

DUPONT E I DE NEMOURS & CO
Form 8-K
July 27, 2004



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of Earliest Event Reported) July 27, 2004

E. I. du Pont de Nemours and Company
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
Of Incorporation)

1-815
(Commission
File Number)

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

1007 Market Street
Wilmington, Delaware 19898
(Address of principal executive offices)

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

Item 12. Results of Operations and Financial Condition

On July 27, 2004, the Registrant announced its consolidated financial results for the quarter ended June 30, 2004. A copy of the Registrant's earnings news release is furnished on Form 8-K. The information contained in Item 12 of this report on Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor incorporated by reference in any registration statement filed by the Registrant under the Securities Act of 1933, as amended.

2

SIGNATURE

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

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

/s/ D. B. Smith

D. B. Smith
Vice President & Controller

July 27, 2004

3

July 27, 2004
WILMINGTON, Del.

Contact: Anthony Farina
302-774-4114
Anthony.R.Farina@usa.dupont.com

DUPONT REPORTS SECOND QUARTER 2004 EARNINGS

Summary

- Segment sales were \$8.2 billion, increasing 9 percent excluding the impact of portfolio changes, principally the INVISTA divestiture.
- Second quarter net income was \$503 million or \$.50 per share compared with the second quarter 2003 earnings of \$675 million or \$.67 per share.
- Before special items, second quarter 2004 earnings per share were \$.80, modestly exceeding the company's second quarter outlook.
- Second quarter 2004 earnings per share before special items grew, 29 percent versus prior year, reflecting significant improvement in Agriculture & Nutrition, Electronic & Communication Technologies, Performance Materials, and Pharmaceuticals.

Earnings Comparisons
(\$ per share diluted)

| | | | | | 6 Months | | 6 Months |
|--|--|---------|--|---------|----------|----------|----------|
| | | 2Q 2004 | | 2Q 2003 | | YTD 2004 | YTD 2003 |
| Reported Net Income | | \$.50 | | \$.67 | | \$1.16 | \$1.21 |
| Cumulative Effect of a Change in Accounting Principle | | - | | - | | - | (.03) |
| Special Items* | | (.30) | | .05 | | (.60) | .01 |
| Earnings Before Special Items | | .80 | | .62 | | 1.76 | 1.23 |

* See Schedules A and B.

"For the second consecutive quarter, the five DuPont growth platforms delivered strong growth in revenue, earnings and cash despite high energy and raw material prices," said Charles O. Holliday, Jr., DuPont chairman and chief executive officer. "During the second quarter, we also completed the sale of our Textiles & Interiors business and executed the major phase of our previously announced \$900 million cost improvement program. I am proud of the results that our people have delivered on all fronts."

Global Consolidated Net Sales and Net Income

Consolidated net sales totaled \$7.5 billion compared to \$7.4 billion in second quarter 2003, up 2 percent. The benefit to sales from 4 percent higher U.S. dollar selling prices and 6 percent higher sales volume offset a substantial sales reduction resulting from portfolio changes (the INVISTA divestiture, net of the consolidation of DuPont Dow Elastomers).

Second quarter net income was \$503 million, or \$.50 per share, compared to \$675 million, or \$.67 per share, in the second

Edgar Filing: DUPONT E I DE NEMOURS & CO - Form 8-K

quarter of 2003. The decrease in income principally reflects current period restructuring costs, partly offset by increases in operating income. Operating income improvement was principally due to higher sales volumes and selling prices, as well as increased Pharmaceuticals earnings.

Special items totaled an after-tax charge of \$302 million, or \$.30 per share in the second quarter 2004 versus a net after-tax benefit of \$52 million, or \$.05 per share, last year, as summarized in Schedule B and further detailed in the notes to the financial statements.

Net income before special items was \$805 million, up 29 percent. This compares to \$623 million in the second quarter 2003.

