other operating charges	5,115	4,762	16,216	15,326
Selling, general and administrative expenses	797	756	2,512	2,400
Amortization of intangible assets	53	57	163	172
Research and development expense	332	320	979	961
Interest expense	113	114	320	347
Total	6,410	6,009	20,190	19,206
Income before income taxes and minority interests	630	636	3,250	2,941
Provision for income taxes	102	151	802	661
Minority interests in earnings of consolidated subsidiaries	2		5	3
Net income	$ 526	$ 485	$ 2,443	$ 2,277
Basic earnings per share of common stock	$ 0.57	$ 0.52	$ 2.64	$ 2.46
Diluted earnings per share of common stock	$ 0.56	$ 0.52	$ 2.61	$ 2.44
Dividends per share of common stock	$ 0.37	$ 0.37	$ 1.11	$ 1.11

See Notes to Consolidated Financial Statements.

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E. I. du Pont de Nemours and Company
Consolidated Balance Sheets (Unaudited)
(Dollars in millions, except per share)

	September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 1,209	$ 1,814
Marketable debt securities	109	79
Accounts and notes receivable, net	6,990	5,198
Inventories	4,963	4,941
Prepaid expenses	195	182
Income taxes	665	656
Total current assets	14,131	12,870
Property, plant and equipment, net of accumulated depreciation (September 30, 2007 - $15,734 December 31, 2006 - $15,221)	10,568	10,498
Goodwill	2,110	2,108
Other intangible assets	2,904	2,479
Investment in affiliates	791	803
Other assets	3,411	3,019
Total	$ 33,915	$ 31,777
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 2,873	$ 2,711
Short-term borrowings and capital lease obligations	3,618	1,517
Income taxes	334	178
Other accrued liabilities	2,972	3,534
Total current liabilities	9,797	7,940
Long-term borrowings and capital lease obligations	5,367	6,013
Other liabilities	7,984	7,692
Deferred income taxes	404	269
Total liabilities	23,552	21,914
Minority interests	445	441
Commitments and contingent liabilities		

Stockholders equity				
Preferred stock		237		237
Common stock, $0.30 par value; 1,800,000,000 shares authorized; Issued at September 30, 2007 - 985,970,895; December 31, 2006 -1,009,109,136		296		303
Additional paid-in capital		8,121		7,797
Reinvested earnings		9,772		9,679
Accumulated other comprehensive loss		(1,781)		(1,867)
Common stock held in treasury, at cost (87,041,427 shares at September 30, 2007 and December 31, 2006)		(6,727)		(6,727)
Total stockholders equity		9,918		9,422
Total	$	33,915	$	31,777

See Notes to Consolidated Financial Statements.

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E. I. du Pont de Nemours and Company
Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Nine Months Ended September 30, **2007**	2006
Operating activities		
Net income	$ 2,443	$ 2,277
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	866	866
Amortization of intangible assets	163	172
Contributions to pension plans	(233)	(226)
Other noncash charges and credits, net	157	294
Change in operating assets and liabilities, net	(1,970)	(2,620)
Cash provided by operating activities	1,426	763
Investing activities		
Purchases of property, plant and equipment	(1,019)	(1,085)
Investments in affiliates	(27)	(22)
Payments for businesses, net of cash acquired	(13)	(57)
Proceeds from sales of assets, net of cash sold	150	80
Net (increase) decrease in short-term financial instruments	(21)	110
Forward exchange contract settlements	(122)	50
Other investing activities, net	32	27
Cash used for investing activities	(1,020)	(897)
Financing activities		
Dividends paid to stockholders	(1,037)	(1,035)
Net increase in borrowings	1,330	472
Acquisition of treasury stock	(1,695)	(280)
Proceeds from exercise of stock options	431	45
Other financing activities, net	(72)	(82)
Cash used for financing activities	(1,043)	(880)
Effect of exchange rate changes on cash	32	(4)
Decrease in cash and cash equivalents	$ (605)	$ (1,018)

Cash and cash equivalents at beginning of period	1,814	1,736
Cash and cash equivalents at end of period	$ 1,209	$ 718

See Notes to Consolidated Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 1. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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 Form10-K for the year ended December 31, 2006. The Consolidated Financial Statements include the accounts of the company and all of its subsidiaries in which a controlling interest is maintained, as well as variable interest entities in which DuPont is considered the primary beneficiary. Certain reclassifications of prior year s data have been made to conform to current year classifications.

Accounting Standards Issued Not Yet Adopted

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, (SFAS 157) which addresses how companies should measure fair value when required for recognition or disclosure purposes under GAAP. The standard s provisions will be applied to existing accounting measurements and related disclosures that are based on fair value. SFAS 157 does not require any new fair value measurements. The standard applies a common definition of fair value to be used throughout GAAP, with emphasis on fair value as a market based measurement versus an entity-specific measurement, and establishes a hierarchy of fair value measurement methods. The disclosure requirements are expanded to include the extent to which companies use fair value measurements, the methods and assumptions used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The new standard s provisions applicable to the company will be applied prospectively beginning January 1, 2008. Management expects that adoption of SFAS 157 will not have a material effect on the company s financial position, liquidity or results of operations.

In June 2007, the FASB ratified Emerging Issues Task Force 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities (EITF 07-3). EITF 07-3 requires nonrefundable advance payments for research and development goods or services to be deferred and capitalized. Expense is recognized as the services are performed or goods are delivered. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. Management expects that adoption of EITF 07-3 will not have a material effect on the company s financial position, liquidity or results of operations.

Note 2. Effect of Adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48)

Each year the company files hundreds of income 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).

In 2006, the FASB issued FIN 48, which clarifies the application of SFAS 109 by defining criteria that an individual income tax position must meet for any part of the benefit of that position to be

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

recognized in an enterprise s financial statements and provides guidance on measurement, derecognition, classification, accounting for interest and penalties, accounting in interim periods, disclosure, and transition.

In accordance with the transition provisions, the company adopted FIN 48 effective January 1, 2007. This resulted in a $116 reduction in the previously accrued liabilities and a corresponding $116 increase in Reinvested earnings at January 1, 2007. In accordance with FIN 48, the total amount of global unrecognized tax benefits at January 1, 2007 was $1,070. Of the $1,070 of unrecognized tax benefits, $714 relates to tax positions, which if recognized would reduce tax expense. The total gross accrued interest and penalties at January 1, 2007 was $134. Interest accrued related to unrecognized tax benefits is included in interest income, net of miscellaneous interest expense, under Other income, net. Income tax related penalties are included in the provision for income taxes.

The company and/or its subsidiaries files income tax returns in the United States of America (U.S.) federal jurisdiction, and various states and non-U.S. jurisdictions. With few exceptions, the company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 1999. It is reasonably possible that changes from future completed tax examinations could be significant when compared to our global unrecognized tax benefits, however due to the uncertainty regarding the timing of completion of these audits and the possible outcomes, a current estimate of the range of increases or decreases that may occur within the next twelve months cannot be made.

Note 3. Other Income, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Cozaar®/Hyzaar® income	$ 235	$ 209	$ 698	$ 576
Royalty income	28	26	75	88
Interest income, net of miscellaneous interest expense	45	29	104	98
Equity in earnings of affiliates	2	16	26	47
Net gains on sales of assets	25	25	58	39
Net exchange gains (losses)	(18)	(1)	(34)	20
Miscellaneous income and expenses, net	48	32	118	134
Total	$ 365	$ 336	$ 1,045	$ 1,002

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

Miscellaneous income and expenses, net, principally includes insurance recoveries, litigation settlements and other miscellaneous items.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 4. Restructuring Activities

During the three and nine months ended September 30, 2007, there were no significant changes in estimates related to liabilities established for restructuring initiatives recorded in 2006 or in prior years. A complete discussion of all restructuring initiatives is included in the company s Annual Report on Form 10-K for the year ended December 31, 2006, at Note 5, Restructuring Activities.

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

	2006 Programs	2004 Programs	2002 Programs	Total
Balance at December 31, 2006	$ 152	$ 13	$ 12	$ 177
Employee separation payments	(50)	(7)	(2)	(59)
Credits to income	(6)			(6)
Balance at September 30, 2007	$ 96	$ 6	$ 10	$ 112

Agriculture & Nutrition

As of September 30, 2007, approximately 755 employees were separated relating to the 2006 Agriculture & Nutrition refocus plan.

Coatings & Color Technologies

As of September 30, 2007, approximately 1,100 employees were separated relating to the 2006 Coatings & Color Technologies business transformation plan.

Note 5. Provision for Income Taxes

In the third quarter 2007, the company recorded a tax provision of $102, including $38 of tax benefit associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations. Year-to-date 2007 also includes $5 of tax expense associated with the company s hedging policy.

