DUPONT E I DE NEMOURS & CO
Form 10-Q
August 03, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2018

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.)

974 Centre Road, Wilmington, Delaware 19805
(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, smaller reporting company, or an emerging growth company. See 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 x	Accelerated Filer o
Non-Accelerated Filer o	Smaller reporting company o
	Emerging growth company o

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. 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 100 shares of common stock, $0.30 par value, outstanding at June 30, 2018, all of which are held by DowDuPont Inc.

The Registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q (as modified by a grant of no-action relief dated February 12, 2018) and is therefore filing this form with reduced disclosure format.

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E. I. DU PONT DE NEMOURS AND COMPANY

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

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

E. I. du Pont de Nemours and Company
Consolidated Income Statements (Unaudited)

(In millions, except per share amounts)	Successor Three Months Ended June 30, 2018	Predecessor Three Months Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Net sales	$ 8,545	$ 6,971	$ 15,244	$ 14,290
Cost of goods sold	5,669	3,963	10,516	8,115
Other operating charges		168		368
Research and development expense	396	387	778	755
Selling, general and administrative expenses	1,182	1,256	2,141	2,446
Amortization of intangibles	333		648	
Restructuring and asset related charges - net	91	160	188	312
Integration and separation costs	327		582	
Sundry income (expense) - net	194	(132)	241	70
Interest expense	86	99	166	183
Income from continuing operations before income taxes	655	806	466	2,181
Provision for income taxes on continuing operations	141	84	168	281
Income from continuing operations after income taxes	514	722	298	1,900
Income (loss) from discontinued operations after income taxes	—	147	(5)	90
Net income	514	869	293	1,990
Net income attributable to noncontrolling interests	1	7	8	15
Net income attributable to DuPont	$ 513	$ 862	$ 285	$ 1,975
Basic earnings per share of common stock:				
Basic earnings per share of common stock from continuing operations		$ 0.82		$ 2.17
Basic earnings per share of common stock from discontinued operations		0.17		0.10
Basic earnings per share of common stock		$ 0.99		$ 2.27
Diluted earnings per share of common stock:				
Diluted earnings per share of common stock from continuing operations		$ 0.82		$ 2.16
Diluted earnings per share of common stock from discontinued operations		0.17		0.10
Diluted earnings per share of common stock		$ 0.99		$ 2.26
Dividends declared per share of common stock		$ 0.38		$ 0.76

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

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E. I. du Pont de Nemours and Company
Consolidated Statements of Comprehensive Income (Unaudited)

(In millions)	Successor Three Months Ended June 30, 2018	Predecessor Three Months Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Net income	$ 514	$ 869	$ 293	$ 1,990
Other comprehensive (loss) income - net of tax:				
Cumulative translation adjustments	(1,923)	275	(966)	653
Adjustments to pension benefit plans	3	88	7	197
Adjustments to other benefit plans	—	3	—	7
Derivative instruments	(16)	(8)	(5)	(11)
Total other comprehensive (loss) income	(1,936)	358	(964)	846
Comprehensive (loss) income	(1,422)	1,227	(671)	2,836
Comprehensive income attributable to noncontrolling interests - net of tax	1	7	8	15
Comprehensive (loss) income attributable to DuPont	$ (1,423)	$ 1,220	$ (679)	$ 2,821

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

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E. I. du Pont de Nemours and Company
Condensed Consolidated Balance Sheets (Unaudited)

(In millions, except share amounts)	Successor June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$4,421	$7,250
Marketable securities	374	952
Accounts and notes receivable - net	7,734	5,239
Inventories	6,303	8,633
Other current assets	1,311	981
Total current assets	20,143	23,055
Investment in nonconsolidated affiliates	1,459	1,595
Property, plant and equipment - net of accumulated depreciation (June 30, 2018 - $1,071; December 31, 2017 - $443)	11,832	12,435
Goodwill	45,510	45,589
Other intangible assets	26,866	27,726
Deferred income taxes	361	480
Other assets	1,839	2,084
Total Assets	$108,010	$112,964
Liabilities and Equity		
Current liabilities		
Short-term borrowings and capital lease obligations	$3,701	$2,779
Accounts payable	4,002	4,831
Income taxes payable	138	149
Accrued and other current liabilities	3,024	4,384
Total current liabilities	10,865	12,143
Long-Term Debt	9,728	10,291
Other Noncurrent Liabilities		
Deferred income tax liabilities	5,424	5,836
Pension and other post employment benefits - noncurrent	7,389	7,787
Other noncurrent obligations	1,837	1,975
Total noncurrent liabilities	24,378	25,889
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, without par value – cumulative; 23,000,000 shares authorized; issued at June 30, 2018 and December 31, 2017:		
$4.50 Series – 1,673,000 shares (callable at $120)	169	169
$3.50 Series – 700,000 shares (callable at $102)	70	70
Common stock, $.30 par value; 1,800,000,000 shares authorized; issued at June 30, 2018 and December 31, 2017 - 100	—	—
Additional paid-in capital	74,845	74,727
(Accumulated deficit) Retained earnings	(1,201)	175
Accumulated other comprehensive loss	(1,345)	(381)
Total DuPont stockholders' equity	72,538	74,760
Noncontrolling interests	229	172

