INNOVUS PHARMACEUTICALS, INC.
Form 10-K
April 01, 2019

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2018

Commission file number: 000-52991

INNOVUS PHARMACEUTICALS, INC.

(Name of registrant as specified in its charter)

Nevada	90-0814124
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
8845 Rehco Road, San Diego, CA	92121
(Address of principal executive offices)	(Zip code)

Registrant's telephone number: 858-964-5123

Securities registered under Section 12(b) of the Act: None.

Securities registered under Section 12 (g) of the Act:

Common Stock $0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of June 30, 2018, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $16.3 million, based on the closing price of $11.55 for the registrant’s common stock as quoted on the OTCQB Market on that date. For purposes of this calculation, it has been assumed that shares of common stock held by each director, each officer and each person who owns 10% or more of the outstanding common stock of the registrant are held by affiliates of the registrant. The treatment of these persons as affiliates for purposes of this calculation is not conclusive as to whether such persons are, affiliates of the registrant for any other purpose.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of April 1, 2019, the registrant had 2,355,737 shares of common stock outstanding.

Documents Incorporated by Reference

The registrant incorporates information required by Part III (Items 10, 11, 12, 13, and 14) of this report by reference to portions of the registrant’s definitive proxy statement with respect to its 2019 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2018, pursuant to Regulation 14A.

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PART I

This Annual Report on Form 10-K includes the accounts of Innovus Pharmaceuticals, Inc., a Nevada corporation ("Innovus Pharma"), together with its wholly-owned subsidiaries, as follows (collectively referred to as "Innovus," "we," "our," "us" or the "Company"): Semprae Laboratories, Inc., a Delaware corporation ("Semprae"), FasTrack Pharmaceuticals, Inc., a Delaware corporation ("FasTrack"), Novalere, Inc., a Delaware corporation ("Novalere"), Supplement Hunt, Inc., a Nevada corporation ("Supplement Hunt") and Prime Savings Club, Inc., a Nevada corporation ("Prime Savings Club").

"Zestra®," "Zestra Glide®," "EjectDelay®," "Sensum+®," "Vesele®," "Beyond Human®," "Androferti®," "RecalMax™," "
"FlutiCare®," "Xyralid®," "AllerVarx®," "Apeaz®," "ArthriVarx®," "Diabasens®," "Musclin®," "Regenerum™" and other
and intellectual property of ours appearing in this report are our property, unless indicated otherwise. Can-C® is a registered trademark of International AntiAging Systems that is licensed to the Company. Amazon® is a registered trademark owned by Amazon Technologies, Inc., eBay® is a registered trademark owned by eBay, Inc., Wish.com is owned by Wish, Inc., Sears.com is owned by Sears Brands, LLC, Walmart.com® is a registered trademark owned by Wal-Mart Stores, Inc., and Walgreens.com is owned by Walgreen Co. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

FORWARD LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements reflect current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs or other statements that are not statements of historical fact. Words such as "will," "may," "should," "could," "would," "expects," "plans," "believe
"anticipates," "intends," "estimates," "approximates," "predicts," "forecasts," "potential," "continue," or "projects," or the nega
other variation of such words, and similar expressions may identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism about future operating results and the development of our products, are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that

could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading “Risks Factors” below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission (“SEC”). You can read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report on Form 10-K, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

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Item 1. Business

Overview

We are an emerging over-the-counter ("OTC") consumer goods and specialty pharmaceutical company engaged in the commercialization, licensing and development of safe and effective non-prescription medicine, consumer care products, supplements and medical devices to improve men's and women's health and vitality. Our products currently focus in six main categories, including sexual health, pain management, general muscle health, respiratory, sleep, and diabetic care. We deliver innovative and unique health solutions of OTC medicines, devices, consumer and health products, and clinical supplements through four general channels including Direct to Consumer Marketing, E-Commerce, Retail/Wholesale, and International Distribution. Collectively these channels make up our proprietary Beyond Human® Sales & Marketing Platform which was acquired in 2016 and significantly expanded through the development of proprietary algorithms to target consumers and improve efficiency and return in 2018. We are dedicated to being a leader in developing and marketing new OTC and branded Abbreviated New Drug Application ("ANDA") products, supplements and medical devices. We are actively pursuing opportunities where existing prescription drugs have recently, or are expected to, change from prescription (or Rx) to OTC. These "Rx-to-OTC switches" require Food and Drug Administration ("FDA") approval through a process initiated by the New Drug Application ("NDA") holder.

Our business model leverages our ability to (a) develop and build our current pipeline of proprietary products, and (b) to also acquire outright or in-license commercial products that are supported by scientific and/or clinical evidence, place them through our existing supply chain, retail and on-line (including our Amazon®, eBay®, Wish.com, Walmart.com®, and Walgreens.com on-line stores and our own product websites and platforms among other e-commerce business platforms) channels to tap new markets and drive demand for such products and to establish physician relationships.

Corporate Structure

We are incorporated in the State of Nevada and have five wholly-owned subsidiaries including Novalere, Inc., Semprae Laboratories, Inc., FasTrak Pharmaceuticals, Inc., Supplement Hunt, Inc., and Prime Savings Club, Inc.

Our Strategy

Our corporate strategy focuses on three primary objectives:

1. Developing a diversified product portfolio of exclusive, unique and patented non-prescription OTC and branded ANDA drugs, devices, consumer health products, and clinical supplements through: (a) the introduction of line extensions and reformulations of either our or third-party currently marketed products; (b) the development of new proprietary OTC products, supplements and devices; and (c) the acquisition of products or obtaining exclusive licensing rights to market such products;

2. Building an innovative, U.S. and global sales and marketing model through direct to consumer approaches such as our proprietary Beyond Human® sales and marketing platform and Supplement Hunt™ platform, the addition of new online platforms such as Amazon®, eBay®, Wish.com, Walmart.com® and Walgreens.com, through our own websites both nationally and internationally and commercial partnerships with established international complementary partners that: (a) generates revenue, and (b) requires a lower cost structure compared to traditional pharmaceutical companies, thereby increasing our gross margins; and

3. Developing and acquiring the assets of on-line marketplaces such as Supplementhunt.com and Primesavingsclub.com that focus on certain market segments such as lower priced, soon to expire supplement business with the Supplementhunt.com asset acquisition and with the select consumer product business through Primesavingsclub.com among others in which we sell third party, brand or non-branded products.

