

DUPONT E I DE NEMOURS & CO  
Form 10-K  
February 11, 2019

2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

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

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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)

Registrant's telephone number, including area code: 302-774-1000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                                     | Name of exchange on which registered |
|---|--------------------------------------|
| Preferred Stock \$4.50 Series, no par value, cumulative | New York Stock Exchange              |
| Preferred Stock \$3.50 Series, no par value, cumulative | New York Stock Exchange              |

No securities are registered pursuant to Section 12(g) of the Act.

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Indicate by check mark whether the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).

Yes  No

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

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

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 the registrant was required to submit and post such files). Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  Smaller reporting company

Emerging growth company

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.

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

The aggregate market value of voting stock held by nonaffiliates of the registrant (excludes outstanding shares beneficially owned by directors and officers and treasury shares) as of June 30, 2018 was none.

As of December 31, 2018, and as of the date of this filing, all of the company's issued and outstanding common stock, comprised of 100 shares, \$0.30 par value per share, is held by DowDuPont Inc.

The Registrant meets the conditions set forth in General Instruction I(1)(a), (b) and (d) of Form 10-K (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  
Form 10-K

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Part I

ITEM 1. BUSINESS

Historical DuPont was founded in 1802 and was incorporated in Delaware in 1915. Today, Historical DuPont is helping customers find solutions to capitalize on areas of growing global demand — enabling more, safer, nutritious food; creating high-performance, cost-effective and energy efficient materials for a wide range of industries; and increasingly delivering renewably sourced bio-based materials and fuels. Total worldwide employment at December 31, 2018 was about 44,000 people. The company has subsidiaries in about 90 countries worldwide and manufacturing operations in about 50 countries. See Note 22 to the Consolidated Financial Statements for details on the location of the company's sales and property.

DowDuPont Merger of Equals

DowDuPont Inc. ("DowDuPont") was formed on December 9, 2015 to effect an all-stock, merger of equals strategic combination between The Dow Chemical Company ("Historical Dow") and Historical 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"), Historical Dow and Historical DuPont each merged with wholly owned subsidiaries of DowDuPont ("Mergers") and, as a result of the Mergers, Historical Dow and Historical 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.

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 (the "Divested Ag Business"). On March 31, 2017, the company entered into a definitive agreement (the "FMC Transaction Agreement") with FMC Corporation ("FMC"). Under the FMC Transaction Agreement, and effective upon the closing of the transaction on November 1, 2017, FMC acquired the Divested Ag Business that Historical DuPont was required to divest in order to obtain European Commission ("EC") approval for the Merger Transaction, and Historical DuPont acquired certain assets relating to FMC's Health and Nutrition segment (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 Acquired H&N Business. See Note 3 and Note 4 to the Consolidated Financial Statements for further information regarding the acquisition and divestiture, respectively. The sale of the Divested Ag Business meets the criteria for discontinued operations and as such, earnings are included within income from discontinued operations after income taxes in the Consolidated Statements of Operations for all periods presented.

DowDuPont has announced its intent to pursue, subject to the receipt of approval by the Board of Directors of DowDuPont and customary closing conditions, 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" and the transactions to accomplish the Intended Business Separations, the "separations"). DowDuPont anticipates materials science separating about April 1, 2019, and expects agriculture and specialty products to separate about June 1, 2019.

Basis of Presentation

For purposes of DowDuPont's financial statement presentation, Historical Dow was determined to be the accounting acquirer in the Merger and Historical 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, Historical DuPont has elected to apply push-down accounting and reflect in its financial statements, the fair value of its assets and liabilities. Historical DuPont's 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 Historical DuPont. All periods prior to the closing of the Merger reflect the historical accounting basis in Historical DuPont's assets and liabilities and are labeled "Predecessor." The 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. In addition, the company has elected to make certain changes in presentation to harmonize its accounting and reporting with that of DowDuPont in the Successor periods. See Note 1 to the Consolidated Financial Statements for further discussion of these changes and Note 3 to the Consolidated Financial Statements for additional information on the Merger.

Part I

ITEM 1. BUSINESS, continued

The Intended Business Separations

DowDuPont has formed two wholly owned subsidiaries: Dow Holdings Inc., to serve as a holding company for its materials science business, and Corteva, Inc., to serve as a holding company for its agriculture business.

In furtherance of the Intended Business Separations, DowDuPont is engaged in a series of internal reorganization and realignment steps (the "Internal Reorganization") to realign its businesses into three subgroups: agriculture, materials science and specialty products. As part of the Internal Reorganization, the assets and liabilities aligned with the materials science business will be transferred or conveyed to legal entities that will ultimately be subsidiaries of Dow Holdings Inc. and the assets and liabilities aligned with the agriculture business will be transferred or conveyed to legal entities that will ultimately be subsidiaries of Corteva Inc.

Following the Internal Reorganization, DowDuPont expects to distribute its materials science and agriculture businesses through two separate U.S. federal tax-free spin-offs in which DowDuPont stockholders, at the time of such spin-offs, will receive a pro rata dividend of the shares of the capital stock of Dow Holdings Inc. and of Corteva, Inc., as applicable (the "distributions"). The materials science business after the consummation of the applicable Internal Reorganization will be referred to as "Dow" and the agriculture business after the consummation of the applicable Internal Reorganization will be referred to as "Corteva". Following the separation and distribution of Dow, which is targeted to occur on April 1, 2019, DowDuPont, as the remaining company, will continue to hold the agriculture and specialty products businesses. DowDuPont is then targeted to complete the separation and distribution of Corteva on June 1, 2019, resulting in DowDuPont holding the specialty products businesses of the combined Company. After the distribution of Corteva, it is expected that DowDuPont will become known as "DuPont". Historical DuPont after the separations and distributions will hold the agriculture business and be a subsidiary of Corteva Inc.

Agriculture Reporting Unit Goodwill and Indefinite-lived Asset Impairments

During the third quarter of 2018, the company was required to perform an interim impairment test of its goodwill and indefinite-lived intangible assets for the agriculture reporting unit. As a result of the analysis performed, the company recorded pre-tax, non-cash impairment charges of \$4,503 million for goodwill and \$85 million for certain indefinite-lived assets for the year ended December 31, 2018. The charges were recognized in goodwill impairment charge and restructuring and asset related charges - net, respectively, in the Consolidated Statement of Operations.

DowDuPont Contribution and Historical DuPont's Offer to Purchase Debt Securities

On November 13, 2018, Historical DuPont launched a tender offer (the "Tender Offer") to purchase \$6.2 billion aggregate principal amount of its outstanding debt securities (the "Tender Notes"). At December 1, 2018, the expiration date for the Tender Offer, \$4,409 million aggregate principal amount of the Tender Notes had been validly tendered and was accepted for payment. Additional details related to this plan can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 18 of this report and Note 15 to the Consolidated Financial Statements.

Tax Reform

On December 22, 2017, the Tax Cuts and Jobs Act ("The Act") was enacted. The Act reduces the US federal corporate income tax rate from 35 percent to 21 percent, requires companies to pay a one-time transition tax ("transition tax") on earnings of foreign subsidiaries that were previously tax deferred, creates new provisions related to foreign sourced earnings, eliminates the domestic manufacturing deduction and moves to a territorial system. At December 31, 2017, the company had not yet completed its accounting for the tax effects of enactment of The Act. However, the Company made a reasonable estimate of the effects on its existing deferred tax balances and the one-time transition tax. In accordance with Staff Accounting Bulletin 118 ("SAB 118"), income tax effects of The Act were refined upon

obtaining, preparing, or analyzing additional information during the measurement period. At December 31, 2018, the Company had completed its accounting for the tax effects of The Act. Additional details related to The Act can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 18 of this report and Note 9 to the Consolidated Financial Statements.

Part I

ITEM 1. BUSINESS, continued

DowDuPont Cost Synergy Program

In September and November 2017, DowDuPont and the company approved post-merger restructuring actions to achieve targeted cost synergies 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, Historical DuPont expects to record total pre-tax restructuring charges of \$575 million to \$675 million, comprised of approximately \$370 million to \$400 million of severance and related benefits costs; \$80 million to \$100 million of costs related to contract terminations; and \$125 million to \$175 million of asset related charges. The company anticipates including savings associated with these actions within DowDuPont's cost synergy commitment of \$3.6 billion associated with the Merger Transaction. Additional details related to this plan can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 18 of this report and Note 6 to the Consolidated Financial Statements.

2017 Restructuring Program

During the first quarter 2017, Historical DuPont committed to take actions to improve plant productivity and better position its product lines for productivity and growth before and after the anticipated closing of the Merger Transaction (the "2017 restructuring program"). In connection with these actions, the company incurred pre-tax charges of \$313 million for the period January 1 through August 31, 2017 recognized in restructuring and asset related charges - net in the company's Consolidated Statements of Operations. The charge is comprised of \$279 million of asset related charges and \$34 million in severance and related benefit costs. These charges primarily relate to the second quarter closure of the safety and construction product line at the Cooper River manufacturing site located near Charleston, South Carolina. The asset related charges mainly consist of accelerated depreciation associated with the closure. The actions associated with this plan are substantially complete. The company anticipates including savings associated with these actions within the targeted cost synergies associated with the Merger Transaction. Additional details related to this plan can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, on page 18 of this report and Note 6 to the Consolidated Financial Statements.

Spin-off of Performance Chemicals

On July 1, 2015, Historical 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. In connection with the separation, the company and Chemours entered into a Separation Agreement and a Tax Matters Agreement as well as certain ancillary agreements. In accordance with generally accepted accounting principles in the U.S. ("GAAP"), the results of operations of its former Performance Chemicals segment are presented as discontinued operations and, as such, are included within (loss) income from discontinued operations after income taxes in the Consolidated Statements of Operations for all periods presented. Additional details regarding the separation and other related agreements can be found in Note 4 to the Consolidated Financial Statements.

Segment Information

Effective with the Merger, Historical DuPont's business activities are components of its parent company's business operations. Historical 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 Historical DuPont relates to the company in its entirety. Accordingly, there are no separate reportable business segments for Historical DuPont under Accounting Standards Codification ("ASC") Topic 280 "Segment Reporting" and Historical DuPont's business results are reported in this Form 10-K as a single operating segment.

Principal Product Information



Subsidiaries and affiliates of Historical DuPont conduct manufacturing, seed production and/or selling activities and some are distributors of products manufactured by the company. The following describes the company's principal product lines including major brands and technologies:

#### Agriculture

The agriculture product line offers a broad portfolio of products and services that are specifically targeted to achieve gains in crop yields and productivity for the global production agriculture industry. The agriculture product line includes hybrid corn seed and soybean seed varieties, primarily under the Pioneer® brand name, as well as canola, sunflower, sorghum, wheat and rice seed, silage inoculants, weed, insect and disease control products, as well as agronomic software. Seed sales amounted to 27 percent, 15 percent, 34 percent and 29 percent of the company's total consolidated net sales for the year ended December 31, 2018, the period September 1 through December 31, 2017, the period January 1 through August 31, 2017, and the year ended December 31, 2016, respectively.

Part I

ITEM 1. BUSINESS, continued

Packaging and Specialty Plastics

The packaging and specialty plastics product line specializes in resins and films used in packaging and industrial polymer applications, sealants and adhesives and sporting goods. Key brands and technologies include DuPont™ Surlyn® ionomer resins, Bynel® coextrudable adhesive resins, Elvax® EVA resins, Nucrel® Elvaloy® polymer modifiers and Elvaloy® copolymer resins.

Electronics and Imaging

The electronics and imaging product line supplies differentiated materials and systems for consumer electronics, photovoltaics ("PV"), displays and advanced printing that enable superior performance and lower total cost of ownership for customers. The company targets growth opportunities in circuit and semiconductor fabrication and packaging materials, PV materials, display materials, packaging graphics, and digital printing.

Industrial Biosciences

The industrial biosciences product line offers a broad portfolio of bio-based products, including enzymes that add value and functionality to processes and products across a broad range of markets such as animal nutrition, detergents, food manufacturing, ethanol production and industrial applications. The product line also includes DuPont™ Sorona® PTT renewably sourced polymer for use in carpet and apparel fibers and clean technologies offerings to help reduce sulfur and other emissions, formulate cleaner fuels, and dispose of liquid waste.

Nutrition and Health

The nutrition and health product line offers a wide range of sustainable, bio-based ingredients, providing innovative solutions including the wide-range of DuPont™ Danisco® food ingredients such as cultures and probiotics, notably Howaru®, pharmaceutical excipients, emulsifiers, texturants, natural sweeteners such as Xivia®, Supro® soy-based food ingredients, and pharmaceutical ingredients for the formulation of excipients. These ingredients hold leading market positions based on industry leading innovation, knowledge and experience, relevant product portfolios and close-partnering with the world's food manufacturers and pharmaceutical companies. In November 2016, Historical DuPont announced an investment to expand probiotics production capacity in the United States, due to the rapidly growing global demand for probiotics. Phase one was complete as of the end of 2017. The second phase represents an investment of approximately \$100 million to increase Historical DuPont's probiotics production capacity by an additional 70 percent and is expected to be complete in the first quarter of 2019.

Safety and Construction

The safety and construction product line offers innovation engineered products and integrated systems for a number of industry verticals including construction, worker safety, energy, oil and gas and transportation. The product line addresses the growing global needs of businesses, governments, and consumers for solutions that make life safer, healthier and better. Key brands and technologies include DuPont™ Kevlar® fiber, DuPont™ Nomex® fiber and paper, DuPont™ Tyvek® protective materials, DuPont™ Tychem® protective suits and DuPont™ Corian® solid and quartz surfaces.

Transportation and Advanced Polymers

The transportation and advanced polymers product line offers a broad range of polymer-based materials and expert application development assistance to enhance the performance, reduce the total system cost and optimize the sustainability of their products. The portfolio of high performance renewably-sourced and sustainable polymers includes engineering resins, adhesives, lubricants and parts used by customers to fabricate components for mechanical, chemical and electrical systems. Key brands and technologies include DuPont™ Zytel® long chain nylon polymers, Zytel® HTN nylon resins, Zytel® nylon resins, Crastin® PBT polymer resins, Rynite® PET polymer resins, Delrin® acetal resins, Hytel® polyester thermoplastic elastomer resins, Vespel® parts and shapes, Vamac® ethylene

acrylic elastomer and Kalrez<sup>®</sup> perfluoroelastomer.

See Note 5 to the Consolidated Financial Statements for net sales by major product line.

Sales by geographic region are included within Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Analysis of Operations" and Note 22 to the Consolidated Financial Statements.

Part I

ITEM 1. BUSINESS, continued

Principal Markets

The company's principal markets include: agriculture, automotive and transportation, packaging for food and beverages, electrical/electronic components, material handling, healthcare, construction, semiconductor, aerospace/aircraft, dietary supplements, specialty food ingredients, food nutrition, health and safety, industrial, consumer electronics, photovoltaics, displays, consumer, military and law enforcement, aircraft, energy, animal nutrition, detergents, food and beverage, carpet and apparel fiber.

Sources and Availability of Major Raw Materials

The company utilizes numerous suppliers as well as internal sources to supply a wide range of raw materials, energy, supplies, services and equipment. To ensure availability, the company maintains multiple sources for fuels and many raw materials, including hydrocarbon feedstocks. Large volume purchases are generally procured under competitively priced supply contracts.

The following are the company's major commodities, raw materials and supplies:

Corn and soybean seeds, soy white flakes, soybean, adipic acid, hexamethylene diamine, meta-phenylene diamine, terephthaloyl chloride, ethane, thermoplastic polyester elastomer and thermoplastic copolyester elastomer.

Competition

As a science and technology based company, Historical DuPont competes on a variety of factors such as product quality and performance or specifications, continuity of supply, price, customer service and breadth of product line, depending on the characteristics of the particular market involved and the product or service provided. The company competes globally with other seed and plant biotechnology companies on the basis of technology and trait leadership, price, quality and cost competitiveness. Key competitors for the company's agriculture product line include BASF, Bayer and ChemChina, as well as regional seed companies. The company's remaining product lines compete with many companies depending on the applicable market segment; peer multi-industrial competitors include The 3M Company and Honeywell.

Distribution

Most products are marketed primarily through the company's sales organization, although in some regions, more emphasis is placed on sales through distributors. The company has a diverse worldwide network which markets and distributes the company's brands to customers globally. This network consists of the company's sales and marketing organization partnering with distributors, independent retailers and farmers, cooperatives and agents throughout the world. In the corn and soybean markets of the U.S. Corn Belt, the company sells Pioneer® brand products primarily through a specialized force of independent sales representatives. Outside of North America, the company markets Pioneer® brand products primarily through a network of subsidiaries, joint ventures and independent producer-distributors.

Seasonality

Sales of the company's agriculture product line are affected by the seasonality of global agriculture markets and weather patterns. Sales and earnings performance are significantly stronger in the first versus second half of the year, reflecting the northern hemisphere planting season. As a result of this seasonality, the agriculture product line inventory is at its highest level at the end of the calendar year and is sold down in the first and second quarters. Trade receivables for seeds are at a low point at year-end and increase through the northern hemisphere selling season to peak at the end of the second quarter.

Backlog

In general, the company does not manufacture its products against a backlog of orders and does not consider backlog to be a significant indicator of the level of future sales activity. Production and inventory levels are based on the level of incoming orders as well as projections of future demand. Therefore, the company believes that backlog information is not meaningful to understanding its overall business and should not be considered a reliable indicator of the company's ability to achieve any particular level of revenue or financial performance.

#### Intellectual Property

Trade secrets are an important element of the company's intellectual property. Many of the processes used to make Historical DuPont products are kept as trade secrets which, from time to time, may be licensed to third parties. Historical DuPont vigilantly protects all of its intellectual property including its trade secrets. When the company discovers that its trade secrets have been unlawfully taken, it reports the matter to governmental authorities for investigation and potential criminal action, as appropriate. In addition, the company takes measures to mitigate any potential impact, which may include civil actions seeking redress, restitution and/or damages based on loss to the company and/or unjust enrichment.

## Part I

## ITEM 1. BUSINESS, continued

Patents & Trademarks: Historical DuPont continually applies for and obtains U.S. and foreign patents and has access to a large patent portfolio, both owned and licensed. Historical DuPont's rights under these patents and licenses, as well as the products made and sold under them, are important to the company in the aggregate. The protection afforded by these patents varies based on country, scope of individual patent coverage, as well as the availability of legal remedies in each country. This significant patent estate may be leveraged to align with the company's strategic priorities within and across product lines. At December 31, 2018, the company owned about 6,500 active U.S. patents and about 10,500 active patents outside of the U.S. Information on the importance of intellectual property rights to the company's agriculture product line is included in the Research and Development discussion below.

Remaining life of granted patents owned as of December 31, 2018:

|                | Approximate<br>U.S. | Approximate<br>Other<br>Countries |
|----------------|---------------------|-----------------------------------|
| Within 5 years | 1,600               | 3,100                             |
| 6 to 10 years  | 2,000               | 4,700                             |
| 11 to 16 years | 2,300               | 2,600                             |
| 16 to 20 years | 600                 | 100                               |
| Total          | 6,500               | 10,500                            |

In addition to its owned patents, the company owns over 9,000 patent applications.

The company owns or licenses many trademarks that have significant recognition at the consumer retail level and/or product line to product line level. Ownership rights in trademarks do not expire if the trademarks are continued in use and properly protected.

#### Research and Development

Historical DuPont conducts R&D activities to renew its portfolio, create new product lines, and transform markets to deliver results in the short, mid and long term. The company protects its R&D investment through its intellectual property strategy. See discussion under "Intellectual Property" above.

R&D expense related to the agriculture product line accounted for 56 percent of the company's total R&D expense for the year ended December 31, 2018. R&D for the agriculture product line requires long-term commitment of resources, extensive regulatory efforts and collaborations, partnerships and business arrangements to successfully bring products to market. To protect its investment, the company employs the use of patents covering germplasm and native and biotechnology traits in accordance with country laws. The company holds multiple long-term biotechnology trait licenses from third parties as a normal course of business. The biotechnology traits licensed by the company from third parties are contained in a variety of Pioneer seeds, including corn hybrids and soybean varieties. The majority of Pioneer's corn hybrids and soybean varieties sold to customers contain biotechnology traits licensed from third parties under these long-term licenses.

#### Environmental Matters

Information related to environmental matters is included in several areas of this report: (1) Environmental Proceedings beginning on page 16, (2) Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on pages 35, 42-44 and (3) Notes 1 and 16 to the Consolidated Financial Statements.

#### Available Information

The company is subject to the reporting requirements under the Securities Exchange Act of 1934. Consequently, the company is required to file reports and information with the Securities and Exchange Commission ("SEC"), including reports on the following forms: annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, from which the public may obtain any materials the company files with the SEC.

The company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are also accessible on DowDuPont's website at <http://www.dow-dupont.com/home> by clicking on the section labeled "Investors", then on "DuPont SEC Filings." These reports are made available, without charge, as soon as is reasonably practicable after the company files or furnishes them electronically with the SEC.

Part I

ITEM 1A. RISK FACTORS

The company's operations could be affected by various risks, many of which are beyond its control. Based on current information, the company believes that the following identifies the most significant risk factors that could affect its operations. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

**The Benefits of the Merger and the Intended Business Separations May Not be Fully Realized. Combining the Businesses of Historical DuPont and Historical Dow May Be More Difficult, Costly or Time-Consuming than Expected, Which May Adversely Affect Historical DuPont's Results.**

The success of the Merger ultimately depends on, among other things, DowDuPont's ability to combine and separate the Historical DuPont and Historical Dow businesses in a manner that facilitates the Intended Business Separations, and realizes anticipated synergies.

Since the Merger, Historical DuPont has benefited from and expects to continue to benefit from significant cost synergies at both the product line and corporate levels through the Synergy Program which is designed to integrate and optimize the organization, including through the achievement of production cost efficiencies, enhancement of the agricultural supply chain, elimination of duplicative agricultural research and development programs, optimization of the combined company's global footprint across manufacturing, sales and research and development in the materials science business, optimizing manufacturing processes in the electronics space, the reduction of corporate and leveraged services costs, and the realization of significant procurement synergies. In connection with the Synergy Program, Historical DuPont expects to record total pretax restructuring charges of \$575 million to \$675 million, comprised of approximately \$370 million to \$400 million of severance and related benefit costs; \$80 million to \$100 million of costs related to contract terminations; and \$125 million to \$175 million of asset related charges.

Management also expects the combined company will achieve growth synergies and other meaningful savings and benefits as a result of the Intended Business Separations.

Combining Historical DuPont and Historical Dow's independent businesses and preparing for the Intended Business Separations, including the Internal Reorganization, are complex, costly and time-consuming processes and the company's management as well as that of Historical Dow and DowDuPont may face significant implementation challenges, many of which may be beyond the control of management, including, without limitation:

- ongoing diversion of the attention of management from the operation of the combined company's business as a result of the Intended Business Separations;
- impact of portfolio changes between materials science and specialty products on integration and separation preparation activities;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;
- the possibility of faulty assumptions underlying expectations regarding the integration or separation process, including with respect to the intended tax efficient transactions;
- unanticipated issues in integrating, replicating or separating information technology, communications programs, financial procedures and operations, and other systems, procedures and policies;
- difficulties in managing a larger combined company, addressing differences in business culture and retaining key personnel;
- unanticipated changes in applicable laws and regulations;
- managing tax costs or inefficiencies associated with integrating the operations of the combined company and the intended tax efficient separation transactions; and
- coordinating geographically separate organizations.



Some of these factors will be outside of the control of DowDuPont, Historical DuPont and Historical Dow, and any one of them could result in increased costs and diversion of management's time and energy, as well as decreases in the amount of expected revenue which could materially impact business, financial condition and results of operations. The Internal Reorganization and Intended Businesses Separation processes and other disruptions may also adversely affect the combined company's relationships with employees, suppliers, customers, distributors, licensors and others with whom Historical DuPont and Historical Dow have business or other dealings, and difficulties in integrating the businesses or regulatory functions of Historical DuPont and Historical Dow could harm the reputation of DowDuPont, Historical DuPont and Historical Dow.

Part I

ITEM 1A. RISK FACTORS, continued

A variety of factors may adversely affect the company's ability to fully and timely realize the currently expected synergies, savings and other benefits of the Merger (including the Intended Business Separations), including failure to successfully optimize the combined company's facilities footprint, the failure to take advantage of the combined company's global supply chain, the failure to identify and eliminate duplicative programs, and the failure to otherwise integrate Historical DuPont's or Historical Dow's respective businesses, including their technology platforms.

**Historical DuPont Has Incurred Significant Transaction Costs in Connection with the Integration of Historical Dow and Historical DuPont.**

There are many processes, policies, procedures, operations, technologies and systems that were integrated following the Merger and must be replicated, transferred or separated in connection with the Intended Business Separations. While Historical DuPont has assumed a certain level of expenses would be incurred in connection with these activities, there are many factors beyond the combined company's control that could affect the total amount of, and/or the timing of, these anticipated expenses. These expenses primarily consist of financial advisory, information technology, legal, consulting and other professional advisory fees associated with preparation and execution of these activities.

There may also be additional unanticipated significant costs in connection with the Intended Business Separations that Historical DuPont may not recoup that could reduce the benefits and additional income Historical DuPont expects to achieve from the Merger. Although Historical DuPont expects that these benefits will offset the transaction expenses and implementation costs over time, this net benefit may not be achieved in the near term or at all.

**Inability to Access the Debt Capital Markets Could Impair Historical DuPont's Liquidity, Business or Financial Condition.**

DowDuPont's primary sources of liquidity to finance operations, including dividends on its common stock, are through Historical DuPont and Historical Dow and their respective consolidated subsidiaries, (collectively, the "Subsidiaries"). Each of Historical DuPont and Historical Dow has relied and continues to rely on access to the debt capital markets to finance their day-to-day and long-term operations. Any limitation on the part of either Historical DuPont's or Historical Dow's ability to raise money in the debt markets could have a substantial negative effect on their respective liquidity and the liquidity of DowDuPont. Access to the debt capital markets in amounts adequate to finance each company's activities could be impaired as a result of the existence of material nonpublic information about the Intended Business Separations and other potential factors, including factors that are not specific to the companies, such as a severe disruption of the financial markets and interest rate fluctuations.

Prior to the Intended Business Separations, the level and quality of the respective earnings, operations, business and management, among other things, of each of Historical DuPont and Historical Dow will impact their respective credit ratings, costs and availability of financing and those of the combined company. A decrease in the ratings assigned to Historical DuPont or Historical Dow by the ratings agencies may negatively impact their access to the debt capital markets and increase the combined company's cost of borrowing. There can be no assurance that Historical DuPont and Historical Dow will maintain their current credit worthiness or prospective credit ratings. Any actual or anticipated changes or downgrades in such credit ratings may have a negative impact on the liquidity, capital position or access to capital markets of Historical DuPont and Historical Dow and, therefore, DowDuPont.

**The Company's Business, Results of Operations and Reputation Could be Adversely Affected by Industry-specific Risks Including Process Safety and Product Stewardship/Regulatory Compliance Issues.**

The Company is subject to industry-specific risks, concerns and claims which include, but are not limited to, product safety or quality; shifting consumer preferences that include a growing trend in societal demands for increasing levels

of product safety and environmental protection; federal, state, and local regulations on manufacturing or labeling; environmental, health and safety regulations; and customer product liability claims. In the agriculture product line, industry-specific risks include those associated with concerns and claims regarding the safe use of seeds with biotechnology traits, crop protection products, and chemicals, their potential impact on health and the environment, and the perceived impacts of biotechnology on health and the environment. The latter includes concerns and claims that increased use of crop protection products, drift, inversion, volatilization, and the use of biotechnology traits meant to reduce the resistance of weeds or pests to control by crop protection products, could increase or accelerate such resistance and otherwise negatively impact health and the environment. Also, the detection of biotechnology traits or chemical residues from a crop protection product not approved in the country to which the Company sells or imports it, in which the product is cultivated or to which it exports may impact the Company's ability to supply or export agricultural products, result in crop destruction, product recalls or trade disruption.

## Part I

## ITEM 1A. RISK FACTORS, continued

The risks, concerns and claims affecting the industries in which the Company competes could manifest themselves in stockholder proposals, preferred purchasing, delays or failures in obtaining or retaining regulatory approvals, delayed product launches, lack of market acceptance, product discontinuation, continued pressure for and adoption of more stringent regulatory intervention and litigation, termination of raw material supply agreements and legal claims. These and other concerns or claims could also influence public perceptions, the viability or continued sales of certain of the Company's products, the Company's reputation and the cost to comply with regulations and could adversely affect the Company's business, results of operations, financial condition and cash flows.

In most jurisdictions, the Company must test the safety, efficacy and environmental impact of its products to satisfy regulatory requirements and obtain the necessary approvals. In certain jurisdictions, the Company must periodically renew its approvals which may require it to demonstrate compliance with then-current standards. The regulatory environment is lengthy, complex and in some markets unpredictable, with requirements that can vary by product, technology, industry and country. The regulatory environment may be impacted by the activities of non-governmental organizations and special interest groups and stakeholder reaction to actual or perceived impacts of new technology, products or processes on safety, health and the environment. Obtaining and maintaining regulatory approvals requires submitting a significant amount of information and data, which may require participation from technology providers. Regulatory standards and trial procedures are continuously changing. The pace of change together with the lack of regulatory harmony could result in unintended noncompliance. Responding to these changes and meeting existing and new requirements may involve significant costs or capital expenditures or require changes in business practice that could result in reduced profitability. The failure to receive necessary permits or approvals could have near- and long-term effects on the Company's ability to produce and sell some current and future products.

**An Impairment of Goodwill or Intangibles Assets Could Negatively Impact the Company's Financial Results.**

As a result of the Merger and the related accounting determination, Historical DuPont elected to apply push-down accounting and has reflected the acquisition date fair value of assets and liabilities in its Successor Consolidated Financial Statements, including a significant amount of goodwill and intangible assets. The company assesses both goodwill and indefinite-lived intangible assets for impairment on an annual basis, or more frequently if conditions indicate that an impairment may have occurred. The company has the option to first perform qualitative testing to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the company chooses not to complete a qualitative assessment for a given reporting unit or if the initial assessment indicates that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying value, additional quantitative testing is required. If quantitative testing indicates that the carrying value of a reporting unit exceeds its fair value, a goodwill impairment is recorded equal to the amount by which the carrying value of the reporting unit exceeds its fair value. Accordingly, any determination requiring the write-off of a significant portion of goodwill or intangible assets could negatively impact the company's results of operations.

Since the company utilizes a discounted cash flow methodology to calculate the fair value of its reporting units, changes in risk-adjusted discount rates and continued weak demand for a specific product line could result in an impairment. As a result of the application of push-down accounting, the carrying value of the company's assets approximated fair value as of the date of the merger, therefore increasing the risk of impairments. During the third quarter of 2018, in connection with strategic business reviews and assembling updated financial projections, the company was required to perform an interim test of goodwill for its agriculture reporting unit. Based on the analysis performed, the company determined that the carrying amount of the agriculture reporting unit exceeded its fair value resulting in a \$4.5 billion pre-tax (and after-tax) non-cash goodwill impairment charge. The company also performed an impairment test on indefinite-lived intangibles and determined that the fair value of certain in-process research and development ("IPR&D") assets had declined as a result of delays in timing of commercialization and increases to expected R&D costs. This resulted in a pre-tax non-cash impairment charge of \$85 million (\$66 million after-tax). Refer to Critical Accounting Estimates and Notes 6, 14 and 21 to the Consolidated Financial Statements for further

information.

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Part I

ITEM 1A. RISK FACTORS, continued

The Determination to Proceed with the Intended Business Separations is a Decision of the DowDuPont Board of Directors and the Expected Benefits of Such Transactions, if They Occur, Will Be Uncertain. In the event that the DowDuPont board determines to proceed with the Intended Business Separations, it is currently anticipated that any such Intended Business Separation transaction would be effectuated through the distribution of Dow followed by the distribution of Corteva in separate pro-rata spin-off transactions, in which DowDuPont stockholders, at such time, would receive shares of capital stock of Dow Holdings, Inc. and Corteva, Inc., resulting in three independent, public companies. The DowDuPont board may ultimately determine to abandon one or more of the Intended Business Separation transactions, and such determination could have an adverse impact on DowDuPont, Historical DuPont, and Historical Dow. There are many factors that could, prior to the determination by the DowDuPont board to proceed with the Intended Business Separations, impact the structure or timing of, the anticipated benefits from, or determination to ultimately proceed with, the Intended Business Separations, including, among others, global economic conditions, instability in credit markets, declining consumer and business confidence, fluctuating commodity prices and interest rates, volatile foreign currency exchange rates, tax considerations, a full or partial shutdown of the U.S. federal government, and other challenges that could affect the global economy, specific market conditions in one or more of the industries of the businesses proposed to be separated, and changes in the regulatory or legal environment. Such changes could adversely impact the value of one or more of the Intended Business Separation transactions to the combined company's stockholders. Additionally, to the extent the DowDuPont board determines to proceed with the Intended Business Separations, the consummation of such transactions is a complex, costly and time-consuming process, and there can be no guarantee that the intended benefits of such transactions will be achieved. An inability to realize the full extent of the anticipated benefits of the Intended Business Separations, as well as any delays encountered in the process, could have an adverse effect upon the revenues, level of expenses and operating results of the agriculture business, the specialty products business, the materials science business and/or the combined company.

The Company's Operations Outside the United States are Subject to Risks and Restrictions, Which Could Negatively Affect Our Results of Operations, Financial Condition, and Cash Flows.

The company's operations outside the United States are subject to risks and restrictions, including fluctuations in currency values and foreign-currency exchange rates; exchange control regulations; changes in local political or economic conditions; import and trade restrictions; import or export licensing requirements and trade policy and other potentially detrimental domestic and foreign governmental practices or policies affecting U.S. companies doing business abroad. Although Historical DuPont has operations throughout the world, sales outside the U.S. in 2018 were principally to customers in Eurozone countries, China, Brazil, and Japan. Further, the company's largest currency exposures are the European euro, the Chinese yuan, the Brazilian real, and the Japanese yen. Market uncertainty or an economic downturn in these geographic areas could reduce demand for the company's products and result in decreased sales volume, which could have a negative impact on Historical DuPont's results of operations. In addition, changes in exchange rates may affect the company's results from operations, financial condition and cash flows in future periods. The company actively manages currency exposures that are associated with net monetary asset positions, committed currency purchases and sales, foreign currency-denominated revenues and other assets and liabilities created in the normal course of business.

Volatility in Energy and Raw Materials Costs Could Have a Significant Impact on the Company's Sales and Earnings. The company's manufacturing processes consume significant amounts of energy and raw materials, the costs of which are subject to worldwide supply and demand as well as other factors beyond the control of the company. Significant variations in the cost of energy, which primarily reflect market prices for oil, natural gas, and raw materials affect the company's operating results from period to period. Legislation to address climate change by reducing greenhouse gas emissions and establishing a price on carbon could create increases in energy costs and price volatility.

When possible, the company purchases raw materials through negotiated long-term contracts to minimize the impact of price fluctuations. Additionally, the company enters into over-the-counter and exchange traded derivative commodity instruments to hedge its exposure to price fluctuations on certain raw material purchases. The company takes actions to offset the effects of higher energy and raw material costs through selling price increases, productivity improvements and cost reduction programs. Success in offsetting higher raw material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the market served. If the company is not able to fully offset the effects of higher energy and raw material costs, it could have a significant impact on the company's financial results.

Part I

ITEM 1A. RISK FACTORS, continued

**The Company's Results of Operations and Financial Condition Could be Seriously Impacted by Business Disruptions and Security Breaches, Including Cybersecurity Incidents.**

Business and/or supply chain disruptions, plant and/or power outages and information technology system and/or network disruptions, regardless of cause including acts of sabotage, employee error or other actions, geo-political activity, weather events and natural disasters could seriously harm the company's operations as well as the operations of its customers and suppliers. In addition, terrorist attacks and natural disasters have increased stakeholder concerns about the security and safety of chemical production and distribution. Failure to effectively prevent, detect and recover from security breaches, including attacks on information technology and infrastructure by hackers; viruses; breaches due to employee error or actions; or other disruptions could result in misuse of the company's assets, business disruptions, loss of property including trade secrets and confidential business information, legal claims or proceedings, reporting errors, processing inefficiencies, negative media attention, loss of sales and interference with regulatory compliance. Like most major corporations, the company is the target of industrial espionage, including cyber-attacks, from time to time. The company has determined that these attacks have resulted, and could result in the future, in unauthorized parties gaining access to at least certain confidential business information. However, to date, the company has not experienced any material financial impact, changes in the competitive environment or business operations that it attributes to these attacks. Although management does not believe that the company has experienced any material losses to date related to security breaches, including cybersecurity incidents, there can be no assurance that it will not suffer such losses in the future. The company actively manages the risks within its control that could lead to business disruptions and security breaches. As these threats continue to evolve, particularly around cybersecurity, the company may be required to expend significant resources to enhance its control environment, processes, practices and other protective measures. Despite these efforts, such events could have a material adverse effect on the company's business, financial condition or results of operations.

**Climate change and unpredictable seasonal and weather factors could impact sales and earnings from the Company's Agriculture Product Line.**

The agriculture industry is subject to seasonal and weather factors, which can vary unpredictably from period to period. Weather factors can affect the presence of disease and pests on a regional basis and, accordingly, can positively or adversely affect the demand for crop protection products, including the mix of products used. The weather also can affect the quality, volume and cost of seed produced for sale as well as demand and product mix. Seed yields can be higher or lower than planned, which could lead to higher inventory and related write-offs. Climate change may increase the frequency or intensity of extreme weather such as storms, floods, heat waves, droughts and other events that could affect the quality, volume and cost of seed produced for sale as well as demand and product mix. Climate change may also affect the availability and suitability of arable land and contribute to unpredictable shifts in the average growing season and types of crops produced.

**Inability to Discover, Develop and Protect New Technologies and Enforce the Company's Intellectual Property Rights, and to Respond to New Technologies Could Adversely Affect the Company's Financial Results.**

The company competes with major global companies that have strong intellectual property rights, including rights supporting the use of biotechnology to enhance products, particularly agricultural and bio-based products. Speed in discovering, developing, protecting, and responding to new technologies, including new technology-based distribution channels that could impede the company's ability to engage with customers and end users, and bringing related products to market is a significant competitive advantage. Failure to predict and respond effectively could cause the company's existing or candidate products to become less competitive, adversely affecting sales. Competitors are increasingly challenging intellectual property positions and the outcomes can be highly uncertain. If challenges are resolved adversely, it could negatively impact the company's ability to obtain licenses on competitive terms, commercialize new products and generate sales from existing products.



Intellectual property rights, including patents, plant variety protection, trade secrets, confidential information, trademarks, tradenames and other forms of trade dress, are important to the company's business. The company endeavors to protect its intellectual property rights in jurisdictions in which its products are produced or used and in jurisdictions into which its products are imported. However, the company may be unable to obtain protection for its intellectual property in key jurisdictions. Further, changes in government policies and regulations, including changes made in reaction to pressure from non-governmental organizations, could impact the extent of intellectual property protection afforded by such jurisdictions.

The majority of the company's corn hybrids and soybean varieties sold to customers contain biotechnology traits that are licensed from third parties under long-term licenses. If the company loses its rights under such licenses, it could negatively impact the company's ability to obtain future licenses on competitive terms, commercialize new products and generate sales from existing products.

Part I

ITEM 1A. RISK FACTORS, continued

The company has designed and implemented internal controls to restrict access to and distribution of its intellectual property. Despite these precautions, the company's intellectual property is vulnerable to unauthorized access through employee error or actions, theft and cybersecurity incidents, and other security breaches. When unauthorized access and use or counterfeit products are discovered, the company reports such situations to governmental authorities for investigation, as appropriate, and takes measures to mitigate any potential impact. Protecting intellectual property related to biotechnology is particularly challenging because theft is difficult to detect and biotechnology can be self-replicating. Accordingly, the impact of such theft can be significant.

**Failure to Effectively Manage Acquisitions, Divestitures, Alliances and Other Portfolio Actions Could Adversely Impact Our Future Results.**

The company made certain divestitures, primarily related to its agriculture product line, in connection with obtaining regulatory approval for the Merger. In addition, the company had a recent acquisition and from time to time evaluates acquisition candidates that may strategically fit its business and/or growth objectives. If the company is unable to successfully integrate and develop acquired businesses, the company could fail to achieve anticipated synergies and cost savings, including any expected increases in revenues and operating results, which could have a material adverse effect on the company's financial results. The company continually reviews its portfolio of assets for contributions to the company's objectives and alignment with its growth strategy. However, the company may not be successful in separating underperforming or non-strategic assets and gains or losses on the divestiture of, or lost operating income from, such assets may affect the company's earnings. Moreover, the company might incur asset impairment charges related to acquisitions or divestitures that reduce its earnings. In addition, if the execution or implementation of acquisitions, divestitures, alliances, joint ventures and other portfolio actions is not successful, it could adversely impact the company's financial condition, cash flows and results of operations.

**Historical DuPont's Results of Operations Could Be Adversely Affected by Environmental, Litigation and Other Commitments and Contingencies.**

The company is subject to various laws and regulations around the world governing the environment, including the discharge of pollutants and the management and disposal of hazardous substances. As a result of its operations, including its past operations and operations of divested businesses, the company could incur substantial costs, including remediation and restoration costs. The costs of complying with complex environmental laws and regulations, as well as internal voluntary programs, are significant and will continue to be so for the foreseeable future. The ultimate costs under environmental laws and the timing of these costs are difficult to predict. The company's accruals for such costs and liabilities may not be adequate because the estimates on which the accruals are based depend on a number of factors including the nature of the matter, the complexity of the site, site geology, the nature and extent of contamination, the type of remedy, the outcome of discussions with regulatory agencies and other Potentially Responsible Parties ("PRPs") at multi-party sites and the number and financial viability of other PRPs.

At December 31, 2018, the company had accrued obligations of \$381 million for probable environmental remediation and restoration costs, although it is reasonably possible that the ultimate cost could range up to \$750 million above that amount. This includes matters with an aggregate estimated liability range from \$193 million up to \$310 million above that amount for which the company is indemnified by Chemours. At December 31, 2018, the company had recognized a liability of \$381 million and an indemnification asset of \$193 million for environmental contingencies. If the company could no longer continue to recognize the related indemnification asset due to potential disputes related to recovery or solvency of Chemours, it could adversely impact Historical DuPont's financial position and results of operations.

The company faces risks arising from various unasserted and asserted litigation matters, including, but not limited to, product liability, patent infringement, antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. The company has noted a nationwide trend in purported class actions against chemical manufacturers generally seeking relief such as medical monitoring, property damages, off-site remediation and punitive damages arising from alleged environmental torts without claiming present personal injuries. The company also has noted a trend in public and private suits being filed on behalf of states, counties, cities and utilities alleging harm to the general public and the environment, including waterways and watersheds. An adverse outcome in any one or more of these matters could be material to the company's financial results. Various factors or developments can lead to changes in current estimates of liabilities such as a final adverse judgment, significant settlement or changes in applicable law. A future adverse ruling or unfavorable development could result in future charges that could have a material adverse effect on the company.

In the ordinary course of business, the company may make certain commitments, including representations, warranties and indemnities relating to current and past operations, including those related to divested businesses and issue guarantees of third party obligations. If the company were required to make payments as a result, they could exceed the amounts accrued, thereby adversely affecting the company's results of operations.

Part I

ITEM 1A. RISK FACTORS, continued

Pursuant to the Separation Agreement, Chemours indemnifies Historical DuPont against certain litigation, environmental, workers' compensation and other liabilities that arose prior to the distribution. The term of this indemnification is indefinite and includes defense costs and expenses, as well as monetary and non-monetary settlements and judgments. If the company could no longer continue to recognize the related indemnification asset due to potential disputes related to recovery or solvency of Chemours, it could adversely impact Historical DuPont's financial position and results of operations.

See Note 16 to the Consolidated Financial Statements for additional information on environmental, litigation and other commitments and contingencies faced by the company.

## Part I

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

The company's corporate headquarters are located in Wilmington, Delaware. The company's manufacturing, processing, marketing and research and development facilities, as well as regional purchasing offices and distribution centers are located throughout the world. Additional information with respect to the company's property, plant and equipment and leases is contained in Notes 13, 16 and 22 to the Consolidated Financial Statements.

The company has investments in property, plant and equipment related to global manufacturing operations. The number of principal manufacturing sites by major geographic area around the world at December 31, 2018 is as follows:

|                   | Number<br>of Sites |
|-------------------|--------------------|
| Asia Pacific      | 57                 |
| EMEA <sup>1</sup> | 73                 |
| Latin America     | 36                 |
| U.S. & Canada     | 111                |
|                   | 277                |

<sup>1</sup>. Europe, Middle East, and Africa ("EMEA").