Total equity	72,767	74,932
Total Liabilities and Equity	$108,010	$112,964

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

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

(In millions)	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Operating activities		
Net income	$ 293	$ 1,990
Adjustments to reconcile net income to cash used for operating activities:		
Depreciation and amortization	1,314	570
Provision for deferred income tax	(99)	
Net periodic pension (benefit) cost	(163)	219
Pension contributions	(123)	(2,994)
Net gain on sales of property, businesses, consolidated companies, and investments	(13)	(202)
Restructuring and asset related charges - net	188	
Asset related charges		279
Amortization of inventory step-up	1,385	
Other net loss	248	279
Changes in operating assets and liabilities - net	(4,621)	(4,196)
Cash used for operating activities	(1,591)	(4,055)
Investing activities		
Capital expenditures	(601)	(524)
Proceeds from sales of property, businesses, and consolidated companies - net of cash divested	50	296
Investments in and loans to nonconsolidated affiliates	—	(22)
Purchases of investments	(991)	(4,243)
Proceeds from sales and maturities of investments	1,576	2,633
Foreign currency exchange contract settlements		(29)
Other investing activities - net	—	(43)
Cash provided by (used for) investing activities	34	(1,932)
Financing activities		
Change in short-term (less than 90 days) borrowings	454	3,011
Proceeds from issuance of long-term debt	254	2,234
Payments on long-term debt	(272)	(204)
Proceeds from exercise of stock options	57	203
Dividends paid to stockholders	(5)	(664)
Distributions to DowDuPont	(1,658)	
Other financing activities	(41)	(49)
Cash (used for) provided by financing activities	(1,211)	4,531
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(103)	105
Change in cash classified as held for sale	—	(18)
Decrease in cash, cash equivalents and restricted cash	(2,871)	(1,369)
Cash, cash equivalents and restricted cash at beginning of period	7,808	4,548
Cash, cash equivalents and restricted cash at end of period	$ 4,937	$ 3,179

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

E.I. du Pont de Nemours and Company
Notes to the Consolidated Financial Statements (Unaudited)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements
The accompanying unaudited interim 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, 2017, collectively referred to as the “2017 Annual Report”. The interim Consolidated Financial Statements include the accounts of the company and all of its subsidiaries in which a controlling interest is maintained.

Principles of Consolidation and Basis of Presentation
DowDuPont Inc. ("DowDuPont") was formed on December 9, 2015 to effect an all-stock, merger of equals strategic combination between The Dow Chemical Company ("Dow") and DuPont (the "Merger Transaction"). On August 31, 2017 at 11:59 pm ET, (the "Merger Effectiveness Time") pursuant to the Agreement and Plan of Merger, dated as of December 11, 2015, as amended on March 31, 2017 (the "Merger Agreement"), Dow and DuPont each merged with wholly owned subsidiaries of DowDuPont ("Mergers") and, as a result of the Mergers, Dow and DuPont became subsidiaries of DowDuPont (collectively, the "Merger"). Prior to the Merger, DowDuPont did not conduct any business activities other than those required for its formation and matters contemplated by the Merger Agreement. DowDuPont intends to pursue, subject to certain customary conditions, including, among others, the effectiveness of registration statements filed with the Securities and Exchange Commission and approval by the Board of Directors of DowDuPont, the separation of the combined company's agriculture business, specialty products business and materials science business through a series of tax-efficient transactions (collectively, the "Intended Business Separations").

For purposes of DowDuPont's financial statement presentation, Dow was determined to be the accounting acquirer in the Merger and DuPont's assets and liabilities are reflected at fair value as of the Merger Effectiveness Time. In connection with the Merger and the related accounting determination, DuPont has elected to apply push-down accounting and reflect in its financial statements the fair value of its assets and liabilities. DuPont's interim Consolidated Financial Statements for periods following the close of the Merger are labeled “Successor” and reflect DowDuPont’s basis in the fair values of the assets and liabilities of DuPont. All periods prior to the closing of the Merger reflect the historical accounting basis in DuPont's assets and liabilities and are labeled “Predecessor.” The interim Consolidated Financial Statements and footnotes include a black line division between the columns titled "Predecessor" and "Successor" to signify that the amounts shown for the periods prior to and following the Merger are not comparable. See Note 3 for additional information on the Merger.

Transactions between DuPont and DowDuPont, Dow and their affiliates and other associated companies are reflected in the Successor consolidated financial statements and disclosed as related party transactions when material. Related party transactions with Dow and DowDuPont are included in Note 7.

As a condition of the regulatory approval for the Merger Transaction, the company was required to divest certain assets related to its crop protection business and research and development ("R&D") organization, specifically the company’s Cereal Broadleaf Herbicides and Chewing Insecticides portfolios, including Rynaxypyr®, Cyazypyr® and Indoxacarb as well as the crop protection R&D pipeline and organization, excluding seed treatment, nematicides, and late-stage R&D programs. On March 31, 2017, the company entered into a definitive agreement (the "FMC

Transaction Agreement") with FMC Corporation ("FMC"). Under the FMC Transaction Agreement, FMC would acquire the crop protection business and R&D assets that DuPont was required to divest in order to obtain European Commission ("EC") approval of the Merger Transaction as described above, (the "Divested Ag Business") and DuPont agreed to acquire certain assets relating to FMC’s Health and Nutrition segment, excluding its Omega-3 products (the "H&N Business") (collectively, the "FMC Transactions").

On November 1, 2017, the company completed the FMC Transactions through the disposition of the Divested Ag Business and the acquisition of the H&N Business. The sale of the Divested Ag Business meets the criteria for discontinued operations and as such, results of operations are presented as discontinued operations and have been excluded from continuing operations for all periods presented. The sum of the individual earnings per share amounts from continuing operations and discontinued operations may not equal the total company earnings per share amounts due to rounding. The comprehensive income and cash flows related to the Divested Ag Business have not been segregated and are included in the interim Consolidated Statements of Comprehensive Income and interim Condensed Consolidated Statements of Cash Flows, respectively, for all periods presented. Amounts related to the Divested Ag Business are consistently included or excluded from the Notes to the interim Consolidated Financial Statements based on the respective financial statement line item. See Note 4 for additional information.

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Certain reclassifications of prior year's data have been made to conform to current year's presentation. As described in Note 2, effective January 1, 2018, the company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2017-07, Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. In conjunction with the adoption of this ASU, the company retrospectively reclassified the non-service components of net periodic benefit cost in the interim Consolidated Income Statements. See Note 2 for more information.

