DUPONT E I DE NEMOURS & CO
Form 10-Q
July 23, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.) Yes x No o

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

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No x

The Registrant had 923,434,000 shares (excludes 87,041,000 shares of treasury stock) of common stock, $0.30 par value, outstanding at July 15, 2013.

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E. I. DU PONT DE NEMOURS AND COMPANY

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The terms “DuPont” or the “company” as used herein refer to E. I. du Pont de Nemours and Company and its consolidated subsidiaries, or to E. I. du Pont de Nemours and Company, as the context may indicate.

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	$9,844	$9,917	$20,252	$20,097
Other income, net	159	291	251	305
Total	10,003	10,208	20,503	20,402
Cost of goods sold	6,057	5,844	12,250	11,779
Other operating charges	941	1,246	1,853	2,127
Selling, general and administrative expenses	983	972	1,966	1,927
Research and development expense	542	533	1,063	1,041
Interest expense	115	117	232	231
Total	8,638	8,712	17,364	17,105
Income from continuing operations before income taxes	1,365	1,496	3,139	3,297
Provision for income taxes on continuing operations	335	397	722	789
Income from continuing operations after income taxes	1,030	1,099	2,417	2,508
Income from discontinued operations after income taxes	4	76	1,972	171
Net income	1,034	1,175	4,389	2,679
Less: Net income attributable to noncontrolling interests	4	9	11	21
Net income attributable to DuPont	$1,030	$1,166	$4,378	$2,658
Basic earnings per share of common stock:				
Basic earnings per share of common stock from continuing operations	$1.11	$1.16	$2.59	$2.66
Basic earnings per share of common stock from discontinued operations	—	0.08	2.13	0.18
Basic earnings per share of common stock	$1.11	$1.24	$4.73	$2.84
Diluted earnings per share of common stock:				
Diluted earnings per share of common stock from continuing operations	$1.10	$1.15	$2.58	$2.63
Diluted earnings per share of common stock from discontinued operations	—	0.08	2.12	0.18
Diluted earnings per share of common stock	$1.11	$1.23	$4.69	$2.81
Dividends per share of common stock	$0.45	$0.43	$0.88	$0.84

See Notes to the Consolidated Financial Statements beginning on page 7.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$1,034	$1,175	$4,389	$2,679
Other comprehensive income (loss), before tax:				
Cumulative translation adjustment	(14)	(412)	(223)	(242)
Net revaluation and clearance of cash flow hedges to earnings:				
Additions and revaluations of derivatives designated as cash flow hedges	(8)	38	(24)	36
Clearance of hedge results to earnings	(18)	(23)	(28)	(55)
Net revaluation and clearance of cash flow hedges to earnings	(26)	15	(52)	(19)
Pension benefit plans:				
Net gain (loss)	—	4	56	(19)
Prior service benefit	—	—	—	22
Reclassifications to net income:				
Amortization of prior service cost	3	3	6	7
Amortization of loss	239	220	480	439
Curtailment / settlement loss	—	—	153	—
Pension benefit plans, net	242	227	695	449
Other benefit plans:				
Net gain	28	—	45	—
Reclassifications to net income:				
Amortization of prior service benefit	(46)	(30)	(94)	(60)
Amortization of (gain) loss	(2)	22	25	44
Curtailment / settlement gain	—	—	(153)	—
Other benefit plans, net	(20)	(8)	(177)	(16)
Net unrealized gain on securities	3	1	1	2
Other comprehensive income (loss), before tax	185	(177)	244	174
Income tax expense related to items of other comprehensive income	(67)	(76)	(142)	(140)
Other comprehensive income (loss), net of tax	118	(253)	102	34
Comprehensive income	1,152	922	4,491	2,713
Less: Comprehensive income attributable to noncontrolling interests	4	34	11	48
Comprehensive income attributable to DuPont	$1,148	$888	$4,480	$2,665

See Notes to the Consolidated Financial Statements beginning on page 7.