In the third quarter 2006, the company recorded a tax provision of $151, including $4 of tax expense associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations. Year-to-date 2006 also included 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, a net tax benefit of $41 related to the reversal of certain prior year tax contingencies previously reserved and an additional $20 of tax expense associated with the company s hedging policy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 6. Earnings Per Share of Common Stock

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Numerator:				
Net income	$ 525.8	$ 485.4	$ 2,443.1	$ 2,277.1
Preferred dividends	(2.5)	(2.5)	(7.5)	(7.5)
Net income available to common stockholders	$ 523.3	$ 482.9	$ 2,435.6	$ 2,269.6
Denominator:				
Weighted-average number of common shares Basic	921,105,750	922,023,399	922,957,576	921,620,506
Dilutive effect of the company s employee compensation plans and accelerated share repurchase agreement	8,210,427	5,208,481	8,816,574	7,189,004
Weighted-average number of common shares Diluted	929,316,177	927,231,880	931,774,150	928,809,510

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Average Number of Stock Options	21,416,226	80,303,545	21,534,349	72,251,062

The 58.9 million and 50.7 million decreases in the average number of stock options that were antidilutive in the three- and nine-month periods ended September 30, 2007 compared to the same September 30, 2006 periods, respectively, were primarily due the increase in the company s average stock price. Additionally, there were 12.8 million stock options that expired unexercised and were cancelled in January 2007, which were included in the average number of stock options that were antidilutive in the three and nine months ended September 30, 2006.

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(Dollars in millions, except per share)

Note 7. Inventories

	September 30, 2007	December 31, 2006
Finished products	$ 3,090	$ 3,075
Semifinished products	1,458	1,616
Raw materials and supplies	1,004	804
	5,552	5,495
Adjustment of inventories to a last-in, first-out (LIFO) basis	(589)	(554)
Total	$ 4,963	$ 4,941

Note 8. Goodwill and Other Intangible Assets

There were no significant changes in Goodwill for the nine-month period ended September 30, 2007.

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

	September 30, 2007			December 31, 2006		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (Definite-lived):						
Purchased and licensed technology	$ 2,410	$ (1,104)	$ 1,306	$ 2,099	$ (1,253)	$ 846
Patents	153	(55)	98	141	(46)	95
Trademarks	53	(16)	37	53	(14)	39
Other	530	(222)	308	536	(192)	344
	3,146	(1,397)	1,749	2,829	(1,505)	1,324
Intangible assets not subject to amortization (Indefinite-lived):						
Trademarks / tradenames	180		180	180		180
Pioneer germplasm	975		975	975		975
	1,155		1,155	1,155		1,155

Total	$ 4,301	$ (1,397)	$ 2,904	$ 3,984	$ (1,505)	$ 2,479

During the third quarter 2007, the company s wholly-owned subsidiary, Pioneer Hi-Bred International, Inc. entered into a business agreement on corn herbicide tolerance and insect control trait technologies with Monsanto Company. Among other provisions, modifications were made to the existing corn license agreements; both parties agreed to exchange certain non-assert and other intellectual property rights; and both parties obtained rights to reference and access certain regulatory data and approvals in which the other has certain interests.

The YieldGard® MON810 Corn license agreement has been modified to provide Pioneer with more favorable royalty terms and broader rights to certain regulatory data and approvals for use in developing products stacked with YieldGard® MON810 Corn. As part of the agreement,

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Monsanto receives broader rights and access to certain Herculex® Insect Control trait regulatory data and approvals for use in developing products stacked with Herculex® Insect Control traits.

The agreement also modified the existing Roundup Ready® Corn 2 license to provide for specified annual royalty payments from 2008 through 2015 versus the per unit royalty arrangement in place for the same period. As a result of the change from a per unit royalty payment to specified annual royalty payments, the company recorded an intangible asset for licensed technology and an associated liability with a net present value of $573 in the quarterly period ended September 30, 2007. The intangible asset is subject to amortization, which will be reported in Cost of goods sold and other operating charges, over the life of the related contract. Interest expense associated with the liability will be reported in Cost of goods sold and other operating charges. Cumulative cash payments will be approximately $725 over this eight-year period.

The aggregate amortization expense for definite-lived intangible assets was $53 and $163 for the three- and nine-month periods ended September 30, 2007, respectively, and $57 and $172 for the three- and nine-month periods ended September 30, 2006. The estimated aggregate pretax amortization expense for 2007 and each of the next five years is approximately $230, $280, $280, $245, $230 and $190 including amounts which will be reported in Cost of goods sold and other operating charges.

Note 9. Commitments and Contingent Liabilities

Guarantees

Product Warranty Liability

The company warrants that its products meet standard specifications. The company s product warranty liability was $22 at September 30, 2007 and $17 at December 31, 2006. Estimates for warranty costs are based primarily on historical claim 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 amounts recorded for all indemnifications as of September 30, 2007, and December 31, 2006, was $103 and $105, 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 sale of the majority of the net assets of Textiles and Interiors (INVISTA), the company indemnified the purchasers, subsidiaries of Koch Industries, Inc., against certain liabilities primarily related to taxes, legal and environmental matters and other representations and warranties. The estimated fair value of these obligations of $70 was included in the

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indemnifications balance of $103 at September 30, 2007. The fair value of these obligations was based on management s best estimate of the value expected to be required to issue the indemnifications in a standalone, arm s length transaction with an unrelated party and, where appropriate, by the utilization of probability weighted discounted net cash flow models.

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 unaffiliated companies. At September 30, 2007, the company had directly guaranteed $588 of such obligations, and $239 relating to guarantees of historical obligations for divested subsidiaries and affiliates. 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. No material loss is anticipated by reason of such agreements and guarantees. 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 40 percent of the $274 of guaranteed obligations of customers and suppliers. Set forth below are the company s guaranteed obligations at September 30, 2007:

	Short-Term	Long-Term	Total
Obligations for customers, suppliers and other unaffiliated companies[1]:			
Bank borrowings (terms up to 5 years)	$103	$170	$273
Revenue bonds (term 1 year)	1		1
Obligations for equity affiliates[2]:			
Bank borrowings (terms up to 6 years)	260	26	286
Leases on equipment and facilities (terms of 2 to 3 years)		28	28
Total obligations for customers, suppliers, other unaffiliated companies and equity affiliates	$364	$224	$588
Obligations for divested subsidiaries and affiliates[3]:			
Conoco Inc. (Conoco) (terms from 1 - 19 years)		136	136
Consolidation Coal Sales Company (term 3 - 4 years)		103	103
Total obligations for divested subsidiaries and affiliates		239	239
	$364	$463	$827

[1] Existing guarantees for customers and suppliers arose as part of contractual agreements.

[2] Existing guarantees for equity affiliates arose for liquidity needs in normal operations.

[3] The company has guaranteed certain obligations and liabilities related to divested subsidiaries, including Conoco and its subsidiaries and affiliates and Consolidation Coal Sales Company. The Restructuring, Transfer and Separation Agreement between DuPont and Conoco requires Conoco to use its best efforts to have Conoco, or any of its subsidiaries, substitute for DuPont. Conoco and Consolidation Coal Sales Company have indemnified the company for any liabilities the company may incur pursuant to these guarantees.

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(Dollars in millions, except per share)

Residual Value Guarantees

As of September 30, 2007, the company had one synthetic lease program relating to short-lived equipment. In connection with this synthetic lease program, the company had residual value guarantees in the amount of $102 at September 30, 2007. The guarantee amounts are tied to the unamortized lease values of the assets under synthetic lease and are due should the company decide neither to renew these leases nor to exercise its purchase option. At September 30, 2007, the company had no liabilities recorded for these obligations. Any residual value guarantee amounts paid to the lessor may be recovered by the company from the sale of the assets to a third party.

Litigation

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, 2006	60
Filed	
Resolved	(16)
Balance at March 31, 2007	44
Filed	
Resolved	(31)
Balance at June 30, 2007	13
Reinstated	2
Resolved	
Balance at September 30, 2007	15

At September 30, 2007, there were nine cases pending in Florida state court, involving allegations that Benlate® caused crop damage. The court dismissed, for failure to prosecute, one of the nine cases in November 2006 on DuPont s motion. Plaintiffs are expected to appeal. 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 DuPont. At trial, the plaintiffs sought damages in the range of $270 to $400. The plaintiffs, as well as DuPont, have filed post trial motions and DuPont will appeal the verdict. DuPont believes that the appeal will be resolved in its favor and, therefore, has not established a reserve relating to the judgment.

At September 30, 2007, there was one case pending in Florida and one in Hawaii where the plaintiffs are seeking to reopen settlements with the company by alleging that it committed fraud and misconduct, as well as violations of federal and state racketeering laws. In October 2007, the appeals court entered an order precluding the judge from taking further action effectively dismissing the case pending in Florida. In 2005, the case pending in Hawaii was settled in part for $1.2 and the Hawaii state court granted DuPont s motion dismissing the remainder of the case. However, plaintiffs have appealed the dismissal. During the second quarter 2007, the company settled five cases that were pending in Hawaii for $8.5. During the first quarter 2007, the dismissal of the sixteen reopener cases pending in Florida was affirmed and the cases were closed.