Significant Accounting Policies
The company has updated its revenue recognition policy since issuance of its 2017 Annual Report as a result of the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) in the first quarter 2018. See Notes 2 and 5 for additional information. See Note 1, "Summary of Significant Accounting Policies," in the 2017 Annual Report for more information on DuPont's other significant accounting policies.

Revenue
The company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the company determines are within the scope of Topic 606, the company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. See Note 5 for additional information on revenue recognition.

Changes in Accounting and Reporting
Within the Successor periods, DuPont made the following changes in accounting and reporting to harmonize its accounting and reporting with DowDuPont.

Within the Successor periods of the interim Consolidated Income Statements:
- Included royalty income within net sales. In the Predecessor periods, royalty income is included within sundry income (expense) - net.
- Eliminated the other operating charges line item. In the Successor periods, a majority of these costs are included within cost of goods sold. These costs are also included in selling, general and administrative expenses and amortization of intangibles in the Successor periods.
- Presented amortization of intangibles as a separate line item. In the Predecessor periods, amortization is included within selling, general and administrative expenses, other operating charges, and research and development expenses.
- Presented integration and separation costs as a separate line item. In the Predecessor periods, these costs are included within selling, general and administrative expenses.
- Included interest accrued related to unrecognized tax benefits within the provision for income taxes on continuing operations. In the Predecessor periods, interest accrued related to unrecognized tax benefits is included within sundry income (expense) - net.

Within the Successor period of the interim Condensed Consolidated Statements of Cash Flows:
- Included foreign currency exchange contract settlements within cash flows from operating activities, regardless of hedge accounting qualification. In the Predecessor period, DuPont reflected non-qualified hedge programs, specifically forward contracts, options and cash collateral activity, within cash flows from investing activities. In the Predecessor period, DuPont reflected cash flows from qualified hedge programs within the line item to which the program related (i.e., revenue hedge cash flows presented within changes from accounts receivable).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 - RECENT ACCOUNTING GUIDANCE

Recently Adopted Accounting Guidance
In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) which was further updated in March, April, May and December 2016, as well as September and November 2017. The new guidance clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP. 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 new standard resulted in additional disclosure requirements to describe the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard permits the use of either the retrospective or modified retrospective (cumulative-effect) transition method of adoption.

The company adopted this standard in the first quarter of 2018 and applied the modified retrospective transition method to contracts not completed at the date of initial application. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting under Topic 605 (Revenue Recognition). The company recognized the cumulative effect of applying the new revenue standard as an adjustment to the opening balance of retained earnings in the beginning of 2018. See Note 5 for additional disclosures regarding the company's contracts with customers.

In accordance with Topic 606, the disclosure of the impact of adoption to the company's Consolidated Balance Sheet was as follows:

(In millions, except per share amounts)	As Reported December 31, 2017	Effect of Adoption of ASU 2014-09	Updated January 1, 2018
Current assets			
Accounts and notes receivable - net	$ 5,239	$ 79	$ 5,318
Inventories	8,633	(53)	8,580
Other current assets	981	101	1,082
Deferred income taxes	$ 480	$ 1	$ 481
Liabilities and Equity			
Current liabilities			
Accounts payable	$ 4,831	$ (3)	$ 4,828
Accrued and other current liabilities	4,384	120	4,504
Deferred income tax liabilities	$ 5,836	$ 3	$ 5,839
Retained earnings	$ 175	$ 8	$ 183

The most significant changes as a result of adopting ASU No. 2014-09 relate to the reclassification of the company's return assets and refund liabilities in the agriculture product line on the interim Condensed Consolidated Balance Sheets. Under previous guidance, the company accrued the amount of expected product returns as a reduction of net sales and a reduction of accounts and notes receivable - net, and the value associated with the products expected to be recovered in inventory along with a corresponding reduction in cost of goods sold. Under Topic 606, the company now separately presents the amount of expected product returns as refund liabilities, included in accrued and other current liabilities, and the products expected to be recovered as return assets, included in other current assets in the consolidated balance sheets. The reclassification of return assets and refund liabilities was $61 million and $119 million, respectively, at January 1, 2018.

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The effect on the interim Condensed Consolidated Statement of Cash Flows was not material. The following table summarizes the effects of adopting the new accounting standard related to revenue recognition on the company's interim Condensed Consolidated Balance Sheet:

	June 30, 2018		
(In millions, except per share amounts)	As Reported	Effect of Change	Balance without Adoption of Topic 606
Current assets			
Accounts and notes receivable - net	$7,734	$(150)	$7,584
Inventories	6,303	57	6,360
Other current assets	1,311	(119)	1,192
Deferred income taxes	$361	$(1)	$360
Liabilities and Equity			
Current liabilities			
Accrued and other current liabilities	$3,024	$(168)	$2,856
Deferred income tax liabilities	$5,424	$(11)	$5,413
Accumulated deficit	$(1,201)	$(34)	$(1,235)

In accordance with Topic 606, the impact of adoption to the company’s interim Consolidated Income Statements primarily related to the accounting for interest income from its customer financing arrangements in the agriculture product line. Under previous guidance, the company recorded the interest income from these arrangements over the financing period within sundry income (expense) - net. Under Topic 606, the company elected the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component for contracts where payment terms are one year or less. Accordingly, the entire arrangement consideration is recorded in net sales upon satisfaction of the performance obligation. Performance obligations for these arrangements are generally satisfied during the first half of the fiscal year, consistent with the North America growing season. The following tables summarize the effects of adopting the new accounting standard related to revenue recognition on the company's interim Consolidated Income Statements for the three and six months ended June 30, 2018:

	For the Three Months Ended June 30, 2018 (Successor)		
(In millions, except per share amounts)	As Reported	Effect of Change	Balance without Adoption of Topic 606
Net sales	$8,545	$ (49)	$ 8,496
Sundry income (expense) - net	$194	$ 31	$ 225
Income from continuing operations before income taxes	$655	$ (18)	$ 637
Provision for income taxes on continuing operations	$141	$ (4)	$ 137
Income from continuing operations after income taxes	$514	$ (14)	$ 500