The company's principal sites include facilities which, in the opinion of management, are suitable and adequate for their use and have sufficient capacity for the company's current needs and expected near-term growth. Properties are primarily owned by the company; however, certain properties are leased. No title examination of the properties has been made for the purpose of this report and certain properties are shared with other tenants under long-term leases.

Part I

ITEM 3. LEGAL PROCEEDINGS

The company is subject to various litigation matters, including, but not limited to, product liability, patent infringement, antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. Information regarding certain of these matters is set forth below and in Note 16 to the Consolidated Financial Statements.

Litigation

PFOA: Environmental and Litigation Proceedings

For purposes of this report, the term PFOA means collectively perfluorooctanoic acid and its salts, including the ammonium salt

and does not distinguish between the two forms. Information related to this matter is included in Note 16 to the Consolidated Financial Statements under the heading PFOA.

Fayetteville Works Facility, Fayetteville, North Carolina

In August 2017, the U.S. Attorney's Office for the Eastern District of North Carolina served the company with a grand jury subpoena for testimony and the production of documents related to alleged discharges of GenX from the Fayetteville Works facility into the Cape Fear River. Historical DuPont has been served with additional subpoenas relating to the same issue and in the second quarter 2018, received a subpoena expanding the scope to any PFCs discharged from the Fayetteville Works facility into the Cape Fear River. Additional information related to this matter is included in Note 16 to the Consolidated Financial Statements under the heading Fayetteville Works Facility, North Carolina.

La Porte Plant, La Porte, Texas - Crop Protection - Release Incident Investigations

On November 15, 2014, there was a release of methyl mercaptan at the company's La Porte facility. The release occurred at the site's Crop Protection unit resulting in four employee fatalities inside the unit. Historical DuPont continues to cooperate with governmental agencies, including the U.S. Environmental Protection Agency ("EPA"), the Chemical Safety Board and the Department of Justice ("DOJ"), which are still conducting investigations. These investigations could result in sanctions and civil or criminal penalties against the company. In the second quarter 2018, Historical DuPont, the DOJ and EPA reached a resolution-in-principle, for \$3.1 million, regarding certain EPA civil claims. The resolution-in-principle was approved by the court in the third quarter 2018 and has been paid.

Environmental Proceedings

The company believes it is remote that the following matters will have a material impact on its financial position, liquidity or results of operations. The descriptions are included per Regulation S-K, Item 103(5)(c) of the Securities Exchange Act of 1934.

La Porte Plant, La Porte, Texas - EPA Multimedia Inspection

The EPA conducted a multimedia inspection at the La Porte facility in January 2008. Historical DuPont, the EPA and the DOJ began discussions in the Fall 2011 relating to the management of certain materials in the facility's waste water treatment system, hazardous waste management, flare and air emissions. These discussions continue.

Sabine Plant, Orange, Texas - EPA Multimedia Inspection

In June 2012, Historical DuPont began discussions with the EPA and the DOJ related to a multimedia inspection that the EPA conducted at the Sabine facility in March 2009 and December 2015. The discussions involve the management of materials in the facility's waste water treatment system, hazardous waste management, flare and air emissions, including leak detection and repair. These discussions continue.

Divested Neoprene Facility, La Place, Louisiana - EPA Compliance Inspection

In 2016, the EPA conducted a focused compliance investigation at the Denka Performance Elastomer LLC (“Denka”) neoprene manufacturing facility in La Place, Louisiana. Historical DuPont sold the neoprene business, including this manufacturing facility, to Denka in the fourth quarter of 2015. Subsequent to this inspection, the EPA, the DOJ, the Louisiana Department of Environmental Quality (“LDEQ”), Historical DuPont and Denka began discussions in the spring of 2017 relating to the inspection conclusions and allegations of noncompliance arising under the Clean Air Act, including leak detection and repair. These discussions, which include potential settlement options, continue.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Registrant's Common Equity and Related Stockholder Matters

Prior to the Merger, shares of Historical 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") under the ticker symbol DD. As a result of the Merger, on August 31, 2017, the company requested that the NYSE withdraw the shares of Historical DuPont Common Stock from listing on the NYSE and filed a Form 25 with the SEC to report that Historical DuPont Common Stock is no longer listed on the NYSE. The number of record holders of Historical DuPont common stock was approximately 57,000 at August 31, 2017. The closing price of Historical DuPont common stock on the NYSE on August 31, 2017 was \$83.93. DowDuPont is the sole record holder of Historical DuPont Common Stock. Historical 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.

ITEM 6. SELECTED FINANCIAL DATA

The Registrant meets the conditions set forth in General Instruction I(1)(a), (b) and (d) of Form 10-K (as modified by a grant of no-action relief dated February 12, 2018) and is therefore filing this form with the reduced disclosure format and has omitted the information called for by this Item pursuant to General Instruction I(2)(c) of Form 10-K.



## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## CAUTIONARY STATEMENTS ABOUT FORWARD-LOOKING STATEMENTS

This communication contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” “target,” similar expressions, and variations or negatives of these words.

Forward-looking statements by their nature address matters that are, to varying degrees, uncertain, including statements about the Intended Business Separations, the separations and distributions. Forward-looking statements, including those related to the ability of Historical DuPont, Historical Dow and DowDuPont to complete, or to make any filing or take any other action required to be taken to complete, the separations and distributions, are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements. Forward-looking statements also involve risks and uncertainties, many of which are beyond the control of Historical DuPont, Historical Dow and DowDuPont. Some of the important factors that could cause DowDuPont’s, Historical Dow’s or Historical DuPont’s actual results (including DowDuPont’s agriculture business, materials science business or specialty products business as conducted by and through Historical Dow and Historical DuPont) to differ materially from those projected in any such forward-looking statements include, but are not limited to: (i) ability and costs to achieve all the expected benefits, including anticipated cost and growth synergies, from the integration of Historical Dow and Historical DuPont and the Intended Business Separations, (either directly or as conducted through Historical Dow and Historical DuPont); (ii) the incurrence of significant costs in connection with the integration of Historical Dow and Historical DuPont and the Intended Business Separations; (iii) risks outside the control of DowDuPont, Historical Dow and Historical DuPont which could impact the decision of the DowDuPont Board of Directors to proceed with the Intended Business Separations, including, among others, global economic conditions, instability in credit markets, declining consumer and business confidence, fluctuating commodity prices and interest rates, volatile foreign currency exchange rates, tax considerations, a full or partial shutdown of the U.S. federal government, and other challenges that could affect the global economy, specific market conditions in one or more of the industries of the businesses proposed to be separated, and changes in the regulatory or legal environment and the requirement to redeem \$12.7 billion of DowDuPont notes if the Intended Business Separations are abandoned or delayed beyond May 1, 2020; (iv) potential liability arising from fraudulent conveyance and similar laws in connection with the separations and distributions; (v) disruptions or business uncertainty, including from the Intended Business Separations, could adversely impact financial performance and ability to retain and hire key personnel; (vi) potential inability to access the capital markets; and (vii) risks to DowDuPont’s, Historical Dow’s and Historical DuPont’s business, operations and results of operations from: the availability of and fluctuations in the cost of feedstocks and energy; balance of supply and demand and the impact of balance on prices; failure to develop and market new products and optimally manage product life cycles; ability, cost and impact on business operations, including the supply chain, of responding to changes in market acceptance, rules, regulations and policies and failure to respond to such changes; outcome of significant litigation, environmental matters and other commitments and contingencies; failure to appropriately manage process safety and product stewardship issues; global economic and capital market conditions, including the continued availability of capital and financing, as well as inflation, interest and currency exchange rates; changes in political conditions, including trade disputes and retaliatory actions; business or supply disruptions; security threats, such as acts of sabotage, terrorism or war, natural disasters and weather events and patterns which could result in a significant operational event, adversely impact demand or production; ability to discover, develop and protect new technologies and to protect and enforce intellectual property rights; failure to effectively manage acquisitions,

divestitures, alliances, joint ventures and other portfolio changes; unpredictability and severity of catastrophic events, including, but not limited to, acts of terrorism or outbreak of war or hostilities, as well as management's response to any of the aforementioned factors. A detailed discussion of some of the significant risks and uncertainties which may cause results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors" (Part I, Item 1A of this Form 10-K).

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

Overview

DowDuPont Merger of Equals

DowDuPont Inc. ("DowDuPont") was formed on December 9, 2015 to effect an all-stock, merger of equals strategic combination between The Dow Chemical Company ("Historical Dow") and Historical DuPont (the "Merger Transaction"). On August 31, 2017 at 11:59 pm ET, (the "Merger Effectiveness Time") pursuant to the Merger Agreement, Historical Dow and Historical DuPont each merged with wholly owned subsidiaries of DowDuPont (the "Mergers") and, as a result of the Mergers, Historical Dow and Historical 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 the receipt of approval by the Board of Directors of DowDuPont and customary closing conditions, 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" and the transactions to accomplish the Intended Business Separations, the "separations"). DowDuPont anticipates materials science separating about April 1, 2019, and expects agriculture and specialty products to separate about June 1, 2019.

The Intended Business Separations

DowDuPont has formed two wholly owned subsidiaries: Dow Holdings Inc., to serve as a holding company for its materials science business, and Corteva, Inc., to serve as a holding company for its agriculture business.

In furtherance of the Intended Business Separations, DowDuPont is engaged in a series of internal reorganization and realignment steps (the "Internal Reorganization") to realign its businesses into three subgroups: agriculture, materials science and specialty products. As part of the Internal Reorganization, the assets and liabilities aligned with the materials science business will be transferred or conveyed to legal entities that will ultimately be subsidiaries of Dow Holdings Inc. and the assets and liabilities aligned with the agriculture business will be transferred or conveyed to legal entities that will ultimately be subsidiaries of Corteva Inc.

Following the Internal Reorganization, DowDuPont expects to distribute its materials science and agriculture businesses through two separate U.S. federal tax-free spin-offs in which DowDuPont stockholders, at the time of such spin-offs, will receive a pro rata dividend of the shares of the capital stock of Dow Holdings, Inc. and of Corteva, Inc., as applicable (the "distributions"). The materials science business after the consummation of the applicable Internal Reorganization will be referred to as "Dow" and the agriculture business after the consummation of the applicable Internal Reorganization will be referred to as "Corteva". Following the separation and distribution of Dow, which is targeted to occur on April 1, 2019, DowDuPont, as the remaining company, will continue to hold the agriculture and specialty products businesses. DowDuPont is then targeted to complete the separation and distribution of Corteva on June 1, 2019, resulting in DowDuPont holding the specialty products businesses of the combined Company. After the distribution of Corteva, it is expected that DowDuPont will become known as DuPont ("DuPont"). Historical DuPont after the separations and distributions will hold the agriculture business and be a subsidiary of Corteva Inc. In November 2018, Historical DuPont entered into a \$3.0 billion five-year revolving credit facility and a \$3.0 billion three-year revolving credit facility, (the "2018 Revolving Credit Facilities"). Availability of funds is subject to a number of conditions, including Corteva becoming a party to the 2018 Credit Revolving Facilities and the consummation of the separation and distribution of Corteva.

During the year ended December 31, 2018 and the period September 1 through December 31, 2017, the company incurred \$1,375 million and \$314 million, respectively, of costs in connection with the Merger and the Intended Business Separations, including costs relating to integration and separation planning. During the period January 1 through August 31, 2017 and the year ended December 31, 2016, the company incurred \$581 million and \$386 million, respectively of costs in connection with the Merger and the Intended Business Separations, including costs relating to integration and separation planning. These costs are recorded within integration and separation costs in the Successor periods and the costs are recorded within selling, general and administrative expenses in the Predecessor periods within the company's Consolidated Statements of Operations. These costs have primarily 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 Intended Business Separations.

See the discussion of this report entitled DowDuPont Merger of Equals under Part 1, Item 1 Business; Part 1, Item 1A, Risk Factors; and Note 3 to the Consolidated Financial Statements for further details and a discussion of some of the risks related to the transaction.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Note on Financial Presentation

In connection with the Merger Transaction, the company applied the acquisition method of accounting as of September 1, 2017 and the Consolidated Financial Statements reflect the related adjustments. Historical DuPont's 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 Historical DuPont. All periods prior to the closing of the Merger reflect the historical accounting basis in Historical DuPont's assets and liabilities and are labeled "Predecessor." The Consolidated Financial Statements and Notes to the Consolidated Financial Statements 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. In addition, the company has elected to make certain changes in presentation to harmonize its accounting and reporting with that of DowDuPont in the Successor periods. See Note 1 to the Consolidated Financial Statements for further discussion of these changes and Note 3 to the Consolidated Financial Statements for additional information regarding the Merger Transaction.

## Results

Net sales were \$26.3 billion for the year ended December 31, 2018, compared to \$7.1 billion for the period September 1 through December 31, 2017, and \$17.3 billion for the period January 1 through August 31, 2017. The \$1.9 billion increase was primarily driven by local pricing and portfolio gains across all regions. (Loss) income from continuing operations before taxes was \$(4.8) billion, \$(1.6) billion and \$1.8 billion for the year ended December 31, 2018 and for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, respectively. The year ended December 31, 2018 results include a goodwill impairment charge of \$4.5 billion, increased transaction costs related to the Merger and Intended Business Separations, higher amortization related to the fair value step up of other intangible assets, and higher depreciation related to the fair value step up of property, plant and equipment. These increased costs are partially offset by higher sales and benefits from cost synergies. Pension and other post employment benefits ("OPEB") (benefits) costs for the year ended December 31, 2018 were \$(228) million, as compared to \$(83) million and \$373 million for the period September 1 through December 31, 2017 and January 1 through August 31, 2017, respectively. Activity in the Successor periods benefited from significantly lower amortization of net losses from accumulated other comprehensive loss ("AOCL").

## Analysis of Operations

## DowDuPont Contribution and Historical DuPont's Offer to Purchase Debt Securities

In contemplation of the Intended Business Separations and to achieve the respective credit profiles of each of the intended future companies, DowDuPont completed a series of financing transactions in the fourth quarter of 2018, which included an offering of senior unsecured notes and the establishment of new term loan facilities (the "financing transactions").

On November 13, 2018, Historical DuPont launched a tender offer (the "Tender Offer") to purchase \$6.2 billion aggregate principal amount of its outstanding debt securities (the "Tender Notes"). The Tender Offer expired on December 11, 2018 (the "Expiration Date"). At the Expiration Date, \$4,409 million aggregate principal amount of the Tender Notes had been validly tendered and was accepted for payment. In exchange for such validly tendered Tender Notes, Historical DuPont paid a total of \$4,849 million, which included breakage fees and all applicable accrued and unpaid interest on such Tender Notes. DowDuPont contributed cash (generated from its notes offering) to Historical DuPont to fund the settlement of the Tender Offer and payment of associated fees. Historical DuPont recorded a loss from early extinguishment of debt of \$81 million, primarily related to the difference between the redemption price and the par value of the notes, mostly offset by the write-off of unamortized step-up related to the fair value step-up of

Historical DuPont's debt. DowDuPont has announced its intent to use a portion of the remaining proceeds from the financing transaction to further reduce outstanding liabilities of Historical DuPont that would otherwise be attributable to Corteva.

#### Agriculture Reporting Unit Goodwill and Indefinite-lived Asset Impairments

During the third quarter of 2018, the company was required to perform an interim impairment test of its goodwill and indefinite-lived intangible assets for the agriculture reporting unit. As a result of the analysis performed, the company recorded pre-tax, non-cash impairment charges of \$4,503 million for goodwill and \$85 million for certain indefinite-lived assets for the year ended December 31, 2018. The charges were recognized in goodwill impairment charge and restructuring and asset related charges - net, respectively, in the Consolidated Statement of Operations.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

Impact From Recently Enacted Tariffs

Certain countries where the company's products are manufactured, distributed or sold have recently enacted or are considering imposing new tariffs on certain products. The tariffs contributed to an expected shift to soybeans from corn in Latin America and pressured North American farmer margins. These expectations were reflected in the revised long-term cash flow projections for the company's agriculture reporting unit, as discussed in Note 14 to the Consolidated Financial Statements.

Capacity Expansions Tyvek®

In June 2018, Historical DuPont announced plans to invest more than \$400 million in its safety and construction product line to increase capacity for the manufacture of Tyvek® nonwoven materials at its Luxembourg site due to growing global demand. The production expansion, which includes investment in a new building and a third operating line at the site, is scheduled to occur over the next three years, with commercial production expected to begin in 2021.

Tax Reform

On December 22, 2017, the Tax Cuts and Jobs Act ("The Act") was enacted. The Act reduces the U.S. federal corporate income tax rate from 35 percent to 21 percent, requires companies to pay a one-time transition tax ("transition tax") on earnings of foreign subsidiaries that were previously tax deferred, creates new provisions related to foreign sourced earnings, eliminates the domestic manufacturing deduction and moves to a territorial system. As of December 31, 2018, the company had completed its accounting for the tax effects of The Act. As a result of The Act, the company remeasured its U.S. federal deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21 percent. The company recorded a cumulative benefit of \$2,755 million (\$2,716 million benefit during 2017 and \$39 million benefit during 2018) to provision for (benefit from) income taxes on continuing operations in the company's Consolidated Statement of Operations with respect to the remeasurement of the company's deferred tax balances. Additionally, the company recorded a cumulative charge of \$859 million (\$715 million charge during 2017 and \$144 million charge during 2018) to provision for (benefit from) income taxes on continuing operations with respect to the one-time transition tax. For tax years beginning after December 31, 2017, The Act introduced new provisions for U.S. taxation of certain global intangible low-taxed income ("GILTI"). The Company has made the policy election to record any liability associated with GILTI in the period in which it is incurred. Additional details related to The Act can be found in Note 9 to the Consolidated Financial Statements.

DowDuPont Agriculture Division Restructuring Program

During the fourth quarter of 2018 and in connection with the ongoing integration activities, DowDuPont approved restructuring actions to simplify and optimize certain organizational structures within the agriculture product line in preparation for the Intended Business Separations. As a result of these actions, Historical DuPont expects to record total pre-tax charges of approximately \$65 million, comprised of approximately \$55 million of severance and related benefits costs; \$5 million of asset related charges, and \$5 million of costs related to contract terminations. For the year ended December 31, 2018, Historical DuPont recorded a pre-tax charge of \$59 million, recognized in restructuring and asset related charges - net in the company's Consolidated Statement of Operations comprised of \$54 million of severance and related benefit costs and \$5 million related to asset related charges.

Future cash payments related to this charge are anticipated to be approximately \$60 million, primarily related to the payment of severance and related benefits and contract termination costs. The company expects actions related to this program to be substantially complete by mid-2019.

DowDuPont Cost Synergy Program

In September and November 2017, DowDuPont and the company approved post-merger restructuring actions to achieve targeted cost synergies 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, Historical DuPont expects to record total pre-tax restructuring charges of \$575 million to \$675 million, comprised of approximately \$370 million to \$400 million of severance and related benefits costs; \$80 million to \$100 million of costs related to contract terminations; and \$125 million to \$175 million of asset related charges. The company anticipates including savings associated with these actions within DowDuPont's cost synergy commitment of \$3.6 billion associated with the Merger Transaction.



## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

For the year ended December 31, 2018, Historical DuPont recorded a pre-tax charge of \$322 million, of which \$318 million was recognized in restructuring and asset related charges - net and \$4 million was recognized in sundry income (expense) - net in the company's Consolidated Statements of Operations. This charge consisted of severance and related benefit costs of \$219 million, contract termination costs of \$40 million and asset related charges of \$63 million. For the period September 1 through December 31, 2017, Historical DuPont recorded a pre-tax charge of \$187 million, recognized in restructuring and asset related charges - net in the company's Consolidated Statements of Operations. This charge consisted of severance and related benefit costs of \$153 million, contract termination costs of \$31 million and asset related charges of \$3 million. Actions associated with the Synergy Program, including employee separations, are expected to be substantially complete by the end of 2019. Additional details related to this plan can be found on page 25 of this report and Note 6 to the Consolidated Financial Statements.

Future cash payments related to this program are anticipated to be approximately \$255 million to \$305 million, primarily related to the payment of severance and related benefits and contract termination costs. It is possible that additional charges and future cash payments could occur in relation to the restructuring actions. The company anticipates including savings associated with these actions within DowDuPont's cost synergy commitment of \$3.6 billion associated with the Merger Transaction. Additional details related to this plan can be found in Note 6 to the Consolidated Financial Statements.

#### 2017 Restructuring Program

During the first quarter 2017, Historical DuPont committed to take actions to improve plant productivity and better position its product lines for productivity and growth before and after the anticipated closing of the Merger Transaction (the "2017 restructuring program"). In connection with these actions, the company incurred pre-tax charges of \$313 million during the period from January 1 through August 31, 2017 recognized in restructuring and asset related charges - net in the company's Consolidated Statements of Operations. The charges primarily relate to the second quarter closure of the safety and construction product line at the Cooper River manufacturing site located near Charleston, South Carolina. The actions associated with this plan were substantially complete as of December 31, 2017. Additional details related to this plan can be found on page 25 of this report and Note 6 to the Consolidated Financial Statements.

#### FMC Transactions

On March 31, 2017, the company and FMC Corporation ("FMC") entered into a definitive agreement (the "FMC Transaction Agreement"). Under the FMC Transaction Agreement, and effective upon the closing of the transaction on November 1, 2017, FMC acquired the crop protection business and R&D assets that Historical DuPont was required to divest in order to obtain European Commission approval of the Merger Transaction, (the "Divested Ag Business") and Historical 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"). The sale of the Divested Ag Business meets the criteria for discontinued operations and as such, earnings are included within (loss) income from discontinued operations after income taxes for all periods presented.

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 fair value as determined by the company of the H&N Business was \$1,970 million. The FMC Transactions included a cash consideration payment to Historical DuPont of approximately \$1,200 million, which reflects the difference in value between the Divested Ag Business and the H&N Business, as well as favorable contracts with FMC of \$495 million. The carrying value of the Divested Ag Business

approximated the fair value of the consideration received, thus no resulting gain or loss was recognized on the sale. Refer to Note 3 and 4 to the Consolidated Financial Statements for further information.

#### Separation of Performance Chemicals

On July 1, 2015, Historical 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. In connection with the separation, the company and Chemours entered into a Separation Agreement and a Tax Matters Agreement as well as certain ancillary agreements. In accordance with generally accepted accounting principles in the U.S. ("GAAP"), the results of operations of its former Performance Chemicals segment are presented as discontinued operations and, as such, are included within (loss) income from discontinued operations after income taxes in the Consolidated Statements of Operations for all periods presented. Additional details regarding the separation and other related agreements can be found in Note 4 to the Consolidated Financial Statements.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Settlement of PFOA MDL

As previously reported, approximately 3,550 lawsuits were consolidated in multi-district litigation ("MDL"); these lawsuits alleged personal injury from exposure to perfluorooctanoic acid and its salts, including the ammonium salt ("PFOA"), in drinking water as a result of the historical manufacture or use of PFOA. The plant operating units involved in the allegations are owned and operated by The Chemours Company ("Chemours"). The MDL was settled in early 2017 for \$670.7 million in cash, with Chemours and DuPont (without indemnification from Chemours) each paying half. See Note 16 to the Consolidated Financial Statements for additional information

## Net Sales

## 2018 versus 2017

Net sales were \$26.3 billion for the year ended December 31, 2018, compared to \$7.1 billion for the period September 1 through December 31, 2017 and \$17.3 billion for the period January 1 through August 31, 2017. The \$1.9 billion increase was primarily driven by local pricing gains across all regions, principally in the agriculture and transportation and advanced polymers product lines, as well as portfolio gains in the nutrition and health product line relating to the acquired H&N Business. Sales also increased on volume growth in Latin America and Asia Pacific.

In the Consolidated Statement of Operations, royalty income is included within net sales in the Successor periods and is included in sundry income (expense) - net in the Predecessor periods. Royalty income does not have a significant impact on any period presented. See Note 1 to the Consolidated Financial Statements for further discussion of the changes in presentation.

## 2017 versus 2016

Net sales were \$7.1 billion for the period September 1 through December 31, 2017 and \$17.3 billion for the period January 1 through August 31, 2017, compared to \$23.2 billion for the year ended December 31, 2016. The \$1.1 billion increase was primarily driven by 4 percent higher sales volume. In Asia Pacific sales volume increased 10 percent primarily driven by the electronics and imaging product line and the transportation and advanced polymers product line. In Europe, Middle East, and Africa ("EMEA") sales volume increased 5 percent driven by the agriculture product line and the safety and construction product line. In U.S. and Canada net sales increased 1 percent, principally reflecting volume growth in the agriculture product line. In Latin America net sales increased 4 percent, driven by a positive currency impact due to stronger Brazilian real, as well as higher volume, partially offset by lower local prices.

|               | Successor                               |   | Predecessor  |                |                                  |   |        |       |
|---------------|---|---|--|----------------|----------------------------------|---|--------|-------|
|               | For the Year Ended<br>December 31, 2018 | For the Period<br>September 1<br>through December<br>31, 2017 | For the Period<br>January 1 through<br>August 31, 2017 |                |                                  | For the Year Ended<br>December 31, 2016 |        |       |
|               | Net<br>sales<br>(\$<br>billions)        | % of Net sales  | Net<br>sales<br>(\$<br>billions)                       | % of Net sales | Net<br>sales<br>(\$<br>billions) | % of Net sales                          |        |       |
| Worldwide     | \$26.3                                  | 100.0   | \$7.1  | 100.0          | \$17.3                           | 100.0                                   | \$23.2 | 100.0 |
| U.S. & Canada | 10.9                                    | 41.4  | 2.2  | 31.0           | 8.1                              | 47.0                                    | 10.1   | 43.8  |
| EMEA          | 6.3                                     | 23.9  | 1.7  | 24.1           | 3.9                              | 22.8                                    | 5.3    | 22.7  |
| Asia Pacific  | 6.5                                     | 24.6  | 2.1  | 29.3           | 3.9                              | 22.2                                    | 5.4    | 23.3  |

|               |     |      |     |      |     |     |     |      |
|---------------|-----|------|-----|------|-----|-----|-----|------|
| Latin America | 2.6 | 10.1 | 1.1 | 15.6 | 1.4 | 8.0 | 2.4 | 10.2 |
|---------------|-----|------|-----|------|-----|-----|-----|------|

Cost of Goods Sold ("COGS")

2018 versus 2017

COGS was \$18.2 billion for the year ended December 31, 2018 compared to \$6.2 billion and \$10.1 billion for the period September 1 through December 31, 2017 and the period January 1 through August 31, 2017, respectively. The increase was primarily driven by increased sales, the elimination of the other operating charges financial statement line item in the Successor periods, higher depreciation related to the fair value step-up of property, plant and equipment and increased raw material costs, specifically in the agriculture product line. The increase was also partially driven by the amortization of the inventory step-up of \$1.6 billion for the year ended December 31, 2018 compared with \$1.5 billion for the period September 1 through December 31, 2017.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

COGS as a percentage of net sales was 69 percent, 88 percent, and 58 percent for the year ended December 31, 2018, for the period September 1 through December 31, 2017 and for the period January 1 through August 31, 2017, respectively. The amortization of inventory step-up was 6 percent of net sales for the year ended December 31, 2018. The remaining COGS change as a percentage of net sales for the year ended December 31, 2018 was related to the items discussed above.

See Note 3 to the Consolidated Financial Statements for additional information regarding the Merger, including the valuation of inventory and see Note 1 to the Consolidated Financial Statements for further discussion of the changes in presentation.

2017 versus 2016

COGS was \$6.2 billion for the period September 1 through December 31, 2017 and \$10.1 billion for the period January 1 through August 31, 2017 compared to \$13.9 billion for the year ended December 31, 2016. The increase was primarily driven by the amortization of the inventory step-up of \$1.5 billion for the period September 1 through December 31, 2017 as well as higher sales volume, increased expenses due to the elimination of the other operating charges financial statement line item in the Successor periods and higher depreciation related to the fair value step up of property, plant and equipment.

COGS as a percentage of net sales was 88 percent, 58 percent, and 60 percent for the period September 1 through December 31, 2017, for the period January 1 through August 31, 2017 and for the year ended December 31, 2016, respectively. The amortization of the inventory step-up was 22 percent of net sales in the Successor periods. The remaining COGS increase as a percentage of net sales in the Successor periods is due to the items discussed above. The elimination of the other operating charges financial statement line item would have increased COGS as a percentage of net sales by 3 percent for the period January 1 through August 31, 2017 and for the year ended December 31, 2016.

See Note 3 to the Consolidated Financial Statements for additional information regarding the Merger, including the valuation of inventory and see Note 1 to the Consolidated Financial Statements for further discussion of the changes in presentation.

Other Operating Charges

2017 versus 2016

Other operating charges were \$504 million for the period January 1 through August 31, 2017 and \$667 million for the year ended December 31, 2016. In the Successor periods, other operating charges are included primarily in cost of goods sold, as well as selling, general and administrative expenses and amortization of intangibles. See Note 1 to the Consolidated Financial Statements for further discussion of the changes in presentation.

Research and Development Expense ("R&D")

2018 versus 2017

R&D expense was \$1.5 billion for the year ended December 31, 2018, \$492 million for the period September 1 through December 31, 2017, and \$1 billion for the period January 1 through August 31, 2017. R&D expense remained flat as the increases in R&D expense for the agriculture product line related to investments to support new product launches and for the nutrition and health product line were offset by lower performance-based compensation.

R&D as a percentage of net sales was 6 percent, 7 percent, and 6 percent for the year ended December 31, 2018, for the period September 1 through December 31, 2017 and for the period January 1 through August 31, 2017, respectively.

2017 versus 2016

R&D expense was \$492 million for the period September 1 through December 31, 2017, \$1.0 billion for the period January 1 through August 31, 2017, and \$1.5 billion for the year ended December 31, 2016. The change was primarily driven by an increase in R&D expense related to the agriculture product line, partially offset with lower costs related to the DowDuPont Cost Synergy Program.

R&D as a percentage of net sales was 7 percent, 6 percent, and 6 percent for the period September 1 through December 31, 2017, for the period January 1 through August 31, 2017 and for the year ended December 31, 2016, respectively. R&D as a percentage of net sales is slightly higher in the Successor periods, primarily due to an increase in R&D for new product introductions and higher depreciation, partially offset by cost savings and the absence of amortization expense.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

Selling, General and Administrative Expenses ("SG&A")

2018 versus 2017

SG&A was \$3.9 billion for the year ended December 31, 2018, \$1.1 billion for the period September 1 through December 31, 2017, and \$3.2 billion for the period January 1 through August 31, 2017. In the Successor periods, integration and separation costs and amortization of intangibles are presented as line items on the Consolidated Statement of Operations. For the period January 1 through August 31, 2017, the company incurred \$581 million of transaction costs in connection with the Merger and the Intended Business Separations. The remaining change was primarily driven by increases in expense to support growth investments for new products in the agriculture and nutrition and health product lines, higher costs due to inclusion of a full year of results from the acquisition of the H&N Business from FMC, certain costs that are included in other operating charges for the Successor period, partially offset by cost synergies and by lower performance-based compensation. See Note 1 to the Consolidated Financial Statements for further discussion of the changes in presentation.

SG&A as a percentage of net sales was 15 percent, 16 percent, and 19 percent for the year ended December 31, 2018, for the period September 1 through December 31, 2017 and for the period January 1 through August 31, 2017, respectively. Transaction costs were 3 percent of net sales for the period January 1 through August 31, 2017.

2017 versus 2016

SG&A was \$1.1 billion for the period September 1 through December 31, 2017, \$3.2 billion for the period January 1 through August 31, 2017, and \$4.1 billion for the year ended December 31, 2016. The change was primarily driven by higher transaction costs, increased selling expense and commissions, primarily for agriculture products and higher compensation, partially offset with lower costs related to the 2016 global cost savings and restructuring plan and the absence of amortization expense in the Successor periods. During the year ended December 31, 2016 and the period January 1 through August 31, 2017, the company incurred \$386 million and \$581 million, respectively, of transaction costs in connection with the Merger and the Intended Business Separations.

SG&A as a percentage of net sales was 16 percent, 19 percent, and 18 percent for the period September 1 through December 31, 2017, for the period January 1 through August 31, 2017 and for the year ended December 31, 2016, respectively. Transaction costs were 3 percent and 2 percent of net sales for the period January through August 31, 2017 and for the year ended December 31, 2016. The remaining net sales increase as a percentage of net sales in the Successor periods is due to the items discussed above.

Amortization of Intangibles

2018 versus 2017

Intangible asset amortization was \$1.3 billion for the year ended December 31, 2018 and \$389 million for the period September 1 through December 31, 2017. In the Predecessor periods, amortization of intangibles was included within SG&A; other operating charges; R&D; and COGS. See Note 3 to the Consolidated Financial Statements for further information regarding the Merger, including the valuation of intangible assets.

Restructuring and Asset Related Charges - Net

Restructuring and asset related charges - net were \$485 million for the year ended December 31, 2018, \$180 million for the period September 1 through December 31, 2017, \$323 million for the period January 1 through August 31, 2017 and \$556 million for the year ended December 31, 2016.

2018

The activity for the year ended December 31, 2018 was related to a \$318 million charge related to the Synergy Program, a \$126 million of asset related charges (discussed in the "Asset Impairment" section, below), a \$59 million charge related to the DowDuPont Agriculture Division Restructuring Program and an (\$18) million benefit from reversals of prior year programs.

2017

The charge for the period September 1 through December 31, 2017 was primarily severance and related benefit costs as part of the Synergy Program.

The charge for the period January 1 through August 31, 2017 was comprised of \$279 million of asset related charges and \$34 million in severance and related benefit costs. The asset related charges primarily relate to the second quarter closure of the safety and construction product line at the Cooper River manufacturing site located near Charleston, South Carolina as part of the 2017 restructuring program.

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## Part II

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

#### 2016

The \$556 million charge for 2016 consisted of \$593 million of asset related charges (discussed in the "Asset Impairment" section, below) and a \$68 million charge related to the decision to not re-start the company's insecticide manufacturing facility at the La Porte site located in La Porte, Texas. These charges were partially offset by a net \$84 million benefit related to the 2016 restructuring plan, primarily due to a reduction in severance and related benefit costs driven by the elimination of positions at a lower cost than expected, and a \$21 million benefit related to the 2014 restructuring plan for adjustments to the previously recognized severance costs.

See Note 6 to the Consolidated Financial Statements for additional information.

#### Asset Impairment

For the year ended December 31, 2018, the company recognized an \$85 million pre-tax (\$66 million after-tax) impairment charge in restructuring and asset related charges - net in the company's Consolidated Statements of Operations related to certain IPR&D assets within the agriculture reporting unit. See Notes 6 and 14 to the Consolidated Financial Statements for additional information.

For the year ended December 31, 2018, management determined the fair values of investments in nonconsolidated affiliates in China were below the carrying values and had no expectation the fair values would recover. As a result, management concluded the impairment was other than temporary and recorded an impairment charge of \$41 million in restructuring and asset related charges - net in the company's Consolidated Statements of Operations, none of which is tax-deductible, for the year ended December 31, 2018. See Notes 6 and 21 to the Consolidated Financial Statements for additional information.

For the year ended December 31, 2016, the company recorded an asset impairment charge of \$435 million related to its uncompleted enterprise resource planning ("ERP") system. Given the uncertainties related to timing of completion as well as potential developments and changes to technologies in the market place at the time of restart, use of the ERP system can no longer be considered probable. Additionally, the company recorded a \$158 million impairment charge related to indefinite-lived intangible trade names as a result of the realignment of brand marketing strategies and a determination to phase out the use of certain acquired trade names. See Notes 6 and 21 to the Consolidated Financial Statements for additional details related to these charges.

#### Integration and Separation Costs

##### 2018 versus 2017

Integration and separation costs were \$1,375 million for the year ended December 31, 2018 and \$314 million in the period September 1 through December 31, 2017. In the Predecessor periods, integration and separation costs were included within SG&A. See Note 1 to the Consolidated Financial Statements for further discussion of the changes in presentation.

The company expects Integration and separation costs to continue to be significant in 2019.

#### Goodwill Impairment Charge

The company recorded a goodwill impairment charge of \$4,503 million in the year ended December 31, 2018 related to an interim goodwill impairment test for its agriculture reporting unit. See Note 14 to the Consolidated Financial Statements for additional information regarding the company's goodwill impairment charge.

Sundry Income (Expense) - Net  
2018 versus 2017

Sundry income (expense) - net was income of \$543 million for the year ended December 31, 2018. Sundry income (expense) - net was an income of \$224 million and expense of (\$113) million for the period September 1 through December 31, 2017 and for the period January 1 through August 31, 2017, respectively. The year ended December 31, 2018 includes a non-operating pension and other post employment credit of \$368 million, interest income of \$92 million, and other miscellaneous income offset by net exchange loss of \$110 million and other miscellaneous expenses. The period September 1 through December 31, 2017 includes a non-operating pension and other post employment benefit credit of \$134 million, interest income of \$41 million, and a net exchange gain of \$8 million. The period January 1 through August 31, 2017 includes a net exchange loss of \$394 million, a non-operating pension and other post employment cost of \$278 million, a pre-tax gain of \$162 million associated with the sale of the global food safety diagnostic business, and royalty income of \$84 million.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

2017 versus 2016

Sundry income (expense) - net was an income of \$224 million and expense of (\$113) million for the period September 1 through December 31, 2017 and for the period January 1 through August 31, 2017, respectively. Sundry income (expense) - net was income of \$667 million for the year ended December 31, 2016. The 2017 charges are described above. The year ended December 31, 2016 included a pre-tax gain of \$369 million associated with the sale of Historical DuPont ("Shenzhen") Manufacturing Limited entity, royalty income of \$170 million, a net exchange loss of \$106 million and a non-operating pension and other post employment cost of \$40 million. In the Successor periods, royalty income is included in net sales. See Note 1 to the Consolidated Financial Statements for further discussion of the changes in presentation.

See Note 8 to the Consolidated Financial Statements for additional information.

Loss on Early Extinguishment of Debt

The company recorded a loss from early extinguishment of debt of \$81 million for the year ended December 31, 2018, primarily related to the difference between the redemption price and the aggregate amount of the Tender Notes purchased in the Tender Offer, mostly offset by the write-off of unamortized step-up related to the fair value step-up of Historical DuPont's debt. Additional information regarding the company's Early Tender Settlement can be found on pages 20 and 29 of this report and Note 15 to the Consolidated Financial Statements for additional.

Interest Expense

2018 versus 2017

Interest expense was \$331 million for the year ended December 31, 2018, \$107 million for the period September 1 through December 31, 2017, and \$254 million for the period January 1 through August 31, 2017. The change was primarily driven by amortization of the step-up of debt as a result of push-down accounting, partially offset by higher borrowing rates.

2017 versus 2016

Interest expense was \$107 million for the period September 1 through December 31, 2017, \$254 million for the period January 1 through August 31, 2017, and \$370 million for the year ended December 31, 2016. The change was primarily driven by amortization of the step-up of debt as a result of push-down accounting, partially offset by higher debt balances.

Provision for Income Taxes on Continuing Operations

2018

For the year ended December 31, 2018, the company's effective tax rate of (4.6) percent on pre-tax loss from continuing operations of \$4,793 million was unfavorably impacted by the non-tax-deductible impairment charge for the agriculture reporting unit and corresponding \$75 million tax charge associated with a valuation allowance recorded against the net deferred tax asset position of a legal entity in Brazil, costs associated with the Merger with Dow (including a \$74 million net tax charge on repatriation activities to facilitate the Intended Business Separations), a \$121 million net tax charge related to completing its accounting for the tax effects of the Act (see Note 9 of the Consolidated Financial Statements for additional detail), and the impacts related to the non-tax-deductible amortization of the fair value step-up in DuPont's inventories as a result of the Merger.

2017

For the period September 1 through December 31, 2017, the company's effective tax rate of 168.5 percent on pre-tax loss from continuing operations of \$1,586 million was favorably impacted by a provisional net benefit of \$2,001 million that the company recognized due to the enactment of The Act, a net benefit of \$261 million related to an internal legal entity restructuring associated with the Intended Business Separations, as well as geographic mix of earnings. Those impacts were partially offset by the non-tax deductible amortization of the fair value step-up in Historical DuPont's inventories as a result of the Merger, certain net exchange losses recognized on the remeasurement of the net monetary asset positions which were not tax deductible in their local jurisdictions, as well as the tax impact of costs associated with the Merger with Historical Dow and restructuring and asset related charges.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

For the period January 1 through August 31, 2017, the company's effective tax rate was 8.3 percent on pre-tax income from continuing operations of \$1,791 million. For the period January 1 through August 31, 2017, the company's effective tax rate was favorably impacted by geographic mix of earnings, certain net exchange gains recognized on the remeasurement of the net monetary asset positions which were not taxable in their local jurisdictions, net favorable tax consequences of the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-09, Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting, tax benefits related to a reduction in the company's unrecognized tax benefits due to the closure of various tax statutes of limitations, as well as tax benefits on costs associated with the Merger with Historical Dow and restructuring and asset related charges. Those tax benefits were partially offset by the unfavorable tax consequences of non-deductible goodwill associated with the gain on the sale of the global food safety diagnostic business in the first quarter of 2017.

2016

For the year ended December 31, 2016, the company's effective tax rate of 23.5 percent on pre-tax income from continuing operations of \$2,723 million was impacted by geographic mix of earnings as well as certain net exchange gains recognized on the remeasurement of the net monetary asset positions which were not taxable in their local jurisdictions. Those benefits were partially offset by the tax consequences of the gain on the sale of Historical DuPont (Shenzhen) Manufacturing Limited in the first quarter of 2016.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for a description of recent accounting pronouncements.

## Liquidity &amp; Capital Resources

The company continually reviews its sources of liquidity and debt portfolio and occasionally may make adjustments to one or both to ensure adequate liquidity.

| (Dollars in millions)                            | December |           |
|--|----------|-----------|
|  | 31, 2018 | 31, 2017  |
| Cash, cash equivalents and marketable securities | \$ 4,500 | \$ 8,202  |
| Total debt                                       | \$ 7,972 | \$ 13,070 |

In the fourth quarter of 2018, Historical DuPont offered to purchase for cash approximately \$6.2 billion of outstanding debt securities from each registered holder of the applicable series of debt securities (the "Tender Offers"). The company has retired \$4.4 billion aggregate principal amount of such debt securities in connection with the Tender Offers, which expired on December 11, 2018. The retirement of these debt securities was funded with cash contributions from DowDuPont.

In July 2018, Historical DuPont fully repaid \$1,250 million of 6.0 percent coupon bonds at maturity.

The company's credit ratings impact its access to the debt capital markets and cost of capital. The company remains committed to a strong financial position and strong investment-grade rating. The company's long-term and short-term credit ratings are as follows:

|                           | Long-term | Short-term | Outlook |
|---------------------------|-----------|------------|---------|
| Standard & Poor's         | A-        | A-2        | Stable  |
| Moody's Investors Service | A3        | P-2        | Stable  |
| Fitch Ratings             | A         | F1         | Stable  |

The company believes its ability to generate cash from operations and access to capital markets will be adequate to meet anticipated cash requirements to fund its working capital, capital spending, debt maturities in the ordinary course as well as distributions and other intercompany transfers to DowDuPont which relies primarily on Historical DuPont and Historical Dow to fund payment of its operating costs and expenses. Historical DuPont's current strong financial position, liquidity and credit ratings continue to provide access as needed to the capital markets. The company's liquidity needs can be met through a variety of sources, including cash provided by operating activities, cash and cash equivalents, marketable securities, commercial paper, syndicated credit lines, bilateral credit lines, long-term debt markets, bank financing, committed receivable repurchase facilities and asset sales.

The company has access to approximately \$6.1 billion in committed and uncommitted unused credit lines with several major financial institutions including unused commitments of \$2.5 billion under the Term Loan Facility described below and a \$3.0 billion revolving credit facility to support its commercial paper program. These unused credit lines provide support to meet the company's short-term liquidity needs and for general corporate purposes which may include funding of discretionary and non-discretionary contributions to certain benefit plans, severance payments, repayment and refinancing of debt, working capital, capital expenditures and repurchases and redemptions of securities.

In May 2017, the company completed an underwritten public offering of \$1.25 billion of the company's 2.20 percent Notes due 2020 and \$750 million of the company's Floating Rate Notes due 2020 (the "May 2017 Debt Offering"). The proceeds of this offering were used to make a discretionary pension contribution to the company's principal U.S. pension plan, as discussed below.

