May 19, 2016
To: NRLN DuPont Retirees Chapter Members
From: Paul Kende

I attended the DuPont Retired Managers Society (DRMS) annual luncheon, where Ed Breen, CEO and Nick Fanandakis, CFO spoke about company business, the merger and the status of the pension plan. The Wilmington News Journal published an article on management's comments, which you can read on our web page's right hand column, at the following link: http://www.nrln.org/CHAPTERS/DUPONT/duponthome.html Beyond the points covered in the WNJ article, I highlight comments made by Ed and Nick in their presentation, or answering questions from the audience of about 200 DRMS members. (My own personal comments are all in parentheses).

Business

- DuPont's safety performance is excellent, with 60% reduction of lost workday cases and 28% reduction of employee recordable injury rate.

- Business results are very good. After three years of negative top line growth, 1Q17 has seen 5% positive growth and the 2nd quarter also looks promising. Earnings/share has grown for 6 consecutive quarters, consistently beating Wall Street expectations. Operating earnings are up, costs are down. Free cash flow has also increased.

Merger

- Many foreign regulatory approvals have been received; approvals are still needed from Canada, India and U.S. The European Commission's global assessment and conditional approval is the key. Full approval is expected and the merger closing is now forecast for August 1st. The three-way business separation is now projected within 18 months from the time of the merger closing.

- The asset swap of some of DuPont's crop protection business, for FMC's nutrition and health business, and $1.6B cash, is a mutually beneficial deal.

- After the merger, no further regulatory approvals will be required and DowDuPont will be free to execute the spinoffs as they deem appropriate.

- The Dow, DuPont and Pioneer names have great "brand value" and will probably be used in some manner.

Pension

- Nick Fanandakis acknowledged the confusion that the various ways of calculating pension obligations and funding levels can cause. (Nick's comments were consistent with my note to you on May 4, indicating funding levels of 66%, 77%, or 91%, depending on the calculations used in the Annual Funding Notice, the Form 5500, or the 10 K Consolidated Financial Satement, as of January 1, 2016).

- The$ 2.9 B contribution to the pension plan is a big move, which strengthens the plan and reduces risk for retirees. Anticipating corporate tax rate reductions and taking advantage of low interest rates on borrowing, DuPont decided to make his contribution now, rather than spread it out over 5 or 6 years, some of which the three SpinCos would have to contribute. This contribution is roughly half of the current funding shortfall at year-end 2016, on the basis of the 10K report. (I am trying to find out DuPont's revised contribution plan).

- The present value of pension obligation is a sensitive function of the assumed interest/discount rate; a 0.5% rate change causes approximately $1B change in the liability's present value.

- DuPont's non-qualified pension obligations will be covered by a trust, set up several years ago, to become fully funded when the merger takes effect.

- Allocation of assets and liabilities, among the 3 SpinCo businesses, has not yet been decided. But the $2.9B contribution provides for more flexibility and options. All 3 businesses will be strong, leading performers in their fields, and no-one will be disadvantaged by their assignment to any of the spinoffs. (I am seeking to learn how this will be ensured).

- There are no current plans for conversion of the pensions to annuities, through an insurance company. While this may have some pros and cons, it would require a lot of more cash to boost funding levels, than is available.