DUPONT E I DE NEMOURS & CO
Form 10-Q
July 22, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

OR

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

Commission File Number 1-815

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

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

1007 Market Street, Wilmington, Delaware 19898
(Address of Principal Executive Offices)

(302) 774-1000
(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

The Registrant had 915,242,000 shares (excludes 87,041,000 shares of treasury stock) of common stock, $0.30 par value, outstanding at July 15, 2014.

Table of Contents

E. I. DU PONT DE NEMOURS AND COMPANY

Table of Contents

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

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	$9,706	$9,844	$19,834	$20,252
Other income, net	408	159	425	251
Total	10,114	10,003	20,259	20,503
Cost of goods sold	5,999	6,056	11,999	12,249
Other operating charges	825	942	1,622	1,854
Selling, general and administrative expenses	948	983	1,873	1,966
Research and development expense	545	542	1,063	1,063
Interest expense	94	115	197	232
Employee separation / asset related charges, net	263	—	263	—
Total	8,674	8,638	17,017	17,364
Income from continuing operations before income taxes	1,440	1,365	3,242	3,139
Provision for income taxes on continuing operations	366	335	723	722
Income from continuing operations after income taxes	1,074	1,030	2,519	2,417
Income from discontinued operations after income taxes	—	4	—	1,972
Net income	1,074	1,034	2,519	4,389
Less: Net income attributable to noncontrolling interests	4	4	10	11
Net income attributable to DuPont	$1,070	$1,030	$2,509	$4,378
Basic earnings per share of common stock:				
Basic earnings per share of common stock from continuing operations	$1.16	$1.11	$2.72	$2.59
Basic earnings per share of common stock from discontinued operations	—	—	—	2.13
Basic earnings per share of common stock	$1.16	$1.11	$2.72	$4.73
Diluted earnings per share of common stock:				
Diluted earnings per share of common stock from continuing operations	$1.15	$1.10	$2.70	$2.58
Diluted earnings per share of common stock from discontinued operations	—	—	—	2.12
Diluted earnings per share of common stock	$1.15	$1.11	$2.70	$4.69
Dividends per share of common stock	$0.45	$0.45	$0.90	$0.88

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

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	$1,074	$1,034	$2,519	$4,389
Other comprehensive (loss) income, before tax:				
Cumulative translation adjustment	(59)	(14)	(131)	(223)
Net revaluation and clearance of cash flow hedges to earnings:				
Additions and revaluations of derivatives designated as cash flow hedges	(12)	(8)	26	(24)
Clearance of hedge results to earnings	13	(18)	31	(28)
Net revaluation and clearance of cash flow hedges to earnings	1	(26)	57	(52)
Pension benefit plans:				
Net (loss) gain	(103)	—	(102)	56
Reclassifications to net income:				
Amortization of prior service cost	—	3	1	6
Amortization of loss	150	239	299	480
Curtailment / settlement loss	6	—	6	153
Pension benefit plans, net	53	242	204	695
Other benefit plans:				
Net gain	—	28	—	45
Reclassifications to net income:				
Amortization of prior service benefit	(53)	(46)	(106)	(94)
Amortization of loss (gain)	14	(2)	28	25
Curtailment / settlement gain	—	—	—	(153)
Other benefit plans, net	(39)	(20)	(78)	(177)
Net unrealized gain on securities	—	3	—	1
Other comprehensive (loss) income, before tax	(44)	185	52	244
Income tax expense related to items of other comprehensive income	(7)	(67)	(64)	(142)
Other comprehensive (loss) income, net of tax	(51)	118	(12)	102
Comprehensive income	1,023	1,152	2,507	4,491
Less: Comprehensive income attributable to noncontrolling interests	4	4	10	11
Comprehensive income attributable to DuPont	$1,019	$1,148	$2,497	$4,480

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

Table of Contents

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

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$4,174	$8,941
Marketable securities	173	145
Accounts and notes receivable, net	8,896	6,047
Inventories	6,940	8,042
Prepaid expenses	252	206
Deferred income taxes	894	775
Assets held for sale	—	228
Total current assets	21,329	24,384
Property, plant and equipment, net of accumulated depreciation (June 30, 2014 - $19,961; December 31, 2013 - $19,438)	13,035	12,993
Goodwill	4,686	4,713
Other intangible assets	4,885	5,096
Investment in affiliates	982	1,011
Deferred income taxes	2,420	2,353
Other assets	977	949
Total	$48,314	$51,499
Liabilities and Equity		
Current liabilities		
Accounts payable	$3,542	$5,180
Short-term borrowings and capital lease obligations	2,506	1,721
Income taxes	763	247
Other accrued liabilities	4,228	6,219
Total current liabilities	11,039	13,367
Long-term borrowings and capital lease obligations	9,292	10,741
Other liabilities	9,931	10,179
Deferred income taxes	924	926
Total liabilities	31,186	35,213
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock	237	237
Common stock, $0.30 par value; 1,800,000,000 shares authorized; Issued at June 30, 2014 - 1,003,546,000; December 31, 2013 - 1,014,027,000	301	304
Additional paid-in capital	11,168	11,072
Reinvested earnings	17,572	16,784
Accumulated other comprehensive loss	(5,453)	(5,441)
Common stock held in treasury, at cost (87,584,000 shares at June 30, 2014 and 87,041,000 at December 31, 2013)	(6,762)	(6,727)
Total DuPont stockholders' equity	17,063	16,229
Noncontrolling interests	65	57
Total equity	17,128	16,286
Total	$48,314	$51,499