Business Segment Performance

Segment sales, which include transfers and a pro rata share of equity affiliates, were \$8.2 billion in the second quarter, down 1 percent versus prior year. The table below shows second quarter sales by region and variance analysis versus the prior year:

| | Segment Sales | | | % Change Due To: | | | | | |
|-----------------|---------------|--|-----------|------------------|--|----------|--|--------|-----------|
| | 2Q'04 | | % Change | Local | | Currency | | | Portfolio |
| | \$B | | vs. 2Q'03 | Price | | Effect | | Volume | Changes* |
| Worldwide | 8.2 | | (1) | 1 | | 3 | | 5 | (10) |
| U.S. | 3.7 | | (4) | 2 | | 0 | | 4 | (10) |
| Europe | 2.4 | | 2 | 1 | | 8 | | 1 | (8) |
| Asia Pacific | 1.3 | | 4 | 0 | | 3 | | 15 | (14) |
| Canada, Mexico, | | | | | | | | | |
| South America | 0.8 | | (1) | (5) | | 1 | | 12 | (9) |

* Includes changes in sales related to the INVISTA divestiture and the impact of fully consolidating DuPont Dow Elastomers (DDE) beginning in the second quarter 2004.

- Worldwide sales, excluding portfolio changes, increased 9 percent with strong growth in all regions.
- Worldwide sales volumes increased 5 percent with solid growth in most regions.
- Asia volumes increased 15 percent reflecting significant growth in sales of electronic materials, engineering polymers, and crop protection products.
- Local currency selling prices continue to show improvement versus prior year.

The table below presents year-over-year sales analysis for the five core segments of DuPont. This provides insight into the performance of DuPont, ex-INVISTA.

| Segment Sales(a) | Three Months Ended | | Percentage Change Due to | | | | |
|------------------|--------------------|---------|--------------------------|--|--|--|--|
| | | June 30 | U.S.\$ | | | | |

| (Dollars in millions) | \$ | % Chg. | Price | Volume | Other(b) |
|---|---------|--------|-------|--------|----------|
| Agriculture & Nutrition | \$2,077 | 10% | 5 | 5 | - |
| Coatings & Color Technologies | 1,560 | 10 | 6 | 4 | - |
| Electronic & Communication Technologies | 845 | 15 | 1 | 14 | - |
| Performance Materials | 1,703 | 26 | 4 | 10 | 12 |
| Safety & Protection | 1,168 | 10 | 3 | 7 | - |
| | | | | | |
| Total Core Segments | 7,353 | 14% | 4 | 7 | 3 |
| | | | | | |
| Textiles & Interiors(c) | 826 | (54) | | | |
| Other | 13 | | | | |
| | | | | | |
| Total | \$8,192 | (1)% | 4 | 5 | (10) |

- (a) Includes transfers and pro rata share of equity affiliate sales.
- (b) Includes changes in sales related to the INVISTA divestiture and the impact of fully consolidating DDE beginning in the second quarter 2004.
- (c) Reflects sales for the month of April 2004 (divestiture was completed April 30). Sales in the second quarter 2003 were \$1,779.

- Sales in the five core segments increased 14 percent -- reflecting 7 percent volume growth, 4 percent higher U.S. dollar prices, and 3 percent from fully consolidating DDE.
- All core segments delivered double-digit revenue growth versus last year.
- Volume growth was strong in all core segments, with 14 percent volume growth in Electronic & Communication Technologies, most notably in the Asia Pacific region.

Segment pretax operating income (PTOI) grew 23 percent before special items, which are summarized in Schedule B. This growth reflects a strong Northern Hemisphere agricultural season, significant growth in Asia, and continued strong demand from U.S. manufacturing and construction markets. These benefits were partly offset by higher raw material costs. The Pharmaceutical segment grew earnings substantially versus a depressed prior year result.

Detailed information on segment performance is provided in schedules C, D, and E which show sales variance analyses, segment PTOI as reported, and segment PTOI excluding the impact of special items. The company encourages investors to review these schedules. Additional segment information is available in the earnings data section of the DuPont Investor Center on dupont.com.

Other Items

The company closed the sale of INVISTA on April 30. After-tax proceeds from the sale were \$4.1 billion, including debt assumed by the buyer of roundly \$270 million.

Outlook

The company has increased its full year earnings per share outlook. The previous outlook was \$2.10 to \$2.30 per share. The updated full year outlook is \$2.25 to \$2.35 per share, with third quarter accounting for roughly 40 percent of the second half earnings. (Both outlooks exclude first and second quarter special items referenced above and discussed in the notes to Schedule A.) This outlook assumes that industrial production growth rates will continue to be strong, though somewhat moderated from the rates experienced in the first half of 2004; oil and natural gas prices will remain at or slightly below their currently high levels; and currency will continue to provide a modest benefit.