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

	June 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$6,685	$4,284
Marketable securities	211	123
Accounts and notes receivable, net	8,985	5,452
Inventories	6,373	7,565
Prepaid expenses	196	204
Deferred income taxes	787	613
Assets held for sale	—	3,076
Total current assets	23,237	21,317
Property, plant and equipment, net of accumulated depreciation (June 30, 2013 - $19,494; December 31, 2012 - $19,085)	12,698	12,741
Goodwill	4,561	4,616
Other intangible assets	4,942	5,126
Investment in affiliates	1,143	1,163
Deferred income taxes	3,864	3,936
Other assets	904	960
Total	$51,349	$49,859
Liabilities and Equity		
Current liabilities		
Accounts payable	$3,613	$4,853
Short-term borrowings and capital lease obligations	3,315	1,275
Income taxes	796	343
Other accrued liabilities	4,166	5,997
Liabilities related to assets held for sale	—	1,084
Total current liabilities	11,890	13,552
Long-term borrowings and capital lease obligations	10,765	10,465
Other liabilities	14,443	14,687
Deferred income taxes	896	856
Total liabilities	37,994	39,560
Commitments and contingent liabilities		
Stockholders’ equity		
Preferred stock	237	237
Common stock, $0.30 par value; 1,800,000,000 shares authorized; Issued at June 30, 2013 - 1,010,299,000; December 31, 2012 - 1,020,057,000	303	306
Additional paid-in capital	10,870	10,655
Reinvested earnings	17,156	14,383
Accumulated other comprehensive loss	(8,544)	(8,646)
Common stock held in treasury, at cost (87,041,000 shares at June 30, 2013 and December 31, 2012)	(6,727)	(6,727)
Total DuPont stockholders’ equity	13,295	10,208
Noncontrolling interests	60	91
Total equity	13,355	10,299
Total	$51,349	$49,859

See Notes to the Consolidated Financial Statements beginning on page 7.

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

	Six Months Ended June 30, 2013	2012
Operating activities		
Net income	$4,389	$2,679
Adjustments to reconcile net income to cash used for operating activities:		
Depreciation	644	702
Amortization of intangible assets	193	198
Other operating charges and credits - net	185	314
Gain on sale of business	(2,682)	—
Contributions to pension plans	(176)	(692)
Change in operating assets and liabilities - net	(5,184)	(4,318)
Cash used for operating activities	(2,631)	(1,117)
Investing activities		
Purchases of property, plant and equipment	(757)	(696)
Investments in affiliates	(31)	(14)
Proceeds from sale of business - net	4,815	—
Proceeds from sales of assets - net	88	166
Net (increase) decrease in short-term financial instruments	(99)	388
Forward exchange contract settlements	58	80
Other investing activities - net	8	(7)
Cash provided by (used for) investing activities	4,082	(83)
Financing activities		
Dividends paid to stockholders	(823)	(788)
Net increase in borrowings	2,369	2,406
Repurchase of common stock	(1,000)	(400)
Proceeds from exercise of stock options	384	406
Payments for noncontrolling interest	—	(447)
Other financing activities - net	74	27
Cash provided by financing activities	1,004	1,204
Effect of exchange rate changes on cash	(149)	(84)
Increase / (decrease) in cash and cash equivalents	$2,306	$(80)
Cash and cash equivalents at beginning of period	4,379	3,586
Cash and cash equivalents at end of period	$6,685	$3,506

See Notes to the Consolidated Financial Statements beginning on page 7.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share)

Note 1. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto contained in the company's Annual Report on Form 10-K for the year ended December 31, 2012, collectively referred to as the "2012 Annual Report". The Consolidated Financial Statements include the accounts of the company and all of its subsidiaries in which a controlling interest is maintained, as well as variable interest entities for which DuPont is the primary beneficiary.

Basis of Presentation

Certain reclassifications of prior year's data have been made to conform to current year's presentation, including separately stating cost of goods sold and other operating charges on the interim Consolidated Income Statements. In the third quarter 2012, the company signed a definitive agreement to sell its Performance Coatings business (which represented a reportable segment). In accordance with GAAP, the results of Performance Coatings are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. The sum of the individual earnings per share amounts from continuing and discontinued operations may not equal the total company earnings per share amounts due to rounding. The assets and liabilities of Performance Coatings at December 31, 2012 are presented as held for sale in the Condensed Consolidated Balance Sheet. The cash flows and comprehensive income related to Performance Coatings have not been segregated and are included in the Condensed Consolidated Statements of Cash Flows and Comprehensive Income, respectively, for all periods presented. Amounts related to Performance Coatings are consistently included in or excluded from the Notes to the interim Consolidated Financial Statements based on the financial statement line item and period of each disclosure. See Note 2 for additional information.