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We believe that our proven ability to market, license, acquire and develop brand name non-prescription pharmaceutical and consumer health products and devices and sell third party products on our platforms uniquely positions us to commercialize our products, expand our platforms and grow in this market in a differentiated way. The following are additional details about our strategy:

Focusing on acquisition and licensing of commercial, non-prescription pharmaceutical and consumer health products, supplements and certain related devices that are well aligned with current therapeutic areas of male and female sexual health, urology, pain, vitality, respiratory and other diseases and conditions. In general, we seek non-prescription pharmaceutical (OTC monograph, Rx to OTC ANDA switched drugs) and consumer health products, supplements and certain related devices that are already marketed with scientific and/or clinical data and evidence that are aligned with our therapeutic areas, which we then can grow and expand sales through our existing retail and online channels and commercial partners on a worldwide basis. We have done this through our acquisitions and licensing of (1) Sensum+® from Centric Research Institute or CRI, (2) Zestra® and Zestra Glide® from Semprae, (3) Vesele® from Trôphikôs, LLC, (4) U.S. and Canada rights to Androferti® from Laboratorios Q Pharma (Spain), (5) FlutiCare® from Novalere, (6) UriVarx® from Seipel Group, (7) Can-C® eye drops and supplement from International AntiAging Systems, (8) our 9 Beyond Human® supplements from Beyond Human, LLC, (9) MZS™, melatonin from International AntiAging Systems, (10) Musclin® from the University of Iowa, and (11) HealthiFeet®, ThermoMax® and BreastLift™ from Boston Topicals;

Increasing the number of U.S. non-exclusive distribution channel partners for print media, direct mailing and online sales. One of our goals is to increase the number of our own and third-party U.S. distribution channel partners that sell our products and make them more efficient and profitable through our proprietary consumer targeting algorithms. To do this, we have devised a three-pronged approach. First, we have developed a proprietary consumer targeting algorithm that allows us to increase our print media and direct to consumer mailings for our products. Second, we are seeking to expand the number of OTC direct selling partners, such as the larger in-store retail and wholesale distributors for selected products, and to expand sales to the more regional, statewide and local distributors, such as regional pharmacy chains, large grocery stores and supplement and health stores for selected products. Third, we are working to expand our online presence through relationships with well-known online sellers and the building of our own platforms such as established Amazon®, eBay®, Wish.com, Walmart.com® and Walgreens.com, among other stores, in addition to our own product websites;

Developing or acquiring products or developing or acquiring proprietary product ingredients that may prove to be more profitable in the long run for the Company. We are currently exploring the acquisition and development of proprietary product ingredients that we can use to develop our own products through our various channels and to sell product ingredients to third parties that they can use to develop their own products;

Seeking commercial partnerships outside the U.S. and developing consistent international commercial and distribution systems. We seek to develop a strong network of international distribution partners outside of the U.S. To do so, we are relying in part on past relationships that Dr. Bassam Damaj, our President and Chief Executive Officer, has developed with certain commercial partners globally. In addition, we believe we have the ability to develop new relationships with commercial distributors who can demonstrate they have leading positions in their regions and can provide us with effective marketing and sales efforts and teams to introduce our products to physicians and therapists. Our commercial partners outside the U.S. are responsible for storing, distributing and promoting our products to physicians, urologists, gynecologists, therapists and to other healthcare providers. We currently have 12 active commercial partnerships covering our products in 45 countries outside the U.S.;

Developing our own proprietary products and a proprietary patent and trademark portfolio to protect the therapeutic products and categories we desire to enter. We have developed certain of our products ourselves, such as Apeaz® for arthritis pain, Xyralid® for hemorrhoids and Diabasens®, a diabetic foot cream. We have filed and are working to secure patent claims in the U.S. and abroad covering product inventions and innovations that we believe are valuable. These patents, if issued and ultimately found to be valid, may enable us to create a barrier to entry for competitors on a worldwide basis. To date, we have 4 issued U.S. patents, 12 U.S. patent applications, 12 foreign patents, and 10 foreign patent applications. We also currently have 33 U.S. trademark registrations, 38 U.S. trademark applications, 50 foreign trademark registrations and 47 foreign trademark applications;

Achieving cost economies of scale from lower-cost manufacturing, integrated distribution channels and multiple product discounts. We believe that we can achieve higher gross margins per product by shifting manufacturing to lower cost manufacturers. We also feel that we can acquire other OTC and consumer healthcare products and reintroduce them into our networks and sales and marketing platforms utilizing our integrated distribution and direct to consumer channels, thus receiving multiple product economies of scale from our distribution partners; and

Building or acquiring additional on-line marketplaces for our and third party products. We believe that we can achieve higher profit margins from building our own or purchasing niche on-line marketplaces that can achieve relatively high gross margins and be profitable over the long run.

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Our Products

Marketed Products

We currently market and sell over 35 products in the U.S. and more than 10 in multiple countries around the world through our 12 international commercial partners. We currently have seven core products which we define as recognizing more than $1.0 million in annual sales or projected to recognize more than $1.0 million in sales over the next twelve months. The following represents these core products:

1. Vesele®;
2. UriVarx®;
3. FlutiCare®;
4. Apeaz®;
5. Diabasens®;
6. Prostagorx®; and
7. Sensum®.

In addition, we currently expect to launch the following products in the U.S. in 2019, subject to the applicable regulatory approvals, if required:

1. ThermoMax® is a hand cream with two strengths that provides up to eight hours of hand warming relief (second quarter of 2019);
2. BreastLift™ is a clinically tested cream to provide safe and natural way to firm sagging breasts (second quarter of 2019);
3. HealthiFeet® is a foot cream that provides foot warming relief (second quarter of 2019);
4. MZS Sleeping Aid™ with Hemp-Derived THC-free oil and melatonin and is in tincture form (launched in first quarter of 2019);
5. Trexar™ is a supplement to provide enhanced sensation (second quarter of 2019);
6. Musclin® is a proprietary supplement made of two FDA Generally Recognized As Safe (GRAS) approved ingredients designed to increase muscle mass, endurance and activity (second half of 2019). The main ingredient in Musclin® is a natural activator of the transient receptor potential cation channel, subfamily V, member 3 (TRPV3) channels on muscle fibers responsible to increase fibers width resulting in larger muscles;
7. Regenerum™ is a proprietary product containing two natural molecules; the first is an activator of the TRPV3 channels resulting in the increase of muscle fiber width, and the second targets a different unknown receptor to build the muscle's capacity for energy production and increases physical endurance, allowing longer and more intense exercise. Regenerum™ is being developed for patients suffering from muscle wasting. We currently expect to launch this product in 2020 pending successful clinical trials in patients with muscle wasting or cachexia; and
8. Octiq™ is an expected FDA ophthalmic OTC monograph compliant product for the treatment of eye redness and eye lubrication (late 2019/early 2020).

