# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 8-K/A
**(Amendment No. 1)**

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

**Date of report (Date of earliest event reported): February 3, 2021 (February 1, 2021)**

# INTERNATIONAL FLAVORS & FRAGRANCES INC.
**(Exact Name of Registrant as Specified in Charter)**

| New York | 1-4858 | 13-1432060 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| 521 West 57th Street, New York, New York | 10019 |
|---|---|
| (Address of Principal Executive Offices) | (Zip Code) |

**Registrant's telephone number, including area code (212) 765-5500**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value 12 1/2¢ per share | IFF | New York Stock Exchange |
| 6.00% Tangible Equity Units | IFFT | New York Stock Exchange |
| 0.500% Senior Notes due 2021 | IFF 21 | New York Stock Exchange |
| 1.75% Senior Notes due 2024 | IFF 24 | New York Stock Exchange |
| 1.800% Senior Notes due 2026 | IFF 26 | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

**Introductory Note**

On February 3, 2021, International Flavors & Fragrances Inc. ("IFF") filed a Current Report on Form 8-K (the "Original Form 8-K") announcing, among other things, that it had consummated the previously announced combination of IFF and the Nutrition & Biosciences business (the "N&B Business") of DuPont de Nemours, Inc. ("DuPont") pursuant to that certain Agreement and Plan of Merger dated as of December 15, 2019 (the "Merger Agreement"), by and among DuPont, Nutrition & Biosciences, Inc., a Delaware corporation and wholly owned subsidiary of DuPont ("N&B"), IFF, and Neptune Merger Sub I Inc., a Delaware corporation and wholly owned subsidiary of IFF and that certain Separation and Distribution Agreement, dated as of December 15, 2019, and amended on January 22, 2021 and February 1, 2021 (as amended, the "Separation Agreement"), by and among IFF, DuPont, N&B and Neptune Merger Sub II LLC (such combination, the "N&B Transaction").

This Amendment No. 1 to the Original Form 8-K is being filed solely for the purpose of amending Items 9.01(a) and (b). This Form 8-K/A should be read in conjunction with the Original Form 8-K.

The pro forma financial information included as Exhibit 99.2 to this Form 8-K/A has been presented for illustrative purposes only, as required by Form 8-K, and is not intended to, and does not purport to, represent what the combined company's actual results or financial condition would have been if the transactions had occurred on the relevant date, and is not intended to project future results or financial condition that the combined company may achieve following the N&B Transaction.

**Item 9.01 Financial Statements and Exhibits.**

(a) Financial statements of business acquired.

The audited condensed combined financial statements of the N&B Business as of December 31, 2019 and December 31, 2018, and for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017 including the related notes and independent auditors' review report, are filed as Exhibit 99.1 to this Form 8-K/A and incorporated by reference herein.

The unaudited combined condensed financial statements of the N&B Business as of September 30, 2020 and for the nine months ended September 30, 2020 and September 30, 2019 and condensed combined balance sheet as of December 31, 2019 including the related notes, are filed as Exhibit 99.1 to this Form 8-K/A and incorporated by reference herein.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of IFF and the N&B Business for and as of the nine months ended September 30, 2020 and for the year ended December 31, 2019 is filed as Exhibit 99.2 to this Form 8-K/A and incorporated by reference herein.

(d) Exhibits.

| Number | Description |
|---|---|
| 23.1 | Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm of Nutrition & Biosciences. |
| 23.2 | Consent of PricewaterhouseCoopers LLP, independent public accounting firm of Nutrition & Biosciences. |

| | |
|---|---|
| 99.1 | The audited condensed combined financial statements of the N&B Business as of December 31, 2019 and December 31, 2018, and for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017 including the related notes and independent auditors' review report, and the unaudited combined condensed financial statements of the N&B Business as of September 30, 2020 and for the nine months ended September 30, 2020 and September 30, 2019 and condensed combined balance sheet as of December 31, 2019, including the related notes. |
| 99.2 | The unaudited pro forma condensed combined financial information of IFF and the N&B Business for and as of the nine months ended September 30, 2020 and for the year ended December 31, 2019. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

## SIGNATURE

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

INTERNATIONAL FLAVORS & FRAGRANCES INC.

| | |
|---|---|
| By: | /s/ Robert Anderson |
| Name: | Robert Anderson |
| Title: | Senior Vice President, Corporate Controller and Chief Accounting Officer |
| Dated: | February 16, 2021 |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-231270) and Forms S-8 (No. 333-252650, No. 033-54423, No. 333-61072, No. 333-120158, No. 333-126421, and No. 333-203902) of International Flavors & Fragrances Inc. of our report dated May 7, 2020 relating to the financial statements and financial statement schedule of the Nutrition & Biosciences business ("N&B") (Successor) of DuPont de Nemours, Inc., which appears in this Current Report on Form 8-K/A.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 16, 2021

**Exhibit 23.2**

# CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-231270) and Forms S-8 (No. 333-252650, No. 033-54423, No. 333-61072, No. 333-120158, No. 333-126421, and No. 333-203902) of International Flavors & Fragrances Inc. of our report dated May 7, 2020 relating to the financial statements and financial statement schedule of the Nutrition & Biosciences business ("N&B") (Successor) of DuPont de Nemours, Inc., which appears in this Current Report on Form 8-K/A.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 16, 2021

**Exhibit 99.1**

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**N&B**
**Combined Statements of Operations**

| In millions (Unaudited) | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Net sales | $4,557 | $4,618 |
| Cost of goods sold | 2,966 | 3,074 |
| Research and development expenses | 196 | 211 |
| Selling and administrative expenses | 479 | 528 |
| Amortization of acquisition-related intangibles | 1,064 | 226 |
| Restructuring and asset related charges, net | 11 | 170 |
| Goodwill impairment charge | — | 674 |
| Integration and separation costs | 351 | 177 |
| Other expense (income), net | 61 | (7) |
| Loss before income taxes | (571) | (435) |
| Taxes on loss | (122) | 46 |
| Net loss | (449) | (481) |
| Net loss attributable to noncontrolling interests | — | — |
| Net loss attributable to N&B | $ (449) | $ (481) |

*See Notes to the Combined Financial Statements*

**N&B**
**Combined Statements of Comprehensive Loss**

| In millions (Unaudited) | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Net loss | $ (449) | $ (481) |
| Other comprehensive income (loss), net of tax: | | |
| Cumulative translation adjustments | 291 | (368) |
| Pension and other post-employment benefit plans | (9) | 2 |
| Total other comprehensive income (loss) | 282 | (366) |
| Comprehensive loss | (167) | (847) |
| Comprehensive loss attributable to noncontrolling interests, net of tax | — | — |
| Comprehensive loss attributable to N&B | $ (167) | $ (847) |

*See Notes to the Combined Financial Statements*

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**N&B**
**Condensed Combined Balance Sheets**

| In millions (Unaudited) | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Accounts and notes receivable, net | $ 1,124 | $ 1,092 |
| Inventories | 1,438 | 1,422 |
| Prepaid expenses and other current assets | 53 | 81 |
| Total current assets | 2,615 | 2,595 |
| Property, plant and equipment, net of accumulated depreciation (September 30, 2020 – $ 1,704; December 31, 2019 – $1,427) | 2,989 | 2,981 |
| Goodwill | 11,406 | 11,196 |
| Other intangible assets, net | 3,360 | 4,377 |
| Deferred income tax assets | 27 | 36 |
| Restricted cash | 6,206 | — |
| Other assets | 426 | 354 |
| Total Assets | $ 27,029 | $ 21,539 |
| **Liabilities and Equity** | | |
| Current Liabilities | | |
| Accounts payable | $ 680 | $ 645 |
| Employee compensation and benefits | 128 | 125 |
| Income taxes payable | 70 | 51 |
| Accrued and other current liabilities | 119 | 111 |
| Total current liabilities | 997 | 932 |
| Noncurrent Liabilities | | |
| Long-term debt | 6,192 | — |
| Deferred income taxes | 870 | 1,079 |
| Other liabilities | 337 | 252 |
| Total noncurrent liabilities | 7,399 | 1,331 |
| Total Liabilities | $ 8,396 | $ 2,263 |
| Commitments and contingent liabilities (Note 11) | | |
| Equity | | |
| Parent company net investment | 19,157 | 20,081 |
| Accumulated other comprehensive loss | (550) | (832) |
| Total N&B equity | 18,607 | 19,249 |
| Noncontrolling interests | 26 | 27 |
| Total equity | 18,633 | 19,276 |
| Total Liabilities and Equity | $ 27,029 | $ 21,539 |

*See Notes to the Combined Financial Statements*

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# N&B
## Combined Statements of Cash Flows

| In millions (Unaudited) | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| **Operating activities** | | |
| Net loss | $ (449) | $ (481) |
| Adjustments to reconcile net loss to cash provided by operating activities: | | |
| Depreciation and amortization | 1,295 | 471 |
| Net gain on sales of businesses and other assets | (1) | (11) |
| Stock-based compensation | 13 | 16 |
| Credit for deferred income tax | (216) | (269) |
| Goodwill impairment charge | — | 674 |
| Restructuring and asset related charges | 11 | 170 |
| Equity in earnings of nonconsolidated affiliates | (2) | — |
| Changes in assets and liabilities: | | |
| Accounts and notes receivable | (32) | (185) |
| Inventories | (9) | (22) |
| Accounts payable | 81 | 2 |
| Other assets and liabilities, net | 76 | (70) |
| Cash provided by operating activities | 767 | 295 |
| **Investing activities** | | |
| Capital expenditures | (159) | (283) |
| Proceeds from sales of property and businesses, net of cash divested | — | 34 |
| Other investing activities, net | 5 | 9 |
| Cash used for investing activities | (154) | (240) |
| **Financing activities** | | |
| Net transfers to Parent | (582) | (48) |
| Payments of long-term debt and other financing obligations | (16) | (7) |
| Distributions to noncontrolling interests | (1) | — |
| Proceeds from issuance of long-term debt | 6,250 | — |
| Other financing activities, net | (58) | — |
| Cash provided by (used for) financing activities | 5,593 | (55) |
| Increase in cash, cash equivalents and restricted cash | $6,206 | $ — |
| Cash, cash equivalents and restricted cash at beginning of period | — | — |
| Cash, cash equivalents and restricted cash at end of period | $6,206 | $ — |

*See Notes to the Combined Financial Statements*

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## N&B
## Combined Statements of Changes in Equity

| In millions (Unaudited) | *Parent Company Net Investment* | *Accumulated Other Comprehensive Loss* | *Total N&B Equity* | *Noncontrolling Interests* | *Total Equity* |
|---|---|---|---|---|---|
| Balance at December 31, 2018 | $ 20,875 | $ (654) | $ 20,221 | $ 27 | $ 20,248 |
| Net loss | (481) | — | (481) | — | (481) |
| Other comprehensive loss | — | (366) | (366) | — | (366) |
| (Distributions to) contributions from noncontrolling interests | — | — | — | — | — |
| Net transfers to Parent | (32) | — | (32) | — | (32) |
| Balance at September 30, 2019 | $ 20,362 | $ (1,020) | $ 19,342 | $ 27 | $ 19,369 |
| Balance at December 31, 2019 | $ 20,081 | $ (832) | $ 19,249 | $ 27 | $ 19,276 |
| Net loss | (449) | — | (449) | — | (449) |
| Other comprehensive income | — | 282 | 282 | — | 282 |
| (Distributions to) contributions from noncontrolling interests | — | — | — | (1) | (1) |
| Net transfers to Parent | (475) | — | (475) | — | (475) |
| Balance at September 30, 2020 | $ 19,157 | $ (550) | $ 18,607 | $ 26 | $ 18,633 |

*See Notes to the Combined Financial Statements*

N&B
NOTES TO THE COMBINED FINANCIAL STATEMENTS

## NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Interim Financial Statements

The accompanying unaudited interim Combined Financial Statements of the Nutrition & Biosciences business (“N&B”) of DuPont de Nemours, Inc. (“DuPont” or “Parent”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and Regulation S-X. In the opinion of management, the interim statements reflect all adjustments (including normal recurring accruals) which are considered necessary for the fair statement of the results for the periods presented. Results from interim periods should not be considered indicative of results for the full year. These interim Combined Financial Statements should be read in conjunction with the audited Combined Financial Statements and notes thereto contained in N&B’s Annual Combined Financial Statements for the year ended December 31, 2019, collectively referred to as the “2019 Annual Financial Statements.” The interim Combined Financial Statements include the accounts of N&B and subsidiaries in which a controlling interest is maintained.

### Basis of Presentation

For all periods presented, N&B consisted of several legal entities, acquired businesses, as well as businesses with no separate legal status. The interim Combined Financial Statements have been derived from DuPont’s accounting records as if N&B’s operations had been conducted independently from those of DuPont, and were prepared on a stand-alone basis in accordance with U.S. generally accepted accounting principles (“GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

The historical results of operations, financial position and cash flows of N&B presented in these interim Combined Financial Statements may not be indicative of what they would have been had N&B actually been an independent stand-alone entity, nor are they necessarily indicative of N&B’s future results of operations, financial position and cash flows.

The N&B interim Combined Statements of Operations and Comprehensive Loss of N&B reflect allocations of general corporate expenses from Parent including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services, and restructuring and integration and separation activities related to these functions in connection with the merger of the Dow Chemical Company (“Historical Dow”) and E. I. du Pont de Nemours and Company (“Historical EID”) effective August 31, 2017 (the “DWDP Merger”) and beginning in the fourth quarter of 2019 the separation of N&B. These allocations were made on the basis of revenue, expenses, headcount or other relevant measures. Management of N&B and Parent consider these allocations to be an overall reasonable reflection of the utilization of services by, or the benefits provided to, N&B, in the aggregate. The allocations may not, however, reflect the expenses N&B would have incurred as a stand-alone company for the periods presented.

The N&B interim Condensed Combined Balance Sheets include Parent assets and liabilities that are specifically identifiable or otherwise attributable to N&B, including subsidiaries and affiliates in which Parent has a controlling financial interest or is the primary beneficiary.

## NOTE 2 — RECENT ACCOUNTING GUIDANCE

### Recently Adopted Accounting Guidance

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and associated ASUs related to Topic 326. The new guidance introduces the current expected credit loss ("CECL") model, which requires organizations to record an allowance for credit losses for certain financial instruments and financial assets, including trade receivables, based on expected losses rather than incurred losses. Under this update, on initial recognition and at each reporting period, an entity will be required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. This update became effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019.

N&B adopted the new standard in the first quarter of 2020, which required a modified retrospective transition approach, applying the new standard's cumulative-effect adjustment at the date of initial adoption. This cumulative-effect has been reflected as of January 1, 2020 and prior periods have not been restated. The impact of initial adoption was not material to N&B's interim Condensed Combined Balance Sheets, Combined Statements of Operations and Combined Statements of Cash Flows.

## NOTE 3 — REVENUE

### Revenue Recognition

Substantially all of N&B's revenue is derived from product sales. Product sales consist of sales of N&B's products to supply manufacturers and distributors. N&B 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.

N&B records accounts receivables when the right to consideration becomes unconditional. Trade accounts receivables were $954 million at September 30, 2020 and $907 million at December 31, 2019. Trade accounts receivables are included in "Accounts and notes receivable, net" in the interim Condensed Combined Balance Sheets. Contract assets and contract liabilities were not material at September 30, 2020 and December 31, 2019.

### Disaggregation of Revenue

N&B disaggregates its revenue from contracts with customers by segment and business or principal product line and geographic region, as N&B believes it best depicts the nature, amount, timing and uncertainty of its revenue and cash flows.

| **Net Sales by Segment** | *Nine Months Ended September 30,* | |
|---|---|---|
| (In millions) | *2020* | *2019* |
| Food & Beverage | $ 2,163 | $ 2,237 |
| Health & Biosciences | 1,754 | 1,756 |
| Pharma Solutions | 640 | 625 |
| Total | $ 4,557 | $ 4,618 |

| **Net Sales by Geographic Region** | *Nine Months Ended September 30,* | |
|---|---|---|
| (In millions) | *2020* | *2019* |
| United States & Canada | $ 1,699 | $ 1,727 |
| EMEA [1] | 1,367 | 1,387 |
| Asia Pacific | 1,047 | 1,039 |
| Latin America | 444 | 465 |
| Total | $ 4,557 | $ 4,618 |

1. Europe, Middle East and Africa

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## NOTE 4 — RESTRUCTURING AND ASSET RELATED CHARGES, NET

Charges for restructuring programs and asset related charges, which include asset impairments, were $11 million for the nine months ended September 30, 2020 ($170 million for the nine months ended September 30, 2019). These charges were recorded in “Restructuring and asset related charges, net” in the interim Combined Statements of Operations. The total liability related to restructuring programs was $20 million at September 30, 2020 ($27 million at December 31, 2019). Restructuring activity consists of the following programs:

### 2020 Restructuring Program

From time to time, Parent undertakes restructuring actions to optimize its cost structure and organizational structures. In the first quarter of 2020, Parent approved restructuring actions designed to capture near-term cost reductions and to further simplify certain organizational structures (the “2020 Restructuring Program”). For the nine months ended September 30, 2020, N&B recorded a pre-tax charge related to the 2020 Restructuring Program in the amount of $13 million recognized in “Restructuring and asset related charges, net” in the N&B interim Combined Statements of Operations comprised of $13 million of severance and related benefit costs.

The following table summarizes the activities related to the 2020 Restructuring Program:

| **2020 Restructuring Program**<br>(In millions) | *Severance and Related Benefit Costs* |
|---|---|
| Reserve balance at December 31, 2019 | $ — |
| Year-to-date restructuring charges | 13 |
| Cash payments | (1) |
| Reserve balance at September 30, 2020 | $ 12 |

At September 30, 2020, total liabilities related to the 2020 Restructuring Program were $12 million, recognized in “Accrued and other current liabilities” in the interim Condensed Combined Balance Sheets. N&B expects actions related to this program to be substantially complete by the end of 2020.

### 2019 Restructuring Program

During the second quarter of 2019 and in connection with the ongoing integration activities, Parent approved restructuring actions to simplify and optimize certain organizational structures following the completion of the Dow and Corteva separations (the “2019 Restructuring Program”). N&B has recorded pre-tax restructuring charges of $16 million inception-to-date, consisting of severance and related benefit costs of $8 million and asset related charges of $8 million.

The following table summarizes the charges incurred related to the 2019 Restructuring Program for the nine months ended September 30, 2020 and 2019:

| (In millions) | *Nine Months Ended September 30,* 2020 | 2019 |
|---|---|---|
| Severance and related benefit (credits) costs | $ (4) | $ 12 |
| Asset related charges | — | 7 |
| Total restructuring and asset related (credits) charges, net | $ (4) | $ 19 |

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The following table summarizes the activities related to the 2019 Restructuring Program:

| **2019 Restructuring Program** (In millions) | *Severance and Related Benefit Costs* |
|---|---|
| Reserve balance at December 31, 2019 | $ 10 |
| Year-to-date restructuring credits | (4) |
| Cash payments | (4) |
| Reserve balance at September 30, 2020 | $ 2 |

At September 30, 2020, the total liabilities related to the 2019 Restructuring Program were $2 million, recognized in “Accrued and other current liabilities” ($10 million at December 31, 2019) in the interim Condensed Combined Balance Sheets. The 2019 Restructuring Program was considered substantially complete at June 30, 2020.

**DowDuPont Cost Synergy Program**

In September and November 2017, Parent approved post-merger restructuring actions under the DowDuPont Cost Synergy Program (the “Synergy Program”), which was designed to integrate and optimize the organization following the DWDP Merger, and in preparation for the Dow and Corteva separations. N&B has recorded pre-tax restructuring charges of $147 million inception-to-date, consisting of severance and related benefit costs of $77 million, asset related charges of $52 million and contract termination charges of $18 million.

The following table summarizes charges incurred related to the Synergy Program for the nine months ended September 30, 2020 and 2019:

| | *Nine Months Ended September 30,* | |
|---|---|---|
| (In millions) | *2020* | *2019* |
| Severance and related benefit (credits) costs | $ (2) | $ 37 |
| Contract termination (credits) charges | (1) | 18 |
| Asset related charges | 5 | 33 |
| Total restructuring and asset related charges, net | $ 2 | $ 88 |

The following table summarizes the activities related to the Synergy Program:

| **DowDuPont Cost Synergy Program** (In millions) | *Severance and Related Benefit Costs* |
|---|---|
| Reserve balance at December 31, 2019 | $ 17 |
| Year-to-date restructuring (credits) charges | (2) |
| Charges against the reserve | — |
| Cash payments | (9) |
| Reserve balance at September 30, 2020 | $ 6 |

At September 30, 2020, total liabilities related to the Synergy Program were $6 million, recognized in “Accrued and other current liabilities” ($17 million at December 31, 2019) in the interim Condensed Combined Balance Sheets. The Synergy Program was considered substantially complete at December 31, 2019.

**Equity Method Investment Impairment Related Charges**

During the second quarter of 2019, in preparation for the Corteva spin-off, Historical EID completed the separation of the assets and liabilities related to its specialty products business into separate legal entities (the “SP Legal Entities”) and on May 1, 2019 Historical EID distributed the SP Legal Entities to DowDuPont (the “Internal SP Distribution”). The Internal SP Distribution served as a triggering event requiring N&B to perform an impairment analysis related to its equity method investment in a joint venture related to the Health & Biosciences segment. N&B applied the net asset value method under the cost approach to determine the fair value of the equity method investment. Based on updated projections, management determined the fair value of the equity method investment was below the carrying value with little ability to recover in the short-term due to the current economic environment. As a result, management concluded the impairment was other-than-temporary and recorded a pre-tax impairment charge of $63 million ($47 million net of tax) in “Restructuring and asset related charges, net” in the interim Combined Statement of Operations for the nine months ended September 30, 2019.