The company's indenture covenants include customary limitations on liens, sale and leaseback transactions, and mergers and consolidations affecting manufacturing plants, mineral producing properties or research facilities located in the U.S. and the consolidated subsidiaries owning such plants, properties and facilities subject to certain limitations. The outstanding long-term debt also contains customary default provisions. In addition, the company will be required to redeem all of the Notes associated with the May 2017 Debt Offering at a redemption price equal to 100 percent of the aggregate principal amount plus any accrued and unpaid interest upon the announcement of the record date for the separation of either the agriculture or specialty products business, or the entry into an agreement to sell all or substantially all of the assets of either business to a third party.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

In March 2016, the company entered into a credit agreement that provides for a three-year, senior unsecured term loan facility in the aggregate principal amount of \$4.5 billion (as amended, from time to time, the "Term Loan Facility") under which Historical DuPont may make up to seven term loan borrowings and amounts repaid or prepaid are not available for subsequent borrowings. The proceeds from the borrowings under the Term Loan Facility will be used for the company's general corporate purposes including debt repayment, working capital and funding a portion of DowDuPont's costs and expenses. The Term Loan Facility was amended in 2018 to extend the maturity date to June 2020, at which time all outstanding borrowings, including accrued but unpaid interest, become immediately due and payable, and to extend the date on which the commitment to lend terminates to June 2019. At December 31, 2018, the company had made four term loan borrowings in an aggregate principal amount of \$2.0 billion and had unused commitments of \$2.5 billion under the Term Loan Facility. In addition, in 2018 the company amended its \$3.0 billion revolving credit facility to extend the maturity date to June 2020.

The Term Loan Facility and the amended revolving credit facility (the "Facilities") contain customary representations and warranties, affirmative and negative covenants, and events of default that are typical for companies with similar credit ratings and generally consistent with those applicable to Historical DuPont's long-term public debt. The Facilities contain a financial covenant requiring that the ratio of Total Indebtedness to Total Capitalization for Historical DuPont and its consolidated subsidiaries not exceed 0.6667. At December 31, 2018, the company was in compliance with this financial covenant.

The Facilities impose additional affirmative and negative covenants on Historical DuPont and its subsidiaries after the closing of the Merger, subject to certain limitations, including to:

not sell, lease or otherwise convey to DowDuPont, its shareholders or its non-Historical DuPont subsidiaries, any assets or properties of Historical DuPont or its subsidiaries unless the aggregate amount of revenues attributable to all such assets and properties so conveyed after the merger does not exceed 30 percent of the consolidated revenues of Historical DuPont and its subsidiaries as of December 31, 2015; and

not guarantee any indebtedness or other obligations of DowDuPont, Historical Dow or their respective subsidiaries (other than of Historical DuPont and its subsidiaries).

The Facilities will terminate, and the loans and other amounts thereunder would become due and payable, upon the sale, transfer, lease or other disposition of all or substantially all of the assets of the agriculture product line to DowDuPont, its shareholders or any of its non-Historical DuPont subsidiaries.

In February 2018, in line with seasonal agricultural working capital requirements, the company entered into a committed receivable repurchase agreement of up to \$1.3 billion (the "2018 Repurchase Facility") which expired in December 2018. Under the 2018 Repurchase Facility, the company sold a portfolio of available and eligible outstanding customer notes receivables within the agriculture product line to participating institutions and simultaneously agreed to repurchase at a future date.

In February 2019, the company entered into a new committed receivable repurchase facility of up to \$1.3 billion (the "2019 Repurchase Facility") which expires in December 2019. See further discussion of the 2019 Repurchase Facility in Note 24 to the Consolidated Financial Statements.



During the period January 1 through August 31, 2017, the company made total contributions of \$2.9 billion to its principal U.S. pension plan, including approximately \$2.7 billion reflecting discretionary contributions. The discretionary contribution was funded through the May 2017 Debt Offering, as discussed above; short-term borrowings, including commercial paper issuance; and cash. The \$2.9 billion contribution was taken as a deduction on the company's 2016 federal tax return and resulted in a net operating loss for tax purposes. This loss resulted in an overpayment of taxes paid of approximately \$800 million. A portion of the overpayment was applied against the 2017 tax liability. The remainder of the loss generated a refund of approximately \$700 million which was received during the fourth quarter of 2017. At the end of 2017, the company did not anticipate making contributions to its principal U.S. pension plan in 2018. The company made a discretionary contribution of \$1.1 billion in the third quarter of 2018 to its principal U.S. pension plan, primarily through cash balances. The decision to make the discretionary contribution took into account tax deductible limits as well as capital structure considerations.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

The company entered into a trust agreement in 2013 (as amended and restated in 2017) that established and requires Historical DuPont to fund a trust (the "Trust") for cash obligations under certain nonqualified benefit and deferred compensation plans upon a change in control event as defined in the Trust agreement. Under the Trust agreement, the consummation of the Merger was a change in control event. As a result, in November 2017, the company contributed \$571 million to the Trust. In the fourth quarter of 2017, \$13 million was distributed to Historical DuPont according to the Trust agreement and at December 31, 2017, the balance in the Trust was \$558 million. During the year ended December 31, 2018, \$68 million was distributed to Historical DuPont according to the Trust agreement and at December 31, 2018, the balance in the Trust was \$500 million.

The company's cash, cash equivalents and marketable securities at December 31, 2018 and 2017 are \$4.5 billion and \$8.2 billion, respectively, of which \$3.9 billion at December 31, 2018 and \$7.9 billion at December 31, 2017 was held by subsidiaries in foreign countries, including United States territories. The decrease in cash held by subsidiaries in foreign countries is due to the repatriation activities discussed below. For each of its foreign subsidiaries, the company makes an assertion regarding the amount of earnings intended for permanent reinvestment, with the balance available to be repatriated to the United States.

The Act requires companies to pay a one-time transition tax on earnings of foreign subsidiaries, a majority of which were previously considered permanently reinvested by the company (see Note 9 to the Consolidated Financial Statements for further details of The Act). A tax liability was accrued for the estimated U.S. federal tax on all accumulated unrepatriated earnings through December 31, 2017 in accordance with The Act (i.e., "transition tax"). The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operational activities and future foreign investments. At December 31, 2018, management believed that sufficient liquidity is available in the United States. The company has the ability to repatriate additional funds to the US, which could result in an adjustment to the tax liability for foreign withholding taxes, foreign and/or U.S. state income taxes and the impact of foreign currency movements. It is not practicable to calculate the unrecognized deferred tax liability on undistributed foreign earnings due to the complexity of the hypothetical calculation. During 2018, in connection with the Intended Business Separations, the company repatriated certain funds from its non-U.S. subsidiaries that were not needed to finance local operations. During the year ended December 31, 2018, the company recorded net tax expense of \$74 million associated with foreign withholding tax incurred in connection with these repatriation activities.

| (Dollars in millions)                            | Successor   | Predecessor   |  |
|--|---|---|--|
|  | For the<br>Year<br>Ended<br>December<br>31,<br>2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | For the<br>Period<br>January<br>1<br>through<br>August<br>31, 2016 |
| Cash provided by (used for) operating activities | \$848   | \$ 4,196  | \$(3,949)  |
|  |   |   | \$ 3,357   |

Cash provided by operating activities was \$848 million for the year ended December 31, 2018, primarily driven by earnings after goodwill impairment and inventory step-up amortization offset by transaction costs, pension contributions, changes in working capital and tax payments. Cash provided by operating activities was \$4,196 million

for the period September 1 through December 31, 2017, primarily driven by seasonal cash flows related to the agriculture product line and a tax refund related to voluntary pension contributions made in the Predecessor period, partially offset by transaction costs and the PFOA multi-district litigation settlement, which was primarily paid in September. Cash used for operating activities was \$3,949 million for the period January 1 through August 31, 2017, primarily driven by pension contributions of \$3,024 million, seasonal cash flows related to the agriculture product line, transaction costs and tax payments, partially offset by earnings. Cash provided by operating activities was \$3,357 million for the year ended December 31, 2016, primarily due to earnings offset by tax payments, pension contributions and transaction costs.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

| (Dollars in millions)                            | Successor                            |  | Predecessor                                      |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Cash (used for) provided by investing activities | \$(334)                              | \$ 2,768   | \$(2,382)  | \$(1,514 )                           |

Cash used for investing activities was \$334 million for the year ended December 31, 2018, primarily driven by increased capital expenditures partially offset by net proceeds from investments. Cash provided by investing activities was \$2,768 million for the period September 1 through December 31, 2017, primarily driven by approximately \$1,200 million of cash received for the FMC transactions and net proceeds from investments, partially offset by capital expenditures. Cash used for investing activities was \$2,382 million for the period January 1 through August 31, 2017, primarily due to increased net purchases of investments, capital expenditures, payments for the acquisition of Granular and net payments from foreign currency contracts, partially offset by proceeds from the sale of property and businesses. Cash used for investing activities of \$1,514 million during the year ended December 31, 2016 was primarily due to \$1,019 million of capital expenditures, net purchases of investments and net payments from foreign currency contracts, partially offset by proceeds from the sale of property and businesses.

Capital expenditures totaled \$1,311 million for the year ended December 31, 2018, \$426 million for the period September 1 through December 31, 2017, \$687 million for the period January 1 through August 31, 2017, and \$1,019 million in 2016. The company expects 2019 capital expenditures to be about \$1,800 million, of which approximately \$500 million is related to the targeted cost synergies associated with the Merger and execution of the Intended Business Separations.

| (Dollars in millions)                            | Successor                            |  | Predecessor                                      |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Cash (used for) provided by financing activities | \$(3,112)                            | \$(3,227 )   | \$5,632  | \$(2,385 )                           |

Cash used for financing activities was \$3,112 million for the year ended December 31, 2018, primarily driven by the retirement of \$4,409 million aggregate principal amount of Tender Notes as part of DuPont's Tender Offer, an increase in distributions to DowDuPont of \$1,977 million and repayments of \$1,250 million on bonds at maturity, partially offset by contributions from DowDuPont of \$4,849 million. Cash used for financing activities was \$3,227 million for the period September 1 through December 31, 2017, primarily driven by a decrease in borrowings from commercial paper, distributions to DowDuPont and dividends paid to stockholders, partially offset by increased

borrowings under the Term Loan. Cash provided by financing activities was \$5,632 million for the period January 1 through August 31, 2017, primarily driven by the May 2017 Debt Offering as well as increased borrowings from commercial paper, the Repurchase Facility, and the Term Loan Facility, partially offset by dividends paid to stockholders. Cash used for financing activities of \$2,385 million during the year ended December 31, 2016 was primarily driven by dividend payments to stockholders, repurchases of common stock, and repayments of long-term debt.

Dividend payments to shareholders of Historical DuPont common and preferred stock totaled \$0.3 billion during the period September 1 through December 31, 2017, \$0.7 billion during the period January 1 through August 31, 2017, and \$1.3 billion in 2016. Dividends per share of common stock were \$1.14 for the period January 1 through August 31, 2017 and \$1.52 in 2016.

In the first quarter 2015, Historical DuPont announced its intention to buy back about \$4.0 billion of shares of Historical DuPont common stock using the distribution proceeds received from Chemours. During 2016, the company purchased and retired 13.2 million shares in the open market at a cost of \$916 million.

As of the consummation of the Merger, shares of Historical DuPont common stock held publicly were redeemed and Historical DuPont's common stock is owned solely by its parent company, DowDuPont. Historical DuPont's preferred stock remains issued and outstanding, and Historical DuPont continues to be responsible for dividends on its preferred stock; however, the obligation is not material to the company's liquidity. Dividend payments to shareholders of Historical DuPont preferred stock totaled \$10 million for the year ended December 31, 2018, \$3 million during the period September 1 through December 31, 2017, \$7 million during the period January 1 through August 31, 2017, and \$10 million in 2016.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

DowDuPont primarily relies on distributions and other intercompany transfers from Historical DuPont and Historical Dow to fund payment of its operating costs and expenses. In November 2017, DowDuPont's Board of Directors (the "Board") declared a fourth quarter dividend per share of DowDuPont common stock payable on December 15, 2017 and authorized an initial \$4 billion share repurchase program to buy back shares of DowDuPont common stock. The \$4 billion share repurchase program was completed in the third quarter of 2018. In 2018, the Board declared and paid quarterly dividends per share of DowDuPont common stock. For the year ended December 31, 2018 and the period September 1 through December 31, 2017, Historical DuPont declared and paid distributions in cash to DowDuPont of about \$2,806 million and \$829 million, respectively, primarily to fund a portion of DowDuPont's share repurchases and dividend payments for these periods.

See Note 17 to the Consolidated Financial Statements for additional information relating to the above Historical DuPont share buyback plan.

Critical Accounting Estimates

The company's significant accounting policies are more fully described in Note 1 to the Consolidated Financial Statements. Management believes that the application of these policies on a consistent basis enables the company to provide the users of the financial statements with useful and reliable information about the company's operating results and financial condition.

The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America requires management to make estimates and assumptions that affect the reported amounts, including, but not limited to, receivable and inventory valuations, impairment of tangible and intangible assets, long-term employee benefit obligations, income taxes, restructuring liabilities, environmental matters and litigation. Management's estimates are based on historical experience, facts and circumstances available at the time and various other assumptions that are believed to be reasonable. The company reviews these matters and reflects changes in estimates as appropriate. Management believes that the following represent some of the more critical judgment areas in the application of the company's accounting policies which could have a material effect on the company's financial position, liquidity or results of operations.

Pension Plans and Other Post Employment Benefits

Accounting for employee benefit plans involves numerous assumptions and estimates. Discount rate and expected return on plan assets are two critical assumptions in measuring the cost and benefit obligation of the company's pension and OPEB plans. Management reviews these two key assumptions when plans are re-measured. These and other assumptions are updated periodically to reflect the actual experience and expectations on a plan specific basis as appropriate. As permitted by GAAP, actual results that differ from the assumptions are accumulated on a plan by plan basis and to the extent that such differences exceed 10 percent of the greater of the plan's benefit obligation or the applicable plan assets, the excess is amortized over the average remaining service period of active employees or the average remaining life expectancy of the inactive participants if all or almost all of a plan's participants are inactive.

About 80 percent of the company's benefit obligation for pensions and essentially all of the company's OPEB obligations are attributable to the benefit plans in the U.S. In the U.S., the discount rate is developed by matching the expected cash flow of the benefit plans to a yield curve constructed from a portfolio of high quality fixed-income instruments provided by the plans' actuaries as of the measurement date. The company measures the service and interest cost components utilizing a full yield curve approach by applying the specific spot rates along the yield curve

used in the determination of the benefit obligation to the relevant projected cash flows. For non-U.S. benefit plans, historically the company utilized prevailing long-term high quality corporate bond indices to determine the discount rate, applicable to each country, at the measurement date. For the 2018 measurement date, the company adopted the Aon AA corporate bond rates to determine the discount rate, applicable to each country.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

Within the U.S., the company establishes strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. Strategic asset allocations in other countries are selected in accordance with the laws and practices of those countries. Where appropriate, asset-liability studies are also taken into consideration. The long-term expected return on plan assets in the U.S. is based upon historical real returns (net of inflation) for the asset classes covered by the investment policy, expected performance, and projections of inflation and interest rates over the long-term period during which benefits are payable to plan participants. Consistent with prior years, the long-term expected return on plan assets in the U.S. reflects the asset allocation of the plan and the effect of the company's active management of the plan's assets. In connection with pension contributions of \$2,900 million to its principal U.S. pension plan for the period of January 1, 2017 through August 31, 2017, an investment policy study was completed for the principal U.S. pension plan. The study resulted in new target asset allocations for the U.S. pension plan with resulting changes to the expected return on plan assets. The long-term rate of return on assets decreased from 8.00 percent for the Predecessor period to 6.25 percent for the Successor periods in 2017.

In determining annual expense for the principal U.S. pension plan, the company uses a market-related value of assets rather than its fair value. Accordingly, there may be a lag in recognition of changes in market valuation. As a result, changes in the fair value of assets are not immediately reflected in the company's calculation of net periodic pension cost. Generally, the market-related value of assets is calculated by averaging market returns over 36 months, however, as a result of the Merger, for the Successor periods, the market-related value of assets was calculated by averaging market returns from September 1, 2017 through the respective year ends.

The following table shows the market-related value and fair value of plan assets for the principal U.S. pension plan:

| (Dollars in billions)          | Successor                      |                   | Predecessor                    |
|--------------------------------|--------------------------------|-------------------|--------------------------------|
|                                | December 31, 2018 <sup>1</sup> | December 31, 2017 | December 31, 2016 <sup>1</sup> |
| Market-related value of assets | \$ 16.6                        | \$ 16.6           | \$ 13.5                        |
| Fair value of plan assets      | 15.7                           | 16.7              | 13.5                           |

During the fourth quarter of 2017 and 2016, the plan's trust fund paid approximately \$140 million and \$550 million, <sup>1</sup> respectively, to a group of separated, vested plan participants who elected a limited-time opportunity to receive a lump sum payout. See further discussion under "Long-term Employee Benefits" beginning on page 40.

For plans other than the principal U.S. pension plan, pension expense is determined using the fair value of assets.

The following table highlights the potential impact on the company's pre-tax earnings due to changes in certain key assumptions with respect to the company's pension and OPEB plans, based on assets and liabilities at December 31, 2018:

| (Dollars in millions)                  | 1/4 Percentage |                |
|--|----------------|----------------|
|  | Point Increase | Point Decrease |
| Discount rate                          | \$ (31 )       | \$ 32          |
| Expected rate of return on plan assets | 48             | (48 )          |

Additional information with respect to pension and OPEB expenses, liabilities and assumptions is discussed under "Long-term Employee Benefits" beginning on page 40 and in Note 18 to the Consolidated Financial Statements.





## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Environmental Matters

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. At December 31, 2018, the company had accrued obligations of \$381 million for probable environmental remediation and restoration costs, including \$54 million for the remediation of Superfund sites. As remediation activities vary substantially in duration and cost from site to site, it is difficult to develop precise estimates of future site remediation costs. The company's estimates are based on a number of factors, including the complexity of the geology, the nature and extent of contamination, the type of remedy, the outcome of discussions with regulatory agencies and other Potentially Responsible Parties ("PRPs") at multi-party sites and the number of and financial viability of other PRPs. Therefore, considerable uncertainty exists with respect to environmental remediation and costs, and, under adverse changes in circumstances, it is reasonably possible that the ultimate cost with respect to these particular matters could range up to \$750 million above that amount. Consequently, it is reasonably possible that environmental remediation and restoration costs in excess of amounts accrued could have a material impact on the company's results of operations, financial condition and cash flows. It is the opinion of the company's management, however, that the possibility is remote that costs in excess of the range disclosed will have a material impact on the company's results of operations, financial condition or cash flows. For further discussion, see Environmental Matters in Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1 and 16 to the Consolidated Financial Statements.

## Legal Contingencies

The company's results of operations could be affected by significant litigation adverse to the company, including product liability claims, patent infringement and antitrust claims, and claims for third party property damage or personal injury stemming from alleged environmental torts. The company records accruals for legal matters when the information available indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Management makes adjustments to these accruals to reflect the impact and status of negotiations, settlements, rulings, advice of counsel and other information and events that may pertain to a particular matter. Predicting the outcome of claims and lawsuits and estimating related costs and exposure involves substantial uncertainties that could cause actual costs to vary materially from estimates. In making determinations of likely outcomes of litigation matters, management considers many factors. These factors include, but are not limited to, the nature of specific claims including unasserted claims, the company's experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative dispute resolution mechanisms, and the matter's current status. Considerable judgment is required in determining whether to establish a litigation accrual when an adverse judgment is rendered against the company in a court proceeding. In such situations, the company will not recognize a loss if, based upon a thorough review of all relevant facts and information, management believes that it is probable that the pending judgment will be successfully overturned on appeal. A detailed discussion of significant litigation matters is contained in Note 16 to the Consolidated Financial Statements.

## Indemnification Assets

On July 1, 2015, Historical 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 "Chemours Separation"). In connection with the Chemours Separation, the company and Chemours entered into a Separation Agreement (as amended, the "Chemours Separation Agreement"). Pursuant to the Chemours Separation Agreement discussed in Note 4 to the Consolidated Financial Statements, the company is indemnified by Chemours against certain litigation, environmental, workers' compensation, and other liabilities that arose prior to the separation. The term of this

indemnification is indefinite and includes defense costs and expenses, as well as monetary and non-monetary settlements and judgments. In connection with the recognition of liabilities related to these indemnified matters, the company records an indemnification asset when recovery is deemed probable. In assessing the probability of recovery, the company considers the contractual rights under the Chemours Separation Agreement and any potential credit risk. Future events, such as potential disputes related to recovery as well as the solvency of Chemours, could cause the indemnification assets to have a lower value than anticipated and recorded. The company evaluates the recovery of the indemnification assets recorded when events or changes in circumstances indicate the carrying values may not be fully recoverable.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Income Taxes

The breadth of the company's operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating taxes the company will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. The resolution of these uncertainties may result in adjustments to the company's tax assets and tax liabilities. It is reasonably possible that changes to the company's global unrecognized tax benefits could be significant; however, due to the uncertainty regarding the timing of completion of audits and possible outcomes, a current estimate of the range of increases or decreases that may occur within the next twelve months cannot be made.

Deferred income taxes result from differences between the financial and tax basis of the company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Significant judgment is required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. The realization of these assets is dependent on generating future taxable income, as well as successful implementation of various tax planning strategies. For example, changes in facts and circumstances that alter the probability that the company will realize deferred tax assets could result in recording a valuation allowance, thereby reducing the deferred tax asset and generating a deferred tax expense in the relevant period. In some situations, these changes could be material. See Note 9 to the Consolidated Financial Statements for additional information.

At December 31, 2018, the company had a net deferred tax liability balance of \$5.1 billion, net of a valuation allowance of \$1.1 billion. Realization of deferred tax assets is expected to occur over an extended period of time. As a result, changes in tax laws, assumptions with respect to future taxable income, and tax planning strategies could result in adjustments to deferred tax assets. See Note 9 to the Consolidated Financial Statements for additional details related to the deferred tax liability balance.

## Valuation of Assets and Impairment Considerations

The assets and liabilities of acquired businesses are measured at their estimated fair values at the dates of acquisition. The excess of the purchase price over the estimated fair value of the net assets acquired, including identified intangibles, is recorded as goodwill. The determination and allocation of fair value to the assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment, including estimates based on historical information, current market data and future expectations. The principal assumptions utilized in the company's valuation methodologies include revenue growth rates, operating margin estimates, royalty rates, and discount rates. Although the estimates are deemed reasonable by management based on information available at the dates of acquisition, those estimates are inherently uncertain.

Assessment of the potential impairment of goodwill, other intangible assets, property, plant and equipment, investments in nonconsolidated affiliates, and other assets is an integral part of the company's normal ongoing review of operations. Testing for potential impairment of these assets is significantly dependent on numerous assumptions and reflects management's best estimates at a particular point in time. The dynamic economic environments in which the company's diversified product lines operate, and key economic and product line assumptions with respect to projected selling prices, market growth and inflation rates, can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors and assumptions used in assessing potential impairments can have a significant impact on the existence and magnitude of impairments,

as well as the time in which such impairments are recognized. In addition, the company continually reviews its diverse portfolio of assets to ensure they are achieving their greatest potential and are aligned with the company's growth strategy. Strategic decisions involving a particular group of assets may trigger an assessment of the recoverability of the related assets. Such an assessment could result in impairment losses.

The company performs goodwill impairment testing at the reporting unit level which is defined as the operating segment or one level below the operating segment. One level below the operating segment, or component, is a business in which discrete financial information is available and regularly reviewed by segment management. The company aggregates certain components into reporting units based on economic similarities. Subsequent to the Merger, the company identified nine reporting units, of which eight have goodwill assigned. In connection with the Merger Transaction, the company adopted the policy of the parent company and performs its annual goodwill impairment test in the fourth quarter.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

For purposes of the annual goodwill impairment test, the company has the option to first perform qualitative testing to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Qualitative factors assessed at the company level include, but are not limited to, GDP growth rates, long-term commodity prices, equity and credit market activity, discount rates, foreign exchange rates, and overall financial performance. Qualitative factors assessed at the reporting unit level include, but are not limited to, changes in industry and market structure, competitive environments, planned capacity and new product launches, cost factors such as raw material prices, and financial performance of the reporting unit. If the company chooses not to complete a qualitative assessment for a given reporting unit or if the initial assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is required.

If additional quantitative testing is required, the reporting unit's fair value is compared with its carrying amount, and an impairment charge, if any, is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The company determined fair values for each of the reporting units using the income approach.

Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The company uses its internal forecasts to estimate future cash flows and includes an estimate of long-term future growth rates based on its most recent views of the long-term outlook for each reporting unit. Actual results may differ from those assumed in the company's forecasts. The company derives its discount rates using a capital asset pricing model and analyzing published rates for industries relevant to its reporting units to estimate the cost of equity financing. The company uses discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in its internally developed forecasts. Discount rates used in the company's reporting unit valuations ranged from 7.25% to 13.75%.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods. The company's assets and liabilities were measured at fair value as of the date of the Merger, and as a result, any declines in projected cash flows or increases in discount rates could have a material, negative impact on the fair value of the company's reporting units and assets and therefore result in an impairment.

During the third quarter of 2018, and in connection with strategic business reviews, the company assembled updated financial projections. The revised financial projections of the agriculture reporting unit assessed and quantified the impacts of developing market conditions, events and circumstances that have evolved throughout 2018, resulting in a reduction in the forecasts of sales and profitability as compared to prior forecasts. The reduction in financial projections was principally driven by lower growth in sales and margins in North America and Latin America and unfavorable currency impacts related to the Brazilian real. The lower growth expectation is driven by reduced planted area, an expected unfavorable shift to soybeans from corn in Latin America, and delays in expected product registrations. In addition, decreases in commodity prices and higher than anticipated industry grain inventories are expected to impact farmers' income and buying choices resulting in shifts to lower technologies and pricing pressure. The company considered the combination of these factors and the resulting reduction in its forecasted projections for the agriculture reporting unit and determined it was more likely than not that the fair value of the agriculture reporting unit was less than the carrying value, thus requiring the performance of an updated goodwill and intangible asset impairment analysis for the agriculture reporting unit as of September 30, 2018.



## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

The company performed an interim impairment analysis for the agriculture reporting unit using a discounted cash flow model (a form of the income approach), utilizing Level 3 unobservable inputs. The company's significant estimates in this analysis include, but are not limited to, future cash flow projections, Merger-related cost and growth synergies, the weighted average cost of capital, the terminal growth rate, and the tax rate. The company believes the current assumptions and estimates utilized are both reasonable and appropriate. The key assumption driving the change in fair value was the lower financial projections discussed above. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from the company's estimates. If the company's ongoing estimates of future cash flows are not met, the company may have to record additional impairment charges in future periods. The company's estimates of future cash flows are based on current regulatory and economic climates, recent operating results, and planned business strategy. These estimates could be negatively affected by changes in federal, state, or local regulations or economic downturns. Based on the analysis performed, the company determined that the carrying amount of the agriculture reporting unit exceeded its fair value resulting in a \$4.5 billion pre-tax (and after-tax) goodwill impairment charge. The company also performed an impairment test on indefinite-lived intangibles and determined that the fair value of certain IPR&D assets had declined as a result of delays in timing of commercialization and increases to expected R&D costs. This resulted in a pre-tax impairment charge of \$85 million (\$66 million after-tax). The assumptions and estimates used in determining the fair values of this reporting unit and its indefinite-lived intangibles contain uncertainties, and any changes to these assumptions and estimates could have a negative impact and result in a future impairment. For further information see Notes 6, 14 and 21 to the Consolidated Financial Statements.

In the fourth quarter of 2018, quantitative testing was performed on all of the company's reporting units. Based on the results of the step one testing, the estimated fair value of each of the reporting units exceeded their carrying values. Due to the fair value and carrying value of these reporting units being equal at the date of the Merger resulting in little, if any, margin of fair value in excess of carrying value, the company believes these reporting units are at risk to have impairment charges in future periods. The dynamic economic environments in which the company's diversified product lines operate, and key economic and product line assumptions with respect to projected selling prices, market growth and inflation rates, can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors, circumstances and assumptions used in assessing potential impairments can have a significant impact on the existence and magnitude of impairments, as well as the time in which such impairments are recognized.

The company's goodwill and indefinite-lived intangibles by reporting unit at December 31, 2018 is shown below (in millions):

| Reporting Unit                       | Indefinite-Lived |                   |
|--------------------------------------|------------------|-------------------|
|                                      | Goodwill         | Intangible Assets |
| Agriculture                          | \$ 8,849         | \$ 8,663          |
| Electronics and Imaging              | 4,056            | 495               |
| Safety and Construction              | 5,512            | 260               |
| Nutrition and Health                 | 8,742            | 1,424             |
| Transportation and Advanced Polymers | 6,366            | 310               |
| Packaging and Specialty Plastics     | 3,587            | —                 |
| Industrial Biosciences               | 3,113            | 399               |



|            |           |           |
|------------|-----------|-----------|
| Clean Tech | 461       | —         |
| Total      | \$ 40,686 | \$ 11,551 |

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## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Prepaid Royalties

The company's agriculture product line currently has certain third party biotechnology trait license agreements, which require up-front and variable payments subject to the licensor meeting certain conditions. These payments are reflected as other current assets and other assets and are amortized to cost of goods sold as seeds containing the respective trait technology are utilized over the life of the license. At December 31, 2018, the balance of prepaid royalties reflected in other current assets and other assets was \$239 million and \$1,139 million, respectively. The company evaluates the carrying value of the prepaid royalties when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverability of the prepaid royalties and the rate of royalty amortization expense recognized are based on the company's strategic plans which include various assumptions and estimates including product portfolio, market dynamics, farmer preferences, growth rates and projected planted acres. Changes in factors and assumptions included in the strategic plans, including potential changes to the product portfolio in favor of internally developed biotechnology, could impact the recoverability and/or rate of recognition of the relevant prepaid royalty.

## Off-Balance Sheet Arrangements

## Certain Guarantee Contracts

Information with respect to the company's guarantees is included in Note 16 to the Consolidated Financial Statements. Historically, the company has not had to make significant payments to satisfy guarantee obligations; however, the company believes it has the financial resources to satisfy these guarantees.

## Contractual Obligations

Information related to the company's significant contractual obligations is summarized in the following table:

| (Dollars in millions)   | Total at<br>December 31, 2019<br>2018 | Payments Due In |           |                       |          |
|---|---------------------------------------|-----------------|-----------|-----------------------|----------|
|   |                                       | 2020-2021       | 2022-2023 | 2024<br>and<br>beyond |          |
| Long-term debt and capital lease obligations <sup>1,2</sup>                     | \$ 6,033                              | \$ 295          | \$ 4,988  | \$ 409                | \$ 341   |
| Expected cumulative cash requirements<br>for interest payments through maturity | 532                                   | 189             | 117       | 40                    | 186      |
| Operating leases  | 655                                   | 242             | 218       | 110                   | 85       |
| Purchase obligations <sup>3</sup>   |                                       |                 |           |                       |          |
| Information technology infrastructure & services                                | 76                                    | 53              | 23        | —                     | —        |
| Raw material obligations  | 1,746                                 | 570             | 759       | 381                   | 36       |
| Utility obligations   | 79                                    | 34              | 22        | 14                    | 9        |
| Other   | 81                                    | 53              | 19        | 9                     | —        |
| Total purchase obligations  | 1,982                                 | 710             | 823       | 404                   | 45       |
| Other liabilities <sup>1,4</sup>  |                                       |                 |           |                       |          |
| Pension and other post employment benefits                                      | 7,032                                 | 429             | 751       | 1,662                 | 4,190    |
| Workers' compensation   | 70                                    | 10              | 25        | 13                    | 22       |
| Environmental remediation   | 381                                   | 142             | 121       | 71                    | 47       |
| License agreements <sup>5</sup>   | 911                                   | 220             | 336       | 262                   | 93       |
| Other <sup>6</sup>  | 276                                   | 88              | 53        | 37                    | 98       |
| Total other long-term liabilities   | 8,670                                 | 889             | 1,286     | 2,045                 | 4,450    |
| Total contractual obligations <sup>7</sup>                                      | \$ 17,872                             | \$ 2,325        | \$ 7,432  | \$ 3,008              | \$ 5,107 |

1. Included in the Consolidated Financial Statements.
2. Excludes unamortized debt step-up premium of \$78 million and unamortized debt fees of \$2 million.  
Represents enforceable and legally binding agreements in excess of \$1 million to purchase goods or services that
3. specify fixed or minimum quantities; fixed, minimum or variable price provisions; and the approximate timing of the agreement.  
The company's contractual obligations do not reflect an offset for recoveries associated with indemnifications by
4. Chemours in accordance with the Chemours Separation Agreement. Refer to Notes 4 and 16 to the Consolidated Financial Statements for additional detail related to the indemnifications.
5. Represents undiscounted remaining payments under Historical DuPont Pioneer license agreements (\$806 million on a discounted basis).
6. Primarily represents employee-related benefits other than pensions and other post employment benefits.  
Due to uncertainty regarding the completion of tax audits and possible outcomes, the timing of certain payments of
7. obligations related to unrecognized tax benefits cannot be made and have been excluded from the table above. See Note 9 to the Consolidated Financial Statements for additional detail.

The company expects to meet its contractual obligations through its normal sources of liquidity and believes it has the financial resources to satisfy the contractual obligations that arise in the ordinary course of business.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

Long-term Employee Benefits

The company has various obligations to its employees and retirees. The company maintains retirement-related programs in many countries that have a long-term impact on the company's earnings and cash flows. These plans are typically defined benefit pension plans, as well as medical, dental and life insurance benefits for pensioners and survivors and disability benefits for employees (other post employment benefits or "OPEB" plans). Approximately 80 percent of the company's worldwide benefit obligation for pensions and essentially all of the company's worldwide OPEB obligations are attributable to the U.S. benefit plans.

Pension coverage for employees of the company's non-U.S. consolidated subsidiaries is provided, to the extent deemed appropriate, through separate plans. The company regularly explores alternative solutions to meet its global pension obligations in the most cost effective manner possible as demographics, life expectancy and country-specific pension funding rules change. Where permitted by applicable law, the company reserves the right to change, modify or discontinue its plans that provide pension, medical, dental, life insurance and disability benefits.

Benefits under defined benefit pension plans are based primarily on years of service and employees' pay near retirement. In November 2016, the company announced changes to the U.S. pension and OPEB plans. The company froze the pay and service amounts used to calculate pension benefits for active employees who participate in the U.S. pension plans on November 30, 2018. Therefore, as of November 30, 2018, employees participating in the U.S. pension plans no longer accrue additional benefits for future service and eligible compensation received. In addition to the changes to the U.S. pension plans, OPEB eligible employees who will be under the age of 50 as of November 30, 2018 will not receive post-retirement medical, dental and life insurance benefits. As a result of these changes, the company recognized a pre-tax curtailment gain of \$382 million during the fourth quarter of 2016. The majority of employees hired in the U.S. on or after January 1, 2007 are not eligible to participate in the pension and post-retirement medical, dental and life insurance plans, but receive benefits in the defined contribution plans. In the fourth quarter 2016, about \$550 million of lump-sum payments were made from the principal U.S. pension plan trust fund to a group of separated, vested plan participants who were extended a limited-time opportunity and voluntarily elected to receive their pension benefits in a single lump-sum payment. In the fourth quarter of 2017, about \$140 million of lump-sum payments were made from the principal U.S. pension plan trust fund under a similar program.

Pension benefits are paid primarily from trust funds established to comply with applicable laws and regulations of the sovereign country in which the pension plan operates. Unless required by law, the company does not make contributions that are in excess of tax deductible limits. The actuarial assumptions and procedures utilized are reviewed periodically by the plans' actuaries to provide reasonable assurance that there will be adequate funds for the payment of benefits. Thus, there is not necessarily a direct correlation between pension funding and pension expense. In general, however, improvements in plans' funded status tends to moderate subsequent funding needs.

The company contributed \$2,900 million and \$1,100 million to the principal U.S. pension plan for the period January 1, 2017 through August 31, 2017, and the year ended December 31, 2018, respectively.

The company contributed \$103 million, \$34 million, \$67 million and \$121 million to its funded pension plans other than the principal U.S. pension plan for the year ended December 31, 2018, for the period September 1 through December 31, 2017, for the period January 1 through August 31, 2017, and for the year ended December 31, 2016, respectively.

U.S. pension benefits that exceed federal limitations are covered by separate unfunded plans and these benefits are paid to pensioners and survivors from operating cash flows. The company's remaining pension plans with no plan assets are paid from operating cash flows. The company made benefit payments of \$105 million, \$34 million, \$57 million and \$184 million to its unfunded plans for the year ended December 31, 2018, for the period September 1 through December 31, 2017, for the period January 1 through August 31, 2017, and for the year ended December 31, 2016, respectively.

The company's OPEB plans are unfunded and the cost of the approved claims is paid from operating cash flows. Pre-tax cash requirements to cover actual net claims costs and related administrative expenses were \$216 million, \$59 million, \$166 million, and \$218 million for the year ended December 31, 2018, for the period September 1 through December 31, 2017, for the period January 1 through August 31, 2017, and for the year ended December 31, 2016, respectively. Changes in cash requirements reflect the net impact of higher per capita health care costs, demographic changes, plan amendments and changes in participant premiums, co-pays and deductibles.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

In 2019, the company expects to contribute approximately \$190 million to its funded pension plans other than the principal U.S. pension plan and its remaining plans with no plan assets, and about \$240 million for its OPEB plans. The company does not expect to make contributions to the principal U.S. pension plan in 2019. The amount and timing of actual future contributions will depend on applicable funding requirements, discount rates, investment performance, plan design, and various other factors, including the Internal Reorganization, separations and distributions.

The company's income can be significantly affected by pension and defined contribution charges/(benefits) as well as OPEB costs. The following table summarizes the extent to which the company's income for the year ended December 31, 2018, for the period September 1 through December 31, 2017, for the period January 1 through August 31, 2017, and for the year ended December 31, 2016 was affected by pre-tax charges related to long-term employee benefits:

| (Dollars in millions) | Successor<br>For<br>the<br>Year<br>Ended<br>December<br>31,<br>2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | Predecessor<br>For<br>the<br>Period<br>January<br>1 Ended<br>through<br>August<br>31,<br>2017 |
|-----------------------|---|---|---|
|-----------------------|---|---|---|

Long-term employee benefit plan charges (benefit) <sup>1</sup> \$ 6 \$ (12 ) \$ 538 \$ 442

The long-term employee benefit plan charges (benefit) include discontinued operations of \$2 million, \$8 million and 1. \$6 million for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017 and for the year ended December 31, 2016, respectively.

The above charges (benefit) for pension and OPEB are determined as of the beginning of each period. Activities for the period ended December 31, 2018 and for the period September 1 through December 31, 2017 benefited from the absence of the amortization of net losses from AOCL. Long-term employee benefit expense in 2016 include a \$382 million curtailment gain as a result of changes made to the U.S. Pension and OPEB benefits in 2016 described above. See "Pension Plans and Other Post Employment Benefits" under the Critical Accounting Estimates section beginning on page 33 of this report for additional information on determining annual expense.

For 2019, long term employee benefit expense from continuing operations is expected to increase by about \$30 million. The increase is mainly due to lower expected return on plan assets.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Environmental Matters

The company operates global manufacturing, product handling and distribution facilities that are subject to a broad array of environmental laws and regulations. Such rules are subject to change by the implementing governmental agency, and the company monitors these changes closely. Company policy requires that all operations fully meet or exceed legal and regulatory requirements. In addition, the company implements voluntary programs to reduce air emissions, minimize the generation of hazardous waste, decrease the volume of water use and discharges, increase the efficiency of energy use and reduce the generation of persistent, bioaccumulative and toxic materials. Management has noted a global upward trend in the amount and complexity of proposed chemicals regulation. The costs to comply with complex environmental laws and regulations, as well as internal voluntary programs and goals, are significant and will continue to be significant for the foreseeable future.

Pre-tax environmental expenses charged to income from continuing operations are summarized below:

| (Dollars in millions)           | Successor                            |  | Predecessor                                      |                                      |
|---------------------------------|--------------------------------------|--|--|--------------------------------------|
|                                 | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Environmental operating costs   | \$ 240                               | \$ 85  | \$ 205   | \$ 335                               |
| Environmental remediation costs | 58                                   | 8  | 65   | 62                                   |
|                                 | \$ 298                               | \$ 93  | \$ 270   | \$ 397                               |

About 66 percent of total pre-tax environmental expenses charged to income from continuing operations for the year ended December 31, 2018 resulted from operations in the U.S. Based on existing facts and circumstances, management does not believe that year-over-year changes, if any, in environmental expenses charged to current operations will have a material impact on the company's financial position, liquidity or results of operations. Annual expenditures in the near term are not expected to vary significantly from the range of such expenditures experienced in the past few years. Longer term, expenditures are subject to considerable uncertainty and may fluctuate significantly.

## Environmental Operating Costs

As a result of its operations, the company incurs costs for pollution abatement activities including waste collection and disposal, installation and maintenance of air pollution controls and wastewater treatment, emissions testing and monitoring, and obtaining permits. The company also incurs costs related to environmental related research and development activities including environmental field and treatment studies as well as toxicity and degradation testing to evaluate the environmental impact of products and raw materials.

## Part II

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

## Remediation Accrual

Changes in the remediation accrual balance are summarized below:

(Dollars in millions)

|  |       |
|--|-------|
| Balance at December 31, 2016 (Predecessor)       | \$457 |
| Remediation payments                             | (53 ) |
| Net increase in remediation accrual <sup>1</sup> | 65    |
| Net change, indemnification <sup>2</sup>         | 14    |
| Balance at August 31, 2017                       | \$483 |
| Balance at September 1, 2017 (Successor)         | 483   |
| Remediation payments                             | (40 ) |
| Net increase in remediation accrual <sup>1</sup> | 8     |
| Net change, indemnification <sup>2</sup>         | (18 ) |
| Balance at December 31, 2017                     | \$433 |
| Remediation payments                             | (61 ) |
| Net increase in remediation accrual <sup>1</sup> | 58    |
| Net change, indemnification <sup>2</sup>         | (49 ) |
| Balance at December 31, 2018                     | \$381 |

1. Excludes indemnified remediation obligations.

Represents the net change in indemnified remediation obligations based on activity as well as the removal from Historical DuPont's accrued remediation liabilities of obligations that have been fully transferred to Chemours.

2. Pursuant to the Chemours Separation Agreement, as discussed below and in Note 4 to the Consolidated Financial Statements, Historical DuPont is indemnified by Chemours for certain environmental matters.

Considerable uncertainty exists with respect to environmental remediation costs, and, under adverse changes in circumstances, the potential liability may range up to \$750 million above the amount accrued as of December 31, 2018. However, based on existing facts and circumstances, management does not believe that any loss, in excess of amounts accrued, related to remediation activities at any individual site will have a material impact on the financial position, liquidity or results of operations of the company.

Pursuant to the Chemours Separation Agreement discussed in Note 4 to the Consolidated Financial Statements, the company is indemnified by Chemours for certain environmental matters, included in the liability of \$381 million, that have an estimated liability of \$193 million at December 31, 2018 and a potential exposure that ranges up to approximately \$310 million above the amount accrued. As such, the company has recorded an indemnification asset of \$193 million corresponding to the company's accrual balance related to these matters at December 31, 2018.

As of December 31, 2018, the company has been notified of potential liability under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") or similar state laws at about 500 sites around the U.S., including approximately 100 sites for which Historical DuPont does not believe it has liability based on current information. Active remediation is under way at 69 of the 500 sites. In addition, the company has resolved its liability at approximately 200 sites, either by completing remedial actions with other PRPs or by participating in "de minimis buyouts" with other PRPs whose waste, like the company's, represented only a small fraction of the total waste present at a site. The company received notice of potential liability at 2 new sites during 2018 compared with 3 notices in 2017 and 1 in 2016.



Environmental Capital Expenditures

Capital expenditures for environmental projects, either required by law or necessary to meet the company's internal environmental goals, were \$29 million for the year ended December 31, 2018. The company currently estimates expenditures for environmental-related capital projects to be approximately \$55 million in 2019.

Part II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, continued

Climate Change

The company believes that climate change is an important global issue that presents risks and opportunities. For instance, the company continuously evaluates opportunities for existing and new product and service offerings to meet the anticipated demands of a low-carbon economy. The company also manages and reports its operational resource efficiency. Expanding upon significant greenhouse gas ("GHG") emissions and other environmental footprint reductions made in the period 1990-2010, in 2015, the company announced its 2020 Sustainability Goals, including a goal to achieve a 7 percent reduction in GHG emissions intensity (2015 baseline) and a 10 percent improvement in energy intensity (2010 baseline). While the company's 2017 GHG intensity held relatively flat with its 2015 goal baseline, the company has achieved a 12.7 percent reduction in GHG intensity since 2010. In addition, the company has achieved a 14.9 percent improvement in non-renewable energy intensity since 2010.