In addition to the above product pipeline, we currently intend to license and acquire other products that we may launch in 2019.

Sales and Marketing Channels

As discussed, we currently have four main sales and marketing channels making up the Beyond Human® sales and marketing platform acquired in March 2016, which has resulted in the significant revenue growth to $24.0 million in the year ended December 31, 2018 compared with $8.8 million in the year ended December 31, 2017. We feel that these channels complement each other to enhance the Innovus Pharmaceuticals, Inc. brand and awareness of our customers and provide us with the ability to use our sales and marketing in the most efficient way possible in acquiring new customers and maintaining those current customers for longer periods of time.

Print and Direct Mail Marketing

Through our Beyond Human® sales and marketing platform, we have access to advertise in the vast majority of newspapers and magazines on a regular basis. We have developed our own proprietary algorithms that allow us to target customers looking for specific health products allowing us to increase the return on our investment and reduce the cost to acquire new customers. During 2018, we have been able to expand our reach to Canada with the approval of twelve of our products by Health Canada and successfully expand our Beyond Human® sales and marketing platform.

E-Commerce

We have an extensive number of on-line channels through our Amazon®, NewEgg®, Walmart.com®, eBay®, Wish.com and Walgreens.com sites in addition to our own InnovusPharma.com site along with sites for each of our products individually. Our expertise allows us to successfully drive product sales through proper marketing campaigns through third party sites as well as through email marketing campaigns to increase traffic to our own sites. Additionally, we have recognized that maintaining a proper e-commerce presence allows those customers who read our advertisements in the newspapers and magazine or receive our direct mail another avenue to purchase products. We also have acquired additional on-line marketplaces such as Supplementhunt.com and Primesavingsclub.com that allow us to expand the number of products that we sell through our e-commerce channels.

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Retail/Wholesale

We are continuously introducing our products to varieties of retail and wholesale partners to enhance the brand and product awareness for our customers. In 2018, we significantly increased our advertising expenses specifically in the Print and Direct Mail Marketing channel which, in turn, has had a direct positive impact to the success of products in retail. We intend to continue to demonstrate to our retail and wholesale partners the advantages of incorporating our products in their stores especially due to our proprietary consumer targeted marketing approach that our print advertising and e-commerce business allows us to achieve.

International Distribution

We continue to work with our exclusive commercial partners outside of the U.S. that would be responsible for sales and marketing in those territories. We evaluate the performance of each of these partners to ensure a steady flow of consumer activity for each of our products. Our strategy outside the U.S. is to partner with companies who can effectively market and sell our products in their countries through their direct marketing and sales teams. The strategy of using our partners to commercialize our products is designed to limit our expenses and fix our cost structure, enabling us to increase our reach while minimizing our incremental spending.

Manufacturers and Single Source Suppliers

We use third-party manufacturers for the production of our products for development and commercial purposes. We believe there is currently excess capacity for manufacturing in the marketplace and opportunities to lower manufacturing cost through outsourcing to regions and countries that can do it in a more cost-effective basis. We currently have multiple contract manufacturers for our multiple products, and we issue purchase orders to these suppliers each time we require replenishment of our product inventory. All of our current manufacturers are based in the U.S. except for two based in Italy and we are looking to establish contract manufacturing for certain of our products in Europe, the Middle East and Northern Africa regions to reduce the cost and risk of supply chain to our current and potential commercial partners in their territories.

Government Regulation

Our products are normally subject to regulatory approval or must comply with various U.S. and international regulatory and advertisement requirements. Unlike pharmaceutical companies who primarily sell prescription products, we currently sell drug or health products into the OTC market. While prescription products normally must

progress from pre-clinical to clinical to FDA approval and then can be marketed and sold, our products are normally subject to conformity to FDA monograph requirements and similar requirements in other countries, which requires a shorter time frame for us to satisfy regulatory requirements and permits us to begin commercialization.

$1,155 $ $1,155 $1,155 $ $1,155

Total
$3,994 $(1,558) $2,436 $3,984 $(1,505) $2,479

The aggregate amortization expense for definite-lived intangible assets was $56 and $59 for the three-month periods ended March 31, 2007 and 2006, respectively. The estimated aggregate pre-tax amortization expense for 2007 and each of the next five years is approximately $225, $210, $180, $145, $140 and $120.

Note 9. Commitments and Contingent Liabilities

Guarantees

Product Warranty Liability

The company warrants to the original purchaser of its products that it will, at its option, repair or replace, without charge, such products if they fail due to a manufacturing defect. The term of these warranties vary (30 days to 10 years) by product. The company s estimated product warranty liability as of March 31, 2007, is $25. The company has recourse provisions for certain products that would enable recovery from third parties for amounts paid under the warranties. The company accrues for product warranties when, based on available information, it is probable that customers will make claims under warranties relating to products that have been sold and a reasonable estimate of the costs (based on historical claims experience relative to sales) can be made.

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,

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(Dollars in millions, except per share)

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 March 31, 2007, and December 31, 2006, is $104 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. (Koch), 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 is included in the indemnifications balance of $104 at March 31, 2007. The fair value 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 March 31, 2007, the company had directly guaranteed $574 of such obligations, plus $248 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 44 percent of the $274 of guaranteed obligations of customers and suppliers. Set forth below are the company s guaranteed obligations at March 31, 2007:

	Short-Term	Long-Term	Total
Obligations for customers, suppliers and other unaffiliated companies [1]			
Bank borrowings (terms up to 5 years)	$134	$138	$272
Revenue bonds (term 2 years)		2	2
Obligations for equity affiliates [2]			
Bank borrowings (terms up to 6 years)	249	23	272
Leases on equipment and facilities (terms up to 4 years)		28	28
Total obligations for customers, suppliers, other unaffiliated companies and equity affiliates	383	191	574
Obligations for divested subsidiaries and affiliates [3]			
Conoco Inc. (Conoco) (terms from 2-20 years)		145	145
Consolidation Coal Sales Company (term 4-5 years)		103	103
Total obligations for divested subsidiaries and affiliates		248	248
	$383	$439	$822

[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 March 31, 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 $98 at March 31, 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 March 31, 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

Nine cases are 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.