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	For the Six Months Ended June 30, 2018 (Successor)		
(In millions, except per share amounts)	As Reported	Effect of Change	Balance without Adoption of Topic 606
Net sales	$15,244	$ (72)	$ 15,172
Sundry income (expense) - net	$241	$ 37	$ 278
Income from continuing operations before income taxes	$466	$ (35)	$ 431
Provision for income taxes on continuing operations	$168	$ (8)	$ 160
Income from continuing operations after income taxes	$298	$ (27)	$ 271

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The new guidance makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The new guidance requires adoption on a retrospective basis unless it is impracticable to apply, in which case the company would be required to apply the amendments prospectively as of the earliest date practicable. The company adopted this standard on January 1, 2018 and there was no material impact.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory. The new guidance requires that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset is sold to an outside party. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. The new guidance requires adoption on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The company adopted this standard on January 1, 2018 and there was no adjustment to retained earnings.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash (a consensus of the FASB Emerging Issues Task Force), which clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows, and, as a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. An entity with a material balance of restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. The company adopted this standard on January 1, 2018. See the interim Condensed Consolidated Statement of Cash Flows for the new presentation of restricted cash as well as Note 8 for a reconciliation of cash, cash equivalents and restricted cash (included in other current assets) presented on the interim Condensed Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash presented in the interim Condensed Consolidated Statements of Cash Flows.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805), Clarifying the Definition of a Business. The new guidance narrows the existing definition of a business and provides a framework for evaluating whether a transaction should be accounted for as an acquisition (or disposal) of assets or a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities (collectively, the "set") is not a business. To be considered a business, the set would need to include an input and a substantive process that together significantly contribute to the ability to create outputs, as defined by the ASU. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods, and should be applied prospectively. Early adoption is permitted. The company adopted this standard on January 1, 2018 and will apply it prospectively to all applicable transactions after the adoption date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The new guidance requires registrants to present the service cost component of net periodic benefit cost in the same income statement line item or items as other employee compensation costs arising from services rendered during the period. In addition, only the service cost component will be eligible for capitalization in assets. Registrants will present the other components of net periodic benefit cost separately from the service cost component; and, the line item or items used in the income statement to present the other components of net periodic benefit cost must be disclosed. The new standard must be adopted retrospectively for the presentation of the service cost component and the other components of net periodic benefit cost in the income statement, and prospectively for the capitalization of the service cost component of net periodic benefit cost in assets. The company adopted this guidance on January 1, 2018, and will record the other components of net periodic benefit cost in sundry income (expense) - net. The following tables summarize the reclassification of those costs from cost of goods sold, research and development expense, and selling, general and administrative expenses to sundry income (expense) - net in the interim Consolidated Income Statements:

Summary of Changes to the interim Consolidated Income Statement	For the Three Months Ended June 30, 2017 (Predecessor)		
(in millions)	As Restated for Discontinued Operations	Effect of Change	Updated
Cost of goods sold	$4,021	$(58)	$3,963
Research and development expense	$402	$(15)	$387
Selling, general and administrative expenses	$1,287	$(31)	$1,256
Sundry income (expense) - net	$(28)	$(104)	$(132)

Summary of Changes to the interim Consolidated Income Statement	For the Six Months Ended June 30, 2017 (Predecessor)		
(in millions)	As Restated for Discontinued Operations	Effect of Change	Updated
Cost of goods sold	$8,230	$(115)	$8,115
Research and development expense	$786	$(31)	$755
Selling, general and administrative expenses	$2,508	$(62)	$2,446
Sundry income (expense) - net	$278	$(208)	$70

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities. The new guidance expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged items in the financial statements. For cash flow and net investment hedges existing as of the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year in which an entity adopts. Presentation and disclosure guidance is required to be adopted prospectively. The new standard is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted in any interim period. All transition requirements and elections should be applied to hedging relationships existing (that is, hedging relationships in which the hedging instrument has not expired, been sold, terminated, or exercised or the entity has not removed the designation of the hedging relationship) on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The company early adopted the new guidance in the second quarter of 2018, and adoption did not have a material impact on the interim Consolidated Financial Statements.

Accounting Guidance Issued But Not Adopted as of June 30, 2018
In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments under the new guidance will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability, other than leases that meet the definition of a short-term lease. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The new leasing standard will be effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, requiring application at the beginning of the earliest comparative period presented. The company is working to quantify the impact and anticipates that the adoption of the new standard will result in a material increase in lease-related assets and liabilities in the Consolidated Balance Sheets. The company is the lessee under various agreements for facilities and equipment that are currently accounted for as operating leases. A complete discussion of these leases is included in the company's 2017 Annual Report in Note 14, "Commitments and Contingent Liabilities."

Note 3 - BUSINESS COMBINATIONS

Merger with Dow
Upon completion of the Merger, (i) each share of common stock, par value $0.30 per share, of the company (the "DuPont Common Stock") was converted into the right to receive 1.2820 fully paid and non-assessable shares of DowDuPont common stock, par value $0.01 per share, ("DowDuPont Common Stock"), in addition to cash in lieu of any fractional shares of DowDuPont Common Stock, and (ii) each share of DuPont Preferred Stock— $4.50 Series and DuPont Preferred Stock— $3.50 Series (collectively "DuPont Preferred Stock") issued and outstanding immediately prior to the Merger Effectiveness Time remains issued and outstanding and was unaffected by the Merger.

As provided in the Merger Agreement, at the Merger Effectiveness Time, all options relating to shares of DuPont Common Stock that were outstanding immediately prior to the effective time of the Merger were generally automatically converted into options relating to shares of DowDuPont Common Stock and all restricted stock units and performance based restricted stock units relating to shares of DuPont Common Stock that were outstanding immediately prior to the effective time of the Mergers were generally automatically converted into restricted stock units relating to shares of DowDuPont Common Stock, in each case, after giving effect to appropriate adjustments to reflect the Mergers and otherwise generally on the same terms and conditions as applied under the applicable plans and award agreements immediately prior to the Merger Effectiveness Time.