Change in Accounting Policy

Effective January 1, 2013, the company changed its method of valuing inventory held at a majority of its foreign and certain United States locations from the last-in, first-out (LIFO) method to the average cost method. The company believes that the average cost method is preferable to the LIFO method as it more clearly aligns with how the company actually manages its inventory and will improve financial reporting by better matching revenues and expenses. In addition, the change from LIFO to average cost will enhance the comparability of our financial results with our peer companies. As described in the guidance for accounting changes, the comparative interim Consolidated Financial Statements of prior periods are adjusted to apply the new accounting method retrospectively.

The following line items within the interim Consolidated Income Statements were affected by the change in accounting policy:

	Three Months Ended June 30, 2013			Six Months Ended June 30, 2013		
	As reported	As reported under LIFO	Change: (Decrease)/Increase	As reported	As reported under LIFO	Change: (Decrease)/Increase
Cost of goods sold	$6,057	$6,067	$ (10)	$12,250	$12,271	$ (21)
	1,365	1,355	10	3,139	3,118	21

Income from continuing operations before income taxes						
Provision for income taxes on continuing operations	335	332	3	722	716	6
Income from continuing operations after income taxes	1,030	1,023	7	2,417	2,402	15
Income from discontinued operations after income taxes	4	4	—	1,972	1,972	—
Net income	$1,034	$1,027	$ 7	$4,389	$4,374	$ 15

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share)

Basic and diluted earnings per share from continuing operations increased by $0.01 and $0.02 for the three and six months ended June 30, 2013, respectively, as a result of the above accounting policy change.

	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
	As reported	As reported under LIFO	Change: (Decrease)/Increase	As reported	As reported under LIFO	Change: (Decrease)/Increase
Cost of goods sold	$5,844	$5,830	$ 14	$11,779	$11,771	$ 8
Income from continuing operations before income taxes	1,496	1,510	(14)	3,297	3,305	(8)
Provision for income taxes on continuing operations	397	400	(3)	789	792	(3)
Income from continuing operations after income taxes	1,099	1,110	(11)	2,508	2,513	(5)
Income from discontinued operations after income taxes	76	78	(2)	171	175	(4)
Net income	$1,175	$1,188	$ (13)	$2,679	$2,688	$ (9)

Basic and diluted earnings per share from continuing operations decreased by $0.01 for the three and six months ended June 30, 2012, as a result of the above accounting policy change.

Inventory and Stockholder's Equity increased by $143 and $120, respectively, as of January 1, 2012, as a result of the above accounting policy change.

There was no impact on cash used by operating activities as a result of the above change.

Note 2. Discontinued Operations
In February 2013, the company sold its Performance Coatings business to Flash Bermuda Co. Ltd., a Bermuda exempted limited liability company formed by affiliates of The Carlyle Group (collectively referred to as "Carlyle"). The sale resulted in a pre-tax gain of $2,682 ($1,943 net of tax). The gain was recorded in income from discontinued operations after income taxes in the company's interim Consolidated Income Statements for the six-months ended June 30, 2013.

The results of discontinued operations are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	$—	$1,089	$331	$2,139
(Loss) income before income taxes	$(2)	$124	$2,713	$268
(Benefit from) provision for income taxes	(6)	48	741	97
Income from discontinued operations after income taxes	$4	$76	$1,972	$171

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share)

The key components of the assets and liabilities classified as held for sale at December 31, 2012 related to Performance Coatings consisted of the following:

	December 31, 2012
Cash and cash equivalents	$95
Accounts and notes receivable, net	783
Inventories	488
Prepaid expenses	6
Deferred income taxes - current	32
Property, plant and equipment, net of accumulated depreciation	749
Goodwill	808
Other intangible assets	67
Deferred income taxes - noncurrent	14
Other assets - noncurrent	34
Total assets held for sale	$3,076
Accounts payable	$408
Income taxes	17
Other accrued liabilities	237
Other liabilities - noncurrent	388
Deferred income taxes - noncurrent	34
Total liabilities related to assets held for sale	$1,084

Note 3. Employee Separation /Asset Related Charges, Net
At June 30, 2013, total liabilities relating to the 2012 restructuring program were $112. A complete discussion of restructuring initiatives is included in the company's 2012 Annual Report in Note 3, "Employee Separation/Asset Related Charges, Net".