The dismissal of 16 of the reopener cases by the Florida federal court was affirmed by the Eleventh Circuit Court of Appeals in late 2006 and these cases were closed during the first quarter of 2007. Therefore, at March 31, 2007, there were 7 pending cases 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. Five of these 7 cases were consolidated for trial in Hawaii federal court. On April 24, 2007, during a conference with the presiding judge, the parties reached an agreement in principle to settle the 5 cases for $8.5. In 2005, one of the two other pending cases 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 so the case remains pending. There is one case remaining in Florida.

There are two cases involving allegations that Benlate® caused birth defects to children exposed in utero pending before the Delaware state court. In April 2007, DuPont reached a settlement in principle with the six plaintiffs in these two cases as well as 26 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. The total amount of the settlement is $9.

Twenty six cases involving damage to shrimp are pending against the company in state court in Florida. The company contends that the injuries alleged are attributable to a virus, Taura Syndrome Virus, and in no way involve Benlate® OD. One case was tried in late 2000 and another in early 2001. Both trials resulted in adverse judgments of approximately $14 each. The intermediate appellate court subsequently reversed the adverse verdicts and, in the first quarter of 2005, judgments were entered in the company s favor in both cases. Plaintiffs filed a motion seeking sanctions for alleged discovery defaults in all of the cases, including the two cases in which judgment has been entered for the company. The court denied most of the sanctions

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(Dollars in millions, except per share)

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 March 31, 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 March 31, 2007, the company has reserves of $15 related to the settlements in principle for the birth defect claims and reopener cases.

PFOA

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 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 will conduct a survey and perform sampling and analytical testing of certain public and private water systems in the area. 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.

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 has agreed to conduct annual sampling in 2007 for the City of Parkersburg. In addition, environmental sampling of the PFOA levels in the groundwater and drinking water has been conducted across the Ohio River pursuant to a 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 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 March 31, 2007, DuPont has reserves of about $1 to fund its activities under the WV Order, EPA MOU and Order on Consent.

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.

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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. The subpoena calls for the production of documents previously produced to the EPA and other documents related to those chemicals. DuPont has been and will continue to be fully responsive to the DOJ in this matter and has begun the production of documents. It is expected that the collection, review and production of documents will continue throughout 2007. Several former DuPont employees have been subpoenaed to testify before the grand jury.

Class 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 also is 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. As of 2007, 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 level of PFOA in water to six area water districts until the science panel determines that PFOA does not cause disease or until applicable water standards can be met without such treatment. At March 31, 2007, the estimated cost of constructing, operating and maintaining these systems is $19 of which $10 was originally placed in an interest-bearing escrow account. As a result of payments and activities undertaken related to the settlement agreement during the period, the reserve balance at March 31, 2007, was $27, including $7 in interest bearing escrow accounts.

The settlement resulted in the dismissal of all claims asserted in the lawsuit except for personal injury claims. If the independent science panel concludes that no probable link exists between exposure to PFOA and any diseases, then the settlement would also resolve personal injury claims. If it concludes that a probable link does exist between exposure to PFOA and any diseases, then DuPont would also fund up to $235 for a medical monitoring program to pay for such medical testing. In this event, plaintiffs would retain their right to pursue personal injury claims. All other claims in the lawsuit would remain dismissed by the settlement. DuPont believes that it is remote that the panel will find a probable link. Therefore, at March 31, 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 on an interim basis until the installation of the water treatment systems.

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

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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.

Consumer Products Class Actions

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

As of March 31, 2007, 23 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. The proceedings in this court will include the central question of whether these cases can proceed as class actions. A ruling on this issue is expected in 2007.

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 2007. The plaintiff withdrew its 2006 motion to include all Canadian consumers, not just Quebec residents, of these products as part of the class. 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 23 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 March 31, 2007, the company had not established any reserves related to these matters.

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Elastomers Antitrust Matters

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

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

During the first quarter 2007, an agreement in principle was reached with the Canadian antitrust authorities to resolve all criminal antitrust allegations against DDE related to PCP through a plea agreement which includes a fine of CDN $4, which is approximately $3.5 USD.

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 will respond. The company expects EU antitrust authorities to issue a decision, including the imposition of fines, within the next six to twelve months. Therefore, as of March 31, 2007, 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, may be 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 $18 will be reimbursed by Dow. At March 31, 2007, the balance of the reserves is $177.

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. 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.

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. For example, 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

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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. Trial is scheduled for the fourth quarter of 2007. In the first quarter of 2007, the company established reserves of $15 related to this action although given the uncertainties inherent in litigation, there can be no assurance as to the final outcome.

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), the Resource Conservation and Recovery Act (RCRA) and similar state laws. These laws require the company to undertake certain investigative and remedial activities at sites where the company conducts or once conducted operations or at sites where company-generated waste was disposed. The accrual also includes estimated costs related to a number of sites identified by the company for which it is probable that environmental remediation will be required, but which are not currently the subject of CERCLA, RCRA or state enforcement activities.

Remediation activities vary substantially in duration and cost from site to site. These activities, and their associated costs, depend on the mix of unique site characteristics, evolving remediation technologies, diverse regulatory agencies and enforcement policies, as well as the presence or absence of potentially responsible parties. At March 31, 2007, the Consolidated Balance Sheet includes 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 March 31, 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.