## NOTE 5 — RELATED PARTY TRANSACTIONS

Historically, N&B has been managed and operated in the normal course of business with other affiliates of Parent. Accordingly, certain shared costs have been allocated to N&B and reflected as expenses in the stand-alone interim Combined Financial Statements. Management of Parent and N&B considers the overall allocation methodologies used to be reasonable and appropriate reflections of the historical expenses attributable to N&B for purposes of the stand-alone financial statements, in the aggregate. The expenses reflected in the interim Combined Financial Statements may not be indicative of expenses that will be incurred by N&B in the future. All related party transactions approximate prices at cost.

**Corporate Expense Allocations**

N&B’s interim Combined Statements of Operations include general corporate expenses of Parent for services provided by Parent for certain support functions that are provided on a centralized basis. These costs were first attributed to N&B if specifically identifiable to its businesses. If not specifically identifiable to N&B’s businesses, these costs have been allocated by using relevant allocation methods, primarily based on sales metrics, consistently for all periods presented.

Corporate expense allocations were recorded in the interim Combined Statements of Operations within the following captions:

| (In millions) | *Nine Months Ended September 30,* 2020 | 2019 |
|---|---|---|
| Selling and administrative expenses | $ 183 | $ 201 |
| Research and development expenses | 42 | 43 |
| Cost of goods sold | 15 | 18 |
| Integration and separation costs [1] | 351 | 177 |
| Total | $ 591 | $ 439 |

1. Integration and separation 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 DWDP Merger, post-DWDP Merger integration and separation, and beginning in the fourth quarter of 2019, the separation of N&B.

**Parent Company Equity**

Net transfers to Parent are included within Parent company net investment on the interim Combined Statements of Changes in Equity. The components of the net transfers to Parent for the nine months ended September 30, 2020 and 2019 are as follows:

| (In millions) | Nine Months Ended September 30, 2020 | 2019 |
|---|---|---|
| Cash pooling and general financing activities | $ (100) | $ 453 |
| Less: Corporate cost allocations | 591 | 439 |
| Less: Taxes on loss | (122) | 46 |
| Other, net [1] | 94 | — |
| Total net transfers to Parent per interim Combined Statements of Changes in Equity | $ (475) | $ (32) |
| Stock-based compensation | (13) | (16) |
| Other, net [1] | (94) | — |
| Net transfers to Parent per interim Combined Statements of Cash Flows | $ (582) | $ (48) |

1. Other, net includes the non-cash transfer from Parent comprised of approximately $78 million of fixed assets, $25 million for right of use assets and liabilities for leases legally transferred to N&B, $5 million of accrued employee related liabilities, and $4 million of net pension liabilities resulting from legal ownership transfers related to separation activities in anticipation of the Merger.

**NOTE 6 — OTHER EXPENSE (INCOME), NET**

| (In millions) | Nine Months Ended September 30, 2020 | 2019 |
|---|---|---|
| Net gain on sales of businesses and other assets | $ (1) | $ (11) |
| Net exchange losses | 14 | 5 |
| Interest expense, net [1] | 57 | 1 |
| Non-operating pension and other post-employment benefit cost | 2 | 3 |
| Equity in earnings of nonconsolidated affiliates | (2) | — |
| Miscellaneous income | (9) | (5) |
| Other expense (income), net | $ 61 | $ (7) |

1. The nine months ended September 30, 2020 includes $54 million of interest expense and financing fee amortization related to the Bridge Loans, Term Loan Facilities and the Notes Offering. See Note 10 for additional information.

**NOTE 7 — INCOME TAXES**

During the periods presented in the interim Combined Financial Statements, N&B did not file separate tax returns in the U.S. federal, certain state and local, and certain foreign tax jurisdictions, as N&B was included in the tax grouping of Parent and its affiliate entities within the respective jurisdictions. Taxes on loss included in these combined financial statements has been calculated using the separate return basis, as if N&B filed separate tax returns. N&B's income taxes as presented in the interim Combined Financial Statements may not be indicative of the income taxes that N&B will generate in the future.

N&B's effective tax rate fluctuates based on, among other factors, the geographic mix of earnings. For the nine months ended September 30, 2020, an income tax benefit of $122 million was recorded on a pre-tax loss of $571 million, resulting in an effective tax rate of 21.4 percent. For the nine months ended September 30, 2019, an income tax expense of $46 million was recorded on a pre-tax loss of $435 million, resulting in an effective tax rate of (10.6) percent. The tax benefit for the nine months ended September 30, 2020 was reduced due to tax charges recorded to reverse prior year U.S. state deferred tax assets and to increase valuation allowances in connection with U.S. and foreign deferred tax assets. For the nine months ended September 30, 2019, the effective tax rate was negatively impacted by a goodwill impairment charge with no corresponding tax benefit, partially offset by a one-time tax benefit to record a foreign deferred tax asset.

Each year DuPont, inclusive of N&B, 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 N&B. As a result, there is an uncertainty in income taxes recognized in N&B's financial statements in accordance with accounting for income taxes and accounting for uncertainty in income taxes. The ultimate resolution of such uncertainties is not expected to have a material impact on N&B's results of operations.

**NOTE 8 — INVENTORIES**

The following table provides a breakdown of inventories:

| (In millions) | *September 30, 2020* | *December 31, 2019* |
|---|---|---|
| Finished products | $ 864 | $ 821 |
| Semi-finished products | 270 | 287 |
| Raw materials | 204 | 219 |
| Supplies | 100 | 95 |
| Total inventories | $ 1,438 | $ 1,422 |

**NOTE 9 — GOODWILL AND OTHER INTANGIBLE ASSETS, NET**

**Goodwill**

The changes in the carrying amounts of goodwill for the nine months ended September 30, 2020 were as follows:

| (In millions) | *Food & Beverage* | *Health & Biosciences* | *Pharma Solutions* | *Total* |
|---|---|---|---|---|
| Balance at December 31, 2019 | $ 5,150 | $ 4,457 | $ 1,589 | $11,196 |
| Currency translation adjustment | 97 | 83 | 30 | 210 |
| Balance at September 30, 2020 | $ 5,247 | $ 4,540 | $ 1,619 | $11,406 |

N&B tests goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter as of October 1, or more frequently when events or changes in circumstances indicate that the fair value is below its carrying value. As a result of the related acquisition method of accounting in connection with the DWDP Merger, Historical EID's assets and liabilities were measured at fair value resulting in increases to N&B's goodwill and other intangible assets. The fair value valuation increased the risk that any declines in financial projections, including changes to key assumptions, could have a material, negative impact of the fair value of N&B's reporting units and assets, and therefore could result in an impairment.

In preparation for the Corteva spin-off, Parent completed the separation of the assets and liabilities related to its specialty products businesses into separate legal entities and on May 1, 2019, Parent completed the Internal SP Distribution. The Internal SP Distribution served as a triggering event requiring Parent to perform an impairment analysis related to goodwill carried by its Historical EID existing reporting units as of May 1, 2019 including those reporting units within N&B. Subsequent to the Corteva spin-off, on June 1, 2019, Parent realigned certain businesses resulting in changes to its management and reporting structure (the "Second Quarter Segment Realignment"). As part of the Second Quarter Segment Realignment, N&B assessed and re-defined certain reporting units effective June 1, 2019, including reallocation of goodwill on a relative fair value basis as applicable to new reporting units identified. Goodwill impairment analyses were then performed for reporting units impacted by the Second Quarter Segment Realignment.

The triggering events described above were considered in the preparation of the N&B's 2019 Annual Financial Statements and interim Combined Financial Statements consistent with the basis of presentation discussed in Note 1. Similar analyses were performed to test goodwill for impairment based on the financial statements of the N&B-related reporting units. As part of this analysis, N&B determined that the fair value of its former Industrial Biosciences reporting unit was below carrying value resulting in a pre-tax, non-cash impairment charge of $674 million for the nine months ended September 30, 2019 impacting the Health & Biosciences segment. The former Industrial Biosciences reporting unit, part of Parent's Nutrition & Biosciences segment prior to the Second Quarter Segment Realignment, was comprised solely of Historical EID assets and liabilities, the carrying values of which were measured at fair value in connection with the DWDP Merger, and thus considered at risk for impairment. Revised financial projections of the former Industrial Biosciences reporting unit reflected unfavorable market conditions, driven by challenging conditions in the U.S. bioethanol markets. These revised financial projections resulted in a reduction in the long-term forecasts of sales and profitability as compared to prior projections. Upon completion of the Second Quarter Segment Realignment and allocation of goodwill to the new reporting units, a quantitative analysis was performed to test goodwill for impairment. Based on the results of this analysis, no further impairment of goodwill was identified.

The analyses above used discounted cash flow models (a form of the income approach) utilizing Level 3 unobservable inputs. The significant assumptions in these analyses include, but are not limited to, projected revenue, EBITDA margins, the weighted average cost of capital, the terminal growth rate, and tax rates. The estimates of future cash flows are based on current regulatory and economic climates, recent operating results, and planned business strategies. These estimates could be negatively affected by changes in federal, state, or local regulations or economic downturns. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from estimates. If the ongoing estimates of future cash flows are not met, additional impairment charges may be recorded in future periods. N&B believes the current assumptions and estimates utilized are both reasonable and appropriate.

N&B continues to monitor the impact of the COVID-19 pandemic on the broader global economy, including the end markets which N&B serves. COVID-19 continues to adversely impact the broader global economy and has caused significant volatility in financial markets. If there is a of lack of recovery, the time period to recovery is longer than expected or further global softening is experienced in certain markets, such as oil and gas and select industrial end markets served by its biorefinery and microbial controls business, N&B may be required to perform additional impairment assessments for its goodwill, other intangibles, and long-lived assets, the results of which could result in material impairment charges.

### Other Intangible Assets, Net

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

| (In millions) | September 30, 2020 Gross Carrying Amount | September 30, 2020 Accumulated Amortization | September 30, 2020 Net | December 31, 2019 Gross Carrying Amount | December 31, 2019 Accumulated Amortization | December 31, 2019 Net |
|---|---|---|---|---|---|---|
| Intangible assets with finite lives: | | | | | | |
| Customer-related | $ 1,969 | $ (432) | $1,537 | $ 1,945 | $ (330) | $1,615 |
| Developed technology | 1,399 | (544) | 855 | 1,369 | (418) | 951 |
| Trademarks/tradenames | 1,306 | (957) | 349 | 1,294 | (94) | 1,200 |
| Other [1] | 53 | (7) | 46 | 55 | (6) | 49 |
| Total other intangible assets with finite lives | $ 4,727 | $ (1,940) | $2,787 | $ 4,663 | $ (848) | $3,815 |
| Intangible assets with indefinite lives: | | | | | | |
| Trademarks/tradenames | 573 | — | 573 | 562 | — | 562 |
| Total other intangible assets | 573 | — | 573 | 562 | — | 562 |
| Total | $ 5,300 | $ (1,940) | $3,360 | $ 5,225 | $ (848) | $4,377 |

1. Primarily related to land use rights.

The following table provides information regarding amortization expense related to other intangible assets:

| **Amortization Expense** (In millions) | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Other intangible assets [1] | $ 1,064 | $ 226 |

1. The nine months ended September 30, 2020 include amortization of tradenames that were reclassified from indefinite-lived to definite-lived as a result of the announcement of the separation of N&B during the fourth quarter of 2019.

Total estimated amortization expense for the remainder of 2020 and the five succeeding fiscal years is as follows:

| **Estimated Amortization Expense** (In millions) | |
|---|---|
| 2020 | $346 |
| 2021 | $311 |
| 2022 | $292 |
| 2023 | $267 |
| 2024 | $197 |
| 2025 | $157 |

### NOTE 10 — SHORT-TERM BORROWINGS, LONG-TERM DEBT AND AVAILABLE CREDIT FACILITIES

In connection with the merger of Neptune Merger Sub I Inc., a wholly owned subsidiary of IFF, with and into N&B, (the “Merger”), N&B will make a special cash payment of $7.3 billion (the “Special Cash Payment”), subject to adjustment, to Parent. In December 2019 in connection with the Merger, N&B entered into a Bridge Commitment Letter (the “Bridge Letter”) in an aggregate principal amount of $7.5 billion (the “Bridge Loans”) to secure committed financing for the “Special Cash Payment” and related financing fees. The aggregate commitment under the Bridge Letter is reduced by, among other things, (1) the amount of net cash proceeds received by N&B from any issuance of senior unsecured notes pursuant to a Rule 144A offering or other private placement and (2) certain qualifying term loan commitments under senior unsecured term loan facilities.

**Term Loan Facilities**

In January 2020, N&B entered into a senior unsecured term loan agreement (the "Term Loan Credit Agreement") in the amount of $1.25 billion split evenly between three- and five-year facilities (the "Term Loan Facilities"). As a result of entry into the term loan agreement, the commitments under the Bridge Commitment Letter were reduced to $6.25 billion. The funding of the loans under the Term Loan Facilities will be available upon the satisfaction of several limited conditions precedent, including (i) the accuracy of certain representations and warranties, (ii) the absence of a material adverse effect on N&B and (iii) the consummation of the Merger in accordance with the Merger Agreement and the Separation Agreement substantially concurrently with the funding of the loans under the Term Loan Facilities.

The proceeds of the term loans are to be used to (i) finance a portion of the Special Cash Payment and/or at the option of N&B, to be transferred to a subsidiary of N&B and thereafter paid to Parent or one of its subsidiaries in connection with consummating the Merger and (ii) to pay the related transaction fees and expenses. In the event a portion of the proceeds are transferred to a subsidiary of N&B and thereafter paid to Parent or one of its subsidiaries as described in clause (i), the overall amount that is funded by the Term Loan Facilities and the unsecured senior notes and conveyed to Parent prior to the N&B Distribution will not be greater than the Special Cash Payment.

The Term Loan Facilities mature on the three- and five-year anniversaries of the closing date of the Merger, at which time all outstanding borrowings, including accrued but unpaid interest, become immediately due and payable. Borrowings under the Term Loan Facilities will be guaranteed by IFF. At September 30, 2020 and December 31, 2019, N&B did not have any borrowings under the Term Loan Facilities.

The Term Loan Facilities will be subject to customary affirmative and negative covenants and events of default after the closing date of the Merger. The Term Loan Facilities is also subject to a financial covenant requiring maintenance of a maximum consolidated leverage ratio of 4.75 to 1.00 until and including the end of the third full fiscal quarter after the closing date of the Merger, stepping down to 4.50 to 1.00 until and including the end sixth full fiscal quarter after the closing date of the Merger, stepping down further to 3.75 to 1.00 until and including the end of the ninth full fiscal quarter after the closing date of the Merger and stepping down further to 3.50 to 1.00 thereafter, with a step-up in connection with certain qualifying acquisitions.

Voluntary prepayments of loans under the Term Loan Facilities may be made at any time, without premium or penalty, subject to the lenders' redeployment costs other than on the last day of the relevant interest period.

Following the consummation of the Merger, N&B's obligations under the Term Loan Facilities will be guaranteed by IFF. No fewer than 30 days (and in some circumstances 15 days) after the Merger, N&B will merge with and into Neptune Merger Sub II LLC, a Delaware limited liability company ("Merger Sub II"), which is a wholly owned subsidiary of IFF, with Merger Sub II surviving as a wholly owned subsidiary of IFF (the "Second Merger," and together with the Merger, the "Mergers") and successor in interest to N&B. Following the Second Merger, at the election of IFF, in lieu of IFF continuing to provide the guarantee, or at any time after such guarantee having been provided, IFF may agree to assume all of Merger Sub II's (as successor to N&B) obligations under the Term Loan Facilities, whereupon Merger Sub II shall be released from such obligations.

The commitments under the Term Loan Facilities will terminate on the earliest of (i) the consummation of the Special Cash Payment without using the loans under the Term Loan Facilities, (ii) the date on which the Merger Agreement is terminated in accordance with its terms without the closing of the Merger and (iii) 11:59 p.m., New York City time, on March 15, 2021 (or if such date is extended as provided in the Merger Agreement, on such extended date).

**Notes Offering**

On September 16, 2020 (the "Offering Date"), N&B completed an offering in the aggregate principal amount of $6.25 billion of senior unsecured notes in six series, comprised of the following (collectively, the "Notes Offering" and together with the Term Loan Facilities, the "Permanent Financing"): $300 million aggregate principal amount of 0.697% Senior Notes due 2022 (the "2022 Notes"); $1.0 billion aggregate principal amount of 1.230% Senior Notes due 2025 (the "2025 Notes"); $1.2 billion aggregate principal amount of 1.832% Senior Notes due 2027 (the "2027 Notes"); $1.5 billion aggregate principal amount of 2.300% Senior Notes due 2030 (the "2030 Notes"); $750 million aggregate principal amount of 3.268% Senior Notes due 2040 (the "2040 Notes"); and $1.5 billion aggregate principal amount of 3.468% Senior Notes due 2050 (the "2050 Notes" and, together with the 2022 Notes, 2025 Notes, 2027 Notes, 2030 Notes and 2040 Notes, the "Notes"). As a result of the Notes Offering, the commitments under the Bridge Commitment Letter were further reduced to zero and were terminated on and as of the Offering Date.

| **Long-Term Debt** (In millions) | *September 30, 2020* | *Effective Interest Rate* |
|---|---|---|
| Senior unsecured notes: | | |
| 2022 Notes | $ 300 | 0.99% |
| 2025 Notes | 1,000 | 1.41% |
| 2027 Notes | 1,200 | 1.97% |
| 2030 Notes | 1,500 | 2.41% |
| 2040 Notes | 750 | 3.37% |
| 2050 Notes | 1,500 | 3.56% |
| Less: Unamortized debt discount and issuance costs | (58) | |
| Total | $ 6,192 | |

The net proceeds of approximately $6.2 billion from the Notes Offering were deposited into an escrow account. The release from escrow of the net proceeds from the Notes Offering and the availability of funding under the Term Loan Facilities to make the Special Cash Payment are subject to customary closing conditions including among others, the satisfaction of substantially all the conditions to the consummation of the Merger. If the closing of the Merger has not occurred on or prior to September 15, 2021, or, if prior to such date, the Merger Agreement is validly terminated, (each a "Special Mandatory Redemption Event"), N&B must redeem all of the Notes on or before the 15th business day following the Special Mandatory Redemption Event (such date of redemption, the "Special Mandatory Redemption Date") at a redemption price equal to 101% of the aggregate principal amount of the applicable series of Notes, plus accrued and unpaid interest to, but not including, the Special Mandatory Redemption Date.

At September 30, 2020, N&B reflected the $6.2 billion in net proceeds from the Notes Offering within non-current "Restricted cash" in the interim Condensed Combined Balance Sheets. This Restricted Cash will be used to satisfy the Special Cash Payment to Parent upon consummation of the Merger.

Pursuant to the Merger Agreement, the fees and expenses associated with the financing will be borne (A) entirely by N&B if the transaction closes; and (B) equally by Parent and IFF if the Merger Agreement terminates. However, if the Merger Agreement is terminated by IFF, in accordance with its terms, for breach by Parent, such fees and expenses will be borne entirely by Parent; and if terminated by Parent in accordance with its terms for breach by IFF, such fees and expenses will be borne entirely by IFF.

Principal payments of long-term debt for the remainder of 2020 and the period thereafter are as follows:

| **Maturities of Long-Term Debt at September 30, 2020** (In millions) | *Total* |
|---|---|
| Remainder of 2020 | $ — |
| 2021 | $ — |
| 2022 | $ 300 |
| 2023 | $ — |
| 2024 | $ — |
| 2025 and thereafter | $5,950 |

Interest on each series of Notes began accruing from September 16, 2020. Interest on the 2022 Notes is payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. Interest on the 2025 Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2021. Interest on the 2027 Notes is payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2021. Interest on the 2030 Notes is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2021. Interest on the 2040 Notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2021. Interest on the 2050 Notes is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2021.

The estimated fair value of N&B's long-term borrowings was determined using Level 2 inputs within the fair value hierarchy, as described in Note 16. Based on quoted market prices for the same or similar issues, or on current rates offered to N&B for debt of the same remaining maturities, the fair value of N&B's long-term borrowings was $6.3 billion at September 30, 2020. There were no borrowings at December 31, 2019.

Upon consummation of the Merger, the Notes will be guaranteed on a senior unsecured basis by IFF. As a result of the Merger, the existing shares of N&B common stock will be automatically converted into the right to receive shares of IFF common stock.