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

Table of Contents

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

	Six Months Ended June 30,	
	2014	2013
Operating activities		
Net income	$2,519	$4,389
Adjustments to reconcile net income to cash used for operating activities:		
Depreciation	635	644
Amortization of intangible assets	245	193
Other operating charges and credits - net	631	185
Gain on sale of business	(398)	(2,682)
Contributions to pension plans	(168)	(176)
Change in operating assets and liabilities - net	(5,535)	(5,184)
Cash used for operating activities	(2,071)	(2,631)
Investing activities		
Purchases of property, plant and equipment	(781)	(757)
Investments in affiliates	(23)	(31)
Proceeds from sale of business - net	639	4,815
Proceeds from sales of assets - net	10	88
Net increase in short-term financial instruments	(22)	(99)
Forward exchange contract settlements	(63)	58
Other investing activities - net	8	8
Cash (used for) provided by investing activities	(232)	4,082
Financing activities		
Dividends paid to stockholders	(836)	(823)
Net (decrease) increase in borrowings	(631)	2,369
Repurchase of common stock	(1,061)	(1,000)
Proceeds from exercise of stock options	214	384
Other financing activities - net	(76)	74
Cash (used for) provided by financing activities	(2,390)	1,004
Effect of exchange rate changes on cash	(74)	(149)
(Decrease) / increase in cash and cash equivalents	$(4,767)	$2,306
Cash and cash equivalents at beginning of period	8,941	4,379
Cash and cash equivalents at end of period	$4,174	$6,685

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

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

Note 1. Summary of Significant Accounting Policies
Interim Financial Statements
The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto contained in the company's Annual Report on Form 10-K for the year ended December 31, 2013, collectively referred to as the "2013 Annual Report". The Consolidated Financial Statements include the accounts of the company and all of its subsidiaries in which a controlling interest is maintained, as well as variable interest entities for which DuPont is the primary beneficiary.

Basis of Presentation
Certain reclassifications of prior year's data have been made to conform to current year's presentation. In February 2013, the company sold its Performance Coatings business (which represented a reportable segment). In accordance with GAAP, the results of Performance Coatings are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. The sum of the individual earnings per share amounts from continuing and discontinued operations may not equal the total company earnings per share amounts due to rounding. The cash flows and comprehensive income related to Performance Coatings have not been segregated and are included in the Condensed Consolidated Statements of Cash Flows and Comprehensive Income, respectively, for all periods presented. Amounts related to Performance Coatings are consistently included in or excluded from the Notes to the interim Consolidated Financial Statements based on the financial statement line item and period of each disclosure. See Note 2 for additional information.

Venezuelan Foreign Currency
Venezuela is considered a highly inflationary economy under GAAP and the U.S. dollar (USD) is the functional currency for the company's subsidiaries in Venezuela. During the first quarter 2014, the Venezuelan government enacted certain changes to the country's foreign exchange systems including the expansion of the use of the Complementary System of Foreign Currency Acquirement ("SICAD 1") auction rate and introduction of the SICAD 2 auction process. The official exchange rate continues to be set through the National Center for Foreign Commerce (CENCOEX, previously CADIVI) at 6.3 Bolivar Fuertes (BsF) to USD. The SICAD 1 and SICAD 2 exchange rates were 10.60 BsF and 49.98 BsF, respectively, at June 30, 2014. Based on its evaluation of the restrictions and limitations affecting the availability of specific exchange rate mechanisms, management has concluded that the SICAD 2 auction process would be the most likely mechanism available. As a result, effective June 30, 2014, the company changed from the official exchange rate of 6.3 to the SICAD 2 exchange rate to remeasure its BsF denominated net monetary assets, which resulted in a $58 pre-tax charge within other income, net in the second quarter 2014. Subsequent to June 30, 2014, the company expects it will use the SICAD 2 exchange rate to remeasure its Venezuelan BsF denominated revenues, expenses and net monetary assets unless facts and circumstances change.

Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") jointly issued Accounting Standards Update ("ASU") No. 2014-9, Revenue from Contracts with Customers (Topic 606), which clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards ("IFRS"). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects

the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU is effective for public entities for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted under GAAP and retrospective application is permitted, but not required. The company is currently evaluating the impact of adopting this guidance on its financial position and results of operations.

In April 2014, the FASB issued authoritative guidance amending existing requirements for reporting discontinued operations. Under the new guidance, discontinued operations reporting will be limited to disposal transactions that represent strategic shifts having a major effect on operations and financial results. The amended guidance also enhances disclosures and requires assets and liabilities of a discontinued operation to be classified as such for all periods presented in the financial statements. Public entities will apply the amended guidance prospectively to all disposals occurring within annual periods beginning on or after December 15, 2014 and interim periods within those years. The company will adopt this standard on January 1, 2015. Due to the change in requirements for reporting discontinued operations described above, presentation and disclosures of future disposal transactions after adoption may be different than under current standards.

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

Note 2. Divestitures and Other Transactions
Glass Laminating Solutions/Vinyls
In June 2014, the company sold Glass Laminating Solutions/Vinyls (GLS/Vinyls), a part of the Performance Materials segment, to Kuraray Co. Ltd. The sale resulted in a pre-tax gain of $391 ($273 net of tax). The gain was recorded in other income, net in the company's interim Consolidated Income Statements for the three and six-months ended June 30, 2014.