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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 March 31,	
	2007	2006
Net income	$ 945	$ 817
Cumulative translation adjustment	12	4
Net revaluation and clearance of cash flow hedges to earnings	(1)	(3)
Pension benefit plans	18	
Other benefit plans	(13)	
Net unrealized gains on available for sale securities		4
Total	$ 961	$ 822

Note 11. Derivatives and Other Hedging Instruments

The company s objectives and strategies for holding derivative instruments are included in 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 hedge ineffectiveness reported in earnings for the three-month period ended March 31, 2007 was a pre-tax gain of $2. 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 loss for the period:

	Three Months Ended March 31, 2007		
	Pretax	Tax	After-Tax
Balance at December 31, 2006	$ 27	$ (10)	$ 17
Additions and revaluations of derivatives designated as cash flow hedges	11	(3)	8
Clearance of hedge results to earnings	(12)	3	(9)
Balance at March 31, 2007	$ 26	$ (10)	$ 16
Amounts expected to be reclassified into earnings over the next twelve months	$ 16	$ (5)	$ 11

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Note 12. Employee Benefits

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

	Three Months Ended March 31,	
	2007	2006
Service cost	$ 94	$ 99
Interest cost	305	294
Expected return on plan assets	(448)	(405)
Amortization of unrecognized loss	29	67
Amortization of prior service cost	5	9
Curtailment/settlement loss		3
Net periodic benefit cost/(credit)	$ (15)	$ 67

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 March 31, 2007, contributions of $84 have been made to these pension plans and the company anticipates additional contributions during the remainder of 2007 to total approximately $206.

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

	Three Months Ended March 31,	
	2007	2006
Service cost	$ 8	$ 8
Interest cost	59	54
Amortization of unrecognized loss	16	12
Amortization of prior service benefit	(39)	(39)
Net periodic benefit cost	$ 44	$ 35

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 March 31, 2007, the company has made benefit payments of $73 related to its postretirement benefit plans and anticipates additional payments during the remainder of 2007 to total approximately $267.

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Note 13. Segment Information

Segment sales include transfers. Segment pre-tax 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 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 the three months ended March 31, 2006 shown below have been reclassified to conform to current year classifications.

Three Months Ended March 31,	Agriculture & Nutrition	Coatings & Color Technologies	Electronic & Communica-tion Technologies	Performance Materials	Pharma-ceuticals	Safety & Protection	Other	Total [1]
2007								
Segment sales	$ 2,450	$ 1,559	$ 920	$ 1,589	$	$ 1,370	$ 43	$7,931
Less transfers		(14)	(35)	(9)		(23)	(5)	(86)
Net sales	2,450	1,545	885	1,580		1,347	38	7,845
Pretax operating income (loss)	651	194	124	150[2]	225	291	(56)	1,579
2006								
Segment sales	$ 2,174	$ 1,478	$ 885	$ 1,541	$	$ 1,360	$ 46	$7,484
Less transfers		(9)	(33)	(20)		(24)	(4)	(90)
Net sales	2,174	1,469	852	1,521		1,336	42	7,394
Pretax operating income (loss)	597	21[3]	160	155	169	268	(56)[4]	1,314

[1] A reconciliation of the pre-tax operating income totals reported for the operating segments to the applicable line item on the Consolidated Financial

Statements is as follows:

	Three Months Ended March 31,	
	2007	2006
Total segment PTOI	$ 1,579	$ 1,314
Net exchange losses, including affiliates	(28)	(18)
Corporate expenses and net interest	(239)	(246)
Income before income taxes and minority interests	$ 1,312	$ 1,050

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

[3] 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.

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

Note 14. Subsequent Event Stock Repurchase

On May 1, 2007, the company entered into a structured stock repurchase agreement with a large financial institution in which the company provided the financial institution with an up-front payment totaling $300 and the financial institution agreed to deliver a certain number of shares based on the volume weighted average price less a specified

discount at the end of the contract period. The contract is expected to settle no later than June 29, 2007.

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

Cautionary Statements About Forward-Looking Statements

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

Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. For some of the important factors that could cause the company s actual results to differ materially from those projected in any such forward-looking statements see the Risk Factors discussion set forth under Part II, Item 1A beginning on page 30.

Results of Operations

Overview

The company s growth strategies successfully generated 6 percent revenue and 16 percent net income growth in the face of continuing lower demand from the U.S. motor vehicle and residential construction markets, and persistently high raw material costs. Sales growth of $451 million versus prior year reflects increases in local currency pricing, higher sales volume and the benefit of a weaker U.S. dollar. A significant portion of the sales and earnings increase is attributable to the seasonally strong Agriculture & Nutrition platform, which grew revenue 13 percent, or $276 million, and pre-tax operating income $54 million, principally due to higher seed sales. Pharmaceuticals also contributed significantly to the increase in net income. Total segment pre-tax operating income as a percent of sales increased to 20 percent for the first quarter 2007. The company continues to execute plans in all businesses for specific pricing actions, cost productivity and working capital improvements.

Net Sales

Consolidated net sales for the first quarter 2007 were $7.8 billion versus $7.4 billion in the prior year, up 6 percent with a 2 percent increase in local selling prices, a 2 percent favorable currency exchange and a 2 percent increase in volume.

The table below shows net sales by region and variance analysis versus the prior year:

	Three Months Ended March 31, 2007	Percent Change Versus 2006			
	2007 Net Sales ($ Billions)	Percent Change vs. 2006	Local Price	Currency Effect	Volume
Worldwide	$ 7.8	6	2	2	2
U.S.	3.3	2	3		(1)
Europe	2.5	11	1	7	3
Asia Pacific	1.1	4	2		2
Canada & Latin America	0.9	11	2	1	8

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Other Income, Net

First quarter 2007 Other income, net, totaled $316 million versus $270 million in the prior year, an increase of $46 million. First quarter 2007 included a $56 million increase resulting from royalty income related to the company s licenses for Cozaar®/Hyzaar®. The company s royalty 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 depending on 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 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 traditional sales and earnings decline for a drug 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 $5.5 billion in the first quarter 2007 versus $5.3 billion in the prior year, an increase of 4 percent, versus a sales increase of 6 percent. First quarter 2007 included a $52 million litigation related charge in the Performance Materials segment in connection with the elastomers antitrust matters. First quarter 2006 included a $135 million restructuring charge in the Coatings & Color Technologies segment, as described below. As a result of the difference in these charges, as well as the favorable impact of foreign currency exchange and other cost control initiatives, first quarter 2007 COGS as a percent of Net sales improved to 71 percent versus 72 percent in the prior year.

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.

