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Company Conference Presentation

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Table of Contents

Call Participants 3

Presentation 4

Question and Answer 12

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Presentation

Patrick Duffy Fischer
Barclays Bank PLC, Research Division

Perfect. Go ahead and keep eating. And if you're getting him, that's fine. Marc has promised he'll talk loud and kind of over this. But we're very happy to welcome Marc Doyle from DowDuPont up here. As we were just talking about, in DowDuPont, the Ag business gets a lot of the publicity, but one of the really neat things of putting Dow and DuPont together is putting the DuPont Electronics business together with the Dow business. That's one of the chunks that he runs. He actually runs a bigger portfolio of the entire specialty company for DowDuPont.

But with that, I don't want to take any more of his time. I will welcome Marc up here that will walk us through how DowDuPont's thinking about the electronic space and, again, a little bit on the bigger specialty chemical business that they have. But with that, Marc, thank you very much.

Marc C. Doyle
Chief Operating Officer of Specialty Products Division

Thanks, Duffy. Can you guys hear me okay? Thanks. Well, I'm your lunch entertainment, and I've been told to try to keep this as boring as possible so that you guys can eat. So I'm going to run through a story about DowDuPont's Specialty business and, in particular, the Electronics & Imaging segment. I'm going to talk about some of the key trends in the industry that are driving growth, and then I'm promising to end early enough that we have some time for questions. So hold your questions to the end and hopefully, we'll take advantage of that time. I also want to thank Jen and Ann for being here with me today and for the help on preparation.

Happy to be here at the first annual electronics conference. I think this is a good event. It's a good sign of the health of the industry that we're here talking about megatrends in electronics and growth drivers for the future. This industry, we believe, is really on the cusp of some profound and exhilarating change. We think the change is going to really reshape the demands from all suppliers. And at DowDuPont's Specialty Products, we're really excited about the opportunities here. Duff, you already stole my line that the Ag business combination that we're putting together in DowDuPont is getting all the press and publicity. But frankly speaking, I think the electronics industry is where the real action is in DowDuPont. And the combination of businesses that we've put together here, I think, is really a once-in-a-lifetime opportunity.

So let me take you through a little bit of the DowDuPont transaction, just as background. DowDuPont had nearly $80 billion in 2017 net sales and -- on a pro forma basis, and that includes an Ag division with sales of about $14 million, a Materials Science division with sales of $44 billion and a Specialty Products division with the sales of $21 billion. As you're all probably aware, we're on a journey from 1 public company, DowDuPont, to create 3 public companies. And let me back up a little, subject to the approval of the DowDuPont board. And the timing here is we'll separate our Materials business in March of 2019, the end of the first quarter, actually, of 2019. That Materials business will be branded as the new Dow company. And then we'll separate the Ag business, which we've said will be called Corteva, in June of 2019. And so by the middle of next year, about a year from now, we'll have 3 public companies. I'm going to be speaking here just on behalf of the Specialty Products division. And our division, which is branded the new DuPont, manufactures and sells highly engineered materials and naturally sourced biotechnology-based specialty food ingredients. And we expect to benchmark the Specialty Products division or the new DuPont against other high performing multi-industry specialty companies, including companies like 3M and Honeywell. With the strength we have across this division, we intend to take advantage of growth opportunities in the highly fragmented and rapidly changing electronics industry. This demanding industry continues to face more and more complex materials challenges and with our portfolio, we're very well positioned to address them.

So what I'd like to do now is start with a brief overview of the Specialty Products division. And we've heard that investors require a little bit more information on the segments here. And so I'm going to give you a

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little bit more feedback or transparency on the sales mix within Specialty Products. And I'm going to go through that before, then, focusing on the heart of the presentation, which is 4 of the megatrends driving the electronics industry, how we'll compete today and the unique strengths that enable us and -- to win in the industry and ultimately to respond to far-reaching changes.

So first, starting with the overall division. Being successful in the Specialty business, shown here on Slide 4, means we sustain high margins and deliver a solid IP position, staying close to customers and successfully launching science-based innovations. We also invest in the R&D and people to ensure our growth and competitiveness in the future. The new DuPont will have leading positions and brands, world-class innovation processes that create value for customers through application development and technology leadership in both manufacturing and process engineering. Importantly, we have the broad capabilities that arise from over 32,000 employees, 200 manufacturing sites that are located all around the world close to our customers.