Performance Chemicals
On October 24, 2013, DuPont announced that it intends to separate its Performance Chemicals segment through a U.S. tax-free spin-off to shareholders, subject to customary closing conditions. The company expects to complete the separation about mid-2015. During the three and six months ended June 30, 2014, the company incurred $35 and $51 of costs associated with the transaction which were reported in other operating charges in the interim Consolidated Income Statements. These transaction costs primarily relate to professional fees associated with preparation of regulatory filings and separation activities within finance, legal and information system functions.
Performance Coatings
In February 2013, the company sold its Performance Coatings business to Flash Bermuda Co. Ltd., a Bermuda exempted limited liability company formed by affiliates of The Carlyle Group (collectively referred to as "Carlyle"). The sale resulted in a pre-tax gain of $2,682 ($1,943 net of tax). The gain was recorded in income from discontinued operations after income taxes in the company's interim Consolidated Income Statements for the six months ended June 30, 2013.

The results of discontinued operations are summarized below:

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Net sales	$—	$331
(Loss) income before income taxes	$(2)	$2,713
(Benefit from) provision for income taxes	(6)	741
Income from discontinued operations after income taxes	$4	$1,972

Note 3. Employee Separation / Asset Related Charges, Net
2014 Restructuring Program
In the second quarter 2014, DuPont commenced a restructuring plan to reduce residual costs associated with the separation of its Performance Chemicals segment and to improve productivity across all businesses and functions. The restructuring plan is a part of the company's broad-based redesign initiative to streamline and further leverage global business support for its more focused portfolio of businesses post the separation of Performance Chemicals. As a result, during the three months ended June 30, 2014 a pre-tax charge of $263 was recorded in employee separation / asset related charges, net in the company's interim Consolidated Income Statements. The charge consisted of $166 employee separation costs, $3 of other non-personnel charges and $94 of asset shut down costs. The actions associated with this charge and all related payments are expected to be substantially complete by December 31, 2015. The company anticipates that it will incur future charges, which it cannot reasonably estimate at this time, related to this plan as it implements additional actions.

The second quarter 2014 charge impacted segment earnings as follows: Agriculture - $47, Electronics & Communications - $68, Industrial Biosciences - $2, Nutrition & Health - $8, Performance Chemicals - $19, Performance Materials - $29, and Safety & Protection - $31, Other - $2, as well as Corporate expenses - $57.

8

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

Account balances and activity for the 2014 restructuring program are summarized below:

	Employee Separation Costs	Other Non-Personnel Charges	Asset Shut Down Costs	Total
Charges to income for the three and six months ended June 30, 2014	$166	$ 3	$94	$263
Charges to accounts:				
Payments	(3)	—	—	(3)
Asset write-offs and adjustments	—	—	(94)	(94)
Balance as of June 30, 2014	$163	$ 3	$—	$166

Note 4. Other Income, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Royalty income	$34	$50	$72	$87
Interest income	43	45	71	72
Equity in earnings (losses) of affiliates, excluding exchange gains/losses[1]	9	(7)	22	(14)
Gain on sale of equity method investment	—	9	—	9
Net gain on sales of businesses and other assets	404	5	411	10
Net exchange (losses) gains[1]	(109)	35	(205)	46
Cozaar®/Hyzaar® income	—	12	1	14
Miscellaneous income and expenses, net [2]	27	10	53	27
Other income, net	$408	$159	$425	$251

1 The company routinely uses foreign currency exchange contracts to offset its net exposures, by currency, related to the foreign currency-denominated monetary assets and liabilities. The objective of this program is to maintain an approximately balanced position in foreign currencies in order to minimize, on an after-tax basis, the effects of exchange rate changes on net monetary asset positions. The net pre-tax exchange gains (losses) are recorded in other income, net and the related tax impact is recorded in provision for income taxes on continuing operations on the interim Consolidated Income Statements. Exchange gains (losses) related to earnings of affiliates was $0 and $(2) for the three and six months ended June 30, 2014, respectively. Exchange gains (losses) related to earnings of affiliates was $0 and $5 for the three and six months ended June 30, 2013, respectively. The $(109) net exchange loss for the three months ended June 30, 2014, includes $(58) and $(7) exchange losses, associated with the devaluation of the Venezuelan bolivar and Ukrainian hryvnia , respectively. The $(205) net exchange loss for the six months ended June 30, 2014, includes $(58), $(46) and $(14) exchange losses, associated with the devaluation of the Venezuelan bolivar, Ukrainian hryvnia, and Argentinian peso, respectively. The $35 and $46 net exchange gain for the three and six months ended June 30, 2013, includes a $3 exchange gain and a $(33) exchange loss, respectively, associated with the devaluation of the Venezuelan bolivar.

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

Note 5. Income Taxes
In the second quarter 2014, the company recorded a tax provision on continuing operations of $366, including $3 of tax expense, primarily associated with the company's policy of hedging the foreign currency-denominated monetary

assets and liabilities of its operations.

Year-to-date 2014, company recorded a tax provision on continuing operations of $723, including $25 of tax benefit, primarily associated with the company's policy of hedging the foreign currency-denominated monetary assets and liabilities of its operations.