Account balances for the 2012 restructuring program are summarized below:

	Employee Separation Costs	Other Non-Personnel Charges[1]	Total
Balance at December 31, 2012	$154	$7	$161
Payments	(44)	(3)	(47)
Net translation adjustment	(2)	—	(2)
Balance as of June 30, 2013	$108	$4	$112

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

The company expects this plan and all related payments to be substantially complete by December 31, 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share)

Note 4. Other Income, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cozaar®/Hyzaar® income	$12	$14	$14	$39
Royalty income	50	22	87	62
Interest income	45	37	72	60
Equity in (loss) earnings of affiliates, excluding exchange gains/losses	(7)	21	(14)	31
Gain on sale of equity method investment	9	122	9	122
Net gain on sales of other assets	5	5	10	10
Net exchange gains (losses) [1]	35	50	46	(31)
Miscellaneous income and expenses, net [2]	10	20	27	12
Other income, net	$159	$291	$251	$305

1 The company routinely uses foreign currency exchange contracts to offset its net exposures, by currency, related to the foreign currency-denominated monetary assets and liabilities. The objective of this program is to maintain an approximately balanced position in foreign currencies in order to minimize, on an after-tax basis, the effects of exchange rate changes on net monetary asset positions. The net pre-tax exchange gains (losses) are recorded in other income, net and the related tax impact is recorded in provision for income taxes on continuing operations on the interim Consolidated Income Statements. The $35 and $46 net exchange gain for the three and six months ended June 30, 2013, includes a $3 exchange gain and a $(33) exchange (loss), respectively, associated with the devaluation of the Venezuelan bolivar.

2 Miscellaneous income and expenses, net, generally includes interest items, insurance recoveries, litigation settlements and other items.

Note 5. Income Taxes

In the second quarter 2013, the company recorded a tax provision on continuing operations of $335, including $16 of tax expense primarily associated with the company’s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations. Included in the provision was $49 of tax expense related to a change in accrual for a prior year tax position and a $33 tax benefit related to an enacted foreign tax law change.

Year-to-date 2013, the company recorded a tax provision on continuing operations of $722, including $50 of tax expense primarily associated with the company’s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations. Included in the provision were the second quarter 2013 items noted above and a $68 tax benefit derived from the 2013 extension of certain U.S. business tax provisions offset by $26 of tax expense related to the global distribution of the proceeds from the sale of the Performance Coatings business.

In the second quarter 2012, the company recorded a tax provision on continuing operations of $397, including $60 of tax expense primarily associated with the company’s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations.

Year-to-date 2012, the company recorded a tax provision on continuing operations of $789, including $23 of tax expense primarily associated with the company’s policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations.

Each year the company files hundreds of tax returns in the various national, state and local income taxing jurisdictions in which it operates. These tax returns are subject to examination and possible challenge by the taxing authorities. Positions challenged by the taxing authorities may be settled or appealed by the company. As a result, there is an uncertainty in income taxes recognized in the company’s financial statements in accordance with accounting for income taxes and accounting for uncertainty in income taxes. It is reasonably possible that changes to the company’s global unrecognized tax benefits could be significant, however, due to the uncertainty regarding the timing of completion of audits and possible outcomes, a current estimate of the range of increases or decreases that may occur within the next twelve months cannot be made.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share)