As you can see on the chart here, our businesses is divided into 4 reporting segments, including the Electronics and Imaging segment. Three of these segments are for highly engineered materials, and each generate about $5 billion in annual sales on a pro forma basis. The fourth segment, Nutrition & Biosciences, includes our naturally-sourced biotech-based specialty food ingredients, and in 2017, had about $6 billion in net sales.

We're also fairly balanced geographically, as you can see on the regional breakdown. Asia Pacific is our largest region, as you'd expect, given that we serve the key markets we serve, like electronics. And another point I'd make is our average 2017 full year operating EBITDA margin across the 4 segments, on a pro forma basis, was about 25%, consistent with the Specialty Products portfolio. And I should say that's before completing our intended cost synergies, associated with the DowDuPont merger. We've publicly quoted targets of $965 million in cost synergies for this division, and $400 million in growth synergies.

And so to give you a sense of where we're headed, in the first quarter of this year, our operating EBITDA margin for the division was about 28%. And we showed margin expansion in all 4 segments. And so as you'll hear me mention a few times today, one of the attributes that our customers value most is our ability to innovate locally with them using local language and linking our R&D centers and innovation centers, so that customers can benefit from our global reach in a very personalized and local way.

And as you can see from the global map on Slide 5, we have locations right where our customers are, all over the world, both for our major R&D centers and our innovation centers. And these provide the capability to do real-time partnership and joint development with our customers. To give you a sense of what we spend on R&D, on the right side, you'll see nearly $1 billion in 2018 expected R&D spending. And at about 4.5% of sales, we think that's right in line with our peers.

Now on the next slide, I'm going to do a little bit of an overview of the 4 segments before getting back to ENI. Some of the product examples you'll see up here that you might be familiar with include: the DuPont Tyvek house wrap business; DuPont Kevlar high-strength fibers; the Dow Styrofoam insulation business; Danisco food and nutrition products; and, in our Electronics segment, DuPont Kapton and DuPont Tedlar films. To make things a little more interesting, last fall, we announced a realignment of the DowDuPont portfolio, which resulted in $8 billion of sales shifting from our Materials division to our Specialty Products division. And this realignment literally changed the composition of every segment in the division. So let me cover the segments briefly, now, just to give you a sense of what's currently in each of these segments, and I'll end with Electronics & Imaging and go through that last.

So the largest specialty segment, starting on the left side, by revenue, is Nutrition & Biosciences. And this segment is the heritage DuPont nutrition and health business as well as our heritage industrial biosciences business and Dow's pharma and food business. And this unit also includes the health and nutrition business of FMC, which we picked up in November 1, 2017, as part of our remedy package. And so you might remember FMC acquired a portion of our Crop Protection business, in exchange, provided us with cash and certain assets -- their H&N assets as part of the consideration. With the portfolio realignment, we also added the Dow pharma and food business to the nutrition and health business. And we added Dow's microbial control business to industrial biosciences. So what you get at the end is a well-diversified specialty food and biotech segment with full year 2017 pro forma operating EBITDA margins of over

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20%. The nutrition and health product mix is led by the largest product line, which is our systems and texturants business. And systems and texturants are our products that enhance the stability and sensory properties of packaged foods. And we're the largest S&T provider in the world.

Over half of industrial biosciences is our bioactives business, which is, what we call, our industrial enzymes business, with smaller pieces being biomaterials, clean technologies and microbial control. So to give you a sense of this segment, the peers we benchmark with here on the biotech side are companies like Chr. Hansen and Novozymes. And on the specialty food ingredients aside, companies like Kerry and Ingredients.

So moving now to the segments that are more in the highly engineered materials space, let me touch on Transportation & Advanced Polymers, which we call T&AP for short. T&AP had pro forma sales of over $5 billion and operating EBITDA margins in the 20s. And this segment is an industry leader. We provide high-performance solutions to engineers and designers in the transportation, electronics and medical markets. Nearly half of the sales mix is highly engineered nylons and polyester-based resins, primarily serving automotive and electronics. And this segment was -- originated with the performance polymers business of DuPont, which was originally mapped to the new Dow and then came back to Specialty Products when we realigned the portfolio. And it brought with it most of what was historically called Dow Automotive systems. In particular, Dow structural adhesives business. We also added 3 Dow Corning silicones businesses into this segment, which includes the Molykote brand high-performance lubricants for automotive and industrial applications, the silicones for medical products business and multi--based thermoplastic compounding business from Dow Corning.