On or after the earlier of (i) the closing date of the Second Merger and (ii) October 15, 2021, N&B may redeem any series of the Notes prior to their applicable par call date. N&B may redeem each series of Notes, in whole or in part, at its option, at any time prior to (i) with respect to the 2022 Notes, September 15, 2022, (ii) with respect to the 2025 Notes, September 1, 2025, (iii) with respect to the 2027 Notes, August 15, 2027, (iv) with respect to the 2030 Notes, August 1, 2030, (v) with respect to the 2040 Notes, May 15, 2040 and (vi) with respect to the 2050 Notes, June 1, 2050, in whole or in part, at a redemption price equal to the greater of the following amounts: 100% of the principal amount of the Notes of the applicable series to be redeemed on that redemption date; and the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed on that redemption date as calculated by N&B, excluding accrued and unpaid interest on the redemption date, discounted to the redemption date on a semi-annual basis based at the applicable treasury rate, plus (i) 10 basis points in the case of the 2022 Notes, (ii) 15 basis points in the case of the 2025 Notes, (iii) 25 basis points in the case of the 2027 Notes, (iv) 25 basis points in the case of the 2030 Notes, (v) 30 basis points in the case of the 2040 Notes and (vi) 30 basis points in the case of the 2050 Notes; plus, in each case, accrued and unpaid interest on the Notes being redeemed.

On or after the applicable par call date with respect to each series of Notes, the redemption price for the Notes to be redeemed will be equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest. The 2022 Notes will not be subject to any par call period (and may only be redeemed as described above).

Following the Merger, upon the occurrence of a change of control with respect to a particular series of Notes, N&B will be required to make an offer to repurchase the Notes of such series at a price equal to 101% of their principal amount, plus accrued and unpaid interest.

The Notes are subject to customary events of default, including, among other things, payment default, failure to provide certain notices thereunder, failure to maintain IFF's guarantee following the Merger and certain provisions related to bankruptcy events. The Notes are also subject to certain customary covenants that will limit, among other things, N&B's ability to engage in mergers or consolidations other than the Merger with IFF, to create liens, to enter into sale and lease-back transactions and to transfer or lease all or substantially all of its assets. Financial covenants are not applicable to N&B until the Merger is consummated.

Following the consummation of the Second Merger, at the option of N&B and IFF, IFF may assume the obligations of N&B with respect to the Notes, (the "IFF Notes Assumption"). In addition, on or prior to the 90th day following the consummation of the Merger, if IFF has not consummated the IFF Notes Assumption, Merger Sub II as successor to N&B, shall guarantee IFF's debt securities and syndicated credit facilities which guarantee shall be released upon consummation of the IFF Notes Assumption.

Other than the debt described above, Parent's current and long-term debt, and related interest expense, have not been recognized within N&B's interim Combined Financial Statements, because they are not specifically identifiable to N&B.

## NOTE 11 — COMMITMENTS AND CONTINGENT LIABILITIES

### Litigation

N&B is involved in numerous claims and lawsuits, principally in the United States, including various product liability (involving N&B's current or former products), intellectual property, employment related, and commercial matters. Certain of these matters may purport to be class actions and seek damages in very large amounts. Liabilities related to matters that are not directly attributable to the N&B business and for which N&B is not the legal obligor are not recognized within N&B's interim Combined Financial Statements for any of the periods presented.

As of September 30, 2020, N&B had recorded a liability of approximately $4 million related to the foregoing (although it is reasonably possible that the ultimate cost could be up to twice the accrued amount). Because such matters are subject to inherent uncertainties, and unfavorable rulings or developments could occur, there can be no certainty that N&B will not ultimately incur charges in excess of presently recorded liabilities. Although considerable uncertainty exists, management does not believe it is reasonably possible that the ultimate disposition of these matters will have a material adverse effect on N&B's results of operations, combined financial position or liquidity. However, the ultimate liabilities could be material to results of operations in the period recognized.

## NOTE 12 — PENSION PLANS

N&B employees participate, as eligible, in N&B and Parent's sponsored pension plans, including defined benefit plans and defined contribution plans. Where permitted by applicable law, Parent reserves the right to amend, modify, or discontinue the plans at any time.

The following sets forth the components of N&B's net periodic benefit cost for defined benefit pension plans:

| **Net Periodic Benefit Cost for All Plans** (In millions) | *Nine Months Ended September 30,* *2020* | *2019* |
|---|---|---|
| *Defined Benefit Pension Plans:* | | |
| Service cost | $ 14 | $ 8 |
| Interest cost | 3 | 6 |
| Expected return on plan assets | (7) | (9) |
| Amortization of unrecognized loss | 4 | 2 |
| Amortization of prior service benefit | — | 4 |
| Settlement loss | 2 | — |
| Net periodic benefit cost – total | $ 16 | $ 11 |

Net periodic benefit cost, other than the service cost component, is included in "Other expense (income), net" in the interim Combined Statements of Operations.

**NOTE 13 — OPERATING LEASES**

Operating lease costs for the nine months ended September 30, 2020 and 2019 were $35 million and $33 million, respectively. Operating cash flows from operating leases for the nine months ended September 30, 2020 and 2019 were $35 million and $33 million, respectively.

Operating lease right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. New operating lease assets and liabilities entered into during the nine months ended September 30, 2020 were $67 million and $17 million for the nine months ended September 30, 2019. Supplemental balance sheet information related to leases was as follows:

| (In millions) | *September 30, 2020* | *December 31, 2019* |
|---|---|---|
| **Operating Leases** | | |
| Operating lease right-of-use assets [1] | $ 196 | $ 123 |
| Current operating lease liabilities [2] | 44 | 30 |
| Noncurrent operating lease liabilities [3] | 154 | 94 |
| Total operating lease liabilities | $ 198 | $ 124 |

1. Included in "Other assets" in the interim Condensed Combined Balance Sheet.
2. Included in "Accrued and other current liabilities" in the interim Condensed Combined Balance Sheet.
3. Included in "Other liabilities" in the interim Condensed Combined Balance Sheet.

## NOTE 14 — ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the activity related to each component of accumulated other comprehensive loss for the nine months ended September 30, 2020 and 2019:

| **Accumulated Other Comprehensive Loss** (In millions) | *Cumulative Translation Adjustment* | *Pension and OPEB* | *Total* |
|---|---|---|---|
| **2019** | | | |
| Balance at January 1, 2019 | $ (658) | $ 4 | $ (654) |
| Other comprehensive (loss) income before reclassifications | (368) | 2 | (366) |
| Amounts reclassified from accumulated other comprehensive loss | — | — | — |
| Net other comprehensive (loss) income | $ (368) | $ 2 | $ (366) |
| Balance at September 30, 2019 | $ (1,026) | $ 6 | $(1,020) |
| **2020** | | | |
| Balance at January 1, 2020 | $ (834) | $ 2 | $ (832) |
| Other comprehensive income (loss) before reclassifications | 291 | (9) | 282 |
| Amounts reclassified from accumulated other comprehensive loss | — | — | — |
| Net other comprehensive income (loss) | $ 291 | $ (9) | $ 282 |
| Balance at September 30, 2020 | $ (543) | $ (7) | $ (550) |

The tax effects on the net activity related to each component of other comprehensive loss for the nine months ended September 30, 2020 and 2019 were immaterial.

## NOTE 15 — FINANCIAL INSTRUMENTS

The following table summarizes the fair value of financial instruments at September 30, 2020:

| **Fair Value of Financial Instruments** (In millions) | *September 30, 2020* | | | |
|---|---|---|---|---|
| | *Cost* | *Gain* | *Loss* | *Fair Value* |
| Restricted cash [1] | $ 6,206 | $ — | $ — | $ 6,206 |
| Long-term debt | $(6,192) | $ 2 | $ (99) | $ (6,289) |

1. Restricted cash consists of net proceeds from the Notes Offering which were deposited into an escrow account. Refer to Note 10 and Note 16 for further information.

At December 31, 2019, N&B did not have any borrowings or restricted cash.

## NOTE 16 — FAIR VALUE MEASUREMENTS

### Fair Value Measurements on a Recurring Basis

The following table summarizes the basis used to measure certain liabilities at fair value on a recurring basis:

| **Basis of Fair Value Measurements on a Recurring Basis at September 30, 2020** (In millions) | *Significant Other Observable Inputs (Level 2)* |
|---|---|
| Asset at fair value: | |
| Restricted cash [1] | $ 6,206 |
| Total assets at fair value | $ 6,206 |
| Liabilities at fair value: | |
| Long-term debt [2] | $ 6,289 |
| Total liabilities at fair value | $ 6,289 |

1. Includes money market funds held at amortized cost, which approximates fair value.
2. Fair value is based on quoted market prices for the same or similar issues, or on current rates offered to N&B for debt of the same remaining maturities and terms.

### 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** (In millions) | *Significant Other Observable Inputs (Level 3)* | *Total Losses* |
|---|---|---|
| **September 30, 2019** | | |
| Assets at fair value: | | |
| Investment in nonconsolidated affiliates | $ 4 | $ (63) |
| Goodwill | $ — | $ (674) |

As discussed in Note 4, during the nine months ended September 30, 2019, N&B recorded an other-than-temporary impairment charge, classified as a Level 3 measurement, related to an equity method investment within the Health & Biosciences segment. The impairment charge of $63 million was recorded in "Restructuring and asset related charges, net" in the interim Combined Statements of Operations. Additionally, as discussed in Note 9, during the nine months ended September 30, 2019, N&B recorded a goodwill impairment charge related to the Health & Biosciences segment.

There were no impairments recorded related to fair value measurements on a nonrecurring basis for the nine months ended September 30, 2020.

### NOTE 17 — SEGMENT INFORMATION

N&B's operations are classified into three reportable segments based on similar economic characteristics, the nature of products and production processes, end-use markets, channels of distribution and regulatory environment. N&B's reportable segments are Food & Beverage, Health & Biosciences, and Pharma Solutions. Major products by segment include Food & Beverage (Emulsifiers, Sweeteners, Functional Solutions, and Protein Solutions); Health & Biosciences (Dietary Supplements, Food Protection, Cultures, Enzymes and Microbial Control); and Pharma Solutions (Pharma Excipients, Industrial Applications, and Nitrocellulose). N&B operates globally in substantially all of its product lines.

N&B's measure of profit/loss for segment reporting purposes is Segment Operating EBITDA as this is the manner in which N&B's chief operating decision maker ("CODM") assesses performance and allocates resources. N&B defines Segment Operating EBITDA as earnings (net (loss) income) before interest, taxes on (loss) income, non-operating pension and other post-employment benefit costs, depreciation and amortization, exchange gains and losses, and corporate expenses, excluding certain significant items. N&B believes that its primary measure of segment profitability, Segment Operating EBITDA, provides relevant and meaningful information to investors about the ongoing operating results of N&B and underlying prospects of N&B.

The following table summarizes segment information for the nine months ended September 30, 2020 and 2019:

| **Segment Information** (In millions) | *Food & Beverage* | *Health & Biosciences* | *Pharma Solutions* | *Total* |
|---|---|---|---|---|
| *For the nine months ended September 30, 2020* | | | | |
| Net sales | $ 2,163 | $ 1,754 | $ 640 | $4,557 |
| Segment Operating EBITDA [1] | $ 467 | $ 529 | $ 192 | $1,188 |
| Equity in earnings of nonconsolidated affiliates | $ — | $ 2 | $ — | $ 2 |
| *For the nine months ended September 30, 2019* | | | | |
| Net sales | $ 2,237 | $ 1,756 | $ 625 | $4,618 |
| Segment Operating EBITDA [1] | $ 451 | $ 475 | $ 176 | $1,102 |
| Equity in earnings of nonconsolidated affiliates | $ — | $ — | $ — | $ — |

1. A reconciliation of "Net loss" to Segment Operating EBITDA is provided in the table below.

**Reconciliation to Combined Financial Statements**

Net loss in the interim Combined Statements of Operations reconciles to Segment Operating EBITDA as follows:

| **Reconciliation of Net Loss to Segment Operating EBITDA** (In millions) | *Nine Months Ended September 30, 2020* | *2019* |
|---|---|---|
| Net loss | $ (449) | $ (481) |
| + Taxes on loss | (122) | 46 |
| Loss before income taxes | $ (571) | $ (435) |
| + Depreciation and amortization | 1,295 | 471 |
| + Interest expense, net [1] | 57 | 1 |
| + Non-operating pension & OPEB benefit cost [1] | 2 | 3 |
| - Foreign exchange losses, net [1] | (14) | (5) |
| - Significant items | (362) | (1,021) |
| - Other corporate costs [2] | (29) | (36) |
| Segment Operating EBITDA | $ 1,188 | $ 1,102 |

1. Included in "Other expense (income), net".
2. Consists of corporate overhead costs that were historically not allocated into management results.

The following tables summarize the pre-tax impact of significant items by segment that are excluded from Operating EBITDA:

| **Significant Items by Segment for the Nine Months Ended September 30, 2020** (In millions) | *Food & Beverage* | *Health & Biosciences* | *Pharma Solutions* | *Total* |
|---|---|---|---|---|
| Integration and separation costs [1] | $ (167) | $ (135) | $ (49) | $(351) |
| Restructuring and asset related charges, net [2] | (4) | (6) | (1) | (11) |
| Total | $ (171) | $ (141) | $ (50) | $(362) |

1. Integration and separation costs related to post-DWDP Merger integration activities and the separation of N&B.
2. Includes restructuring plans and asset related charges. See Note 4 for additional information.

| Significant Items by Segment for the Nine Months Ended September 30, 2019 (In millions) | Food & Beverage | Health & Biosciences | Pharma Solutions | Total |
|---|---|---|---|---|
| Integration and separation costs [1] | $ (83) | $ (67) | $ (27) | $ (177) |
| Restructuring and asset related charges, net [2] | (30) | (119) | (21) | (170) |
| Goodwill impairment charge [3] | — | (674) | — | (674) |
| Total | $ (113) | $ (860) | $ (48) | $(1,021) |

1. Integration and separation costs related to post-DWDP Merger integration and separation activities.
2. Includes restructuring plans and asset related charges. See Note 4 for additional information.
3. See Note 9 for additional information.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors of DuPont de Nemours, Inc.

### *Opinion on the Financial Statements*

We have audited the accompanying combined balance sheets of the Nutrition & Biosciences business ("N&B") (Successor) of DuPont de Nemours, Inc. as of December 31, 2019 and 2018, and the related combined statements of operations, of comprehensive (loss) income, of changes in equity and of cash flows for the years ended December 31, 2019 and 2018, and for the period from September 1, 2017 through December 31, 2017, including the related notes and schedule of valuation and qualifying accounts for the years ended December 31, 2019 and 2018, and for the period from September 1, 2017 through December 31, 2017 listed in the index appearing under Item 21(b) (collectively referred to as the "combined financial statements"). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of N&B as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years ended December 31, 2019 and 2018, and for the period from September 1, 2017 through December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

*Change in Accounting Principle*

As discussed in Note 3 to the combined financial statements, N&B changed the manner in which it accounts for leases in 2019.

### *Basis for Opinion*

These combined financial statements are the responsibility of N&B's management. Our responsibility is to express an opinion on N&B's combined 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 N&B 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 combined financial statements 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 combined 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 combined 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 combined 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 combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
May 7, 2020

We have served as N&B's auditor since 2019.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors of DuPont de Nemours, Inc.

### *Opinion on the Financial Statements*

We have audited the accompanying combined statements of operations, of comprehensive (loss) income, of changes in equity and of cash flows of the Nutrition & Biosciences business (“N&B”) (Predecessor) of DuPont de Nemours, Inc. for the period from January 1, 2017 through August 31, 2017, including the related notes and schedule of valuation and qualifying accounts for the period from January 1, 2017 through August 31, 2017 listed in the index appearing under Item 21(b) (collectively referred to as the “combined financial statements”). In our opinion, the combined financial statements present fairly, in all material respects, the results of operations and cash flows of N&B for the period from January 1, 2017 through August 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

These combined financial statements are the responsibility of N&B’s management. Our responsibility is to express an opinion on N&B’s combined financial statements based on our audit. 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 N&B 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 audit of these combined 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 combined financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the combined 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 combined financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
May 7, 2020

We have served as N&B’s auditor since 2019.

**N&B**
**Combined Statements of Operations**

| (In millions) | Successor: For the Year Ended December 31, 2019 | Successor: For the Year Ended December 31, 2018 | Successor: For the Period September 1 through December 31, 2017 | Predecessor: For the Period January 1 through August 31, 2017 |
|---|---|---|---|---|
| Net sales | $ 6,076 | $ 6,216 | $ 1,885 | $ 2,810 |
| Cost of goods sold | 4,043 | 4,196 | 1,671 | 1,808 |
| Research and development expenses | 288 | 275 | 88 | 139 |
| Selling and administrative expenses | 704 | 760 | 262 | 403 |
| Amortization of acquisition-related intangibles | 349 | 311 | 96 | 84 |
| Restructuring and asset related charges, net | 180 | 29 | 20 | 8 |
| Goodwill impairment charge | 674 | — | — | — |
| Integration and separation costs | 264 | 136 | 42 | 57 |
| Other income, net | (6) | (10) | (10) | (113) |
| (Loss) income before income taxes | (420) | 519 | (284) | 424 |
| Taxes on (loss) income | 51 | 125 | (481) | 139 |
| Net (loss) income | (471) | 394 | 197 | 285 |
| Net income attributable to noncontrolling interests | 1 | 1 | 1 | 5 |
| Net (loss) income attributable to N&B | $ (472) | $ 393 | $ 196 | $ 280 |

*See Notes to the Combined Financial Statements*

**N&B**
**Combined Statements of Comprehensive (Loss) Income**

| (In millions) | Successor: For the Year Ended December 31, 2019 | Successor: For the Year Ended December 31, 2018 | Successor: For the Period September 1 through December 31, 2017 | Predecessor: For the Period January 1 through August 31, 2017 |
|---|---|---|---|---|
| Net (loss) income | $ (471) | $ 394 | $ 197 | $ 285 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Cumulative translation adjustments | (176) | (536) | (142) | 415 |
| Pension and other post-employment benefit plans | (2) | 4 | — | (3) |
| Total other comprehensive (loss) income | (178) | (532) | (142) | 412 |
| Comprehensive (loss) income | (649) | (138) | 55 | 697 |
| Comprehensive income attributable to noncontrolling interests, net of tax | 1 | 1 | 1 | 5 |
| Comprehensive (loss) income attributable to N&B | $ (650) | $ (139) | $ 54 | $ 692 |

*See Notes to the Combined Financial Statements*

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**N&B**
**Combined Balance Sheets**

| (In millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Accounts and notes receivable, net | $ 1,092 | $ 987 |
| Inventories | 1,422 | 1,406 |
| Prepaid expenses and other current assets | 81 | 64 |
| Total current assets | 2,595 | 2,457 |
| Property | | |
| Property, plant and equipment | 4,408 | 4,298 |
| Less: Accumulated depreciation | 1,427 | 1,237 |
| Property, plant and equipment, net | 2,981 | 3,061 |
| Goodwill | 11,196 | 12,017 |
| Other intangible assets, net | 4,377 | 4,771 |
| Deferred income tax assets | 36 | 9 |
| Other assets | 354 | 297 |
| Total Assets | $ 21,539 | $ 22,612 |
| **Liabilities and Equity** | | |
| Current Liabilities | | |
| Accounts payable | $ 645 | $ 741 |
| Employee compensation and benefits | 125 | 144 |
| Income taxes payable | 51 | 67 |
| Accrued and other current liabilities | 111 | 79 |
| Total current liabilities | 932 | 1,031 |
| Noncurrent Liabilities | | |
| Deferred income taxes | 1,079 | 1,174 |
| Other liabilities | 252 | 159 |
| Total noncurrent liabilities | 1,331 | 1,333 |
| Total Liabilities | $ 2,263 | $ 2,364 |
| Commitments and contingent liabilities (Note 17) | | |
| Equity | | |
| Parent company net investment | 20,081 | 20,875 |
| Accumulated other comprehensive loss | (832) | (654) |
| Total N&B equity | 19,249 | 20,221 |
| Noncontrolling interests | 27 | 27 |
| Total equity | 19,276 | 20,248 |
| Total Liabilities and Equity | $ 21,539 | $ 22,612 |

*See Notes to the Combined Financial Statements*

**N&B**
**Combined Statements of Cash Flows**

| (In millions) | Successor: For the Year Ended December 31, 2019 | Successor: For the Year Ended December 31, 2018 | Successor: For the Period September 1 through December 31, 2017 | Predecessor: For the Period January 1 through August 31, 2017 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net (loss) income | $ (471) | $ 394 | $ 197 | $ 285 |
| Adjustments to reconcile net (loss) income to cash provided by operating activities: | | | | |
| Depreciation of property, plant and equipment | 326 | 350 | 95 | 131 |
| Amortization of acquisition-related intangibles | 349 | 311 | 96 | 84 |
| Stock-based compensation | 19 | 20 | 4 | 13 |
| Amortization of inventory step-up | — | 67 | 397 | — |
| Gain on sale of business and other assets | (13) | — | (1) | (160) |
| Credit for deferred income tax and other tax related items | (112) | (96) | (530) | (9) |
| Goodwill impairment charge | 674 | — | — | — |
| Restructuring and asset related charges | 180 | 29 | 20 | 8 |
| Equity in losses (earnings) of affiliates | 1 | 1 | (2) | 6 |
| Other adjustments to net earnings | 1 | — | 4 | 3 |
| Changes in assets and liabilities, net of effects of acquired and divested companies: | | | | |
| Accounts receivable | (120) | (11) | (49) | 4 |
| Inventories | (31) | (154) | 32 | (61) |
| Accounts payable | (27) | 13 | 10 | (15) |
| Other assets and liabilities, net | (102) | (94) | (53) | (44) |
| Cash provided by operating activities | 674 | 830 | 220 | 245 |
| **Investing activities** | | | | |
| Capital expenditures | (349) | (335) | (109) | (155) |
| Acquisitions of property and businesses, net of cash acquired | — | — | 16 | — |
| Proceeds from sales of property and businesses, net of cash divested | 38 | 8 | — | 236 |
| Other investing activities, net | 17 | (2) | 10 | (19) |
| Cash (used for) provided by investing activities | (294) | (329) | (83) | 62 |
| **Financing activities** | | | | |
| Payments of long-term debt and other financing obligations | (38) | (5) | (1) | (3) |
| Distributions to noncontrolling interests | (1) | (3) | — | (4) |
| Net transfers to Parent | (341) | (493) | (136) | (300) |
| Cash used for financing activities | (380) | (501) | (137) | (307) |
| Increase (decrease) in cash and cash equivalents | — | — | — | — |
| **Supplemental cash flow information** | | | | |
| Cash paid during the period for: | | | | |
| Income taxes | $ 86 | $ 57 | $ 9 | $ 44 |