Prior to the Merger, shares of DuPont Common Stock were registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended and listed on the New York Stock Exchange (the “NYSE”). As a result of the Merger, on August 31, 2017, the company requested that the NYSE withdraw the shares of DuPont Common Stock from listing on the NYSE and filed a Form 25 with the U.S. Securities and Exchange Commission ("SEC") to report that DuPont Common Stock is no longer listed on the NYSE. DuPont continues to have preferred stock outstanding and it remains listed on the NYSE. DowDuPont Common Stock is listed and trades on the NYSE, ticker symbol DWDP.

As a condition of the regulatory approval of the Merger, DuPont was required to divest a portion of its crop protection business, including certain research and development capabilities. See Note 4 for additional information.

Preliminary Allocation of Purchase Price

Based on an evaluation of the provisions of Accounting Standards Codification ("ASC") 805, "Business Combinations" ("ASC 805"), Dow was determined to be the accounting acquirer in the Merger. DowDuPont has applied the acquisition method of accounting with respect to the assets and liabilities of DuPont, which have been measured at fair value as of the date of the Merger. In connection with the Merger and the related accounting determination, DuPont has elected to apply push-down accounting and reflect in its financial statements the fair value of assets and liabilities. Such fair values have been reflected in the Successor periods of the Consolidated Financial Statements.

DuPont's assets and liabilities were measured at estimated fair values as of the Merger Effectiveness Time, primarily using Level 3 inputs. Estimates of fair value represent management's best estimate which require a complex series of judgments about future events and uncertainties. Third-party valuation specialists were engaged to assist in the valuation of these assets and liabilities.

The total fair value of consideration transferred for the Merger was $74,680 million. Total consideration is comprised of the equity value of the DowDuPont shares as of the Merger Effectiveness Time that were issued in exchange for DuPont shares, the cash value for fractional shares, and the portion of DuPont's share awards and share options earned as of the Merger Effectiveness Time.

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The following table summarizes the fair value of consideration exchanged as a result of the Merger:

(In millions, except exchange ratio)	
DuPont Common Stock outstanding as of the Merger Effectiveness Time	868.3
DuPont exchange ratio	1.2820
DowDuPont Common Stock issued in exchange for DuPont Common Stock	1,113.2
Fair value of DowDuPont Common Stock issued [1]	$74,195
Fair value of DowDuPont equity awards issued in exchange for outstanding DuPont equity awards [2]	485
Total consideration	$74,680

1. Amount was determined based on the price per share of Dow Common Stock of $66.65 on August 31, 2017.
2. Represents the fair value of replacement awards issued for DuPont's equity awards outstanding immediately before the Merger and attributable to the service periods prior to the Merger. The previous DuPont equity awards were converted into the right to receive 1.2820 shares of DowDuPont Common Stock.

The acquisition method of accounting requires, among other things, that identifiable assets acquired and liabilities assumed be recognized on the balance sheet at their respective fair value as of the acquisition date. In determining the fair value, DowDuPont utilized various forms of the income, cost and market approaches depending on the asset or liability being fair valued. The estimation of fair value required significant judgments related to future net cash flows (including net sales, cost of products sold, selling and marketing costs, and working capital/contributory asset charges), discount rates reflecting the risk inherent in each cash flow stream, competitive trends, market comparables and other factors. Inputs were generally determined by taking into account historical data, supplemented by current and anticipated market conditions, and growth rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The table below presents the preliminary fair value that was allocated to DuPont's assets and liabilities based upon fair values as determined by DowDuPont. The valuation process to determine the fair values is not yet complete. DuPont estimated the preliminary fair value of acquired assets and liabilities as of the Merger Effectiveness Time based on information currently available and continues to adjust those estimates upon refinement of market participant assumptions for integrating businesses, finalization of tax returns in the pre-merger period and application of push-down accounting at the subsidiary level. During the first half of 2018, DowDuPont made measurement period adjustments to reflect facts and circumstances in existence as of the Merger Effectiveness Time. These adjustments primarily included a $394 million increase in goodwill, a $230 million decrease in property, plant, and equipment, a $117 million decrease in indefinite-lived trademarks and trade names and customer-related assets, a $16 million decrease in assets held for sale, a $60 million increase in other current assets, a $56 million increase in noncontrolling interests and a $28 million decrease in investments in nonconsolidated affiliates. The preliminary fair values are substantially complete with the exception of identifiable intangible assets; property, plant, and equipment; income taxes; and goodwill. As DuPont finalizes the fair values of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period, but no later than one year from the date of the Merger. DuPont will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized. Final determination of the fair values may result in further adjustments to the values presented in the following table.

(In millions)	Estimated fair value as adjusted
Fair Value of Assets as of the Merger Effectiveness Time	
Cash and cash equivalents	$4,005
Marketable securities	2,849
Accounts and notes receivable	7,847
Inventories	8,806
Other current assets	420
Investment in nonconsolidated affiliates	1,626
Assets held for sale - current	3,732
Property, plant and equipment	11,711
Goodwill	45,499
Other intangible assets	27,104
Deferred income tax assets	284
Other assets	2,066
Total Assets	$115,949
Fair Value of Liabilities	
Short-term borrowings and capital lease obligations	$5,319
Accounts payable	3,298
Income taxes payable	261
Accrued and other current liabilities	3,517
Liabilities held for sale - current	125
Long-term debt	9,878
Deferred income tax liabilities	8,319
Pension and other post employment benefits - noncurrent	8,056
Other noncurrent obligations	2,023
Total Liabilities	$40,796
Noncontrolling interests	234

Preferred stock	239
Fair Value of Net Assets (Consideration for the Merger)	$74,680

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Integration and Separation Costs
Integration and separation costs have been and are expected to be significant. These costs to date primarily have consisted of financial advisory, information technology, legal, accounting, consulting, and other professional advisory fees associated with the preparation and execution of activities related to the Merger and the Intended Business Separations. These costs are recorded within integration and separation costs in the Successor periods and within selling, general and administrative expenses in the Predecessor periods within the interim Consolidated Income Statements.

