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DuPont, Dow to merge, then to break up into 3 companies

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DuPont and The Dow Chemical Company have announced that their boards of directors unanimously approved a definitive agreement under which the companies will combine in an all-stock merger of equals. The combined company will be named DowDuPont. The parties intend to subsequently pursue a separation of DowDuPont into three independent, publicly traded companies through tax-free spin-offs. This would occur as soon as feasible, which is expected to be 18-24 months following the closing of the merger, subject to regulatory and board approval.

The companies will include a leading global pure-play Agriculture company; a leading global pure-play Material Science company; and a leading technology and innovation-driven Specialty Products company. Each of the businesses will have clear focus, an appropriate capital structure, a distinct and compelling investment thesis, scale advantages, and focused investments in innovation to better deliver superior solutions and choices for customers.

“This transaction is a game-changer for our industry and reflects the culmination of a vision we have had for more than a decade to bring together these two powerful innovation and material science leaders,” said Andrew N. Liveris, Dow’s chairman and chief executive officer. “Over the last decade our entire industry has experienced tectonic shifts as an evolving world presented complex challenges and opportunities – requiring each company to exercise foresight, agility and focus on execution. This transaction is a major accelerator in Dow’s ongoing transformation, and through this we are creating significant value and three powerful new companies. This merger of equals significantly enhances the growth profile for both companies, while driving value for all of our shareholders and our customers.”

“This is an extraordinary opportunity to deliver long-term, sustainable shareholder value through the combination of two highly complementary global leaders and the creation of three strong, focused, industry-leading businesses. Each of these businesses will be able to allocate capital more effectively, apply its powerful innovation more productively, and extend its value-added products and solutions to more customers worldwide,” said Edward D. Breen, chairman and chief executive officer of DuPont. “For DuPont, this is a definitive leap forward on our path

to higher growth and higher value. This merger of equals will create significant near-term value through substantial cost synergies and additional upside from growth synergies. Longer term, the three-way split we intend to pursue is expected to unlock even greater value for shareholders and customers and more opportunity for employees as each business will be a leader in attractive segments where global challenges are driving demand for these businesses' distinctive offerings."

Synergostic transaction

Upon closing of the transaction, the combined company would be named DowDuPont and have a combined market capitalization of approximately $130 billion at announcement. Under the terms of the transaction, Dow shareholders will receive a fixed exchange ratio of 1.00 share of DowDuPont for each Dow share, and DuPont shareholders will receive a fixed exchange ratio of 1.282 shares in DowDuPont for each DuPont share. Dow and DuPont shareholders will each own approximately 50 percent of the combined company, on a fully diluted basis, excluding preferred shares.

The transaction is expected to deliver approximately $3 billion in cost synergies, with 100 percent of the run-rate cost synergies achieved within the first 24 months following the closing of the transaction. Additional upside of approximately $1 billion is expected from growth synergies.

Intended separation into 3 independent, publicly traded companies

It is the intention of both companies' boards of directors that, following the merger, DowDuPont would pursue a tax-free separation into three independent, publicly traded companies with each targeting an investment grade credit rating. Each would be a strong, focused business with powerful innovation capabilities, enhanced global scale and product portfolios, focused capital allocation, and a distinct competitive position. The three businesses that the boards intend to separate are:

- **Agriculture Company:** Leading global pure-play agriculture company that unites DuPont's and Dow's seed and crop protection businesses. The combined entity will have the most comprehensive and diverse portfolio and a robust pipeline with exceptional

growth opportunities in the near-, mid- and long-term. The complementary offerings of the two companies will provide growers across geographies with a broad portfolio of solutions and greater choice. Combined pro forma 2014 revenue for Agriculture is approximately $19 billion.

- **Material Science Company:** A pure-play industrial leader, consisting of DuPont's Performance Materials segment, as well as Dow's Performance Plastics, Performance Materials and Chemicals, Infrastructure Solutions, and Consumer Solutions (excluding the Dow Electronic Materials business) operating segments. The combination of complementary capabilities will create a low-cost, innovation-driven leader that can provide customers in high-growth, high-value industry segments in packaging, transportation, and infrastructure solutions, among others with a broad and deep portfolio of cost-effective offerings. Combined pro forma 2014 revenue for Material Science is approximately $51 billion.
- **Specialty Products Company:** A technology driven innovative leader, focused on unique businesses that share similar investment characteristics and specialty market focus. The businesses will include DuPont's Nutrition & Health, Industrial Biosciences, Safety & Protection and Electronics & Communications, as well as the Dow Electronic Materials business. Together, their complementary offerings create a new global leader in Electronics Products, and each business will benefit from more targeted investment in their productive technology development and innovation capabilities. Combined pro forma 2014 revenue for Specialty Products is approximately $13 billion.

Advisory Committees will be established for each of the businesses. Breen will lead the Agriculture and Specialty Products Committees, and Liveris will lead the Material Science Committee. These Committees will oversee the respective businesses, and will work with Liveris and Breen on the intended separation of the businesses into independent, standalone entities.

Management, governance and corporate headquarters

Upon completion of the transaction, Liveris, President, Chairman and CEO of Dow, will become Executive Chairman of the newly formed DowDuPont Board of Directors and Breen, Chair and CEO of DuPont, will become Chief Executive Officer of DowDuPont. In these roles, both Liveris

and Breen will report to the Board of Directors. In addition, when named, the chief financial officer will report to Breen.

DowDuPont’s board is expected to have 16 directors, consisting of eight current DuPont directors and eight current Dow directors. The full list of directors will be announced prior to or in conjunction with the closing of the merger. The Committees of each company will appoint the leaders of the three new standalone companies prior to a contemplated spin-off.

Following the closing of the transaction, DowDuPont will be dual headquartered in Midland, Michigan and Wilmington, Delaware.

The merger transaction is expected to close in the second half of 2016, subject to customary closing conditions, including regulatory approvals, and approval by both Dow and DuPont shareholders. The subsequent separation of DowDuPont, which the companies intend to pursue, would be expected to occur 18-24 months following the closing of the merger.

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