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

Table of Contents

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

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

Each year the company files hundreds of tax returns in the various national, state and local income taxing jurisdictions in which it operates. These tax returns are subject to examination and possible challenge by the taxing authorities. Positions challenged by the taxing authorities may be settled or appealed by the company. As a result, there is an uncertainty in income taxes recognized in the company's financial statements in accordance with accounting for income taxes and accounting for uncertainty in income taxes. It is reasonably possible that net reductions to the company's global unrecognized tax benefits could be in the range of $100 to $125 within the next twelve months with the majority due to the settlement of uncertain tax positions with various tax authorities.

Note 6. Earnings Per Share of Common Stock

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Income from continuing operations after income taxes attributable to DuPont	$1,070	$1,026	$2,509	$2,406
Preferred dividends	(3)	(2)	(5)	(5)
Income from continuing operations after income taxes available to DuPont common stockholders	$1,067	$1,024	$2,504	$2,401
Income from discontinued operations after income taxes	$—	$4	$—	$1,972
Net income available to common stockholders	$1,067	$1,028	$2,504	$4,373
Denominator:				
Weighted-average number of common shares outstanding - Basic	918,684,000	922,684,000	921,058,000	925,500,000
Dilutive effect of the company's employee compensation plans	6,903,000	6,796,000	7,087,000	6,811,000
Weighted-average number of common shares outstanding - Diluted	925,587,000	929,480,000	928,145,000	932,311,000

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Average number of stock options	4,000	—	2,000	5,192,000

The change in the average number of stock options that were antidilutive in the three and six months ended June 30, 2014 compared to the same period last year was due to changes in the company's average stock price.

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

Note 7. Inventories

	June 30, 2014	December 31, 2013
Finished products	$4,210	$4,645
Semi-finished products	2,107	2,576
Raw materials, stores and supplies	1,160	1,360
	7,477	8,581
Adjustment of inventories to a last-in, first-out (LIFO) basis	(537)	(539)
Total	$6,940	$8,042

Note 8. Goodwill and Other Intangible Assets
There were no significant changes in goodwill for the six months ended June 30, 2014.

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

	June 30, 2014			December 31, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (Definite-lived):						
Customer lists	$1,799	$(441)	$1,358	$1,818	$(393)	$1,425
Patents	516	(184)	332	519	(160)	359
Purchased and licensed technology	2,045	(1,277)	768	1,999	(1,129)	870
Trademarks	36	(17)	19	43	(17)	26
Other [1]	240	(104)	136	242	(106)	136
	4,636	(2,023)	2,613	4,621	(1,805)	2,816
Intangible assets not subject to amortization (Indefinite-lived):						
In-process research and development	41	—	41	43	—	43
Microbial cell factories [2]	306	—	306	306	—	306
Pioneer germplasm [3]	1,050	—	1,050	1,050	—	1,050
Trademarks/tradenames	875	—	875	881	—	881
	2,272	—	2,272	2,280	—	2,280
Total	$6,908	$(2,023)	$4,885	$6,901	$(1,805)	$5,096

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

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

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

The aggregate pre-tax amortization expense from continuing operations for definite-lived intangible assets was $119 and $245 for the three and six months ended June 30, 2014 , respectively, and $87 and $193 for the three and six months ended June 30, 2013, respectively. The estimated aggregate pre-tax amortization expense from continuing operations for the remainder of 2014 and each of the next five years is approximately $128, $383, $352, $232, $229 and $224, respectively.

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

Note 9. Commitments and Contingent Liabilities
Guarantees
Indemnifications
In connection with acquisitions and divestitures, the company has indemnified respective parties against certain liabilities that may arise in connection with these transactions and business activities prior to the completion of the transaction. The term of these indemnifications, which typically pertain to environmental, tax and product liabilities, is generally indefinite. In addition, the company indemnifies its duly elected or appointed directors and officers to the fullest extent permitted by Delaware law, against liabilities incurred as a result of their activities for the company, such as adverse judgments relating to litigation matters. If the indemnified party were to incur a liability or have a liability increase as a result of a successful claim, pursuant to the terms of the indemnification, the company would be required to reimburse the indemnified party. The maximum amount of potential future payments is generally unlimited.

Obligations for Equity Affiliates & Others
The company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates, customers and suppliers. At June 30, 2014 and December 31, 2013, the company had directly guaranteed $510 and $561, respectively, of such obligations. These amounts represent the maximum potential amount of future (undiscounted) payments that the company could be required to make under the guarantees. The company would be required to perform on these guarantees in the event of default by the guaranteed party.

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

In certain cases, the company has recourse to assets held as collateral, as well as personal guarantees from customers and suppliers. Assuming liquidation, these assets are estimated to cover 42 percent of the $321 of guaranteed obligations of customers and suppliers. Set forth below are the company's guaranteed obligations at June 30, 2014:

	Short-Term	Long-Term	Total
Obligations for customers and suppliers[1]:			
Bank borrowings (terms up to 7 years)	$249	$70	$319
Leases on equipment and facilities (terms up to 4 years)	—	2	2
Obligations for equity affiliates[2]:			
Bank borrowings (terms less than 1 year)	189	—	189
Total	$438	$72	$510

[1] Existing guarantees for customers and suppliers, as part of contractual agreements.
[2] Existing guarantees for equity affiliates' liquidity needs in normal operations.