The company is actively engaged in efforts to develop constructive public policies to reduce GHG emissions and encourage lower-carbon forms of energy. Such policies may bring higher operating costs as well as greater revenue and margin opportunities. Legislative efforts to control or limit GHG emissions could affect the company's energy source and supply choices as well as increase the cost of energy and raw materials derived from fossil fuels. Such efforts are also anticipated to provide the business community with greater certainty for the regulatory future, help guide investment decisions, and drive growth in demand for low-carbon and energy-efficient products, technologies, and services. Similarly, demand is expected to grow for products that facilitate adaptation to a changing climate. However, the current unsettled policy environment in the U.S., where many company facilities are located, adds an element of uncertainty to business decisions, particularly those relating to long-term capital investments.

In addition, significant differences in regional or national approaches could present challenges in a global marketplace. An effective global climate policy framework will help drive the market changes that are needed to stimulate and efficiently deploy new innovations in science and technology, while maintaining open and competitive global markets.

## Part II

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company's global operations are exposed to financial market risks relating to fluctuations in foreign currency exchange rates, commodity prices, and interest rates. The company has established a variety of programs including the use of derivative instruments and other financial instruments to manage the exposure to financial market risks as to minimize volatility of financial results. In the ordinary course of business, the company enters into derivative instruments to hedge its exposure to foreign currency, interest rate and commodity price risks under established procedures and controls. For additional information on these derivatives and related exposures, see Note 20 to the Consolidated Financial Statements. Decisions regarding whether or not to hedge a given commitment are made on a case-by-case basis, taking into consideration the amount and duration of the exposure, market volatility and economic trends. Foreign currency exchange contracts are also used, from time to time, to manage near-term foreign currency cash requirements.

## Foreign Currency Exchange Rate Risks

The company has significant international operations resulting in a large number of currency transactions that result from international sales, purchases, investments and borrowings. The primary currencies for which the company has an exchange rate exposure are the European euro ("EUR"), Chinese yuan, Brazilian real, and Japanese yen. The company uses forward exchange contracts to offset its net exposures, by currency, related to the foreign currency denominated monetary assets and liabilities of its operations. In addition to the contracts disclosed in Note 20 to the Consolidated Financial Statements, from time to time, the company will enter into foreign currency exchange contracts to establish with certainty the U.S. dollar ("USD") amount of future firm commitments denominated in a foreign currency.

The following table illustrates the fair values of outstanding foreign currency contracts at December 31, 2018 and 2017, and the effect on fair values of a hypothetical adverse change in the foreign exchange rates that existed at December 31, 2018 and 2017. The sensitivities for foreign currency contracts are based on a 10 percent adverse change in foreign exchange rates.

| (Dollars in millions)      | Fair Value        |             | Fair Value |         |
|----------------------------|-------------------|-------------|------------|---------|
|                            | Asset/(Liability) | Sensitivity | 2018       | 2017    |
| Foreign currency contracts | \$ 51             | \$ (33 )    | \$(402)    | \$(863) |

Since the company's risk management programs are highly effective, the potential loss in value for each risk management portfolio described above would be largely offset by changes in the value of the underlying exposure.

## Concentration of Credit Risk

The company maintains cash and cash equivalents, marketable securities, derivatives and certain other financial instruments with various financial institutions. These financial institutions are generally highly rated and geographically dispersed and the company has a policy to limit the dollar amount of credit exposure with any one institution.

As part of the company's financial risk management processes, it continuously evaluates the relative credit standing of all of the financial institutions that service Historical DuPont and monitors actual exposures versus established limits. The company has not sustained credit losses from instruments held at financial institutions.

The company's sales are not materially dependent on any single customer. As of December 31, 2018, no one individual customer balance represented more than five percent of the company's total outstanding receivables

balance. Credit risk associated with its receivables balance is representative of the geographic, industry and customer diversity associated with the company's global product lines.

The company also maintains strong credit controls in evaluating and granting customer credit. As a result, it may require that customers provide some type of financial guarantee in certain circumstances. Length of terms for customer credit varies by industry and region.

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Part II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item are included herein, commencing on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The company maintains a system of disclosure controls and procedures to give reasonable assurance that information required to be disclosed in the company's reports filed or submitted under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of December 31, 2018, the company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), together with management, conducted an evaluation of the effectiveness of the company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures are effective.

There has been no change in the company's internal control over financial reporting that occurred during the fourth quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting. The company has completed its evaluation of its internal controls and has concluded that the company's system of internal controls over financial reporting was effective as of December 31, 2018 (see page F-2).

ITEM 9B. OTHER INFORMATION

In anticipation of and to facilitate the Intended Business Separations and the separations, Historical DuPont is planning for the internal separation of the three businesses, both domestically and internationally, through a series of transactions that are intended to be tax-efficient from both a United States and foreign perspective (collectively, the "Historical DuPont Internal Separations"). See Note 1 to the interim Consolidated Financial Statements for more information regarding the merger and the Intended Business Separations. The Historical DuPont Internal Separations are currently expected to consist of two phases: (i) a series of internal transactions undertaken by Historical DuPont to separate the businesses underneath Historical DuPont including multiple distributions intended to qualify as tax-free spinoffs for United States tax purposes under Section 355 of the Internal Revenue Code, followed by (ii) internal distributions by Historical DuPont, as a subsidiary of DowDuPont, to DowDuPont of entities owning collectively the businesses to be owned by the two intended independent companies as opposed to Historical DuPont, which distributions are intended to qualify as tax-free spinoffs for United States tax purposes under Section 355 of the Internal Revenue Code. As part of the Historical DuPont Internal Separations, through transactions that include distributions intended to qualify as tax-free spinoffs for United States tax purposes under Section 355 of the Internal Revenue Code, Historical DuPont also currently expects to separate more fully the internal legal structure of specialty products into electronics and imaging, industrial biosciences, nutrition and health, safety and construction, and transportation and advanced polymers so that each is owned by a separate intermediate corporation owned, in turn, by DowDuPont.

The Historical DuPont Internal Separations are expected to occur in the United States and in (or involving entities domiciled in) various jurisdictions, including (but not limited to) Australia, Brazil, Canada, China, Colombia, France, Hong Kong, India, Japan, Korea, Luxembourg, Mexico, Netherlands, Russia, Singapore, Spain, Switzerland, Taiwan, Thailand, and Turkey. Following the completion of the Historical DuPont Internal Separations, Historical DuPont expects that DowDuPont will effectuate the Intended Business Separations, pending DowDuPont Board approval, by means of distributions to its public shareholders of the capital stock of two entities each owning businesses currently owned by Historical DuPont, in distributions intended to qualify as tax-free spinoffs for United States tax purposes under Section 355 of the Internal Revenue Code.

The Historical DuPont subsidiaries, or their successors, that are anticipated to be distributing corporations in the Historical DuPont Internal Separations (each in one or more tax-free spinoffs for United States tax purposes under Section 355 of the Internal Revenue Code) include the following: New Asia Holdco B.V.; DuPont China Holding Company Limited; DuPont China, Ltd.; SP International Holding 4 BV; DuPont de Nemours (France) S.A.S.; E. I. DuPont India Private Limited; DuPont Kabushiki Kaisha; DuPont Specialty Products KK; DuPont - Toray Company, Ltd; Du Pont Company (Singapore) Pte Ltd; DuPont Taiwan Ltd; DuPont International BV; DuPont Textiles & Interiors Delaware, Ltd; DuPont (Thailand) Co, Ltd; DuPont do Brasil S.A.; DuPont Holdco Spain III SL; DuPont de Colombia, S.A ; DuPont Mexicana, S de RL de CV; DuPont Corporaciones S de RL de CV; DuPont Latin America, Inc; DuPont Science and Technologies LLC; DuPont Asturias, S.L.; DuPont de Nemours International S.a.r.l; DuPont Technology (Luxembourg) S.a.r.l; DPC (Luxembourg) S.a.r.l; DuPont Contern (Luxembourg) S.a.r.l; DuPont Acquisition (Luxembourg) S.a.r.l; DuPont Holding Netherlands BV; DuPont C.H. (f/k/a DuPont Korea Y.H.); SP Korea, LLC; DuPont Operations Inc; E&C EMEA Holding 2 BV; E&C International Holding; E&C EMEA Holding BV; SP EMEA Holding 8 BV; DuPont Chemical and Energy Operations, Inc; Danisco Holding USA Inc; E. I. du Pont de Nemours and Company; PM Diamond, Inc; 1811324 Ontario Limited, Hickory Holdings, Inc.; DuPont Asia Pacific, Inc., and Pioneer Hi-Bred International, Inc.

Part III

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The Registrant meets the conditions set forth in General Instruction I(1)(a), (b) and (d) of Form 10-K (as modified by a grant of no-action relief dated February 12, 2018) and is therefore filing this form with the reduced disclosure format and has omitted the information called for by this Item pursuant to General Instruction I(2)(c) of Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The Registrant meets the conditions set forth in General Instruction I(1)(a), (b) and (d) of Form 10-K (as modified by a grant of no-action relief dated February 12, 2018) and is therefore filing this form with the reduced disclosure format and has omitted the information called for by this Item pursuant to General Instruction I(2)(c) of Form 10-K.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The Registrant meets the conditions set forth in General Instruction I(1)(a), (b) and (d) of Form 10-K (as modified by a grant of no-action relief dated February 12, 2018) and is therefore filing this form with the reduced disclosure format and has omitted the information called for by this Item pursuant to General Instruction I(2)(c) of Form 10-K.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The Registrant meets the conditions set forth in General Instruction I(1)(a), (b) and (d) of Form 10-K (as modified by a grant of no-action relief dated February 12, 2018) and is therefore filing this form with the reduced disclosure format and has omitted the information called for by this Item pursuant to General Instruction I(2)(c) of Form 10-K.



## Part III

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

## Independent Public Accountants

PricewaterhouseCoopers LLP ("PwC"), an independent registered public accounting firm, has served as the company's independent accountants continuously since 1954. PwC has issued its reports, included in the company's Form 10-K, on the audited consolidated financial statements of the company and internal control over financial reporting for the year ended December 31, 2018.

To assure that the audit and non-audit services performed by the independent registered public accounting firm do not impair its independence in appearance and/or fact, the Audit Committee (the "committee") established policies and procedures requiring its pre-approval of all such services and associated fees. These policies and procedures required the independent registered public accounting firm to submit a report annually regarding the audit, audit-related, tax and other services it expects to render in the following year and the associated, forecasted fees to the committee for its approval. Audit services include the audit of the company's Consolidated Financial Statements, separate audits of its subsidiaries, services associated with regulatory filings and attestation services regarding the effectiveness of the company's internal controls over financial reporting. Audit-related services are assurance services that are reasonably related to the audit of the company's Consolidated Financial Statements or services traditionally provided by the independent registered public accounting firm. Audit-related services include employee benefit plan audits, audits of carve-out financial statements related to divestitures, due diligence services regarding potential acquisitions or dispositions, including tax-related due diligence, and agreed-upon or expanded audit procedures related to regulatory requirements. Tax services include selected non-U.S. tax compliance services, advice and recommendation with respect to issues such as tax audits and appeals, restructurings, mergers and acquisitions, and assistance regarding appropriate handling of items on the returns, required disclosures, elections and filing positions available to the company. Other services include non-financial attestation, assessment and advisory services.

In accordance with its pre-approval policies and procedures, the committee pre-approved all services rendered by and associated fees paid to PwC, including services related to the Merger Transaction and Intended Business Separations, for calendar years 2018 and 2017. These are shown by category in the following table.

|                                 |        |        |
|---------------------------------|--------|--------|
| (in millions)                   | 2018   | 2017   |
| Audit Fees <sup>1</sup>         | \$21.1 | \$26.6 |
| Audit-Related Fees <sup>2</sup> | 11.4   | 26.2   |
| Tax Fees                        | 0.1    | —      |
| All Other Fees                  | 0.7    | 0.1    |
| Total                           | \$33.3 | \$52.9 |

Audit Fees paid to PwC in 2018 decreased versus prior year primarily due to services related to (i) two audits being 1. required in 2017 (Predecessor and Successor), and (ii) the Merger Transaction, including purchase accounting and other merger-related technical issues.

2. Audit-Related Fees paid to PwC in 2018 and 2017 primarily relate to the Intended Business Separations.

## Part IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

## (a) Financial Statements, Financial Statement Schedules and Exhibits:

1. Financial Statements (See the Index to the Consolidated Financial Statements on page F-1 of this report).

2. Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts

(Dollars in millions)

|  | Successor |           | Predecessor |          |
|--|-----------|-----------|-------------|----------|
|  | For the   | For the   | For the     | For the  |
|  | Year      | Period    | Period      | Year     |
|  | Ended     | September | January     | Ended    |
|  | December  | through   | through     | December |
|  | 31,       | December  | August      | 31, 2016 |
|  | 2018      | 31, 2017  | 31,         |          |
|  |           |           | 2017        |          |
| Accounts Receivable—Allowance for Doubtful Receivables |           |           |             |          |
| Balance at beginning of period                         | \$10      | \$ —      | \$287       | \$ 225   |
| Additions charged to expenses                          | 91        | 10        | 51          | 119      |
| Deductions from reserves <sup>1</sup>                  | (16)      | )—        | (33)        | )(57)    |
| Balance at end of period                               | \$85      | \$ 10     | \$305       | \$ 287   |
| Inventory—Obsolescence Reserve                         |           |           |             |          |
| Balance at beginning of period                         | \$55      | \$ —      | \$214       | \$ 237   |
| Additions charged to expenses                          | 406       | 89        | 241         | 275      |
| Deductions from reserves <sup>2</sup>                  | (283)     | )(34)     | )(181)      | )(298)   |
| Balance at end of period                               | \$178     | \$ 55     | \$274       | \$ 214   |
| Deferred Tax Assets—Valuation Allowance                |           |           |             |          |
| Balance at beginning of period                         | \$1,140   | \$ 1,160  | \$1,145     | \$ 1,529 |
| Additions charged to expenses                          | 190       | 34        | 95          | 6        |
| Deductions from reserves <sup>4</sup>                  | (243)     | )(54)     | )(20)       | )(390)   |
| Balance at end of period                               | \$1,087   | \$ 1,140  | \$1,220     | \$ 1,145 |

1. Deductions include write-offs, recoveries and currency translation adjustments.

2. Deductions include disposals and currency translation adjustments.

3. The company has corrected its valuation allowance (with a corresponding reduction in tax loss and credit carryforwards) in the amount of \$238 million, \$163 million, and \$163 million for the period September 1 through December 31, 2017, the period January 1 through August 31, 2017, and the year ended December 31, 2016, respectively, as a result of a change in the Delaware state apportionment methodology.

4. Deductions include currency translation adjustments.

Financial Statement Schedules listed under the Securities and Exchange Commission ("SEC") rules but not included in this report are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto incorporated by reference.

## Part IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES, continued

## 3. Exhibits

The following list of exhibits includes both exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings:

| Exhibit<br>Number | Description  |
|-------------------|--|
| <u>3.1</u>        | Company's Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the company's Current Report on Form 8-K (Commission file number 1-815) dated September 1, 2017).   |
| <u>3.2</u>        | Company's Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the company's Current Report on Form 8-K (Commission file number 1-815) for the period ended September 1, 2017).  |
| 4                 | The Company agrees to provide the Commission, on request, copies of instruments defining the rights of holders of long-term debt of the company and its subsidiaries.  |
| <u>10.1**</u>     | Separation Agreement by and between the Company and The Chemours Company (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K (Commission file number 1-815) dated July 8, 2015).   |
| <u>10.2</u>       | Amendment No. 1 to Separation Agreement by and between the Company and The Chemours Company, dated August 24, 2017 (incorporated by reference to Exhibit 2.1 to the company's Current Report on Form 8-K (Commission file number 1-815) dated August 25, 2017).  |
| <u>10.3</u>       | Tax Matters Agreement by and between the Company and The Chemours Company (incorporated by reference to Exhibit 2.2 to the company's Current Report on Form 8-K (Commission file number 1-815) dated July 8, 2015).  |
| <u>10.6</u>       | Agreement and Plan of Merger by and between the Company and The Dow Chemical Company, dated as of December 11, 2015 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission file number 1-815) dated December 11, 2015).   |
| <u>10.7</u>       | Amendment No. 1, dated March 31, 2017, to the Agreement and Plan of Merger, dated as of December 11, 2015 by and among the Company, The Dow Chemical Company, Diamond Merger Sub, Inc., Orion Merger Sub, Inc. and Diamond-Orion HoldCo, Inc. (n/k/a DowDuPont Inc.) (incorporated by reference to Exhibit 2.1 to the Company's current report on Form 8-K (Commission file number 1-815) dated March 31, 2017). |
| <u>10.8**</u>     | Transaction Agreement, dated as of March 31, 2017, by and between the Company and FMC Corporation (incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended March 31, 2017).  |
| <u>10.9**</u>     | Purchase Price Allocation Side Letter Agreement, dated as of May 12, 2017, by and between the Company and FMC Corporation (incorporated by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2017).   |
| <u>10.10</u>      |  |

Employment Agreement by and between the Company and Edward D. Breen, dated as of August 31, 2017, (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission file number 1-815) dated September 1, 2017).

10.11\* The E. I. du Pont de Nemours and Company Equity Incentive Plan, incorporated by reference to Exhibit 4.1 to DowDuPont Inc. Registration Statement on Form S-8 filed September 1, 2017.

10.12\* The E. I. du Pont de Nemours and Company Stock Performance Plan, incorporated by reference to Exhibit 4.2 to DowDuPont Inc. Registration Statement on Form S-8 filed September 1, 2017.

10.13\* The E. I. du Pont de Nemours and Company Management Deferred Compensation Plan, incorporated by reference to Exhibit 4.3 to DowDuPont Inc. Registration Statement on Form S-8 filed September 1, 2017.

10.14\* The E. I. du Pont de Nemours and Company Stock Accumulation and Deferred Compensation Plan for Directors, incorporated by reference to Exhibit 4.4 to DowDuPont Inc. Registration Statement on Form S-8 filed September 1, 2017.

10.15\* Historical DuPont's Pension Restoration Plan, as last amended effective June 29, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2015).

10.16\* Historical DuPont's Supplemental Retirement Income Plan, as last amended effective December 18, 1996 (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K (Commission file number 1-815) for the year ended December 31, 2011).

Part IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES, continued

- 10.17\* Historical DuPont's Rules for Lump Sum Payments, as last amended effective May 15, 2014 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2015).
- 10.18\* Historical DuPont's Retirement Savings Restoration Plan, as last amended effective May 15, 2014. (incorporated by reference to Exhibit 10.08 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended June 30, 2014).
- 10.19\* Historical DuPont's Retirement Income Plan for Directors, as last amended January 2011 (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-815) for the period ended March 31, 2012).
- 10.20\*\* Historical DuPont's Senior Executive Severance Plan, as amended and restated effective December 10, 2015 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K (Commission file number 1-815) for the year ended December 31, 2015).
- 21 Subsidiaries of the Registrant.
- 23 Consent of Independent Registered Public Accounting Firm.
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of the company's Principal Financial Officer.
- 32.1 Section 1350 Certification of the company's Principal Executive Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
- 32.2 Section 1350 Certification of the company's Principal Financial Officer. The information contained in this Exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement filed by the registrant under the Securities Act of 1933, as amended.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- \* Management contract or compensatory plan or arrangement.
- \*\* Historical DuPont hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit to such agreement to the U.S. Securities and Exchange Commission upon request.



Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 11, 2019

E. I. DU PONT DE NEMOURS AND COMPANY

By: /s/ Gregory R. Friedman

Gregory R. Friedman

Vice President and Chief Financial Officer

(As Duly Authorized Officer and Principal Financial Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated:

| Signature      | Title(s)  | Date              |
|----------------|---|-------------------|
| /s/ E.D. Breen | Chair of the Board of Directors and<br>Chief Executive Officer and Director | February 11, 2019 |
| E. D. Breen    | (Principal Executive Officer)   |                   |

|                      |          |                   |
|----------------------|----------|-------------------|
| /s/ N. C. Fanandakis | Director | February 11, 2019 |
| N. C. Fanandakis     |          |                   |

E. I. du Pont de Nemours and Company  
 Index to the Consolidated Financial Statements

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| <u>Consolidated Statements of Operations for the year ended December 31, 2018, the period September 1 through December 31, 2017, the period January 1 through August 31, 2017, and the year ended December 31, 2016</u>                  | <u>F-6</u>  |
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## Management's Reports on Responsibility for Financial Statements and Internal Control over Financial Reporting

### Management's Report on Responsibility for Financial Statements

Management is responsible for the Consolidated Financial Statements and the other financial information contained in this Annual Report on Form 10-K. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and are considered by management to present fairly the company's financial position, results of operations and cash flows. The financial statements include some amounts that are based on management's best estimates and judgments. The financial statements have been audited by the company's independent registered public accounting firm, PricewaterhouseCoopers LLP. The purpose of their audit is to express an opinion as to whether the Consolidated Financial Statements included in this Annual Report on Form 10-K present fairly, in all material respects, the company's financial position, results of operations and cash flows in conformity with GAAP. Their reports are presented on the following pages.

### Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The company's internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
  - provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and
- ii.
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the company's assets that could have a material effect on the financial statements.

Internal control over financial reporting has certain inherent limitations which may not prevent or detect misstatements. In addition, changes in conditions and business practices may cause variation in the effectiveness of internal controls.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2018, based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on its assessment and those criteria, management concluded that the company maintained effective internal control over financial reporting as of December 31, 2018. PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of the company's internal control over financial reporting as of December 31, 2018, as stated in their report, which is presented on the following pages.

|                         |                         |
|-------------------------|-------------------------|
| Edward D. Breen         | Gregory R. Friedman     |
| Chair of the Board and  | Vice President and      |
| Chief Executive Officer | Chief Financial Officer |
| February 11, 2019       |                         |

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of  
E. I. du Pont de Nemours and Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of E. I. du Pont de Nemours and Company and its subsidiaries (Successor) (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive (loss) income, equity and cash flows for the year ended December 31, 2018 and for the period September 1, 2017 through December 31, 2017, including the related notes and financial statement schedule appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the year ended December 31, 2018 and for the period September 1, 2017 through December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating

the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

#### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 11, 2019

We have served as the Company's auditor since 1954.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of  
E. I. du Pont de Nemours and Company

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive income, equity and cash flows of E. I. du Pont de Nemours and Company and its subsidiaries (Predecessor) (the “Company”) for the period January 1, 2017 through August 31, 2017, and for the year ended December 31, 2016, including the related notes and financial statement schedule appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the period January 1, 2017 through August 31, 2017, and for the year ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania

February 15, 2018, except for the change in the manner in which the Company accounts for net periodic pension and postretirement benefit costs discussed in Note 2 to the consolidated financial statements, as to which the date is February 11, 2019

We have served as the Company's auditor since 1954.

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E. I. du Pont de Nemours and Company  
 Consolidated Financial Statements  
 CONSOLIDATED STATEMENTS OF OPERATIONS

|   | Successor  |   | Predecessor  |  |
|---|--|---|--|--|
|   | For the<br>Year<br>Ended<br>December<br>31, 2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | For the<br>Period<br>January<br>1<br>through<br>August<br>31, 2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
| (In millions, except per share amounts)                                 |  |   |  |  |
| Net sales   | \$26,279   | \$ 7,053  | \$17,281   | \$ 23,209  |
| Cost of goods sold  | 18,182   | 6,240   | 10,052   | 13,937   |
| Other operating charges   |  |   | 504  | 667  |
| Research and development expense  | 1,524  | 492   | 1,022  | 1,496  |
| Selling, general and administrative expenses                            | 3,853  | 1,141   | 3,222  | 4,127  |
| Amortization of intangibles   | 1,281  | 389   |  |  |
| Restructuring and asset related charges - net                           | 485  | 180   | 323  | 556  |
| Integration and separation costs  | 1,375  | 314   |  |  |
| Goodwill impairment charge  | 4,503  | —   | —  | —  |
| Sundry income (expense) - net   | 543  | 224   | (113)  | )667   |
| Loss on early extinguishment of debt                                    | 81   | —   | —  | —  |
| Interest expense  | 331  | 107   | 254  | 370  |
| (Loss) income from continuing operations before income taxes            | (4,793)  | )(1,586   | ) 1,791  | 2,723  |
| Provision for (benefit from) income taxes on continuing operations      | 220  | (2,673  | ) 149  | 641  |
| (Loss) income from continuing operations after income taxes             | (5,013)  | )1,087  | 1,642  | 2,082  |
| (Loss) income from discontinued operations after income taxes           | (5   | )(77  | ) 119  | 443  |
| Net (loss) income   | (5,018)  | )1,010  | 1,761  | 2,525  |
| Net income attributable to noncontrolling interests                     | 11   | —   | 20   | 12   |
| Net (loss) income attributable to Historical DuPont                     | \$(5,029)  | )\$ 1,010   | \$1,741  | \$ 2,513   |
| Basic earnings per share of common stock:                               |  |   |  |  |
| Basic earnings per share of common stock from continuing operations     |  |   | \$1.86   | \$ 2.36  |
| Basic earnings per share of common stock from discontinued operations   |  |   | 0.13   | 0.51   |
| Basic earnings per share of common stock                                |  |   | \$2.00   | \$ 2.87  |
| Diluted earnings per share of common stock:                             |  |   |  |  |
| Diluted earnings per share of common stock from continuing operations   |  |   | \$1.85   | \$ 2.35  |
| Diluted earnings per share of common stock from discontinued operations |  |   | 0.13   | 0.50   |
| Diluted earnings per share of common stock                              |  |   | \$1.99   | \$ 2.85  |

See Notes to the Consolidated Financial Statements beginning on page F-13.

E. I. du Pont de Nemours and Company  
Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

| (In millions)  | Successor  |   | Predecessor  |  |
|--|--|---|--|--|
|  | For the<br>Year<br>Ended<br>December<br>31, 2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | For the<br>Period<br>January<br>1 through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
| Net (loss) income  | \$ (5,018)                                       | \$ 1,010  | \$ 1,761   | \$ 2,525   |
| Other comprehensive (loss) income - net of tax:                            |  |   |  |  |
| Unrealized gains on investments  | —  | —   | —  | 20   |
| Cumulative translation adjustments   | (1,512)  | (454)   | 1,042  | (510)  |
| Adjustments to pension benefit plans                                       | (718)  | 128   | 247  | 323  |
| Adjustments to other benefit plans   | 132  | (53)  | 10   | (379)  |
| Derivative instruments   | (24)   | (2)   | (10)   | 31   |
| Total other comprehensive (loss) income                                    | (2,122)  | (381)   | 1,289  | (515)  |
| Comprehensive (loss) income  | (7,140)  | 629   | 3,050  | 2,010  |
| Comprehensive income attributable to noncontrolling interests - net of tax | 11   | —   | 20   | 12   |
| Comprehensive (loss) income attributable to Historical DuPont              | \$ (7,151)                                       | \$ 629  | \$ 3,030   | \$ 1,998   |

See Notes to the Consolidated Financial Statements beginning on page F-13.

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E. I. du Pont de Nemours and Company  
Consolidated Financial Statements  
CONSOLIDATED BALANCE SHEETS

| (In millions, except share amounts)  | December 31,<br>2018 | December 31,<br>2017 |
|--|----------------------|----------------------|
| Assets   |                      |                      |
| Current assets   |                      |                      |
| Cash and cash equivalents  | \$ 4,466             | \$ 7,250             |
| Marketable securities  | 34                   | 952                  |
| Accounts and notes receivable - net  | 5,534                | 5,239                |
| Inventories  | 7,407                | 8,633                |
| Other current assets   | 1,165                | 981                  |
| Total current assets   | 18,606               | 23,055               |
| Investment in nonconsolidated affiliates   | 1,381                | 1,595                |
| Property, plant and equipment  | 13,906               | 12,878               |
| Less: Accumulated depreciation   | 1,720                | 443                  |
| Net property, plant and equipment  | 12,186               | 12,435               |
| Goodwill   | 40,686               | 45,589               |
| Other intangible assets  | 26,053               | 27,726               |
| Deferred income taxes  | 303                  | 480                  |
| Other assets   | 1,810                | 2,084                |
| Total Assets   | \$ 101,025           | \$ 112,964           |
| Liabilities and Equity   |                      |                      |
| Current liabilities  |                      |                      |
| Short-term borrowings and capital lease obligations  | \$ 2,160             | \$ 2,779             |
| Accounts payable   | 4,982                | 4,831                |
| Income taxes payable   | 66                   | 149                  |
| Accrued and other current liabilities  | 4,233                | 4,384                |
| Total current liabilities  | 11,441               | 12,143               |
| Long-Term Debt   | 5,812                | 10,291               |
| Other Noncurrent Liabilities   |                      |                      |
| Deferred income tax liabilities  | 5,381                | 5,836                |
| Pension and other post employment benefits - noncurrent  | 6,683                | 7,787                |
| Other noncurrent obligations   | 1,620                | 1,975                |
| Total noncurrent liabilities   | 19,496               | 25,889               |
| Commitments and contingent liabilities   |                      |                      |
| Stockholders' equity   |                      |                      |
| Preferred stock, without par value – cumulative; 23,000,000 shares authorized;<br>issued at December 31, 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, \$0.30 par value; 1,800,000,000 shares authorized;<br>issued at December 31, 2018 and December 31, 2017 – 100          |                      |                      |
| Additional paid-in capital   | 79,790               | 74,727               |
| (Accumulated deficit) retained earnings  | (7,669               | ) 175                |
| Accumulated other comprehensive loss   | (2,503               | ) (381 )             |
| Total Historical DuPont stockholders' equity   | 69,857               | 74,760               |
| Noncontrolling interests   | 231                  | 172                  |

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|                              |            |            |
|------------------------------|------------|------------|
| Total equity                 | 70,088     | 74,932     |
| Total Liabilities and Equity | \$ 101,025 | \$ 112,964 |

See Notes to the Consolidated Financial Statements beginning on page F-13.

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E. I. du Pont de Nemours and Company  
Consolidated Financial Statements  
CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In millions)   | Successor<br>For the<br>Year<br>Ended<br>December<br>31, 2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | Predecessor<br>For the<br>Period<br>January<br>1 through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
|---|---|---|---|--|
| Operating activities  |   |   |   |  |
| Net (loss) income   | \$(5,018)   | \$ 1,010  | \$ 1,761  | \$ 2,525   |
| Adjustments to reconcile net (loss) income to cash provided by (used for) operating activities: |   |   |   |  |
| Depreciation and amortization   | 2,589   | 815   | 749   | 1,258  |
| Provision for deferred income tax   | 95  | (3,015)   | )   |  |
| Net periodic pension (benefit) cost   | (322)   | )(111)  | ) 295   | 572  |
| Pension contributions   | (1,308)   | )(68)   | )(3,024)  | )(535)   |
| Net gain on sales of property, businesses, consolidated companies, and investments              | (26)  | )(16)   | )(204)  | )(436)   |
| Goodwill impairment charge  | 4,503   | —   | —   | —  |
| Loss on early extinguishment of debt  | 81  | —   | —   | —  |
| Restructuring and asset related charges - net   | 485   | 180   |   |  |
| Asset related charges   |   |   | 279   | 682  |
| Amortization of inventory step-up   | 1,628   | 1,573   |   |  |
| Other net loss  | 290   | 125   | 481   | 366  |
| Changes in assets and liabilities, net of effects of acquired and divested companies:           |   |   |   |  |
| Accounts and notes receivable   | (546)   | )2,107  | (2,269)   | )(270)   |
| Inventories   | (522)   | )(1,010)  | )   |  |
| Inventories and other operating assets  |   |   | (202)   | )(54)  |
| Accounts payable  | 309   | 934   |   |  |
| Accounts payable and other operating liabilities  |   |   | (1,555)   | )(674)   |
| Other assets and liabilities  | (1,390)   | )1,672  |   |  |
| Accrued interest and income taxes   |   |   | (260)   | )(77)  |
| Cash provided by (used for) operating activities  | 848   | 4,196   | (3,949)   | )3,357   |
| Investing activities  |   |   |   |  |
| Capital expenditures  | (1,311)   | )(426)  | )(687)  | )(1,019)   |
| Proceeds from sales of property, businesses, and consolidated companies - net of cash divested  | 59  | 1,268   | 300   | 316  |
| Acquisitions of businesses - net of cash acquired   | —   | 3   | (246)   | )—   |
| Investments in and loans to nonconsolidated affiliates  | (8)   | )(5)  | )(22)   | )(19)  |
| Purchases of investments  | (1,257)   | )(1,043)  | )(5,457)  | )(2,633)   |
| Proceeds from sales and maturities of investments   | 2,186   | 2,938   | 3,977   | 2,181  |
| Foreign currency exchange contract settlements  |   |   | (206)   | )(385)   |

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|   |        |        |        |           |
|---|--------|--------|--------|-----------|
| Other investing activities - net                    | (3     | )33    | (41    | )45       |
| Cash (used for) provided by investing activities    | (334   | )2,768 | (2,382 | )(1,514 ) |
| Financing activities                                |        |        |        |           |
| Change in short-term (less than 90 days) borrowings | 399    | (2,541 | )3,610 | 387       |
| Proceeds from issuance of long-term debt            | 755    | 499    | 2,734  | 813       |
| Payments on long-term debt                          | (5,951 | )(42   | )(229  | )(1,440 ) |
| Repurchase of common stock                          |        |        | —      | (916 )    |
| Proceeds from exercise of stock options             | 85     | 30     | 235    | 154       |
| Dividends paid to stockholders                      | (10    | )(332  | )(666  | )(1,335 ) |

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

|   |          |          |         |          |
|---|----------|----------|---------|----------|
| Distributions to DowDuPont  | (2,806 ) | (829 )   |         |          |
| Contributions from DowDuPont  | 4,849    | —        |         |          |
| Debt extinguishment costs   | (378 )   | —        | —       | —        |
| Other financing activities  | (55 )    | (12 )    | (52 )   | (48 )    |
| Cash (used for) provided by financing activities                              | (3,112 ) | (3,227 ) | 5,632   | (2,385 ) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (244 )   | (22 )    | 187     | (153 )   |
| Change in cash classified as held for sale                                    | —        | 88       | (31 )   | 15       |
| (Decrease) increase on cash, cash equivalents and restricted cash             | (2,842 ) | 3,803    | (543 )  | (680 )   |
| Cash, cash equivalents and restricted cash at beginning of period             | 7,808    | 4,005    | 4,548   | 5,228    |
| Cash, cash equivalents and restricted cash at end of period                   | \$4,966  | \$7,808  | \$4,005 | \$4,548  |
| Supplemental cash flow information  |          |          |         |          |
| Cash paid (received) during the period for                                    |          |          |         |          |
| Interest, net of amounts capitalized  | \$918    | \$76     | \$331   | \$386    |
| Income taxes  | 780      | (437 )   | 272     | 735      |

See Notes to the Consolidated Financial Statements beginning on page F-13.

E. I. du Pont de Nemours and Company  
Consolidated Financial Statements  
CONSOLIDATED STATEMENTS OF EQUITY

| (In millions)  | Preferred Stock | Common Stock | Additional Paid-in Capital | Retained Earnings (Accum Deficit) | Accumulated Other Comp Loss | Treasury Stock | Non-controlling Interests | Total Equity |
|--|-----------------|--------------|----------------------------|-----------------------------------|-----------------------------|----------------|---------------------------|--------------|
| <b>Predecessor</b>   |                 |              |                            |                                   |                             |                |                           |              |
| Balance at January 1, 2016   | \$ 237          | \$ 288       | \$ 11,081                  | \$ 14,510                         | \$ (9,396 )                 | \$(6,727)      | \$ 207                    | \$ 10,200    |
| Net income   |                 |              |                            | 2,513                             |                             |                | 12                        | 2,525        |
| Other comprehensive loss   |                 |              |                            |                                   | (515 )                      |                |                           | (515 )       |
| Common dividends (\$1.52 per share)  |                 |              |                            | (1,331 )                          |                             |                | (16 )                     | (1,347 )     |
| Preferred dividends (\$4.50 Series - \$4.50 per share, \$3.50 Series - \$3.50 per share)   |                 |              |                            | (10 )                             |                             |                |                           | (10 )        |
| Common stock issued - compensation plans   |                 | 1            | 267                        |                                   |                             |                |                           | 268          |
| Common stock repurchased   |                 |              |                            |                                   |                             | (916 )         |                           | (916 )       |
| Common stock retired   |                 | (4 )         | (154 )                     | (758 )                            |                             | 916            |                           | —            |
| Sale of a majority interest in a consolidated subsidiary                                   |                 |              | (4 )                       |                                   |                             |                | (5 )                      | (9 )         |
| Balance at December 31, 2016   | \$ 237          | \$ 285       | \$ 11,190                  | \$ 14,924                         | \$ (9,911 )                 | \$(6,727)      | \$ 198                    | \$ 10,196    |
| <b>Balance at January 1, 2017</b>  |                 |              |                            |                                   |                             |                |                           |              |
| Balance at January 1, 2017   | \$ 237          | \$ 285       | \$ 11,190                  | \$ 14,924                         | \$ (9,911 )                 | \$(6,727)      | \$ 198                    | \$ 10,196    |
| Net income   |                 |              |                            | 1,741                             |                             |                | 20                        | 1,761        |
| Other comprehensive income   |                 |              |                            |                                   | 1,289                       |                |                           | 1,289        |
| Common dividends (\$1.14 per share)  |                 |              |                            | (991 )                            |                             |                | (4 )                      | (995 )       |
| Preferred dividends (\$4.50 Series - \$3.375 per share, \$3.50 Series - \$2.625 per share) |                 |              |                            | (7 )                              |                             |                |                           | (7 )         |
| Common stock issued - compensation plans   |                 | 2            | 273                        |                                   |                             |                |                           | 275          |
| Common stock repurchased   |                 |              |                            |                                   |                             |                |                           | —            |
| Common stock retired   |                 | (26 )        | (1,044 )                   | (5,657 )                          |                             | 6,727          |                           | —            |
| Sale of majority interest in consolidated subsidiary                                       |                 |              |                            |                                   |                             |                | (2 )                      | (2 )         |
| Balance at August 31, 2017   | \$ 237          | \$ 261       | \$ 10,419                  | \$ 10,010                         | \$ (8,622 )                 | \$—            | \$ 212                    | \$ 12,517    |
| <b>Successor</b>   |                 |              |                            |                                   |                             |                |                           |              |
| Balance at September 1, 2017 (remeasured upon Merger)                                      | \$ 239          | \$ —         | \$ 74,680                  | \$ —                              | \$ —                        | \$ —           | \$ 162                    | \$ 75,081    |
| Net income   |                 |              |                            | 1,010                             |                             |                | —                         | 1,010        |
| Other comprehensive loss   |                 |              |                            |                                   | (381 )                      |                |                           | (381 )       |
| Preferred dividends (\$4.50 Series - \$1.125 per share, \$3.50 Series - \$0.875 per share) |                 |              |                            | (3 )                              |                             |                |                           | (3 )         |
| Distributions to DowDuPont   |                 |              |                            | (829 )                            |                             |                |                           | (829 )       |
| Issuance of DowDuPont stock  |                 |              | 30                         |                                   |                             |                |                           | 30           |

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|  |        |      |           |           |         |           |      |           |
|--|--------|------|-----------|-----------|---------|-----------|------|-----------|
| Stock-based compensation   |        |      | 36        |           |         |           |      | 36        |
| Sale of a majority interest in a consolidated subsidiary                                 |        |      |           |           |         | (4        | )    | (4 )      |
| Acquisition of a noncontrolling interest in a consolidated subsidiary                    |        |      |           |           |         | 3         |      | 3         |
| Other  |        |      | (19       | )         | (3 )    |           |      | 11        |
| Balance at December 31, 2017   | \$ 239 | \$ — | \$ 74,727 | \$ 175    | \$ (381 | )         | \$ — | \$ 172    |
|  |        |      |           |           |         |           |      | \$ 74,932 |
| Balance at January 1, 2018   | \$ 239 | \$ — | \$ 74,727 | \$ 175    | \$ (381 | )         | \$ — | \$ 172    |
|  |        |      |           |           |         |           |      | \$ 74,932 |
| Net (loss) income  |        |      |           |           |         | (5,029    | )    | 11        |
| Other comprehensive loss   |        |      |           |           |         | (2,122    | )    | (2,122 )  |
| Preferred dividends (\$4.50 Series - \$4.50 per share, \$3.50 Series - \$3.50 per share) |        |      |           |           |         | (10       | )    | (10 )     |
| Distributions to DowDuPont   |        |      |           |           |         | (2,806    | )    | (2,806 )  |
| Issuance of DowDuPont stock  |        |      | 85        |           |         |           |      | 85        |
| Stock-based compensation   |        |      | 129       |           |         |           |      | 129       |
| Other  |        |      |           |           |         | 1         |      | 48        |
| Capital Contributions from DowDuPont   |        |      | 4,849     |           |         |           |      | 49        |
| Balance at December 31, 2018   | \$ 239 | \$ — | \$ 79,790 | \$ (7,669 | )       | \$ (2,503 | )    | \$ —      |
|  |        |      |           |           |         |           |      | \$ 231    |
|  |        |      |           |           |         |           |      | \$ 70,088 |

See Notes to the Consolidated Financial Statements beginning on page F-13.

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

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Notes to the Consolidated Financial Statements (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying Consolidated Financial Statements of E. I. du Pont de Nemours and Company ("Historical DuPont" or "the company") were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant accounting policies described below, together with the other notes that follow, are an integral part of the Consolidated Financial Statements.

DowDuPont Inc. ("DowDuPont") was formed on December 9, 2015 to effect an all-stock, merger of equals strategic combination between The Dow Chemical Company ("Historical Dow") and Historical 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"), Historical Dow and Historical DuPont each merged with wholly owned subsidiaries of DowDuPont ("Mergers") and, as a result of the Mergers, Historical Dow and Historical 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 U.S. Securities and Exchange Commission ("SEC") 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" and the transactions to accomplish the Intended Business Separations, the "separations").

On February 26, 2018, DowDuPont announced the corporate brand names that each company plans to assume once the Intended Business Separations occur. Materials science will be called Dow, agriculture will be called Corteva™ Agriscience, and specialty products will be called DuPont.

For purposes of DowDuPont's financial statement presentation, Historical Dow was determined to be the accounting acquirer in the Merger and Historical 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, Historical DuPont has elected to apply push-down accounting and reflect in its financial statements the fair value of its assets and liabilities. Historical DuPont's 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 Historical DuPont. All periods prior to the closing of the Merger reflect the historical accounting basis in Historical DuPont's assets and liabilities and are labeled "Predecessor." The 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 DowDuPont, Historical DuPont, Historical 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 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 Historical 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 Historical 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").

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

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 Consolidated Statements of Comprehensive (Loss) Income and 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 Consolidated Financial Statements based on the respective financial statement line item. See Note 4 for additional information.

On July 1, 2015, the company completed the separation of its Performance Chemicals segment through the spin-off of all of the issued and outstanding stock of The Chemours Company ("Chemours"). In accordance with GAAP, the results of operations of the Performance Chemicals segment are presented as discontinued operations and, as such, have been excluded from continuing operations in the Consolidated Statements of Operations for all periods presented. See Note 4 for additional information.

Certain reclassifications of prior year's data have been made to conform to current year's presentation. 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 Consolidated Statements of Operations. Effective January 1, 2018, the company adopted FASB ASU No. 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash (a consensus of the FASB Emerging Issues Task Force). In conjunction with the adoption of this ASU, the company retrospectively adjusted the Consolidated Statement of Cash Flows to include the presentation of restricted cash. See Note 2 for more information.

The Consolidated Financial Statements include the accounts of the company and subsidiaries in which a controlling interest is maintained. For those consolidated subsidiaries in which the company's ownership is less than 100 percent, the outside stockholders' interests are shown as noncontrolling interests. Investments in affiliates over which the company has the ability to exercise significant influence but does not have a controlling interest are accounted for under the equity method.

The company is also involved with certain joint ventures accounted for under the equity method of accounting that are variable interest entities ("VIEs"). The company is not the primary beneficiary, as the nature of the company's involvement with the VIEs does not provide it the power to direct the VIEs significant activities. Future events may require these VIEs to be consolidated if the company becomes the primary beneficiary. At December 31, 2018 and 2017, the maximum exposure to loss related to the nonconsolidated VIEs is not considered material to the Consolidated Financial Statements.

#### Use of Estimates in Financial Statement Preparation

The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The company's consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

Changes in Accounting and Reporting

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

Within the Successor periods of the Consolidated Statements of Operations:

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 cost of goods sold, 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.

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

Included interest accrued related to unrecognized tax benefits within the (benefit from) 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 periods of the 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 periods, Historical DuPont reflected non-qualified hedge programs, specifically forward contracts, options and cash collateral activity, within cash flows from investing activities. In the Predecessor periods, Historical DuPont reflected cash flows from qualified programs within the line item it related to (i.e., revenue hedge cash flows presented within changes from accounts receivable).