Note 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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Numerator:				
Income from continuing operations after income taxes attributable to DuPont	$1,026	$1,090	$2,406	$2,487
Preferred dividends	(2)	(2)	(5)	(5)
Income from continuing operations after income taxes available to DuPont common stockholders	$1,024	$1,088	$2,401	$2,482
Income from discontinued operations after income taxes	$4	$76	$1,972	$171
Net income available to common stockholders	$1,028	$1,164	$4,373	$2,653
Denominator:				
Weighted-average number of common shares outstanding - Basic	922,684,000	934,057,000	925,500,000	933,982,000
Dilutive effect of the company's employee compensation plans	6,796,000	8,775,000	6,811,000	9,551,000
Weighted-average number of common shares outstanding - Diluted	929,480,000	942,832,000	932,311,000	943,533,000

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Average number of stock options	—	12,750,000	5,192,000	11,737,000

The change in the average number of stock options that were antidilutive in the three and six months ended June 30, 2013 compared to the same period last year was primarily due to changes in the company's average stock price.

Note 7. Inventories

	June 30, 2013	December 31, 2012
Finished products	$3,841	$4,449
Semifinished products	1,828	2,407
Raw materials, stores and supplies	1,315	1,313
	6,984	8,169
Adjustment of inventories to a last-in, first-out (LIFO) basis	(611)	(604)
Total	$6,373	$7,565

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share)

Note 8. Goodwill and Other Intangible Assets
There were no significant changes in goodwill for the six months ended June 30, 2013.

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

	June 30, 2013			December 31, 2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (Definite-lived):						
Customer lists	$1,816	$(370)	$1,446	$1,847	$(330)	$1,517
Patents	523	(149)	374	525	(127)	398
Purchased and licensed technology	1,939	(1,121)	818	1,929	(1,016)	913
Trademarks	57	(30)	27	57	(29)	28
Other [1]	213	(103)	110	206	(98)	108
	4,548	(1,773)	2,775	4,564	(1,600)	2,964
Intangible assets not subject to amortization(Indefinite-lived):						
In-process research and development	52	—	52	62	—	62
Microbial cell factories [2]	306	—	306	306	—	306
Pioneer germplasm [3]	975	—	975	975	—	975
Trademarks/tradenames	834	—	834	819	—	819
	2,167	—	2,167	2,162	—	2,162
Total	$6,715	$(1,773)	$4,942	$6,726	$(1,600)	$5,126

1 Primarily consists of sales and grower networks, marketing and manufacturing alliances and noncompetition agreements.

2 Microbial cell factories, derived from natural microbes, are used to sustainably produce enzymes, peptides and chemicals using natural metabolic processes. The company recognized the microbial cell factories as an intangible asset upon the acquisition of Danisco. This intangible asset is expected to contribute to cash flows beyond the foreseeable future and there are no legal, regulatory, contractual, or other factors which limit its useful life.

3 Pioneer germplasm is the pool of genetic source material and body of knowledge gained from the development and delivery stage of plant breeding. The company recognized germplasm as an intangible asset upon the acquisition of Pioneer. This intangible asset is expected to contribute to cash flows beyond the foreseeable future and there are no legal, regulatory, contractual, or other factors which limit its useful life.

The aggregate pre-tax amortization expense from continuing operations for definite-lived intangible assets was $87 and $193 for the three and six months ended June 30, 2013, respectively, and $85 and $184 for the three and six months ended June 30, 2012, respectively. The estimated aggregate pre-tax amortization expense from continuing operations for the remainder of 2013 and each of the next five years is approximately $110, $335, $353, $306, $174 and $169, respectively, which are primarily reported in cost of goods sold.

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Note 9. Commitments and Contingent Liabilities
Guarantees
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 was $34 and $31 as of June 30, 2013 and December 31, 2012, respectively.

Obligations for Equity Affiliates & Others
The company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates, customers and suppliers. At June 30, 2013 and December 31, 2012, the company had directly guaranteed $499 and $535, respectively, of such obligations. These amounts represent the maximum potential amount of future (undiscounted) payments that the company could be required to make under the guarantees. The company would be required to perform on these guarantees in the event of default by the guaranteed party.

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

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 48 percent of the $316 of guaranteed obligations of customers and suppliers. Set forth below are the company's guaranteed obligations at June 30, 2013:

	Short-Term	Long-Term	Total
Obligations for customers and suppliers[1]:			
Bank borrowings (terms up to 8 years)	$174	$141	$315
Leases on equipment and facilities (terms up to 4 years)	—	1	1
Obligations for equity affiliates[2]:			
Bank borrowings (terms up to 2 years)	182	1	183
Total	$356	$143	$499

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.