"Across our company, the people of DuPont are focused on meeting our growth objectives. We are putting our science to work to serve our customers, and we are continuously improving our productivity," said Holiday. "Our financial outlook reflects our confidence in the success of these actions."

Use of Non-GAAP Measures

Management believes that earnings before special items, a "non-GAAP" measure, is meaningful to investors because it provides insight with respect to ongoing operating results of the company. Special items represent significant charges or credits that are important to an understanding of the company's ongoing operations. Such measurements are not recognized in accordance with generally accepted accounting principles (GAAP) and should not be viewed as an alternative to GAAP measures of performance. A reconciliation of non-GAAP measures to GAAP is provided in Schedule G.

7

DuPont is a science company. Founded in 1802, DuPont puts science to work by creating sustainable solutions essential to a better, safer, healthier life for the people everywhere. Operating in more than 70 countries, DuPont offers a wide range of innovative products and services for markets including agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and protective apparel.

Forward-Looking Statements

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

###

7/27/04

8

E. I. DU PONT DE NEMOURS AND COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE A

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|--|---------|------------------|--|----------|
| CONSOLIDATED INCOME STATEMENT | June 30, | | | June 30, | | |
| (Dollars in millions, except per share) | 2004 | | 2003 | 2004 | | 2003 |
| NET SALES | \$7,527 | | \$7,369 | \$15,600 | | \$14,377 |
| Other Income(a) | 205 | | 146 | 337 | | 324 |
| Total | 7,732 | | 7,515 | 15,937 | | 14,701 |
| Cost of Goods Sold and Other Operating Charges(b) | 5,455 | | 5,386 | 11,212 | | 10,554 |
| Selling, General and Administrative Expenses | 828 | | 805 | 1,648 | | 1,551 |

Edgar Filing: DUPONT E I DE NEMOURS & CO - Form 8-K

| | | | | | | | |
|---|---------|--|---------|--|----------|--|----------|
| Amortization of Intangible Assets | 56 | | 61 | | 110 | | 117 |
| Research and Development Expense | 333 | | 357 | | 670 | | 672 |
| Interest Expense | 81 | | 87 | | 166 | | 168 |
| Employee Separation Costs and Asset Impairment Charges(c) | 433 | | - | | 433 | | - |
| Separation Charges - Textiles & Interiors(d) | 183 | | - | | 528 | | - |
| Gain on Sale of Interest by Subsidiary - Non-operating(e) | - | | (62) | | - | | (62) |
| | | | | | | | |
| Total | 7,369 | | 6,634 | | 14,767 | | 13,000 |
| | | | | | | | |
| INCOME BEFORE INCOME TAXES AND | | | | | | | |
| MINORITY INTERESTS | 363 | | 881 | | 1,170 | | 1,701 |
| Provision for (Benefit from) Income Taxes(f) | (123) | | 168 | | 3 | | 399 |
| Minority Interests in Earnings of Consolidated Subsidiaries(g) | (17) | | 38 | | (4) | | 63 |
| | | | | | | | |
| INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE | | | | | | | |
| IN ACCOUNTING PRINCIPLE | 503 | | 675 | | 1,171 | | 1,239 |
| Cumulative Effect of a Change in Accounting Principle, Net of Income Taxes(h) | - | | - | | - | | (29) |
| | | | | | | | |
| NET INCOME | \$ 503 | | \$ 675 | | \$ 1,171 | | \$ 1,210 |
| | | | | | | | |
| BASIC EARNINGS PER SHARE OF COMMON STOCK(i)(j) | | | | | | | |
| Income before Cumulative Effect of a Change in Accounting Principle | \$ 0.50 | | \$ 0.67 | | \$ 1.17 | | \$ 1.24 |
| Cumulative Effect of a Change in Accounting Principle | - | | - | | - | | (0.03) |
| | | | | | | | |
| Net Income | \$ 0.50 | | \$ 0.67 | | \$ 1.17 | | \$ 1.21 |
| | | | | | | | |
| DILUTED EARNINGS PER SHARE OF COMMON STOCK(i)(j) | | | | | | | |
| Income before Cumulative Effect of a Change in Accounting Principle | \$ 0.50 | | \$ 0.67 | | \$ 1.16 | | \$ 1.24 |
| Cumulative Effect of a Change in Accounting Principle | - | | - | | - | | (0.03) |
| | | | | | | | |
| Net Income | \$ 0.50 | | \$ 0.67 | | \$ 1.16 | | \$ 1.21 |
| | | | | | | | |