*See Notes to the Combined Financial Statements*

**N&B**
**Combined Statements of Changes in Equity**

| (In millions) | *Parent Company Net Investment* | *Accumulated Other Comprehensive (Loss) Income* | *Total N&B Equity* | *Noncontrolling Interests* | *Total Equity* |
|---|---|---|---|---|---|
| **Predecessor** | | | | | |
| Balance at January 1, 2017 | $ 8,026 | $ (1,494) | $ 6,532 | $ 8 | $ 6,540 |
| Net income | 280 | — | 280 | 5 | 285 |
| Other comprehensive income | — | 412 | 412 | — | 412 |
| Distributions to noncontrolling interests | — | — | — | (4) | (4) |
| Net transfers to Parent | (287) | — | (287) | — | (287) |
| Balance at August 31, 2017 | $ 8,019 | $ (1,082) | $ 6,937 | $ 9 | $ 6,946 |
| **Successor** | | | | | |
| Balance at September 1, 2017 (remeasured upon DWDP Merger) | $ 17,406 | $ 20 | $ 17,426 | $ 12 | $ 17,438 |
| Net income | 196 | — | 196 | 1 | 197 |
| Other comprehensive loss | — | (142) | (142) | — | (142) |
| Distributions to noncontrolling interests | — | — | — | — | — |
| Measurement period adjustments to noncontrolling interests | (16) | — | (16) | 16 | — |
| Net transfers from Parent | 3,477 | — | 3,477 | — | 3,477 |
| Balance at December 31, 2017 | $ 21,063 | $ (122) | $ 20,941 | $ 29 | $ 20,970 |
| Net income | 393 | — | 393 | 1 | 394 |
| Other comprehensive loss | — | (532) | (532) | — | (532) |
| Distributions to noncontrolling interests | — | — | — | (3) | (3) |
| Net transfers to Parent | (581) | — | (581) | — | (581) |
| Balance at December 31, 2018 | $ 20,875 | $ (654) | $ 20,221 | $ 27 | $ 20,248 |
| Net (loss) income | (472) | — | (472) | 1 | (471) |
| Other comprehensive loss | — | (178) | (178) | — | (178) |
| Distributions to noncontrolling interests | — | — | — | (1) | (1) |
| Net transfers to Parent | (322) | — | (322) | — | (322) |
| Balance at December 31, 2019 | $ 20,081 | $ (832) | $ 19,249 | $ 27 | $ 19,276 |

*See Notes to the Combined Financial Statements*

## N&B
## Notes to the Combined Financial Statements

### NOTE 1 — ORGANIZATION AND DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

**Organization and Description of Business**

The accompanying Combined Financial Statements and notes present the combined results of operations, financial position, and cash flows of the Nutrition & Biosciences business ("N&B") of DuPont de Nemours, Inc. ("DuPont"). N&B, one of the world's largest producers of specialty ingredients, is an innovation-driven and customer-focused business that provides solutions for the global food and beverage, dietary supplements, home and personal care, energy, animal nutrition and pharma markets. Additionally, N&B is an industry pioneer and innovator that works with customers to improve the performance, productivity and sustainability of their products and processes through differentiated technology in ingredients applications, fermentation, biotechnology, chemistry and manufacturing process excellence.

*Reverse Morris Trust Transaction Anticipated in the first quarter of 2021*

On December 15, 2019, DuPont and Nutrition & Biosciences, Inc. (presently a wholly owned subsidiary holding company of DuPont) ("N&B Inc."), entered into definitive agreements, including the Separation Agreement with International Flavors & Fragrances Inc. ("IFF"), and the Merger Agreement, with IFF and Neptune Merger Sub I Inc. (a wholly owned subsidiary of IFF) ("Merger Sub I") to separate and combine N&B with IFF in a Reverse Morris Trust transaction. At DuPont's election, the distribution of shares of N&B Inc. to its stockholders will be structured as a split-off transaction, a spin-off transaction or a combination split-off and spin-off transaction (the "N&B Distribution"). Prior to the N&B Distribution, DuPont will transfer to N&B Inc., through the transfer of its interests in subsidiaries holding certain N&B assets and liabilities, the N&B business in accordance with the Separation Agreement (the "N&B Contribution"). The shares of N&B Inc. common stock will be distributed to DuPont stockholders pursuant to an exchange offer followed by an expected clean-up spin-off. DuPont will distribute all of the stock of N&B Inc. to DuPont stockholders in the N&B Distribution which will be followed by a merger of N&B Inc. with Merger Sub I (the "Merger"). N&B Inc. will survive the Merger as a wholly-owned subsidiary of IFF. The transactions contemplated by the Merger Agreement and the Separation Agreement and the various other transaction documents to be entered into by DuPont, N&B Inc. and IFF in connection therewith, which provide for, among other things, the N&B Distribution, the N&B Contribution and the Merger, are referred to in these notes as the "Transactions." As of December 31, 2019, the only activity in the N&B Inc. legal entity was a contribution of $30 million by DuPont. This cash was used to fund payments of fees associated with the Bridge Loans discussed in Note 16.

The Transactions are subject to the approval by IFF's stockholders of the issuance of IFF shares in the Transactions and the satisfaction of customary closing conditions, including regulatory approvals. The Transactions are expected to be completed in the first quarter of 2021.

*DowDuPont merger of Dow and DuPont completed in August 2017*

DowDuPont Inc. ("DowDuPont") was formed on December 9, 2015 to effectuate an all-stock, merger of equals strategic combination between The Dow Chemical Company ("Historical Dow") and E. I. du Pont de Nemours and Company ("Historical EID"). On August 31, 2017 at 11:59 pm ET, (the "DWDP Merger Effectiveness Time") pursuant to the Agreement and Plan of Merger, dated as of December 11, 2015, as amended on March 31, 2017 (the "DWDP Merger Agreement"), Historical Dow and Historical EID each merged with wholly owned subsidiaries of DowDuPont and, as a result, became subsidiaries of DowDuPont (the "DWDP Merger"). DowDuPont accounted for the DWDP Merger as a business combination, with Historical Dow as the accounting acquirer, using the acquisition method of accounting.

*Acquisition of FMC's H&N Business in November 2017*

As a condition of the regulatory approval of the DWDP Merger, Historical EID was required to divest a portion of its crop protection product line, including certain research and development capabilities. As a result, on March 31, 2017, Historical EID entered into a definitive agreement (the "FMC Transaction Agreement") with FMC Corporation ("FMC"). In accordance with a definitive agreement dated March 31, 2017, between Historical EID and FMC, on November 1, 2017, FMC acquired certain Historical EID crop protection business and research and development assets and Historical EID acquired certain assets relating to FMC's Health and Nutrition segment (the "H&N Business") (collectively, the "FMC Transactions"). The H&N Business is included in this N&B financial information from the acquisition date forward.

*Spin-off of Dow and Corteva*

Subsequent to the DowDuPont Merger, DuPont engaged in a series of internal reorganization and realignment steps to realign its businesses into three subgroups: agriculture, material science, and specialty products (the "DowDuPont realignments"). On April 1, 2019, DuPont completed the separation of its material science business (including the Historical Dow parent company, The Dow Chemical Company) into a separate and independent public company by way of a distribution of Dow Inc. ("Dow") through a pro rata dividend in-kind of all the then-issued and outstanding shares of Dow's common stock. On June 1, 2019, DuPont completed the separation of its agriculture business (including the Historical EID parent company, E. I. du Pont de Nemours and Company) into a separate and independent public company by way of a distribution of Corteva, Inc. ("Corteva") through a pro rata dividend in-kind of all the then-issued and outstanding shares of Corteva's common stock.

Following the Corteva spin-off, on June 1, 2019, DowDuPont changed its registered name to DuPont de Nemours, Inc. ("DuPont") and holds the specialty products businesses. Effective June 1, 2019, DuPont (approximately $22 billion of annual net sales in 2019 on a full year basis) consists of the following reportable segments: Electronics & Imaging, Transportation & Industrial, Safety & Construction, Non-Core, and Nutrition & Biosciences, which includes the Historical EID Nutrition and Biosciences business ("Historical EID N&B"), the Historical Dow Nutrition and Biosciences business ("Historical Dow N&B") and the H&N Business acquired from FMC.

**Basis of Presentation**

The N&B financial information for periods presented prior to the closing of the DWDP Merger, (the "Predecessor Period") is that of Historical EID N&B and, therefore, reflects Historical EID's carrying value for its N&B business. For all periods subsequent to the DWDP Merger (the "Successor Periods") included in these Combined Financial Statements, N&B operated as part of DowDuPont (now known as DuPont) and the N&B financial information presented reflects the step up in fair value of Historical EID N&B at the effective time of the DWDP Merger, as Historical Dow was the accounting acquirer in the DowDuPont Merger.

The Predecessor Period includes Historical EID N&B. The Successor Periods, beginning on September 1, 2017, include the merged businesses of both Historical EID N&B and Historical Dow N&B. The H&N Business is included from November 1, 2017 forward.

For all periods presented, N&B consisted of several legal entities, acquired businesses, as well as businesses with no separate legal status. Separate financial statements have not historically been prepared for N&B. The Combined Financial Statements have been derived, as described above, from DuPont's and Historical EID's accounting records as if N&B's operations had been conducted independently from those of DuPont and Historical EID in the Successor and Predecessor Periods, respectively, and were prepared on a stand-alone basis in accordance with U.S. generally accepted accounting principles ("GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

The historical results of operations, financial position and cash flows of N&B presented in these Combined Financial Statements may not be indicative of what they would have been had N&B actually been an independent stand-alone entity, nor are they necessarily indicative of N&B's future results of operations, financial position and cash flows.

The significant accounting policies described below, together with the other notes that follow, are an integral part of the Combined Financial Statements. All periods prior to the closing of the DWDP Merger reflect the historical operations and accounting basis in Historical EID N&B's assets and liabilities and are labeled "Predecessor." The N&B activities of Historical Dow and FMC are not included in the Predecessor results or financial position. The Combined Financial Statements for the periods subsequent to the DWDP Merger are labeled "Successor" and include operations of both Historical EID and Historical Dow, as well as FMC for periods subsequent to the FMC Transactions, as they operated as part of DowDuPont and subsequently DuPont. The Combined Financial Statements and notes 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 DWDP Merger are not comparable. See Note 4 for additional information on the DWDP Merger. The term "Parent" as used herein refers to either, in the Successor Periods presented, DuPont, or, in the Predecessor Period presented, Historical EID.

The N&B Combined Statements of Operations and Comprehensive (Loss) Income reflect allocations of general corporate expenses from Parent including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services, and restructuring and DWDP Merger integration and separation activities related to these functions. These allocations were made on the basis of revenue, expenses, headcount or other relevant measures. Management of N&B and Parent consider these allocations to be an overall reasonable reflection of the utilization of services by, or the benefits provided to, N&B, in the aggregate. The allocations may not, however, reflect the expenses N&B would have incurred as a stand-alone company for the periods presented.

The N&B Combined Balance Sheets include Parent assets and liabilities that are specifically identifiable or otherwise attributable to N&B, including subsidiaries and affiliates in which Parent has a controlling financial interest or is the primary beneficiary.

Parent uses a centralized approach to cash management and financing of its operations and Parent funds N&B's operating and investing activities as needed. Cash transfers to and from the cash management accounts of Parent are reflected in the Combined Statements of Cash Flows as "Net transfers to Parent."

Transactions between N&B and Parent and their affiliates and other associated companies are reflected in the Combined Financial Statements and disclosed as related party transactions when material. Related party transactions with Parent are included in Note 8.

The Combined Financial Statements include the accounts of N&B and subsidiaries in which a controlling interest is maintained. For those combined subsidiaries in which N&B's ownership is less than 100 percent, the outside stockholders' interests are shown as noncontrolling interests.

All significant intracompany accounts and transactions within N&B have been eliminated in the preparation of the accompanying Combined Financial Statements. All significant intercompany transactions with Parent are deemed to have been paid in the periods the costs were incurred.

N&B's operations are included in the consolidated U.S. federal, and certain state, local and foreign income tax returns filed by Parent, where applicable. N&B also files certain separate state, local and foreign income tax returns. Income tax expense and other income tax related information contained in these Combined Financial Statements are presented on a separate return basis as if N&B filed its own tax returns. N&B's tax results as presented in the Combined Financial Statements may not be reflective of the results that N&B would generate in the future. In jurisdictions where N&B has been included in the tax returns filed by Parent, any income taxes payable resulting from the related income tax provision have been reflected in the balance sheet within "Parent Company Net Investment."

## NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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. N&B's Combined Financial Statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

### 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.

N&B 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;

Level 2 — Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for 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

N&B's worldwide operations utilize the U.S. dollar ("USD") or local currency as the functional currency, where applicable. N&B 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.

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.

N&B 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.

In the ordinary course of business, Parent enters into contractual arrangements (derivatives) to reduce the exposure of Parent and its consolidated subsidiaries, including N&B, taken as a whole to foreign currency, interest rate and commodity price risks. Since these activities are conducted by Parent based on total exposures for the DuPont Group, the N&B Combined Financial Statements do not reflect the impact of such activities.

**Inventories**

N&B'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. Supplies are valued at cost or net realizable value, whichever is lower. Cost is generally determined by the average cost method.

N&B 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 DWDP Merger and the FMC Transactions, the fair value of property, plant and equipment of Historical EID N&B and the H&N Business was determined using a market approach and a replacement cost approach. 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 Combined Balance Sheets and included in determining gain or loss on such disposals.

**Goodwill and Other Intangible Assets**

N&B 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 during the fourth quarter, 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. Prior to the DWDP Merger, annual impairment tests were performed during the third quarter.

When testing goodwill for impairment, N&B 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 N&B 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. N&B determines 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.

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. N&B'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. N&B continually evaluates the reasonableness of the useful lives of these assets. Once these assets are fully amortized, they are removed from the Combined Balance Sheets.

**Impairment and Disposals of Long-Lived Assets**

N&B 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 their respective 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. N&B'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.

**Revenue Recognition**

N&B adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) in the first quarter of 2018 using the modified retrospective transition method for all contracts not completed as of the date of adoption. In accordance with Topic 606, N&B recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which N&B expects to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that N&B determines are within the scope of Topic 606, N&B 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 6 for additional information on revenue recognition.

**Cost of Goods Sold**

Cost of goods sold primarily includes the cost of manufacture and delivery, ingredients or raw materials, direct salaries, wages and benefits and overhead, and other operational expenses. No amortization of intangibles is included within costs of sales.

**Research and Development Expenses**

Research and development is expensed as incurred. Research and development expenses include 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 and Administrative Expenses**

Selling and administrative expenses primarily include selling and marketing expenses, commissions, functional costs, and business management expenses.

### 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 Parent'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.

### Integration and Separation Costs

Integration and separation costs includes costs incurred to prepare for and close the DWDP Merger, post-merger integration and separation expenses, and beginning in the fourth quarter of 2019, the separation of N&B. These costs primarily consist of financial advisory, information technology, legal, accounting, consulting, and other professional advisory fees associated with the preparation and execution of these activities.

### Income Taxes

N&B 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 taxes on (loss) income in the period that includes the enactment date. N&B uses the portfolio approach for releasing income tax effects from Accumulated Other Comprehensive Loss.

N&B 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. N&B 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 liabilities for uncertain income tax positions is included in "Income taxes payable" and the long-term portion is included in "Other liabilities" in the Combined Balance Sheets.

### Parent Company Net Investment

N&B's equity on the Combined Balance Sheets represents Parent's net investment in N&B and is presented as parent company net investment in lieu of stockholders' equity. The Combined Statements of Changes in Equity includes net cash transfers and other property transfers between Parent and N&B, as well as intercompany receivables and payables between N&B and other Parent affiliates that were settled on a current basis. Additionally, parent company net investment includes assets and liabilities that have historically been held at the Parent level but are specifically identifiable or otherwise attributable to N&B, and other assets and liabilities recorded by Parent, whose related income and expenses have been pushed down to N&B. All transactions reflected in "Parent company net investment" in the accompanying Combined Balance Sheets have been considered cash receipts and payments within financing activities in the Combined Statements of Cash Flows.

Earnings per share data has not been presented in the accompanying Combined Financial Statements because N&B does not operate as a separate legal entity with its own capital structure.

**Leases**

N&B adopted the ASU 2016-02, Leases (Topic 842) in the first quarter of 2019. N&B determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and N&B has the right to control the asset. Operating lease right-of-use ("ROU") assets are included in "Other assets" on the Combined Balance Sheets. Operating lease liabilities are included in "Accrued and other current liabilities" and "Other liabilities" on the Combined Balance Sheets. Finance lease ROU assets are included in "Property, plant and equipment, net" and the corresponding lease liabilities are included in "Accrued and other current liabilities" and "Other liabilities" on the Combined Balance Sheets.

ROU assets represent N&B's right to use an underlying asset for the lease term and lease liabilities represent N&B's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of N&B's leases do not provide the lessor's implicit rate, N&B uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and lease expense is recognized on a straight-line basis over the lease term.

N&B has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all asset classes. Additionally, for certain equipment leases, the portfolio approach is applied to account for the operating lease ROU assets and lease liabilities. In the Combined Statements of Operations, lease expense for operating lease payments is recognized on a straight-line basis over the lease term. For finance leases, interest expense is recognized on the lease liability and the ROU asset is amortized over the lease term.

See Notes 3 and 19 for additional information regarding N&B's leases.

## NOTE 3 — RECENT ACCOUNTING GUIDANCE

**Recently Adopted Accounting Guidance**

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 the 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 depends on whether the lease is classified 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 previous U.S. GAAP but does contain some targeted improvements to align with the new revenue recognition guidance, referred to as "Topic 606," issued in 2014.

N&B adopted the new standard in the first quarter of 2019, which 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. N&B 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 are not restated and continue to be reported in accordance with historic accounting under ASC 840 (Leases). In addition, N&B has elected the package of practical expedients permitted under the transition guidance within the new standard which 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, N&B chose to not apply the standard to certain existing land easements, excluded short-term leases (term of 12 months or less) from the balance sheet and accounts for non-lease and lease components in a contract as a single component for all asset classes.

The following table summarizes the impact of adoption to the Combined Balance Sheet:

| **Summary of Changes to the Combined Balance Sheet** (In millions) | *As Reported Dec. 31, 2018* | *Effect of ASU 2016-02* | *Updated Jan. 1, 2019* |
|---|---|---|---|
| Assets | | | |
| Other assets | $ 297 | $ 138 | $ 435 |
| Total Assets | $ 22,612 | $ 138 | $ 22,750 |
| Liabilities | | | |
| Accrued and other current liabilities | $ 79 | $ 35 | $ 114 |
| Total current liabilities | $ 1,031 | $ 35 | $ 1,066 |
| Other liabilities | $ 159 | $ 103 | $ 262 |
| Total noncurrent liabilities | $ 1,333 | $ 103 | $ 1,436 |
| Total Liabilities | $ 2,364 | $ 138 | $ 2,502 |

The adoption of the new guidance did not have a material impact on N&B's Combined Statement of Operations and had no impact on the Combined Statement of Cash Flows.

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. N&B early adopted the new guidance in the fourth quarter of 2019, and adoption did not have a material impact on the Combined Financial Statements.

**Accounting Guidance Issued But Not Adopted at December 31, 2019**

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and associated ASUs related to Topic 326. The new guidance introduces the current expected credit loss ("CECL") model, which requires organizations to record an allowance for credit losses for certain financial instruments and financial assets, including trade receivables, based on expected losses rather than incurred losses. Under this update, on initial recognition and at each reporting period, an entity will be required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. This update will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, and early adoption is permitted.

The ASU requires a modified retrospective transition approach, applying the new standards cumulative-effect adjustment as of the beginning of the first reporting period in which the guidance is effective. Therefore, this cumulative-effect will be reflected as of January 1, 2020 and prior periods will not be restated. N&B has finalized the evaluation of the January 1, 2020 impact and the impact of initial adoption is not material to N&B's Combined Balance Sheets, Combined Statements of Operations, or Combined Statements of Cash Flows.

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## NOTE 4 — BUSINESS COMBINATIONS

### DWDP Merger

On August 31, 2017, the DWDP Merger was completed. For additional information on the DWDP Merger, please see the current report on Form 8-K filed with the SEC by DowDuPont Inc. on September 1, 2017 and the Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC by DowDuPont Inc. on February 15, 2018. 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 DWDP Merger. DowDuPont applied the acquisition method of accounting with respect to the assets and liabilities of Historical EID N&B, which were measured at fair value as of the date of the DWDP Merger; the fair value of the N&B related business acquired from Historical EID was determined to be $17,999 million.

