

## Recent Pension Funding Articles

June 23, 2006

*At year-end 2005, the principal US Pension and Retirement Plan for DuPont was fully funded in accordance with the pension funding rules of the United States.*

### **How does this reconcile with published reports in the business press?**

Pension funding articles can be misleading. This is because such articles may not provide context regarding the data that has been compiled from various companies' annual reports. Because of this lack of context, it is understandable that employees and pensioners might be concerned.

Data for these articles are typically assembled directly from information published in each company's annual report to shareholders. Under SEC and accounting rules, all US-based companies must disclose consolidated information that combines financial information for each sponsored pension plan throughout the world. This includes data for plans maintained in countries where it is either illegal or not customary to fund pensions.

By contrast, the actual funded status of each plan is measured by the funding requirements stipulated by each sovereign nation in which we sponsor pension plans (including the US). Accordingly, the actual funded status for each plan may be materially different from the accounting information we are required to disclose to comply with SEC and accounting rules.

### **Where can I find the specific DuPont numbers used for articles in the press?**

DuPont's disclosed global pension funding information begins on page F-42 of the company's 2005 annual report to shareholders. The table on page F-44 clearly shows that, as of 12/31/05, the global pension funded status (for accounting purposes only) is a shortfall of \$3,143 million, compared to the reported \$3,507 million at year-end 2004 (a net improvement of \$364 million). Plan assets actually increased during 2005, but so did plan obligations for accounting purposes. Most of the increase in plan obligation is a direct result of the change in interest rates during 2005. Subsequent to year-end 2005 interest rates have risen. If these higher rates are sustained through year-end 2006, most of the 2005 increase in reported plan obligations will be reversed.

To aid understanding, DuPont voluntarily splits this accounting-based disclosed funded status into three subgroups of plans: "US plans with plan assets"; "Non-US plans with plan assets"; and "All Other Plans" (that is, plans where funding is either illegal or not customary). The breakdown is repeated below for convenience:

Funded Status of Plans (for accounting purposes, as disclosed in the company's 2005 shareholder report):

All U.S. plans with plan assets	\$ (1,335)*
All Non-U.S. plans with plan assets	( 385)
All other plans	<u>(1,423)</u>
Total	<u>\$ (3,143)</u>

**In summary, the principal US Pension and Retirement Plan was fully funded at year-end 2005 under the funding requirements of US law, which are significantly different from the accounting rules that govern disclosures in the shareholder report.**

---

\* Includes pension plans for the parent company and all consolidated subsidiaries.