| | | | | | | | |
|-------------------------------------|---------|--|---------|--|---------|--|---------|
| DIVIDENDS PER SHARE OF COMMON STOCK | \$ 0.35 | | \$ 0.35 | | \$ 0.70 | | \$ 0.70 |
|-------------------------------------|---------|--|---------|--|---------|--|---------|

NOTES TO CONSOLIDATED INCOME STATEMENT

- (a) Year-to-date 2004 includes a charge of \$150 to provide for the company's share of anticipated losses associated with DuPont Dow Elastomers LLC antitrust litigation matters.

Second quarter 2003 includes an exchange gain of \$30 resulting from a currency contract purchased to offset movement in the Canadian dollar in connection with the company's acquisition of minority shareholders' interest in DuPont Canada, and a benefit of \$16 from the favorable settlement of arbitration related to the Unifi Alliance.

- (b) Second quarter 2004 includes a charge of \$45 to establish a reserve in connection with PFOA class action litigation in West Virginia. Year-to-date 2004 also includes a charge of \$36 to provide for the settlement of litigation in Refinish. Year-to-date 2003 includes a charge of \$78 to provide for settlement of the 1995 Benlate® shareholder litigation case.
- (c) During second quarter 2004, the company recorded corporate restructuring and asset impairment charges totaling \$433. This includes \$312 associated with the separation costs for approximately 2,700 employees. In addition, charges include \$42 related to the impairment of certain European manufacturing assets, \$23 related to the shutdown of manufacturing assets at a U.S. facility, \$29 to write off abandoned technology, and \$27 to reflect a decline in the value of an investment security.
- (d) During second quarter 2004, the company recorded a charge of \$183 related to the divestiture of INVISTA. This charge primarily reflects an increase in the book value of the net assets sold and additional separation costs. Year-to-date 2004 reflects an additional INVISTA-related charge of \$345 which includes an agreed upon reduction in sales price of \$240, and other changes in estimates associated with the sale.
- (e) Second quarter 2003 includes a \$62 non-operating gain associated with the formation of a majority-owned venture, The Solae Company, with Bunge Limited.
- (f) Second quarter 2004 reflects benefits of \$105 associated with the separation of INVISTA and \$124 associated with recording an increase in deferred tax assets in two European subsidiaries for their tax basis investment losses recognized on local tax returns. Year-to-date 2004 includes additional INVISTA-related tax benefits of \$210.
- (g) Second quarter 2004 reflects a minority interest adjustment related to accounting for the company's consolidation of DuPont Dow Elastomers LLC as a variable interest entity.

Second quarter 2003 includes a charge of \$17 for the early extinguishment of the company's Minority Interest Structures in preparation for the planned separation of INVISTA.

- (h) The company's adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations," resulted in a cumulative effect adjustment to income of \$29 effective January 1, 2003.

- (i) Earnings per share are calculated on the basis of the following average number of common shares outstanding:

| | Three Months Ended | | | Six Months Ended | | |
|------|--------------------|--|---------------|------------------|--|---------------|
| | June 30 | | | June 30 | | |
| | Basic | | Diluted | Basic | | Diluted |
| 2004 | 1,000,559,397 | | 1,005,278,448 | 999,901,079 | | 1,004,484,286 |
| 2003 | 996,617,369 | | 1,000,066,463 | 996,187,018 | | 999,131,670 |

- (j) Year-to-date earnings per share do not equal the sum of quarterly earnings per share due to changes in average share calculations.