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(Dollars in millions, except per share)

At September 30, 2007, there were two cases pending before the Delaware state court, involving allegations that Benlate® caused birth defects to children exposed in utero. In April 2007, DuPont reached a settlement in principle of $9 with the six plaintiffs in these two cases as well as twenty-six other claimants represented by the same attorney. If the settlement is approved by the court and finalized, it will resolve all birth defects claims known by DuPont to exist.

At September 30, 2007, there were two shrimp cases pending against the company. 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. The company has appealed. The twenty-six other cases involving damage to shrimp pending against the company in state court in Florida were settled for $2.5 during the second quarter 2007. The settlement was paid during the third quarter 2007. Separately, plaintiffs filed a motion seeking sanctions for alleged discovery defaults in all twenty- eight of the cases. The court denied most of the sanctions sought by plaintiffs, but did impose on DuPont the reasonable and necessary attorney fees incurred by plaintiffs in moving for sanctions.

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 September 30, 2007, the company has incurred costs and expenses of approximately $2 billion associated with these matters. 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 September 30, 2007, the company has reserves of $9 related to the settlements of the birth defect claims and shrimp cases.

<u>*PFOA*</u>

Environmental Actions Involving the Washington Works Site and Surrounding Area

In November 2006, DuPont entered into an Order on Consent under the Safe Drinking Water Act (SDWA) with the U.S. Environmental Protection Agency (EPA) establishing a precautionary interim screening level for PFOA (collectively, perfluorooctanoic acids and its salts, including the ammonium salt) of 0.5 parts per billion (ppb) in drinking water sources in the area around the DuPont Washington Works site located in Parkersburg, West Virginia. As part of the Order on Consent, DuPont conducted a survey and performed sampling and analytical testing of certain public and private water systems in the area. DuPont will conduct another survey and perform analytical testing of certain public and private water systems in additional areas defined by EPA. DuPont is required under the agreement to offer to install water treatment systems or an EPA-approved alternative if PFOA levels are detected at or above 0.5 ppb. Since PFOA was detected at levels above 0.5 ppb in some private water wells, the company expects to install such treatment systems. Management believes the company s reserves for costs it may incur as a result are appropriate.

In 2001, DuPont and the West Virginia Department of Environmental Protection (WVDEP) signed a multimedia Consent Order (the WV Order) that required environmental sampling and analyses and the development of screening levels for PFOA that is used or managed by the Washington Works plant. As a result, in 2002, the WVDEP established a screening level of 150 micrograms PFOA per liter screening level for drinking water, a soil screening level of 240 parts per million, a screening level of 1 microgram per cubic meter for air and a screening level of 1360 ppb for aquatic life. Under the WV Order, sanctions could be imposed if any of the screening levels were exceeded. Based on sampling through 2006 and air dispersion modeling, DuPont has not exceeded these screening levels. The company conducted annual sampling in 2007 for the City of Parkersburg and the results were below the screening level. In addition, environmental sampling of the PFOA levels in the groundwater and drinking water has been conducted across the Ohio River pursuant to a

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Memorandum of Understanding among DuPont, the Ohio Environmental Protection Agency, the WVDEP and the Division of Health and Human Resources, (the Ohio MOU). Additional monitoring was conducted in Ohio through 2006. In late 2005 DuPont and the EPA entered into a Memorandum of Understanding (EPA MOU) that requires DuPont to monitor PFOA in the soil, air, water and biota around the Washington Works site. At September 30, 2007, DuPont has reserves of about $0.7 to fund its activities under the WV Order, EPA MOU and Order on Consent, including the installation of water treatment systems.

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. The first complaint related to information about PFOA for a period beginning in June 1981 through March 2001; the second related to information about PFOA for a period beginning in late July 2004 to mid-October 2004. In December 2005, the parties entered into a settlement agreement to resolve the original counts set forth in the complaints and the additional counts raised by the EPA in 2005. As a result in 2005, the company established reserves of $16.5 to fund its obligations under the settlement agreement. The agreement requires the company to pay civil fines of $10.25 and complete two Supplemental Environmental Projects at a total cost of $6.25 by December 27, 2008. The company paid the civil fines of $10.25 in January 2006.

Department of Justice: Grand Jury Subpoena

On May 17, 2005, DuPont was served with a grand jury subpoena from the U.S. District Court for the District of Columbia. The subpoena, which was served by the Environmental Crimes Section of the Environment and Natural Resources Division of the Department of Justice (DOJ), relates to PFOA, ammonium perfluorooctanoate (APFO), C-8 and FC-143. On October 12, 2007, DuPont was notified that the DOJ completed its review and has dropped its investigation.

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 reserves 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 health study 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 independent science panel health study is estimated to cost $18, of which $5 was originally placed in an interest-bearing escrow account. At present, the expected timeframe to complete the study is three to five years. In addition, the company is providing state-of-the art water treatment systems designed to reduce the

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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. At September 30, 2007, the estimated cost of constructing, operating and maintaining these systems was $19 of which $10 was originally placed in an interest-bearing escrow account. At September 30, 2007, the reserve balance relating to the funding of the independent science panel health study and the water treatment systems was $20, including $11 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 September 30, 2007, the company had not established any reserves related to medical monitoring or personal injury claims. However, there can be no assurance as to what the independent science panel will conclude.

The company is funding a voluntary bottled water program (estimated to cost about $3) for residents in the Little Hocking area water district (LHWA) on an interim basis until the installation of the water treatment systems. 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 denies any such endangerment exists 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 of 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. 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. The company intends to defend itself vigorously against these lawsuits alleging contamination of drinking water sources.

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 reserves, a range of such losses, if any, cannot be reasonably estimated at this time.

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Consumer Products Class Actions

	Number of Cases
Balance at December 31, 2006	22
Filed	1
Resolved	
Balance at March 31, 2007	23
Filed	
Resolved	
Balance at June 30, 2007	23
Filed	
Resolved	
Balance at September 30, 2007	23

As of September 30, 2007, twenty-three intrastate class actions have been filed on behalf of consumers who have purchased cookware with Teflon® non-stick coating in federal district courts against DuPont. The actions were filed on behalf of consumers in Colorado, Connecticut, Delaware, the District of Columbia, Florida, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Michigan, Missouri, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas and West Virginia. Two of the 23 actions were filed in California. By order of the Judicial Panel on Multidistrict Litigation, all of these actions have been combined for coordinated and consolidated pre-trial proceedings in federal district court for the Southern District of Iowa. Under the court s latest case management order, a ruling on whether these cases can proceed as class actions is expected in 2008.

The actions allege that DuPont violated state laws by engaging in deceptive and unfair trade practices by failing to disclose to consumers that products containing Teflon® were or are potentially harmful to consumers and that DuPont has liability based on state law theories of negligence and strict liability. The actions allege that Teflon® contained or released harmful and dangerous substances; including a chemical (PFOA) alleged to have been determined to be likely to cause cancer in humans. The actions seek unspecified monetary damages for consumers who purchased cooking products containing Teflon®, as well as the creation of funds for medical monitoring and independent scientific research, attorneys fees and other relief. 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. A ruling on this motion is expected from the Court in 2008. Damages are not quantified, but are alleged to include the cost of replacement products as well as one hundred dollars per class member as exemplary damages.

The company believes that the twenty-three class actions and the motion filed in Quebec are without merit and, therefore, believes it is remote that it will incur losses related to these actions. At September 30, 2007, the company had not established any reserves related to these matters.

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

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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 makes antitrust allegations regarding the PCP market against DPE, relating to the joint venture s activities, and DuPont, to which both have responded. The company expects EU antitrust authorities to issue a decision, including the imposition of fines. It is possible that this may occur by year-end 2007. During 2007, as a result of these developments, the company increased its reserves for the EU matter by $65, of which DuPont expects $13 will be reimbursed by Dow. However, there can be no assurance as to what the EU antitrust authorities will decide or the amount of any fines. After the decision is issued, the company will assess whether to seek appellate review.

DDE resolved all criminal antitrust allegations against it related to PCP in the U.S. through a plea agreement with the 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 annual installment payments for 2005, 2006 and 2007 have been made. The agreement also requires the subsidiary to provide ongoing cooperation with the DOJ s investigation.

As a result of its April 2004 agreements with Dow, DuPont established reserves in 2004 of $268, of which it expects $18 to be reimbursed by Dow. At September 30, 2007, the balance of the reserves was $174.

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 1990 s and in 2001 repurchased the site to facilitate and complete the remediation. The October 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. No specific amount was awarded in the medical monitoring phase. The company believes it has a strong basis for appeal and will seek the right to appeal all four phases. As of September 30, 2007, the company increased its reserves related to this action to $55 although given the uncertainties inherent in litigation, there can be no assurance as to the final outcome.