Aligned the line items within "changes in assets and liabilities, net of effects of acquired and divested companies" to the DowDuPont presentation, including accounts and notes receivable, inventories, accounts payable, and other assets and liabilities. In the Predecessor periods, the line item "changes in assets and liabilities, net of effects of acquired and divested companies" includes accounts and notes receivable, inventories and other operating assets, accounts payable and other operating liabilities, and accrued interest and income taxes.

#### Cash and Cash Equivalents

Cash equivalents represent investments with maturities of three months or less from time of purchase. They are carried at cost plus accrued interest.

#### Restricted Cash

Restricted cash represents trust assets of \$500 million and \$558 million as of December 31, 2018 and 2017, respectively, and is included within other current assets on the Consolidated Balance Sheets. See Note 8 for further information.

#### Marketable Securities

Marketable securities represent investments in fixed and floating rate financial instruments with maturities greater than three months and up to twelve months at time of purchase. Investments classified as held-to-maturity are recorded at amortized cost. The carrying value approximates fair value due to the short-term nature of the investments. Investments classified as available-for-sale are carried at estimated fair value with unrealized gains and losses recorded as a component of accumulated other comprehensive income (loss). The cost of investments sold is determined by specific identification.

#### Fair Value Measurements

Under the accounting guidance for fair value measurements and disclosures, a fair value hierarchy was established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The company uses the following valuation techniques to measure fair value for its assets and liabilities:

Level 1—Quoted market prices in active markets for identical assets or liabilities;

Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for Level 2—identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs);

Level 3— Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.

#### Foreign Currency Translation

The company's worldwide operations utilize the U.S. dollar ("USD") or local currency as the functional currency, where applicable. The company identifies its separate and distinct foreign entities and groups the foreign entities into two categories: 1) extension of the parent or foreign subsidiaries operating in a hyper-inflationary environment (USD functional currency) and 2) self-contained (local functional currency). If a foreign entity does not align with either category, factors are evaluated and a judgment is made to determine the functional currency.

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

For foreign entities where the USD is the functional currency, all foreign currency-denominated asset and liability amounts are re-measured into USD at end-of-period exchange rates, except for inventories, prepaid expenses, property, plant and equipment, goodwill and other intangible assets, which are re-measured at historical rates. Foreign currency income and expenses are re-measured at average exchange rates in effect during the year, except for expenses related to balance sheet amounts re-measured at historical exchange rates. Exchange gains and losses arising from re-measurement of foreign currency-denominated monetary assets and liabilities are included in income in the period in which they occur.

For foreign entities where the local currency is the functional currency, assets and liabilities denominated in local currencies are translated into USD at end-of-period exchange rates and the resultant translation adjustments are reported, net of their related tax effects, as a component of accumulated other comprehensive loss in equity. Assets and liabilities denominated in other than the local currency are re-measured into the local currency prior to translation into USD and the resultant exchange gains or losses are included in income in the period in which they occur. Income and expenses are translated into USD at average exchange rates in effect during the period.

The company changes the functional currency of its separate and distinct foreign entities only when significant changes in economic facts and circumstances indicate clearly that the functional currency has changed.

#### Inventories

The company's inventories are valued at the lower of cost or net realizable value. Elements of cost in inventories include raw materials, direct labor and manufacturing overhead. Stores and supplies are valued at cost or net realizable value, whichever is lower; cost is generally determined by the average cost method.

As of December 31, 2018 approximately 50 percent, 35 percent, and 15 percent of the company's inventories were accounted for under the first-in, first-out ("FIFO"), average cost and the last-in, first-out ("LIFO") methods, respectively. As of December 31, 2017 approximately 60 percent, 30 percent, and 10 percent of the company's inventories were accounted for under the FIFO, average cost and LIFO methods, respectively. Inventories accounted for under the FIFO method are primarily comprised of products with shorter shelf lives such as seeds, certain food-ingredients and enzymes.

The company establishes allowances for obsolescence of inventory based upon quality considerations and assumptions about future demand and market conditions.

#### Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation. In connection with the Merger, the fair value of property, plant and equipment was determined using a market approach and a replacement cost approach. Refer to Note 3 for further information. Depreciation is based on the estimated service lives of depreciable assets and is calculated using the straight-line method. Fully depreciated assets are retained in property and accumulated depreciation accounts until they are removed from service. When assets are surrendered, retired, sold, or otherwise disposed of, their gross carrying values and related accumulated depreciation are removed from the Consolidated Balance Sheets and included in determining gain or loss on such disposals.

#### Goodwill and Other Intangible Assets

The company records goodwill when the purchase price of a business acquisition exceeds the estimated fair value of net identified tangible and intangible assets acquired. Goodwill is tested for impairment at the reporting unit level annually, or more frequently when events or changes in circumstances indicate that the fair value of a reporting unit has more likely than not declined below its carrying value. In connection with the Merger Transaction, the company

adopted the policy of DowDuPont and performs an annual goodwill impairment test in the fourth quarter.

When testing goodwill for impairment, the company has the option to first perform qualitative testing to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the company chooses not to complete a qualitative assessment for a given reporting unit or if the initial assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is required. The company determined fair values for each of the reporting units using the income approach. Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. See Note 14 for further information on goodwill.

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

Indefinite-lived intangible assets are tested for impairment at least annually; however, these tests are performed more frequently when events or changes in circumstances indicate that the asset may be impaired. Impairment exists when carrying value exceeds fair value. The company's fair value methodology is primarily based on discounted cash flow techniques.

Definite-lived intangible assets are amortized over their estimated useful lives, generally on a straight-line basis for periods ranging primarily from 1 to 23 years. The company continually evaluates the reasonableness of the useful lives of these assets. Once these assets are fully amortized, they are removed from the Consolidated Balance Sheets.

#### Impairment of Long-Lived Assets

The company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset group is considered impaired when the total projected undiscounted cash flows from the assets are separately identifiable and are less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. The company's fair value methodology is an estimate of fair market value which is made based on prices of similar assets or other valuation methodologies including present value techniques. Long-lived assets to be disposed of by sale, if material, are classified as held for sale and reported at the lower of carrying amount or fair value less cost to sell, and depreciation is ceased. Long-lived assets to be disposed of other than by sale are classified as held and used until they are disposed of and reported at the lower of carrying amount or fair value. Depreciation is recognized over the remaining useful life of the assets.

#### Derivative Instruments

Derivative instruments are reported in the Consolidated Balance Sheets at their fair values. The company utilizes derivatives to manage exposures to foreign currency exchange rates and commodity prices. Changes in the fair values of derivative instruments that are not designated as hedges are recorded in current period earnings. For derivative instruments designated as cash flow hedges, the (loss) gain is reported in accumulated other comprehensive loss until it is cleared to earnings during the same period in which the hedged item affects earnings.

In the event that a derivative designated as a hedge of a firm commitment or an anticipated transaction is terminated prior to the maturation of the hedged transaction, the net gain or loss in AOCI generally remains in AOCI until the item that was hedged affects earnings. If a hedged transaction matures, or is sold, extinguished, or terminated prior to the maturity of a derivative designated as a hedge of such transaction, gains or losses associated with the derivative through the date the transaction matured are included in the measurement of the hedged transaction and the derivative is reclassified as for trading purposes. Derivatives designated as hedges of anticipated transactions are reclassified as for trading purposes if the anticipated transaction is no longer probable.

In the Predecessor periods, the company reflected non-qualified hedge programs, specifically forward contracts, options and cash collateral activity, within cash flows from investing activities. In the Predecessor periods, the company reflected cash flows from qualified programs within the line item it related to (i.e., revenue hedge cash flows presented within changes from accounts receivable). In the Successor periods, the company included foreign currency exchange contract settlements within cash flows from operating activities, regardless of hedge accounting qualification. See Note 20 for additional discussion regarding the company's objectives and strategies for derivative instruments.

#### Environmental Matters

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. These accruals are adjusted periodically as assessment and remediation

efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheets in accrued and other current liabilities and other noncurrent obligations at undiscounted amounts. Accruals for related insurance or other third-party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in the consolidated balance sheets as accounts and notes receivable - net.

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, and/or mitigate or prevent contamination from future operations. Environmental costs are also capitalized in recognition of legal asset retirement obligations resulting from the acquisition, construction and/or normal operation of a long-lived asset. Costs related to environmental contamination treatment and cleanup are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued when such costs are probable and reasonably estimable.

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

#### Revenue Recognition

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 FASB ASU No. 2014-09, Revenue from Contracts with Customers (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.

#### Prepaid Royalties

The company's agriculture product line currently has certain third party biotechnology trait license agreements, which require up-front and variable payments subject to the licensor meeting certain conditions. These payments are reflected as other current assets and other assets and are amortized to cost of goods sold as seeds containing the respective trait technology are utilized over the life of the license. At December 31, 2018, the balance of prepaid royalties reflected in other current assets and other assets was \$239 million and \$1,139 million, respectively. The company evaluates the carrying value of the prepaid royalties when events or changes in circumstances indicate the carrying value may not be recoverable.

#### Cost of Goods Sold

Successor periods - Cost of goods sold primarily includes the cost of manufacture and delivery, ingredients or raw materials, direct salaries, wages and benefits and overhead, non-capitalizable costs associated with capital projects and other operational expenses. No amortization of intangibles is included within costs of goods sold.

Predecessor periods - Cost of goods sold primarily includes the cost of manufacture and delivery, ingredients or raw materials, direct salaries, wages and benefits and overhead.

#### Other Operating Charges

Predecessor periods - Other operating charges includes product claim charges and recoveries, non-capitalizable costs associated with capital projects and other operational expenses.

#### Research and Development

Research and development costs are expensed as incurred. Research and development expense includes costs (primarily consisting of employee costs, materials, contract services, research agreements, and other external spend) relating to the discovery and development of new products, enhancement of existing products and regulatory approval of new and existing products.

#### Selling, General and Administrative Expenses

Successor periods - Selling, general and administrative expenses primarily include selling and marketing expenses, commissions, functional costs, and business management expenses.

Predecessor periods - Selling, general and administrative expenses primarily include selling and marketing expenses, commissions, functional costs, business management expenses and integration and separation costs.

#### Integration and Separation Costs

Successor periods - Integration and separation costs includes costs incurred to prepare for and close the Merger, post-Merger integration expenses and costs incurred to prepare for the Intended Business Separations. These costs

primarily consist of financial advisory, information technology, legal, accounting, consulting and other professional advisory fees associated with preparation and execution of these activities.

#### Litigation

Accruals for legal matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Legal costs, such as outside counsel fees and expenses, are charged to expense in the period incurred.

#### Severance Costs

Severance benefits are provided to employees under the company's ongoing benefit arrangements. Severance costs are accrued when management commits to a plan of termination and it becomes probable that employees will be entitled to benefits at amounts that can be reasonably estimated.

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

Insurance/Self-Insurance

The company self-insures certain risks where permitted by law or regulation, including workers' compensation, vehicle liability and employee related benefits. Liabilities associated with these risks are estimated in part by considering historical claims experience, demographic factors and other actuarial assumptions. For other risks, the company uses a combination of insurance and self-insurance, reflecting comprehensive reviews of relevant risks. A receivable for an insurance recovery is generally recognized when the loss has occurred and collection is considered probable.

Income Taxes

The company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted tax rates. The effect of a change in tax rates on deferred tax assets or liabilities is recognized in income in the period that includes the enactment date (see Note 9 for further information relating to the enactment of the Tax Cuts and Job Act).

The company recognizes the financial statement effects of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The company accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. The current portion of uncertain income tax positions is included in income taxes payable and the long-term portion is included in other noncurrent obligations in the Consolidated Balance Sheets.

Income tax related penalties are included in the provision for income taxes in the Consolidated Statements of Operations. Interest accrued related to unrecognized tax benefits is included within the (benefit from) provision for income taxes from continuing operations in the Consolidated Statements of Operations in the Successor periods. In the Predecessor period, interest accrued related to unrecognized tax benefits is included within sundry income (expense) - net in the Consolidated Statements of Operations.

Segments

Effective with the Merger, Historical DuPont's business activities are components of its parent company's business operations. Historical 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 Historical DuPont relates to the company in its entirety. Accordingly, there are no separate reportable business segments for Historical DuPont under Accounting Standards Codification ("ASC") Topic 280 "Segment Reporting" and Historical DuPont's business results are reported in this Form 10-K as a single operating segment. Prior year's segment information has been made to conform to the current presentation.

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.

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

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<br>December 31, 2017 | Effect of<br>Adoption of ASU<br>2014-09 | Updated<br>January<br>1, 2018 |
|---|----------------------------------|---|-------------------------------|
| <b>Current assets</b>                   |                                  |   |                               |
| 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                        |
| <b>Liabilities and Equity</b>           |                                  |   |                               |
| <b>Current liabilities</b>              |                                  |   |                               |
| 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 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.

The effect on the 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 Consolidated Balance Sheet:

| (In millions, except per share amounts) | December 31, 2018 |                                     |                                |
|---|-------------------|-------------------------------------|--------------------------------|
|   | As Reported       | Effect of<br>Change of Topic<br>606 | Balance<br>without<br>Adoption |
| <b>Current assets</b>                   |                   |                                     |                                |
| Accounts and notes receivable - net     | \$5,534           | \$ (40 )                            | \$ 5,494                       |
| Inventories                             | 7,407             | 32                                  | 7,439                          |
| Other current assets                    | 1,165             | (80 )                               | 1,085                          |
| Deferred income taxes                   | \$303             | \$ (1 )                             | \$ 302                         |

Liabilities and Equity

Current liabilities

Accrued and other current liabilities      \$4,233    \$ (80 ) \$4,153

Deferred income tax liabilities              \$5,381    \$ (3 ) \$5,378

Accumulated deficit                            \$(7,669) \$ (6 ) \$(7,675 )

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

In accordance with Topic 606, the impact of adoption to the company's Consolidated Statements of Operations 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. Generally, 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 Consolidated Statement of Operations for the year ended December 31, 2018:

| (In millions, except per share amounts)             | For the Year Ended<br>December 31, 2018 |                        |   |
|---|---|------------------------|---|
|   | As<br>Reported                          | Effect<br>of<br>Change | Balance<br>without<br>Adoption<br>of Topic<br>606 |
| Net sales   | \$26,279                                | \$ (69 )               | \$26,210  |
| Sundry income (expense) - net                       | \$543                                   | \$ 71                  | \$614   |
| Loss from continuing operations before income taxes | \$(4,793 )                              | \$ 2                   | \$(4,791 )  |
| Provision for income taxes on continuing operations | \$220                                   | \$ —                   | \$220   |
| Loss from continuing operations after income taxes  | \$(5,013 )                              | \$ 2                   | \$(5,011 )  |

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 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 Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows.

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

The following table summarizes the effects of adopting the new accounting standard related to restricted cash on the company's Consolidated Statement of Cash Flows:

| (In millions)   | For the Period<br>September 1 through<br>December 31, 2017 |                        |          |
|---|--|------------------------|----------|
|   | As<br>Reported   | Effect<br>of<br>Change | Updated  |
| <b>Investing Activities</b>                                 |  |                        |          |
| Payment into trust account                                  | \$(571 )   | \$ 571                 | \$ —     |
| Distribution from trust account                             | \$13   | \$(13 )                | \$ —     |
| Cash provided by investing activities                       | \$2,210  | \$ 558                 | \$ 2,768 |
| Increase in cash, cash equivalents and restricted cash      | \$3,245  | \$ 558                 | \$ 3,803 |
| Cash, cash equivalents and restricted cash at end of period | \$7,250  | \$ 558                 | \$ 7,808 |

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 which was applied prospectively to all applicable transactions after the adoption date.

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 recorded 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 Consolidated Statements of Operations:

| Summary of Changes to the Consolidated Statement of Operations | For the Period<br>September 1 -<br>December 31, 2017<br>(Successor) |  |
|--|---|--|
|--|---|--|

| (in millions)                                | As<br>Reported | Effect<br>of<br>Change | Updated  |
|--|----------------|------------------------|----------|
| Cost of goods sold                           | \$6,165        | \$ 75                  | \$ 6,240 |
| Research and development expense             | \$473          | \$ 19                  | \$ 492   |
| Selling, general and administrative expenses | \$1,101        | \$ 40                  | \$ 1,141 |
| Sundry income (expense) - net                | \$90           | \$ 134                 | \$ 224   |

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## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

| (in millions)                                | For the Period January 1 -<br>August 31, 2017<br>(Predecessor) |                        |          |
|--|--|------------------------|----------|
|  | As<br>Reported   | Effect<br>of<br>Change | Updated  |
| Cost of goods sold                           | \$10,205   | \$ (153 )              | \$10,052 |
| Research and development expense             | \$1,064  | \$ (42 )               | \$1,022  |
| Selling, general and administrative expenses | \$3,306  | \$ (84 )               | \$3,222  |
| Sundry income (expense) - net                | \$166  | \$ (279 )              | \$(113 ) |

| (in millions)                                | For the Period January 1<br>- December 31, 2016<br>(Predecessor) |                        |          |
|--|--|------------------------|----------|
|  | As<br>Reported   | Effect<br>of<br>Change | Updated  |
| Cost of goods sold                           | \$13,955   | \$ (18 )               | \$13,937 |
| Research and development expense             | \$1,502  | \$ (6 )                | \$1,496  |
| Selling, general and administrative expenses | \$4,143  | \$ (16 )               | \$4,127  |
| Sundry income (expense) - net                | \$707  | \$ (40 )               | \$667    |

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 Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20), Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. This amendment modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing and adding certain disclosures for these plans. The eliminated disclosures include the amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit costs over the next fiscal year and the effects of a one-percentage-point change in assumed health care cost trend rates on the net periodic benefit costs and the benefit obligation for postretirement health care benefits. New disclosures include the interest crediting rates for cash balance plans, and an explanation of significant gains and losses related to changes in benefit obligations. The new standard is effective for fiscal years beginning after December 15, 2020, and must be applied retrospectively for all periods presented. Early adoption is permitted. The company early adopted the new

guidance in the fourth quarter of 2018, and adoption did not have a material impact on the Consolidated Financial Statements.

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

Accounting Guidance Issued But Not Adopted as of December 31, 2018

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), and associated ASUs related to Topic 842, which requires organizations that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance requires that a lessee recognize assets and liabilities for leases, and recognition, presentation and measurement in the financial statements will depend on its classification as a finance or operating lease. In addition, the new guidance requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting remains largely unchanged from current U.S. GAAP but does contain some targeted improvements to align with the new revenue recognition guidance issued in 2014 (Topic 606). The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and early adoption is permitted. The company has a cross-functional team in place to evaluate and implement the new guidance and the company has substantially completed the implementation of a third-party software solution to facilitate compliance with accounting and reporting requirements. The team continues to review existing lease arrangements and update business processes and controls related to the new guidance for leases. Collectively, these activities are expected to facilitate the company's ability to meet the new accounting and disclosure requirements upon adoption in the first quarter of 2019.

This ASU allows for a modified retrospective transition approach, applying the new standard to all leases existing at the date of initial adoption. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statement as its date of initial application. The company has elected to apply the transition requirements at the January 1, 2019 effective date rather than at the beginning of the earliest comparative period presented. This approach allows for a cumulative effect adjustment in the period of adoption, and prior periods will not be restated. In addition, the company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, does not require reassessment of prior conclusions related to contracts containing a lease, lease classification, and initial direct lease costs. As an accounting policy election, the company will exclude short-term leases (term of 12 months or less) from the balance sheet and will account for nonlease and lease components in a contract as a single component for most asset classes. The company is finalizing the evaluation of the January 1, 2019 impact and estimates a material increase in lease-related assets and liabilities, ranging between \$600 million and \$800 million in the Consolidated Balance Sheet. The impact to the company's Consolidated Statement of Operations and Consolidated Statement of Cash Flows is expected to not be material.

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

NOTE 3 - BUSINESS COMBINATIONS

Acquisition of Granular, Inc.

On August 31, 2017, the company acquired Granular, Inc., a leading provider of software and analytics tools that help farms improve efficiency, profitability, and sustainability. The purchase price was approximately \$250 million and was primarily allocated to goodwill, developed technology, and customer relationships. The fair value of the acquired assets related to Granular, Inc. are included in the fair value measurement of Historical DuPont's assets and liabilities, discussed below. Granular, Inc. is part of Historical DuPont's agriculture product line.

Merger with Historical Dow

Upon completion of the Merger, (i) each share of common stock, par value \$0.30 per share, of the company (the "Historical 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 Historical DuPont Preferred Stock— \$4.50 Series and Historical DuPont Preferred Stock— \$3.50 Series (collectively "Historical 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 Historical 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 Historical 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 Historical 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 Historical DuPont Common Stock from listing on the NYSE and filed a Form 25 with the SEC to report that Historical DuPont Common Stock is no longer listed on the NYSE. Historical 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, Historical DuPont was required to divest a portion of its crop protection product line, including certain research and development capabilities. See Note 4 for additional information.

Historical DuPont and Historical Dow intend to pursue the Intended Business Separations, subject to the receipt of approval by the Board of Directors of DowDuPont.

Allocation of Purchase Price

Based on an evaluation of the provisions of ASC 805, "Business Combinations," ("ASC 805") Historical Dow was determined to be the accounting acquirer in the Merger. DowDuPont applied the acquisition method of accounting with respect to the assets and liabilities of Historical DuPont, which were measured at fair value as of the date of the Merger. In connection with the Merger and the related accounting determination, Historical DuPont elected to apply push-down accounting and reflected in its financial statements the fair value of assets and liabilities as of the date of



the Merger. The Successor period reflects DowDuPont's fair value basis in the assets and liabilities of Historical DuPont.

Historical 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 Historical DuPont shares, the cash value for fractional shares, and the portion of Historical DuPont's share awards and share options earned as of the Merger Effectiveness Time. Share awards and share options converted to DowDuPont equity instruments, but not vested, were \$144 million as of August 31, 2017, which will be expensed over the remaining future vesting period.

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E. I. du Pont de Nemours and Company

Notes to the Consolidated Financial Statements (continued)

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

(In millions, except exchange ratio)

|   |          |
|---|----------|
| Historical DuPont Common Stock outstanding as of the Merger Effectiveness Time  | 868.3    |
| Historical DuPont exchange ratio  | 1.2820   |
| DowDuPont Common Stock issued in exchange for Historical DuPont Common Stock  | 1,113.2  |
| Fair value of DowDuPont Common Stock issued <sup>1</sup>  | \$74,195 |
| Fair value of DowDuPont equity awards issued in exchange for outstanding Historical DuPont equity awards <sup>2</sup> | 485      |
| Total consideration   | \$74,680 |

<sup>1</sup> Amount was determined based on the price per share of Historical Dow Common Stock of \$66.65 on August 31, 2017.

<sup>2</sup> Represents the fair value of replacement awards issued for Historical DuPont's equity awards outstanding immediately before the Merger and attributable to the service periods prior to the Merger. The previous Historical 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 the fair values 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.

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

The table below presents the final fair value that was allocated to Historical DuPont's assets and liabilities based upon fair values as determined by DowDuPont. The valuation process to determine the fair values is complete. For the year ended December 31, 2018, DowDuPont made measurement period adjustments to reflect facts and circumstances in existence as of the Merger Effectiveness Time. These adjustments primarily included a \$392 million increase in goodwill, a \$257 million decrease in property, plant, and equipment, and a \$150 million decrease in indefinite-lived trademarks and trade names and customer-related assets.

| (In millions)  | Final fair<br>value |
|--|---------------------|
| Fair Value of Assets as of the Merger Effectiveness Time |                     |
| Cash and cash equivalents                                | \$4,005             |
| Marketable securities                                    | 2,849               |
| Accounts and notes receivable                            | 7,834               |
| Inventories  | 8,805               |
| Other current assets                                     | 420                 |
| Investment in nonconsolidated affiliates                 | 1,596               |
| Assets held for sale - current                           | 3,732               |
| Property, plant and equipment                            | 11,684              |
| Goodwill   | 45,497              |
| Other intangible assets                                  | 27,071              |
| Deferred income tax assets                               | 279                 |
| Other assets   | 2,066               |
| Total Assets   | \$115,838           |
| 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                          | 8,259               |
| Pension and other post employment benefits - noncurrent  | 8,056               |
| Other noncurrent obligations                             | 1,967               |
| Total Liabilities  | \$40,680            |
| Noncontrolling interests                                 | 239                 |
| Preferred stock  | 239                 |
| Fair Value of Net Assets (Consideration for the Merger)  | \$74,680            |

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

The significant fair value adjustments included in the allocation of purchase price are discussed below.

#### Inventories

Inventory is primarily comprised of finished products of \$4,927 million, semi-finished products of \$3,055 million and raw materials and stores and supplies of \$823 million. The fair value of finished goods was calculated as the estimated selling price, adjusted for costs of the selling effort and a reasonable profit allowance relating to the selling effort. The fair value of semi-finished inventory was primarily calculated as the estimated selling price, adjusted for estimated costs to complete the manufacturing, estimated costs of the selling effort, as well as a reasonable profit margin on the remaining manufacturing and selling effort. The fair value of raw materials and stores and supplies was determined to approximate the historical carrying value. For inventory accounted for under the FIFO method and average cost method, the fair value step-up of inventory will be recognized in costs of goods sold as the inventory is sold. For inventory accounted for under the LIFO method, the fair value of inventory becomes the LIFO base layer inventory. The pre-tax amounts of inventory step-up recognized for the year ended December 31, 2018 and the period September 1 through December 31, 2017, were \$1,563 million and \$1,538 million, respectively. For the year ended December 31, 2018, the pre-tax amount is reflected in cost of goods sold within (loss) income from continuing operations before income taxes in the Consolidated Statement of Operations. For the period September 1 through December 31, 2017, \$1,434 million was reflected in costs of goods sold within (loss) income from continuing operations before income taxes and \$104 million was reflected in (loss) income from discontinued operations after income taxes in the Consolidated Statement of Operations.

#### Property, Plant & Equipment

Property, plant and equipment is comprised of machinery and equipment of \$7,344 million, buildings of \$2,418 million, construction in progress of \$995 million and land and land improvements of \$927 million. The fair value of property and equipment was primarily determined using a market approach for land and certain types of equipment, and a replacement cost approach for other property and equipment. The market approach for certain types of equipment represents a sales comparison that measures the value of an asset through an analysis of sales and offerings of comparable assets. The replacement cost approach used for all other depreciable property and equipment measures the value of an asset by estimating the cost to acquire or construct comparable assets and adjusts for age and condition of the asset.

#### Goodwill

The excess of the consideration for the Merger over the net fair value of assets and liabilities was recorded as goodwill. The Merger resulted in the recognition of \$45,497 million of goodwill, none of which is deductible. Goodwill largely consists of expected cost synergies resulting from the Merger and the Intended Business Separations, the assembled workforce of Historical DuPont, and future technology and customers.

#### Other Intangible Assets

Other intangible assets primarily consist of acquired customer related assets, developed technology, trademarks and tradenames, and germplasm. The customer-related value was determined using the excess earnings method while the developed technology, trademarks and trade names, and germplasm values were primarily determined utilizing the relief from royalty method. Both the excess earnings and relief from royalty methods are forms of the income approach. Refer to Note 14 for further information on other intangible assets.

#### Deferred Income Tax Assets and Liabilities

The deferred income tax assets and liabilities include the expected future federal, state, and foreign tax consequences associated with temporary differences between the fair values of the assets acquired and liabilities assumed and the

respective tax bases. Tax rates utilized in calculating deferred income taxes generally represent the enacted statutory tax rates at the Merger Effectiveness Time in the jurisdictions in which legal title of the underlying asset or liability resides. Refer to Note 9 for further information related to the remeasurement of deferred income tax assets and liabilities as a result of the enactment of the U.S. Tax Cuts and Jobs Act in December 2017.

Deferred income tax assets include a \$172 million adjustment to derecognize certain deferred income tax assets on historical net operating losses that will not be fully realized as a result of the Merger. Deferred income tax liabilities include a \$546 million adjustment reflecting a change in determination as to the reinvestment strategy of certain foreign operations of the company.

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

### 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 the costs are recorded within selling, general and administrative expenses in the Predecessor periods within the Consolidated Statements of Operations.

| (In millions)                                | Successor<br>For the<br>Year Ended<br>December 31,<br>2018 | Predecessor<br>For the<br>Period<br>January 1<br>through<br>December 31,<br>2017 |
|--|--|--|
| Integration and separation costs             | \$1,375  | \$ 314   |
| Selling, general and administrative expenses |  | \$581 \$ 386   |

### H&N Business

On November 1, 2017, the company completed the FMC Transactions through the acquisition of the H&N Business and the disposition of the Divested Ag Business. The acquisition was integrated into the nutrition and health product line to enhance Historical 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 following table summarizes the fair value of consideration exchanged as a result of the FMC Transactions:  
(In millions)

|   |         |
|---|---------|
| Fair Value of Divested Ag Business <sup>1</sup> | \$3,665 |
| Less: Cash received <sup>2</sup>                | 1,200   |
| Less: Favorable contracts <sup>3</sup>          | 495     |
| Fair Value of H&N Business                      | \$1,970 |

1. Refer to Note 4 for additional information.

The FMC Transactions include a cash consideration payment to Historical DuPont of approximately \$1,200 million, which reflected the difference in value between the Divested Ag Business and the H&N Business, subject to certain customary inventory and net working capital adjustments.

Upon closing and pursuant to the terms of the FMC Transaction Agreement, Historical DuPont entered into favorable supply contracts with FMC. Historical DuPont recorded these contracts as intangible assets recognized at the fair value of off-market contracts. Refer to Notes 4 and 14 for additional information.

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

The table below presents the fair value that was allocated to the assets acquired and liabilities assumed. The purchase accounting and purchase price allocation for the H&N Business is complete. There were no material updates to the preliminary purchase accounting and purchase price allocation during 2018.

| (In millions)   | Successor<br>November<br>1, 2017 |
|---|----------------------------------|
| Fair Value of Assets  |                                  |
| Cash and cash equivalents                                     | \$ 16                            |
| Accounts and notes receivable                                 | 144                              |
| Inventories   | 304                              |
| Property, plant and equipment                                 | 489                              |
| Goodwill  | 732                              |
| Other intangible assets                                       | 435                              |
| Other current and non-current assets                          | 14                               |
| Total Assets  | \$ 2,134                         |
| Fair Value of Liabilities                                     |                                  |
| Accounts payable and other accrued liabilities                | \$ 72                            |
| Deferred income tax liabilities                               | 92                               |
| Total Liabilities   | \$ 164                           |
| Fair Value of Net Assets (Consideration for the H&N Business) | \$ 1,970                         |

The significant fair value adjustments included in the final allocation of purchase price are discussed below.

#### Inventories

Acquired inventory is comprised of finished goods of \$143 million, semi-finished products of \$85 million and raw materials and stores and supplies of \$76 million. Fair value of inventory was calculated using a net realizable value approach for finished goods and semi-finished products and a replacement cost approach for raw materials and stores and supplies. The fair value step-up of inventory of \$100 million was recognized in costs of goods sold within (loss) income from continuing operations before income taxes in the Consolidated Statements of Operations as the inventory was sold. The pre-tax amounts recognized for the year ended December 31, 2018 and the period ending November 1 through December 31, 2017 were \$65 million and \$35 million, respectively.

#### Property, Plant & Equipment

Property, plant and equipment is comprised of machinery and equipment of \$356 million, buildings of \$63 million, land and land improvements of \$39 million, and construction in progress of \$31 million. The fair values were determined using a combination of a market approach and replacement cost approach.

#### Goodwill

The excess of the consideration for the H&N Business over the net fair value of assets acquired and liabilities assumed resulted in the recognition of \$732 million of goodwill, of which \$208 million is tax-deductible. Goodwill is attributable to the H&N Business's workforce and expected cost synergies in procurement, production and market access.

#### Other Intangible Assets

Other intangible assets include customer-related intangible assets of \$268 million, developed technology of \$130 million, and trademarks and tradenames of \$37 million. The customer-related fair value was determined using the

excess earnings method while the developed technology, trademarks and tradenames fair values were primarily determined utilizing the relief from royalty method.

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

Results of Operations

The following table provides net sales and loss from continuing operations before income taxes of the H&N Business included in the company's results for the period November 1 through December 31, 2017.

| (In millions)                                       | For the<br>Period<br>November<br>1 through<br>December<br>31, 2017 |
|---|--|
| Net sales   | \$ 102   |
| Loss from continuing operations before income taxes | \$ (12 )   |

The H&N Business results include \$35 million that was recognized in cost of goods sold as inventory was sold related to the fair value step-up of inventories in the Consolidated Statements of Operations. for the period November 1 through December 31, 2017.

The company evaluated the disclosure requirements under ASC 805 and determined the H&N Business was not considered a material business combination for purposes of disclosing supplemental pro forma information.

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 Historical DuPont was required to divest in order to obtain EC approval of the Merger Transaction and Historical DuPont acquired the H&N Business. See further discussion of the FMC Transactions in Note 1. The sale of the Divested Ag Business met the criteria for discontinued operations and as such, earnings were included within (loss) income from discontinued operations after income taxes for all periods presented.

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 fair value as determined by the company of the H&N Business was \$1,970 million. The FMC Transactions included a cash consideration payment to Historical DuPont of approximately \$1,200 million, which reflected the difference in value between the Divested Ag Business and the H&N Business, as well as favorable contracts with FMC of \$495 million. Due to the proximity of the Merger and the closing of the sale, the carrying value of the Divested Ag Business approximated the fair value of the consideration received, thus no resulting gain or loss was recognized on the sale. Refer to Note 3 for further information on the H&N Business.

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

For the year ended December 31, 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 period September 1 through December 31, 2017, the period January 1 through August 31, 2017 and the year ended December 31, 2016, respectively:

| (In millions)  | Successor  | Predecessor  |  |   |
|--|--|--|--|---|
|  | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 <sup>1</sup> | For the<br>Period<br>January<br>1 through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |   |
| Net sales  | \$ 199   | \$ 1,068   | \$ 1,385   |   |
| Cost of goods sold   | 194  | 412  | 514  |   |
| Other operating charges  |  | 17   | 19   |   |
| Research and development expenses                              | 30   | 95   | 139  |   |
| Selling, general and administrative expenses <sup>2</sup>      | 102  | 146  | 176  |   |
| Restructuring and asset related charges - net                  | (1   | ) —  | (4   | ) |
| Sundry (expense) income - net                                  | (1   | ) 7  | 1  |   |
| (Loss) Income from discontinued operations before income taxes | (127   | ) 405  | 542  |   |
| (Benefit from) Provision for income taxes                      | (50  | ) 79   | 103  |   |
| (Loss) Income from discontinued operations after income taxes  | \$ (77   | ) \$326  | \$ 439   |   |

<sup>1</sup>. Includes results of operations for the period September 1 through October 31, 2017, as the Divested Ag Business was disposed of on November 1, 2017.

<sup>2</sup>. Successor period includes \$44 million of transaction costs associated with the disposal of the Divested Ag Business.

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

| (In millions)        | Successor   | Predecessor  |  |
|----------------------|---|--|--|
|                      | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | For the<br>Period<br>January<br>1 through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
| Depreciation         | \$ —  | \$ 21  | \$ 32  |
| Capital expenditures | \$ 5  | \$ 8   | \$ 40  |

Upon closing and pursuant to the terms of the FMC Transaction Agreement, Historical DuPont and FMC entered into favorable supply agreements and certain ancillary agreements, including manufacturing service agreements and

transition service agreements. Under the terms of the favorable supply agreements, FMC will supply product to Historical DuPont at cost for a period of up to five years and, as a result, Historical DuPont recorded an intangible asset of \$495 million upon closing that will be amortized over a period of five years.

#### 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 Consolidated Statement of Operations for the period January 1 through August 31, 2017.

#### Historical DuPont (Shenzhen) Manufacturing Limited

In March 2016, the company recognized the sale of its 100 percent ownership interest in Historical DuPont (Shenzhen) Manufacturing Limited to the Feixiang Group. The sale of the entity, which held certain buildings and other assets, resulted in a pre-tax gain of \$369 million (\$214 million net of tax). The gain was recorded in sundry income (expense) - net in the company's Consolidated Statement of Operations for the year ended December 31, 2016.

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

### Performance Chemicals

On July 1, 2015, Historical 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 "Chemours Separation"). In connection with the Chemours Separation, the company and Chemours entered into a Separation Agreement (as amended, the "Chemours Separation Agreement"), discussed below, and a Tax Matters Agreement and certain ancillary agreements, including an employee matters agreement, agreements related to transition and site services, and intellectual property cross licensing arrangements. In addition, the companies have entered into certain supply agreements.

### Separation Agreement

The Chemours Separation Agreement sets forth, among other things, the agreements between the company and Chemours regarding the principal transactions necessary to effect the Chemours Separation and also sets forth ancillary agreements that govern certain aspects of the company's relationship with Chemours after the separation. Among other matters, the Chemours Separation Agreement and the ancillary agreements provide for the allocation between Historical DuPont and Chemours of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the completion of the Chemours Separation.

Pursuant to the Chemours Separation Agreement, as discussed below, Chemours indemnifies Historical 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, Historical DuPont and Chemours amended the Chemours 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 December 31, 2018, the indemnified assets are \$80 million within accounts and notes receivable - net and \$298 million within other assets along with the corresponding liabilities of \$80 million within accrued and other current liabilities and \$298 million within other noncurrent obligations on the Consolidated Balance Sheet. See Note 16 for further discussion of the amendment to the Chemours Separation Agreement and certain litigation and environmental matters indemnified by Chemours.

The results of operations of the Performance Chemicals segment are presented as discontinued operations as summarized below:

| (In millions)   | Predecessor<br>For the<br>Period<br>January<br>1<br>through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
|---|--|--|
| Other operating charges                               | \$335  | \$ 36  |
| Sundry income (expense) - net                         | 3  | 3  |
| Loss from discontinued operations before income taxes | (332)  | (33)   |
| Benefits from income taxes                            | (125)  | (28)   |
| Loss from discontinued operations after income taxes  | \$(207)  | \$ (5)   |

(Loss) income from discontinued operations after income taxes in the company's Consolidated Statement of Operations for the period January 1 through August 31, 2017 includes a charge of \$335 million (\$214 million net of tax) in connection with the PFOA multi-district litigation settlement.

For the year ended December 31, 2016, the company incurred \$35 million of costs in connection with the separation primarily related to professional fees associated with preparation of regulatory filings and separation activities within finance, tax, legal, and information system functions. These costs were included in (loss) income from discontinued operations after income taxes in the company's Consolidated Statement of Operations.

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

NOTE 5 - REVENUE

Revenue Recognition

Products

Substantially all of Historical DuPont's revenue is derived from product sales. Product sales consist of sales of Historical DuPont's products to supply manufacturers, distributors, and farmers. Historical 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 Historical 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, Historical 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 of variable consideration included in the transaction price utilize either the expected value method or most likely amount depending on the nature of the variable consideration. These estimates 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, Historical 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

Historical 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. Historical 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<br>(In millions)                 | Topic 606            |                                   |                      |
|--|----------------------|-----------------------------------|----------------------|
|  | December 31,<br>2018 | Adjustments<br>January 1,<br>2018 | December<br>31, 2017 |
| Accounts and notes receivable - trade <sup>1</sup> | \$ 4,130             | \$ 87                             | \$ 3,976             |
| Contract assets - current <sup>2</sup>             | \$ 48                | \$ 40                             | \$ —                 |
| Deferred revenue - current <sup>3</sup>            | \$ 1,927             | \$ 2                              | \$ 2,014             |
| Deferred revenue - noncurrent <sup>4</sup>         | \$ 30                | \$ —                              | \$ 48                |

<sup>1</sup>. Included in accounts and notes receivable - net in the Consolidated Balance Sheets.

<sup>2</sup>. Included in other current assets in the Consolidated Balance Sheets.

<sup>3</sup>. Included in accrued and other current liabilities in the Consolidated Balance Sheets.

<sup>4</sup>. Included in other noncurrent obligations in the Consolidated Balance Sheets.

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

Revenue recognized during the year ended December 31, 2018 from amounts included in deferred revenue at the beginning of the period was \$1,973 million.

#### Disaggregation of Revenue

Effective with the Merger, Historical DuPont's business activities are components of DowDuPont's business operations. Historical 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 Historical DuPont relates to the company in its entirety. Accordingly, there are no separate reportable business segments for Historical DuPont under ASC 280 "Segment Reporting" and Historical DuPont's business results are reported in this Form 10-K 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)                        | Successor                            |  | Predecessor                                      |                                      |
|--------------------------------------|--------------------------------------|--|--|--------------------------------------|
|                                      | For the Year Ended December 31, 2018 | For the Period September 1, 2017 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Agriculture                          | \$8,995                              | \$ 1,596   | \$6,894  | \$ 8,131                             |
| Packaging and Specialty Plastics     | 1,579                                | 544  | 1,072  | 1,651                                |
| Electronics and Imaging              | 2,097                                | 743  | 1,422  | 1,960                                |
| Nutrition and Health                 | 4,054                                | 1,165  | 2,129  | 3,268                                |
| Industrial Biosciences               | 1,653                                | 573  | 1,022  | 1,500                                |
| Transportation and Advanced Polymers | 4,418                                | 1,355  | 2,608  | 3,599                                |
| Safety and Construction              | 3,473                                | 1,074  | 2,134  | 3,099                                |
| Other                                | 10                                   | 3  | —  | 1                                    |
| Total                                | \$26,279                             | \$ 7,053   | \$17,281   | \$ 23,209                            |

Sales are attributed to geographic regions based on customer location. Refer to Note 22 for the breakout of net sales by geographic region.

#### NOTE 6 - RESTRUCTURING AND ASSET RELATED CHARGES - NET

##### DowDuPont Agriculture Division Restructuring Program

During the fourth quarter of 2018 and in connection with the ongoing integration activities, DowDuPont approved restructuring actions to simplify and optimize certain organizational structures within the agriculture product line in preparation for the Intended Business Separations. As a result of these actions, the company expects to record total pre-tax charges of approximately \$65 million, comprised of approximately \$55 million of severance and related benefits costs; \$5 million of asset related charges, and \$5 million of costs related to contract terminations. For the year



ended December 31, 2018, Historical DuPont recorded a pre-tax charge of \$59 million, recognized in restructuring and asset related charges - net in the company's Consolidated Statement of Operations comprised of \$54 million of severance and related benefit costs and \$5 million of asset related charges. The company expects actions related to this program to be substantially complete by mid-2019. At December 31, 2018, total liabilities related to the program was \$54 million.

#### 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, Historical DuPont expects to record total pre-tax restructuring charges of \$575 million to \$675 million, comprised of approximately \$370 million to \$400 million of severance and related benefits costs; \$80 million to \$100 million of costs related to contract terminations; and \$125 million to \$175 million of asset related charges.

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

The below is a summary of charges incurred related to the Synergy Program:

| (In millions)  | For the<br>Year<br>Ended<br>December<br>31, 2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 |
|--|--|---|
| Severance and related benefit costs                              | \$ 219   | \$ 153  |
| Contract termination charges                                     | 40   | 31  |
| Asset related charges  | 63   | 3   |
| Total restructuring and asset related charges - net <sup>1</sup> | \$ 322   | \$ 187  |

The charge for the year ended December 31, 2018, includes \$318 million which was recognized in restructuring and 1. asset related charges - net and \$4 million which was recognized in sundry income (expense) - net in the company's Consolidated Statement of Operations.

Actions associated with the Synergy Program, including employee separations, are expected to be substantially complete by the end of 2019.

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

| (In millions)  | Severance and Related<br>Benefit Costs | Contract Termination<br>Charges | Asset Related Charges | Total  |
|--|--|---------------------------------|-----------------------|--------|
| Balance at<br>December 31,<br>2017   | \$ 133                                 | \$ 28                           | \$ —                  | \$ 161 |
| Charges to<br>(loss) income<br>from continuing<br>operations for<br>the year ended<br>December 31,<br>2018 | 219                                    | 40                              | 63                    | 322    |
| Payments   | (118 )                                 | (50 )                           | —                     | (168 ) |
| Asset write-offs   | —                                      | —                               | (63 )                 | (63 )  |
| Net translation<br>adjustment  | (5 )                                   | —                               | —                     | (5 )   |
| Balance as of<br>December 31,<br>2018  | \$ 229                                 | \$ 18                           | \$ —                  | \$ 247 |

#### 2017 Restructuring Program

During the first quarter 2017, Historical DuPont committed to take actions to improve plant productivity and better position its product lines for productivity and growth before and after the closing of the Merger Transaction (the "2017 restructuring program"). In connection with these actions, the company incurred pre-tax charges of \$313 million during the period from January 1 through August 31, 2017 recognized in restructuring and asset related charges - net in the company's Consolidated Statement of Operations. The charge is comprised of \$279 million of asset related charges and \$34 million in severance and related benefit costs. The charges primarily relate to the second quarter closure of the safety and construction product line at the Cooper River manufacturing site located near

Charleston, South Carolina. The asset related charges mainly consist of accelerated depreciation associated with the closure. At December 31, 2018 and 2017, total liabilities related to the 2017 restructuring program were \$4 million and \$19 million, respectively. The actions associated with the 2017 restructuring program were substantially complete in 2017.