E. I. DU PONT DE NEMOURS AND COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE B

SPECIAL ITEMS

(Dollars in millions, except per share)

| | Pretax | | | After-Tax | | | (\$ Per Share) | | |
|---------------------------------------|----------|--|---------|-----------|--|---------|----------------|--|----------|
| | 2004 | | 2003 | 2004 | | 2003 | 2004 | | 2003 |
| <u>1st Quarter - Total</u> | \$ (531) | | \$ (78) | \$ (296) | | \$ (51) | \$ (.30) | | \$ (.05) |
| <u>2nd Quarter</u> | | | | | | | | | |
| : | | | | | | | | | |

| | | | | | | | | | | | |
|------------------------------------|--|---------|--|-------|--|---------|--|-------|--|---------|--------|
| <u>INVISTA - Related Items</u> | | | | | | | | | | | |
| : | | | | | | | | | | | |
| Separation Charges | | \$(183) | | | | \$ (78) | | | | \$(.08) | |
| Deferred Tax Benefits | | - | | | | 124 | | | | .12 | |
| Total | | (183) | | | | 46 | | | | .04 | |
| | | | | | | | | | | | |
| <u>Restructuring Costs</u> | | | | | | | | | | | |
| : | | | | | | | | | | | |
| Employee Separation Costs | | (312) | | | | (216) | | | | (.21) | |
| Asset Impairments | | (121) | | | | (103) | | | | (.10) | |
| Total | | (433) | | | | (319) | | | | (.31) | |
| | | | | | | | | | | | |
| Litigation Reserve | | (45) | | | | (29) | | | | (.03) | |
| | | | | | | | | | | | |
| 2 nd Quarter Total | | \$(661) | | \$108 | | \$(302) | | \$ 52 | | \$(.30) | \$.05 |
| | | | | | | | | | | | |

Note: See Notes to Consolidated Income Statement for additional details.

E. I. DU PONT DE NEMOURS AND COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE C

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|--|---------|------------------|--|----------|
| CONSOLIDATED SEGMENT INFORMATION(a) | June 30, | | | June 30, | | |
| (Dollars in millions) | 2004 | | 2003 | 2004 | | 2003 |
| <u>SEGMENT SALES</u> | | | | | | |
| (b) | | | | | | |
| Agriculture & Nutrition | \$2,077 | | \$1,886 | \$ 4,279 | | \$ 3,676 |
| Coatings & Color Technologies | 1,560 | | 1,419 | 2,977 | | 2,688 |
| Electronic & Communication Technologies | 845 | | 737 | 1,661 | | 1,414 |
| Performance Materials | 1,703 | | 1,354 | 3,222 | | 2,690 |

Edgar Filing: DUPONT E I DE NEMOURS & CO - Form 8-K

| | | | | | | | |
|--|---------|--|---------|--|----------|--|----------|
| Safety & Protection | 1,168 | | 1,062 | | 2,256 | | 2,048 |
| Textiles & Interiors | 826 | | 1,779 | | 2,709 | | 3,496 |
| Other | 13 | | 3 | | 25 | | 5 |
| | | | | | | | |
| Total Segment Sales | 8,192 | | 8,240 | | 17,129 | | 16,017 |
| | | | | | | | |
| Elimination of Transfers | (157) | | (254) | | (408) | | (473) |
| Elimination of Equity Affiliate Sales | (508) | | (617) | | (1,121) | | (1,167) |
| | | | | | | | |
| CONSOLIDATED NET SALES | \$7,527 | | \$7,369 | | \$15,600 | | \$14,377 |
| | | | | | | | |
| PRE-TAX OPERATING INCOME | | | | | | | |
| (LOSS) (PTOI)(c) | | | | | | | |
| Agriculture & Nutrition(d) | \$ 446 | | \$ 501 | | \$ 1,076 | | \$ 1,019 |
| Coatings & Color Technologies(e) | 150 | | 214 | | 303 | | 355 |
| Electronic & Communication Technologies(f) | (27) | | 49 | | 65 | | 81 |
| Performance Materials(g) | 103 | | 120 | | 109 | | 253 |
| Pharmaceuticals | 174 | | 88 | | 322 | | 241 |
| Safety & Protection(h) | 163 | | 220 | | 395 | | 426 |
| Textiles & Interiors(i) | (168) | | 25 | | (363) | | 30 |
| Other(j) | (173) | | (61) | | (206) | | (167) |
| | | | | | | | |
| Total Segment PTOI | 668 | | 1,156 | | 1,701 | | 2,238 |
| | | | | | | | |
| Exchange Gains and Losses(k) | (76) | | (42) | | (89) | | (92) |
| Corporate Expenses & Interest | (229) | | (233) | | (442) | | (445) |
| | | | | | | | |
| INCOME BEFORE INCOME TAXES AND | | | | | | | |
| MINORITY INTERESTS | \$ 363 | | \$ 881 | | \$ 1,170 | | \$ 1,701 |