The acquisition method of accounting requires, among other things, that identifiable assets acquired and liabilities assumed be recognized on the balance sheet at their respective fair values as of the acquisition date. In determining the fair value, N&B 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.

The table below presents the final fair value that was allocated to N&B assets and liabilities in the Successor Period. For the year ended December 31, 2018 and the period September 1 through December 31, 2017, N&B made measurement period adjustments to reflect facts and circumstances in existence as of the date of the DWDP Merger. These adjustments primarily included a $1,542 million increase in goodwill, a $97 million decrease in property, plant and equipment, and a $137 million increase in other intangible assets.

| **Historical EID N&B Assets Acquired and Liabilities Assumed on August 31, 2017** (In millions) | *Final fair value* |
|---|---|
| Fair Value of Assets Acquired | |
| Accounts and notes receivable, net | $ 774 |
| Inventories | 1,205 |
| Prepaid expenses and other current assets | 15 |
| Property, plant and equipment, net | 2,339 |
| Goodwill | 11,344 |
| Other intangible assets | 4,798 |
| Deferred income tax assets | 2 |
| Other assets | 119 |
| Total Assets | $20,596 |
| Fair Value of Liabilities Assumed | |
| Accounts payable | $ 504 |
| Employee compensation and benefits | 140 |
| Income taxes payable | 15 |
| Accrued and other current liabilities | 51 |
| Deferred income taxes | 1,740 |
| Other liabilities | 122 |
| Total Liabilities | $ 2,572 |
| Noncontrolling interests | 25 |
| Net Assets (Consideration for the DWDP Merger) | $17,999 |

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

*Inventories*

Inventory is comprised of finished products of $458 million, semi-finished products of $369 million and raw materials and supplies of $378 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 supplies was determined to approximate the historical carrying value. The fair value step-up of inventory is recognized in costs of goods sold as the inventory is sold. The pre-tax amounts of inventory step-up is reflected in cost of goods sold in the Combined Statements of Operations. The amounts recognized for the year ended December 31, 2018 and the period September 1 through December 31, 2017 were $1 million and $361 million, respectively.

*Property, Plant & Equipment*

Property, plant and equipment is comprised of machinery and equipment of $1,526 million, buildings of $473 million, construction in progress of $211 million and land and land improvements of $129 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 DWDP Merger over the net fair value of assets and liabilities acquired was recorded as goodwill. The DWDP Merger resulted in the recognition of $11,344 million of goodwill, which is not deductible for tax purposes. Goodwill largely consists of expected cost synergies resulting from the DWDP Merger, the assembled workforce of Historical EID N&B, and future technology and customers. Refer to Note 14 for further information on N&B's subsequent impairment of goodwill.

*Other Intangible Assets*

Other intangible assets include customer-related intangible assets of $1,665 million, developed technology of $1,220 million, trademarks and tradenames of $1,868 million, and land use rights of $45 million. The customer-related value was determined using the excess earnings method while the developed technology, trademarks, and tradenames 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.

*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 DWDP Merger Effectiveness Time in the jurisdictions in which legal title of the underlying asset or liability resides. Refer to Note 10 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.

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*Results of Operations*

The following table provides “Net sales” and “Loss before income taxes” of the Historical EID N&B business included in N&B’s results for the period September 1 through December 31, 2017. Included in the results from Historical EID N&B business was $17 million of “Restructuring and asset related charges, net,” $361 million that was recognized in “Cost of goods sold” as inventory was sold related to the fair value step-up of inventories and $42 million of “Integration and separation costs” in the Combined Statements of Operations.

| **Historical EID N&B Results of Operations** (In millions) | *September 1 through December 31, 2017* |
|---|---|
| Net sales | $ 1,172 |
| Loss before income taxes | $ (244) |

**H&N Business**

On November 1, 2017, Parent completed the FMC Transactions. The acquisition was integrated into N&B to enhance its position as a leading provider of sustainable, bio-based food ingredients and allow for expanded capabilities in the pharma excipients space. Parent 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 between Parent and FMC as a part of the FMC Transactions:

| **Consideration Exchanged in FMC Transactions** (In millions) | |
|---|---|
| Fair Value of Divested Ag Business | $3,665 |
| Less: Cash received[1] | 1,200 |
| Less: Favorable contracts[2] | 495 |
| Fair Value of the H&N Business | $1,970 |

1. The FMC Transactions include a cash consideration payment to Parent 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, and was not part of N&B.
2. Upon closing and pursuant to the terms of the FMC Transaction Agreement, Historical EID entered into favorable supply contracts with FMC. Historical EID recorded these contracts as intangible assets recognized at the fair value of off-market contracts, and these assets, which were not part of N&B, were attributed to the business that was divested pursuant to the Corteva spin-off.

The table below presents the final fair value that was allocated to the assets acquired and liabilities assumed. There were no material updates to the preliminary purchase accounting and purchase price allocation during 2018.

| **H&N Business Assets Acquired and Liabilities Assumed on November 1, 2017** (In millions) | *Final Fair Value* |
|---|---|
| Fair Value of Assets Acquired | |
| Cash and cash equivalents | $ 16 |
| Accounts and notes receivable, net | 144 |
| Inventories | 304 |
| Property, plant and equipment, net | 489 |
| Goodwill | 703 |
| Other intangible assets | 435 |
| Prepaid expenses and other current assets | 14 |
| Total Assets | $ 2,105 |
| Fair Value of Liabilities Assumed | |
| Accounts payable, accrued and other current liabilities | 72 |
| Deferred income taxes | 63 |
| Total Liabilities | $ 135 |
| Net Assets (Consideration for the H&N Business) | $ 1,970 |

The significant fair value adjustments included in the final allocation of purchase price for the H&N business are discussed below.

*Inventories*

Acquired inventory is comprised of finished goods of $143 million, semi-finished products of $85 million and raw materials 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 supplies. The pre-tax amounts of inventory step-up is reflected in cost of goods sold in the Combined Statements of Operations. The amounts recognized for the year ended December 31, 2018 and the period September 1 through December 31, 2017 were $66 million and $36 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 $703 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.

*Results of Operations*

The following table provides net sales and loss before income taxes of the H&N Business included in N&B's results for the period November 1 through December 31, 2017. The H&N Business results include $36 million that was recognized in cost of goods sold as inventory was sold related to the fair value step-up of inventories in the Combined Statements of Operations for the period September 1 through December 31, 2017.

| **H&N Business Results of Operations** (In millions) | | *November 1 through December 31, 2017* |
|---|---|---|
| Net sales | $ | 102 |
| Loss before income taxes | $ | (41) |

## NOTE 5 — DIVESTITURES

### Food Safety Diagnostic Sale

In December 2016, Historical EID entered into an agreement to sell its food safety diagnostic business to Hygiena LLC, which was part of N&B's Food & Beverage segment and included in N&B's financial information. The sale of the business was completed in February 2017, resulting in a pre-tax gain of $162 million ($86 million net of tax). The gain was recorded in "Other income, net" in N&B's Combined Statement of Operations for the period January 1 through August 31, 2017.

## NOTE 6 — REVENUE

### Revenue Recognition

Substantially all of N&B's revenue is derived from product sales. Product sales consist of sales of N&B's products to supply manufacturers and distributors. N&B considers purchase orders, which in some cases are governed by master supply agreements, to be contracts with customers. 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 N&B's product, which occurs at a point in time, usually upon shipment, with payment terms typically in the range of 30 to 60 days after invoicing depending on business and geographic region. N&B elected the practical expedient to not adjust the amount of consideration for the effects of a significant financing component for all instances in which the period between payment and transfer of the goods will be one year or less. When N&B performs shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to shipment), these are considered fulfillment activities, and accordingly, the costs are accrued when the related revenue is recognized. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues. N&B elected the practical expedient to expense cash and non-cash sales incentives as the amortization period for the costs to obtain the contract would have been one year or less.

The transaction price includes estimates for reductions in revenue from customer rebates and rights of return on product sales. These amounts are estimated based upon the most likely amount of consideration to which the customer will be entitled. All estimates are based on historical experience, anticipated performance, and N&B's best judgment at the time to the extent it is probable that a significant reversal of revenue recognized will not occur. All estimates for variable consideration are reassessed periodically.

N&B records accounts receivables when the right to consideration becomes unconditional. Contract assets and contract liabilities were not material at December 31, 2019 and December 31, 2018.

### Disaggregation of Revenue

N&B has three reportable segments with the following principal product lines: Food & Beverage, Health & Biosciences, and Pharma Solutions. N&B 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:

| **Net Sales by Segment** (In millions) | 2019 | 2018 |
|---|---|---|
| Food & Beverage | $2,945 | $2,987 |
| Health & Biosciences | 2,317 | 2,405 |
| Pharma Solutions | 814 | 824 |
| **Total** | $6,076 | $6,216 |

Sales are attributed to geographic regions based on customer location. Refer to Note 23 for the breakout of net sales by geographic region.

### NOTE 7 — RESTRUCTURING AND ASSET RELATED CHARGES, NET

Charges for restructuring programs and other asset related charges, which includes other asset impairments, were $180 million, $29 million, $20 million and $8 million for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017, respectively. These charges were recorded in "Restructuring and asset related charges, net" in the Combined Statements of Operations and consist primarily of the following:

### 2019 Restructuring Program

During the second quarter of 2019 and in connection with the ongoing integration activities, Parent approved restructuring actions to simplify and optimize certain organizational structures following the completion of the Dow and Corteva Separations (the "2019 Restructuring Program").

The following tables summarize the charges incurred related to the 2019 Restructuring Program for the year ended December 31, 2019:

| (In millions) | *For the Year Ended December 31, 2019* |
|---|---|
| Severance and related benefit costs | $ 12 |
| Asset related charges | 8 |
| Total restructuring and asset related charges, net | $ 20 |

The following table summarizes the activities related to the 2019 Restructuring Program:

| (In millions) | *Severance and Related Benefit Costs* | *Asset Related Charges* | *Total* |
|---|---|---|---|
| Reserve balance at December 31, 2018 | $ — | $ — | $ — |
| 2019 restructuring charges | 12 | 8 | 20 |
| Charges against the reserve | — | (8) | (8) |
| Payments | (2) | — | (2) |
| Reserve balance at December 31, 2019 | $ 10 | $ — | $ 10 |

At December 31, 2019, the $10 million reserve for severance and related benefit costs was included in "Accrued and other current liabilities" in the Combined Balance Sheets. N&B expects actions related to this program to be substantially complete by the second half of 2020.

**DowDuPont Cost Synergy Program**

In September and November 2017, Parent approved post-merger restructuring actions under the DowDuPont Cost Synergy Program (the "Synergy Program"), which was designed to integrate and optimize the organization following the DWDP Merger, and in preparation for the Dow and Corteva separations.

The following table summarizes charges incurred related to the Synergy Program:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Severance and related benefit costs | $ 38 | $ 22 | $ 19 | $ — |
| Contract termination charges | 19 | — | — | — |
| Asset related charges | 40 | 6 | 1 | — |
| Total restructuring and asset related charges, net | $ 97 | $ 28 | $ 20 | $ — |

N&B account balances and activity for the Synergy Program are summarized below:

| (In millions) | *Severance and Related Benefit Costs* | *Contract Termination Charges* | *Asset Related Charges* | *Total* |
|---|---|---|---|---|
| Reserve balance at December 31, 2018 | $ 20 | $ — | $ — | $ 20 |
| 2019 restructuring charges | 38 | 19 | 40 | 97 |
| Charges against the reserve | — | — | (40) | (40) |
| Payments | (41) | (19) | — | (60) |
| Reserve balance at December 31, 2019 | $ 17 | $ — | $ — | $ 17 |

At December 31, 2019, the $17 million reserve for severance and related benefit costs was included in "Accrued and other current liabilities" in the Combined Balance Sheets. N&B does not expect to incur further significant charges related to this program and the program is considered substantially complete at the end of 2019.

**Other Asset Related Charges**

During the second quarter of 2019, in preparation for the Corteva spin-off, Historical EID completed the separation of the assets and liabilities related to its specialty products business into separate legal entities (the "SP Legal Entities") and on May 1, 2019 Historical EID distributed the SP Legal Entities to DowDuPont (the "Internal SP Distribution"). The Internal SP Distribution served as a triggering event requiring N&B to perform an impairment analysis related to its equity method investment in a joint venture related to the Health & Biosciences segment. N&B applied the net asset value method under the cost approach to determine the fair value of the equity method investment. Based on updated projections, management determined the fair value of the equity method investment was below the carrying value with little ability to recover in the short-term due to the current economic environment. As a result, management concluded the impairment was other-than-temporary and recorded an impairment charge of $63 million in "Restructuring and asset related charges, net" in the Combined Statement of Operations.

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## NOTE 8 — RELATED PARTY TRANSACTIONS

Historically, N&B has been managed and operated in the normal course with other businesses of Parent. Accordingly, certain shared costs have been allocated to N&B and reflected as expenses in the stand-alone Combined Financial Statements. Management of Parent and N&B considers the allocation methodologies used to be reasonable and appropriate reflections of the historical expenses attributable to N&B for purposes of the stand-alone financial statements. The expenses reflected in the Combined Financial Statements may not be indicative of expenses that would be incurred by N&B in the future. All related party transactions approximate prices at cost.

### Corporate Expense Allocations

N&B's Combined Statements of Operations include general corporate expenses of Parent for services provided by Parent for certain support functions that are provided on a centralized basis. These costs were first attributed to N&B if specifically identifiable to its businesses. If not specifically identifiable to N&B's businesses, these costs have been allocated by using relevant allocation methods, primarily based on sales metrics, consistently for all periods presented.

Corporate expense allocations were recorded in the Combined Statements of Operations within the following captions:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Selling and administrative expenses | $ 273 | $ 289 | $ 110 | $ 162 |
| Research and development expenses | 61 | 45 | 13 | 18 |
| Cost of goods sold | 23 | 35 | 14 | 10 |
| Integration and separation costs[1] | 264 | 136 | 42 | 57 |
| Total | $ 621 | $ 505 | $ 179 | $ 247 |

1. Integration and separation 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 DWDP Merger, post-merger integration and separation, and beginning in the fourth quarter of 2019, the separation of N&B.

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**Parent Company Equity**

Net transfers to Parent are included within Parent company net investment on the Combined Statements of Changes in Equity. The components of the net transfers to Parent for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017 are as follows:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Cash pooling and general financing activities | $ 350 | $ 49 | $ 3,175 | $ 99 |
| Less: Corporate cost allocations | 621 | 505 | 179 | 247 |
| Less: Taxes on (loss) income | 51 | 125 | (481) | 139 |
| Total net transfers (to) from Parent per Combined Statements of Equity | $ (322) | $ (581) | $ 3,477 | $ (287) |
| Stock-based compensation | (19) | (20) | (4) | (13) |
| Contribution of H&N business by Parent | — | — | (1,970) | — |
| Measurement period adjustments for DWDP Merger | — | 108 | (1,639) | — |
| Net transfers to Parent per Combined Statements of Cash Flows | $ (341) | $ (493) | $ (136) | $ (300) |

## NOTE 9 — OTHER INCOME, NET

| | Successor | | | Predecessor |
|---|---|---|---|---|
| **Other Income, Net** (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Net gain on sales of businesses and other assets[1] | $ (13) | $ — | $ (1) | $ (160) |
| Net exchange losses (gains) | 7 | 9 | (5) | 32 |
| Interest expense, net | 2 | 2 | 2 | 3 |
| Non-operating pension and other post-employment credits (benefit) | 2 | (17) | (6) | 11 |
| Equity in losses (earnings) of nonconsolidated affiliates | 1 | 1 | (2) | 6 |
| Miscellaneous (income) expense, net | (5) | (5) | 2 | (5) |
| Other income, net | $ (6) | $ (10) | $ (10) | $ (113) |

1. 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 5 for additional information.

## NOTE 10 — INCOME TAXES

During the periods presented in the Combined Financial Statements, N&B did not file separate tax returns in the U.S. federal, certain state and local, and certain foreign tax jurisdictions, as N&B was included in the tax grouping of Parent and its affiliate entities within the respective jurisdictions. Taxes on (loss) income included in these Combined Financial Statements have been calculated using the separate return basis, as if N&B filed separate tax returns. N&B's Taxes on (loss) income as presented in the Combined Financial Statements may not be indicative of the income taxes that N&B will generate in the future.

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*TCJA and SEC Staff Accounting Bulletin 118 (SAB 118):*

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJA”) was enacted. The TCJA reduces the U.S. federal corporate income tax rate from 35 percent to 21 percent, requires companies to pay a one-time transition tax on earnings of foreign subsidiaries that were previously deferred, creates new provisions related to foreign sourced earnings, eliminates the domestic manufacturing deduction and moves to a hybrid territorial system. At December 31, 2017, N&B had not completed its accounting for the tax effects of the TCJA; however, as described below, N&B 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 TCJA were refined upon obtaining, preparing, and analyzing additional information during the measurement period. At December 31, 2018, N&B had completed its accounting for the tax effects of the TCJA.

- As a result of the TCJA, N&B 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. N&B recorded a cumulative benefit of $373 million ($5 million expense during the year ended December 31, 2018 and $378 million benefit during the period September 1 through December 31, 2017) to “Taxes on (loss) income” in the Combined Statements of Operations with respect to the remeasurement of N&B’s deferred tax balances.
- The TCJA requires a mandatory deemed repatriation of post-1986 undistributed foreign earnings and profits (“E&P”), which results in a one-time transition tax. N&B recorded a cumulative expense of $2 million ($4 million expense during the year ended December 31, 2018 and $2 million benefit during the period September 1 through December 31, 2017) to “Taxes on (loss) income” with respect to the one-time transition tax.
- In the year ended December 31, 2018, N&B recorded an indirect impact of the TCJA related to prepaid tax on the intercompany sale of inventory. The amount recorded related to the inventory was a $5 million charge to “Taxes on (loss) income.”
- For tax years beginning after December 31, 2017, the TCJA introduces new provisions for U.S. taxation of certain global intangible low-taxed income (“GILTI”). GILTI is described as the excess of a U.S. shareholder’s total net foreign income over a deemed return on tangible assets, as provided by the TCJA. In response to inquiries from companies, the FASB issued guidance in January of 2018 that allows companies to elect as an accounting policy whether to treat the GILTI tax as a period cost or to recognize deferred tax assets and liabilities when basis differences exist that are expected to affect the amount of GILTI inclusion upon reversal. N&B made the policy election to record any liability associated with GILTI in the period in which it is incurred.

| | Successor | | | Predecessor |
|---|---|---|---|---|
| **Geographic Allocation of (Loss) Income Split**<br>(In millions) | *For the Year Ended December 31, 2019* | *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* |
| Domestic (loss) income [1, 2, 3, 4] | $ (253) | $ 183 | $ (39) | $ 212 |
| Foreign (loss) income [1, 2, 3] | (167) | 336 | (245) | 212 |
| (Loss) income before income taxes | $ (420) | $ 519 | $ (284) | $ 424 |

1. In 2019, the domestic component of “(Loss) income before income taxes” included $264 million of integration and separation costs and a $170 million charge related to impairment of goodwill. The foreign component included a $504 million charge related to impairment of goodwill.