So overall, we leveraged the breadth and customer reach of T&AP strongly with our electronics segment. You can imagine, we share a lot of customers and end-use applications here. And I'll talk later about this in the context of how we collaborate between T&AP and electronics and the automotive electronics segment, in particular, which is a major growth platform, obviously. Key peers to T&AP include Celanese, Solvay and Victrex.

And then third, Safety & Construction is a leading supplier of engineered products and integrated systems. This was also transformed by the portfolio realignment, and I'll take you through that in a moment. This segment serves the construction, worker safety, energy and oil and gas, transportation, water purification and medical markets. And the segment supplies advanced materials that spans a pretty wide range of product forms. We supply high-performance fibers, nonwoven structures, films, foams, multilayer structures, and we also have a wide range of premium protective garments for worker safety. This business now includes the former Dow building solutions unit, and so that's where the Dow Styrofoam business has landed as well as the former Dow water purification business, used to be called Water and Process Solutions. And that business is the leading supplier of reverse osmosis components and ion exchange resins globally.

Like T&AP in 2017, we achieved full year pro forma operating EBITDA margins in the 20s, and peers for Safety & Construction include the 3M Safety & Graphics segment and Honeywell PMT & Safety and Toray's Composite Materials segment.

So I now, finally, let me cover Electronics & Imaging, and I'm going to use a chart that's got a little more detail for that. After the merger of Dow and DuPont, this segment comprises the largest Electronic Materials business in the industry. We have a broad and leading capability in semiconductors, circuit materials, photovoltaics, displays and advanced printing. And if you look at the pieces, you can see this segment is really a fantastic combination of the former DuPont Electronic Materials business with the Dow Electronic Materials business or what those of you in the industry might remember as Rohm and Haas Electronics Materials. And then as part of the portfolio realignment, we also added into the segment Dow Corning's businesses in semiconductor materials, LED, photovoltaics and their trichlorosilane business.

So today, Electronics & Imaging, as shown here, has pro forma sales of nearly $5 billion and is a technology leader that produces and sells process chemistries and permanent materials for the manufacture of electronic systems and devices of all kinds. Key peers for the Electronics segment include 3M, [E&E] as well as many of the fine companies presenting here today.

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So E&I is differentiated from competitors by our deep level of customer intimacy that opens doors to enable our technical sales, marketing teams to see the future together with our customers and to design materials to enable them to disrupt and change their markets. As a combined E&I business, we're unique in the industry, in that we can now integrate technologies across all of these different companies into solutions for our customers. And we really believe this integration of materials concept is a tangible source of competitive advantage for us in the future. Customers need strategic suppliers with scientists and engineers that possess a deep understanding of materials and formulations to enable customers to differentiate and dramatically reduce time-to-market. The early feedback we have from our top partners has been highly positive with respect to the engagement. And they're really seeing the power of our application development skills and the richness of this portfolio, coupled with our ability to supply at large scale.

Our product mix in E&I, shown on the next chart, is led by our Semiconductor Technologies business. Semiconductor Technologies makes up more than 1/3 of our overall revenue. And in the semiconductor space, we provide chemistries, process technologies and materials that help customers transform their silicon wafers into finished semiconductors. This includes polishing pads and slurries, lithographic materials, removers and cleaners and advanced packaging metallization and permanent dielectrics.

In addition to semiconductor, about 1/4 of our sales are in, what we call here, interconnect solutions. This is traditional rigid and flexible circuit board materials. And we produce, in this space, process chemistries, including metallization, dry film photo resist, permanent dielectric films and copper clad laminates.

Another roughly 1/4-sized chunk of sales in E&I is our photovoltaic matures business. And here, we're the leading supplier of backsheet films and metallization chemistries to produce photovoltaic cells and modules. And included in this segment is also our traditional [6-ohm] paste business, which supplies pastes for a variety of applications, including ceramic components, ceramic circuits, high-frequency materials as well as innovations in wearable electronics and In-Mold circuitry.