(In millions)	Successor Three Months Ended June 30, 2018	Predecessor Three Months Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Integration and separation costs	$ 327		$ 582	
Selling, general and administrative expenses		$ 201		$ 371

H&N Business
On November 1, 2017, the company completed the FMC Transactions through the acquisition of the H&N Business and the divestiture of the Divested Ag Business. The acquisition is being integrated into the nutrition and health product line to enhance DuPont's position as a leading provider of sustainable, bio-based food ingredients and allow for expanded capabilities in the pharma excipients space. The company accounted for the acquisition in accordance with ASC 805, which requires the assets acquired and liabilities assumed to be recognized on the balance sheet at their fair values as of the acquisition date. The purchase accounting and purchase price allocation for the H&N Business are substantially complete. However, the company continues to refine the preliminary valuation of certain acquired assets, such as intangibles, deferred income taxes, and property, plant and equipment, which could impact the amount of residual goodwill recorded. The company will finalize the amounts recognized as it obtains the information necessary to complete the analysis, but no later than one year from the date of the acquisition. The preliminary fair value allocated to the assets acquired and liabilities assumed for the H&N Business at November 1, 2017 was $1,970 million. There were no material updates to the purchase accounting and purchase price allocation for the six months ended June 30, 2018. For additional information regarding the acquisition of the H&N Business, see Note 3, "Business Combinations," in the 2017 Annual Report.

NOTE 4 - DIVESTITURES AND OTHER TRANSACTIONS

Merger Remedy - Divested Ag Business
On March 31, 2017, the company and FMC entered into the FMC Transaction Agreement. Under the FMC Transaction Agreement, and effective upon the closing of the transaction on November 1, 2017, FMC acquired the Divested Ag Business that DuPont was required to divest in order to obtain EC approval of the Merger Transaction and DuPont acquired the H&N Business. See further discussion of the FMC Transactions in Note 1. The sale of the Divested Ag Business meets the criteria for discontinued operations and as such, earnings are included within income (loss) from discontinued operations after income taxes for all periods presented.

For the six months ended June 30, 2018, the company recorded a loss from discontinued operations before income taxes related to the Divested Ag Business of $10 million ($5 million after tax). The following table summarizes the results of operations of the Divested Ag Business presented as discontinued operations for the three and six months ended June 30, 2017:

Predecessor

(In millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Net sales	$ 453	$ 877
Cost of goods sold	171	333
Other operating charges	8	12
Research and development expenses	39	71
Selling, general and administrative expenses	61	100
Sundry income - net	7	7
Income from discontinued operations before income taxes	181	368
Provision for income taxes	44	71
Income from discontinued operations after income taxes	$ 137	$ 297

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table presents depreciation and capital expenditures of the discontinued operations related to the Divested Ag Business:

(In millions)	Predecessor Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Depreciation	$ 8	$ 16
Capital expenditures	$ 4	$ 8

Food Safety Diagnostic Sale

In February 2017, the company completed the sale of global food safety diagnostics to Hygiena LLC. The sale resulted in a pre-tax gain of $162 million ($86 million net of tax). The gain was recorded in sundry income (expense) - net in the company's interim Consolidated Income Statement for the six months ended June 30, 2017.

Performance Chemicals

On July 1, 2015, DuPont completed the separation of its Performance Chemicals segment through the spin-off of all of the issued and outstanding stock of The Chemours Company (the "Separation"). In connection with the Separation, the company and The Chemours Company ("Chemours") entered into a Separation Agreement (the "Separation Agreement"). Pursuant to the Separation Agreement and the amendment to the Separation Agreement, as discussed below, Chemours indemnifies DuPont against certain litigation, environmental, workers' compensation and other liabilities that arose prior to the distribution. The term of this indemnification is generally indefinite and includes defense costs and expenses, as well as monetary and non-monetary settlements and judgments. In 2017, DuPont and Chemours amended the Separation Agreement to provide for a limited sharing of potential future perfluorooctanoic acid (“PFOA”) liabilities for a period of five years beginning July 6, 2017. In connection with the recognition of liabilities related to these matters, the company records an indemnification asset when recovery is deemed probable. At June 30, 2018, the indemnification assets are $87 million within accounts and notes receivable - net and $324 million within other assets along with the corresponding liabilities of $87 million within accrued and other current liabilities and $324 million within other noncurrent obligations in the interim Condensed Consolidated Balance Sheet. See Note 14 for further discussion of the amendment to the Separation Agreement and certain litigation and environmental matters indemnified by Chemours.

Income from discontinued operations after taxes for the three months ended June 30, 2017 includes a tax benefit of $10 million associated with an adjustment to the tax benefit recognized in the first quarter of 2017 related to the charge for the PFOA multidistrict litigation settlement. Income from discontinued operations after income taxes for the six months ended June 30, 2017 includes a charge of $335 million ($214 million net of tax) in connection with the PFOA multi-district litigation settlement. See Note 14 for further discussion.

NOTE 5 - REVENUE

Revenue Recognition

Products

Substantially all of DuPont's revenue is derived from product sales. Product sales consist of sales of DuPont's products to supply manufacturers, distributors, and farmers. DuPont considers purchase orders, which in some cases are governed by master supply agreements, to be a contract with a customer. Contracts with customers are considered to be short-term when the time between order confirmation and satisfaction of the performance obligations is equal to or less than one year.

Revenue from product sales is recognized when the customer obtains control of the company's product, which occurs at a point in time according to shipping terms. Payment terms for contracts related to product lines other than agriculture generally average 30 to 60 days after invoicing, depending on business and geography. Payment terms for agriculture product line contracts are generally less than one year from invoicing. The company elected the practical expedient and will not adjust the promised amount of consideration for the effects of a significant financing component when DuPont expects it will be one year or less between when a customer obtains control of the company's product and when payment is due. The company has elected to recognize shipping and handling activities when control has transferred to the customer as an expense in cost of goods sold. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues. In addition, DuPont elected the practical expedient to expense any costs to obtain contracts as incurred, as the amortization period for these costs would have been one year or less.