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2. In 2018, the domestic component of "(Loss) income before income taxes" included $136 million of integration and separation costs and a $27 million charge recognized in "Cost of goods sold" related to the fair value step-up of inventories assumed in the DWDP Merger and the acquisition of the H&N Business. The foreign component included a $40 million charge recognized in "Cost of goods sold" related to the fair value step-up of inventories assumed in the DWDP Merger and the acquisition of the H&N Business.
3. During the period September 1 through December 31, 2017, the domestic component of "(Loss) income before income taxes" included $42 million of integration and separation costs and a $58 million charge recognized in "Cost of goods sold" related to the fair value step-up of inventories assumed in the DWDP Merger and the acquisition of the H&N Business. The foreign component included a $339 million charge recognized in "Cost of goods sold" related to the fair value step-up of inventories assumed in the DWDP Merger and the acquisition of the H&N Business.
4. During the period January 1 through August 31, 2017, the domestic component of "(Loss) income before income taxes" included $57 million of integration and separation costs.

| **Geographic Allocation of Taxes on (Loss) Income** (In millions) | **Successor** *For the Year Ended December 31, 2019* | *For the Year Ended December 31, 2018* | *For the Period September 1 through December 31, 2017* | **Predecessor** *For the Period January 1 through August 31, 2017* |
|---|---|---|---|---|
| Current tax expense: | | | | |
| Federal | $ 43 | $ 51 | $ 9 | $ 76 |
| State and local | 10 | 14 | 5 | 11 |
| Foreign | 110 | 156 | 35 | 61 |
| Total current tax expense | $ 163 | $ 221 | $ 49 | $ 148 |
| Deferred tax (benefit) expense: | | | | |
| Federal | $ (58) | $ (11) | $ (400) | $ 4 |
| State and local | (8) | (30) | (2) | (2) |
| Foreign | (46) | (55) | (128) | (11) |
| Total deferred tax benefit | $ (112) | $ (96) | $ (530) | $ (9) |
| Taxes on (loss) income | $ 51 | $ 125 | $ (481) | $ 139 |

### Reconciliation to U.S. Statutory Rate

N&B's effective tax rate is calculated under a separate return basis, as if N&B filed separate tax returns from the consolidated parent. Therefore, the effective tax rate calculation may not be indicative of future results. A comparison of income tax expense at the U.S. statutory rate of 21% for fiscal years ended December 31, 2019, and December 31, 2018, and at the U.S. statutory rate of 35% for the four months ended December 31, 2017 and the eight months ended August 31, 2017 to N&B's effective tax rate is as follows:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| **Reconciliation to U.S. Statutory Rate** | *For the Year Ended December 31, 2019* | *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* |
| Statutory U.S. federal income tax rate | 21.0% | 21.0% | 35.0% | 35.0% |
| State and local income taxes | 0.3 | (6.8) | (0.5) | 1.8 |
| Foreign income taxed at rates other than U.S. federal income tax rate | (3.2) | 3.2 | 5.4 | (1.8) |
| U.S. tax effect of foreign earnings | (2.7) | 1.7 | (2.4) | 0.1 |
| Unrecognized tax benefits | 0.1 | (1.7) | 0.7 | (0.9) |
| Acquisitions and divestitures [1] | — | — | — | 4.2 |
| Research and development credit | 1.5 | (1.0) | 0.3 | (0.8) |
| Goodwill impairment | (33.5) | — | — | — |
| Impact of enactment of U.S. tax reform | — | 1.0 | 133.6 | — |
| Domestic production activities deduction | — | — | 0.9 | (1.3) |
| Intangible asset amortization | 1.4 | (0.9) | (1.0) | (5.3) |
| Changes in valuation allowances | (3.7) | 6.1 | (2.1) | 0.1 |
| Other, net | 6.7 | 1.5 | (0.5) | 1.7 |
| Effective tax rate | (12.1)% | 24.1% | 169.4% | 32.8% |

1. See Notes 4 and 5 for additional information.

| **Deferred Tax Balances at December 31,** (In millions) | *2019* | *2018* |
|---|---|---|
| Deferred tax assets: | | |
| Tax loss and credit carryforwards [1] | $ 129 | $ 100 |
| Other accruals and reserves | 52 | 54 |
| Inventory | 26 | 13 |
| Gross deferred tax assets | $ 207 | $ 167 |
| Valuation allowances [1] | (86) | (71) |
| Total deferred tax assets | $ 121 | $ 96 |
| Deferred tax liabilities: | | |
| Investments | $ (168) | $ (185) |
| Property | (176) | (193) |
| Intangibles | (813) | (868) |
| Other, net | (7) | (15) |
| Total deferred tax liabilities | $(1,164) | $(1,261) |
| Total net deferred tax liability | $(1,043) | $(1,165) |

1. Primarily related to the realizability of recorded tax benefits on tax loss carryforwards from operations in the United States, Brazil, and China.

The following net operating losses and tax credit carryforwards are presented on a hypothetical separate return basis and may not be available on a stand-alone basis.

| **Operating Loss and Tax Credit Carryforwards** (In millions) | *Deferred Tax Asset* 2019 | 2018 |
|---|---|---|
| Operating loss carryforwards | | |
| Expire within 5 years | $ 32 | $ 21 |
| Expire after 5 years or indefinite expiration | 65 | 54 |
| Total operating loss carryforwards | $ 97 | $ 75 |
| Tax credit carryforwards | | |
| Expire within 5 years | $ — | $ — |
| Expire after 5 years or indefinite expiration | 32 | 25 |
| Total tax credit carryforwards | $ 32 | $ 25 |
| Total operating loss and tax credit carryforwards | $ 129 | $ 100 |

Undistributed earnings of foreign subsidiaries and related companies that are deemed to be permanently invested amounted to $994 million at December 31, 2019. In addition to the U.S. federal tax imposed by the TCJA on all accumulated unrepatriated earnings through December 31, 2017, the TCJA introduced additional U.S. federal tax on foreign earnings, effective as of January 1, 2018. The undistributed foreign earnings as of December 31, 2019 may still be subject to certain taxes upon repatriation, primarily where foreign withholding taxes apply. It is not practicable to calculate the unrecognized deferred tax liability on undistributed foreign earnings due to the complexity of the hypothetical calculation.

N&B has identified certain unrecognized tax benefits that relate to specific tax positions in historical tax returns filed by Parent. These unrecognized tax benefits are not allocated positions from Parent but rather are determined using the hypothetical separate return basis for N&B.

| **Total Gross Unrecognized Tax Benefits** | **Successor** | | | **Predecessor** |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Total unrecognized tax benefits at beginning of period | $ 58 | $ 26 | $ 26 | $ 30 |
| Decreases related to positions taken on items from prior years | — | (10) | — | — |
| Increases related to positions taken on items from prior years | — | 133 | 26 | — |
| Increases related to positions taken in the current year | — | — | — | — |
| Settlement of uncertain tax positions with tax authorities | — | (89) | (26) | — |
| Decreases due to expiration of statutes of limitations | — | — | — | (4) |
| Exchange gain | (1) | (2) | — | — |
| Total unrecognized tax benefits at end of period | $ 57 | $ 58 | $ 26 | $ 26 |
| Total unrecognized tax expense (benefits) that, if recognized, would impact the effective tax rate | $ 31 | $ 32 | $ 22 | $ 26 |
| Total amount of interest and penalties expense (benefit) recognized in “Taxes on (loss) income” | $ (1) | $ (7) | $ (2) | $ — |
| Total amount of interest and penalties expense (benefit) recognized in “Other income, net” | $ — | $ — | $ — | $ 2 |
| Total accrual for interest and penalties associated with unrecognized tax benefits | $ (1) | $ — | $ 7 | $ 9 |

N&B files tax returns in the various national, state and local income taxing jurisdictions in which it operates, either as a separate taxpayer or as a member of Parent's consolidated income tax return. 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 N&B. As a result, there is an uncertainty in income taxes recognized in N&B's financial statements in accordance with accounting for income taxes and accounting for uncertainty in income taxes. The impact on N&B's results of operations is not expected to be material.

Tax years that remain subject to examination for N&B's major tax jurisdictions are shown below:

| **Tax Years Subject to Examination by Major Tax Jurisdiction at December 31, 2019**<br>*Jurisdiction* | *Earliest Open Year* |
|---|---|
| Brazil | 2015 |
| Canada | 2015 |
| China | 2010 |
| Denmark | 2014 |
| Germany | 2010 |
| Japan | 2013 |
| The Netherlands | 2014 |
| Switzerland | 2015 |
| United States: | |
| Federal income tax | 2012 |
| State and local income tax | 2007 |

1. The U.S. Federal income tax jurisdiction is open back to 2012 with respect to Historical EID.

## NOTE 11—ACCOUNTS AND NOTES RECEIVABLE, NET

| (In millions) | *December 31, 2019* | *December 31, 2018* |
|---|---|---|
| Accounts receivable—trade [1] | $ 907 | $ 840 |
| Other [2] | 185 | 147 |
| Total accounts and notes receivable, net | $ 1,092 | $ 987 |

1. Accounts receivable—trade is net of allowances of $8 million at December 31, 2019 and $9 million at December 31, 2018. 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. Other includes receivables in relation to value added tax, notes receivable, 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

The following table provides a breakdown of inventories:

| (In millions) | *December 31, 2019* | *December 31, 2018* |
|---|---|---|
| Finished products | $ 821 | $ 835 |
| Semi-finished products | 287 | 266 |
| Raw materials | 219 | 215 |
| Supplies | 95 | 90 |
| Total inventories | $ 1,422 | $ 1,406 |

## NOTE 13—PROPERTY, PLANT AND EQUIPMENT, NET

The following table provides a breakdown of property, plant and equipment, net:

| (In millions) | Estimated Useful Lives (Years) | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Land and land improvements | 1 – 25 | $ 135 | $ 135 |
| Buildings | 1 – 40 | 896 | 879 |
| Machinery and equipment | 1 – 25 | 3,095 | 2,896 |
| Construction in progress | | 282 | 388 |
| Total property, plant and equipment | | $ 4,408 | $ 4,298 |
| Total accumulated depreciation | | (1,427) | (1,237) |
| Total property, plant and equipment, net | | $ 2,981 | $ 3,061 |

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | For the Year Ended December 31, 2019 | 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 |
| Depreciation expense | $ 326 | $ 350 | $ 95 | $ 131 |

## NOTE 14—GOODWILL AND OTHER INTANGIBLE ASSETS, NET

### Goodwill

The following table summarizes changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018:

| (In millions) | Food & Beverage | Health & Biosciences | Pharma Solutions | Total |
|---|---|---|---|---|
| Balance at December 31, 2017 | $ 5,404 | $ 5,363 | $ 1,663 | $12,430 |
| Currency translation adjustment | (128) | (122) | (69) | (319) |
| Measurement period adjustments—DWDP Merger | (54) | (54) | — | (108) |
| Measurement period adjustments—H&N Business | 1 | — | 13 | 14 |
| Balance at December 31, 2018 | $ 5,223 | $ 5,187 | $ 1,607 | $12,017 |
| Currency translation adjustment | (58) | (56) | (18) | (132) |
| Goodwill impairment charge | — | (674) | — | (674) |
| Other | (15) | — | — | (15) |
| Balance at December 31, 2019 | $ 5,150 | $ 4,457 | $ 1,589 | $11,196 |

N&B tests goodwill 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. Prior to the DWDP Merger, annual impairment tests were performed during the third quarter. As a result of the related acquisition method of accounting in connection with the DWDP Merger, Historical EID's assets and liabilities were measured at fair value resulting in increases to N&B's goodwill and other intangible assets. The fair value valuation increased the risk that any declines in financial projections, including changes to key assumptions, could have a material, negative impact of the fair value of N&B's reporting units and assets, and therefore could result in an impairment.

In preparation for the Corteva spin-off, Parent completed the separation of the assets and liabilities related to its specialty products businesses into separate legal entities and on May 1, 2019, Parent completed the Internal SP Distribution. The Internal SP Distribution served as a triggering event requiring Parent to perform an impairment analysis related to goodwill carried by its Historical EID existing reporting units as of May 1, 2019 including those reporting units within N&B. Subsequent to the Corteva spin-off, on June 1, 2019, Parent realigned certain businesses resulting in changes to its management and reporting structure (the "Second Quarter Segment Realignment"). As part of the Second Quarter Segment Realignment, N&B assessed and re-defined certain reporting units effective June 1, 2019, including reallocation of goodwill on a relative fair value basis as applicable to new reporting units identified. Goodwill impairment analyses were then performed for reporting units impacted by the Second Quarter Segment Realignment.

The triggering events described above were considered in the preparation of the N&B Combined Financial Statements consistent with the basis of presentation discussed in Note 1. Similar analyses were performed to test goodwill for impairment based on the Combined Financial Statements of the N&B-related reporting units. As part of this analysis, N&B determined that the fair value of its former Industrial Biosciences reporting unit was below carrying value resulting in a pre-tax, non-cash impairment charge of $674 million for the year ended December 31, 2019 impacting the Health & Biosciences segment. The former Industrial Biosciences reporting unit, part of Parent's Nutrition & Biosciences segment prior to the Second Quarter Segment Realignment, was comprised solely of Historical EID assets and liabilities, the carrying values of which were measured at fair value in connection with the DWDP Merger, and thus considered at risk for impairment. Revised financial projections of the former Industrial Biosciences reporting unit reflected unfavorable market conditions, driven by challenging conditions in the U.S. bioethanol markets. These revised financial projections resulted in a reduction in the long-term forecasts of sales and profitability as compared to prior projections. Upon completion of the Second Quarter Segment Realignment and allocation of goodwill to the new reporting units, a quantitative analysis was performed to test goodwill for impairment. Based on the results of this analysis, no further impairment of goodwill was identified.

The analyses above used discounted cash flow models (a form of the income approach) utilizing Level 3 unobservable inputs. The significant assumptions in these analyses include, but are not limited to, projected revenue, EBITDA margins, the weighted average cost of capital, the terminal growth rate, and tax rates. The estimates of future cash flows are based on current regulatory and economic climates, recent operating results, and planned business strategies. These estimates could be negatively affected by changes in federal, state, or local regulations or economic downturns. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from estimates. If the ongoing estimates of future cash flows are not met, additional impairment charges may be recorded in future periods. N&B believes the current assumptions and estimates utilized are both reasonable and appropriate.

In the fourth quarter of 2019, N&B performed qualitative testing on all of its reporting units which indicated that it was not more likely than not that fair value was less than the carrying value for those reporting units.

### Other Intangible Assets

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

| (In millions) | December 31, 2019 Gross Carrying Amount | December 31, 2019 Accumulated Amortization | December 31, 2019 Net | December 31, 2018 Gross Carrying Amount | December 31, 2018 Accumulated Amortization | December 31, 2018 Net |
|---|---|---|---|---|---|---|
| Intangible assets with finite lives: | | | | | | |
| Customer-related | $ 1,945 | $ (330) | $1,615 | $ 1,977 | $ (208) | $1,769 |
| Developed technology | 1,369 | (418) | 951 | 1,379 | (261) | 1,118 |
| Trademarks/tradenames [1] | 1,294 | (94) | 1,200 | 108 | (32) | 76 |
| Other [2] | 55 | (6) | 49 | 55 | (3) | 52 |
| Total other intangible assets with finite lives | $ 4,663 | $ (848) | $3,815 | $ 3,519 | $ (504) | $3,015 |
| Intangible assets with indefinite lives: | | | | | | |
| Trademarks/tradenames [1] | 562 | — | 562 | 1,756 | — | 1,756 |
| Total | $ 5,225 | $ (848) | $4,377 | $ 5,275 | $ (504) | $4,771 |

1. During the fourth quarter of 2019, as a result of the announcement of the Transactions, N&B reclassified $1.2 billion of indefinite-lived tradenames to definite-lived tradenames.
2. Primarily related to land use rights.

The aggregate pre-tax amortization expense for definite-lived intangible assets was $349 million for the year ended December 31, 2019, $311 million for the year ended December 31, 2018, $96 million for the period September 1 through December 31, 2017, and $84 million for the period January 1 through August 31, 2017.

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

| Estimated Amortization Expense (In millions) | |
|---|---|
| 2020 | $1,420 |
| 2021 | $ 300 |
| 2022 | $ 288 |
| 2023 | $ 264 |
| 2024 | $ 195 |

### NOTE 15—ACCOUNTS PAYABLE

| (In millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Accounts payable—trade | $ 548 | $ 638 |
| Other [1] | 97 | 103 |
| Total accounts payable | $ 645 | $ 741 |

1. Primarily consists of VAT and miscellaneous accounts payable items.

### NOTE 16—SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Parent’s current and long-term debt, and related interest expense, has not been recognized within N&B’s Combined Financial Statements, because they are not specifically identifiable to N&B. There was no long-term debt at December 31, 2019, and total long-term debt at December 31, 2018 reflects finance lease obligations of $3 million recorded in “Other liabilities” in the Combined Balance Sheets.

The Separation Agreement requires that, prior to the N&B Distribution, N&B will make a cash payment to Parent in the amount of $7.3 billion, subject to certain adjustments (the “Special Cash Payment”).

To secure funding for the Special Cash Payment, N&B Inc. entered into a Bridge Commitment Letter (the “Bridge Letter”) in an aggregate principal amount of $7.5 billion (the “Bridge Loans”) to secure committed financing the Special Cash Payment and related financing fees. The aggregate commitment under the Bridge Letter is reduced by, among other things, (1) the amount of net cash proceeds received by N&B Inc. from any issuance of senior unsecured notes pursuant to a Rule 144A offering or other private placement and (2) certain qualifying term loan commitments under senior unsecured term loan facilities. At December 31, 2019, “Prepaid expenses and other current assets” and “Other assets” within the Combined Balance Sheet included $23 million and $7 million, respectively, of prepaid financing costs related to the Bridge Loans.

In January 2020, N&B Inc. entered into a senior unsecured term loan agreement in the amount of $1.25 billion split evenly between three- and five-year facilities. As a result of entry into the term loan agreement, the commitments under the Bridge Letter were reduced to $6.25 billion. The remaining $6.25 billion is expected to be funded through a debt offering of senior unsecured notes pursuant to a Rule 144A offering or other private placement, and if such offering is not available, a drawdown on bridge facility. The proceeds from the aforementioned funding sources shall be used to make the Special Cash Payment and to pay the related transaction fees and expenses. The commitments under the Bridge Letter and the availability of funding under the term loan are subject to customary closing conditions including among others, the satisfaction of substantially all the conditions to the consummation of the proposed transaction with IFF.

Borrowing under the term loan facility and, if any, under the Bridge Loans, and, therefore, the distribution to Parent of the Special Cash Payment, would occur substantially concurrently with the closing of the proposed transaction with IFF. If an alternative is pursued in lieu of the Bridge Loans, any issuance of senior unsecured notes pursuant to a Rule 144A offering or other private placement for some or all the remaining $6.25 billion would likely occur in advance of the closing.

## NOTE 17—COMMITMENTS AND CONTINGENT LIABILITIES

### Litigation

N&B is involved in numerous claims and lawsuits, principally in the United States, including various product liability (involving N&B’s current or former products), intellectual property, employment related, and commercial matters. Certain of these matters may purport to be class actions and seek damages in very large amounts. Liabilities related to matters that are not directly attributable to the N&B business and for which N&B is not the legal obligor are not recognized within N&B’s Combined Financial Statements for any of the periods presented.

At December 31, 2019, N&B recorded a liability of approximately $3 million related to the foregoing (although it is reasonably possible that the ultimate cost could be up to twice the accrued amount). Because such matters are subject to inherent uncertainties, and unfavorable rulings or developments could occur, there can be no certainty that N&B will not ultimately incur charges in excess of presently recorded liabilities. Although considerable uncertainty exists, management does not believe it is reasonably possible that the ultimate disposition of these matters will have a material adverse effect on N&B’s results of operations, combined financial position or liquidity. However, the ultimate liabilities could be material to results of operations in the period recognized.

**NOTE 18—PENSION PLANS**

N&B employees participate, as eligible, in N&B and Parent's sponsored pension plans, including defined benefit plans and defined contribution plans. Where permitted by applicable law, Parent reserves the right to amend, modify, or discontinue the plans at any time. Historical Dow and Historical EID did not merge their defined benefit pension and other post-employment benefit (OPEB) plans as a result of the DWDP Merger. In connection with the Dow and Corteva separations, the Historical Dow U.S. qualified defined benefit plan and the Historical EID U.S. principal qualified defined benefit plan were separated from Parent to Dow and Corteva, respectively. The defined benefit pension plans that were related to Historical Dow that were not separated with Dow or Corteva were not merged with any Historical EID plans. Parent retained a portion of pension liabilities relating to foreign benefit plans for both Historical EID and Historical Dow. Parent retained select OPEB liabilities relating to foreign Historical EID benefit plans but did not retain any Historical Dow OPEB plans. Parent also retained an immaterial portion of the non-qualified U.S. pension liabilities and other post-employment benefit plans relating to Historical EID U.S. benefit plans. The significant defined benefit pension and OPEB plans of Historical Dow and Historical EID in which employees of N&B participate are summarized below.

**Multiemployer Plans**

*Defined Benefit Pension Plans*

Parent offers both funded and unfunded noncontributory defined benefit pension plans in certain non-U.S. jurisdictions that are shared amongst its businesses, including N&B, and the participation of its employees and retirees in these plans is reflected as though N&B participated in a multiemployer plan with Parent. A proportionate share of the cost associated with the multiemployer plan is reflected in the Combined Financial Statements, while any assets and liabilities associated with the multiemployer plan are retained by Parent and recorded on Parent's balance sheet.

The benefits under these plans are based primarily on years of service and employees' pay near retirement.

Parent's funding policy is consistent with the funding requirements of federal laws and regulations. Pension coverage for employees of Parent's non-U.S. combined 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.

N&B participates in Parent's non-U.S. plans as though they are participants in a multiemployer plan of Parent. The following table presents the allocation of costs associated with these plans to N&B, which was based on the headcount of participants in the plans. These figures do not represent cash payments to Parent, or Parent's plans. More information on the financial status of Parent's significant plans can be found in Parent's Annual Report on Form 10-K.

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| **Plan Name** | | | | |
| Non-U.S. Plans | $ 10 | $ 9 | $ 3 | $ 1 |

*Contributions*

Parent made contributions on behalf of N&B to its multiemployer pension plans as follows:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Principal pension plans | $ 10 | $ 1 | $ — | $ 1 |
| Remaining plans with no assets | 1 | 1 | — | — |

**Single Employer Plans**

N&B has non-U.S. pensions that benefit only its employees and retirees, and these plans are considered single-employer plans. The costs and any assets and liabilities associated with the single-employer pension benefit plans are reflected in the Combined Financial Statements. The following table summarizes the annual changes in the single-employer pension plans' projected benefit obligations, fair value of assets and funding status:

| **Change in Projected Benefit Obligations, Plan Assets and Funded Status** (In millions) | *2019* | *2018* |
|---|---|---|
| *Change in benefit obligations:* | | |
| Benefit obligation at beginning of the period | $181 | $212 |
| Service cost | 5 | 6 |
| Interest cost | 3 | 3 |
| Plan participants' contributions | — | 2 |
| Actuarial (gain) loss | 26 | (20) |
| Benefits paid | (5) | (8) |
| Plan amendments | — | (1) |
| Net effects of acquisitions/divestitures/other | — | (5) |
| Effect of foreign exchange rates | (3) | (8) |
| Benefit obligations at end of the period | $207 | $181 |
| *Change in plan assets:* | | |
| Fair value of plan assets at beginning of the period | $150 | $171 |
| Actual return on plan assets | 26 | (8) |
| Employer contributions | 5 | 5 |
| Plan participants' contributions | — | 2 |
| Benefits paid | (5) | (8) |
| Net effects of acquisitions / divestitures/ other | — | (5) |
| Effect of foreign exchange rates | (3) | (7) |
| Fair value of plan assets at end of the period | $173 | $150 |
| **Funded status** | | |
| Non-U.S. plan with plan assets | $ (22) | $ (20) |
| All other plans | (12) | (11) |
| Funded status at end of the period | $ (34) | $ (31) |

As of December 31, 2019 and 2018, N&B recorded $34 million and $31 million, respectively, within "Other liabilities" in the Combined Balance Sheets.