Imprelis®
The company has received claims and has been served with multiple lawsuits alleging that the use of Imprelis® herbicide caused damage to certain trees. Sales of Imprelis® were suspended in August 2011 and the product was last applied during the 2011 spring application season. The lawsuits seeking class action status were consolidated in multidistrict litigation in federal court in Philadelphia, Pennsylvania. In February 2014, the court entered the final order dismissing these lawsuits as a result of the class action settlement. The appeal by one class member was resolved in the second quarter 2014.

As part of the settlement, DuPont paid about $7 in plaintiffs' attorney fees and expenses. In addition, DuPont is providing a warranty against new damage, if any, caused by the use of Imprelis® on class members' properties through May 2015. Certain class members opted out of the settlement. The opt-outs have filed about 125 individual actions encompassing about 420 claims for property and related damage in state court in various jurisdictions. DuPont has removed most of these cases to federal court in Philadelphia, Pennsylvania. Once removed to federal court, the individual actions remain stayed pending further action by the court.

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

At June 30, 2014, DuPont had recorded charges of $1,175, within other operating charges, to resolve these claims, which represents the company's best estimate of the loss associated with resolving these claims. The company did not take any charges related to this matter during the three and six months ended June 30, 2014. The three and six months ended June 30, 2013 included charges of $80 and $115, respectively. At June 30, 2014, DuPont had accruals of $364 related to these claims. The company has an applicable insurance program with a deductible equal to the first $100 of costs and expenses. The insurance program limits are $725 for costs and expenses in excess of the $100. Insurance recoveries are recognized when realized. DuPont has submitted and will continue to submit requests for payment to its insurance carriers for costs associated with this matter. The company has begun to receive payment from its insurance carriers and continues to seek recovery although the timing and outcome remain uncertain. To date the company has recognized and received insurance recoveries of $73.

Litigation

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

PFOA

DuPont used PFOA (collectively, perfluorooctanoic acids and its salts, including the ammonium salt), as a processing aid to manufacture some fluoropolymer resins at various sites around the world including its Washington Works plant in West Virginia. At June 30, 2014, DuPont has accruals of $14 related to the PFOA matters discussed below.

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

Drinking Water Actions

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

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

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

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

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

Class members may pursue personal injury claims against DuPont only for those human diseases for which the C8 Science Panel determined a probable link exists. At June 30, 2014, there were approximately 2,290 lawsuits filed in various federal and state courts in Ohio and West Virginia of which about 400 had been served on DuPont, an increase of about 1,000 in the number of lawsuits filed and 300 in the number of lawsuits served, respectively, over March 31, 2014. These lawsuits have been or will be consolidated in multi-district litigation in Ohio federal court ("MDL"). These lawsuits allege personal injury and 7 of them allege wrongful death from exposure to PFOA in drinking water. Based on comments from attorneys for the plaintiffs, DuPont expects additional lawsuits may be filed. In the MDL a "discovery pool" of 20 plaintiffs has been established from which individual cases will be selected for the initial trials. The first trial is scheduled to begin in September 2015, and the second in November 2015. DuPont denies the allegations in these lawsuits and is defending itself vigorously.

Additional Actions
An Ohio action brought by the LHWA is ongoing. In addition to general claims of PFOA contamination of drinking water, the action claims "imminent and substantial endangerment to health and or the environment" under the Resource Conservation and Recovery Act (RCRA). In the second quarter 2014, DuPont filed a motion for summary judgment which if granted, will be dispositive of this matter. The LHWA has moved for partial summary judgment. DuPont denies these claims and is defending itself vigorously.

While it is probable that the company will incur losses related to funding the medical monitoring program, such losses cannot be reasonably estimated due to uncertainties surrounding implementation. DuPont believes that it is reasonably possible that it could incur losses related to the other PFOA matters discussed above; however, a range of such losses, if any, cannot be reasonably estimated at this time.

Environmental
The company is also subject to contingencies pursuant to environmental laws and regulations that in the future may require the company to take further action to correct the effects on the environment of prior disposal practices or releases of chemical or petroleum substances by the company or other parties. The company accrues for environmental remediation activities consistent with the policy as described in the company's 2013 Annual Report in Note 1, "Summary of Significant Accounting Policies." Much of this liability results from the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, often referred to as Superfund), RCRA and similar state and global laws. These laws require the company to undertake certain investigative, remediation and restoration activities at sites where the company conducts or once conducted operations or at sites where company-generated waste was disposed. The accrual also includes estimated costs related to a number of sites identified by the company for which it is probable that environmental remediation will be required, but which are not currently the subject of enforcement activities.

Remediation activities vary substantially in duration and cost from site to site. These activities, and their associated costs, depend on the mix of unique site characteristics, evolving remediation technologies, diverse regulatory agencies and enforcement policies, as well as the presence or absence of potentially responsible parties. At June 30, 2014, the Condensed Consolidated Balance Sheet included a liability of $474, relating to these matters and, in management's opinion, is appropriate based on existing facts and circumstances. The average time frame over which the accrued or presently unrecognized amounts may be paid, based on past history, is estimated to be 15-20 years. Considerable uncertainty exists with respect to these costs and, under adverse changes in circumstances, potential liability may range up to three times the amount accrued as of June 30, 2014.