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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 material 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 Annual Report on Form 10-K for the period ended December 31, 2006. Much of this liability results from the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, often referred to as Superfund), 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 September 30, 2007, the Consolidated Balance Sheet included a liability of $349 relating to these matters and, in management s opinion, is appropriate based on existing facts and 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 September 30, 2007.

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 Annual Report on Form 10-K for the period ended December 31, 2006. See Note 2 for a description of commitments relating to tax matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 10. Comprehensive Income

The following sets forth the company s total comprehensive income for the periods shown:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Net income	$ 526	$ 485	$ 2,443	$ 2,277
Cumulative translation adjustment	53	15	75	40
Net revaluation and clearance of cash flow hedges to earnings	3	(2)	(6)	(3)
Pension benefit plans	18	16	63	16
Other benefit plans	(22)		(50)	
Net unrealized (losses) gains on available for sale securities	(8)		4	6
Total	$ 570	$ 514	$ 2,529	$ 2,336

Note 11. Derivatives and Other Hedging Instruments

The company s objectives and strategies for holding derivative instruments are included the company s Annual Report on Form 10-K for the year ended December 31, 2006, at Note 25, Derivatives and Other Hedging Instruments. Cash flow ineffectiveness reported in earnings for the three and nine months ended September 30, 2007 was a pretax gain of $1 and a pretax gain of $2, respectively. There were no hedge gains or losses excluded from the assessment of hedge effectiveness or reclassifications to earnings for forecasted transactions that did not occur related to cash flow hedges.

The following table summarizes the effect of cash flow hedges on accumulated other comprehensive income (loss) for the periods shown:

	Three Months Ended September 30, 2007			Nine Months Ended September 30, 2007		
	Pretax	Tax	After-Tax	Pretax	Tax	After-Tax
Beginning balance	$ 12	$ (4)	$ 8	$ 27	$ (10)	$ 17
Additions and revaluations of derivatives designated as cash flow hedges	3	(1)	2	14	(3)	11
Clearance of hedge results to earnings	2	(1)	1	(24)	7	(17)
Ending balance	$ 17	$ (6)	$ 11	$ 17	$ (6)	$ 11
Amounts expected to be reclassified into earnings over	$ 14	$ (5)	$ 9	$ 14	$ (5)	$ 9

the next twelve months

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Note 12. Employee Benefits

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Service cost	$ 100	$ 96	$ 294	$ 294
Interest cost	308	298	919	888
Expected return on plan assets	(450)	(413)	(1,348)	(1,224)
Amortization of unrecognized loss	30	56	88	189
Amortization of prior service cost	5	8	14	29
Curtailment/settlement loss				3
Net periodic benefit (credit)/cost	$ (7)	$ 45	$ (33)	$ 179

The company disclosed in its Consolidated Financial Statements for the year ended December 31, 2006, that it expected to contribute approximately $290 to its pension plans, other than to the principal U.S. pension plan in 2007. As of September 30, 2007, contributions of $233 have been made to these pension plans and the company anticipates additional contributions during the remainder of 2007 to total approximately $42.

The following sets forth the components of the company s net periodic benefit cost for other postretirement benefits:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Service cost	$ 8	$ 9	$ 25	$ 25
Interest cost	59	53	176	161
Amortization of unrecognized loss	16	11	46	34
Amortization of prior service benefit	(39)	(39)	(117)	(117)
Net periodic benefit cost	$ 44	$ 34	$ 130	$ 103

The company disclosed in its Consolidated Financial Statements for the year ended December 31, 2006, that it expected to make payments of approximately $340 to its other postretirement benefit plans in 2007. Through September 30, 2007, the company has made benefit payments of $226 related to its postretirement benefit plans and anticipates additional payments during the remainder of 2007 to total approximately $82.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 13. Segment Information

Segment sales include transfers. Segment pretax operating income (PTOI) is defined as operating income before income taxes, minority interests, exchange gains/(losses), corporate expenses and net interest.

Effective January 1, 2007, the company changed the alignment of certain businesses within its Agriculture & Nutrition and Performance Materials segments, and Bio-Based Materials which is included within Other. These changes were made to better align the businesses with the growth platform that management believes will provide more opportunity for synergy and technology development in future periods. In addition, segment sales no longer include a pro rata share of equity affiliates sales. Results for prior years shown below have been reclassified to conform to current year classifications.

Three Months Ended September 30,	Agriculture & Nutrition	Coatings & Color Technologies	Electronic & Communication Technologies	Performance Materials	Pharmaceuticals	Safety & Protection	Other	Total [1]
2007								
Segment sales	$ 1,067	$ 1,649	$ 935	$ 1,651	$	$ 1,408	$ 43	$ 6,753
Less transfers		(12)	(31)	(9)		(21)	(5)	(78)
Net sales	1,067	1,637	904	1,642		1,387	38	6,675
Pretax operating income (loss)	(96)	204	138	196	237	313	(76) [2]	916
2006								
Segment sales	$ 885	$ 1,612	$ 892	$ 1,559	$	$ 1,385	$ 47	$ 6,380
Less transfers		(13)	(25)	(8)		(19)	(6)	(71)
Net sales	885	1,599	867	1,551		1,366	41	6,309
Pretax operating (loss) income	(154)	281 [6]	132	169	210	293 [6]	(31)	900

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Nine Months Ended September 30,	Agriculture & Nutrition	Coatings & Color Technologies	Electronic & Communication Technologies	Performance Materials	Pharmaceuticals	Safety & Protection	Other	Total [1]
2007								
Segment sales	$ 5,591	$ 4,909	$ 2,834	$ 4,919	$	$ 4,244	$ 136	$ 22,633
Less transfers		(40)	(90)	(26)		(68)	(14)	(238)
Net sales	5,591	4,869	2,744	4,893		4,176	122	22,395
Pretax operating income (loss)	983	624	438	573 [3]	703	922	(169) [2]	4,074
2006								
Segment sales	$ 4,994	$ 4,715	$ 2,719	$ 4,656	$	$ 4,158	$ 141	$ 21,383
Less transfers		(35)	(85)	(40)		(64)	(14)	(238)
Net sales	4,994	4,680	2,634	4,616		4,094	127	21,145
Pretax operating income (loss)	873	530 [4, 6]	460	515	579	869 [6]	(119) [5]	3,707

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

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Total segment PTOI	$ 916	$ 900	$ 4,074	$ 3,707
Net exchange gains/(losses), including affiliates	(30)	(3)	(50)	5
Corporate expenses and net interest	(256)	(261)	(774)	(771)

Income before income taxes and minority interests	$ 630	$ 636	$ 3,250	$ 2,941

[2] Includes a $40 litigation related charge in connection with an environmental matter related to a discontinued business. See Note 9 for more details.

[3] Includes a $52 litigation related charge in connection with the elastomers antitrust matters. See Note 9 for more details.

[4] Includes a $135 restructuring charge in connection with the company s plans to close and consolidate certain manufacturing and laboratory sites. See Note 4 for more details.

[5] Includes a charge of $27 to write down certain manufacturing assets to estimated fair value.

[6] Includes a benefit of $50 resulting from the initial insurance recoveries relating to the damage suffered from hurricane Katrina in 2005 in the following

segments:
Coatings & Color
Technologies-$43
and Safety &
Protection-$7.

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 38.

Results of Operations

Overview

Third quarter 2007 net income was $526 million, or $0.56 per share, increasing 8 percent from third quarter 2006 net income of $485 million, or $0.52 per share. This increase was primarily driven by 2 percent higher local selling prices, 2 percent higher sales volume, increased Cozaar®/Hyzaar® income, and the benefit of a weaker U.S. dollar (USD). These improvements were partially offset by the impact of higher raw material, energy, and distribution costs, and spending for growth investments primarily in the Agriculture & Nutrition segment.

The company s growth strategies successfully generated an 11 percent sales increase outside of the United States, with a significant portion attributable to the Agriculture & Nutrition segment, which increased its non-U.S. sales 25 percent. While sales improved in a number of key U.S. market segments, overall sales in the United States declined modestly, principally related to weak demand in automotive and residential construction markets.

Net Sales

Net sales for the third quarter 2007 were $6.7 billion versus $6.3 billion in the prior year, up 6 percent with a 2 percent increase in local selling prices, a 2 percent favorable currency exchange impact and a 2 percent increase in volume. Volume growth of 5 percent outside the United States was partly offset by 3 percent lower volumes in the United States, principally due to weaker demand in the U.S. for products related to automotive and residential construction markets and the divestiture of a non-core industrial chemical business in the Safety & Protection segment.