The pre-tax amounts recognized in accumulated other comprehensive loss are summarized below:

| | **Successor** | | | **Predecessor** |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Net (loss) gain | $ (3) | $ 4 | $ 1 | $ (27) |
| Prior service benefit | 1 | 1 | — | 3 |
| Total | $ (2) | $ 5 | $ 1 | $ (24) |

The accumulated benefit obligation for all of the single-employer plans was $187 million and $160 million as of December 31, 2019 and 2018, respectively. The accumulated benefit obligation and projected benefit obligations of all single-employer plans exceeded the fair value of the respective plans' assets.

The following table summarizes the information for all of the single-employer plans with an accumulated benefit obligation in excess of plan assets:

| Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets (In millions) | Successor: For the Year Ended December 31, 2019 | Successor: For the Year Ended December 31, 2018 | Successor: For the Period September 1 through December 31, 2017 | Predecessor: For the Period January 1 through August 31, 2017 |
|---|---|---|---|---|
| Accumulated benefit obligation | $ 116 | $ 85 | $ 131 | $ 37 |
| Fair value of plan assets | 87 | 63 | 104 | 27 |

The following table summarizes the information for all of the single-employer plans with a projected benefit obligation in excess of plan assets:

| Pension Plans with Projected Benefit Obligations in Excess of Plan Assets (In millions) | Successor: For the Year Ended December 31, 2019 | Successor: For the Year Ended December 31, 2018 | Successor: For the Period September 1 through December 31, 2017 | Predecessor: For the Period January 1 through August 31, 2017 |
|---|---|---|---|---|
| Projected benefit obligation | $ 177 | $ 154 | $ 212 | $ 184 |
| Fair value of plan assets | 138 | 122 | 171 | 144 |

The net periodic benefit costs and amounts recognized in other comprehensive loss for all of the single-employer plans were as follows:

| Net Periodic Benefit Costs for All Significant Plans (In millions) | Successor: For the Year Ended December 31, 2019 | Successor: For the Year Ended December 31, 2018 | Successor: For the Period September 1 through December 31, 2017 | Predecessor: For the Period January 1 through August 31, 2017 |
|---|---|---|---|---|
| *Net Periodic Benefit Costs:* | | | | |
| Service cost | $ (5) | $ (6) | $ (2) | $ (5) |
| Interest cost | (3) | (3) | (1) | (2) |
| Expected return on plan assets | 8 | 9 | 3 | 5 |
| Amortization of unrecognized loss | — | — | — | (1) |
| Net periodic benefit costs—Total | $ — | $ — | $ — | $ (3) |
| *Changes in plan assets and benefit obligations recognized in other comprehensive (loss) income:* | | | | |
| Net (loss) gain | $ (3) | $ 4 | $ 1 | $ (27) |
| Prior service cost | 1 | 1 | — | 3 |
| Total recognized in other comprehensive (loss) income | (2) | 5 | 1 | (24) |
| Total recognized in net periodic benefit cost and other comprehensive (loss) income | $ (2) | $ 5 | $ 1 | $ (27) |

*Assumptions*

The following table summarizes the weighted-average assumptions used in determining the projected benefit obligations:

| Weighted-Average Assumptions used to Determine Benefit Obligations | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Discount rate | 1.27% | 1.99% |
| Rate of increase in future compensation levels | 3.70% | 3.70% |

The following table summarizes the weighted-average assumptions used to determine the net periodic benefit cost:

| Weighted-Average Assumptions used to Determine Net Periodic Benefit Costs | Successor | | | Predecessor |
|---|---|---|---|---|
| | For the Year Ended December 31, 2019 | 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 |
| Discount rate | 1.98% | 1.62% | 1.64% | 1.35% |
| Rate of increase in future compensation levels | 3.70% | 3.71% | 4.34% | 4.13% |
| Expected long-term rate of return on plan assets | 5.18% | 5.33% | 5.34% | 5.53% |

The discount rates utilized to measure the majority of pension and other postretirement obligations are based on the Aon AA corporate bond yield curves applicable to each country at the measurement date. The long-term rate of return on assets reflects economic assumptions applicable to each country.

*Plan Assets*

The single-employer plans' assets are invested through a master trust fund. The strategic asset allocation for the trust fund is selected by management, reflecting the results of comprehensive asset-and-liability modeling. Parent 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 countries are selected in accordance with the laws and practices of those countries.

The weighted average target allocation for N&B's pension plan assets is summarized as follows:

| Target Allocation for Plan Assets<br>Asset Category | December 31, 2019 |
|---|---|
| Equity securities | 53% |
| Fixed income securities | 27 |
| Alternative investments | 6 |
| Other investments | 14 |
| Total | 100% |

Non-U.S. equity securities include varying market capitalization levels. Global debt investments include corporate-issued, government-issued, and asset-backed securities. Corporate debt investments include a range of credit risk and industry diversification. Other investments include real estate and cash and cash equivalents. Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although N&B 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.

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The following tables present the fair values of N&B's pension benefit plan assets by level within the fair value hierarchy:

| **Basis of Fair Value Measurements**<br>For the year ended December 31, 2019<br>(In millions) | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| Cash and cash equivalents | $ 1 | $ 1 | $ — | $ — |
| Equity securities: | | | | |
| U.S. equity securities | $ 9 | $ 9 | $ — | $ — |
| Non—U.S. equity securities | 82 | 75 | 7 | — |
| Total equity securities | $ 91 | $ 84 | $ 7 | $ — |
| Fixed income securities: | | | | |
| Debt—government-issued | $ 25 | $ 11 | $ 14 | $ — |
| Debt—corporate-issued | 22 | 12 | 10 | — |
| Total fixed income securities | $ 47 | $ 23 | $ 24 | $ — |
| Alternative investments: | | | | |
| Real estate | $ 8 | $ 5 | $ — | $ 3 |
| Pooled investment vehicles | 2 | 2 | — | — |
| Total alternative investments | $ 10 | $ 7 | $ — | $ 3 |
| Other investments | $ 24 | $ — | $ — | $ 24 |
| Subtotal | $173 | $ 115 | $ 31 | $ 27 |
| Other items to reconcile to fair value of plan assets: | | | | |
| Pension trust receivables | $ 8 | | | |
| Pension trust payables | (8) | | | |
| Total | $173 | | | |

| **Basis of Fair Value Measurements**<br>For the year ended December 31, 2018<br>(In millions) | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| Cash and cash equivalents | $ 2 | $ 2 | $ — | $ — |
| Equity securities: | | | | |
| U.S. equity securities | $ 8 | $ 8 | $ — | $ — |
| Non-U.S. equity securities | 64 | 59 | 5 | — |
| Total equity securities | $ 72 | $ 67 | $ 5 | $ — |
| Fixed income securities: | | | | |
| Debt—government-issued | $ 21 | $ 9 | $ 12 | $ — |
| Debt—corporate-issued | 19 | 11 | 8 | — |
| Total fixed income securities | $ 40 | $ 20 | $ 20 | $ — |
| Alternative investments: | | | | |
| Real estate | $ 7 | $ 4 | $ — | $ 3 |
| Pooled investment vehicles | 5 | 5 | — | — |
| Total alternative investments | $ 12 | $ 9 | $ — | $ 3 |
| Other investments | $ 23 | $ — | $ — | $ 23 |
| Subtotal | $149 | $ 98 | $ 25 | $ 26 |
| Other items to reconcile to fair value of plan assets: | | | | |
| Pension trust receivables | 1 | | | |
| Pension trust payables | — | | | |
| Total | $150 | | | |

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 plan assets classified as Level 2 measurements, where the security is frequently traded in less active markets, the fair value is based on the closing price at the end of the period; where the security is less frequently traded, the 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 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.

*Contributions*

N&B made contributions to its single-employer pension benefit plans as follows:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Single-employer pension | $ 4 | $ 5 | $ 4 | $ 4 |

*Benefit Payments*

The estimated future benefit payments as of December 31, 2019, reflecting expected future service, as appropriate, are presented in the following table:

**Estimated Future Benefit Payments at December 31, 2019**

| (In millions) | *Single Employer Plans* |
|---|---|
| 2020 | $ 5 |
| 2021 | 7 |
| 2022 | 6 |
| 2023 | 5 |
| 2024 | 5 |
| Years 2025-2029 | 31 |
| Total | $ 59 |

The following table summarizes the extent to which N&B's income was affected by pre-tax charges related to long-term employee benefits for pension and OPEB:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Long-term employee benefit plan charges | $ 25 | $ 32 | $ 10 | $ 13 |

**Defined Contribution Plans**

N&B, through its participation in Parent's sponsored defined contribution plans, offers defined contribution plans, which covers substantially all of its U.S. employees. The most significant of these plans is Parent's Retirement Savings Plan (the Plan). 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 Parent. The Plan is a tax qualified contributory profit sharing plan, with a cash or deferred arrangement, and any eligible employee of Parent, including N&B's employees, may participate. Parent contributes 100 percent of the first six percent of the employee's contribution election and also contributes three percent of each eligible employee's eligible compensation regardless of the employee's contribution.

Parent's contributions to the Plan on behalf of N&B represent an allocation of the total contributions made based on the headcount of N&B's participants in the plan. Parent made the following contributions on behalf of N&B:

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Contributions | $ 15 | $ 23 | $ 7 | $ 15 |

**NOTE 19—LEASES**

N&B has operating and finance leases for real estate, certain machinery and equipment, and information technology assets. N&B's leases have remaining lease terms of approximately 1 year to 16 years. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend the lease when it is reasonably certain that N&B will exercise that option. Some leasing arrangements require variable payments that are dependent on usage, output, or may vary for other reasons, such as insurance and tax payments. The variable lease payments are not presented as part of the initial ROU asset or lease liability.

Certain of N&B's leases include residual value guarantees. These residual value guarantees are based on a percentage of the lessor's asset acquisition price and the amount of such guarantee declines over the course of the lease term. The portion of residual value guarantees that are probable of payment is included in the related lease liability in the Combined Balance Sheet other than certain finance leases that include the maximum residual value guarantee amount in the measurement of the related liability given the election to use the package of practical expedients at the date of adoption. At December 31, 2019, N&B has future maximum payments for residual value guarantees in operating leases of $4 million with final expirations through 2026. N&B's lease agreements do not contain any material restrictive covenants.

The components of lease cost for operating and finance leases for the year ended December 31, 2019 were as follows:

| (In millions) | *2019* |
|---|---|
| Operating lease cost | $ 44 |
| Finance lease cost | 1 |
| Short-term lease cost | 1 |
| Variable lease cost | 21 |
| Sublease income | (1) |
| Total lease cost | $ 66 |

Rental expense under operating leases, net of sublease rental income, was $31 million, $5 million, and $10 million for the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017.

Supplemental cash flow information related to leases was as follows:

| (In millions) | December 31, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $ 43 |
| Financing cash flows from finance leases | $ 1 |

New operating lease assets and liabilities entered into during the year ended December 31, 2019 were $17 million. Supplemental balance sheet information related to leases was as follows:

| (In millions) | December 31, 2019 |
|---|---|
| **Operating Leases** | |
| Operating lease right-of-use assets [1] | $ 123 |
| Current operating lease liabilities [2] | 30 |
| Noncurrent operating lease liabilities [3] | 94 |
| Total operating lease liabilities | $ 124 |
| **Finance Leases** | |
| Property, plant and equipment, gross | $ 10 |
| Accumulated depreciation | (4) |
| Property, plant and equipment, net | $ 6 |
| Short-term borrowings and finance lease obligations | $ 1 |

1. Included in “Other assets” in the Combined Balance Sheet.
2. Included in “Accrued and other current liabilities” in the Combined Balance Sheet.
3. Included in “Other liabilities” in the Combined Balance Sheet.

Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of N&B’s leases do not provide the lessor’s implicit rate, N&B uses Parent’s incremental borrowing rate at the commencement date in determining the present value of lease payments.

| Lease Term and Discount Rate | December 31, 2019 |
|---|---|
| Weighted-average remaining lease term (years) | |
| Operating leases | 6.13 |
| Finance leases | 0.75 |
| Weighted average discount rate | |
| Operating leases | 3.43% |
| Finance leases | 2.97% |

Maturities of lease liabilities were as follows:

| **Maturities of Lease Liabilities** (In millions) | Operating Leases | Finance Leases |
|---|---|---|
| 2020 | $ 34 | $ 1 |
| 2021 | 26 | — |
| 2022 | 22 | — |
| 2023 | 15 | — |
| 2024 and thereafter | 40 | — |
| Total lease payments | $ 137 | $ 1 |
| Less: Interest | 13 | — |
| Present Value of Lease Liabilities | $ 124 | $ 1 |

## NOTE 20—STOCK-BASED COMPENSATION

Prior to the DWDP Merger, N&B's employees participated in Historical EID's Equity and Incentive Plan (EIP). DuPont has authorized a plan to grant stock options, share appreciation rights, restricted stock units (RSUs), and performance-based restricted units (PSUs), among other types of awards, to directors, officers, and employees. All awards granted under these stock-based compensation plans are based on DuPont's common stock and are not indicative of the results that N&B would have experienced as an independent, stand-alone company for the periods presented.

Effective with the DWDP Merger, on August 31, 2017, DowDuPont assumed all Historical Dow and Historical EID equity incentive compensation awards outstanding immediately prior to the DWDP Merger. In addition, DowDuPont also assumed sponsorship of each equity incentive compensation plan of Historical EID and Historical Dow. Historical EID and Historical Dow did not merge their equity and incentive plans as a result of the DWDP Merger. The Historical EID and Historical Dow stock-based compensation plans were assumed by DowDuPont and remained in place with the ability to grant and issue DowDuPont common stock until the Corteva spin-off. Immediately following the Corteva spin-off, Parent adopted the DuPont Omnibus Incentive Plan ("DuPont OIP") which provides for equity-based and cash incentive awards to certain employees, directors, independent contractors and consultants. Upon adoption of the DuPont OIP, the Historical EID and Historical Dow plans were maintained and rolled into the DuPont OIP as separate subplans.

Parent grants stock-based compensation awards that vest over a specified period or upon employees meeting certain performance and/or retirement eligibility criteria. The fair value of equity instruments issued to employees is measured on the grant date. The fair value of liability instruments issued to employees is measured at the end of each quarter. The fair value of equity and liability instruments is expensed over the vesting period or, in the case of retirement, from the grant date to the date on which retirement eligibility provisions have been met and additional service is no longer required. N&B estimates expected forfeitures.

The total stock-based compensation cost included within the Combined Statements of Operations was $19 million, $20 million, $4 million, and $13 million for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017, respectively. The income tax benefits related to stock-based compensation arrangements were $5 million, $5 million, $1 million, and $5 million for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017, respectively.

Total unrecognized pre-tax compensation cost related to nonvested stock option awards of $2 million at December 31, 2019, is expected to be recognized over a weighted-average period of 1.6 years. Total unrecognized pre-tax compensation cost related to RSUs and PSUs of $11 million at December 31, 2019, is expected to be recognized over a weighted average period of 1.8 years.

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## NOTE 21—ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes and after-tax balances of each component of Accumulated Other Comprehensive Loss for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017:

| **Accumulated Other Comprehensive Loss** (In millions) | *Cumulative Translation Adjustment* | *Pension and OPEB* | *Total* |
|---|---|---|---|
| **January 1, 2017 through August 31, 2017** | | | |
| Balance at January 1, 2017 | $ (1,474) | $ (20) | $(1,494) |
| Other comprehensive income (loss) before reclassifications | 415 | (3) | 412 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | — | — |
| Net other comprehensive income (loss) | $ 415 | $ (3) | $ 412 |
| Balance at August 31, 2017 | $ (1,059) | $ (23) | $(1,082) |
| **September 1, 2017 through December 31, 2017** | | | |
| Balance at September 1, 2017 (remeasured upon DWDP Merger) | $ 20 | $ — | $ 20 |
| Other comprehensive loss before reclassifications | (142) | — | (142) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | — | — |
| Net other comprehensive loss | $ (142) | $ — | $ (142) |
| Balance at December 31, 2017 | $ (122) | $ — | $ (122) |
| **2018** | | | |
| Balance at January 1, 2018 | $ (122) | $ — | $ (122) |
| Other comprehensive (loss) income before reclassifications | (536) | 4 | (532) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | — | — |
| Net other comprehensive (loss) income | $ (536) | $ 4 | $ (532) |
| Balance at December 31, 2018 | $ (658) | $ 4 | $ (654) |
| **2019** | | | |
| Balance at January 1, 2019 | $ (658) | $ 4 | $ (654) |
| Other comprehensive loss before reclassifications | (176) | (2) | (178) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | — | — |
| Net other comprehensive loss | $ (176) | $ (2) | $ (178) |
| Balance at December 31, 2019 | $ (834) | $ 2 | $ (832) |

The tax effects on the net activity related to each component of other comprehensive income (loss) for the year ended December 31, 2019, the year ended December 31, 2018, the period September 1 through December 31, 2017, and the period January 1 through August 31, 2017 were as follows:

| **Tax Benefit (Expense)** | **Successor** | | | **Predecessor** |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| Tax benefit (expense) from income taxes related to other comprehensive income (loss) items | $ 2 | $ (1) | $ — | $ 5 |

## NOTE 22—FAIR VALUE MEASUREMENTS

### 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** (In millions) | *Significant Other Observable Inputs (Level 3)* | *Total Losses* |
|---|---|---|
| **2019** | | |
| Assets at fair value: | | |
| Investment in nonconsolidated affiliates | $ 3 | $ (63) |
| Goodwill | $ — | $ (674) |

As discussed in Note 7, during the second quarter of 2019, N&B recorded an other-than-temporary impairment charge, classified as Level 3 measurements, related to an equity method investment within the Health & Biosciences segment. The impairment charge of $63 million was recorded in "Restructuring and asset related charges, net" in the Combined Statements of Operations.

Additionally, as discussed in Note 14, during the second quarter of 2019, N&B recorded a goodwill impairment charge related to the Health & Biosciences segment.

## NOTE 23—GEOGRAPHIC INFORMATION

Sales are attributed to geographic areas based on customer location; long-lived assets are attributed to geographic areas based on asset location.

| **Net Trade Revenue by Geographic Region** | **Successor** | | | **Predecessor** |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| United States | $ 2,125 | $ 2,123 | $ 632 | $ 1,001 |
| Canada | 138 | 142 | 41 | 62 |
| EMEA [1] | 1,812 | 1,906 | 579 | 820 |
| Asia Pacific | 1,380 | 1,406 | 416 | 585 |
| Latin America | 621 | 639 | 217 | 342 |
| Total | $ 6,076 | $ 6,216 | $ 1,885 | $ 2,810 |

1. Europe, Middle East, and Africa.

| **Long-lived Assets by Geographic Region** | *December 31,* | | |
|---|---|---|---|
| (In millions) | *2019* | *2018* | *2017* |
| United States | $1,427 | $1,494 | $1,458 |
| EMEA [1] | 1,167 | 1,189 | 1,241 |
| Asia Pacific | 282 | 278 | 279 |
| Latin America | 105 | 100 | 104 |
| Total | $2,981 | $3,061 | $3,082 |

1. Europe, Middle East, and Africa.

## NOTE 24—SEGMENT INFORMATION

N&B's operations are classified into three reportable segments based on similar economic characteristics, the nature of products and production processes, end-use markets, channels of distribution and regulatory environment. N&B's reportable segments are Food & Beverage, Health & Biosciences, and Pharma Solutions. Major products by segment include Food & Beverage (Emulsifiers, Sweeteners, Functional Solutions, and Protein Solutions); Health & Biosciences (Dietary Supplements, Food Protection, Cultures, Enzymes and Microbial Control); and Pharma Solutions (Pharma Excipients, Industrial Applications, and Nitrocellulose). N&B operates globally in substantially all of its product lines.

N&B's measure of profit/loss for segment reporting purposes is Segment Operating EBITDA as this is the manner in which N&B's chief operating decision maker ("CODM") assesses performance and allocates resources. N&B defines Segment Operating EBITDA as earnings (net (loss) income) before interest, taxes on (loss) income, non-operating pension and other post-employment benefit costs, depreciation and amortization, exchange gains and losses, and corporate expenses, excluding certain significant items. N&B believes that its primary measure of segment profitability, Segment Operating EBITDA, provides relevant and meaningful information to investors about the ongoing operating results of N&B and underlying prospects of N&B. The accounting policies of the segments are the same as those described in "Note 2 – Summary of Significant Accounts Policies."