NOTES TO CONSOLIDATED SEGMENT INFORMATION

- (a) Certain reclassifications of segment data have been made to reflect changes in organizational structure.
- (b) Includes transfers and pro rata share of equity affiliate sales.
- (c) Second quarter 2004 charges of \$312 result from employee separations in the following segments: Agriculture & Nutrition - \$36; Coatings & Color Technologies - \$64; Electronic & Communications Technologies - \$42; Performance Materials - \$45; Safety & Protection - \$29; and Other - \$96.
- (d) Second quarter 2003 includes a \$62 non-operating gain associated with the formation of a majority-owned venture, The Solae Company, with Bunge Limited.
- (e) Year-to-date 2004 includes a charge of \$36 to provide for the settlement of litigation in Refinish.
- (f) Second quarter 2004 includes a charge of \$45 to establish a reserve in connection with PFOA class action litigation in West Virginia, and a charge of \$27 to reflect a decline in the value of an investment security.
- (g) Second quarter 2004 includes a charge of \$23 associated with the shutdown of manufacturing assets at a U.S. facility. Year-to-date 2004 includes a charge of \$150 to provide for the company's share of anticipated losses associated with DuPont Dow Elastomers LLC antitrust litigation matters.
- (h) During second quarter 2004, the company recorded a charge of \$42 related to the impairment of certain European manufacturing assets.
- (i) During second quarter 2004, the company recorded a charge of \$183 related to the divestiture of INVISTA. This charge primarily reflects an increase in the book value of the net assets sold and additional separation costs. Year-to-date 2004 reflects an additional INVISTA-related charge of \$345 which includes an agreed upon reduction in sales price of \$240, and other changes in estimates associated with the sale.

Second quarter 2003 includes a benefit of \$16 from the favorable settlement of arbitration related to the Unifi Alliance.

- (j) During second quarter 2004, the company recorded a charge of \$29 to write off abandoned technology.

Year-to-date 2003 includes a charge of \$78 to provide for settlement of the 1995 Benlate® shareholder litigation case.

- (k) Second quarter 2003 includes an exchange gain of \$30 resulting from a currency contract purchased to offset movement in the Canadian dollar in connection with the company's acquisition of minority shareholders' interest in DuPont Canada.

E. I. DU PONT DE NEMOURS AND COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE D

SEGMENT SALES

(a)

2nd QUARTER 2004 VS. 2nd QUARTER 2003

(Dollars in millions)

| | Three Months Ended | | | Percentage Change Due to | | | |
|---|--------------------|--|--------|--------------------------|--------|--|----------|
| | June 30 | | | U.S.\$ | | | |
| | \$ | | % Chg. | Price | Volume | | Other(b) |
| Agriculture & Nutrition | \$2,077 | | 10% | 5% | 5% | | -% |
| Coatings & Color Technologies | 1,560 | | 10 | 6 | 4 | | - |
| Electronic & Communication Technologies | 845 | | 15 | 1 | 14 | | - |

Edgar Filing: DUPONT E I DE NEMOURS & CO - Form 8-K

| | | | | | |
|-------------------------|---------|------|----|----|-------|
| Performance Materials | 1,703 | 26 | 4 | 10 | 12 |
| Safety & Protection | 1,168 | 10 | 3 | 7 | - |
| | | | | | |
| Total Core Segments | 7,353 | 14% | 4% | 7% | 3% |
| | | | | | |
| Textiles & Interiors(c) | 826 | (54) | | | |
| Other | 13 | | | | |
| | | | | | |
| Total Segments | \$8,192 | (1)% | 4% | 5% | (10)% |

- (a) Includes transfers and pro rata share of equity affiliate sales.
- (b) Includes changes in sales related to the INVISTA divestiture and the impact of fully consolidating DDE beginning in the second quarter 2004.
- (c) Reflects sales for the month of April 2004 (divestiture was completed April 30). Sales in the second quarter 2003 were \$1,779.