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

The tables below show Net sales by region and variance analysis versus the prior year:

	Three Months Ended September 30, 2007		Percent Change Versus 2006		
	2007 Net Sales ($ Billions)	Percent Change vs. 2006	Local Price	Currency Effect	Volume
Worldwide	$ 6.7	6	2	2	2
U.S.	2.4	(2)	1		(3)
Europe	1.9	9	2	6	1
Asia Pacific	1.3	5	1	2	2
Canada & Latin America	1.1	22	3	3	16

For the nine months ended September 30, 2007, Net sales were $22.4 billion versus $21.1 billion in the prior year, up 6 percent. This growth was the result of 10 percent higher sales outside of the United States, reflecting in part the benefit of a weaker USD, while U.S. sales were flat. Worldwide local selling prices averaged 2 percent higher.

	Nine Months Ended September 30, 2007		Percent Change Versus 2006		
	2007 Net Sales ($ Billions)	Percent Change vs. 2006	Local Price	Currency Effect	Volume
Worldwide	$ 22.4	6	2	3	1
U.S.	9.0		2		(2)
Europe	6.7	11	1	7	3
Asia Pacific	3.7	6	2	1	3
Canada & Latin America	3.0	14	2	2	10

Other Income, Net

Third quarter 2007 Other income, net, totaled $365 million versus $336 million in the prior year, an increase of $29 million. The increase was due to $25 million of income related to a contract termination payment received in the Agriculture & Nutrition segment in 2007, and a $26 million increase in income resulting from Cozaar®/Hyzaar®. These increases were offset by a $22 million reduction in other miscellaneous items.

For the nine months ended September 30, 2007, Other income, net, was $1,045 million as compared to $1,002 million last year, an increase of $43 million. The increase was primarily attributable to higher Cozaar®/Hyzaar® income, partially offset by a decrease in net pretax exchange gains.

The company s Cozaar®/Hyzaar® income is the sum of two parts derived from a royalty on worldwide contract net sales linked to the exclusivity term in a particular country, and a share of the profits from North American sales and certain markets in Europe, regardless of exclusivity term. Patents and exclusivity have already started to expire and the U.S. exclusivity for Cozaar® ends in April 2010. The worldwide agreement terminates after 2013, when the Canadian exclusivity ends, and depends upon North American sales levels. Therefore, absent any major changes in the markets, the company expects its income to take its first significant step-down in

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

2010, and from that year on, continue to step-down each year to zero when the contract ends, which is expected to be after 2013. The company cannot predict the magnitude of the earnings step-down in each year. In general, management expects a pattern of sales and earnings decline similar to that of other drugs going off patent in the pharmaceutical industry.

Additional information related to the company s Other income, net, is included in Note 3 to the interim Consolidated Financial Statements.

Cost of Goods Sold and Other Operating Charges (COGS)

COGS totaled $5.1 billion in the third quarter 2007, an increase of 7 percent over $4.8 billion in the prior year. COGS as a percent of Net sales was 77 percent, up 2 percentage points from the prior year. Third quarter 2007 COGS included a $40 million charge for existing litigation relating to a discontinued business (see Note 9 to the interim Consolidated Financial Statements). Third quarter 2006 COGS included a $50 million benefit from an insurance recovery related to hurricane damage sustained in 2005. The increase in COGS as a percent of Net sales was also due to higher raw material and finished product distribution costs not covered by selling price increases, which were partially offset by divestitures of low margin businesses and the benefit of exchange rate changes which increased sales at a greater rate than COGS.

COGS for the nine months ended September 30, 2007 was $16.2 billion, an increase of 6 percent versus $15.3 billion in the prior year. COGS was 72 percent of Net sales for the nine months ended September 30, 2007 and 2006. COGS as a percentage of sales remained flat as higher raw material and finished product distribution costs in excess of selling price increases were offset by the absence of a prior-year $135 million restructuring charge in the Coatings & Color Technologies segment.

During the first quarter 2006, a transformation plan was instituted within the Coatings & Color Technologies segment in order to better serve the company s customers and improve profitability. The plan included the elimination of 1,700 positions and encompassed redeployment of employees in excess positions to the extent possible. Restructuring charges resulting from the plan included $123 million related to severance costs for approximately 1,300 employees involved in manufacturing, marketing, administrative and technical activities who are expected to be off the rolls by the fourth quarter 2007. Payments will be made from operating cash flows with the majority of payments expected to be completed by the end of 2007. In connection with the plan, a $12 million charge was also recorded related to exit costs of nonstrategic assets.

Information related to the company s prior year restructuring activities is included in Note 4 to the interim Consolidated Financial Statements. Additionally, a complete discussion of the restructuring charge is included in the company s Annual Report on Form 10-K for the year ended December 31, 2006, Note 5, Restructuring Activities.

Selling, General and Administrative Expenses (SG&A)

SG&A totaled $797 million for the third quarter 2007 versus $756 million in the prior year. Year-to-date SG&A totaled $2,512 million versus $2,400 million in 2006. The increase in SG&A was primarily due to increased global commissions and selling and marketing investments related to the company s seed business. As a percent of Net sales, SG&A for the quarter was 12 percent and year-to-date was 11 percent, essentially unchanged from the prior year.

Research and Development Expense (R&D)

R&D increased to $332 million in the third quarter of 2007 compared to $320 million last year, primarily from accelerated biotechnology trait research and development within the Agriculture &

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

Nutrition segment. Spending for R&D was 5 percent of sales in the third quarter of 2007, consistent with the comparable period in 2006. For the nine months ended September 30, 2007, R&D was $979 million versus $961 million last year Higher R&D for accelerated biotechnology trait research and development in the Agriculture & Nutrition segment was partially offset by a decrease in R&D in the Coatings & Color Technologies segment as a result of consolidating research facilities as a part of its 2006 business transformation plan.

Interest Expense

Interest expense totaled $113 million in the third quarter of 2007 compared to $114 million in the third quarter of 2006, a decrease of 1 percent. For the nine months ended September 30, interest expense decreased 8 percent to $320 million in 2007 from $347 million in 2006. The decrease in interest expense for the nine-month period was due to lower average debt levels, partially offset by higher average interest rates.

Provision for Income Taxes

The company s effective tax rate for the third quarter 2007 was 16.2 percent as compared to 23.7 percent in 2006. The lower effective tax rate in 2007 versus 2006 principally relates to the impact of tax associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations.

The company s effective tax rate for year-to-date 2007 was 24.7 percent as compared to 22.5 percent in 2006. The lower effective tax rate in 2006 versus 2007 principally relates to the impact of the 2006 tax benefit of $31 million 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, a net $41 million tax benefit in 2006 related to the reversal of certain prior year tax contingencies previously reserved and the taxes associated with the company s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations. See Note 5 to the interim Consolidated Financial Statements for additional information.

Net Income

Net income for the third quarter 2007 was $526 million, or $0.56 per share, and included a $26 million, or $0.03 per share, charge for existing litigation relating to a discontinued business. Third quarter 2006 Net income was $485 million, or $0.52 per share, and included a $33 million, or $0.03 per share, benefit from insurance recoveries. The increase in third quarter Net income reflects higher selling prices, volume growth outside of the U.S., increased Cozaar®/Hyzaar® income and a favorable currency impact, partially offset by higher ingredient costs and increased spending on growth investments in excess of fixed cost reductions from productivity improvements.

For the nine months ended September 30, 2007, Net income was $2.4 billion, compared to $2.3 billion in the prior year. The increase in Net income principally reflects the 6 percent revenue growth, primarily from higher local selling prices and volume growth outside of the U.S., in addition to increased Cozaar®/Hyzaar® income, fixed cost productivity gains and a favorable foreign currency exchange impact, partially offset by higher ingredient costs and increased spending on growth investments.

Corporate Outlook

The company has updated its outlook for full-year 2007 earnings per share from about $3.09 to a range of $3.06 to $3.11. The previous outlook included a $0.06 per share charge to increase liabilities related to existing litigation and the current updated 2007 earnings outlook range includes a $0.09 per share year-to-date charge to increase liabilities related to existing litigation.

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

For the fourth quarter 2007, the company expects strong sales growth outside the United States will continue to exceed the effect of lower demand from U.S. housing and automotive markets. The company anticipates pretax operating income (PTOI) to grow substantially from last year s fourth quarter, reflecting continued execution of its growth strategies and productivity initiatives partially offset by higher ingredient costs. Net income growth is expected to be tempered by a higher effective income tax rate versus last year.

The company s 2008 outlook is positive. The company expects strong revenue growth in emerging markets and anticipates significant earnings growth in its Agriculture & Nutrition segment. New product acceleration efforts and continued cost and capital productivity gains across the company are expected to be additional contributing factors. This positive outlook is moderated by potentially lower demand from U.S. housing and automotive markets and the uncertainty of ingredient costs. The company s current 2008 earnings outlook is a range of $3.31 to $3.52 per share.