Imprelis®
The company has received claims and been served with multiple lawsuits alleging that the use of Imprelis® herbicide caused damage to certain trees. Sales of Imprelis® were suspended in August 2011 and the product was last applied during the 2011 spring application season. The lawsuits seeking class action status have been consolidated in multidistrict litigation in federal court in Philadelphia, Pennsylvania.

In February 2013, the court granted preliminary approval of a class action settlement. The settlement incorporates the company's existing claims process and provides certain additional relief. The proposed settlement class includes affected property owners and lawn care companies who do not "opt out" of the settlement. As part of the settlement, DuPont will pay about $7 in plaintiffs' attorney fees and expenses. In addition, DuPont is providing a warranty against new damage, if any, caused by the use of Imprelis® on class members' properties through May 2015. The settlement notification process began on March 25, 2013 and ended on June 28, 2013 which was also the last day to “opt out” of the settlement or file a new claim. DuPont will not exercise its right to cancel the settlement based on the number of opt-outs. The court has scheduled the final approval hearing on September 27, 2013. In addition, about 115 individual actions encompassing about 385 claims for property damage have been filed in state court in various jurisdictions. DuPont has removed most of these cases to federal court in Philadelphia, Pennsylvania. Once removed to federal court, the individual actions are stayed through September 2013.

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The company has established review processes to verify and evaluate damage claims. There are several variables that impact the evaluation process including the number of trees on a property, the species of tree with reported damage, the height of the tree, the extent of damage and the possibility for trees to naturally recover over time. Upon receiving claims, DuPont verifies their accuracy and validity which often requires physical review of the property.

At June 30, 2013, DuPont had recorded charges of $865 to resolve these claims, which included charges of $80 and $115 recorded during the three and six months ended June 30, 2013, respectively. The company currently estimates that total charges could be about $900; however, there is a high degree of uncertainty. Predicting the impact of Imprelis® on living organisms and how those organisms may react over time as well as variability regarding the extended warranty period under the class action settlement are significant factors driving the uncertainty of future charges. Imprelis® was applied throughout the United States and the ability of any particular species of tree to naturally recover over time may be different depending on the property's geography and associated climate. The company has an applicable insurance program with a deductible equal to the first $100 of costs and expenses. The insurance program limits are $725 for costs and expenses in excess of the $100. DuPont has submitted and will continue to submit requests for payment to its insurance carriers for costs associated with this matter. The process of seeking insurance recovery is ongoing and the timing and outcome are uncertain.

Litigation
The company is subject to various legal proceedings arising out of the normal course of its business including product liability, intellectual property, commercial, environmental and antitrust lawsuits. It is not possible to predict the outcome of these various proceedings. Except as otherwise noted, management does not anticipate their resolution will have a materially adverse effect on the company's consolidated financial position or liquidity. However, the ultimate liabilities could be significant to results of operations in the period recognized.

PFOA
DuPont used PFOA (collectively, perfluorooctanoic acids and its salts, including the ammonium salt), as a processing aid to manufacture some fluoropolymer resins at various sites around the world including its Washington Works plant in West Virginia. At June 30, 2013, DuPont has accruals of $15 related to the PFOA matters discussed below.

The accrual includes charges related to DuPont's obligations under agreements with the U.S. Environmental Protection Agency and voluntary commitments to the New Jersey Department of Environmental Protection. These obligations include surveying, sampling and testing drinking water in and around certain company sites and offering treatment or an alternative supply of drinking water if tests indicate the presence of PFOA in drinking water at or greater than the national Provisional Health Advisory.

Drinking Water Actions
In August 2001, a class action, captioned Leach v DuPont, was filed in West Virginia state court alleging that residents living near the Washington Works facility had suffered, or may suffer, deleterious health effects from exposure to PFOA in drinking water.