And then the last 2 businesses, final 2, smaller than the first 3 include our business in Advanced Printing, which produces flexographic printing solutions and the inkjet inks for consumer and professional packaging -- print -- package printing applications and our display technologies business, which provides permanent materials and process chemistries for the production of LED, LCD and AMOLED display panels.

The operating EBITDA margins in E&I are highly attractive, about 30%, the highest in our portfolio of high-margin specialty businesses. It's also a great influence on the culture of all of the Specialty division. The customer requirements, as you know, are challenging. The pace of change is incredibly quick. Product life cycles are short, sometimes annual, for leading customers. And we're proud of the fact that we've been in this industry for over 50 years. Kept up with the needs of customers, changes in the market, changes in technology and the ever evolving landscape of customer partnerships and expectations.

Within the E&I segment, we literally invented most of our product categories, and we remain the leading supplier with strong share positions and great customer relationships.

If I had to sum it up, we leverage a core technology base in dielectrics, high-frequency metallization, precision patterning and surface science, and those capabilities continue to be relevant to the challenges the world face.

So let me turn now to discuss the convergence of industries that we see and our customers see happening and where that creates growth for us in the future. This chart is a quick summary of what we refer to when we talk about the convergence happening in the world. And in the past, many of the industries here in Slide 9 stood in isolation from each other. However, with the creation and mass production of high-powered semiconductors, the global rollout of 5G and computer software and hardware improvements not even imagined a few years ago, we're seeing industries start to converge. Simple examples. Doctors are no longer limited to see patients in their offices. Global medicine has arrived, including remote operating rooms using virtual reality tools and even robotics that allow humans everywhere potential access to superb medical care. Another example is in the field of AI, which has begun to flourish in many countries, and has created a VC driven market rushing forward in areas such as facial recognition, machine learning, supply chain optimization and many, many more applications. What's really amazing to us, when talking

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to customers a few years ago, nobody really knew where this was all headed. You saw a lot of different roadmaps. You saw different views of the market. But today, we're starting to see these things converge and starting to see the same roadmaps from major customers in the space. What's especially important for today's discussion is that DuPont is uniquely positioned to serve customers in this converging world. As stated earlier, we possess products already at scale, on the shelf and the capability to modify and engineer products and integrate from our broad toolkit to give properties required in new markets. So we think these are really exciting times for us and our customers.

Now turning to Slide 10, I'm going to get into a little bit more detail on some of the megatrends going on in the industry. Here we go. And I'll talk about what we sell into each of these markets, and I'll discuss why we're excited about the growth opportunity with customers. And I've chosen 4 megatrends to illustrate today that are key growth drivers for us in the new DuPont. I'm going to talk about automotive electrification, the Internet of Things, 5G and smart cities. And DuPont's uniquely capable of bringing world-class material science expertise and products from each of our 4 businesses to customers in these markets in a complementary way. We can combine the science to create value-added new products and solutions. Our deep customer relationships in automotive, as an example, some of which are going on several decades, give us tremendous insight into this rapidly changing market.

As you all know, there are vehicles traveling longer on a gallon of gas or a charge or, someday, powered by hydrogen, packed full of state-of-the-art electronic safety and infotainment that are driving themselves on our streets today. And as I'll describe in a few minutes, we create and sell a whole suite of products into this exciting segment.

In the Internet of Things, in 5G, these are intertwined, along with other rapidly emerging and related segments, such as VR and artificial intelligence. For us, we rely on our customer partnerships to create and sell a whole array of products that enable each of us to connect to the world around us in stunningly easy and innovative ways. Within the next 2 years, each of us using 5G should be able to download at 15 gigabyte movie -- high-def movie in under 6 seconds, which may not excite you, but I can tell you, my teenagers are thrilled about it. My wife, not so much. The last market driver, smart cities here, is sort of new to us and new to the world, and this is something that's been getting more and more attention in the past 24 months and is evolving really quickly. And I'll talk about that on a separate chart, but we feel like we're also well positioned to sell into this new market and provide the same highly engineered materials, in this case, at a very, very large-scale, which is what customers are telling us they need, and it's why we're excited about that area.