Note 10. Stockholders' Equity
Share Repurchase Program

In January 2014, the company's Board of Directors authorized a $5,000 share buyback plan that replaced the 2011 plan. There is no required completion date for purchases under the 2014 plan. In February 2014, the company entered into an accelerated share repurchase ("ASR") agreement with a financial institution. Under the terms of the ASR agreement, the company paid $1,000 to the financial institution and received and retired 15.1 million shares. The ASR was completed in the second quarter 2014. During the three and six months ended June 30, 2014, the company repurchased 0.5 million shares and 1.5 million shares in the open market for a total cost of $35 and $97, respectively. These shares were retired upon receipt.

In December 2012, the company's Board of Directors authorized a $1,000 share buyback plan. In February 2013, the company entered into an ASR agreement with a financial institution under which the company used $1,000 of the proceeds from the sale of Performance Coatings for the purchase of shares of common stock. The 2012 $1,000 share buyback plan was completed in the second quarter 2013 through the ASR agreement, under which the company purchased and retired 20.4 million shares.

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

Other Comprehensive (Loss) Income
A summary of the changes in other comprehensive (loss) income for the three and six months ended June 30, 2014 and 2013 is provided as follows:

	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013			Affected Line Item in Consolidated Income Statements[1]
	Pre-Tax	Tax	After-Tax	Pre-Tax	Tax	After-Tax	
Cumulative translation adjustment	$(59)	$—	$ (59)	$(14)	$—	$ (14)	
Net revaluation and clearance of cash flow hedges to earnings:							
Additions and revaluations of derivatives designated as cash flow hedges	(12)	4	(8)	(8)	2	(6)	See (2) below
Clearance of hedge results to earnings:							
Foreign currency contracts	1	(1)	—	(7)	3	(4)	Net sales
Commodity contracts	12	(4)	8	(11)	4	(7)	Cost of goods sold
Net revaluation and clearance of cash flow hedges to earnings	1	(1)	—	(26)	9	(17)	
Pension benefit plans:							
Net loss	(103)	33	(70)	—	—	—	See (2) below
Reclassifications to net income:							
Amortization of prior service cost	—	—	—	3	(1)	2	See (3) below
Amortization of loss	150	(52)	98	239	(82)	157	See (3) below
Curtailment loss	4	(1)	3	—	—	—	See (3) below
Settlement loss	2	—	2	—	—	—	See (3) below
Pension benefit plans, net	53	(20)	33	242	(83)	159	
Other benefit plans:							
Net gain	—	—	—	28	(9)	19	See (2) below
Reclassifications to net income:							
Amortization of prior service benefit	(53)	19	(34)	(46)	17	(29)	See (3) below
Amortization of loss (gain)	14	(5)	9	(2)	—	(2)	See (3) below
Other benefit plans, net	(39)	14	(25)	(20)	8	(12)	
Net unrealized gain on securities	—	—	—	3	(1)	2	
Other comprehensive (loss) income	$(44)	$(7)	$ (51)	$185	$(67)	$ 118	

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

	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013			Affected Line Item in Consolidated Income Statements[1]
	Pre-Tax	Tax	After-Tax	Pre-Tax	Tax	After-Tax	
Cumulative translation adjustment	$(131)	$—	$ (131)	$(223)	$—	$ (223)	
Net revaluation and clearance of cash flow hedges to earnings:							
Additions and revaluations of derivatives designated as cash flow hedges	26	(10)	16	(24)	9	(15)	See (2) below
Clearance of hedge results to earnings:							
Foreign currency contracts	2	(1)	1	(3)	1	(2)	Net sales
Commodity contracts	29	(11)	18	(25)	10	(15)	Cost of goods sold
Net revaluation and clearance of cash flow hedges to earnings	57	(22)	35	(52)	20	(32)	
Pension benefit plans:							
Net (loss) gain	(102)	33	(69)	56	(14)	42	See (2) below
Reclassifications to net income:							
Amortization of prior service cost	1	—	1	6	(2)	4	See (3) below
Amortization of loss	299	(103)	196	480	(164)	316	See (3) below
Curtailment loss	4	(1)	3	1	—	1	See (3) below
Settlement loss	2	—	2	152	(45)	107	See (3) below
Pension benefit plans, net	204	(71)	133	695	(225)	470	
Other benefit plans:							
Net gain	—	—	—	45	(15)	30	See (2) below
Reclassifications to net income:							
Amortization of prior service benefit	(106)	38	(68)	(94)	34	(60)	See (3) below
Amortization of loss	28	(9)	19	25	(9)	16	See (3) below
Curtailment gain	—	—	—	(154)	54	(100)	See (3) below
Settlement loss	—	—	—	1	—	1	See (3) below
Other benefit plans, net	(78)	29	(49)	(177)	64	(113)	
Net unrealized gain on securities	—	—	—	1	(1)	—	
Other comprehensive income (loss)	$52	$(64)	$ (12)	$244	$(142)	$ 102	

1 Represents the income statement line item within the interim Consolidated Income Statement affected by the pre-tax reclassification out of other comprehensive income (loss).

2 These amounts represent changes in accumulated other comprehensive income excluding changes due to reclassifying amounts to the interim Consolidated Income Statements.

3 These accumulated other comprehensive income components are included in the computation of net periodic benefit cost of the company's pension and other long-term employee benefit plans. See Note 12 for additional information.