Selling, General and Administrative Expenses (SG&A)

SG&A totaled $838 million for the first quarter 2007 versus $791 million in the prior year. The increase in SG&A expense is primarily due to increased global commissions, selling and marketing infrastructure investments related to seed. SG&A as a percent of Net sales was 11 percent in the first quarter 2007, essentially unchanged from prior year.

Research and Development Expense (R&D)

R&D totaled $310 million and $313 million for the first quarter of 2007 and 2006, respectively. The company s expectation is for R&D to increase modestly in 2007 and reflects the reinvestment in R&D activities within the Agriculture & Nutrition segment. R&D was approximately 4 percent of Net sales for the three-month periods in 2007 and 2006.

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Interest Expense

Interest expense totaled $99 million in the first quarter 2007 compared to $114 million in 2006, a decrease of 13 percent. The decrease is primarily due to lower average borrowing levels, partially offset by higher average interest rates for the three-month period in 2007 compared to 2006.

Provision for Income Taxes

The company s effective tax rates for the first quarter 2007 was 27.8 percent as compared to 22.0 percent in 2006, which included a 4 percentage point favorable impact related to the reversal of certain prior-year tax contingencies previously reserved. In the first quarter 2007, the company recorded a tax provision of $365 million including $10 million of tax benefit associated with the company s policy of hedging the foreign currency denominated monetary assets and liabilities of its operations.

In the first quarter 2006, the company recorded a tax provision of $231 million including $4 million of tax expense associated with the company s policy of hedging the foreign currency denominated monetary assets and liabilities of its operations. Also included in the first quarter 2006 was a net tax benefit of $41 million related to the reversal of certain prior year tax contingencies previously reserved.

Net Income

First quarter 2007 Net income was $945 million compared to $817 million in the first quarter of 2006, a 16 percent increase. This increase reflects 6 percent revenue growth, principally from significantly higher seed sales, in addition to increased pharmaceuticals income, fixed cost productivity gains and a favorable foreign currency exchange impact.

Corporate Outlook

The company s outlook for 2007 full-year earnings per share is $3.09, which includes the $0.06 per share first quarter 2007 charge taken to increase reserves related to existing litigation. The company continues to expect modest volume gains, as growth outside the U.S. and strong agricultural seed markets will outweigh lower demand from the U.S. housing and automotive markets. The company s outlook for the remainder of 2007 assumes that energy and ingredient costs will be about equal to those of 2006.

Accounting Standards Issued Not Yet Adopted

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

Segment Reviews

Summarized below are comments on individual segment sales and pre-tax operating income (PTOI) for the three-month period ended March 31, 2007 compared with the same period in 2006. Segment sales include transfers. Segment PTOI is defined as operating income before income taxes, minority interests, exchange gains (losses), corporate expenses and net interest.

Agriculture & Nutrition - First quarter sales of $2.5 billion in 2007 were 13 percent higher than the same period in 2006, reflecting 8 percent higher USD selling prices and 5 percent higher volumes. Volume increases in the segment were largely in seed corn due to a significant increase in planted corn acreage. PTOI for the quarter was $651 million, up 9 percent from the first quarter of 2006 due to higher seed sales, offset by slightly lower margins on increased seed cost of production and higher fixed costs supporting research and sales and marketing investments. First quarter 2006 includes a $28 million gain, recorded in Other income, net related to the sale of a technology license.

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Coatings & Color Technologies - First quarter 2007 sales of $1.6 billion were up 5 percent compared to first quarter 2006, reflecting 3 percent higher USD selling prices and a volume increase of 2 percent. Higher volume reflects in part a recovery of lost sales volume in the titanium dioxide products due to plant damage from Hurricane Katrina. Additional volume is attributable to increased sales of after-market automotive coatings in Europe, which more than offset lower sales to automotive OEM. PTOI was $194 million versus $21 million in the prior year. The increase primarily reflects the absence of the prior year restructuring charge of $135 million associated with the transformation program in the coatings businesses. In addition, higher earnings in 2007 reflect increased sales, a $16 million insurance recovery relating to Hurricane Katrina and flat fixed 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 - Sales in the quarter of $920 million were up 4 percent from 2006, reflecting 1 percent higher USD selling prices and 3 percent higher volumes. Higher volume reflects strong sales growth in Europe and Asia Pacific for electronic materials. First quarter 2007 PTOI was $124 million as compared to $160 million in the first quarter 2006. Lower earnings reflect margin declines in refrigerants and electronic materials and increased fixed costs for growth initiatives.

Performance Materials - Sales of $1.6 billion were up 3 percent compared to sales in the first quarter of 2006. Higher USD selling prices averaged 6 percent for the segment. Overall volume declined 3 percent. The decrease in volume reflects lower sales of engineering polymer resins and packaging and industrial polymers resins, principally in the United States and Asia Pacific. PTOI was $150 million compared to $155 million last year. PTOI in 2007 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. Increased earnings also reflect lower ingredient costs for packaging and industrial polymers and higher sales of elastomer products.

Pharmaceuticals See Other income, net for additional discussion of the company s royalty income.

Safety & Protection - First quarter sales of $1.4 billion in 2007 were up 1 percent versus 2006 due to 3 percent increase in USD selling prices offset by 2 percent lower volumes. Lower volume primarily reflects decreased sales of products for U.S. residential construction markets. PTOI for first quarter 2007 was $291 million as compared to $268 million last year. Increased earnings were due primarily to higher sales of aramid products which are continuing to experience strong market demand.

Other

The company combines the results of its developmental and nonaligned businesses under Other. Sales in the quarter of $43 million were down 7 percent from 2006. Pre-tax operating loss for the first quarter 2007 was $56 million, equal to the pre-tax operating loss for the first quarter 2006. The pre-tax loss for the first quarter 2007 included litigation charges for divested businesses of $29 million. The pre-tax loss for the first quarter 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 relatively low 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 used for operating activities was $240 million for the three months ended March 31, 2007 versus $381 million for the same period ended in 2006. The $141 million improvement is primarily due to higher earnings. Seasonal changes in working capital are comparable versus prior year.

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Cash used for investing activities was $269 million for the three months ended March 31, 2007 compared to $325 million for the same period last year. The $56 million decrease is mainly due to a decrease in the purchases of property, plant and equipment primarily resulting from the absence of capital expenditures related to plants affected by the 2005 hurricanes and an absence of payments for businesses acquired. These decreases were partially offset by the impacts of a weakening U.S. dollar on forward exchange contract settlements.