So let's shift to a brief look at each of these growth markets, and we'll start with the electrification and automation of vehicles. So as you can see from Slide 11, we sell products into both nonelectronic and electronic and display modules in the automotive value chain. From novel lightweight substrate and assembly technologies to material innovations for power train efficiency, we focus on improving interior, exterior comfort, appeal and design. And we create products that enable the creation of superfast thermally-efficient semiconductors and circuits, as well as materials in the flat-panel displays. So we have a pretty strong presence across this entire market.

Our finished parts deliver high-value. Quality and delivery are critical and the customers are technical specifiers, with multiple points of influence across the whole value chain from compounders and part makers to system integrators, from OEMs to aftermarket.

Working across our automotive and electronics segments, we have the unique opportunity to align the consumer electronics and automotive value chains, as they need to collaborate to deliver innovations faster. Our total sales opportunity for internal-combustion-engine-based vehicles is about $150 per vehicle, while for mild plug-in and full hybrids, we estimate that there's another $100 per vehicle opportunity. And for battery powered EVs, our sale opportunity is over $300 per vehicle. So we see more and more opportunity as automotive electrification penetrates further into vehicles. And specifically, for automotive customers, we're supplying nylon and polyester materials, including high-temperature specialty nylon compounds, flame-retarded non-halogenated polyester resins under brands like this Eitel and Cranston. We have a performance resins franchise that includes polyacetal homopolymer resins called

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Delrin product line, as well as polyester thermoplastic elastomer resins, like Hytrel, Vamac and Multibase silicones.

Our performance solutions franchise includes materials like BETAMATE, [BETA for Structural] and BETASEAL elastic adhesives, which are used in advanced lightweight aluminum and composite-body vehicles as well as thermally conductive gap filling for high voltage batteries. And finally, we have the Molykote specialty lubricants business, which enables new NVH [fill-to-life] requirements specific to EVs and shared vehicles. As I mentioned earlier, the portfolio expansion brought us some incredibly deep automotive technology and strong talent that's given us an even deeper reach here and sets us up well for the coming years.

The total opportunity for DuPont in each vehicle is demonstrated on the next slide, and this was a tough one to fit everything in. Don't worry, I'm not going to take you through every word here. But this -- for E&I covers areas like power train electrification, vehicle automation and connectivity that really match our technologies and product capabilities. These megatrends will create several unmet needs and applications, such as power electronics, sensors, communications, thermal challenges, battery packaging, traction motors and console driver interface. In partnership between electronics and transportation, we have a cross-functional DuPont team working together on solutions that I'm confident will yield customer qualifications and new innovations for years to come.

So moving on from automotive electrification, let me now talk, on Slide 13, about the Internet of Things. In the IoT market, DuPont, today, is selling engineering plastics, ceramics and thermal management materials. A continuous stream at a innovations will be coming into play as the IoT market expands and literally covers the globe. As I'll further explain in the next slide, the introduction of our Intexar brand is a real step forward for DuPont. Intexar helps enable the electrification of industrial and consumer goods in new and unique ways. Now with Intexar you can place thin flexible circuits onto almost any fabric or soft good or flexible substrate. And these -- Intexar materials can provide heating, biometric sensing and lighting even within clothing. By making circuitry flexible, comfortable and easy to integrate into clothing and other soft goods, we're opening up new and unique electrification applications for everyday products.

Following the short discussion on Intexar, I'll touch on some examples of where we play in high-speed, high-frequency space. I'm going to focus on smartphones, as an example, since these devices are our gateway to the connected world. But we also sell and are developing related products for the network responsible for moving our data and the cloud and high-speed computing, storing and enabling the growth of IoT. I'd love to tell you about these areas as well, but due to time, I'm just going to stick with the smartphone market.

So first, a little bit more on Intexar, for those of you who are fans of the Olympic Games, you might remember my next example. This was materials worn by the 2018 U.S. Winter Olympics team in Korea. The wearable material here was inside the jackets for the Olympic athletes underneath the American flag and kept the athletes warm as they practiced in the cold South Korean winter. Intexar is part of what we referred to as our stretchable electronics technology platform. DuPont pioneered this platform over the last 5 years. Intexar is a simple, durable and scalable smart clothing solution that enables better cost -- better performance at lower cost than competing approaches, which typically use conductive fibers or threads. Many of our current Intexar customers began designing their products using conductive fibers and then hit a cost and complexity wall when trying to move from lab to full-scale production. So we've switched a number of people over to Intexar and they're impressed with how easy it is to integrate this to make thin, flexible, lightweight and comfortable smart clothing. This new platform in special -- stretchable electronics provides a strong growth opportunity for our metallization [pace] business.