The transaction price includes estimates of variable consideration, such as rights of return, rebates, and discounts, that are reductions in revenue. All estimates are based on the company's historical experience, anticipated performance, and the company's best judgment at the time the estimate is made. Estimates for variable consideration are reassessed each reporting period and are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur upon resolution of uncertainty associated with the variable consideration. The majority of contracts have a single performance obligation satisfied at a point in time and the transaction price is stated in the contract, usually as quantity times price per unit. For contracts with multiple performance obligations, DuPont allocates the transaction price to each performance obligation based on the relative standalone selling price. The standalone selling price is the observable price which depicts the price as if sold to a similar customer in similar circumstances.

Licenses of Intellectual Property

DuPont enters into licensing arrangements with customers under which it licenses its intellectual property, such as patents and trademarks. Revenue from the majority of intellectual property licenses is derived from sales-based royalties. The company estimates the expected amount of sales-based royalties based on historical sales by customer. Revenue for licensing agreements that contain sales-based royalties is recognized at the later of (i) when the subsequent sale occurs or (ii) when the performance obligation to which some or all of the royalty has been allocated is satisfied.

Contract Balances

Contract liabilities primarily reflect deferred revenue from prepayments under agriculture product line contracts with customers where the company receives advance payments for products to be delivered in future periods. DuPont classifies deferred revenue as current or noncurrent based on the timing of when the company expects to recognize revenue. Contract assets primarily include amounts related to contractual rights to consideration for completed performance not yet invoiced within the industrial biosciences product line. Accounts receivable are recorded when the right to consideration becomes unconditional.

Contract Balances (In millions)	June 30, 2018	Topic 606 Adjustments January 1, 2018	December 31, 2017
Accounts and notes receivable - trade[1]	$ 6,428	$ 87	$ 3,976
Contract assets - current[2]	$ 62	$ 40	$ —
Deferred revenue - current[3]	$ 392	$ 2	$ 2,014
Deferred revenue - noncurrent[4]	$ 42	$ —	$ 48

1. Included in accounts and notes receivable - net in the Consolidated Balance Sheets.
2. Included in other current assets in the Consolidated Balance Sheets.
3. Included in accrued and other current liabilities in the Consolidated Balance Sheets.
4. Included in other noncurrent obligations in the Consolidated Balance Sheets.

The change in deferred revenue from December 31, 2017 to June 30, 2018 was substantially due to the timing of agriculture product line seed deliveries to customers for the North America growing season. Revenue recognized during the six months ended June 30, 2018 from amounts included in deferred revenue at the beginning of the period was $1,815 million.

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Disaggregation of Revenue
Effective with the Merger, DuPont’s business activities are components of DowDuPont’s business operations. DuPont’s business activities, including the assessment of performance and allocation of resources, are reviewed and managed by DowDuPont. Information used by the chief operating decision maker of DuPont relates to the company in its entirety. Accordingly, there are no separate reportable business segments for DuPont under ASC 280 “Segment Reporting” and DuPont's business results are reported in this Form 10-Q as a single operating segment.

The company has one reportable segment with the following principal product lines: agriculture, packaging and specialty plastics, electronics and imaging, nutrition and health, industrial biosciences, transportation and advanced polymers and safety and construction. The company believes disaggregation of revenue by principal product line best depicts the nature, amount, timing, and uncertainty of its revenue and cash flows. Net sales by principal product line are included below:

(In millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Agriculture	$ 4,058	$ 6,401
Packaging and Specialty Plastics	416	835
Electronics and Imaging	553	1,080
Nutrition and Health	1,057	2,081
Industrial Biosciences	429	835
Transportation and Advanced Polymers	1,142	2,263
Safety and Construction	889	1,744
Other	1	5
Total	$ 8,545	$ 15,244

Sales are attributed to geographic regions based on customer location. Net sales by geographic region are included below:

(In millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
U.S. & Canada	$ 4,755	$ 7,270
EMEA[1]	1,564	3,730
Asia Pacific	1,737	3,272
Latin America	489	972
Total	$ 8,545	$ 15,244

1. Europe, Middle East, and Africa (EMEA).

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NOTE 6 - RESTRUCTURING AND ASSET RELATED CHARGES - NET

DowDuPont Cost Synergy Program
In September and November 2017, DowDuPont and the company approved post-merger restructuring actions under the DowDuPont Cost Synergy Program (the “Synergy Program”), adopted by the DowDuPont Board of Directors. The Synergy Program is designed to integrate and optimize the organization following the Merger and in preparation for the Intended Business Separations. Based on all actions approved to date under the Synergy Program, DuPont expects to record total pre-tax restructuring charges of $430 million to $600 million, comprised of approximately $320 million to $360 million of severance and related benefits costs; $110 million to $140 million of costs related to contract terminations; and up to $100 million of asset related charges. The Synergy Program includes certain asset actions that are reflected in the preliminary fair value measurement of DuPont’s assets as of the Merger Effectiveness Time. Current estimated total pre-tax restructuring charges could be impacted by future adjustments to the preliminary fair value of DuPont’s assets.

As a result of these actions, the company recorded pre-tax restructuring charges of $187 million for the period September 1 through December 31, 2017, consisting of severance and related benefit costs of $153 million, contract termination costs of $31 million and asset related charges of $3 million.