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 PTOI for the three- and nine-month periods ended September 30, 2007 compared with the same periods in 2006. Segment sales include transfers. Segment PTOI is defined as operating income before income taxes, minority interests, exchange gains/(losses), corporate expenses and interest.

Agriculture & Nutrition Third quarter 2007 sales of $1.1 billion were 21 percent higher than the same period in 2006, reflecting 10 percent higher USD selling prices and 11 percent volume growth. The increase in sales was primarily due to higher corn seed sales in Latin America, canola sales in Europe and higher USD selling prices for crop chemical products. PTOI for the third quarter was a loss of $96 million versus a loss of $154 million in the prior year. The improvement in PTOI for the quarter was primarily due to the increased sales and restructuring benefits offset by higher fixed costs supporting research and sales and marketing investments in the seed business. Third quarter 2007 includes $25 million of income, recorded in Other income, from a contract termination payment received.

During the third quarter 2007, Pioneer Hi-Bred International, Inc., a wholly owned subsidiary of the company, entered into an arrangement with Monsanto Company. Refer to Note 8 to the interim Consolidated Financial Statements for further description of this agreement.

Year-to-date sales were $5.6 billion, a 12 percent increase versus the prior year, reflecting 8 percent higher USD selling prices and 4 percent higher volume. The increased sales were primarily a result of higher U.S. and Latin America corn seed sales. PTOI for the nine months ended September 30, 2007 was $983 million up 13 percent versus $873 million in the same period last year. This increase was principally due to the higher sales, partially offset by higher fixed costs supporting research and sales and marketing investments in the seed business.

Coatings & Color Technologies Third quarter 2007 sales of $1.6 billion were up 2 percent compared to the same period in 2006, reflecting 3 percent higher USD selling prices, partially offset by a 1 percent volume decrease. Increased sales of titanium dioxide products and automotive coatings outside of the U.S. were offset by lower North American sales of these products due to a continued weak U.S. market. Third quarter PTOI of $204 million decreased from $281 million in the prior year, as the higher sales were more than offset by increased

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

ingredient and transportation costs. Third quarter 2006 PTOI included a $43 million insurance recovery, recorded in COGS, relating to Hurricane Katrina.

Year-to-date 2007 sales were $4.9 billion, up 4 percent from the same period last year, reflecting 4 percent higher USD selling prices. Overall volume was essentially flat for the segment as increased sales of titanium dioxide products outside of the U.S. were offset by lower sales to automotive original equipment manufacturers due to a weak U.S. market. Year-to-date PTOI was $624 million as compared to $530 million last year, which is primarily due to the absence of the prior year restructuring charge of $135 million associated with the transformation program in the coatings business. Year-to-date 2007 and 2006 PTOI included insurance recoveries relating to Hurricane Katrina losses of $16 million and $43 million, respectively. Higher sales and improved fixed cost productivity were offset by higher raw material and transportation costs. For more information on the $135 million restructuring charge, see Note 4 to the interim Consolidated Financial Statements. Additionally, a complete discussion of the restructuring charge is included in the company s Annual Report on Form 10-K for the year ended December 31, 2006, Note 5, Restructuring Activities.

Electronic & Communication Technologies Third quarter 2007 sales were $935 million, up 5 percent, reflecting 5 percent volume growth. The volume growth was primarily due to growth in fluoroproducts and packaging graphics, as well as gains in the photovoltaic markets and improved demand in certain cell phone and semiconductor supply chains. Third quarter PTOI was $138 million as compared to $132 million in the prior year. The improvement in PTOI reflects the higher sales and improved fixed cost productivity, partly offset by higher ingredient costs.

Year-to-date sales of $2.8 billion were up 4 percent, reflecting 4 percent volume growth, primarily due to fluoroproducts and packaging graphics. PTOI was $438 million for the nine months ended September 30, 2007 compared to $460 million in the prior year. Lower earnings reflect declines in margins as a percentage of sales due to higher ingredient and freight costs.

Performance Materials Sales of $1.7 billion were up 6 percent compared to sales in the third quarter last year reflecting 7 percent higher USD selling prices, partly offset by a 1 percent decline in volume. The decline in volume was principally related to the weak North American automotive market, ingredient supply constraints and the effects of Hurricane Humberto at the company s Sabine River Works facility in Orange, Texas. Decreased demand in North America was partially offset by volume growth in Europe and Latin America. Third quarter PTOI of $196 million increased 16 percent from the prior year, primarily due to the higher sales.

Year-to-date sales were $4.9 billion versus $4.7 billion in the prior year. The 6 percent increase in sales reflects 7 percent higher USD selling prices, partially offset by a 1 percent volume decrease. The decrease in volume reflects lower sales volume of engineering polymer resins in the U.S. and Asia Pacific, and packaging and industrial polymers in the U.S. PTOI for the first nine months of 2007 was $573 million compared to $515 million in 2006. Increased earnings were primarily due to the higher sales. 2007 year-to-date PTOI included a $52 million litigation related charge in connection with the elastomers antitrust matters. See Note 9 to the interim Consolidated Financial statements for more details.

Pharmaceuticals See Other income, net for additional discussion of Cozaar®/Hyzaar® income.

Safety & Protection Third quarter sales of $1.4 billion were up 2 percent, reflecting 2 percent higher USD selling prices. Overall volume was flat for the segment as increased sales of Kevlar®, Nomex® and Tyvek® were offset by lower sales associated with a divested non-core industrial

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

chemical business. Third quarter PTOI was $313 million, an increase of 7 percent over last year. Increased earnings were primarily due to higher sales of Kevlar®, Nomex® and Tyvek®. Third quarter 2006 PTOI included a $7 million insurance recovery, recorded in COGS, relating to Hurricane Katrina losses in 2005.

Year-to-date sales of $4.2 billion were 2 percent higher than last year, due to 3 percent higher USD selling prices, partially offset by a 1 percent decline in volume. Lower volume primarily reflects decreased sales of products for U.S. residential construction markets, partly offset by higher sales of Kevlar® and Nomex®. Year-to-date PTOI was $922 million, an increase of 6 percent over the prior year, which included a $7 million insurance recovery relating to Hurricane Katrina losses in 2005. The increased earnings were primarily due to higher sales of Kevlar® and Nomex®.

Other

The company combines the results of certain developmental and nonaligned businesses under Other. Sales in the quarter of $43 million decreased 9 percent from 2006. Pretax operating loss for the third quarter 2007 was $76 million compared to a loss of $31 million in the third quarter 2006. The $45 million increase in pretax operating loss was primarily due to a $40 million charge, recorded in Cost of goods sold and other operating charges, for existing litigation relating to a discontinued business.

Year-to-date sales of $136 million decreased 4 percent from the prior year. Year-to-date pretax operating loss increased $50 million to $169 million, primarily due to the decline in sales, as well as higher inventory, freight and business development costs. The pretax loss for the nine-month period ended September 30, 2007 included litigation charges for divested businesses of $69 million. The pretax loss for the nine months ended September 30, 2006 included a charge of $27 million to write down certain specialty resins manufacturing assets to estimated fair value.

Liquidity & Capital Resources

Management believes that the company s ability to generate cash and access the capital markets will be adequate to meet anticipated future cash requirements to fund working capital, capital spending, dividend payments and other cash needs for the foreseeable future. The company s liquidity needs can be met through a variety of independent sources, including: Cash provided by operating activities, Cash and cash equivalents, Marketable debt securities, commercial paper, syndicated credit lines, bilateral credit lines, equity and long-term debt markets, and asset sales. The company s current long-term borrowing level, strong financial position and credit ratings provide excellent access to these markets.

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

Cash provided by operating activities was $1,426 million for the nine months ended September 30, 2007 versus $763 million for the same period ended in 2006. The $663 million improvement was primarily due to higher earnings, lower seasonal changes in working capital and timing of tax payments.

Cash used for investing activities was $1,020 million for the nine months ended September 30, 2007 compared to $897 million for the same period last year. The $123 million increase was mainly due to the impacts of a weakening U.S. dollar on forward exchange contract settlements and net purchases of short-term financial instruments in 2007 versus a net sale in 2006. These increases in cash used for investing activities were partially offset by the decrease in the

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

purchases of property, plant and equipment and the increase in the proceeds from the sales of assets.

Purchases of property, plant and equipment for the nine months ended September 30, 2007 totaled $1,019 million. Although the capital expenditures decreased as compared to the same period last year, the company expects full-year purchases of plant, property and equipment to be modestly higher than the $1.5 billion spent in 2006.

Cash used for financing activities was $1,043 million for the nine months ended September 30, 2007 compared to $880 million for the same period last year, an increase of $163 million. This increase was primarily due to the acquisition of treasury stock, partially offset by the increase in the proceeds resulting from a greater number of stock options being exercised and the increase in the net proceeds from borrowings.