Now moving on to 5G. We know that 5G will be available in the next few years with innovative materials to enable high-frequency, high speed, low-latency data transmission. As all of you know, our world is becoming more and more dependent on data. Some interesting forecasts made by Intel last year, the average daily usage per person by 2020 will reach 1.5 gigabytes. Autonomous vehicles will use up to 4 terabytes of data per day, and smart factories are expected to generate 1 petabyte of data daily.

Humanity is predicted to watch 750 petabytes of cloud-based videos each and every day. That one definitely includes my teenagers. For those of you who remember the days of DVDs, which doesn't include

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any of our kids, you'd need 223,000 DVDs to hold 1 petabyte of data. So 5G implementation requires some pretty tough science challenges to be solved for many companies. We need international standards to be agreed on, and we need plenty of innovations at the hardware level to be created and then installed all over the world. For us, as a material supplier, this is just a tremendous growth opportunity. Our growth in the 5G space will rely on our strong track record and deep talent base in the same core areas I mentioned earlier, dielectric science, imaging and metallization. Our ability to innovate with customers and meet demanding technology requirements will come into play. The strength of our customer partnerships and our global scale. And we're well positioned to sell in 4 parts of the 5G value chain, as shown on this slide, base stations, electronic devices, antennas and vehicles.

So let's take a bit of a deeper dive inside a mobile phone on Slide 16, so that you can see the depth and breadth of our technologies. So smartphones, over the next few years, will incorporate even more powerful semiconductors, antennas and circuitry that will enable them to be both 5G and AI capable. If we just take a short walk around this slide, starting from the upper-left corner, where we highlight a few elements of the phone's display. We create and sell OLED products that go into making the colors on the screen, films to protect the display and packaging and semiconductor products that enable customers to make CMOS image sensors half the size of our pinkies versus postage stamp size a few years ago.

As we move to the right side of the slide, you see the brains of the phone, processors and sensors, both of which use our semiconductor materials, packaging and interconnect technologies. Real estate inside the phone is so valuable and limited the customers are stacking 2, 3, 4 and 5 and 6 chips on top of each other to increase chip-to-chip speed and save room. Across the bottom and the left side of the slide, you see a number of other examples of our highly engineered materials that play key roles in the creation of these phones, as well as new sets of watches and wearables and other devices incorporating many of these same materials and allowing us connectivity, music and remote pay capabilities.

So finally, turning to Slide 17, I'd like to make a few comments on our preliminary work in the smart city space. The challenges posed by this space include a new set of customers, sometimes even dealing with city leaders themselves, and trying to figure out how to improve the lives of citizens using technology and innovative engineering. And here, again, is where we're uniquely capable in the eyes of these new customers since we have the scale to produce innovative products at the volumes that cities require and have the innovation capabilities and breath of advanced materials that they need. Imagine some of the ideas shown here, heated sidewalks with chairs that warm up once you sit down on them, truly smart homes with connectivity built right into the walls, bridges with -- that communicate with cars that cross them and controlled connected environments and healthier living spaces. We're in the early days of this effort, so I look forward to bringing you more tangible results over the coming quarters.

What is even more important than our R&D investment is the impact we make on our customers and their ability to grow and succeed with our products. So I'm going to not walk you through the numbers on this chart, 18, but I'd just like to highlight a couple of innovation awards that we're proud about that we've won here from our customers and industry groups, including the top 100 innovator recognition we've received 7 years running. We're also proud of global household-name customers, like PNG and Samsung, that have recognized our innovations. And we look at that as proof that we're a partner of choice for them when it comes to new and enabling technologies. I'd also mention, we've worked pretty hard to measure the returns from our innovation and investment. We utilize metrics like percent of sales from new products and gross margins from new products to ensure that we're seeing the benefits of the sizable investments that we make in the innovation space.