16

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

The changes and after-tax balances of components comprising accumulated other comprehensive loss are summarized below:

	Cumulative Translation Adjustment	Net Revaluation and Clearance of Cash Flow Hedges to Earnings	Pension Benefit Plans	Other Benefit Plans	Unrealized Gain on Securities	Total
2014						
Balance January 1, 2014	$(140)	$(48)	$(5,749)	$494	$2	$(5,441)
Other comprehensive (loss) income before reclassifications	(131)	16	(69)	—	—	(184)
Amounts reclassified from accumulated other comprehensive loss	—	19	202	(49)	—	172
Balance June 30, 2014	$(271)	$(13)	$(5,616)	$445	$2	$(5,453)

	Cumulative Translation Adjustment	Net Revaluation and Clearance of Cash Flow Hedges to Earnings	Pension Benefit Plans	Other Benefit Plans	Unrealized Gain on Securities	Total
2013						
Balance January 1, 2013	$(167)	$3	$(8,686)	$202	$2	$(8,646)
Other comprehensive (loss) income before reclassifications	(223)	(15)	42	30	1	(165)
Amounts reclassified from accumulated other comprehensive loss	—	(17)	428	(143)	(1)	267
Balance June 30, 2013	$(390)	$(29)	$(8,216)	$89	$2	$(8,544)

Note 11. Financial Instruments
Debt
The estimated fair value of the company's total debt including interest rate financial instruments was determined using level 2 inputs within the fair value hierarchy, as described in the company's 2013 Annual Report in Note 1, “Summary of Significant Accounting Policies.” Based on quoted market prices for the same or similar issues or on current rates offered to the company for debt of the same remaining maturities, the fair value of the company's debt was approximately $12,500 and $12,860 as of June 30, 2014 and December 31, 2013, respectively.

Cash Equivalents
The fair value of cash equivalents approximates its stated value. The estimated fair value of the company's cash equivalents was determined using level 1 and level 2 inputs within the fair value hierarchy, as described in the company's 2013 Annual Report in Note 1, “Summary of Significant Accounting Policies.” Level 1 measurements are based on quoted market prices and level 2 measurements are based on current interest rates for similar instruments with comparable credit risk and time to maturity. The company held $0 and $5,116 of money market funds (level 1 measurements) as of June 30, 2014 and December 31, 2013, respectively. The company held $2,526 and $2,256 of

other cash equivalents (level 2 measurements) as of June 30, 2014 and December 31, 2013, respectively.

Derivative Instruments

Objectives and Strategies for Holding Derivative Instruments

In the ordinary course of business, the company enters into contractual arrangements (derivatives) to reduce its exposure to foreign currency, interest rate and commodity price risks. The company has established a variety of derivative programs to be utilized for financial risk management. These programs reflect varying levels of exposure coverage and time horizons based on an assessment of risk.

Derivative programs have procedures and controls and are approved by the Corporate Financial Risk Management Committee, consistent with the company's financial risk management policies and guidelines. Derivative instruments used are forwards, options, futures and swaps. The company has not designated any nonderivatives as hedging instruments.

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

The company's financial risk management procedures also address counterparty credit approval, limits and routine exposure monitoring and reporting. The counterparties to these contractual arrangements are major financial institutions and major commodity exchanges. The company is exposed to credit loss in the event of nonperformance by these counterparties. The company utilizes collateral support annex agreements with certain counterparties to limit its exposure to credit losses. The company's derivative assets and liabilities are reported on a gross basis in the Condensed Consolidated Balance Sheets. The company anticipates performance by counterparties to these contracts and therefore no material loss is expected. Market and counterparty credit risks associated with these instruments are regularly reported to management.

The notional amounts of the company's derivative instruments were as follows:

	June 30, 2014	December 31, 2013
Derivatives designated as hedging instruments:		
Interest rate swaps	$1,000	$1,000
Foreign currency contracts	853	1,107
Commodity contracts	144	606
Derivatives not designated as hedging instruments:		
Foreign currency contracts	12,845	9,553
Commodity contracts	86	281

Foreign Currency Risk
The company's objective in managing exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility associated with foreign currency rate changes. Accordingly, the company enters into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency-denominated assets, liabilities, commitments and cash flows.

The company routinely uses forward exchange contracts to offset its net exposures, by currency, related to the foreign currency-denominated monetary assets and liabilities of its operations. The primary business objective of this hedging program is to maintain an approximately balanced position in foreign currencies so that exchange gains and losses resulting from exchange rate changes, net of related tax effects, are minimized. The company also uses foreign currency exchange contracts to offset a portion of the company's exposure to certain foreign currency-denominated revenues so that gains and losses on these contracts offset changes in the USD value of the related foreign currency-denominated revenues. The objective of the hedge program is to reduce earnings and cash flow volatility related to changes in foreign currency exchange rates.

Interest Rate Risk
The company uses interest rate swaps to manage the interest rate mix of the total debt portfolio and related overall cost of borrowing. Interest rate swaps involve the exchange of fixed for floating rate interest payments to effectively convert fixed rate debt into floating rate debt based on USD LIBOR. Interest rate swaps allow the company to achieve a target range of floating rate debt.

Commodity Price Risk
Commodity price risk management programs serve to reduce exposure to price fluctuations on purchases of inventory such as copper, corn, soybeans and soybean meal. The company enters into over-the-counter and exchange-traded derivative commodity instruments to hedge the commodity price risk associated with energy feedstock and agricultural commodity exposures.