Dividends paid to shareholders during nine months ended September 30, 2007 totaled $1,037 million. In October 2007, the company s Board of Directors declared a fourth quarter common stock dividend of $0.41 per share, which is a $0.04 per share, or 11 percent, increase from the dividend paid in the third quarter 2007. The fourth quarter dividend was the company s 413th consecutive quarterly dividend since the company s first dividend in the fourth quarter 1904.

Stock Repurchases

The company s Board of Directors authorized a $2 billion share buyback plan in June 2001. During the nine months ended September 30, 2007, there were no purchases of stock under this program. As of September 30, 2007, the company has purchased 20.5 million shares at a total cost of $962 million. Management has not established a timeline for the buyback of the remaining stock under this plan.

In addition to the plan described above, in October 2005 the Board of Directors authorized a $5 billion share buyback plan. During the nine months ended September 30, 2007, the company paid $1.7 billion to purchase and immediately retire 35 million shares at an average price of $48.85 per share. As of September 30, 2007, the company has completed this plan with the purchase and retirement of 113 million shares at an average price of $44.33 per share.

Cash and Cash Equivalents and Marketable Debt Securities

Cash and cash equivalents and Marketable debt securities were $1.3 billion at September 30, 2007 versus $1.9 billion at December 31, 2006. The decrease was due to cash used to fund normal seasonal working capital needs, principally in the Agriculture & Nutrition segment, and payments for the acquisition of treasury stock, partially offset by net proceeds from borrowings.

Debt

Total debt at September 30, 2007 was $9.0 billion, an increase of $1.5 billion from the $7.5 billion at December 31, 2006. The proceeds from the increased borrowings were primarily used to fund normal seasonal working capital needs as well as the acquisition of treasury stock.

Guarantees and Off-Balance Sheet Arrangements

For detailed information related to Guarantees, Indemnifications, Obligations for Equity Affiliates and Others, Certain Derivative Instruments, and Synthetic Leases, see page 44 to the company s 2006 Annual Report on Form 10-K, and Note 9 to the interim Consolidated Financial Statements.

Contractual Obligations

Information related to the company s contractual obligations at December 31, 2006 can be found on page 46 of the company s Annual Report on Form 10-K. The company s contractual

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

obligations at September 30, 2007, have decreased by approximately $950 million, or 7 percent, versus the prior year. During the nine months ended September 30, 2007, long-term debt has decreased $1,150 million, principally due to scheduled debt maturities. Also during the same period, contractual obligations increased $725 million, as a result of the future fixed payments associated with the licensing arrangements in the Agriculture & Nutrition segment. See Note 8 to the interim Consolidated Financial Statements for additional information regarding the licensing arrangements and the associated intangible asset, and Note 2 to the interim Consolidated Financial Statements for a description of commitments relating to tax matters.

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.

DuPont Performance Elastomers, LLC (DPE) uses PFOA in the manufacture of raw materials to manufacture KalrezÒ perfluoroelastomer parts. PFOA is also used in the manufacture of some fluoroelastomers marketed by DPE under the VitonÒ 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 2003, the EPA issued a preliminary risk assessment on PFOA that focuses on the exposure of the U.S. general population to PFOA and possible health effects, including developmental toxicity concerns. On January 12, 2005, the EPA issued a draft risk assessment on PFOA. The draft stated that 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. Under the Guidelines, the descriptor suggestive is typically applied to agents if animal testing finds any evidence that exposure causes tumors in one species of animal.

The EPA requested that the Science Advisory Board (SAB) review and comment on the scientific soundness of this assessment. On May 31, 2006, the SAB released its report setting forth the view, based on laboratory studies in rats, that the human carcinogenic potential of PFOA is more consistent with the EPA s descriptor of likely to be carcinogenic as defined in the Guidelines for Carcinogen Risk Assessment. However, in its report the SAB indicated that additional data should be considered before the EPA finalizes its risk assessment of PFOA. Under the Guidelines the likely descriptor is typically applied to agents that have tested positive in more

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

than one species, sex, strain, site or exposure route with or without evidence of carcinogenicity in humans. 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. The EPA has stated that it is premature to draw any conclusions on the potential risks, including cancer, from PFOA until the additional data are integrated into the risk assessment. 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.

DuPont submitted its baseline reporting data to the EPA on October 31, 2006. The company has refined its Program commitments based on a careful review of the data, the EPA Program guidelines and the state of the technology. Key elements of the DuPont commitment to EPA include reducing global emissions from manufacturing facilities by 97 percent by 2007 (which incorporates the substantial achievement of about 95 percent reduction as of December 31, 2006 already realized through DuPont s ongoing reduction program); reducing PFOA content in fluoropolymer dispersions faster and further than the goals set by the Program; and, by 2010, reducing PFOA content and any residual impurities in fluorotelomer products that could break down to PFOA. 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.

In February 2007, DuPont announced its commitment to eliminate the need to make, use or buy PFOA by 2015.

In the meantime, DuPont has developed Echelon™ technology that can reduce the PFOA content in fluoropolymer dispersions by 97 percent. The company has already converted 90 percent of its product line by volume to manufacturing processes based on Echelon™. DuPont also has successfully commercialized a new, patented manufacturing process to remove greater than 97 percent of trace by-product levels of PFOA, its homologues and direct precursors from its fluorotelomer products. The new products are being marketed as LX Platform Products.

In November 2006, DuPont entered into an Order on Consent under the Safe Drinking Water Act (SDWA) with the EPA establishing a precautionary interim screening level for PFOA of 0.5 part per billion (ppb) in drinking water sources in the area around the Washington Works site located in Parkersburg, West Virginia (see Note 9 to the interim Consolidated Financial Statements). DuPont is required under the agreement to offer to install water treatment systems or an EPA-approved alternative if PFOA levels are detected at or above 0.5 ppb (see Note 9 to the interim Consolidated Financial Statements).

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

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. 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). It is not known whether this is a causal association. These associations were not observed in a community study. 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.

Currently, there are no regulatory actions pending that would prohibit the production or use of PFOA. However, because there continues to be regulatory interest, there can be no assurance that the EPA or any other regulatory entity 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 2006 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 9 to the interim Consolidated Financial Statements).

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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 September 30, 2007, 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 September 30, 2007 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

Benlate®

Information related to this matter is included in Note 9 to the company s interim Consolidated Financial Statements under the heading Benlate®.

PFOA: Environmental and Litigation Proceedings

Information related to this matter is included in Note 9 to the company s interim Consolidated Financial Statements under the heading PFOA.

Elastomers Antitrust Matters

Information related to this matter is included in Note 9 to the company s interim Consolidated Financial Statements under the heading Elastomers Antitrust Matters.

Environmental Proceedings

Acid Plants New Source Review Enforcement Action

In 2003, the U.S. Environmental Protection Agency (EPA) issued a Notice of Violation and Finding of Violation for the company s Fort Hill sulfuric acid plant in Ohio. The EPA conducted a review of capital projects at the plant over the past twenty years. Based on its review, the EPA believes that two of the projects triggered a requirement to meet the New Source Performance Standards for sulfuric acid plants and that the company should have sought a permit under the New Source Review requirements of the Clean Air Act (CAA). In July 2004, the EPA issued a Notice of Violation for the James River sulfuric acid plant in Virginia with similar allegations. The company s sulfuric acid plants in Louisiana and Kentucky use similar technology.

In July 2007, a Consent Decree was reached under which the company will pay a total of $4,125,000 in civil penalties to the U.S. federal government, Louisiana, Ohio and Virginia. Also, DuPont must retrofit its Burnside plant in Louisiana by September 1, 2009 at an estimated cost of at least $66 million. In addition, by March 1, 2012, the other three plants must be retrofitted at an estimated total cost of at least $87 million or shut down.

Belle Spent Acid Plant New Source Review Notice of Violation

On August 2, 2007, EPA issued a Notice and Finding of Violation to DuPont and Lucite International regarding the spent acid regeneration unit at the Belle Plant in South Charleston, West Virginia. DuPont sold the unit to Imperial Chemical Industries, Plc (ICI) in 1993, who sold it to Lucite in 1999. DuPont has operated the unit since it was built in 1964, including after the sale to ICI, through the present. The Notice alleges 5 projects in the time period 1988 to 1996 should have triggered the New Source Review or New Source Performance Standard requirements of the Clean Air Act (CAA). If so, these would have required retrofit to best available technology. DuPont and Lucite disagree with the allegations and are contesting them. If EPA declines to reconsider its findings it may bring an enforcement action in the courts seeking retrofit and penalties.

Belle, West Virginia

On February 13, 2007, the West Virginia Department of Environmental Protection (WVDEP) indicated that the company s plant in Belle, West Virginia would be assessed penalties relating to wastewater discharges between June 2004 and year-end 2006 which allegedly exceeded the daily maximum and/or monthly average permit limits for total suspended solids, biological oxygen demand, pH, temperature, and phenol. In addition, the WVDEP has made three allegations relating to leaks of seeping groundwater associated with current operations. In October 2007, the July Consent Order was approved under which DuPont agreed to pay a penalty of about $100,000 and implement a protocol for certain inspections to ensure that there are no active discharges arising from current facility operations into the Simmons Creek without appropriate permits.