So let me now shift to the second to the last slide and take a look how we create value for our customers, and this is a pretty generic perspective for all of our specialty businesses. This is kind of what makes DuPont kick and what keeps us as a trusted partner for our customers. The commonality across all our customers is that they require each of these 4 steps to be done quickly, professionally and well. As I've mentioned, customer partnerships are so important to us to take on and tackle the tough technical challenges. We then need to build prototypes to test solutions and engage with early -- external supply chain partners early in the development cycle. I used the word thoughtful here in the context of scale-up because we need to stop and consider sustainable cost-effective nimble supply chains and flexible solutions for our customers. We're world-class in making engineered materials at scale, which is highly

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relevant to our customers. And what has -- allows us to be confident at delivering solid growth in the future.

So now I'm going to close and just make a couple of final comments. The new DuPont company will be an innovation-driven market leader. We're proud of our deep customer partnerships and excited about the future growth opportunities, particularly in this electronics space. We have a bold purpose, which is empowering the world with the essential innovations to thrive.

And so let me thank you for listening to me here during your lunch, while Duffy's team passes around the microphones. I'm going to try to make Jen and Ann happy and save us some time here, reading Chart 21. Good luck. By reminding you that I made forward-looking statements about our expectations and predictions for the future because these statements are based on current assumptions and factors that involve risk and uncertainty, our actual performance and results may differ materially. Our 10-K, which is even better reading than this page, includes a detailed discussion of principal risks and uncertainties which may cause such differences, and we disclaim any obligation to update them for the factors that may affect actual results.

One more comment. I've commented a lot on segment results at a divisional basis, so please look at the divisional disclaimer that accompanies these statements. Thank you very much. Duffy, would you like to get some Q&A in?

Patrick Duffy Fischer
Barclays Bank PLC, Research Division
The floor is open.

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Question and Answer

Patrick Duffy Fischer
Barclays Bank PLC, Research Division

Any questions for Mark?

Marc C. Doyle
Chief Operating Officer of Specialty Products Division

And I'll leave this up so you guys can read this in your leisure.

Patrick Duffy Fischer
Barclays Bank PLC, Research Division

Okay. Let's go to Charlie first, and then we'll come back.

Unknown Shareholder

I have a question for you. I'm a Shareholder of your company but this is not meant to be a mean question. What makes it -- what's the future management's different than the prior management? What makes this portfolio more distinguishable than its peers? And how do you envision its growth and margin profile? Go out 3 years or how many years you think it could take to really distinguish this portfolio in a way that really gives it a significant value to its shareholder?

Marc C. Doyle
Chief Operating Officer of Specialty Products Division

Yes. Let me start with the first question, maybe. What's different, management today than management in the past? Obviously, none of the people that we were running DuPont in the past are in the current management. So we've got a whole new team. I grew up in the electronics business myself. And actually, several of the presidents that run the segments grew up in electronics in DuPont. So we have a lot of that heritage in the new leadership. I'd say, our tendency is to be a little bit more quick moving, fast paced, customer focused across all these segments maybe than the DuPont culture of the past. And I'm only speaking for DuPont, not Dow, obviously. For people like me, I've long dreamed of the combination that we're putting together here in electronics. Shipley and Rohm and Haas were competitors and local competitors for us for a long time in DuPont electronics. And so putting together the combination of products and technologies, I think, is a once-in-a-lifetime, it's a real dream combination. The Dow or Rohm and Haas Electronics leadership is equally excited about it. They were looking across at us saying together we could do great things. I think there's a good cultural compatibility between the businesses as well as opportunities in terms of growth and synergy. In terms of where we could be in the future, we're aspiring to be a top quartile specialty company. So that means top line growth at multiples of GDP, maintaining the high EBITDA margins that we're getting to here as you see the synergies come through and improving our return on capital. Return on capital is an area that DuPont historically has just been so-so, and we'd like to get to be a top quartile performer there, too. And most importantly, we're interested in pursuing shareholder value. So as the portfolio evolves over time, the strategic question from investors is, what holds it all together? And are there more value creating opportunities for some of the pieces? And we'll be pursuing whatever we think can create the most shareholder value down the road.

Unknown Shareholder

Is there a certain goal you have in terms of you think the return on capital today is x should be y? You don't have a …

Marc C. Doyle
Chief Operating Officer of Specialty Products Division

We haven't put anything like that out there, but we're benchmarking against the peers that I mentioned at the start and our expectation is to show investors the performance of these segments against those high-

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performing peers and to be held accountable to deliver those sort of financial metrics. So when you look at the total company, 3M, Honeywell, cut across multiple segments, you'll look at the electronics segment in particular, it would be a different peer group -- different peer companies. But we're expecting to deliver top line growth and returns in line with those top quartile peers.