SCHEDULE E

SEGMENT INFORMATION EXCLUDING IMPACT OF SPECIAL ITEMS

(Dollars in millions)

| | Three Months Ended | | | | Six Months Ended | | | |
|---|--------------------|--------|--------|----------|------------------|--------|--|--|
| | June 30 | | | | June 30 | | | |
| | 2004 | 2003 | % Chg. | 2004 | 2003 | % Chg. | | |
| PRE-TAX OPERATING INCOME | | | | | | | | |
| Agriculture & Nutrition | \$ 482 | \$ 439 | 10% | \$ 1,112 | \$ 957 | 16% | | |
| Coatings & Color Technologies | 214 | 214 | - | 403 | 355 | 14 | | |
| Electronic & Communication Technologies | 87 | 49 | 78 | 179 | 81 | 121 | | |
| Performance Materials | 171 | 120 | 43 | 327 | 253 | 29 | | |
| Pharmaceuticals | 174 | 88 | 98 | 322 | 241 | 34 | | |
| Safety & Protection | 234 | 220 | 6 | 466 | 426 | 9 | | |
| Textiles & Interiors | 15 | 9 | 67 | 165 | 14 | N/M | | |
| Other | (48) | (61) | N/M | (81) | (89) | N/M | | |
| Total Segment PTOI | 1,329 | 1,078 | 23 | 2,893 | 2,238 | 29 | | |
| Exchange Gains and Losses | (76) | (72) | | (89) | (122) | | | |
| Corporate Expenses & Interest | (229) | (233) | | (442) | (445) | | | |

| | | | | | | | | | |
|------------------------------|--------|--------|-------|----------|---------|-------|--|--|--|
| INCOME BEFORE SPECIAL ITEMS, | | | | | | | | | |
| INCOME TAXES AND MINORITY | | | | | | | | | |
| INTERESTS | 1,024 | 773 | 32 | 2,362 | 1,671 | 41 | | | |
| Special Items | (661) | 108 | | (1,192) | 30 | | | | |
| INCOME BEFORE INCOME TAXES | | | | | | | | | |
| AND MINORITY INTERESTS | \$ 363 | \$ 881 | (59)% | \$ 1,170 | \$1,701 | (31)% | | | |

14

E. I. DU PONT DE NEMOURS AND COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE FFINANCIAL SUMMARY

(Dollars in millions, except per share)

| | 2 nd Quarter 2004 | YTD 2004 |
|--------------------------------|------------------------------|----------|
| | Versus | Versus |
| | 2 nd Quarter 2003 | YTD 2003 |
| Variance Analysis: Income | | |
| Before Cumulative Effect of a | | |
| Change in Accounting Principle | | |
| Local Prices | \$ 45 | \$ 80 |
| Volume | 120 | 250 |
| Variable Costs | (90) | (200) |
| Fixed Costs | 20 | 110 |
| Currency | 30 | 140 |
| Tax Rate | 5 | 85 |

Edgar Filing: DUPONT E I DE NEMOURS & CO - Form 8-K

| | | | | |
|--|--|---------|--|---------|
| Other (principally Pharmaceuticals) | | 52 | | 66 |
| | | | | |
| Total Before Special Items | | 182 | | 531 |
| | | | | |
| Special Items | | (354) | | (599) |
| | | | | |
| Total | | \$(172) | | \$ (68) |