#### La Porte Plant, La Porte, Texas

In March 2016, Historical DuPont announced its decision to not re-start its insecticide manufacturing facility at the La Porte site located in La Porte, Texas. The facility manufactured Lannate® and Vydate® insecticides and has been shut down since November 2014. As a result of this decision, during the year ended December 31, 2016, a pre-tax charge of \$68 million was recorded in restructuring and asset related charges - net in the company's Consolidated Statement of Operations which included \$41 million of asset related charges, \$16 million of employee severance and related benefit costs and \$11 million of contract termination costs.

#### 2016 Global Cost Savings and Restructuring Plan

In December 2015, Historical DuPont committed to take structural actions across all product lines and staff functions globally to operate more efficiently by further consolidating product lines and aligning staff functions more closely with them as part of a 2016 global cost savings and restructuring plan.

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

During the year ended December 31, 2016, the company recorded a net pre-tax benefit to earnings of \$(81) million, consisting of \$(84) million in restructuring and asset related charges - net and \$3 million in sundry income - net in the company's Consolidated Statement of Operations. The net benefit was comprised of a reduction of \$(150) million in severance and related benefit costs, offset by \$53 million of asset related charges and \$16 million of contract termination costs. This was primarily due to a reduction in severance and related benefit costs partially offset by the identification of additional projects. The reduction in severance and related benefit costs was driven by elimination of positions at a lower cost than expected as a result of redeployments and attrition as well as lower than estimated individual severance costs.

The company incurred a pre-tax charge of \$10 million during the period January 1 through August 31, 2017, recognized in restructuring and asset related charges - net in the company's Consolidated Statement of Operations. This was due to additional severance payments owed to previously terminated executives that became probable during the period. The company incurred a pre-tax benefit of \$(5) million for the period from September 1 through December 31, 2017. The reduction in severance and related benefit costs was driven by the elimination of positions at a lower cost than expected. In connection with the restructuring actions, the company has recorded total pre-tax restructuring charges of \$708 million.

At December 31, 2018 and 2017, total liabilities related to the 2016 Global Cost Savings and Restructuring Plan were \$1 million and \$22 million, respectively. The actions associated with this restructuring program were substantially complete in 2016.

#### 2014 Restructuring Program

In June 2014, Historical DuPont announced its global, multi-year initiative to redesign its global organization and operating model to reduce costs and improve productivity and agility across all product lines and functions. During the period September 1 through December 31, 2017 and the year ended December 31, 2016, benefits of \$(2) million and \$(21) million were recorded, respectively, in restructuring and asset related charges - net in the company's Consolidated Statements of Operations to reduce the accrual for severance costs associated with this program.

#### Asset Impairment

During the third quarter of 2018, the company recognized an \$85 million pre-tax (\$66 million after-tax) impairment charge in restructuring and asset related charges - net in the company's Consolidated Statements of Operations related to certain in-process research and development ("IPR&D") assets within the agriculture reporting unit. Refer to Notes 14 and 21 for further information.

In addition, based on updated projections for the company's investments in nonconsolidated affiliates in China related to the agriculture product line, management determined the fair values of the investments in nonconsolidated affiliates were below the carrying values and had no expectation the fair values would recover due to the continuing unfavorable regulatory environment including lack of intellectual property protection, uncertain product registration timing and limited freedom to operate. As a result, management concluded the impairment was other than temporary and in the third quarter of 2018 recorded an impairment charge of \$41 million in restructuring and asset related charges - net in the company's Consolidated Statements of Operations, none of which is tax-deductible. Refer to Note 21 for further information.

In the fourth quarter 2015, the company elected to defer further testing and deployment of a multi-year, phased implementation of an enterprise resource planning ("ERP") system; which had not been placed in service as of year-end. At December 31, 2016, the company had capitalized costs associated with the ERP system of \$435 million. In connection with IT strategy reviews conducted during the fourth quarter of 2016, the company reviewed

considerations around the timing of restarting testing and deployment of the ERP system. As a result, the company concluded it intended to complete and place in service the ERP system, however, given the uncertainties related to implementation timing as well as potential developments and changes to technologies in the market place at the time of restart, use of this ERP system could no longer be considered probable. As a result, due to the specificity of the design related to the ERP system, the company determined that the uncompleted ERP system had a fair value of zero and recorded a pre-tax charge of \$435 million in restructuring and asset related charges - net in the company's Consolidated Statement of Operations during the year ended December 31, 2016.

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Notes to the Consolidated Financial Statements (continued)

During the third quarter of 2016, the company recognized a \$158 million pre-tax impairment charge in restructuring and asset related charges - net in the company's Consolidated Statement of Operations related to indefinite-lived intangible trade names. In connection with the company's strategy reviews and brand realignment conducted during the third quarter 2016, the company decided to phase out the use of certain acquired trade names resulting in a change from an indefinite life to a finite useful life for these assets. As a result of these changes, the carrying value of the trade name assets exceeded the fair value. The basis of the fair value for the charges was calculated utilizing an income approach (relief from royalty method) using Level 3 inputs within the fair value hierarchy, as described in Note 1. The key assumptions used in the calculation included projected revenue, royalty rates and discount rates. These key assumptions involve management judgment and estimates relating to future operating performance and economic conditions that may differ from actual cash flows.

#### NOTE 7 - RELATED PARTY TRANSACTIONS

##### Services Provided by and to Historical Dow and its affiliates

Following the Merger, Historical DuPont reports transactions with Historical Dow and its affiliates as related party transactions. Historical DuPont sells to and procures from Historical Dow and its affiliates certain feedstocks and raw materials that are consumed in each company's manufacturing process, as well as finished goods. Historical DuPont also provides to Historical Dow and its affiliates certain seed production and distribution services. The following table presents amounts due to or due from Historical Dow and its affiliates at December 31, 2018 and December 31, 2017:

| (In millions)                       | December |          |
|-------------------------------------|----------|----------|
|                                     | 31, 2018 | 31, 2017 |
| Accounts and notes receivable - net | \$ 201   | \$ 12    |
| Accounts payable                    | \$ 288   | \$ 26    |

The table below presents revenue earned and expenses incurred in transactions with Historical Dow and its affiliates following the Merger:

| (In millions)      | For the  | For the   |
|--------------------|----------|-----------|
|                    | Year     | Period    |
|                    | Ended    | September |
|                    | December | 1 through |
|                    | 31, 2018 | December  |
|                    |          | 31, 2017  |
| Net sales          | \$ 261   | \$ 20     |
| Cost of goods sold | \$ 224   | \$ 20     |

For the year ended December 31, 2018 and the period September 1 through December 31, 2017, purchases from Historical Dow and its affiliates were \$320 million and \$49 million, respectively. Historical DuPont also received transfers of certain feedstocks and energy from Historical Dow and its affiliates at cost which totaled \$343 million for the year ended December 31, 2018.

##### Transactions with DowDuPont

DowDuPont primarily relies on distributions and other intercompany transfers from Historical DuPont and Historical 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. The \$4,000 million

share repurchase program was completed in the third quarter of 2018. In February, May, August and November 2018, the Board declared first, second, third and fourth quarter dividends per share of DowDuPont common stock payable on March 15, 2018, June 15, 2018, September 15, 2018 and December 14, 2018, respectively. For the year ended December 31, 2018 and the period September 1 through December 31, 2017, Historical DuPont declared and paid distributions in cash to DowDuPont of about \$2,806 million and \$829 million, respectively, primarily to fund a portion of DowDuPont's share repurchases and dividend payments for these periods.

In contemplation of the Intended Business Separations and to achieve the respective credit profiles of each of the intended future companies, DowDuPont completed a series of financing transactions in the fourth quarter of 2018, which included an offering of senior unsecured notes and the establishment of new term loan facilities (the "financing transactions"). In November and December of 2018, DowDuPont contributed a portion of the net proceeds of the notes offering to Historical DuPont to pay off or retire a portion of Historical DuPont's existing debt liabilities, with additional contributions expected before the Intended Business Separations. See Note 15 for additional information.

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

In addition, at December 31, 2018 and 2017, Historical DuPont had a payable to DowDuPont of \$103 million and \$354 million, respectively, included in accounts payable in the Consolidated Balance Sheets related to its estimated 2018 and 2017 tax liabilities. See Note 9 for additional information.

## NOTE 8 - SUPPLEMENTARY INFORMATION

| Sundry Income (Expense) - Net  | Successor                            |  | Predecessor                                      |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| (In millions)  |                                      |  |  |                                      |
| Royalty income <sup>1</sup>  |                                      |  | \$84   | \$ 170                               |
| Interest income  | \$92                                 | \$ 41  | 83   | 102                                  |
| Equity in earnings of affiliates - net   | 51                                   | 1  | 55   | 99                                   |
| Net gain on sales of businesses and other assets <sup>2,3</sup>                    | 26                                   | 16   | 205  | 435                                  |
| Net exchange (losses) gains  | (110)                                | 8  | (394)  | (106)                                |
| Non-operating pension and other post employment benefit credit (cost) <sup>4</sup> | 368                                  | 134  | (278)  | (40)                                 |
| Miscellaneous income and expenses - net <sup>5</sup>                               | 116                                  | 24   | 132  | 7                                    |
| Sundry income (expense) - net  | \$543                                | \$ 224   | \$(113)  | \$ 667                               |

- In the Successor periods, royalty income of \$170 million and \$60 million is included in Net Sales for the year ended December 31, 2018 and the period September 1, 2017 through December 31, 2017, respectively.
- Includes a pre-tax gain of \$162 million (\$86 million net of tax) for the period January 1 through August 31, 2017 related to the sale of global food safety diagnostics. See Note 4 for additional information.
- Includes a pre-tax gain of \$369 million (\$214 million net of tax) for the year ended December 31, 2016 related to the sale of Historical DuPont (Shenzhen) Manufacturing Limited. See Note 4 for additional information.
- Includes non-service 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 ASU No. 2017-07.
- Miscellaneous income and expenses - net, includes interest items (in the Predecessor periods only), gains (losses) on available for sale securities, gains related to litigation settlements, licensing income, gains on purchases, and other items.



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Notes to the Consolidated Financial Statements (continued)

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 (benefit from) income taxes on continuing operations in the Consolidated Statements of Operations.

| (In millions)  | Successor<br>For the<br>Year Ended<br>December 31,<br>2018 | For the<br>Period<br>through<br>December 31,<br>2017 | Predecessor<br>For the<br>Period<br>For the<br>Year Ended<br>January 1<br>through<br>August 31,<br>2017 | For the<br>Year Ended<br>December<br>31, 2016 |
|--|--|--|---|---|
| <b>Subsidiary Monetary Position (Loss) Gain</b>                |  |  |   |   |
| Pre-tax exchange (loss) gain <sup>1</sup>                      | \$(204)  | \$ (83 )   | \$ 37   | \$ 198  |
| Local tax benefits (expenses)                                  | 19   | (3 )   | 217   | (126 )  |
| Net after-tax impact from subsidiary exchange (loss) gain      | \$(185)  | \$ (86 )   | \$ 254  | \$ 72   |
| <b>Hedging Program Gain (Loss)</b>                             |  |  |   |   |
| Pre-tax exchange gain (loss) <sup>2</sup>                      | \$ 94  | \$ 91  | \$(431)   | \$(304 )                                      |
| Tax (expenses) benefits  | (21 )  | (33 )  | 155   | 110   |
| Net after-tax impact from hedging program exchange gain (loss) | \$ 73  | \$ 58  | \$(276)   | \$(194 )                                      |
| <b>Total Exchange (Loss) Gain</b>                              |  |  |   |   |
| Pre-tax exchange (loss) gain                                   | \$(110)  | \$ 8   | \$(394)   | \$(106 )                                      |
| Tax (expenses) benefits  | (2 )   | (36 )  | 372   | (16 )   |
| Net after-tax exchange (loss) gain                             | \$(112)  | \$ (28 )   | \$ (22 )  | \$(122 )                                      |

<sup>1</sup> Includes a net \$75 million pre-tax exchange loss associated with the devaluation of the Argentine peso for the twelve months ended December 31, 2018.

<sup>2</sup> Includes a \$50 million foreign exchange loss for the twelve months ended December 31, 2018 related to adjustments to foreign currency exchange contracts as a result of U.S. tax reform.

**Cash, cash equivalents and restricted cash**

The following table provides a reconciliation of cash and cash equivalents and restricted cash (included in other current assets) presented in the Consolidated Balance Sheets to the total cash, cash equivalents and restricted cash presented in the Consolidated Statements of Cash Flows. See Note 2 for additional information.

| (In millions)                                    | December<br>31, 2018 | December<br>31, 2017 |
|--|----------------------|----------------------|
| Cash and cash equivalents                        | \$ 4,466             | \$ 7,250             |
| Restricted cash                                  | 500                  | 558                  |
| Total cash, cash equivalents and restricted cash | \$ 4,966             | \$ 7,808             |

Historical DuPont entered into a trust agreement in 2013 (as amended and restated in 2017), establishing and requiring Historical DuPont to fund a trust (the "Trust") for cash obligations under certain non-qualified benefit and deferred compensation plans upon a change in control event as defined in the Trust agreement. Under the Trust agreement, the consummation of the Merger was a change in control event. Restricted cash at December 31, 2018 and December 31, 2017 is related to the Trust.

Accrued and other current liabilities

Accrued and other current liabilities were \$4,233 million at December 31, 2018 and \$4,384 million at December 31, 2017. Deferred revenue and compensation and other employee-related costs, which are components of accrued and other current liabilities, were \$1,927 million and \$662 million at December 31, 2018, respectively and \$2,014 million and \$857 million at December 31, 2017, respectively. No other components of accrued and other current liabilities were more than 5 percent of total current liabilities.

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

NOTE 9 - INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act (“The Act”) was enacted. The Act reduces the U.S. federal corporate income tax rate from 35 percent to 21 percent, requires companies to pay a one-time transition tax (“transition tax”) on earnings of certain foreign subsidiaries that were previously tax deferred, creates new provisions related to foreign sourced earnings, eliminates the domestic manufacturing deduction and moves to a territorial system. At December 31, 2017, the Company had not completed its accounting for the tax effects of The Act; however, as described below, the company made a reasonable estimate of the effects on its existing deferred tax balances and the one-time transition tax. In accordance with Staff Accounting Bulletin 118 (“SAB 118”), income tax effects of The Act were refined upon obtaining, preparing, or analyzing additional information during the measurement period. At December 31, 2018, the company had completed its accounting for the tax effects of The Act.

As a result of The Act, the company remeasured its U.S. federal deferred income tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21 percent. The company recorded a cumulative benefit of \$2,755 million (\$2,716 million benefit in the year ended December 31, 2017 and \$39 million benefit in the year ended December 31, 2018) to the provision for (benefit from) income taxes on continuing operations with respect to the remeasurement of the company's deferred tax balances. Of the \$39 million benefit booked in the year ended December 31, 2018, \$114 million relates to the company's discretionary pension contribution in 2018, which was deducted on a 2017 tax return. The remaining charges relate to purchase accounting adjustments made throughout 2018.

The Act requires a mandatory deemed repatriation of post-1986 undistributed foreign earnings and profits (“E&P”), which results in a one-time transition tax. The company recorded a cumulative charge of \$859 million (\$715 million charge in the year ended December 31, 2017 and \$144 million charge in the year ended December 31, 2018) to the provision for (benefit from) income taxes on continuing operations with respect to the one-time transition tax.

In the year ended December 31, 2018, the company recorded an indirect impact of The Act related to prepaid tax on the intercompany sale of inventory. The amount recorded related to inventory was a \$16 million charge to provision for income taxes on continuing operations.

For tax years beginning after December 31, 2017, The Act introduces new provisions for U.S. taxation of certain global intangible low-taxed income (“GILTI”). The company has made the policy election to record any liability associated with GILTI in the period in which it is incurred.

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

| Geographic Allocation of (Loss) Income and Provision for (Benefit from)<br>Income Taxes | Successor  |   | Predecessor  |  |
|---|--|---|--|--|
| (In millions)   | For the<br>Year<br>Ended<br>December<br>31, 2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | For the<br>Period<br>January<br>1 through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
| (Loss) Income from continuing operations before income taxes                            |  |   |  |  |
| Domestic  | \$(4,496)  | \$(811)   | \$409  | \$1,415  |
| Foreign   | (297)  | (775)   | 1,382  | 1,308  |
| (Loss) Income from continuing operations before income taxes                            | \$(4,793)  | \$(1,586)   | \$1,791  | \$2,723  |
| Current tax expense (benefit)   |  |   |  |  |
| Federal   | \$(333)  | \$216   | \$(563)  | \$4  |
| State and local   | 5  | 22  | (11)   | 9  |
| Foreign   | 453  | 187   | 282  | 539  |
| Total current tax expense (benefit)   | \$125  | \$425   | \$(292)  | \$552  |
| Deferred tax expense (benefit)  |  |   |  |  |
| Federal   | \$162  | \$(2,790)   | \$476  | \$22   |
| State and local   | (29)   | (48)  | (8)  | (29)   |
| Foreign   | (38)   | (260)   | (27)   | 96   |
| Total deferred tax expense (benefit)  | \$95   | \$(3,098)   | \$441  | \$89   |
| Provision for (Benefit from) income taxes on continuing operations                      | 220  | (2,673)   | 149  | 641  |
| Net (loss) income from continuing operations  | \$(5,013)  | \$1,087   | \$1,642  | \$2,082  |

Pre-tax loss from continuing operations for the year ended December 31, 2018 includes a non-deductible \$4,503 million non-cash goodwill impairment charge associated with the agriculture reporting unit, of which \$3,193 million related to the U.S. and the remaining \$1,310 million related to foreign operations.

In connection with the Merger, pre-tax loss from continuing operations for the year ended December 31, 2018 and the period September 1 through December 31, 2017 includes depreciation and amortization associated with the fair value that was allocated to the company's tangible and intangible assets as well as costs of \$1,628 million and \$1,469 million, respectively, recognized in cost of goods sold related to the fair value step-up of inventories (See Note 3 for further information).

Additionally, global pre-tax earnings from continuing operations for the year ended December 31, 2018, the period September 1 through December 31, 2017, the period January 1 through August 31, 2017, and the year ended December 31, 2016 includes transaction costs associated with the Merger of \$1,375 million, \$314 million, \$581 million, and \$386 million, respectively.

## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

| Reconciliation to U.S. Statutory Rate  | Successor   |   | Predecessor  |  |
|--|---|---|--|--|
|  | For the<br>Year<br>Ended<br>December<br>31,<br>2018 | For the<br>Period<br>September<br>1 through<br>December<br>31, 2017 | For the<br>Period<br>January<br>1 through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
| Statutory U.S. federal income tax rate   | 21.0 %  | 35.0 %  | 35.0 %   | 35.0 %   |
| Equity earning effect  | 0.2   | 0.9   | (0.5 )   | (0.8 )   |
| Effective tax rates on international operations - net                                | 0.5   | (9.5 )  | (11.4 )  | (9.2 )   |
| Acquisitions, divestitures and ownership restructuring activities <sup>1, 2, 3</sup> | (1.6 )  | 15.8  | 5.2  | 1.9  |
| U.S. research and development credit   | 0.6   | 0.4   | (0.8 )   | (0.7 )   |
| Exchange gains/losses <sup>4</sup>   | (0.5 )  | (1.8 )  | (12.9 )  | 1.9  |
| SAB 118 Impact of Enactment of U.S. Tax Reform <sup>5</sup>                          | (2.5 )  | 126.1   |  |  |
| Excess tax benefits from stock compensation <sup>6</sup>                             | 0.1   | 0.1   | (1.7 )   |  |
| Tax settlements and expiration of statute of limitations <sup>7</sup>                | 0.2   | —   | (3.8 )   | (1.1 )   |
| Goodwill impairment <sup>8</sup>   | (21.4)  | —   | —  | —  |
| Other - net  | (1.2 )  | 1.5   | (0.8 )   | (3.5 )   |
| Effective tax rate   | (4.6 )%   | 168.5 %   | 8.3 %  | 23.5 %   |

1. See Notes 3 and 4 for additional information.

2. Includes a net tax charge of \$74 million related to repatriation activities to facilitate the Intended Business

Separations for the year ended December 31, 2018.

3. Includes a net tax charge of \$25 million and a net tax benefit of \$261 million for the year ended December 31, 2018 and the period September 1 through December 31, 2017, respectively, related to an internal legal entity restructuring associated with the Intended Business Separations.

4. Principally reflects the impact of foreign exchange gains and losses on net monetary assets for which no corresponding tax impact is realized. Further information about the company's foreign currency hedging program is included in Note 8 and Note 20 under the heading Foreign Currency Risk.

5. Reflects a net tax charge of \$121 million associated with the company's completion of the accounting for the tax effects of The Act for the year ended December 31, 2018.

6. Reflects the impact of the adoption of ASU 2016-09, Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting, which was adopted January 1, 2017 and resulted in the recognition of excess tax benefits related to equity compensation in the (benefit from) provision for income taxes on continuing operations.

7. The period January 1 through August 31, 2017 includes a tax benefit of \$53 million for accrued interest reversals (recorded in sundry income (expense) - net).

8. Reflects the impact of the non-tax-deductible impairment charge for the agriculture reporting unit and corresponding \$75 million tax charge associated with a valuation allowance recorded against the net deferred tax asset position of a legal entity in Brazil for the year ended December 31, 2018.

## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

| Deferred Tax Balances at December 31<br>(In millions) | 2018       |             | 2017       |             |
|---|------------|-------------|------------|-------------|
|   | Assets     | Liabilities | Assets     | Liabilities |
| Property  | \$—        | \$ 1,043    | \$—        | \$ 1,160    |
| Tax loss and credit carryforwards <sup>1</sup>        | 1,390      | —           | 1,452      | —           |
| Accrued employee benefits                             | 1,802      | 169         | 1,988      | 68          |
| Other accruals and reserves                           | 323        | 51          | 333        | 39          |
| Intangibles   | 320        | 5,876       | 284        | 6,286       |
| Inventory   | 129        | 371         | 130        | 597         |
| Long-term debt  | 24         | —           | 109        | —           |
| Investments   | 114        | 581         | 23         | 453         |
| Unrealized exchange gains/losses                      | —          | 141         | —          | 71          |
| Other – net   | 280        | 141         | 260        | 121         |
| Subtotal  | \$4,382    | \$ 8,373    | \$4,579    | \$ 8,795    |
| Valuation allowances <sup>1,2,3</sup>                 | (1,087)    | —           | (1,140)    | —           |
| Total   | \$3,295    | \$ 8,373    | \$3,439    | \$ 8,795    |
| Net Deferred Tax Liability                            | \$ (5,078) |             | \$ (5,356) |             |

<sup>1</sup> Primarily related to the realization of recorded tax benefits on tax loss carryforwards from operations in the United States, Brazil, and Luxembourg.

The company has corrected its valuation allowance (with a corresponding reduction in tax loss and credit carryforwards) in the amount of \$238 million as a result of a change in the Delaware state apportionment methodology.

<sup>2</sup> During the year ended December 31, 2018, the company established a full valuation allowance against the net deferred tax asset position of a legal entity in Brazil due to revised financial projections, resulting in tax expense of \$75 million. See Note 14 for additional information.

| Operating Loss and Tax Credit Carryforwards<br>(In millions) | Deferred Tax<br>Asset |         |
|--|-----------------------|---------|
|  | 2018                  | 2017    |
| Operating loss carryforwards                                 |                       |         |
| Expire within 5 years  | \$76                  | \$42    |
| Expire after 5 years or indefinite expiration                | 1,137                 | 1,245   |
| Total operating loss carryforwards                           | \$1,213               | \$1,287 |
| Tax credit carryforwards                                     |                       |         |
| Expire within 5 years  | \$8                   | \$10    |
| Expire after 5 years or indefinite expiration                | 169                   | 155     |
| Total tax credit carryforwards                               | \$177                 | \$165   |
| Total Operating Loss and Tax Credit Carryforwards            | \$1,390               | \$1,452 |

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

| Total Gross Unrecognized Tax Benefits <sup>1</sup>   | Successor                            |  | Predecessor                                      |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| (In millions)  |                                      |  |  |                                      |
| Total unrecognized tax benefits as of beginning of period  | \$741                                | \$ 709   | \$596  | \$ 906                               |
| Decreases related to positions taken on items from prior years   | (44)                                 | (2)  | (19)   | (46)                                 |
| Increases related to positions taken on items from prior years   | 74                                   | 9  | 3  | 33                                   |
| Increases related to positions taken in the current year   | 9                                    | 28   | 49   | 55                                   |
| Settlement of uncertain tax positions with tax authorities   | (13)                                 | 1  | (6)  | (314)                                |
| Decreases due to expiration of statutes of limitations   | (5)                                  | (5)  | (86)   | (41)                                 |
| Exchange (gain) loss   | (13)                                 | 1  | 1  | 3                                    |
| Total unrecognized tax benefits as of end of period  | \$749                                | \$ 741   | \$538  | \$ 596                               |
| Total unrecognized tax benefits that, if recognized, would impact the effective tax rate                           | \$157                                | \$ 253   | \$188  | \$ 253                               |
| Total amount of interest and penalties (benefit) recognized in Provision for income taxes on continuing operations | \$11                                 | \$ 1   | \$(27)   | \$ 10                                |
| Total accrual for interest and penalties associated with unrecognized tax benefits                                 | \$45                                 | \$ 47  | \$40   | \$ 98                                |

1. The prior year amounts have been revised for amounts previously omitted.

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 tax authorities. Positions challenged by the tax authorities may be settled or appealed by the company. As a result, there is an uncertainty in income taxes recognized in the company's financial statements in accordance with accounting for income taxes and accounting for uncertainty in income taxes. It is reasonably possible that changes to the company's global unrecognized tax benefits could be significant; however, due to the uncertainty regarding the timing of completion of audits and possible outcomes, a current estimate of the range of increases or decreases that may occur within the next twelve months cannot be made.

Tax years that remain subject to examination for the company's major tax jurisdictions are shown below:

| Tax Years Subject to Examination by Major Tax Jurisdiction at Dec 31, Jurisdiction | Earliest Open Year |
|--|--------------------|
| Brazil   | 2012               |
| Canada   | 2013               |
| China  | 2014               |
| Denmark  | 2012               |
| Germany  | 2006               |
| India  | 2001               |
| The Netherlands  | 2017               |
| Switzerland  | 2014               |

United States:

Federal income tax

2012

State and local income tax

2004

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

Undistributed earnings of foreign subsidiaries and related companies that are deemed to be permanently invested amounted to \$15,565 million at December 31, 2018 and \$15,408 million at December 31, 2017. In addition to the U.S. federal tax imposed by The Act on all accumulated unrepatriated earnings through December 31, 2017, The Act introduced additional U.S. federal tax on foreign earnings, effective as of January 1, 2018. The undistributed foreign earnings as of December 31, 2018 may still be subject to certain taxes upon repatriation, primarily where foreign withholding taxes apply. The company is still asserting indefinite reinvestment related to certain investments in foreign subsidiaries. It is not practicable to calculate the unrecognized deferred tax liability on undistributed foreign earnings due to the complexity of the hypothetical calculation.

During 2018, in connection with the Intended Business Separations, the company repatriated certain funds from its non-U.S. subsidiaries that were not needed to finance local operations. During the year ended December 31, 2018, the company recorded net tax expense of \$74 million associated with foreign withholding tax incurred in connection with these repatriation activities.

Historical DuPont and its subsidiaries are included in DowDuPont's consolidated federal income tax group and consolidated tax return. Generally, the consolidated tax liability of the DowDuPont U.S. tax group for each year will be apportioned among the members of the consolidated group based on each member's separate taxable income. Historical DuPont and Historical Dow intend that to the extent Federal and/or State corporate income tax liabilities are reduced through the utilization of tax attributes of the other, settlement of any receivable and payable generated from the use of the other party's sub-group attributes will be in accordance with a tax sharing agreement and/or tax matters agreement.

#### NOTE 10 - EARNINGS PER SHARE OF COMMON STOCK

Upon completion of the Merger, each share of Historical DuPont Common Stock was converted into the right to receive 1.2820 fully paid and non-assessable shares of DowDuPont Common Stock, in addition to cash in lieu of any fractional shares of DowDuPont Common Stock issued and therefore earnings per share of common stock information is not presented for the Successor periods.

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

| (In millions, except share amounts)   | For the<br>Period<br>January 1<br>through<br>August 31,<br>2017 | For the<br>Year Ended<br>December<br>31, 2016 |
|---|---|---|
| Numerator:  |   |   |
| Income from continuing operations after income taxes attributable to Historical DuPont                    | \$ 1,624  | \$ 2,072                                      |
| Preferred dividends   | (7  | ) (10 )                                       |
| Income from continuing operations after income taxes available to Historical DuPont common stockholders   | \$ 1,617  | \$ 2,062                                      |
| Income from discontinued operations after income taxes available to Historical DuPont common stockholders | 117   | 441   |
| Net income available to common stockholders   | \$ 1,734  | \$ 2,503                                      |

Denominator:

|  |             |             |
|--|-------------|-------------|
| Weighted-average number of common shares outstanding - Basic   | 867,888,000 | 872,560,000 |
| Dilutive effect of the company's employee compensation plans   | 4,532,000   | 4,476,000   |
| Weighted-average number of common shares outstanding - Diluted | 872,420,000 | 877,036,000 |

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

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

|                                 | For the<br>Period<br>January<br>1<br>through<br>August<br>31,<br>2017 | For the<br>Year<br>Ended<br>December<br>31, 2016 |
|---------------------------------|---|--|
| Average number of stock options | 1,906   | 4,794,000  |

NOTE 11 - ACCOUNTS AND NOTES RECEIVABLE - NET

| (In millions)                             | December 31,<br>2018 | December 31,<br>2017 |
|---|----------------------|----------------------|
| Accounts receivable – trade               | \$ 3,912             | \$ 3,777             |
| Notes receivable – trade <sup>2</sup>     | 218                  | 199                  |
| Other <sup>3</sup>                        | 1,404                | 1,263                |
| Total accounts and notes receivable - net | \$ 5,534             | \$ 5,239             |

1. Accounts receivable – trade is net of allowances of \$85 million at December 31, 2018 and \$10 million at December 31, 2017. Allowances are equal to the estimated uncollectible amounts. That estimate is based on historical collection experience, current economic and market conditions, and review of the current status of customers' accounts.

2. Notes receivable – trade primarily consists of receivables within the agriculture product line for deferred payment loan programs for the sale of seed products to customers. These loans have terms of one year or less and are primarily concentrated in North America. The company maintains a rigid pre-approval process for extending credit to customers in order to manage overall risk and exposure associated with credit losses. As of December 31, 2018 and 2017, there were no significant past due notes receivable which required a reserve, nor were there any significant impairments related to current loan agreements.

3. Other includes receivables in relation to value added tax, fair value of derivative instruments, indemnification assets, related parties (see Note 7 for further information), and general sales tax and other taxes. No individual group represents more than ten percent of total receivables.

Accounts and notes receivable are carried at amounts that approximate fair value.

NOTE 12 - INVENTORIES

| (In millions)                             | December 31,<br>2018 | December 31,<br>2017 |
|---|----------------------|----------------------|
| Finished products                         | \$ 4,204             | \$ 4,500             |
| Semi-finished products                    | 1,769                | 2,769                |
| Raw materials                             | 481                  | 371                  |
| Stores and supplies                       | 441                  | 447                  |
| Total                                     | \$ 6,895             | \$ 8,087             |
| Adjustment of inventories to a LIFO basis | 512                  | 546                  |
| Total inventories                         | \$ 7,407             | \$ 8,633             |

As a result of the Merger, a fair value step-up of \$3,840 million was recorded for inventories. Of this amount, \$1,563 million and \$1,434 million was recognized in cost of goods sold within (loss) income from continuing operations for the year ended December 31, 2018 and the period September 1 through December 31, 2017, respectively. See Note 3 for additional information regarding the Merger.

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Notes to the Consolidated Financial Statements (continued)

## NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

| (In millions)                             | December<br>31, 2018 | December<br>31, 2017 |
|---|----------------------|----------------------|
| Land and land improvements                | \$915                | \$913                |
| Buildings                                 | 2,656                | 2,747                |
| Machinery and equipment                   | 8,731                | 8,104                |
| Construction in progress                  | 1,604                | 1,114                |
| Total property, plant and equipment       | 13,906               | 12,878               |
| Accumulated depreciation                  | (1,720 )             | (443 )               |
| Total property, plant and equipment - net | \$ 12,186            | \$ 12,435            |

Buildings, machinery and equipment and land improvements are depreciated over useful lives on a straight-line basis ranging from 1 to 25 years. Capitalizable costs associated with computer software for internal use are amortized on a straight-line basis over 1 to 8 years.

| (In millions)        | Successor<br>For the<br>Year<br>Ended<br>December<br>31,<br>2018 | Predecessor<br>For the<br>the<br>Period<br>January<br>1<br>through<br>August<br>31,<br>2017 |
|----------------------|--|---|
| Depreciation expense | \$ 1,308   | \$ 426  |
|                      |  | \$ 589  |
|                      |  | \$ 907  |

## NOTE 14 - GOODWILL AND OTHER INTANGIBLE ASSETS

## Goodwill

The following table summarizes changes in the carrying amount of goodwill for the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017:

| (In millions)                                 |          |
|---|----------|
| Balance as of December 31, 2016 (Predecessor) | \$4,169  |
| Currency Translation Adjustment               | 176      |
| Other Goodwill Adjustments and Acquisitions   | 198      |
| Balance as of August 31, 2017 (Predecessor)   | \$4,543  |
| Balance at September 1, 2017 (Successor)      | \$45,105 |
| Currency Translation Adjustment               | (234 )   |
| Goodwill Recognized for H&N Acquisition       | 718      |
| Balance as of December 31, 2017 (Successor)   | \$45,589 |
| Currency Translation Adjustment               | (806 )   |
| Measurement Period Adjustments - Merger       | 392      |
| Measurement Period Adjustments - H&N Business | 14       |
| Goodwill Impairment Loss                      | (4,503 ) |

Balance as of December 31, 2018 (Successor)      \$40,686

The company tests goodwill and intangible assets for impairment annually during the fourth quarter or more frequently when events or changes in circumstances indicate that the fair value is below its carrying value. As mentioned in Note 1, in connection with the Merger, the company's assets and liabilities were measured at fair value as of the date of the Merger. As the carrying value and the fair value of all reporting units and assets were equal at this date, this resulted in little, if any, margin of fair value in excess of carrying value. As a result, the company's reporting units became susceptible to impairment for any decline in fair value.

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

In connection with the Merger, the company adopted the policy of DowDuPont and performs its annual goodwill impairment test in the fourth quarter. In the fourth quarter 2017, a qualitative assessment was performed on all reporting units that carry goodwill. Based on the qualitative assessment, management concluded it was not more likely than not that the carrying value of the reporting unit exceeds the fair value of the reporting unit, and therefore no impairment was recorded.

During the third quarter of 2018, and in connection with strategic business reviews, the company assembled updated financial projections. The revised financial projections of the agriculture reporting unit assessed and quantified the impacts of developing market conditions, events and circumstances that have evolved throughout 2018, resulting in a reduction in the forecasts of sales and profitability as compared to prior forecasts. The reduction in financial projections was principally driven by lower growth in sales and margins in North America and Latin America and unfavorable currency impacts related to the Brazilian real. The lower growth expectation is driven by reduced planted area, an expected unfavorable shift to soybeans from corn in Latin America, and delays in expected product registrations. In addition, decreases in commodity prices and higher than anticipated industry grain inventories are expected to impact farmers' income and buying choices resulting in shifts to lower technologies and pricing pressure. The company considered the combination of these factors and the resulting reduction in its forecasted projections for the agriculture reporting unit and determined it was more likely than not that the fair value of the agriculture reporting unit was less than the carrying value, thus requiring the performance of an updated goodwill and intangible asset impairment analysis for the agriculture reporting unit as of September 30, 2018.

The company performed an interim impairment analysis for the agriculture reporting unit using a discounted cash flow model (a form of the income approach), utilizing Level 3 unobservable inputs. The company's significant estimates in this analysis include, but are not limited to, future cash flow projections, Merger-related cost and growth synergies, the weighted average cost of capital, the terminal growth rate, and the tax rate. The company believes the current assumptions and estimates utilized are both reasonable and appropriate. The key assumption driving the change in fair value was the lower financial projections discussed above. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from the company's estimates. If the company's ongoing estimates of future cash flows are not met, the company may have to record additional impairment charges in future periods. The company's estimates of future cash flows are based on current regulatory and economic climates, recent operating results, and planned business strategy. These estimates could be negatively affected by changes in federal, state, or local regulations or economic downturns. Based on the analysis performed, the company determined that the carrying amount of the agriculture reporting unit exceeded its fair value resulting in a pre-tax, non-cash goodwill impairment charge of \$4,503 million, reflected in goodwill impairment charge in the company's Consolidated Statement of Operations for the year ended December 31, 2018. None of the charge was tax-deductible.

In reviewing the indefinite-lived intangible assets, the company also determined that the fair value of certain IPR&D assets had declined as a result of delays in timing of commercialization and increases to expected R&D costs. The company performed an analysis of the fair value using the relief from royalty method (a form of the income approach) using Level 3 inputs within the fair value hierarchy. The key assumptions used in the calculation included projected revenue, royalty rates and discount rates. These key assumptions involve management judgment and estimates relating to future operating performance and economic conditions that may differ from actual cash flows. As a result, the company recorded a pre-tax, non-cash intangible asset impairment charge of \$85 million (\$66 million after tax), which is reflected in restructuring and asset related charges - net, in the company's Consolidated Statement of Operations for the year ended December 31, 2018.

In the fourth quarter of 2018, the company performed quantitative testing on all of its reporting units and determined that no further impairments exist. Due to the carrying value and fair value of the reporting units being equal at the date

of the Merger resulting in little, if any, margin of fair value in excess of carrying value, the company believes all reporting units are at risk to have impairment charges in future periods.

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## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

## Other Intangible Assets

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

| (In millions)   | December 31, 2018 |                             |          | December 31, 2017 |                             |          |
|---|-------------------|-----------------------------|----------|-------------------|-----------------------------|----------|
|   | Gross             | Accumulated<br>Amortization | Net      | Gross             | Accumulated<br>Amortization | Net      |
| Intangible assets subject to amortization (Definite-lived):       |                   |                             |          |                   |                             |          |
| Customer-related  | \$9,325           | \$ (744)                    | \$8,581  | \$9,502           | \$ (186)                    | \$9,316  |
| Developed technology  | 4,506             | (628)                       | 3,878    | 4,364             | (144)                       | 4,220    |
| Trademarks/trade names  | 1,084             | (114)                       | 970      | 1,117             | (26)                        | 1,091    |
| Favorable supply contracts  | 475               | (111)                       | 364      | 495               | (17)                        | 478      |
| Microbial cell factories  | 386               | (22)                        | 364      | 397               | (6)                         | 391      |
| Other <sup>1</sup>  | 377               | (32)                        | 345      | 459               | (10)                        | 449      |
| Total other intangible assets with finite lives                   | 16,153            | (1,651)                     | 14,502   | 16,334            | (389)                       | 15,945   |
| Intangible assets not subject to amortization (Indefinite-lived): |                   |                             |          |                   |                             |          |
| IPR&D <sup>2</sup>  | 545               | —                           | 545      | 660               | —                           | 660      |
| Germplasm <sup>3</sup>  | 6,265             | —                           | 6,265    | 6,265             | —                           | 6,265    |
| Trademarks / trade names  | 4,741             | —                           | 4,741    | 4,856             | —                           | 4,856    |
| Total other intangible assets                                     | 11,551            | —                           | 11,551   | 11,781            | —                           | 11,781   |
| Total   | \$27,704          | \$ (1,651)                  | \$26,053 | \$28,115          | \$ (389)                    | \$27,726 |

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

2. Refer to discussion of impairment analysis above.

3. Germplasm is the pool of genetic source material and body of knowledge gained from the development and delivery stage of plant breeding. 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.

In connection with the Merger, the company recorded \$27,071 million of intangible assets, as shown in the table below, representing the fair values at the Merger date. See Note 3 for additional information regarding the Merger.

| Intangible Assets<br>(Amounts in millions)      | Gross           |  |
|---|-----------------|--|
|   | Carrying Amount | Weighted-average Amortization Period (years) |
| Intangible assets with finite lives:            |                 |  |
| Customer-related                                | \$ 9,215        | 17   |
| Developed technology                            | 4,239           | 12   |
| Trademarks/trade names                          | 1,045           | 16   |
| Microbial cell factories                        | 400             | 23   |
| Other   | 461             | 17   |
| Total other intangible assets with finite lives | \$ 15,360       |  |
| Intangible assets with indefinite lives:        |                 |  |
| IPR&D   | \$ 660          |  |
| Germplasm                                       | 6,263           |  |
| Trademarks/trade names                          | 4,788           |  |
| Total intangible assets                         | \$ 27,071       |  |

The aggregate pre-tax amortization expense from continuing operations for definite-lived intangible assets was \$1,281 million for the year ended December 31, 2018, \$389 million for the period September 1 through December 31, 2017, \$139 million for the period January 1 through August 31, 2017, and \$319 million for the year ended December 31, 2016, respectively.

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Notes to the Consolidated Financial Statements (continued)

Total estimated amortization expense for the next five fiscal years is as follows:

(In millions)

|      |          |
|------|----------|
| 2019 | \$ 1,228 |
| 2020 | \$ 1,211 |
| 2021 | \$ 1,199 |
| 2022 | \$ 1,182 |
| 2023 | \$ 1,078 |

NOTE 15 - SHORT-TERM BORROWINGS, LONG-TERM DEBT AND AVAILABLE CREDIT FACILITIES

The following tables summarize the company's short-term borrowings and capital lease obligations and long-term debt:

Short-term borrowings and capital lease obligations

| (In millions)   | December 31, December 31, |          |
|---|---------------------------|----------|
|   | 2018                      | 2017     |
| Commercial paper  | \$ 1,847                  | \$ 1,436 |
| Other loans - various currencies                          | 16                        | 28       |
| Long-term debt payable within one year                    | 268                       | 1,314    |
| Capital lease obligations payable within one year         | 29                        | 1        |
| Total short-term borrowings and capital lease obligations | \$ 2,160                  | \$ 2,779 |

The estimated fair value of the company's short-term borrowings, including interest rate financial instruments, was determined using Level 2 inputs within the fair value hierarchy, as described in Note 1 and Note 21. 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 short-term borrowings and capital lease obligations was \$2,160 million and \$2,780 million at December 31, 2018 and 2017, respectively.

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

The weighted-average interest rate on short-term borrowings outstanding at December 31, 2018 and 2017 was 3.0 percent and 1.8 percent, respectively. The increase in the interest rate for 2018 was primarily due to higher borrowing rates on commercial paper.

Long-Term Debt

| (In millions)  | December 31,<br>2018 |                             | December 31,<br>2017 |                             |
|--|----------------------|-----------------------------|----------------------|-----------------------------|
|  | Amount               | Weighted<br>Average<br>Rate | Amount               | Weighted<br>Average<br>Rate |
| Promissory notes and debentures <sup>1</sup> :       |                      |                             |                      |                             |
| Final maturity 2018                                  | \$—                  | — %                         | \$1,280              | 1.59 %                      |
| Final maturity 2019                                  | 263                  | 2.23 %                      | 521                  | 2.23 %                      |
| Final maturity 2020                                  | 2,496                | 2.14 %                      | 3,070                | 1.79 %                      |
| Final maturity 2021                                  | 475                  | 2.08 %                      | 1,580                | 2.07 %                      |
| Final maturity 2023                                  | 386                  | 2.48 %                      | 1,269                | 2.48 %                      |
| Final maturity 2024 and thereafter                   | 249                  | 3.69 %                      | 2,223                | 3.80 %                      |
| Other facilities:                                    |                      |                             |                      |                             |
| Term loan due 2020 <sup>2</sup>                      | 2,000                | 3.46 %                      | 1,500                | 2.35 %                      |
| Other loans  | 15                   | 4.32 %                      | 18                   | 4.32 %                      |
| Foreign currency loans, various rates and maturities | —                    | — %                         | 30                   | 2.85 %                      |
| Medium-term notes, varying maturities through 2043   | 110                  | 2.37 %                      | 110                  | 1.22 %                      |
| Capital lease obligations                            | 88                   |                             | 4                    |                             |
| Less: Unamortized debt discount and issuance costs   | 2                    |                             | —                    |                             |
| Less: Long-term debt due within one year             | 268                  |                             | 1,314                |                             |
| Total  | \$5,812              |                             | \$10,291             |                             |

<sup>1</sup> See discussion of debt extinguishment that follows.

<sup>2</sup> The Term Loan Facility was amended in 2018 to extend the maturity date to June 2020.