Purchases of property, plant and equipment for the three months ended March 31, 2007 totaled $273 million. Although the capital expenditures decreased in the first quarter 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 $425 million for the three months ended March 31, 2007 compared to cash provided by financing activities of $432 million for the same period last year, a difference of $857 million. The primary difference is a result of the company s lower borrowings to meet the company s global funding requirements. The increase in the cash used for the acquisition of treasury stock was essentially offset by the increase in the proceeds resulting from a greater number of stock options being exercised.

Dividends paid to shareholders during the three months ended March 31, 2007 totaled $347 million. In April 2007, the company s Board of Directors declared a second quarter common stock dividend of $0.37 per share, which is the same as the dividend paid in the first quarter 2007. The second quarter dividend was the company s 411th 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 first quarter 2007, there were no purchases of stock under this program. As of March 31, 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 first quarter 2007, the company purchased 5.9 million shares at an average price of $51.09 per share. As of March 31, 2007, the company has purchased 84.0 million shares at a total cost of $3.6 billion. The company anticipates completing the remaining $1.4 billion of the program, consistent with its financial discipline principles, by the end of 2007.

Cash and Cash Equivalents and Marketable Debt Securities

Cash and cash equivalents and Marketable debt securities were $954 million at March 31, 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.

Debt

Total debt at March 31, 2007 was $7.6 billion, essentially equal to the $7.5 billion at December 31, 2006.

For analytical purposes, management believes that net debt is the most meaningful measure for investors to view the company s liquidity and debt positions since the company s cash is available to meet operating and capital needs, as well as to provide liquidity around the world. The details of the change in net debt also provides the investor with a more specific view of cash flows. The company defines net debt as total debt less Cash and cash equivalents and Marketable debt securities. At March 31, 2007, net debt was $6.6 billion compared to $5.6 billion at December 31, 2006. The increase in net debt is mainly attributable to normal seasonal working capital needs, particularly in the Agriculture & Nutrition segment.

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The following table reconciles total debt to net debt:

(Dollars in millions)	**March 31, 2007**	December 31, 2006
Commercial paper	$ 220	$
Long-term debt due in one year	1,161	1,163
Other short-term debt	209	354
Total short-term debt	1,590	1,517
Long-term debt	6,010	6,013
Total debt	7,600	7,530
Less: Cash and cash equivalents	883	1,814
Less: Marketable debt securities	71	79
Net debt	$ 6,646	$ 5,637

The following table summarizes changes in net debt for the three-month period ending March 31, 2007:

(Dollars in millions)	
Net debt beginning of year	$5,637
Cash used for continuing operations	240
Purchases of property, plant & equipment and investments in affiliates	284
Proceeds from sales of assets	(27)
Forward exchange contract settlements	41
Dividends paid to stockholders	347
Proceeds from exercise of stock options	(250)
Acquisition of treasury stock	300
Effect of exchange rate changes on cash	(3)
Other	77
Increase in net debt	1,009
Net debt March 31, 2007	$6,646

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. There have been no significant changes to the company s contractual obligations during the three months ended March 31, 2007. See Note 2 to the interim Consolidated Financial Statements for a description of commitments relating to tax matters.

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PFOA

DuPont manufactures fluoropolymer resins and dispersions as well as fluorotelomers marketing many of them under the Teflon® and Zonyl® brands. The fluoropolymer resin and dispersion 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 (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 uses PFOA in its manufacture of Kalrez® perfluoroelastomer parts and certain fluoroelastomers marketed under the Viton® trademark. The wholly owned subsidiary is a part of the Performance Materials segment.

PFOA is bio-persistent and has been detected at very low levels in the blood of the general population. As a result, the EPA initiated a process to enhance its understanding of the sources of PFOA in the environment and the pathways through which human exposure to PFOA is occurring. In 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 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 and has indicated that another SAB review will be sought after the EPA makes its risk assessment. DuPont disputes the cancer classification recommended in the SAB report. Although the EPA has stated that there remains considerable scientific uncertainty regarding potential risks associated with PFOA, it also stated that it does not believe that there is any reason for consumers to stop using any products because of concerns about PFOA.

DuPont respects the EPA s position raising questions about exposure routes and the potential toxicity of PFOA and DuPont and other companies have outlined plans to continue research, emission reduction and product stewardship activities to help address the EPA s questions. In January 2006, DuPont pledged its commitment to the EPA s 2010/15 PFOA Stewardship Program. The EPA program asks participants (1) to commit to achieve, no later than 2010, a 95 percent reduction in both facility emissions and product content levels of PFOA, PFOA precursors and related higher homologue chemicals and (2) to commit to working toward the elimination of PFOA, PFOA precursors and related higher homologue chemicals from emissions and products by no later than 2015.

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

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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 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.

DuPont has developed Echelon™ technology that can reduce the PFOA content in fluoropolymer dispersions by 97 percent. The company has already converted 90% of its product line by volume to manufacturing processes based on Echelon™. In addition, the company has successfully commercialized a new, patented manufacturing process to remove greater than 97% 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. As part of the Order on Consent, DuPont will conduct a survey and perform sampling and analytical testing of certain public and private water systems in the area. 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.

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.

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 no human health effects are known to be caused by PFOA although study of the chemical continues. DuPont conducted a two-phase employee health study on PFOA at its Washington Works site. Results from the first phase of this study for more than 1,000 workers indicate no association between exposure to PFOA and most of the health parameters that were measured. The only potentially relevant association is a modest increase in some, but not all, lipid fractions, e.g. cholesterol, in some of the highest exposed workers. The second phase was a mortality study that involves the examination of all causes of death in more than 6,000 employees who worked at the Washington Works site during its more than fifty years of operation. Based on the observation of a modest increase in some lipid fractions in the study s first phase, the second phase included a more detailed analysis of heart disease. No overall increase in deaths related to heart disease was found. After additional analyses of the data using different models, one analysis showed a slight increase in heart disease with increased exposure. This observation could be the result of random occurrence or it could mean a small increase in workers more heavily exposed. DuPont intends to pursue additional analyses to fully understand this statistical observation.