| | Three Months Ended | | | | Six Months Ended | | | |
|--------------------------------------|--------------------|---------|-----------|--|------------------|----------|-----------|--|
| | June 30 | | | | June 30 | | | |
| | 2004 | 2003 | % Chg. | | 2004 | 2003 | % Chg. | |
| Selected Income Statement Data - | | | | | | | | |
| Excluding Impact of Special Items | | | | | | | | |
| And Cumulative Effect of a | | | | | | | | |
| Change In Accounting Principle | | | | | | | | |
| | | | | | | | | |
| Consolidated Net Sales | \$7,527 | \$7,369 | 2% | | \$15,600 | \$14,377 | 9% | |
| Segment Sales | 8,192 | 8,240 | (1) | | 17,129 | 16,017 | 7 | |
| Segment PTOI* | 1,329 | 1,078 | 23 | | 2,893 | 2,238 | 29 | |
| EBIT* | 1,103 | 839 | 31 | | 2,504 | 1,786 | 40 | |
| EBITDA* | 1,429 | 1,227 | 16 | | 3,140 | 2,544 | 23 | |
| Income Before Income Taxes and | | | | | | | | |
| Minority Interests | 1,024 | 773 | 32 | | 2,362 | 1,671 | 41 | |
| EPS - Diluted | 0.80 | 0.62 | 29 | | 1.76 | 1.23 | 43 | |

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

E. I. DU PONT DE NEMOURS AND COMPANY AND CONSOLIDATED SUBSIDIARIES

SCHEDULE GRECONCILIATION OF NON-GAAP MEASURES

(Dollars in millions)

| Reconciliation of Segment PTOI | Three Months Ended | | | Six Months Ended | | |
|--|--------------------------------------|---------|---------|------------------|----------|---------|
| | June 30, | | | June 30, | | |
| | 2004 | | 2003 | 2004 | | 2003 |
| | Segment PTOI Excluding Special Items | \$1,329 | | \$1,078 | \$ 2,893 | |
| Special Items included in Segment PTOI | (661) | | 78 | (1,192) | | - |
| Segment PTOI | \$ 668 | | \$1,156 | \$ 1,701 | | \$2,238 |

| Reconciliation of EBIT / EBITDA to Consolidated Income Statement | | | | | | |
|---|---|--------|---------|------------------|----------|---------|
| | Three Months Ended | | | Six Months Ended | | |
| | June 30, | | | June 30, | | |
| | 2004 | | 2003 | 2004 | | 2003 |
| | Income Before Income Taxes and Minority Interests | \$ 363 | | \$ 881 | \$ 1,170 | |
| Less: Minority Interest in Earnings of Consolidated Subsidiaries(1) | 14 | | (11) | 3 | | (33) |
| Add: Net Interest Expense(2) | 65 | | 77 | 139 | | 148 |
| Special Items | 661 | | (108) | 1,192 | | (30) |
| EBIT | 1,103 | | 839 | 2,504 | | 1,786 |
| Add: Depreciation and Amortization(3) | 326 | | 388 | 636 | | 758 |
| EBITDA | \$1,429 | | \$1,227 | \$ 3,140 | | \$2,544 |

- (1) Excludes income taxes and corporate minority interests.
- (2) Includes interest expense plus amortization of capitalized interest less interest income.
- (3) Excludes amortization of capitalized interest.

| Reconciliation of Base Income Tax Rate to Effective Income Tax Rate | | | | | | |
|---|--------------------|--|--------|------------------|--|---------|
| | Three Months Ended | | | Six Months Ended | | |
| | June 30, | | | June 30, | | |
| | 2004 | | 2003 | 2004 | | 2003 |
| Income Before Income Taxes and | | | | | | |
| Minority Interests | \$ 363 | | \$ 881 | \$ 1,170 | | \$1,701 |
| Charges for Special Items | 661 | | (78) | 1,192 | | - |
| Exchange Losses | 76 | | 42 | 89 | | 92 |
| Income Before Income Taxes, Special Items, Exchange Losses and Minority Interests | \$1,100 | | \$ 845 | \$ 2,451 | | \$1,793 |
| Provision for (Benefit from) Income Taxes | (123) | | 168 | 3 | | 399 |
| Tax Impact of Special Items | 359 | | (27) | 594 | | - |
| Tax Impact of Exchange Gains and Losses | 37 | | 59 | 19 | | 95 |
| Provision for Income Taxes, Excluding Special Items and Exchange Losses | \$ 273 | | \$ 200 | \$ 616 | | \$ 494 |
| Base Income Tax Rate | 24.8% | | 23.7% | 25.1% | | 27.6% |
| Effective Income Tax Rate | (33.9)% | | 19.1% | 0.3% | | 23.5% |