DuPont and attorneys for the class reached a settlement in 2004 that binds about 80,000 residents. In 2005, DuPont paid the plaintiffs' attorneys' fees and expenses of $23 and made a payment of $70, which class counsel designated to fund a community health project. The company funded a series of health studies which were completed in October 2012 by an independent science panel of experts (the "C8 Science Panel"). The studies were conducted in communities exposed to PFOA to evaluate available scientific evidence on whether any probable link exists, as defined in the settlement agreement, between exposure to PFOA and human disease.

The C8 Science Panel found probable links, as defined in the settlement agreement, between exposure to PFOA and pregnancy-induced hypertension, including preeclampsia; kidney cancer; testicular cancer; thyroid disease; ulcerative colitis; and diagnosed high cholesterol.

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In May 2013, a panel of three independent medical doctors released its initial recommendations for screening and diagnostic testing of eligible class members. The medical panel is expected to address monitoring and may make additional recommendations in a subsequent report. The medical panel has not communicated its anticipated schedule for completion. The company is obligated to fund up to $235 for a medical monitoring program for eligible class members. In January 2012, the company put $1 in an escrow account to fund medical monitoring as required by the settlement agreement. The court has appointed a Medical Monitoring Director to implement the medical panel's recommendations who is in the process of setting up a program. Testing has not yet begun and no money has been disbursed from the fund. While it is probable that the company will incur losses related to funding the medical monitoring program, such losses cannot be reasonably estimated due to uncertainties surrounding implementation.

In addition, the company must continue to provide water treatment designed to reduce the level of PFOA in water to six area water districts, including the Little Hocking Water Association (LHWA), and private well users.

Additional Actions

An Ohio action brought by the LHWA is ongoing. In addition to general claims of PFOA contamination of drinking water, the action claims “imminent and substantial endangerment to health and or the environment” under the Resource Conservation and Recovery Act (RCRA). DuPont denies these claims and is defending itself vigorously.

Class members may pursue personal injury claims against DuPont only for those human diseases for which the C8 Science Panel determined a probable link exists. At June 30, 2013, 44 lawsuits alleging personal injury and 2 lawsuits alleging wrongful death from exposure to PFOA in drinking water are pending in federal court in Ohio and West Virginia. This is an increase in pending cases of 2 and 20 over the first quarter 2013 and year end 2012, respectively. These cases have been consolidated for discovery purposes in multi-district litigation in Ohio federal court. DuPont denies the allegations in these lawsuits and is defending itself vigorously.

While DuPont believes that it is reasonably possible that it could incur losses related to these additional actions, a range of such losses, if any, cannot be reasonably estimated at this time.

Monsanto Patent Dispute

On August 1, 2012, a St. Louis, Missouri jury awarded $1,000 in damages to Monsanto on its claims that the company willfully infringed Monsanto's RE 39,247 patent directed to Roundup® Ready® 1 glyphosate herbicide tolerance soybean seed technology.

Monsanto alleged that by combining Pioneer's Optimum® GAT® trait with Monsanto's patented Roundup® Ready® trait, Pioneer violated its 2002 Amended and Restated Roundup® Ready® Soybean License Agreement and, in doing so, infringed Monsanto's RE 39,247 patent. The company has never sold soybeans containing a combination of the Optimum® GAT® and Roundup® Ready® traits and discontinued in 2011 its commercialization efforts for such soybeans.

In March 2013, Pioneer and Monsanto entered into technology license agreements. As part of those agreements, the company received, among other things, a non-exclusive royalty bearing license in the United States and Canada for Monsanto's Genuity® Roundup Ready 2 Yield® glyphosate tolerance trait and its dicamba tolerance trait for soybeans, post-patent regulatory access and maintenance support for Roundup Ready® 1 glyphosate tolerance trait for soybeans, Genuity® Roundup Ready 2 glyphosate tolerance trait for corn and YieldGard® corn borer insect resistance trait. The agreements require the company to make a series of up-front and variable payments subject to Monsanto delivering enabling soybean genetic material. Total annual fixed royalty payments of $802 contemplated under the arrangement for trait technology, associated data and soybean lines to support commercial introduction are expected to come due in years 2014 - 2017. Additionally, beginning in 2018, DuPont will pay royalties on a per unit basis related to the Genuity® Roundup Ready 2 Yield® and dicamba tolerance traits for the life of the license, subject to annual minimum payments through 2023 totaling $950.