Currently, there are no regulatory actions pending that would prohibit the production or use of PFOA. However, 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 March 31, 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 March 31, 2007 that has materially affected the company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

BenlateÒ

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

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

Information related to this matter is included on page 13, Item 3, of the company s 2006 Annual Report on Form 10-K.

Gibson City, Illinois

Information related to this matter is included on page 14, Item 3, of the company s 2006 Annual Report on Form 10-K.

Beaumont, Texas

On March 14, 2007 the Texas Commission on Environmental Quality 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. The Order seeks an administrative penalty of $136,400. DuPont will be engaged in settlement discussions with the TCEQ.

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. WVDEP has indicated that it may seek a penalty in excess of $100,000. The company is in negotiations with the WVDEP on a draft Consent Order and has agreed to 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.

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.

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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.

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

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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.

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.

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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.

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 March 31, 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 May Yet be Purchased (Dollars in millions)	Total Number of Shares Purchased as Part of Publicly Announced Program[2]	Approximate Value of Shares That May Yet be Purchased (Dollars in millions)
February	3,695,000	$ 51.11		$ 1,038	3,695,000	$ 1,506
March	2,176,844	$ 51.06			2,176,844	$ 1,395
Total	5,871,844	$ 51.09			5,871,844	

[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 March 31, 2007. As of March 31, 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 March 31, 2007, the company purchased 5.9 million shares at a cost of $300 million. As of March 31, 2007, cumulative purchases of common stock under this plan are 84.0 million shares at a cost of $3.6 billion. There is no expiration date on the current

authorization and no determination has been made by the company suspend or cancel purchases under the plan.	

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

The Annual Meeting of Stockholders was held on April 25, 2007. A total of 802,790,478 shares of common stock were voted in person or by proxy, representing 87 percent of the shares entitled to be voted. The following are the voting results on proposals considered and voted upon at the meeting, all of which are described in the company s 2007 proxy statement.

1. Election of Directors. The 11 nominees listed below were elected to serve on the Board of Directors for the ensuing year.

Director	Votes Cast For	Votes Withheld
R. H. Brown	782,230,094	20,560,384
R. A. Brown	786,407,218	16,383,260
B. P. Collomb	786,112,648	16,677,830
C. J. Crawford	779,143,283	23,647,195
J. T. Dillon	781,120,933	21,669,545
E. I. du Pont	782,251,821	20,538,657
C. O. Holliday, Jr.	779,779,739	23,010,739
L. D. Juliber	783,808,043	18,982,435
M. Naitoh	786,043,824	16,746,654
S. O Keefe	784,252,411	18,538,067
W. K. Reilly	780,133,089	22,657,389

	For	Against	Abstentions	Broker Non-Votes
2. Ratification of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm.	787,532,460	5,714,655	9,543,363	
3. Management Proposal requesting adoption of the DuPont Equity and Incentive Plan providing for equity-based and cash incentive awards to certain company employees, directors and consultants.	587,370,005	66,318,689	12,278,784	136,823,000
4. Stockholder proposal requesting a review and report to shareholders on the company s internal controls related to potential adverse impacts associated with genetically modified organisms.	40,773,095	540,416,624	84,777,759	136,823,000
5. Stockholder proposal requesting the Board of	24,709,383	556,818,507	84,439,588	136,823,000

Directors create a committee to report on the community impact of plant closures and mitigation alternatives.				
6. Stockholder proposal requesting a report on PFOA compounds used in DuPont products and evaluation of a phase-out of the use of PFOA in production of products and development of substitutes.	132,910,955	447,087,478	85,969,045	136,823,000
7. Stockholder proposal requesting a report on the company s annual expenditures, including remediation, over a ten-year period relating to environmental pollution from PFOA related fluorocarbon compounds or dioxins.	36,089,711	544,249,493	85,628,274	136,823,000

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	For	Against	Abstentions	Broker Non-Votes
8. Stockholder proposal requesting a Global Warming Right to Know report.	29,112,057	553,646,028	83,209,393	136,823,000
9. Stockholder proposal requesting a report on reducing potential harm from potential catastrophic chemical releases by increasing inherent security at DuPont facilities.	39,067,556	542,134,761	84,765,161	136,823,000

Item 6. EXHIBITS

The exhibit index filed with this Form 10-Q is on pages 37-39.

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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: May 2, 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 of 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 of 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 January 1, 2007.
10.2*	Terms and conditions of time-vested restricted stock units to non-employee directors and the company s Stock Accumulation and Deferred Compensation Plan (incorporated by reference to the company s Quarterly Report on Form 10-Q for the period ended March 31, 2005).
10.3*	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.
10.4*	Company s Supplemental Retirement Income Plan, as last amended effective June 4, 1996 (incorporated by reference to Exhibit 10.3 of the company s Annual Report on Form 10-K for the year ended December 31, 2006).
10.5*	Company s Pension Restoration Plan, as restated effective July 17, 2006 (incorporated by reference to Exhibit 99.1 of the company s Current Report on Form 8-K filed on July 20, 2006).
10.6*	Company s Rules for Lump Sum Payments adopted July 17, 2006 (incorporated by reference to Exhibit 99.2 of the company s Current Report on Form 8-K filed on July 20, 2006).
10.7*	Company s Stock Performance Plan, as last amended effective January 25, 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.
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.
10.10*	Terms and conditions of stock appreciation rights granted in 2007 under the company s Stock Performance Plan.
10.11*	Terms and conditions of stock options granted in 2007 under the company s Stock Performance Plan.
10.12*	

	Terms and conditions of performance-based restricted stock units granted in 2007 under the company s Stock Performance Plan.
10.13*	Terms and conditions of time-vested restricted stock units granted in 2007 under the company s Stock Performance Plan.

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EXHIBIT INDEX
(continued)

Exhibit Number	Description
10.14*	Company s Variable Compensation Plan, as last amended effective April 30, 1997 (incorporated by reference to pages A1-A3 of the company s Annual Meeting Proxy Statement dated March 21, 2002).
10.15*	Company s Salary Deferral & Savings Restoration Plan, as last amended effective January 1, 2007 (incorporated by reference to Exhibit 10.11 of 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 of 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 of 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 of 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 (incorporated by reference to Exhibit 10.12 of the company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).
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 of 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 of 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 of 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 of 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.

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EXHIBIT INDEX
(continued)

Exhibit Number	Description
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.