Fair Value Hedges
Interest Rate Swaps
At June 30, 2014, the company maintained a number of interest rate swaps, which were implemented at the time debt instruments were issued. All interest rate swaps qualify for the shortcut method of hedge accounting, thus there is no ineffectiveness related to these hedges.

Cash Flow Hedges
Foreign Currency Contracts
The company uses foreign currency exchange instruments such as forwards and options to offset a portion of the company's exposure to certain foreign currency-denominated revenues so that gains and losses on these contracts offset changes in the USD value of the related foreign currency-denominated revenues.

Table of Contents

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

Commodity Contracts

The company enters into over-the-counter and exchange-traded derivative commodity instruments, including options, futures and swaps, to hedge the commodity price risk associated with energy feedstock and agriculture commodity exposures.

While each risk management program has a different time maturity period, most programs currently do not extend beyond the next two-year period. Cash flow hedge results are reclassified into earnings during the same period in which the related exposure impacts earnings. Reclassifications are made sooner if it appears that a forecasted transaction will not materialize. The following table summarizes the after-tax effect of cash flow hedges on accumulated other comprehensive loss for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Beginning balance	$(13)	$(12)	$(48)	$3
Additions and revaluations of derivatives designated as cash flow hedges	(8)	(6)	16	(15)
Clearance of hedge results to earnings	8	(11)	19	(17)
Ending balance	$(13)	$(29)	$(13)	$(29)

At June 30, 2014, the after-tax amount expected to be reclassified from accumulated other comprehensive loss into earnings over the next 12 months is $(7).

Derivatives not Designated in Hedging Relationships

Foreign Currency Contracts

The company routinely uses forward exchange contracts to reduce its net exposure, by currency, related to foreign currency-denominated monetary assets and liabilities of its operations so that exchange gains and losses resulting from exchange rate changes are minimized. The netting of such exposures precludes the use of hedge accounting; however, the required revaluation of the forward contracts and the associated foreign currency-denominated monetary assets and liabilities intends to achieve a minimal earnings impact, after taxes. Additionally, the company had cross-currency swaps to hedge foreign currency fluctuations on long-term intercompany loans. These swaps matured during 2013.

Commodity Contracts

The company utilizes options, futures and swaps that are not designated as hedging instruments to reduce exposure to commodity price fluctuations on purchases of inventory such as corn, soybeans and soybean meal.

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

Fair Values of Derivative Instruments
The table below presents the fair values of the company's derivative assets and liabilities within the fair value hierarchy, as described in the company's 2013 Annual Report in Note 1, "Summary of Significant Accounting Policies."

		Fair Value Using Level 2 Inputs	
	Balance Sheet Location	June 30, 2014	December 31, 2013
Asset derivatives:			
Derivatives designated as hedging instruments:			
Interest rate swaps[1]	Accounts and notes receivable, net	$16	$—
Interest rate swaps[1]	Other assets	—	29
Foreign currency contracts	Accounts and notes receivable, net	5	6
		21	35
Derivatives not designated as hedging instruments:			
Foreign currency contracts[2]	Accounts and notes receivable, net	39	86
Total asset derivatives[3]		$60	$121
Cash collateral[1,2]	Other accrued liabilities	$16	$30
Liability derivatives:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	Other accrued liabilities	$—	$4
Derivatives not designated as hedging instruments:			
Foreign currency contracts	Other accrued liabilities	55	70
Commodity contracts	Other accrued liabilities	1	1
		56	71
Total liability derivatives[3]		$56	$75

1 Cash collateral held as of June 30, 2014 and December 31, 2013 represents $12 and $17, respectively, related to interest rate swap derivatives designated as hedging instruments.

2 Cash collateral held as of June 30, 2014 and December 31, 2013 represents $4 and $13, respectively, related to foreign currency derivatives not designated as hedging instruments.

3 The company's derivative assets and liabilities subject to enforceable master netting arrangements totaled $37 at June 30, 2014 and $54 at December 31, 2013.

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

Effect of Derivative Instruments

	Amount of Gain (Loss) Recognized in OCI[1] (Effective Portion)		Amount of Gain (Loss) Recognized in Income[2]		
Three Months Ended June 30,	2014	2013	2014	2013	Income Statement Classification
Derivatives designated as hedging instruments:					
Fair value hedges:					
Interest rate swaps	$—	$—	$(6)	$(8)	Interest expense[3]
Cash flow hedges:					
Foreign currency contracts	—	2	(1)	7	Net sales
Commodity contracts	(12)	(10)	(12)	11	Cost of goods sold
	(12)	(8)	(19)	10	
Derivatives not designated as hedging instruments:					
Foreign currency contracts	—	—	(70)	90	Other income, net[4]
Commodity contracts	—	—	(1)	(14)	Cost of goods sold
	—	—	(71)	76	
Total derivatives	$(12)	$(8)	$(90)	$86	

	Amount of Gain (Loss) Recognized in OCI[1] (Effective Portion)		Amount of Gain (Loss) Recognized in Income[2]		
Six Months Ended June 30,	2014	2013	2014	2013	Income Statement Classification
Derivatives designated as hedging instruments:					
Fair value hedges:					
Interest rate swaps	$—	$—	$(13)	$(15)	Interest expense[3]
Cash flow hedges:					
Foreign currency contracts	(1)	16	(2)	3	Net sales
Commodity contracts	27	(40)	(29)	25	