Unknown Analyst

So my question is more on the semiconductor side of the business. Just to create sort of a comparative analysis between yourself and some of your peers that have presented today. So if you listen to your presentation and their presentations, it's -- the growth is fantastic and, thematically, it just seems like a wonderful place to be putting money. And yet, on the first quarter earnings calls, we had a few surprises from some of your customers where demand or, let's just say, the near-term outlook came in a little bit below expectations. Now I would assume that, as you become more entrenched in the higher-end new nodes design that they are pursuing, you would have better visibility. But why is it that it seems that we can talk a great long-term story, Internet of Things, automation, and yet visibility from the supply chain's perspective seems to be lacking. It's basically 1 quarter out and that's it.

Marc C. Doyle
Chief Operating Officer of Specialty Products Division

Well, tough question. I'm probably not going to do justice talking to what our customers are dealing with at any sort of a specific level, right? I mean, it's the disruptions that are happening in industries like automotive are breathtaking, right? And that's hard for OEMs and end-users to adapt to and certainly hard to predict. From the standpoint of a material supplier and even better, material supplier to semiconductors, you're insulated from many of the challenges that the value chain faces when it comes from the disruption. Not only are you insulated, you're benefiting from the disruptions that are happening, right? Because the materials portion of a semiconductor is a small single-digit percentage of the cost. And so we have strong value propositions, strong growth levers, right, that don't exist further down in the value chain. So I probably can't do your question justice, I'd just tell you that semiconductor materials is a really great place to be. And I think that I'm probably not the only supplier that tells you that we're enjoying kind of renaissance period here with low double-digit growth rates with strong pricing power with shortages of materials both for legacy and advanced nodes, with fewer and fewer suppliers with the capabilities to deliver the materials innovations. This is a good space.

Unknown Analyst

May I just ask a follow-up question on that concept of a shortage of materials with margins where they are and presumably returns on capital being extremely high at this part of the cycle, why not pursue some leg of investment where you -- I don't want to say aggressively, but where you put real capital to work to expand capacity to address some of these shortages?

Marc C. Doyle
Chief Operating Officer of Specialty Products Division

Yes, when I say shortages of materials, I wasn't talking about us specifically. As a supplier, we're certainly keeping up with the demand. We opened recently our new plant for CMP pads just a couple of weeks ago. And we're expanding capacity in all of our primary materials. So we'll keep up with the demand. It is, as you said, a relatively low-capital-intensity high-margin business. So shame on us if we run out of stuff, right?

Patrick Duffy Fischer
Barclays Bank PLC, Research Division

Perfect. Last question over here.

Unknown Analyst

Do you sort of [indiscernible]. It seems out of the 4 segments, 2 of them have a real clear synergy from customer base, IP, while the other 2 are more difficult to ascertain if there was any. So what is your view

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on that? And these sort of [indiscernible] upon in terms of the strategic rationale behind what sort of the 3- to 5-year outlook for how this [indiscernible] portfolio will look like?

Marc C. Doyle
Chief Operating Officer of Specialty Products Division

Yes. Yes. So let me give you both sides of the argument. I mean, on the one hand, there are sort of 3 industrial materials divisions and 1 specialty food and biotech division, the 4 divisions all are similar in terms of financial characteristics, so customer focus, capital intensity, innovation driven, high margins, right? The difference is, obviously, there were clear different types of technologies, different

[Audio Gap]

There are some significant synergies between the 3 industrial business. I talked mostly about transportation and electronics, but the Safety & Construction segment also shares a number of similar customers and technologies to the other industrial businesses. The sort of $50,000 question is, longer term, does this all hold together? And at this point, there's nothing that we can say other than that we'll continue to pursue the best strategy for shareholders in the long run, and we're open to pursuing different options down the road.

Patrick Duffy Fischer
Barclays Bank PLC, Research Division

Perfect. So I better cut us off there. Marc, thank you very much.

Herman Cooley May
Macquarie Research
Okay. Thanks, Duffy. Appreciate it. Thanks, everybody.

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