Principal payments of long-term debt for the next five years are as follows:

Maturities of Long-Term Debt For Next Five Years<sup>1</sup>

(In millions)

|      |         |
|------|---------|
| 2019 | \$295   |
| 2020 | \$4,504 |
| 2021 | \$484   |
| 2022 | \$17    |
| 2023 | \$392   |

<sup>1</sup> Excludes unamortized debt step-up premium.

The estimated fair value of the company's long-term borrowings, was determined using Level 2 inputs within the fair value hierarchy, as described in Note 1 and Note 21. 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 long-term borrowings, not including long-term debt due within one year, was \$5,800 million and \$10,250 million at December 31, 2018 and 2017, respectively.

Available Committed Credit Facilities

The following table summarizes the company's credit facilities:

Committed and Available Credit Facilities at December 31, 2018

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| (In millions)                                   | Effective Date | Committed<br>Credit | Credit<br>Available | Maturity Date | Interest      |
|---|----------------|---------------------|---------------------|---------------|---------------|
| Revolving Credit Facility                       | March 2018     | \$ 3,000            | \$ 2,956            | June 2020     | Floating Rate |
| Term Loan Facility                              | March 2018     | 4,500               | 2,500               | June 2020     | Floating Rate |
| Total Committed and Available Credit Facilities |                | \$ 7,500            | \$ 5,456            |               |               |

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

Debt Offering

In May 2017, the company completed an underwritten public offering of \$1,250 million of the company's 2.20 percent Notes due 2020 and \$750 million of the company's Floating Rate Notes due 2020 (the "May 2017 Debt Offering"). The proceeds of this offering were used to make a discretionary pension contribution to the company's principal U.S. pension plan. See Note 18 for further discussion regarding this contribution.

Term Loan Facility

In March 2016, the company entered into a credit agreement that provides for a three-year, senior unsecured term loan facility in the aggregate principal amount of \$4,500 million (the "Term Loan Facility") under which Historical DuPont may make up to seven term loan borrowings and amounts repaid or prepaid are not available for subsequent borrowings. The proceeds from the borrowings under the Term Loan Facility will be used for the company's general corporate purposes including debt repayment, working capital and funding a portion of DowDuPont's costs and expenses. The Term Loan Facility was amended in 2018 to extend the maturity date to June 2020, at which time all outstanding borrowings, including accrued but unpaid interest, become immediately due and payable, and to extend the date on which the commitment to lend terminates to June 2019. At December 31, 2018, the company had made four term loan borrowings in an aggregate principal amount of \$2,000 million and had unused commitments of \$2,500 million under the Term Loan Facility.

In 2018, the company also amended its \$3,000 million revolving credit facility to extend the maturity date to June 2020.

Debt Extinguishment

On November 13, 2018, Historical DuPont launched a tender offer (the "Tender Offer") to purchase \$6.2 billion aggregate principal amount of its outstanding debt securities (the "Tender Notes"). The Tender Offer expired on December 11, 2018 (the "Expiration Date"). At the Expiration Date, \$4,409 million aggregate principal amount of the Tender Notes had been validly tendered and was accepted for payment. In exchange for such validly tendered Tender Notes, Historical DuPont paid a total of \$4,849 million, which included breakage fees and all applicable accrued and unpaid interest on such Tender Notes. DowDuPont contributed cash (generated from its notes offering) to Historical DuPont to fund the settlement of the Tender Offer and payment of associated fees. Historical DuPont recorded a loss from early extinguishment of debt of \$81 million, primarily related to the difference between the redemption price and the par value of the notes, mostly offset by the write-off of unamortized step-up related to the fair value step-up of Historical DuPont's debt.

Uncommitted Credit Facilities and Outstanding Letters of Credit

Unused bank credit lines on uncommitted credit facilities were \$663 million at December 31, 2018. These lines are available to support short-term liquidity needs and general corporate purposes including letters of credit. Outstanding letters of credit were \$172 million at December 31, 2018. These letters of credit support commitments made in the ordinary course of business.

NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

Indemnifications

In connection with acquisitions and divestitures as of December 31, 2018, 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 transactions. 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 December 31, 2018 and December 31, 2017, the company had directly guaranteed \$259 million and \$297 million, 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.

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

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

In certain cases, the company has recourse to assets held as collateral, as well as personal guarantees from customers and suppliers. Assuming liquidation, these assets are estimated to cover approximately 17 percent of the \$90 million of guaranteed obligations of customers and suppliers. Set forth below are the company's guaranteed obligations at December 31, 2018.

The following tables provide a summary of the final expiration and maximum future payments for each type of guarantee:

| Guarantees at December 31, 2018<br>(In millions)           | Final Expiration | Maximum<br>Future<br>Payments |
|--|------------------|-------------------------------|
| Obligations for customers <sup>1</sup> :                   |                  |                               |
| Bank borrowings  | 2022             | \$ 90                         |
| Obligations for non-consolidated affiliates <sup>2</sup> : |                  |                               |
| Bank borrowings  | 2019             | 165                           |
| Residual value guarantees <sup>3</sup>                     | 2025             | 4                             |
| Total guarantees   |                  | \$ 259                        |

Existing guarantees for select customers, as part of contractual agreements. The terms of the guarantees are 1. equivalent to the terms of the customer loans that are primarily made to finance customer invoices. Of the total maximum future payments, \$89 million had terms less than a year.

2. Existing guarantees for non-consolidated affiliates' liquidity needs in normal operations.

3. The company provides guarantees related to leased assets specifying the residual value that will be available to the lessor at lease termination through sale of the assets to the lessee or third parties.

#### Operating Leases

The company uses various leased facilities and equipment in its operations. The terms for these leased assets vary depending on the lease agreement.

Future minimum lease payments under non-cancelable operating leases are \$242 million, \$128 million, \$90 million, \$66 million and \$44 million for the years 2019, 2020, 2021, 2022 and 2023, respectively, and \$85 million for subsequent years and are not reduced by non-cancelable minimum sublease rentals due in the future in the amount of \$2 million. Net rental expense under operating leases was \$271 million, \$105 million, \$179 million and \$242 million for the year ended December 31, 2018, for periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively.

#### Litigation

The company is subject to various legal proceedings arising out of the normal course of its current and former business operations, including product liability, intellectual property, commercial, environmental and antitrust lawsuits. It is not possible to predict the outcome of these various proceedings. Although considerable uncertainty exists, management does not anticipate that the ultimate disposition of these matters will have a material adverse effect on the company's results of operations, consolidated financial position or liquidity. However, the ultimate liabilities could be material to results of operations in the period recognized.



PFOA Liabilities

Historical DuPont is a party to legal proceedings relating to the use of PFOA (collectively, perfluorooctanoic acids and its salts, including the ammonium salt) by its former Performance Chemicals segment, which separated from DuPont in July 2015 through the spin-off of all the issued and outstanding stock of Chemours. While it is reasonably possible that the company could incur liabilities related to PFOA, any such liabilities are not expected to be material. As discussed in Note 4 and below, the company is indemnified by Chemours under the Chemours Separation Agreement, as amended. The company has recorded a liability of \$20 million and an indemnification asset of \$20 million at December 31, 2018, primarily related to testing drinking water in and around certain historic 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 health advisory level established from time to time by the EPA.

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Notes to the Consolidated Financial Statements (continued)

Leach Settlement and MDL Settlement

Historical DuPont has residual liabilities under its 2004 settlement of a West Virginia state court class action, *Leach v. DuPont*, which alleged that PFOA from Historical DuPont's former Washington Works facility had contaminated area drinking water supplies and affected the health of area residents. The settlement class has about 80,000 members. In addition to relief that was provided to class members years ago, the settlement requires Historical DuPont to continue providing PFOA water treatment to six area water districts and private well users and to fund, through an escrow account, up to \$235 million for a medical monitoring program for eligible class members. As of December 31, 2018, approximately \$2 million had been contributed to the account since its establishment in 2012 and \$1 million disbursed.

The Leach settlement permits class members to pursue personal injury claims for six health conditions (and no others) that an expert panel appointed under the settlement reported in 2012 had a "probable link" (as defined in the settlement) with PFOA: pregnancy-induced hypertension, including preeclampsia; kidney cancer; testicular cancer; thyroid disease; ulcerative colitis; and diagnosed high cholesterol. After the expert panel reported its findings, approximately 3,550 personal injury lawsuits were filed in federal and state courts in Ohio and West Virginia and consolidated in multi-district litigation in the U.S. District Court for the Southern District of Ohio ("MDL"). The MDL was settled in early 2017 for \$670.7 million in cash, with Chemours and Historical DuPont (without indemnification from Chemours) each paying half.

Post-MDL Settlement PFOA Personal Injury Claims

The MDL settlement did not resolve claims of plaintiffs who did not have claims in the MDL or whose claims are based on diseases first diagnosed after February 11, 2017. At December 31, 2018, approximately 43 lawsuits were pending alleging personal injury, including kidney and testicular cancer, thyroid disease and ulcerative colitis, from exposure to PFOA through air or water, only 3 of which are not part of the MDL or were not otherwise filed on behalf of Leach class members.

Other PFOA Actions

Historical DuPont is a party to other PFOA lawsuits that do not involve claims for personal injury. Chemours, pursuant to the Chemours Separation Agreement, is defending all of these lawsuits.

New York. Historical DuPont is a defendant in about 25 lawsuits, including a putative class action, brought by persons who live in and around Hoosick Falls, New York. These lawsuits assert claims for medical monitoring and property damage based on alleged PFOA releases from manufacturing facilities owned and operated by co-defendants in Hoosick Falls and allege that Historical DuPont and 3M supplied some of the materials used at these facilities. Historical DuPont is also one of more than ten defendants in a lawsuit brought by the Town of East Hampton, New York alleging PFOA and perfluorooctanesulfonic acid ("PFOS") contamination of the town's well water.

New Jersey. Historical DuPont is a defendant in two lawsuits alleging that PFOA from Historical DuPont's former Chambers Works facility contaminated drinking water sources. One lawsuit is by a local water utility and the other is a putative class action on behalf of persons who live within two to three miles of the Chambers Works facility.

Alabama. Historical DuPont is one of more than thirty defendants in one lawsuit by a local water utility alleging contamination from perfluorinated chemicals and compounds ("PFCs"), including PFOA, used by co-defendant carpet manufacturers to make their products more stain and grease resistant.

Ohio. Historical DuPont is a defendant in two lawsuits, one brought by the State of Ohio based on alleged damage to natural resources, and the other a putative nationwide class action brought on behalf of anyone who has detectable

levels of perfluorinated chemicals, including PFOA, in their blood.

#### Chemours Separation Agreement Amendment

As discussed in Note 4, concurrent with the MDL Settlement, Historical DuPont and Chemours amended the Chemours Separation Agreement to provide for a limited sharing of potential future PFOA liabilities for a five-year period that began on July 6, 2017. During that five-year period, Chemours will annually pay the first \$25 million of future PFOA liabilities and, if that amount is exceeded, Historical DuPont will pay any excess amount up to the next \$25 million, with Chemours annually bearing any excess liabilities above that amount. At the end of the five-year period, this limited sharing agreement will expire, and Chemours' indemnification obligations under the Chemours Separation Agreement will continue unchanged. As part of this amendment, Chemours also agreed that it would not contest its liability for PFOA liabilities on the basis of certain ostensible defenses it had previously raised, including defenses relating to punitive damages, and would waive any such defenses with respect to PFOA liabilities. Chemours has, however, retained defenses as to whether any particular PFOA claim is within the scope of the indemnification provisions of the Chemours Separation Agreement.

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Notes to the Consolidated Financial Statements (continued)

There have been no charges incurred by Historical DuPont under this arrangement through December 31, 2018.

Fayetteville Works Facility, North Carolina

Prior to the separation of Chemours, the company introduced GenX as a polymerization processing aid and a replacement for PFOA at the Fayetteville Works facility in Bladen County, North Carolina. The facility is now owned and operated by Chemours, which continues to manufacture and use GenX. In 2017, the facility became and continues to be the subject of inquiries and government investigations relating to the alleged discharge of GenX and certain similar compounds into the air and Cape Fear River.

In August 2017, the U.S. Attorney's Office for the Eastern District of North Carolina served the company with a grand jury subpoena for testimony and documents related to these discharges. Historical DuPont was served with additional subpoenas relating to the same issue and in the second quarter 2018, received a subpoena expanding the scope to any PFCs discharged from the Fayetteville Works facility into the Cape Fear River. It is possible that these ongoing inquiries and investigations, including the grand jury subpoena, could result in penalties or sanctions, or that additional litigation will be instituted against Chemours, the company, or both.

At December 31, 2018, several actions are pending in federal court against Chemours and the company. One of these actions is a consolidated putative class action that asserts claims for medical monitoring and property damage on behalf of putative classes of property owners and residents in areas near or who draw drinking water from the Cape Fear River. Another action is a consolidated action brought by various North Carolina water authorities, including the Cape Fear Public Utility Authority and Brunswick County, that seek actual and punitive damages as well as injunctive relief. In addition, an action is pending in North Carolina state court on behalf of about 100 plaintiffs who own wells and property near the Fayetteville Works facility. The plaintiffs seek damages for nuisance allegedly caused by releases of certain PFCs from the site.

While it is reasonably possible that the company could incur liabilities related to the actions described above, any such liabilities are not expected to be material.

The company has an indemnification claim against Chemours with respect to current and future inquiries and claims, including lawsuits, related to the foregoing. At December 31, 2018, Chemours, with reservations, is defending and indemnifying the company in the pending civil actions.

Environmental

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. At December 31, 2018, the company had accrued obligations of \$381 million for probable environmental remediation and restoration costs, including \$54 million for the remediation of Superfund sites. These obligations are included in accrued and other current liabilities and other noncurrent obligations in the Consolidated Balance Sheets. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the company has accrued liabilities, although it is reasonably possible that the ultimate cost with respect to these particular matters could range up to \$750 million above the amount accrued at December 31, 2018. Consequently, it is reasonably possible that environmental remediation and restoration costs in excess of amounts accrued could have a material impact on the company's results of operations, financial condition and cash flows. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and emerging remediation technologies for handling site remediation and restoration. At December 31, 2017, the company had accrued obligations of \$433 million for probable environmental remediation and restoration costs,

including \$67 million for the remediation of Superfund sites.

Pursuant to the Chemours Separation Agreement, the company is indemnified by Chemours for certain environmental matters that have an estimated liability of \$193 million as of December 31, 2018, which is included in the company's liability of \$381 million, and a potential exposure that ranges up to approximately \$310 million above the amount accrued. As such, the company has recorded an indemnification asset of \$193 million corresponding to the company's accrual balance related to these matters at December 31, 2018, including \$35 million related to the Superfund sites.

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Notes to the Consolidated Financial Statements (continued)

## NOTE 17 - STOCKHOLDERS' EQUITY

## Share Repurchase Program

## 2015 Share Buyback Plan

In the first quarter 2015, Historical DuPont announced its intention to buy back shares of about \$4,000 million using the distribution proceeds received from Chemours. During the second half of 2016, the company purchased and retired 13.2 million shares in the open market for a total cost of \$916 million. As of December 31, 2016, in aggregate, the company paid \$2,916 million and received and retired 48.2 million shares. The authorization under this buyback program expired as of January 1, 2017.

## Treasury Stock

Immediately prior to the closing of the Merger Transaction, all 87 million shares of Historical DuPont common stock that were held in treasury were automatically canceled and retired for no consideration. Common stock held in treasury was recorded at cost. When retired, the excess of the cost of treasury stock over its par value was allocated between retained earnings (\$5,657 million) and additional paid-in capital (\$1,044 million).

Set forth below is a reconciliation of common stock share activity for the year ended December 31, 2018, the period September 1, 2017 through December 31, 2017, the period January 1 through August 31, 2017 and the year ended December 31, 2016.

| Shares of common stock                  | Issued       | Held In<br>Treasury |
|---|--------------|---------------------|
| Balance January 1, 2016 (Predecessor)   | 958,388,000  | (87,041,000)        |
| Issued                                  | 4,808,000    | —                   |
| Repurchased                             | —            | (13,152,000)        |
| Retired                                 | (13,152,000) | 13,152,000          |
| Balance December 31, 2016 (Predecessor) | 950,044,000  | (87,041,000)        |
| Issued                                  | 5,335,000    | —                   |
| Retired                                 | (87,041,000) | 87,041,000          |
| Balance August 31, 2017 (Predecessor)   | 868,338,000  | —                   |

Balance September 1, 2017, December 31, 2017 and December 31, 2018 (Successor)<sup>1</sup> 100 —

<sup>1</sup>. All of the company's issued and outstanding common stock is held by the DowDuPont Inc. at September 1, 2017 and December 31, 2018.

## Noncontrolling Interest

During the year ended December 31, 2018, DowDuPont recorded measurement period adjustments reflect facts and circumstances in existence as of the Merger Effectiveness Time, which included an increase of \$61 million in noncontrolling interests. See Note 3 for further information regarding The Merger and final purchase price allocations.

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

## Other Comprehensive (Loss) Income

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

| (In millions)   | Cumulative Translation Adjustment <sup>1</sup> | Derivative Instruments | Pension Benefit Plans <sup>2</sup> | Other Benefit Plans | Unrealized Gain (Loss) on Investments | Total      |
|---|--|------------------------|------------------------------------|---------------------|---------------------------------------|------------|
| <b>2016</b>   |  |                        |                                    |                     |                                       |            |
| Balance January 1, 2016 (Predecessor)                                   | \$ (2,333 )                                    | \$ (24 )               | \$ (7,043)                         | \$ 22               | \$ (18 )                              | \$ (9,396) |
| Other comprehensive (loss) income before reclassifications              | (510 )   | 20                     | (271 )                             | (81 )               | (8 )                                  | (850 )     |
| Amounts reclassified from accumulated other comprehensive income (loss) | —  | 11                     | 594                                | (298 )              | 28                                    | 335        |
| Net other comprehensive (loss) income                                   | (510 )   | 31                     | 323                                | (379 )              | 20                                    | (515 )     |
| Balance December 31, 2016 (Predecessor)                                 | \$ (2,843 )                                    | \$ 7                   | \$ (6,720)                         | \$ (357 )           | \$ 2                                  | \$ (9,911) |
| <b>2017</b>   |  |                        |                                    |                     |                                       |            |
| Other comprehensive income (loss) before reclassifications              | 1,042  | 3                      | (78 )                              | —                   | 1                                     | 968        |
| Amounts reclassified from accumulated other comprehensive income (loss) | —  | (13 )                  | 325                                | 10                  | (1 )                                  | 321        |
| Net other comprehensive income (loss)                                   | 1,042  | (10 )                  | 247                                | 10                  | —                                     | 1,289      |
| Balance August 31, 2017 (Predecessor)                                   | \$ (1,801 )                                    | \$ (3 )                | \$ (6,473)                         | \$ (347 )           | \$ 2                                  | \$ (8,622) |
| <b>2018</b>   |  |                        |                                    |                     |                                       |            |
| Balance September 1, 2017 (Successor) <sup>3</sup>                      | \$ —   | \$ —                   | \$ —                               | \$ —                | \$ —                                  | \$ —       |
| Other comprehensive income (loss) before reclassifications              | (454 )   | (2 )                   | 128                                | (53 )               | —                                     | (381 )     |
| Amounts reclassified from accumulated other comprehensive income (loss) | —  | —                      | —                                  | —                   | —                                     | —          |
| Net other comprehensive (loss) income                                   | (454 )   | (2 )                   | 128                                | (53 )               | —                                     | (381 )     |
| Balance December 31, 2017 (Successor)                                   | \$ (454 )                                      | \$ (2 )                | \$ 128                             | \$ (53 )            | \$ —                                  | \$ (381 )  |
| <b>2018</b>   |  |                        |                                    |                     |                                       |            |
| Other comprehensive income (loss) before reclassifications              | (1,512 )                                       | (19 )                  | (723 )                             | 132                 | —                                     | (2,122 )   |
| Amounts reclassified from accumulated other comprehensive income (loss) | —  | (5 )                   | 5                                  | —                   | —                                     | —          |
| Net other comprehensive (loss) income                                   | (1,512 )                                       | (24 )                  | (718 )                             | 132                 | —                                     | (2,122 )   |
| Balance December 31, 2018 (Successor)                                   | \$ (1,966 )                                    | \$ (26 )               | \$ (590 )                          | \$ 79               | \$ —                                  | \$ (2,503) |

The cumulative translation adjustment losses for the year ended December 31, 2018, and for the period September 1 through December 31, 2017, are primarily driven by the strengthening of the USD against the European Euro ("EUR") and the Brazilian real ("BRL"). The cumulative translation adjustment gain for the period January 1 through August 31, 2017 is primarily driven by the weakening of the USD against the EUR. The currency translation loss for the year ended December 31, 2016 is primarily driven by the strengthening of the USD against the EUR partially offset by the weakening of the USD against the BRL.

The Pension Benefit Plans loss recognized in other comprehensive (loss) income during the year ended December 31, 2016 includes the impact of the remeasurement of the principal U.S. pension plan as of June 30, 2016. See Note 18 for additional information.

3.

In connection with the Merger, previously unrecognized prior service benefits and net losses related to Historical DuPont's pension and other post employment benefit ("OPEB") plans were eliminated as a result of reflecting the balance sheet at fair value as of the date of the Merger. See Note 3 and 18 for further information regarding the Merger and pension and OPEB plans, respectively.



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Notes to the Consolidated Financial Statements (continued)

The tax (expense) benefit on the net activity related to each component of other comprehensive income (loss) were as follows:

| (In millions)  | Successor                            |  | Predecessor                                      |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Derivative instruments   | \$6                                  | \$1  | \$6  | \$(19)                               |
| Pension benefit plans - net  | 201                                  | (37)   | (145)  | (163)                                |
| Other benefit plans - net  | (40)                                 | 15   | (5)  | 194                                  |
| Benefit from (provision for) income taxes related to other comprehensive income (loss) items | \$167                                | \$(21)   | \$(144)  | \$12                                 |

A summary of the reclassifications out of accumulated other comprehensive loss is provided as follows:

| (In millions)   | Successor                            |  | Predecessor                                      |                                      | Income Classification |        |
|---|--------------------------------------|--|--|--------------------------------------|-----------------------|--------|
|   | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |                       |        |
| Derivative Instruments:                                 | \$ (6 )                              | \$ —   | — \$(21)   | \$ 18                                | (1)                   |        |
| Tax expense (benefit)                                   | 1                                    | —  | 8  | (7)                                  | (2)                   |        |
| After-tax   | \$ (5 )                              | \$ —   | —  | — \$(13)                             | \$ 11                 |        |
| Amortization of pension benefit plans:                  |                                      |  |  |                                      |                       |        |
| Prior service benefit                                   | —                                    | —  | (3)  | (6)                                  | (3),(4)               |        |
| Actuarial losses  | —                                    | —  | 506  | 822                                  | (3),(4)               |        |
| Curtailment loss  | 7                                    | —  | —  | 40                                   | (3),(4)               |        |
| Settlement loss   | (2)                                  | —  | —  | 62                                   | (3),(4)               |        |
| Total before tax  | \$ 5                                 | \$ —   | —  | — \$503                              | \$ 918                |        |
| Tax expense (benefit)                                   | —                                    | —  | (178)  | (324)                                | (2)                   |        |
| After-tax   | \$ 5                                 | \$ —   | —  | —                                    | — \$(325)             | \$ 594 |
| Amortization of other benefit plans:                    |                                      |  |  |                                      |                       |        |
| Prior service benefit                                   | —                                    | —  | (46)   | (134)                                | (3),(4)               |        |
| Actuarial losses  | —                                    | —  | 61   | 78                                   | (3),(4)               |        |
| Curtailment gain  | —                                    | —  | —  | (392)                                | (3),(4)               |        |
| Total before tax  | \$ —                                 | \$ —   | —  | —                                    | —                     |        |
| Tax (benefit) expense                                   | —                                    | —  | (5)  | 150                                  | (2)                   |        |
| After-tax   | \$ —                                 | \$ —   | —  | —                                    | —                     |        |
| Net realized (losses) gains on investments, before tax: | —                                    | —  | (1)  | 28                                   | (4)                   |        |

|   |      |    |         |        |     |
|---|------|----|---------|--------|-----|
| Tax expense                                       | —    | —  | —       | —      | (2) |
| After-tax   | \$ — | \$ | —\$(1 ) | \$ 28  |     |
| Total reclassifications for the period, after-tax | \$ — | \$ | —\$321  | \$ 335 |     |

1. Cost of goods sold.

2. Provision for (benefit from) income taxes from continuing operations.

3. These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost of the company's pension and other benefit plans. See Note 18 for additional information.

4. Sundry income (expense) - net.

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

The tax benefit recorded in Stockholders' Equity was \$33 million for the year ended December 31, 2016. Included in the amount was a tax benefit of \$21 million for the year ended December 31, 2016 associated with stock compensation programs. The remainder consists of amounts recorded within other comprehensive loss as shown in the table above.

#### NOTE 18 - PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS

The company offers various long-term benefits to its employees. Where permitted by applicable law, the company reserves the right to change, modify or discontinue the plans.

As a result of the Merger, the company re-measured its pension and OPEB plans. The remeasurement of the company's pension and OPEB plans is included in the fair value measurement of Historical DuPont's assets and liabilities as a result of the application of purchase accounting in connection with the Merger. In addition, net losses and prior service benefits recognized in accumulated other comprehensive loss were eliminated. Historical Dow and Historical DuPont did not merge their pension plans and OPEB plans as a result of the Merger. See Note 3 for details on the Merger.

##### Defined Benefit Pension Plans

The company has both funded and unfunded noncontributory defined benefit pension plans covering a majority of the U.S. employees and a number of other countries. The principal U.S. pension plan is the largest pension plan held by Historical DuPont. Most employees hired on or after January 1, 2007 are not eligible to participate in the U.S. defined benefit pension plans. The benefits under these plans are based primarily on years of service and employees' pay near retirement. In November 2016, the company announced that it will freeze the pay and service amounts used to calculate pension benefits for active employees who participate in the U.S. pension plans on November 30, 2018. Therefore, as of November 30, 2018, employees participating in the U.S. pension plans no longer accrue additional benefits for future service and eligible compensation received. These changes resulted in a \$527 million decline in the projected benefit obligation, which is reflected in actuarial loss (gain) in the change in projected benefit obligations and recognition of a \$25 million pre-tax curtailment gain during the fourth quarter of 2016. The decline in the projected benefit obligation is primarily due to the decrease in expected future compensation.

The company's funding policy is consistent with the funding requirements of federal laws and regulations. Pension coverage for employees of the company's non-U.S. consolidated subsidiaries is provided, to the extent deemed appropriate, through separate plans. Obligations under such plans are funded by depositing funds with trustees, covered by insurance contracts, or remain unfunded. The company made a discretionary contribution of \$1,100 million in the third quarter of 2018 to its principal U.S. pension plan. During the period January 1 through August 31, 2017, the company made total contributions of \$2,900 million to its principal U.S. pension plan funded through the May 2017 Debt Offering; short-term borrowings, including commercial paper issuance; and cash flow from operations. See Note 15 for further discussion related to the May 2017 Debt Offering. The company contributed \$230 million to the principal U.S. pension plan in 2016. The company does not expect to make cash contributions to this plan in 2019.

The company made total contributions of \$103 million, \$34 million, \$67 million and \$121 million to its funded pension plans other than the principal U.S. pension plan for the year ended December 31, 2018, for periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively. Additionally, the company made total contributions of \$105 million, \$34 million, \$57 million and \$184 million to its remaining plans with no plan assets for the year ended December 31, 2018, for periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016,

respectively. Historical DuPont expects to contribute approximately \$190 million to its funded pension plans other than the principal U.S. pension plan and its remaining plans with no plan assets in 2019.

The company's remeasurement of its pension plans at the Merger Effectiveness Time resulted in an increase in the underfunded status of \$560 million. In connection with the remeasurement, the company updated the weighted average discount rate to 3.42 percent at August 31, 2017 from 3.80 percent as of December 31, 2016.

The workforce reductions in 2016 related to a 2016 global cost savings and restructuring plan triggered curtailments for certain of the company's pension plans, including the principal U.S. pension plan. For the principal U.S. pension plan, the company recorded curtailment losses of \$63 million during the year ended December 31, 2016. The curtailment losses were driven by the changes in the benefit obligation based on the demographics of the terminated positions partially offset by accelerated recognition of a portion of the prior service benefit.

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

In the fourth quarter 2016, about \$550 million of lump-sum payments were made from the principal U.S. pension plan trust fund to a group of separated, vested plan participants who were extended a limited-time opportunity and voluntarily elected to receive their pension benefits in a single lump-sum payment. In the fourth quarter 2017, about \$140 million of lump-sum payments were made from the principal U.S. pension plan trust fund under a similar program. Since the company recognizes pension settlements only when the lump-sum payments exceed the sum of the plan's service and interest cost components of net periodic pension cost for the year, these lump-sum payments did not result in the recognition of a pension settlement charge.

The weighted-average assumptions used to determine pension plan obligations for all pension plans are summarized in the table below:

| Weighted-Average Assumptions used to Determine Benefit Obligations | December 31, 2018 |   | December 31, 2017 |   |
|--|-------------------|---|-------------------|---|
|  |                   |   |                   |   |
| Discount rate  | 3.94              | % | 3.37              | % |
| Rate of increase in future compensation levels <sup>1</sup>        | 2.90              | % | 4.04              | % |

The rate of compensation increase represents the single annual effective salary increase that an average plan participant would receive during the participant's entire career at the company. The December 31, 2018 rate is only applicable for non-U.S. pension plans since employees who participate in the U.S. pension plans no longer accrue additional benefits for future service and eligible compensation as of November 30, 2018.

The weighted-average assumptions used to determine net periodic benefit costs for all pension plans are summarized in the two tables below:

| Weighted-Average Assumptions used to Determine Net Periodic Benefit Cost | Successor                            |  | Predecessor                                      |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Discount rate  | 3.38                                 | % 3.42   | % 3.80   | % 3.77                               |
| Rate of increase in future compensation levels                           | 4.04                                 | % 3.80   | % 3.80   | % 3.96                               |
| Expected long-term rate of return on plan assets                         | 6.19                                 | % 6.24   | % 7.66   | % 7.74                               |

The weighted-average assumptions used to determine net periodic benefit costs for U.S. plans are summarized in the table below:

| Weighted- Average Assumptions used to Determine Net Periodic Benefit Cost | Successor                            |  | Predecessor                                      |                                      |
|---|--------------------------------------|--|--|--------------------------------------|
|   | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Discount rate   | 3.65                                 | % 3.73   | % 4.16   | % 4.04                               |
| Rate of increase in future compensation levels                            | 4.25                                 | % 3.95   | % 3.95   | % 4.15                               |
|   | 6.25                                 | % 6.25   | % 8.00   | % 8.00                               |

Expected long-term  
rate of return on plan  
assets

#### Other Post Employment Benefits

The company provides medical, dental and life insurance benefits to certain pensioners and survivors. The associated plans for retiree benefits are unfunded and the cost of the approved claims is paid from company funds. Essentially all of the cost and liabilities for these retiree benefit plans are attributable to the U.S. benefit plans. The non-Medicare eligible retiree medical plan is contributory with pensioners and survivors' contributions adjusted annually to achieve a 50/50 target for sharing of cost increases between the company and pensioners and survivors. In addition, limits are applied to Historical DuPont's portion of the retiree medical cost coverage. For Medicare eligible pensioners and survivors, Historical DuPont provides a company-funded Health Reimbursement Arrangement ("HRA"). In November 2016, the company announced that eligible employees who will be under the age of 50 as of November 30, 2018 will not receive post-retirement medical, dental and life insurance benefits. As a result of these changes, the company recognized a pre-tax curtailment gain of \$357 million during the fourth quarter of 2016. Beginning January 1, 2015, eligible employees who retire on and after that date will receive the same life insurance benefit payment, regardless of employee's age or pay. The majority of U.S. employees hired on or after January 1, 2007 are not eligible to participate in the post-retirement medical, dental and life insurance plans.

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Notes to the Consolidated Financial Statements (continued)

The company also provides disability benefits to employees. Employee disability benefit plans are insured in many countries. However, primarily in the U.S., such plans are generally self-insured. Obligations and expenses for self-insured plans are reflected in the change in projected benefit obligations table on page F-64.

The company's remeasurement of its OPEB plans at the Merger Effectiveness Time resulted in an increase in the benefit obligation of \$41 million. In connection with the remeasurement, the company lowered the weighted average discount rate to 3.62 percent as of August 31, 2017 from 4.03 percent as of December 31, 2016.

As a result of the workforce reductions related to a 2016 global cost savings and restructuring plan, a curtailment was triggered for the company's OPEB plans. The company recorded curtailment gains of \$35 million during the year ended December 31, 2016. The curtailment gains were driven by accelerated recognition of a portion of the prior service benefit partially offset by the change in the benefit obligation based on the demographics of the terminated positions.

The company's OPEB plans are unfunded and the cost of the approved claims is paid from operating cash flows. Pre-tax cash requirements to cover actual net claims costs and related administrative expenses were \$216 million, \$59 million, \$166 million, and \$218 million for the year ended December 31, 2018, for periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively. Changes in cash requirements reflect the net impact of higher per capita health care costs, demographic changes, plan amendments and changes in participant premiums, co-pays and deductibles. In 2019, the company expects to contribute approximately \$240 million for its OPEB plans.

The weighted-average assumptions used to determine benefit obligations for OPEB plans are summarized in the table below:

| Weighted-Average Assumptions used to Determine Benefit Obligations | December 31, 2018 |   | December 31, 2017 |   |
|--|-------------------|---|-------------------|---|
|  |                   | % |                   | % |
| Discount rate  | 4.23              | % | 3.56              | % |

The weighted-average assumptions used to determine net periodic benefit costs for the OPEB plans are summarized in the two tables below:

| Weighted-Average Assumptions used to Determine Net Periodic Benefit Cost | Successor                            |  | Predecessor  |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through December 31, 2017 | For the Year Ended December 31, 2016 |
| Discount rate  | 3.56%                                | 3.62%  | 4.03%  | 3.87%                                |

| Assumed Health Care Cost Trend Rates | December 31, 2018 | December 31, 2017 |
|--------------------------------------|-------------------|-------------------|
|--------------------------------------|-------------------|-------------------|

|  |       |       |
|--|-------|-------|
| Health care cost trend rate assumed for next | 7.50% | 6.40% |
|--|-------|-------|

|   |      |   |      |   |
|---|------|---|------|---|
| year  |      |   |      |   |
| Rate to which the cost trend rate is assumed to decline (the ultimate health care trend rate) | 5.00 | % | 5.00 | % |
| Year that the rate reached the ultimate health care cost trend rate                           | 2028 |   | 2023 |   |

Assumptions

Within the U.S., the company determines the expected long-term rate of return on plan assets by performing a detailed analysis of key economic and market factors driving historical returns for each asset class and formulating a projected return based on factors in the current environment. Factors considered include, but are not limited to, inflation, real economic growth, interest rate yield, interest rate spreads, and other valuation measures and market metrics. The expected long-term rate of return for each asset class is then weighted based on the strategic asset allocation approved by the governing body for each plan. The company's historical experience with the pension fund asset performance is also considered. For non-U.S. plans, assumptions reflect economic assumptions applicable to each country.



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Historical DuPont calculates service costs and interest costs by applying individual spot rates from a yield curve (based on high-quality corporate bond yields) to the separate expected cash flows components of service cost and interest cost. Service cost and interest cost for all other plans are determined on the basis of the single equivalent discount rates derived in determining those plan obligations.

The discount rates utilized to measure the pension and other post employment obligations are based on the yield on high-quality corporate fixed income investments at the measurement date. Future expected actuarially determined cash flows are individually discounted at the spot rates under the Aon AA\_Above Median yield curve (based on high-quality corporate bond yields) to arrive at the plan's obligations as of the measurement date. For non-U.S. benefit plans, historically the company utilized prevailing long-term high quality corporate bond indices to determine the discount rate, applicable to each country, at the measurement date. For the 2018 measurement date, the company adopted Aon AA corporate bond rates to determine the discount rate, applicable to each country, at the 2018 measurement date.

In October 2014, the U.S. Society of Actuaries ("SOA") released final reports of new mortality tables and a mortality improvement scale for measurement of retirement program obligations in the U.S. The SOA publishes updated mortality improvement scales on an annual basis. The company adopts the most recent available mortality improvement scale from the SOA in measuring its U.S. pension and other postretirement benefit obligations. The effect of these adoptions is amortized into net periodic benefit cost for the years following the adoption.

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Notes to the Consolidated Financial Statements (continued)

Summarized information on the company's pension and other post employment benefit plans is as follows:  
Change in Projected Benefit Obligations, Plan Assets and Funded Status

|  | Defined Benefit Pension Plans        |   |  | Other Post Employment Benefits       |   |  |
|--|--------------------------------------|---|--|--------------------------------------|---|--|
|  | Successor                            | Predecessor   | Successor  | Predecessor                          | Successor   | Predecessor                                      |
| (In millions)  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 <sup>1</sup> | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 <sup>1</sup> | For the Period January 1 through August 31, 2017 |
| <b>Change in benefit obligations:</b>                |                                      |   |  |                                      |   |  |
| Benefit obligation at beginning of the period        | \$25,550                             | \$ 26,036   | \$ 24,831  | \$2,810                              | \$ 2,772  | \$ 2,829   |
| Service cost   | 131                                  | 49  | 92   | 9                                    | 3   | 6  |
| Interest cost  | 752                                  | 247   | 524  | 85                                   | 26  | 60   |
| Plan participants' contributions                     | 10                                   | 6   | 8  | 38                                   | 12  | 26   |
| Actuarial (gain) loss                                | (1,078)                              | (23)  | —  | (172)                                | 68  | —  |
| Benefits paid <sup>2</sup>                           | (1,747)                              | (730)   | (1,118)  | (254)                                | (71)  | (192)  |
| Plan amendments                                      | 17                                   | —   | —  | —                                    | —   | —  |
| Net effects of acquisitions / divestitures / other   | (12)                                 | 22  | —  | —                                    | —   | —  |
| Effect of foreign exchange rates                     | (209)                                | (57)  | 429  | (2)                                  | —   | 2  |
| Benefit obligations at end of the period             | \$23,414                             | \$ 25,550   | \$ 24,766  | \$2,514                              | \$ 2,810  | \$ 2,731   |
| <b>Change in plan assets:</b>                        |                                      |   |  |                                      |   |  |
| Fair value of plan assets at beginning of the period | \$20,284                             | \$ 20,395   | \$ 16,656  | \$—                                  | \$—   | \$—  |
| Actual return on plan assets                         | (782)                                | 549   | 846  | —                                    | —   | —  |
| Employer contributions                               | 1,308                                | 68  | 3,024  | 216                                  | 59  | 166  |
| Plan participants' contributions                     | 10                                   | 6   | 8  | 38                                   | 12  | 26   |
| Benefits paid <sup>2</sup>                           | (1,747)                              | (730)   | (1,118)  | (254)                                | (71)  | (192)  |
| Net effects of acquisitions / divestitures / other   | (7)                                  | 29  | —  | —                                    | —   | —  |
| Effect of foreign exchange rates                     | (148)                                | (33)  | 269  | —                                    | —   | —  |
| Fair value of plan assets at end of the period       | \$18,918                             | \$ 20,284   | \$ 19,685  | \$—                                  | \$—   | \$—  |
| <b>Funded status</b>                                 |                                      |   |  |                                      |   |  |
| U.S. plan with plan assets                           | \$(2,890)                            | \$(3,628)   | \$(3,277)  | \$—                                  | \$—   | \$—  |
| Non-U.S. plans with plan assets                      | (488)                                | (447)   | (609)  | —                                    | —   | —  |
| All other plans <sup>3, 4</sup>                      | (1,118)                              | (1,191)   | (1,187)  | (2,514)                              | (2,810)   | (2,731)  |
| Plans of discontinued operations                     | —                                    | —   | (8)  | —                                    | —   | —  |
| Funded status at end of the period                   | \$(4,496)                            | \$(5,266)   | \$(5,081)  | \$(2,514)                            | \$(2,810)   | \$(2,731)  |

<sup>1</sup> The benefit obligation and the fair value of plan assets at the beginning of the period September 1 through December 31, 2017, reflects the remeasurement of the plans at the Merger Effectiveness Time.

<sup>2</sup> In the fourth quarter of 2017, about \$140 million of lump-sum payments were made from the principal U.S. pension plan trust fund to a group of separated, vested plan participants who were extended a limited-time opportunity and voluntarily elected to receive their pension benefits in a single lump-sum payment.

<sup>3</sup> As of December 31, 2018, and December 31, 2017, \$349 million and \$389 million respectively of the benefit obligations are supported by funding under the Trust agreement, defined in the "Trust Assets" section below.

<sup>4</sup> Includes pension plans maintained around the world where funding is not customary.

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## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

| (In millions)  | Defined Benefit Pension Plans |                   | Other Post Employment Benefits |                   |
|--|-------------------------------|-------------------|--------------------------------|-------------------|
|  | December 31, 2018             | December 31, 2017 | December 31, 2018              | December 31, 2017 |
| Amounts recognized in the Consolidated Balance Sheets:                         |                               |                   |                                |                   |
| Other Assets   | \$11                          | \$47              | \$—                            | \$—               |
| Accrued and other current liabilities  | (95)                          | (86)              | (243)                          | (250)             |
| Pension and other post employment benefits - noncurrent                        | (4,412)                       | (5,227)           | (2,271)                        | (2,560)           |
| Net amount recognized  | \$(4,496)                     | \$(5,266)         | \$(2,514)                      | \$(2,810)         |
| Pretax amounts recognized in accumulated other comprehensive loss (income):    |                               |                   |                                |                   |
| Net loss (gain)  | \$737                         | \$(165)           | \$(104)                        | \$68              |
| Prior service cost   | 17                            | —                 | —                              | —                 |
| Pretax balance in accumulated other comprehensive loss (income) at end of year | \$754                         | \$(165)           | \$(104)                        | \$68              |

The significant gain related to the change in benefit obligations for the period ended December 31, 2018 is mainly due to the increasing interest rate environment. The weighted-average discount rates used in developing the December 31, 2018 benefit obligations are higher than the rates used in valuing the December 31, 2017 benefit obligations. The 2017 actuarial loss in the predecessor period was eliminated at Merger Effective Date.

The accumulated benefit obligation for all pensions plans was \$23.1 billion and \$25.1 billion at December 31, 2018 and 2017, respectively.

| Pension Plans with Projected Benefit Obligations in Excess of Plan Assets<br>(In millions) | December 31, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
| Projected benefit obligations  | \$ 23,143         | \$ 25,254         |
| Fair value of plan assets  | 18,636            | 19,941            |

  

| Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets<br>(In millions) | December 31, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
| Accumulated benefit obligations  | \$ 22,185         | \$ 24,315         |
| Fair value of plan assets  | 17,901            | 19,335            |

## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

| (In millions)   | Defined Benefit Pension Plans                 |   |  |   | Other Post Employment Benefits                |  |  |   |
|---|---|---|--|---|---|--|--|---|
|   | Successor                                     |   | Predecessor  |   | Successor                                     |  | Predecessor  |   |
|   | For the<br>Year Ended<br>December 31,<br>2018 | For the<br>Period<br>September<br>30, 2017<br>through<br>August 31,<br>2017 | For the<br>Period<br>January<br>1, 2016<br>through<br>December<br>31, 2016 | For the<br>Year Ended<br>December 31,<br>2016 | For the<br>Year Ended<br>December 31,<br>2018 | For the<br>Period<br>September<br>1, 2017<br>through<br>December<br>31, 2017 | For the<br>Period<br>January<br>1, 2016<br>through<br>December<br>31, 2016 | For the<br>Year Ended<br>December<br>31, 2016 |
| Components of net periodic benefit cost (credit) and amounts recognized in other comprehensive loss |   |   |  |   |   |  |  |   |
| Net Periodic Benefit Cost:  |   |   |  |   |   |  |  |   |
| Service cost  | \$ 131  | \$ 49   | \$ 92  | \$ 174  | \$ 9  | \$ 3   | \$ 6   | \$ 11   |
| Interest cost   | 752   | 247   | 524  | 800   | 85  | 26   | 60   | 87  |
| Expected return on plan assets  | (1,202)                                       | (407)   | (824)  | (1,320)                                       | —   | —  | —  | —   |
| Amortization of unrecognized loss   | 7   | —   | 506  | 822   | —   | —  | 61   | 78  |
| Amortization of prior service benefit   | —   | —   | (3)  | (6)   | —   | —  | (46)   | (134)   |
| Curtailment (gain) loss   | (11)  | —   | —  | 40  | —   | —  | —  | (392)   |
| Settlement loss   | 1   | —   | —  | 62  | —   | —  | —  | —   |
| Net periodic (credit) benefit cost - Total  | \$(322)                                       | \$(111)   | \$295  | \$ 572  | \$94  | \$ 29  | \$81   | \$(350)                                       |
| Less: Discontinued operations   | —   | 1   | 3  | —   | —   | —  | —  | —   |
| Net periodic (credit) benefit cost - Continuing operations  | \$(322)                                       | \$(112)   | \$292  | \$ 572  | \$94  | \$ 29  | \$81   | \$(350)                                       |
| Changes in plan assets and benefit obligations recognized in other comprehensive (income) loss:     |   |   |  |   |   |  |  |   |
| Net loss (gain)   | \$906   | \$(165)   | \$(22)   | \$ 570  | \$(172)                                       | \$ 68  | \$—  | \$ 153  |
| Amortization of unrecognized loss   | (7)   | —   | (506)  | (822)   | —   | —  | (61)   | (78)  |
| Prior service cost (benefit)  | 17  | —   | —  | —   | —   | —  | —  | (28)  |
| Amortization of prior service benefit   | —   | —   | 3  | 6   | —   | —  | 46   | 134   |
| Curtailment (loss) gain   | —   | —   | —  | (40)  | —   | —  | —  | 392   |
| Settlement gain (loss)  | 2   | —   | —  | (62)  | —   | —  | —  | —   |
| Effect of foreign exchange rates  | 1   | —   | 133  | (138)   | —   | —  | —  | —   |
| Total loss (benefit) recognized in other comprehensive loss, attributable to Historical DuPont      | \$919   | \$(165)   | \$(392)  | \$(486)                                       | \$(172)                                       | \$ 68  | \$(15)   | \$ 573  |
| Total recognized in net periodic benefit cost and other comprehensive loss (income)                 | \$597   | \$(276)   | \$(97)   | \$ 86   | \$(78)  | \$ 97  | \$66   | \$ 223  |

In accordance with adopted ASU No. 2017-07, service costs are included in cost of goods sold, research and development expense and selling, general and administrative expenses in the Consolidated Statements of Operations. Non-service related components of net periodic benefit (credit) cost are included in sundry income (expense) - net in the Consolidated Statements of Operations. See Notes 1, 2 and 8 for additional information.