For the three and six months ended June 30, 2018, the company recorded pre-tax charges of $94 million and $191 million, respectively, recognized in restructuring and asset related charges - net in the company's interim Consolidated Income Statements. The charge for the three months ended June 30, 2018 is comprised of severance and related benefit costs of $84 million, contract termination costs of $4 million and asset-related charges of $6 million. The charge for the six months ended June 30, 2018, is comprised of severance and related benefit costs of $152 million, contract termination costs of $33 million and asset-related charges of $6 million. Substantially all of the remaining restructuring charges are expected to be incurred in 2018 and the related actions, including employee separations, associated with this plan are expected to be substantially complete by the end of 2019.

DuPont account balances and activity for the Synergy Program are summarized below:

(In millions)	Severance and Related Benefit Costs	Contract Termination Charges	Asset-Related Charges	Total
Balance at December 31, 2017	$ 133	$ 28	$ —	$ 161
Charges to income from continuing operations for the six months ended June 30, 2018	152	33	6	191
Payments	(57)	(28)	—	(85)
Net translation adjustment	(2)	—	—	(2)
Asset write-offs	—	—	(6)	(6)
Balance at June 30, 2018	$ 226	$ 33	$ —	$ 259

2017 Restructuring Program
At June 30, 2018, total liabilities related to the program were $10 million. The actions associated with this plan were substantially complete in 2017. A complete discussion of restructuring initiatives is included in the company's 2017 Annual Report in Note 5, "Restructuring and Asset Related Charges - Net."

The company incurred pre-tax charges of $160 million and $312 million for the three and six months ended June 30, 2017, respectively, recognized in restructuring and asset related charges - net in the company's interim Consolidated Income Statements. The charge for the three months ended June 30, 2017 is comprised of $160 million of asset related charges. The charge for the six months ended June 30, 2017 is comprised of $279 million of asset-related charges and $33 million in severance and related benefit costs. The asset related charges mainly consist of accelerated depreciation associated with the closure of the safety and construction product line at the Cooper River manufacturing site located near Charleston, South Carolina.

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NOTE 7 - RELATED PARTIES

Services Provided by and to Dow and its affiliates
Following the Merger, DuPont reports transactions with Dow and its affiliates as related party transactions. The table below presents revenue earned and expenses incurred in transactions with Dow and its affiliates following the Merger. DuPont sells to and procures from Dow and its affiliates certain feedstocks and raw materials that are consumed in each company's manufacturing process, as well as finished goods.

(In millions)	Successor Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Net sales	$ 34	$ 78
Cost of goods sold	$ 39	$ 63

For the three and six months ended June 30, 2018, purchases from Dow and its affiliates were $64 million and $107 million, respectively.

Transactions with DowDuPont
DowDuPont relies on distributions and other intercompany transfers from DuPont and Dow to fund payment of its costs and expenses. In November 2017, DowDuPont's Board of Directors authorized an initial $4,000 million share repurchase program to buy back shares of DowDuPont common stock. In February and May 2018, the Board declared first and second quarter dividends per share of DowDuPont common stock payable on March 15, 2018 and June 15, 2018, respectively. For the six months ended June 30, 2018, DuPont declared and paid distributions to DowDuPont of about $1,658 million, primarily to fund a portion of DowDuPont's first and second quarter share repurchases and dividend payments.

In addition, at June 30, 2018 and December 31, 2017, DuPont had a payable to DowDuPont of $391 million and $354 million, respectively, included in accounts payable in the Consolidated Balance Sheets related to its estimated 2017 and 2018 tax liability. See Note 9 for additional information.

NOTE 8 - SUPPLEMENTARY INFORMATION

Sundry Income (Expense) - Net	Successor	Predecessor	Successor	Predecessor
(In millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Royalty income[1]		$ 28		$ 73
Interest income	$ 30	32	58	57
Equity in earnings of affiliates - net	19	24	33	42
Net gain on sales of businesses and	11	11	13	203

other assets[2]				
Net exchange gains (losses)	23	(140)	(109)	(199)
Non-operating pension and other post employment benefit credit (cost)[3]	95	(104)	187	(208)
Miscellaneous income and expenses - net[4]	16	17	59	102
Sundry income (expense) - net	$ 194	$ (132)	$ 241	$ 70

1. In the Successor periods, royalty income of $44 million and $85 million is included in net sales for the three and six months ended June 30, 2018, respectively.
2. Includes a pre-tax gain of $162 million ($86 million net of tax) for the six months ended June 30, 2017 related to the sale of global food safety diagnostics. See Note 4 for additional information.
3. Includes non-service related components of net periodic benefit credits (costs) (interest cost, expected return on plan assets, amortization of unrecognized (gain) loss, amortization of prior service benefit, and curtailment/settlement gain). See Note 2 for discussion of the retrospective adoption of ASU No. 2017-07.
4. Miscellaneous income and expenses - net, includes interest items (Predecessor periods only), gains related to litigation settlements, and other items.

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The following table summarizes the impacts of the company's foreign currency hedging program on the company's results of operations. 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 hedging program gains (losses) are largely taxable (tax deductible) in the "United States" ("U.S."), whereas the offsetting exchange gains (losses) on the remeasurement of the net monetary asset positions are often not taxable (tax deductible) in their local jurisdictions. The net pre-tax exchange gains (losses) are recorded in sundry income (expense) - net and the related tax impact is recorded in provision for income taxes on continuing operations in the interim Consolidated Income Statements.

(In millions)	Successor Three Months Ended June 30, 2018	Predecessor Three Months Ended June 30, 2017	Successor Six Months Ended June 30, 2018	Predecessor Six Months Ended June 30, 2017
Subsidiary Monetary Position (Losses) Gains				
Pre-tax exchange losses	$ (154)	$ (54)	$ (105)	$ (28)
Local tax (expenses) benefits	(8)	94	24	130
Net after-tax impact from subsidiary exchange (losses) gains	$ (162)	$ 40	$ (81)	$ 102
Hedging Program Gains (Losses)				
Pre-tax exchange gains (losses)[1]	$ 177	$ (86)	$ (4)	$ (171)
Tax (expenses) benefits	(41)	31	1	61
Net after-tax impact from hedging program exchange gains (losses)	$ 136	$ (55)		