Beaumont, Texas

On March 14, 2007 the Texas Commission on Environmental Quality (TCEQ) issued a proposed Agreed Order alleging violation of the Texas Water Code at DuPont s Beaumont Texas facility. The Order was issued in response to the discharge of hazardous industrial waste to waters of the State on October 12, 2006. In October 2007, the TCEQ approved the Agreed Order settling the matter for $137, 600.

Gibson City, Illinois

The EPA has alleged that The Solae Company violated the Clean Air Act s (CAA) New Source Review Regulations and certain Prevention of Significant Deterioration requirements at its plant in Gibson City, Illinois. The Solae Company, a majority-owned venture with Bunge Limited, was formed in 2003. The EPA has proposed a settlement of this matter that would include sites located in Indiana, Ohio, Oklahoma and Tennessee, some of which are wholly owned by DuPont, in addition to the Gibson City site. The EPA s proposed settlement includes a penalty of $350,000 and Supplemental Environmental Projects involving expenditures of at least $500,000. The company and The Solae Company are negotiating with the EPA and U.S. Department of Justice (DOJ).

Pascagoula, Mississippi

In October 2002, the First Chemical Corporation (FCC) plant in Pascagoula, Mississippi experienced an explosion at one of its process units the mononitrotoluene unit Still Number 1 (MNT Still). The unit overheated, pressure built up in the column and a significant release occurred. No significant injuries occurred, nor was there any significant environmental harm as a result of the incident.

At the time of the October 2002 incident, FCC was not affiliated with DuPont; however, DuPont was in final negotiations for the purchase of ChemFirst, Inc., of which FCC was a subsidiary. After an extensive investigation of the incident by FCC and DuPont, DuPont completed the purchase in November 2002.

Two years after the incident, EPA began an investigation under the CAA s Prevention of Accidental Releases General Duty of Care provisions CAA 112(r). Over the last three years, EPA has requested significant documentation regarding the incident and the rebuild of the MNT Still. EPA also requested, and FCC agreed to an independent third-party process safety management audit of the FCC facility, seeking information on pre-incident documents as well as the post-incident repair and replacement of the MNT Still.

EPA has referred the matter to DOJ for enforcement action against FCC under the CAA. EPA/DOJ and DuPont are currently engaged in settlement discussions to resolve the proposed CAA 112(r) enforcement action. Management cannot predict the outcome of these discussions at this time.

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. However, the risks and uncertainties the company faces are not limited to those discussed below. Additional risks and uncertainties not presently known to the company or that the company currently believes to be immaterial also 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 costs 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. 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 claims, patent infringement claims and antitrust claims. 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.

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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.

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, third-party property damage or personal injury claims. 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 allegation, 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 or worldwide economic conditions 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. 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.

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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.

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, create delays and inefficiencies in the supply chain and result in the need to impose employee travel restrictions. 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, natural disasters and severe weather events. 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 attempts 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

The following table summarizes information with respect to the company s purchases of its common stock during the three months ended September 30, 2007:

			2001 Plan		2005 Plan	
Month	Total Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program[1]	Approximate Value of Shares That Yet be Purchased (Dollars in millions)	Total Number of Shares Purchased as Part of Publicly Announced Program[2]	Approximate Value of Shares That May May Yet be Purchased (Dollars in millions)
September	22,916,584	$ 47.77		$ 1,038	22,916,584	$
Total	22,916,584				22,916,584	

1 In June 2001, the Board of Directors authorized up to $2 billion for repurchases of the company s common stock. There were no purchases of the company s common stock under this plan during the three months ended September 30, 2007. As of September 30, 2007, cumulative purchases of common stock under this plan are 20.5 million shares at a cost of $962 million.

There is no expiration date on the current authorization and no determination has been made by the company to suspend or cancel purchases under the plan.

[2] In October 2005, the Board of Directors authorized a $5 billion share buyback plan. During the three months ended September 30, 2007, the company paid $1.1 billion to purchase and immediately retire 22.9 million shares at an average price of $47.77 per share. As of September 30, 2007, the company has completed this plan with the purchase and retirement of 112.8 million shares at a total cost of $5 billion.

Item 6. EXHIBITS

The exhibit index filed with this Form 10-Q is on pages 43-45.

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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:	October 31, 2007
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)

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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, 2002).
3.2	Company s Bylaws, as last revised January 1, 1999 (incorporated by reference to Exhibit 3.2 to the company s Annual Report on Form 10-K for the year ended December 31, 2003).
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 April 25, 2007 (incorporated by reference to Exhibit 10.1 to the company s Quarterly Report on Form 10-Q for the period ended June 30, 2007).
10.2*	Terms and conditions of time-vested restricted stock units granted in 2007 to non-employee directors under the company s Stock Accumulation and Deferred Compensation Plan, as amended, or Equity and Incentive Plan (incorporated by reference to Exhibit 10.3 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.3*	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).
10.4*	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).
10.5*	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).
10.6*	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).
10.7*	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).
10.8*	Terms and conditions, as last amended effective January 1, 2007, of performance-based restricted stock units granted in 2005 under the company s Stock Performance Plan (incorporated by reference to Exhibit 10.8 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.9*	Terms and conditions, as last amended effective January 1, 2007, of performance-based restricted stock units granted in 2006 under the company s Stock Performance Plan (incorporated by reference to Exhibit 10.9 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2007).

EXHIBIT INDEX
(continued)

Exhibit Number	Description
10.10*	Terms and conditions of stock appreciation rights granted in 2007 under the company s Stock Performance Plan or Equity and Incentive Plan (incorporated by reference to Exhibit 10.10 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.11*	Terms and conditions of stock options granted in 2007 under the company s Stock Performance Plan or Equity and Incentive Plan (incorporated by reference to Exhibit 10.11 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.12*	Terms and conditions of performance-based restricted stock units granted in 2007 under the company s Stock Performance Plan or Equity and Incentive 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).
10.13*	Terms and conditions of time-vested restricted stock units granted in 2007 under the company s Stock Performance Plan or Equity and Incentive Plan (incorporated by reference to Exhibit 10.13 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2007).
10.14*	Company s Variable Compensation Plan, as last amended effective April 30, 1997 (incorporated by reference to Exhibit 10.15 to the company s Quarterly Report on Form 10-Q for the period ended June 30, 2007).
10.15*	Company s Salary Deferral & Savings Restoration Plan, as last amended effective January 1, 2007 (incorporated by reference to Exhibit 10.11 to the company s Annual Report on Form 10-K for the period ended December 31, 2006).
10.16*	Company s Retirement Savings Restoration Plan adopted effective January 1, 2007 (incorporated by reference to Exhibit 10.12 to the company s Annual Report on Form 10-K for the period ended December 31, 2006).
10.17*	Company s Retirement Income Plan for Directors, as last amended August 1995 (incorporated by reference to Exhibit 10.7 to the company s Annual Report on Form 10-K for the year ended December 31, 2002).
10.18*	Letter Agreement and Employee Agreement, dated as of July 30, 2004, as amended, between the company and R. R. Goodmanson (incorporated by reference to Exhibit 10.8 to the company s Quarterly Report on Form 10-Q for the period ended June 30, 2004).
10.19	Company s Bicentennial Corporate Sharing Plan, adopted by the Board of Directors on December 12, 2001 and effective January 9, 2002.

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EXHIBIT INDEX
(continued)

Exhibit Number	Description
10.20	Purchase Agreement by and among the company as Seller and the other Sellers Identified Therein and KED Fiber Ltd. and KED Fiber LLC as Buyers, dated as of November 16, 2003 (incorporated by reference to Exhibit 10.12 to the company s Annual Report on Form 10-K for the year ended December 31, 2003). The company agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.
10.21	Amendment to the Purchase Agreement dated December 23, 2003, by and among the company as Seller and the Other Sellers Identified Therein and KED Fiber Ltd. and KED Fiber LLC as buyers (incorporated by reference to Exhibit 10.13 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2004). The company agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.
10.22	Amendment to the Purchase Agreement dated April 7, 2004, by and among the company as Seller and the Other Sellers Identified Therein and KED Fiber Ltd. and KED Fiber LLC as buyers (incorporated by reference to Exhibit 10.14 to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2004). The company agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.
10.23	Amendment to the Purchase Agreement dated April 22, 2004, by and among the company as Seller and the Other Sellers Identified Therein and KED Fiber Ltd. and KED Fiber LLC as buyers (incorporated by reference to Exhibit 10.15 to the company s Quarterly Report on Form 10-Q for the period ended June 30, 2004). The company agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.
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.

* Management contract or compensatory plan or arrangement required to be filed as an

exhibit to this
Form 10-Q.