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

### Estimated Future Benefit Payments

The estimated future benefit payments, reflecting expected future service, as appropriate, are presented in the following table:

| (In millions)   | Estimated Future Benefit Payments at December 31, 2018 |                                |
|-----------------|--|--------------------------------|
|                 | Defined Benefit Pension Plans                          | Other Post Employment Benefits |
| 2019            | \$ 1,648   | \$ 240                         |
| 2020            | 1,613  | 235                            |
| 2021            | 1,597  | 226                            |
| 2022            | 1,574  | 219                            |
| 2023            | 1,556  | 210                            |
| Years 2024-2028 | 7,437  | 861                            |
| Total           | \$ 15,425  | \$ 1,991                       |

### Plan Assets

All pension plan assets in the U.S. are invested through a single master trust fund. The strategic asset allocation for this trust fund is approved by management. The general principles guiding U.S. pension asset investment policies are those embodied in the Employee Retirement Income Security Act of 1974 ("ERISA"). These principles include discharging Historical DuPont's investment responsibilities for the exclusive benefit of plan participants and in accordance with the "prudent expert" standard and other ERISA rules and regulations. Historical DuPont establishes strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. Strategic asset allocations in other countries are selected in accordance with the laws and practices of those countries. Where appropriate, asset liability studies are utilized in this process. U.S. plan assets and a portion of non-U.S. plan assets are managed by investment professionals employed by Historical DuPont. The remaining assets are managed by professional investment firms unrelated to the company. Historical DuPont's pension investment professionals have discretion to manage the assets within established asset allocation ranges approved by management of the company. Additionally, pension trust funds are permitted to enter into certain contractual arrangements generally described as "derivatives". Derivatives are primarily used to reduce specific market risks, hedge currency and adjust portfolio duration and asset allocation in a cost-effective manner.

In connection with pension contributions of \$2,900 million to its principal U.S. pension plan during the period of January 1, 2017 through August 31, 2017, an investment policy study was completed for the principal U.S. pension plan. The study resulted in new target asset allocations being approved for the U.S. pension plan with resulting changes to the expected return on plan assets. The long-term rate of return on assets decreased from 8 percent to 6.25 percent.

The weighted-average target allocation for plan assets of the company's pension plans is summarized as follows:

| Target Allocation for Plan Assets | December 31, 2018 |   | December 31, 2017 |   |
|-----------------------------------|-------------------|---|-------------------|---|
| Asset Category                    |                   | % |                   | % |
| U.S. equity securities            | 19                | % | 17                | % |
| Non-U.S. equity securities        | 16                |   | 18                |   |
| Fixed income securities           | 50                |   | 50                |   |
| Hedge funds                       | 2                 |   | 2                 |   |
| Private market securities         | 8                 |   | 8                 |   |
| Real estate                       | 3                 |   | 3                 |   |
| Cash and cash equivalents         | 2                 |   | 2                 |   |

Total 100 % 100 %

Global equity securities include varying market capitalization levels. U.S. equity investments are primarily large-cap companies. Global fixed income investments include corporate-issued, government-issued and asset-backed securities. Corporate debt investments include a range of credit risk and industry diversification. U.S. fixed income investments are weighted heavier than non-U.S. fixed income securities. Other investments include cash and cash equivalents, hedge funds, real estate and private market securities such as interests in private equity and venture capital partnerships.

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

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For pension plan assets classified as Level 1 measurements (measured using quoted prices in active markets), total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

For pension plan assets classified as Level 2 measurements, where the security is frequently traded in less active markets, fair value is based on the closing price at the end of the period; where the security is less frequently traded, fair value is based on the price a dealer would pay for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance and quality checks. For derivative assets and liabilities, standard industry models are used to calculate the fair value of the various financial instruments based on significant observable market inputs, such as foreign exchange rates, commodity prices, swap rates, interest rates and implied volatilities obtained from various market sources.

For pension plan assets classified as Level 3 measurements, total fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity for the investment. Investment managers, fund managers, or investment contract issuers provide valuations of the investment on a monthly or quarterly basis. These valuations are reviewed for reasonableness based on applicable sector, benchmark and company performance. Adjustments to valuations are made where appropriate. Where available, audited financial statements are obtained and reviewed for the investments as support for the manager's investment valuation.

The tables below present the fair values of the company's pension assets by level within the fair value hierarchy, as described in Note 1:

Basis of Fair Value Measurements

For the year ended December 31, 2018

| (In millions)                           | Total    | Level<br>1 | Level 2 | Level<br>3 |
|---|----------|------------|---------|------------|
| Cash and cash equivalents               | \$1,824  | \$1,824    | \$—     | \$—        |
| U.S. equity securities <sup>1</sup>     | 3,537    | 3,521      | 2       | 14         |
| Non-U.S. equity securities              | 2,582    | 2,565      | 15      | 2          |
| Debt – government-issued                | 3,659    | 211        | 3,448   | —          |
| Debt – corporate-issued                 | 3,037    | 253        | 2,770   | 14         |
| Debt – asset-backed                     | 721      | 39         | 682     | —          |
| Hedge funds                             | 162      | 162        | —       | —          |
| Private market securities               | 1        | —          | —       | 1          |
| Real estate                             | 336      | 243        | —       | 93         |
| Derivatives – asset position            | 10       | 1          | 9       | —          |
| Derivatives – liability position        | (18)     | —          | (18)    | —          |
| Other                                   | 206      | —          | —       | 206        |
| Subtotal                                | \$16,057 | \$8,819    | \$6,908 | \$330      |
| Investments measured at net asset value |          |            |         |            |
| Debt - government issued                | 208      |            |         |            |

|   |          |
|---|----------|
| Hedge funds   | 678      |
| Private market securities                             | 1,861    |
| Real estate funds                                     | 112      |
| Total investments measured at net asset value         | \$2,859  |
| Other items to reconcile to fair value of plan assets |          |
| Pension trust receivables <sup>2</sup>                | 210      |
| Pension trust payables <sup>3</sup>                   | (208 )   |
| Total   | \$18,918 |

1. The Historical DuPont pension plans directly held \$684 million (4 percent of total plan assets) of DowDuPont common stock at December 31, 2018.

2. Primarily receivables for investments securities sold.

3. Primarily payables for investment securities purchased

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## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

## Basis of Fair Value Measurements

For the year ended December 31, 2017

| (In millions)   | Total    | Level 1  | Level 2 | Level 3 |
|---|----------|----------|---------|---------|
| Cash and cash equivalents                             | \$3,057  | \$3,057  | \$—     | \$—     |
| U.S. equity securities <sup>1</sup>                   | 4,043    | 4,012    | 14      | 17      |
| Non-U.S. equity securities                            | 3,064    | 2,866    | 195     | 3       |
| Debt – government-issued                              | 3,263    | 497      | 2,766   | —       |
| Debt – corporate-issued                               | 3,181    | 270      | 2,884   | 27      |
| Debt – asset-backed                                   | 706      | 17       | 687     | 2       |
| Hedge funds   | 85       | —        | 83      | 2       |
| Private market securities                             | 14       | —        | —       | 14      |
| Real estate   | 342      | 239      | 7       | 96      |
| Derivatives – asset position                          | 24       | 3        | 21      | —       |
| Derivatives – liability position                      | (16)     | —        | (16)    | —       |
| Other   | 2        | —        | 2       | —       |
| Subtotal  | \$17,765 | \$10,961 | \$6,643 | \$161   |
| Investments measured at net asset value               |          |          |         |         |
| Hedge funds   | 747      |          |         |         |
| Private market securities                             | 1,383    |          |         |         |
| Real estate funds                                     | 437      |          |         |         |
| Total investments measured at net asset value         | \$2,567  |          |         |         |
| Other items to reconcile to fair value of plan assets |          |          |         |         |
| Pension trust receivables <sup>2</sup>                | 127      |          |         |         |
| Pension trust payables <sup>3</sup>                   | (175)    |          |         |         |
| Total   | \$20,284 |          |         |         |

1. The Historical DuPont pension plans directly held \$910 million (4 percent of total plan assets) of DowDuPont common stock at December 31, 2017.

2. Primarily receivables for investments securities sold.

3. Primarily payables for investment securities purchased

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

The following table summarizes the changes in fair value of Level 3 pension plan assets for the periods January 1 through August 31, 2017 and September 1 through December 31, 2017, and the year ended December 31, 2018:

| Fair Value Measurement of Level 3 Pension Plan Assets<br>(In millions)          | U.S. equity securities | Non-U.S. equity securities | Debt – corporate-issued | Debt-asset-backed | Hedge funds | Private market securities | Real estate | Other  | Total  |
|---|------------------------|----------------------------|-------------------------|-------------------|-------------|---------------------------|-------------|--------|--------|
| <b>Predecessor</b>  |                        |                            |                         |                   |             |                           |             |        |        |
| Balance at January 1, 2017  | \$ 18                  | \$ 1                       | \$ 39                   | \$ —              | \$ —        | \$ 42                     | \$ 98       | \$ —   | \$ 198 |
| Actual return on assets:  |                        |                            |                         |                   |             |                           |             |        |        |
| Relating to assets sold during the period January 1 through August 31, 2017     | (1 )                   | 2                          | (20 )                   | —                 | —           | —                         | —           | —      | (19 )  |
| Relating to assets held at August 31, 2017                                      | (7 )                   | (2 )                       | 22                      | —                 | —           | (5 )                      | 7           | —      | 15     |
| Purchases, sales and settlements, net   | 6                      | 1                          | (1 )                    | —                 | —           | 1                         | (7 )        | —      | —      |
| Transfers in (out) of Level 3, net  | —                      | —                          | 6                       | 2                 | —           | (21 )                     | —           | —      | (13 )  |
| Balance at August 31, 2017  | \$ 16                  | \$ 2                       | \$ 46                   | \$ 2              | \$ —        | \$ 17                     | \$ 98       | \$ —   | \$ 181 |
| <b>Successor</b>  |                        |                            |                         |                   |             |                           |             |        |        |
| Balance at September 1, 2017  | \$ 16                  | \$ 2                       | \$ 46                   | \$ 2              | \$ —        | \$ 17                     | \$ 98       | \$ —   | \$ 181 |
| Actual return on assets:  |                        |                            |                         |                   |             |                           |             |        |        |
| Relating to assets sold during the period September 1 through December 31, 2017 | —                      | —                          | (3 )                    | —                 | —           | —                         | —           | —      | (3 )   |
| Relating to assets held at December 31, 2017                                    | 1                      | (1 )                       | 5                       | —                 | —           | (3 )                      | 4           | —      | 6      |
| Purchases, sales and settlements, net   | —                      | 2                          | (21 )                   | —                 | 2           | —                         | (6 )        | —      | (23 )  |
| Balance at December 31, 2017  | \$ 17                  | \$ 3                       | \$ 27                   | \$ 2              | \$ 2        | \$ 14                     | \$ 96       | \$ —   | \$ 161 |
| Actual return on assets:  |                        |                            |                         |                   |             |                           |             |        |        |
| Relating to assets sold during the year ended December 31, 2018                 | (1 )                   | (4 )                       | (80 )                   | —                 | —           | —                         | 2           | —      | (83 )  |
| Relating to assets held at December 31, 2018                                    | (4 )                   | 3                          | 87                      | —                 | —           | (3 )                      | —           | (11 )  | 72     |
| Purchases, sales and settlements, net   | 3                      | —                          | (15 )                   | —                 | —           | —                         | (3 )        | 217    | 202    |
| Transfers out of Level 3, net   | (1 )                   | —                          | (5 )                    | (2 )              | (2 )        | (10 )                     | (2 )        | —      | (22 )  |
| Balance at December 31, 2018  | \$ 14                  | \$ 2                       | \$ 14                   | \$ —              | \$ —        | \$ 1                      | \$ 93       | \$ 206 | \$ 330 |

#### Trust Assets

Historical DuPont entered into a trust agreement in 2013 (as amended and restated in 2017) that established and requires Historical DuPont to fund the Trust for cash obligations under certain non-qualified benefit and deferred compensation plans upon a change in control event as defined in the Trust agreement. Under the Trust agreement, the consummation of the Merger was a change in control event. As a result, in November 2017, Historical DuPont contributed \$571 million to the Trust. In the fourth quarter of 2017, \$13 million was distributed to Historical DuPont according to the Trust agreement and at December 31, 2017, the balance in the Trust was \$558 million. During the year ended December 31, 2018, \$68 million was distributed to Historical DuPont according to the Trust agreement and at December 31, 2018, the balance in the Trust was \$500 million.

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

#### Defined Contribution Plans

Historical DuPont provides defined contribution benefits to its employees. The most significant is the U.S. Retirement Savings Plan ("the Plan"), which covers all U.S. full-service employees. This Plan includes a non-leveraged Employee Stock Ownership Plan ("ESOP"). Employees are not required to participate in the ESOP and those who do are free to diversify out of the ESOP. The purpose of the Plan is to provide retirement savings benefits for employees and to provide employees an opportunity to become stockholders of the company. The Plan is a tax qualified contributory profit sharing plan, with cash or deferred arrangement and any eligible employee of Historical DuPont may participate. Currently, Historical DuPont contributes 100 percent of the first 6 percent of the employee's contribution election and also contributes 3 percent of each eligible employee's eligible compensation regardless of the employee's contribution.

Historical DuPont's contributions to the Plan were \$183 million, \$53 million, \$129 million and \$187 million for the year ended December 31, 2018, for periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively. Historical DuPont's matching contributions vest immediately upon contribution. The 3 percent nonmatching company contribution vests after employees complete three years of service. In addition, Historical DuPont made contributions to other defined contribution plans of \$51 million, \$17 million, \$33 million and \$33 million for the year ended December 31, 2018, for periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively. Included in Historical DuPont's contributions are amounts related to discontinued operations of \$1 million, \$5 million and \$6 million for periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively.

#### NOTE 19 - STOCK-BASED COMPENSATION

The company's Equity Incentive Plan ("EIP"), as amended and restated effective August 31, 2017, provides for equity-based and cash incentive awards to certain employees, directors, and consultants. All outstanding Historical DuPont equity awards as of the Merger date were converted into equity awards with respect to DowDuPont Common Stock. The previous Historical DuPont equity awards were converted into the right to receive 1.2820 shares of DowDuPont Common Stock and had a fair value of approximately \$629 million at the Merger closing date, which included \$485 million as consideration exchanged and \$144 million (included \$23 million of incremental expense as a result of the conversion) that is being amortized to stock compensation expense over the remaining vesting period of the awards. The fair values of the converted awards were based on valuation assumptions developed by management and other information including, but not limited to, historical volatility and dividend yield of Historical DuPont and Historical Dow. Historical DuPont and Historical Dow did not merge their equity and incentive plans as a result of the Merger.

Under the amended EIP, the maximum number of shares reserved for the grant or settlement of awards is 110 million shares, provided that each share in excess of 30 million that is issued with respect to any award that is not an option or stock appreciation right will be counted against the 110 million share limit as four and one-half shares. At December 31, 2018, approximately 30 million shares were authorized for future grants under the EIP. The company satisfies stock option exercises and vesting of time-vested restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs") with newly issued shares of DowDuPont Common Stock.

The total stock-based compensation cost included in continuing operations within the Consolidated Statement of Operations was \$156 million, \$33 million, \$85 million and \$118 million for the year ended December 31, 2018, for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively. The income tax benefits related to stock-based compensation arrangements were

\$33 million, \$12 million, \$49 million and \$39 million for the year ended December 31, 2018, for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively.

The compensation committee determines the long-term incentive mix, including stock options, RSUs and PSUs and may authorize new grants annually. The company estimates expected forfeitures.

#### Stock Options

The exercise price of shares subject to option is equal to the market price of DowDuPont's stock on the date of grant. All options vest serially over a three-year period. Stock option awards granted between 2010 and 2015 expire seven years after the grant date and options granted between 2016 and 2018 expire ten years after the grant date. The plan allows retirement-eligible employees to retain any granted awards upon retirement provided the employee has rendered at least six months of service following grant date.

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

The weighted-average grant-date fair value of options granted for the year ended December 31, 2018, the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016 was \$15.46, \$28.56, \$16.65, and \$13.40, respectively.

To measure the fair value of the awards on the date of grant, the company used the Black-Scholes option pricing model and the following assumptions:

| Weighted-Average Assumptions                                 | Successor                            |  | Predecessor                                      |                                      |   |
|--|--------------------------------------|--|--|--------------------------------------|---|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |   |
| Dividend yield   | 2.1 %                                | 2.2 %  | 2.0 %  | 2.6 %                                | % |
| Expected volatility  | 23.3 %                               | 23.59 %  | 23.21 %  | 28.27 %                              | % |
| Risk-free interest rate                                      | 2.8 %                                | 2.1 %  | 2.3 %  | 1.8 %                                | % |
| Expected life of stock options granted during period (years) | 6.2                                  | 7.2  | 7.2  | 7.2                                  |   |

In the Successor periods, the company determined the dividend yield by dividing the annualized dividend on DowDuPont's Common Stock by the option exercise price. In the Predecessor periods, the company determined the dividend yield by dividing the annual dividend on Historical DuPont's stock by the option exercise price. A historical daily measurement of volatility is determined based on the expected life of the option granted. In the Successor periods, the measurement of volatility used DowDuPont stock information after the Merger date, and a weighted average of Historical Dow and Historical DuPont stock information prior to Merger date. In the Predecessor periods, the measurement of volatility used Historical DuPont stock information.

The risk-free interest rate is determined by reference to the yield on an outstanding U.S. Treasury note with a term equal to the expected life of the option granted. Expected life is determined by reference to the company's historical experience.

The following table summarizes stock option activity for the year ended December 31, 2018 under the EIP:

| Stock Options                    | For the Year Ended December 31, 2018 |   |  |  | Aggregate Intrinsic Value (in thousands) |
|----------------------------------|--------------------------------------|---|--|--|--|
|                                  | Number of Shares (in thousands)      | Weighted Average Exercise Price (per share) | Weighted Average Remaining Contractual Term (in years) |  |  |
| Outstanding at January 1, 2018   | 15,889                               | \$ 48.43                                    |  |  |  |
| Granted                          | 3,251                                | 71.85                                       |  |  |  |
| Exercised                        | (1,920)                              | 44.49                                       |  |  |  |
| Forfeited/Expired                | (141)                                | 56.63                                       |  |  |  |
| Outstanding at December 31, 2018 | 17,079                               | \$ 53.26                                    | 4.77   |  | \$ 909,699                               |
|                                  | 12,103                               | \$ 48.14                                    | 3.17   |  | \$ 582,700                               |

Exercisable at December 31,  
2018

The aggregate intrinsic values in the table above represent the total pre-tax intrinsic value (the difference between the closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their in-the-money options at period end. Total intrinsic value of options exercised for the year ended December 31, 2018, for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016 were \$50 million, \$19 million, \$108 million and \$86 million, respectively. For the year ended December 31, 2018, the company realized tax benefits from options exercised of \$10 million.

As of December 31, 2018, \$32 million of total unrecognized pre-tax compensation expense related to nonvested stock options is expected to be recognized over a weighted-average period of 1.8 years.

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

Restricted Stock Units and Performance Deferred Stock

The company issues nonvested RSUs that serially vest over a three-year period and, upon vesting, convert one-for-one to DowDuPont Common Stock. A retirement-eligible employee retains any granted awards upon retirement provided the employee has rendered at least six months of service following the grant date. Additional RSUs are also granted periodically to key senior management employees. These RSUs generally vest over periods ranging from three to five years. The fair value of all stock-settled RSUs is based upon the market price of the underlying common stock as of the grant date. The awards have the same terms and conditions as were applicable to such equity awards immediately prior to the Merger closing date.

The company grants PSUs to senior leadership. As a result of the Merger, the EIP provisions required PSUs to be converted into RSUs based on the number of PSUs that would vest by assuming that target levels of performance are achieved. Service requirements for vesting in the RSUs replicate those inherent in the exchanged PSUs.

Vesting for PSUs granted in 2016 and for the period January 1, 2017 through August 31, 2017 was based upon total shareholder return ("TSR") relative to peer companies. Vesting for PSUs granted in 2015 was equally based upon change in operating net income relative to target and TSR relative to peer companies. Operating net income is net income attributable to Historical DuPont excluding income from discontinued operations after taxes, significant after tax benefits (charges), and non-operating pension and OPEB costs. Non-operating pension and OPEB costs includes all of the components of net periodic benefit cost from continuing operations with the exception of the service cost component. Performance and payouts are determined independently for each metric. The actual award, delivered as DowDuPont Common Stock, can range from zero percent to 200 percent of the original grant. The weighted-average grant-date fair value of PSUs granted for the period January 1 through August 31, 2017, subject to the TSR metric, was \$91.56, and estimated using a Monte Carlo simulation. The weighted-average grant-date fair value of the PSUs, subject to the revenue metric, was based upon the market price of the underlying common stock as of the grant date.

In accordance with the Merger Agreement, PSUs converted to RSUs based on an assessment of the underlying market conditions in the PSUs at the greater of target or actual performance levels as of the closing date. As the actual performance levels were not in excess of target as of the closing date, all PSUs converted to RSUs based on target and there was no incremental benefit from the Merger Agreement when compared to Historical DuPont's EIP.

In November 2017, DowDuPont granted PSUs to senior leadership that vest partially based on the realization of cost savings in connection with the DowDuPont Cost Synergy Program, as well as DowDuPont's ability to complete the Intended Business Separations. Performance and payouts are determined independently for each metric. The actual award, delivered in DowDuPont Common Stock, can range from zero percent to 200 percent of the original grant. The weighted-average grant-date fair value of the PSUs granted in November 2017 of \$71.16 was based upon the market price of the underlying common stock as of the grant date. There were no PSUs granted for the year ended December 31, 2018.

Nonvested awards of RSUs and PSUs are shown below.

|            | For the Year   |
|------------|----------------|
|            | Ended December |
|            | 31, 2018       |
| Number     | Weighted       |
| of         | Average        |
| Shares     | Grant          |
| (in        | Date Fair      |
| thousands) | Value          |

|                                |         | (per<br>share) |
|--------------------------------|---------|----------------|
| Nonvested at January 1, 2018   | 4,198   | \$ 68.28       |
| Granted                        | 965     | 70.37          |
| Vested                         | (1,904) | 67.49          |
| Forfeited                      | (112 )  | 66.86          |
| Nonvested at December 31, 2018 | 3,147   | \$ 68.18       |

The total fair value of stock units vested during for the year ended December 31, 2018, for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016 was \$128 million, \$9 million, \$84 million and \$83 million, respectively. The weighted-average grant-date fair value of stock units granted for the year ended December 31, 2018, for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016 was \$70.37, \$70.02, \$76.41, and \$59.50, respectively.

As of December 31, 2018, \$71 million of total unrecognized pre-tax compensation expense related to RSUs and PSUs is expected to be recognized over a weighted average period of 1.45 years.

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

Other Cash-based Awards

Other cash-based awards resulted in compensation expense of \$241 million, \$83 million, \$264 million and \$295 million for the year ended December 31, 2018, for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017, and the year ended December 31, 2016, respectively, included in income from continuing operations within the Consolidated Statement of Operations.

NOTE 20 - FINANCIAL INSTRUMENTS

At December 31, 2018, the company had \$3,551 million (\$5,205 million at December 31, 2017) of held-to-maturity securities (primarily time deposits and money market funds) classified as cash equivalents, as these securities had maturities of three months or less at the time of purchase; and \$34 million (\$952 million at December 31, 2017) of held-to-maturity securities (primarily time deposits) classified as marketable securities as these securities had maturities of more than three months to less than 1 year at the time of purchase. The company's investments in held-to-maturity securities are held at amortized cost, which approximates fair value. These securities are included in cash and cash equivalents, marketable securities, and other current assets in the consolidated balance sheets.

Available-for-sale securities are reported at estimated fair value with unrealized gains and losses reported as a component of accumulated other comprehensive loss. There were no sales of available-for-sale securities for the year ended December 31, 2018 or for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017. The proceeds from the sale of available-for-sale securities for the year ended December 31, 2016 were \$788 million.

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.

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 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:

| Notional Amounts<br>(In millions)              | December<br>31, 2018 | December<br>31, 2017 |
|--|----------------------|----------------------|
| Derivatives designated as hedging instruments: |                      |                      |
| Commodity contracts                            | \$ 525               | \$ 587               |

Derivatives not designated as hedging instruments:

|                            |       |       |
|----------------------------|-------|-------|
| Foreign currency contracts | 2,057 | 3,922 |
| Commodity contracts        | 9     | 6     |

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.

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

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.

#### Commodity Price Risk

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

#### Derivatives Designated as Cash Flow Hedges

##### 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 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 is not probable of occurring.

The following table summarizes the after-tax effect of cash flow hedges on accumulated other comprehensive loss:

| (In millions)  | Successor                            |  | Predecessor                                      |                                      |
|--|--------------------------------------|--|--|--------------------------------------|
|  | For the Year Ended December 31, 2018 | For the Period September 1 through December 31, 2017 | For the Period January 1 through August 31, 2017 | For the Year Ended December 31, 2016 |
| Beginning balance  | \$ (2 )                              | \$ —   | \$ 7   | \$ (24 )                             |
| Additions and revaluations of derivatives designated as cash flow hedges | (19 )                                | (2 )   | 3  | 20                                   |
| Clearance of hedge results to earnings                                   | (5 )                                 | —  | (13 )  | 11                                   |
| Ending balance   | \$ (26 )                             | \$ (2 )  | \$ (3 )  | \$ 7                                 |

At December 31, 2018, an after-tax net loss of \$9 million is expected to be reclassified from accumulated other comprehensive loss into earnings over the next twelve months.

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. 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 the contracts offset changes in the USD value of the related foreign currency-denominated revenues.

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, soybean oil and soybean meal.

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## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

## Fair Value of Derivative Instruments

The presentation of the company's derivative assets and liabilities is as follows:

| (In millions)                                      | Balance Sheet Location                | December 31, 2018                                       |  |
|--|---------------------------------------|---|--|
|  |                                       | Gross<br>and Cash<br>Collateral<br>Netting <sup>1</sup> | Net Amounts<br>Included in<br>the<br>Condensed<br>Consolidated<br>Balance<br>Sheet |
| Asset derivatives:                                 |                                       |   |  |
| Derivatives not designated as hedging instruments: |                                       |   |  |
| Foreign currency contracts                         | Other current assets                  | \$72\$ (35 )  | \$ 37  |
| Total asset derivatives                            |                                       | \$72\$ (35 )  | \$ 37  |
| Liability derivatives:                             |                                       |   |  |
| Derivatives not designated as hedging instruments: |                                       |   |  |
| Foreign currency contracts                         | Accrued and other current liabilities | \$21\$ (15 )  | \$ 6   |
| Total liability derivatives                        |                                       | \$21\$ (15 )  | \$ 6   |

| (In millions)                                      | Balance Sheet Location                | December 31, 2017                                       |  |
|--|---------------------------------------|---|--|
|  |                                       | Gross<br>and Cash<br>Collateral<br>Netting <sup>1</sup> | Net Amounts<br>Included in<br>the<br>Condensed<br>Consolidated<br>Balance<br>Sheet |
| Asset derivatives:                                 |                                       |   |  |
| Derivatives not designated as hedging instruments: |                                       |   |  |
| Foreign currency contracts                         | Other current assets                  | \$46\$ (37 )  | \$ 9   |
| Total asset derivatives                            |                                       | \$46\$ (37 )  | \$ 9   |
| Liability derivatives:                             |                                       |   |  |
| Derivatives not designated as hedging instruments: |                                       |   |  |
| Foreign currency contracts                         | Accrued and other current liabilities | \$79\$ (32 )  | \$ 47  |
| Total liability derivatives                        |                                       | \$79\$ (32 )  | \$ 47  |

Counterparty and cash collateral amounts represent the estimated net settlement amount when applying netting and set-off rights included in master netting arrangements between the company and its counterparties and the payable or receivable for cash collateral held or placed with the same counterparty. The company held cash collateral of \$20 million and \$5 million as of December 31, 2018 and 2017, respectively.





## E. I. du Pont de Nemours and Company

## Notes to the Consolidated Financial Statements (continued)

## Effect of Derivative Instruments

| (In millions) | Amount of Gain (Loss)<br>Recognized in OCI <sup>1</sup> - Pre Tax |  |  |                              |
|---------------|---|--|--|------------------------------|
|               | Successor   |  | Predecessor                                |                              |
|               | For the   |  | For the                                    |                              |
|               | Year Ended December 31, 2018                                      | Period September 1 through December 31, 2017 | Period January 1 through December 31, 2016 | Year Ended December 31, 2017 |

## Derivatives designated as hedging instruments:

## Cash flow hedges:

|   |         |      |      |       |
|---|---------|------|------|-------|
| Commodity contracts                                 | \$ (24) | \$ 3 | \$ 5 | \$ 32 |
| Total derivatives designated as hedging instruments | \$ (24) | \$ 3 | \$ 5 | \$ 32 |
| Total derivatives                                   | \$ (24) | \$ 3 | \$ 5 | \$ 32 |

1. OCI is defined as other comprehensive income (loss).

| (In millions) | Amount of Gain (Loss)<br>Recognized in Income - Pre Tax <sup>1</sup> |  |  |                              |
|---------------|--|--|--|------------------------------|
|               | Successor  |  | Predecessor                              |                              |
|               | For the  |  | For the                                  |                              |
|               | Year Ended December 31, 2018   | Period September 1 through December 31, 2017 | Period January 1 through August 31, 2016 | Year Ended December 31, 2017 |

## Derivatives designated as hedging instruments:

## Cash flow hedges:

|   |        |       |          |          |
|---|--------|-------|----------|----------|
| Commodity contracts <sup>2</sup>                        | \$ 6   | \$ —  | \$ 21    | \$ (18)  |
| Total derivatives designated as hedging instruments     | \$ 6   | \$ —  | \$ 21    | \$ (18)  |
| Derivatives not designated as hedging instruments:      |        |       |          |          |
| Foreign currency contracts <sup>4</sup>                 | 94     | 91    | (431)    | (304)    |
| Foreign currency contracts <sup>3</sup>                 | —      | —     | —        | (12)     |
| Commodity contracts <sup>2</sup>                        | 5      | —     | 2        | (11)     |
| Total derivatives not designated as hedging instruments | 99     | 91    | (429)    | (327)    |
| Total derivatives                                       | \$ 105 | \$ 91 | \$ (408) | \$ (345) |

1. For cash flow hedges, this represents the portion of the gain (loss) reclassified from accumulated OCI into income during the period.

2. Recorded in cost of goods sold.

3. Recorded in net sales.

4. Gain recognized in sundry income (expense) - net was partially offset by the related gain on the foreign currency-denominated monetary assets and liabilities of the company's operations. See Note 8 for additional

information.

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

## NOTE 21 - FAIR VALUE MEASUREMENTS

The following tables summarize the basis used to measure certain assets and liabilities at fair value on a recurring basis:

| December 31, 2018   | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) |
|---|---|
| (In millions)   |   |
| Assets at fair value:   |   |
| Cash equivalents and restricted cash equivalents <sup>1</sup> | \$ 3,551  |
| Marketable securities   | 34  |
| Derivatives relating to: <sup>2</sup>                         |   |
| Foreign currency  | 72  |
| Total assets at fair value                                    | \$ 3,657  |
| Liabilities at fair value:                                    |   |
| Long-term debt <sup>3</sup>                                   | \$ 6,100  |
| Derivatives relating to: <sup>2</sup>                         |   |
| Foreign currency  | 21  |
| Total liabilities at fair value                               | \$ 6,121  |

| December 31, 2017   | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) |
|---|---|
| (In millions)   |   |
| Assets at fair value:   |   |
| Cash equivalents and restricted cash equivalents <sup>1</sup> | \$ 5,205  |
| Marketable securities   | 952   |
| Derivatives relating to: <sup>2</sup>                         |   |
| Foreign currency  | 46  |
| Total assets at fair value                                    | \$ 6,203  |
| Liabilities at fair value:                                    |   |
| Long-term debt <sup>3</sup>                                   | \$ 11,560   |
| Derivatives relating to: <sup>2</sup>                         |   |
| Foreign currency  | 79  |
| Total liabilities at fair value                               | \$ 11,639   |

1. Time deposits included in cash and cash equivalents and money market funds included in other current assets in the consolidated balance sheets are held at amortized cost, which approximates fair value.

2. See Note 20 for the classification of derivatives in the consolidated balance sheets.

3. See Note 15 for information on fair value measurements of long-term debt.

For assets and liabilities classified as Level 1 measurements (measured using quoted prices in active markets), total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

For assets and liabilities classified as Level 2 measurements, where the security is frequently traded in less active markets, fair value is based on the closing price at the end of the period; where the security is less frequently traded, fair value is based on the price a dealer would pay for the security or similar securities, adjusted for any terms specific to that asset or liability, or by using observable market data points of similar, more liquid securities to imply the price. For time deposits classified as held-to-maturity investments and reported at amortized cost, fair value is based on an observable interest rate for similar securities. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance and quality checks.

For derivative assets and liabilities, standard industry models are used to calculate the fair value of the various financial instruments based on significant observable market inputs, such as foreign exchange rates, commodity prices, swap rates, interest rates and implied volatilities obtained from various market sources. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

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

For all other assets and liabilities for which observable inputs are used, fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models. See Note 20 for further information on the types of instruments used by the company for risk management.

There were no transfers between Levels 1 and 2 during the year ended December 31, 2018 or for the periods September 1 through December 31, 2017 and January 1 through August 31, 2017.

For assets classified as Level 3 measurements, the fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity. The fair value of the company's interests held in trade receivable conduits is determined by calculating the expected amount of cash to be received using the key input of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Given the short-term nature of the underlying receivables, discount rate and prepayments are not factors in determining the fair value of the interests.

#### Fair Value Measurements on a Nonrecurring Basis

The following table summarizes the basis used to measure certain assets at fair value on a nonrecurring basis:

| Basis of Fair Value Measurements on a Nonrecurring Basis<br>(In millions) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) | Total<br>Losses |
|---|---|-----------------|
| 2018  |   |                 |
| Assets at fair value:   |   |                 |
| Investment in nonconsolidated affiliates                                  | \$ 51   | \$(41 )         |
| Other intangible assets   | \$ 450  | \$(85 )         |
| 2016  |   |                 |
| Assets at fair value:   |   |                 |
| Property, plant and equipment   | \$ —  | \$(435 )        |
| Other intangible assets   | \$ 28   | \$(158 )        |

During the third quarter of 2018, the company recorded a goodwill impairment charge related to its agriculture reporting unit. See Notes 6 and 14 for further discussion of these fair value measurements.

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

## NOTE 22 - GEOGRAPHIC INFORMATION

Sales are attributed to geographic areas based on customer location; long-lived assets are attributed to geographic areas based on asset location.

| (In millions)             | Net Sales |             | Predecessor |          |
|---------------------------|-----------|-------------|-------------|----------|
|                           | Successor | Predecessor | For the     | For the  |
|                           | Year      | For the     | Period      | Year     |
|                           | Ended     | Period      | January     | Ended    |
|                           | December  | September 1 | through     | December |
|                           | 31,       | through     | through     | 31, 2016 |
|                           | 2018      | December    | August      | 31,      |
|                           |           | 31, 2017    | 31,         | 2017     |
| United States             | \$10,118  | \$2,086     | \$7,535     | \$9,500  |
| Canada                    | 767       | 139         | 583         | 669      |
| EMEA <sup>1</sup>         | 6,275     | 1,689       | 3,927       | 5,251    |
| Asia Pacific <sup>2</sup> | 6,470     | 2,047       | 3,844       | 5,407    |
| Latin America             | 2,649     | 1,092       | 1,392       | 2,382    |
| Total                     | \$26,279  | \$7,053     | \$17,281    | \$23,209 |

<sup>1</sup>. Europe, Middle East, and Africa (EMEA).

<sup>2</sup>. Net sales for China in the period September 1 through December 31, 2017 were \$818 million. Net sales for China were less than 10 percent of consolidated net sales in all other periods presented.

| (In millions)     | Net Property |             | Predecessor |
|-------------------|--------------|-------------|-------------|
|                   | Successor    | Predecessor | For the     |
|                   | 2018         | 2017        | 2016        |
| United States     | \$7,591      | \$7,708     | \$5,951     |
| Canada            | 163          | 170         | 124         |
| EMEA <sup>1</sup> | 2,784        | 2,867       | 1,550       |
| Asia Pacific      | 1,095        | 1,120       | 797         |
| Latin America     | 553          | 570         | 429         |
| Total             | \$12,186     | \$12,435    | \$8,851     |

<sup>1</sup>. Europe, Middle East, and Africa (EMEA).

Refer to Note 5 for net sales by principal product line.

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

## NOTE 23 - QUARTERLY FINANCIAL DATA

| In millions, except per share amounts (unaudited)                               | 2018 - Successor      |         |                         |                       |                    |
|---|-----------------------|---------|-------------------------|-----------------------|--------------------|
|   | First                 | Second  | Third                   | Fourth                |                    |
| Net sales   | \$6,699               | \$8,545 | \$5,294                 | \$5,741               |                    |
| Cost of goods sold <sup>1</sup>   | 4,847                 | 5,669   | 3,686                   | 3,980                 |                    |
| Restructuring and asset related charges - net <sup>2</sup>                      | 97                    | 91      | 182                     | 115                   |                    |
| Integration and separation costs  | 255                   | 327     | 344                     | 449                   |                    |
| Goodwill impairment charge <sup>3</sup>   | —                     | —       | 4,503                   | —                     |                    |
| (Loss) income from continuing operations after income taxes                     | (216 ) <sup>4</sup>   | 514     | (4,960 ) <sup>4,5</sup> | (351 ) <sup>4,6</sup> |                    |
| Net (loss) income   | (221 ) <sup>7</sup>   | 514     | (4,960 )                | (351 )                |                    |
| Net (loss) income attributable to Historical DuPont                             | (228 )                | 513     | (4,960 )                | (354 )                |                    |
|   | 2017                  |         |                         |                       |                    |
|   | Predecessor           |         | Successor               |                       |                    |
| In millions, except per share amounts (unaudited)                               | First                 | Second  | July 1 -<br>Aug 31      | Sept 1 -<br>Sept 30   | Fourth             |
| Net sales   | \$7,319               | \$6,971 | \$2,991                 | \$1,735               | \$5,318            |
| Cost of goods sold  | 4,152                 | 3,963   | 1,937                   | 1,531                 | 4,709 <sup>1</sup> |
| Restructuring and asset related charges - net <sup>2</sup>                      | 152                   | 160     | 11                      | 40                    | 140                |
| Integration and separation costs <sup>8</sup>                                   |                       |         |                         | 71                    | 243                |
| Income (loss) from continuing operations after income taxes                     | 1,178 <sup>9,10</sup> | 722     | (258 )                  | (275 )                | 1,362 <sup>4</sup> |
| Net income (loss) <sup>11</sup>   | 1,121                 | 869     | (229 )                  | (295 )                | 1,305              |
| Net income (loss) attributable to Historical DuPont                             | 1,113                 | 862     | (234 )                  | (293 )                | 1,303              |
| Earnings (loss) per common share, continuing operations - basic <sup>12</sup>   | 1.35                  | 0.82    | (0.30 )                 |                       |                    |
| Earnings (loss) per common share, continuing operations - diluted <sup>12</sup> | 1.34                  | 0.82    | (0.30 )                 |                       |                    |

Includes charges of \$(360) million and \$(1,109) million, \$(703) million, \$(682) million, \$(109) million, and \$(134) million during the period September 1 - September 30, 2017, fourth quarter 2017, first quarter 2018, second quarter 2018, third quarter 2018, and fourth quarter 2018, respectively, related to the amortization of inventory step-up as a result of the Merger and the acquisition of the H&N Business. See Note 3 for additional information.

1. See Note 6 for additional information.

2. See Note 14 for additional information.

3. Includes a tax benefit of \$2,262 million in the fourth quarter 2017 related to The Act and a benefit related to an internal entity restructuring associated with the Intended Business Separations. Includes tax (charges) benefits of \$(102) million, \$(7) million, \$46 million, and \$(167) million in the first quarter 2018, second quarter 2018, third quarter 2018, and fourth quarter 2018, respectively, related to The Act. See Note 9 for additional information.

4. Includes a tax charge of \$(75) million in the third quarter 2018 related to the establishment of a full valuation allowance against the net deferred tax asset position of a legal entity in Brazil. See Note 9 for additional information.

5. Includes a loss on early extinguishment of debt of \$(81) million in the fourth quarter 2018 related to the retirement of some of the company's notes payable. See Note 15 for additional information.

6. Includes loss from discontinued operations after taxes related to the Divested Ag Business of \$(5) million in the first quarter 2018. See Note 4 for additional information.

7. Integration and separation costs were \$170 million, \$201 million, and \$210 million in the first quarter 2017, second quarter 2017, and the period July 1 - August 31, 2017, respectively. In the Predecessor periods, costs are recorded in selling, general and administrative expenses. See Note 3 for additional information.

8. First quarter 2017 included a gain of \$162 million recorded in sundry income - net associated with the sale of the company's global food safety diagnostic business. See Note 4 for additional information.

10. First quarter 2017 included a tax benefit of \$53 million, as well as a \$47 million benefit on associated accrued interest reversals (recorded in sundry income (expense) - net), related to a reduction in the company's unrecognized tax benefits due to the closure of various tax statutes of limitations.

11. Includes income (loss) from discontinued operations after taxes primarily related to the Divested Ag Business of \$160 million, \$137 million, \$29 million, \$(20) million, and \$(57) million, in the first quarter 2017, second quarter 2017, the period July 1 - August 31, 2017, the period September 1 - September 30, 2017, and fourth quarter 2017, respectively. Additionally, includes income (loss) from discontinued operations after taxes primarily related to Chemours of \$(217) million and \$10 million, in the first quarter 2017 and second quarter 2017, respectively. See Note 4 for additional information.

12. Due to quarterly changes in the share count and the allocation of income to participating securities, the sum of the four quarters may not equal the earnings per share amount calculated for the year.

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Notes to the Consolidated Financial Statements (continued)

NOTE 24 - SUBSEQUENT EVENTS

In February 2019, the company entered into a new committed receivable repurchase facility of up to \$1,300 million (the "2019 Repurchase Facility") which expires in December 2019. Under the 2019 Repurchase Facility, Historical DuPont may sell a portfolio of available and eligible outstanding customer notes receivables within the agriculture product line to participating institutions and simultaneously agree to repurchase at a future date. The 2019 Repurchase Facility is considered a secured borrowing with the customer notes receivables inclusive of those that are sold and repurchased, equal to 105 percent of the outstanding amounts borrowed utilized as collateral. Borrowings under the 2019 Repurchase Facility will have an interest rate of LIBOR + 75 percent.

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