In a separate agreement, the company agreed to dismiss with prejudice its antitrust claims against Monsanto in exchange for a dismissal with prejudice of Monsanto's patent infringement claims and the related damages verdict. Accordingly, as of the first quarter 2013 this matter was resolved, but for the court-ordered sanctions against the company for “fraud against the court.” The court unsealed the order in November 2012. The parties agreed to present the sanctions and related rulings for immediate appeal and those matters are presently on appeal.

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Titanium Dioxide Antitrust Litigation
In February 2010, two suits were filed in Maryland federal district court alleging conspiracy among DuPont, Huntsman International LLC, Kronos Worldwide Inc., Millenium Inorganics Chemicals Inc. and others to fix prices of titanium dioxide sold in the U.S. between March 2002 and the present. The cases were subsequently consolidated and in August 2012, the court certified a class consisting of U.S. customers that have directly purchased titanium dioxide since February 1, 2003. The class seeks injunctive relief and to recover alleged overcharges and treble damages plus attorneys' fees and costs. Jury trial is scheduled to begin September 9, 2013.

The company believes this case is without merit and expects to prevail. Given the inherent uncertainties in litigation, it is reasonably possible that the company could incur losses related to this matter. A range of loss, if any, cannot be reasonably estimated at this time.
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 as described in the company's 2012 Annual Report in Note 1, “Summary of Significant Accounting Policies.” Much of this liability results from the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, often referred to as Superfund), RCRA and similar state and global laws. These laws require the company to undertake certain investigative, remediation and restoration 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 enforcement activities.

Remediation activities vary substantially in duration and cost from site to site. These activities, and their associated costs, depend on the mix of unique site characteristics, evolving remediation technologies, diverse regulatory agencies and enforcement policies, as well as the presence or absence of potentially responsible parties. At June 30, 2013, the Condensed Consolidated Balance Sheet included a liability of $436, 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 three times the amount accrued as of June 30, 2013.

Note 10. Stockholders’ Equity
Share Repurchase Program
In December 2012, the company's Board of Directors authorized a $1,000 share buyback plan. In February 2013, the company entered into an accelerated share repurchase (ASR) agreement with a financial institution under which the company used $1,000 of the proceeds from the sale of Performance Coatings for the purchase of shares of common stock. The 2012 $1,000 share buyback plan was completed in the second quarter 2013 through the ASR agreement, under which the company purchased and retired 20.4 million shares as of June 30, 2013.

During the six months ended June 30, 2012, the company paid $400 for the purchase and receipt of shares of common stock. During 2012, the company purchased and retired 7.8 million shares in connection with this agreement. These purchases completed the 2001 $2,000 share buyback plan and began purchases under the 2011 $2,000 share buyback plan authorized by the company's Board of Directors in April 2011. Under the completed 2001 plan, the company purchased a total of 42.0 million shares. Under the 2011 plan, the company has purchased 5.5 million shares at a total cost of $284 as of June 30, 2013. There is no required completion date for the purchases under the 2011 plan.

Noncontrolling Interest

In May 2012, the company completed the acquisition of the remaining 28 percent interest in the Solae, LLC joint venture from Bunge Limited for $447. As the purchase of the remaining interest did not result in a change of control, the difference between the carrying value of the noncontrolling interest of $378 and the consideration paid, net of taxes of $78, was recorded as a $9 increase to additional paid-in capital.

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Other Comprehensive Income

A summary of the changes in other comprehensive income for the three and six months ended June 30, 2013 and 2012 is provided as follows:

	Three Months Ended June 30, 2013			Three Months Ended June 30, 2012			Affected Line Item in Consolidated Income Statements[1]
	Pre-Tax	Tax	After-Tax	Pre-Tax	Tax	After-Tax	
Cumulative translation adjustment	$(14)	$—	$ (14)	$(412)	$—	$ (412)	
Net revaluation and clearance of cash flow hedges to earnings:							
Additions and revaluations of derivatives designated as cash flow hedges	(8)	2	(6)	38	(15		