### Corporate Profile

N&B conducts its worldwide operations through global businesses which are reflected in the following reportable segments:

### Food & Beverage

Food & Beverage is N&B's innovative and broad portfolio of natural-based ingredients, including texturants, hydrocolloids, emulsifiers, sweeteners, plant-based proteins and systems for multiple ingredients, is marketed under the DANISCO® and SUPRO® brands, as well as others, and serves to enhance nutritional value, texture and functionality in a wide range of dairy, beverage, bakery and culinary applications. The major market for Food & Beverage is the industrial prepared foods market.

### Health & Biosciences

Health & Biosciences is the biotechnology driven portfolio of N&B, where enzymes, food cultures, probiotics and specialty ingredients for food and non-food applications are developed and produced. N&B's biotechnology- driven probiotics portfolio, including the HOWARU® brand, is a leading technology platform for dietary supplements supported by science-based health claims, with a growing portfolio of proprietary strains, and possesses among the highest potency and highest volume production capabilities in the market. Health & Biosciences is a leading producer of cultures for use in fermented foods such as yogurt, cheese and fermented beverages. It also uses industrial fermentation to produce enzymes and microorganisms that provide product and process performance benefits to household detergents, animal feed, ethanol production, human food and brewing. Health & Biosciences also offers a broad portfolio of formulated biocides for controlling microbial populations. The major markets for Health & Biosciences are the health and wellness market, food and beverage, animal nutrition, detergents, biofuels production, and microbial control solutions for oil and gas production, home and personal care and other industrial preservation markets.

### Pharma Solutions

Pharma Solutions is one of the world's largest producers of cellulosics- and alginates-based pharma excipients, used to improve the functionality and delivery of active pharmaceutical ingredients, including controlled or modified drug release formulations, and enabling the development of more effective pharma solutions, including those marketed under the AVICEL® brand. The primary market for Pharma Solutions is the oral dosage pharmaceuticals excipients market.

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The following table summarizes segment information for the Successor Periods as follows:

| **Segment Information** (In millions) | *Food & Beverage* | *Health & Biosciences* | *Pharma Solutions* | *Total* |
|---|---|---|---|---|
| *For the Year Ended December 31, 2019* | | | | |
| Net sales | $ 2,945 | $ 2,317 | $ 814 | $ 6,076 |
| Segment Operating EBITDA [1] | 586 | 617 | 225 | 1,428 |
| Depreciation and amortization | 279 | 324 | 72 | 675 |
| Equity in earnings (losses) of nonconsolidated affiliates | — | (1) | — | (1) |
| Total assets | 9,673 | 8,636 | 3,230 | 21,539 |
| Investment in nonconsolidated affiliates [2] | 3 | 31 | — | 34 |
| Capital expenditures [3] | 143 | 117 | 33 | 293 |
| *For the Year Ended December 31, 2018* | | | | |
| Net sales | $ 2,987 | $ 2,405 | $ 824 | $ 6,216 |
| Segment Operating EBITDA [1] | 605 | 658 | 204 | 1,467 |
| Depreciation and amortization | 299 | 271 | 91 | 661 |
| Equity in earnings (losses) of nonconsolidated affiliates | — | (1) | — | (1) |
| Total assets | 9,731 | 10,167 | 2,714 | 22,612 |
| Investment in nonconsolidated affiliates [2] | 2 | 101 | — | 103 |
| Capital expenditures [3] | 195 | 146 | 49 | 390 |
| *For the Period September 1 through December 31, 2017* | | | | |
| Net sales | $ 722 | $ 756 | $ 407 | $ 1,885 |
| Segment Operating EBITDA [1] | 167 | 184 | 32 | 383 |
| Depreciation and amortization | 88 | 77 | 26 | 191 |
| Equity in earnings (losses) of nonconsolidated affiliates | — | 2 | — | 2 |
| Total assets | 9,692 | 10,358 | 3,310 | 23,360 |
| Investment in nonconsolidated affiliates [2] | 2 | 98 | — | 100 |
| Capital expenditures [3] | 63 | 67 | 11 | 141 |

1. A reconciliation of "Net (loss) income" to Segment Operating EBITDA is provided in the table below.
2. Included in "Other assets".
3. Segment capital expenditures are presented on an accrual basis.

The following table summarizes segment information for the Predecessor Period as follows:

| **Segment Information** (In millions) | *Food & Beverage* | *Health & Biosciences* | *Pharma Solutions* | *Total* |
|---|---|---|---|---|
| *For the Period January 1 through August 31, 2017* | | | | |
| Net sales | $ 1,619 | $ 1,191 | $ — | $2,810 |
| Segment Operating EBITDA [1] | 258 | 371 | — | 629 |
| Depreciation and amortization | 105 | 110 | — | 215 |
| Equity in earnings (losses) of nonconsolidated affiliates | — | (6) | — | (6) |
| Total assets | 4,643 | 3,680 | — | 8,323 |
| Investment in nonconsolidated affiliates [2] | 3 | 24 | — | 27 |
| Capital expenditures [3] | 60 | 62 | — | 122 |

1. A reconciliation of "Net (loss) income" to Segment Operating EBITDA is provided in the table below.
2. Included in "Other assets".
3. Segment capital expenditures are presented on an accrual basis.

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**Reconciliation to Combined Financial Statements**

Net (loss) income in the Combined Statements of Operations reconciles to Segment Operating EBITDA as follows:

| **Reconciliation of Net (Loss) Income to Segment Operating EBITDA** (In millions) | **Successor** For the Year Ended December 31, 2019 | **Successor** For the Year Ended December 31, 2018 | **Successor** For the Period September 1 through December 31, 2017 | **Predecessor** For the Period January 1 through August 31, 2017 |
|---|---|---|---|---|
| Net (loss) income | $ (471) | $ 394 | $ 197 | $ 285 |
| + Taxes on (loss) income | 51 | 125 | (481) | 139 |
| (Loss) income before income taxes | $ (420) | $ 519 | $ (284) | $ 424 |
| + Depreciation and amortization | 675 | 661 | 191 | 215 |
| + Interest expense, net | 2 | 2 | 2 | 3 |
| + Non-operating pension & OPEB costs (benefit) [1] | 2 | (17) | (6) | 11 |
| - Foreign exchange (losses) gains, net [1] | (7) | (9) | 5 | (32) |
| - Significant items | (1,118) | (232) | (459) | 97 |
| - Other corporate costs [2] | (44) | (61) | (26) | (41) |
| Segment Operating EBITDA | $ 1,428 | $ 1,467 | $ 383 | $ 629 |

1. Included in “Other income, net”.
2. Consists of corporate overhead costs that were historically not allocated into management results.

The following tables summarize the pre-tax impact of significant items by segment that are excluded from Segment Operating EBITDA:

| **Significant Items by Segment for the Year Ended December 31, 2019** (In millions) | Food & Beverage | Health & Biosciences | Pharma Solutions | Total |
|---|---|---|---|---|
| Integration and separation costs [1] | $ (119) | $ (92) | $ (53) | $ (264) |
| Restructuring and asset related charges, net [2] | (30) | (123) | (27) | (180) |
| Goodwill impairment charge [3] | — | (674) | — | (674) |
| Total | $ (149) | $ (889) | $ (80) | $(1,118) |

1. Integration and separation costs related to post-DWDP Merger integration and separation activities, and, beginning in the fourth quarter of 2019, the separation of N&B.
2. Includes restructuring plans and asset related charges, which include other asset impairments. See Note 7 for additional information.
3. See Note 14 for additional information.

| **Significant Items by Segment for the Year Ended December 31, 2018** (In millions) | Food & Beverage | Health & Biosciences | Pharma Solutions | Total |
|---|---|---|---|---|
| Integration and separation costs [1] | $ (66) | $ (52) | $ (18) | $(136) |
| Inventory step-up amortization [2] | (1) | — | (66) | (67) |
| Restructuring and asset related charges, net [3] | (12) | (14) | (3) | (29) |
| Total | $ (79) | $ (66) | $ (87) | $(232) |

1. Integration and separation costs related to post-DWDP Merger integration and separation activities.

2. Includes the fair value step-up of inventories assumed as a result of the DWDP Merger and the acquisition of the H&N Business. See Note 4 for additional information.
3. Includes restructuring plans and asset related charges, which include other asset impairments. See Note 7 for additional information.

| **Significant Items by Segment for the Period September 1 through December 31, 2017** (In millions) | *Food & Beverage* | *Health & Biosciences* | *Pharma Solutions* | *Total* |
|---|---|---|---|---|
| Integration and separation costs [1] | $ (16) | $ (17) | $ (9) | $ (42) |
| Inventory step-up amortization [2] | (216) | (145) | (36) | (397) |
| Restructuring and asset related charges, net [3] | (8) | (8) | (4) | (20) |
| Total | $ (240) | $ (170) | $ (49) | $(459) |

1. Integration and separation costs related to post-DWDP Merger integration and separation activities.
2. Includes the fair value step-up of inventories assumed as a result of the DWDP Merger and the acquisition of the H&N Business. See Note 4 for additional information.
3. Includes restructuring plans and asset related charges, which include other asset impairments. See Note 7 for additional information.

| **Significant Items by Segment for the Period January 1 through August 31, 2017** (In millions) | *Food & Beverage* | *Health & Biosciences* | *Pharma Solutions* | *Total* |
|---|---|---|---|---|
| Integration and separation costs [1] | $ (33) | $ (24) | $ — | $ (57) |
| Restructuring and asset related charges, net [2] | (2) | (6) | — | (8) |
| Net gain on sale of business [3] | 162 | — | — | 162 |
| Total | $ 127 | $ (30) | $ — | $ 97 |

1. Integration and separation costs related to DWDP Merger integration and separation activities.
2. Includes restructuring plans and asset related charges, which include other asset impairments. See Note 7 for additional information.
3. Reflects the sale of the Historical EID's global food safety diagnostic business. See Note 5 for additional information.

## NOTE 25—SUBSEQUENT EVENTS

Other than those described in the notes to the Combined Financial Statements, no events have occurred after December 31, 2019, but before May 7, 2020, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the Combined Financial Statements.

**Schedule II**

**N&B**
**Valuation and Qualifying Accounts**

| | Successor | | | Predecessor |
|---|---|---|---|---|
| (In millions) | *For the Year Ended December 31, 2019* | *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* |
| **Accounts Receivable—Allowance for Doubtful Receivables** | | | | |
| Balance at beginning of period | $ 9 | $ 1 | $ — | $ 10 |
| Additions charged to expenses | — | 8 | 1 | 3 |
| Deductions from reserves [1] | (1) | — | — | (1) |
| Balance at end of period | $ 8 | $ 9 | $ 1 | $ 12 |
| **Inventory—Obsolescence Reserve** | | | | |
| Balance at beginning of period | $ 22 | $ 19 | $ 1 | $ 10 |
| Additions charged to expenses | 23 | 30 | 24 | 13 |
| Deductions from reserves [2] | (22) | (27) | (6) | (12) |
| Balance at end of period | $ 23 | $ 22 | $ 19 | $ 11 |
| **Deferred Tax Assets—Valuation Allowance** | | | | |
| Balance at beginning of period | $ 71 | $ 39 | $ 33 | $ 33 |
| Additions charged to expenses | 22 | 36 | 9 | 6 |
| Deductions from reserves [3] | (7) | (4) | (3) | (6) |
| Balance at end of period | $ 86 | $ 71 | $ 39 | $ 33 |

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

## UNAUDITED CONDENSED COMBINED PRO FORMA INFORMATION OF IFF AND THE N&B BUSINESS

The following unaudited condensed combined pro forma financial statements and notes thereto have been prepared by IFF in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses”, in order to give effect to the Transactions (as defined below). The Merger (as defined below) is accounted for under the acquisition method of accounting in accordance with ASC 805. The unaudited condensed combined pro forma financial information contains only adjustments that depict the accounting for the Transactions required by U.S. Generally Accepted Accounting Principles (“U.S. GAAP”).

On February 1, 2021 (the “Closing Date”), International Flavors & Fragrances Inc. (“IFF”) consummated the previously announced combination of IFF and the Nutrition & Biosciences business (the “N&B Business”) of DuPont de Nemours, Inc. (“DuPont”) pursuant to that certain Agreement and Plan of Merger dated as of December 15, 2019 (the “Merger Agreement”), by and among DuPont, Nutrition & Biosciences, Inc., a Delaware corporation and wholly owned subsidiary of DuPont (“N&B”), IFF, and Neptune Merger Sub I Inc., a Delaware corporation and wholly owned subsidiary of IFF (“Merger Sub I”) and that certain Separation and Distribution Agreement, dated as of December 15, 2019, and amended on January 22, 2021 and February 1, 2021 (as amended, the “Separation Agreement”), by and among IFF, DuPont, N&B and Neptune Merger Sub II LLC (the transactions contemplated by the Transaction Documents (as defined in the Merger Agreement), the “Transactions”).

The Transactions were completed on the Closing Date in accordance with the Merger Agreement and the Separation Agreement, pursuant to which and subject to the terms and conditions therein, (1) DuPont transferred the N&B Business to N&B (generally referred to herein as the Separation), (2) N&B made a cash distribution to DuPont equal to $7,359,477, subject to post-closing adjustment pursuant to the terms of the Separation Agreement, (3) DuPont distributed to its stockholders all of the issued and outstanding shares of N&B common stock by way of an exchange offer (generally referred to herein as the Distribution) and (4) Merger Sub I merged with and into N&B, with N&B as the surviving corporation (generally referred to herein as the Merger). As a result of the Merger, the existing shares of N&B common stock were automatically converted into the right to receive a number of shares of IFF common stock. After the Merger was completed, holders (or, if such holders exchange all of their shares of DuPont common stock in the Exchange Offer, also former holders) of DuPont’s common stock that received shares of N&B common stock in the Distribution owned approximately 55.4% of the outstanding shares of IFF common stock on a fully diluted basis and existing holders of IFF common stock immediately prior to the Merger owned approximately 44.6% of the outstanding shares of IFF common stock on a fully diluted basis, in each case, excluding any overlaps in the pre-Merger stockholder bases.

IFF is determined to be the legal and accounting acquirer of N&B. In identifying IFF as the accounting acquirer, the companies considered the structure of the Transactions and other actions contemplated by the Merger Agreement, relative outstanding share ownership and market values, the composition of the combined company’s board of directors, the relative size of IFF and the N&B Business and the designation of certain senior management positions of the combined company.

The unaudited condensed combined pro forma financial information, including the notes thereto, should be read in conjunction with the following historical financial statements and accompanying notes for the applicable periods:

- IFF’s audited consolidated financial statements for the year ended December 31, 2019 included in IFF’s Annual Report on Form 10-K which was filed with the SEC on March 3, 2020 (except for items recast in its Current Report on Form 8-K filed with the SEC on June 18, 2020);
- IFF’s unaudited consolidated financial statements for the nine months ended September 30, 2020 included in IFF’s Form 10-Q which was filed with the SEC on November 9, 2020; and
- The N&B Business’s audited combined financial statements for the year ended December 31, 2019 and unaudited combined financial statements for the nine months ended September 30, 2020 included in this filing.

The unaudited condensed combined pro forma statements of income for the year ended December 31, 2019 and the nine months ended September 30, 2020 combine the historical consolidated statements of income and comprehensive income of IFF and the historical combined statements of operations for the N&B Business, giving effect to the Transactions as if they had been consummated on January 1, 2019, the beginning of the earliest period presented. The unaudited condensed combined pro forma balance sheet combines the historical unaudited consolidated balance sheet of IFF as of September 30, 2020 and the historical unaudited condensed combined balance sheet of the N&B Business as of September 30, 2020, giving effect to the Transactions as if they had been consummated on September 30, 2020. The unaudited condensed combined pro forma financial statements are based on the assumptions, adjustments and eliminations described in the accompanying notes to the unaudited condensed combined pro forma financial information.

IFF has historically operated on a 52/53-week fiscal year on the Friday nearest to the last day of the year or the quarter, which was January 3, 2020 for fiscal year 2019 and October 2, 2020 for the third quarter of fiscal year 2020. The N&B Business reports its results of operations on a calendar year basis. The differences in the periods were not significant to the unaudited condensed combined pro forma financial statements. For ease of presentation, September 30 and December 31 are used consistently throughout the financial statements and notes to represent the period-end dates.

The historical combined financial statements of the N&B Business have been derived from DuPont's accounting records as if the N&B Business's operations had been conducted independently from those of DuPont and were prepared on a stand-alone basis in accordance with GAAP and pursuant to the rules and regulations of the SEC. The historical combined financial statements of the N&B Business may not be indicative of what they would have been had the N&B Business actually been an independent stand-alone entity, nor are they necessarily indicative of the N&B Business's future results of operations and financial position. The combined statements of operations and comprehensive (loss) income of the N&B Business reflect allocations of general corporate expenses from DuPont including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services, and restructuring and Dow-DuPont ("DWDP") integration activities related to these functions. These allocations were made on the basis of revenue, expenses, headcount or other relevant measures. Management of the N&B Business and DuPont considers these allocations to be an overall reasonable reflection of the utilization of services by, or the benefits provided to, the N&B Business, in the aggregate. The allocations may not, however, reflect the expenses the N&B Business would have incurred as a stand-alone company for the periods presented. See Note 1 to the N&B Business's financial statements included elsewhere in this filing.

As a separate reporting segment of DuPont, the N&B Business has been able to receive services from DuPont. Following the Transactions, IFF will need to replace these services either by providing them internally from IFF's existing services or by obtaining them from unaffiliated third parties. These services include certain corporate level functions of which the effective and appropriate performance is critical to the operations of the N&B Business and the combined company following the Merger. While DuPont will provide certain services on a transitional basis pursuant to the Transition Services Agreements entered into by DuPont and N&B on the Closing Date (the "Transition Services Agreements"), the duration of such services is generally limited to no longer than three years from the date of the Separation for information technology services and no longer than two years from the date of the Separation for all other services. IFF may be unable to replace these services in a timely manner or on terms and conditions as favorable as those the N&B Business currently receives from DuPont. The costs for these services could in the aggregate be higher than the combination of IFF's current costs and those reflected in the historical financial statements of the N&B Business.

The unaudited condensed combined pro forma financial information does not reflect any anticipated synergies or dis-synergies, operating efficiencies or cost savings that may result from the Merger or potential divestitures that may occur prior to, or subsequent to, the completion of the Merger or any acquisition and integration costs that may be incurred.

The unaudited condensed combined pro forma financial information is being presented for illustrative purposes only and, therefore, is not necessarily indicative of the consolidated results of operations or financial position that might have been achieved by the combined company for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position of the combined company that may occur in the future. The unaudited condensed combined pro forma financial information has been prepared by IFF management and is based on the estimates and assumptions set forth in the notes to such information. The pro forma adjustments included in this document are preliminary and subject to modification based on changes in interest rates, changes in share prices, the final determination of the fair value of the assets acquired and liabilities assumed, additional analysis, and additional information that may become available, which may cause the final adjustments to be materially different from the condensed combined pro forma financial statements presented in this filing.

The pro forma purchase price allocation of the N&B Business's assets acquired and liabilities assumed is based on preliminary estimates of the fair values of the assets acquired and liabilities assumed, and the pro forma financial statements are based upon available information and certain assumptions that IFF management believes are factually supportable as of the date of this document. The process of evaluating accounting policies for conformity is still in the preliminary stages. The completion of the valuation, accounting for the Transactions and the allocation of the purchase price may be different than that of the amounts reflected in the pro forma purchase price allocation, and any differences could be material. Such differences could affect the purchase price and allocation of the purchase price, which may affect the value assigned to the tangible or intangible assets and amount of depreciation and amortization expense recorded in the combined statements of income. IFF management is currently performing a detailed review of the N&B Business's accounting policies and may identify additional differences, which could have a material impact on the unaudited combined pro forma financial information.

## IFF AND THE N&B BUSINESS
## UNAUDITED CONDENSED COMBINED PRO FORMA BALANCE SHEET
## AS OF SEPTEMBER 30, 2020
## (In USD thousands)

| | | | Transaction Accounting Adjustments | | | | |
|---|---|---|---|---|---|---|---|
| | Historical IFF | Historical N&B Business after reclassification (Note 3) | Pre-merger adjustments | Note | Merger adjustments | Note | Pro forma combined |
| **Assets** | | | | | | | |
| **Current assets:** | | | | | | | |
| Cash and cash equivalents | $ 469,840 | $ — | $ 198,422 | 5 | $ (91,868) | 8a | $ 576,394 |
| Restricted cash | 12,841 | — | — | | — | | 12,841 |
| Trade receivables | 928,625 | 954,098 | — | | — | | 1,882,723 |
| Inventories | 1,151,281 | 1,438,467 | — | | 422,633 | 7 | 3,012,381 |
| Prepaid expenses and other current assets | 383,618 | 222,842 | — | | — | | 606,460 |
| Total current assets | 2,946,205 | 2,615,407 | 198,422 | | 330,765 | | 6,090,799 |
| Property, plant and equipment, net | 1,380,423 | 2,988,527 | 22,356 | 4b | 400,217 | 7 | 4,791,523 |
| Goodwill | 5,427,482 | 11,406,009 | — | | (22,548) | 7 | 16,810,943 |
| Other intangible assets, net | 2,675,482 | 3,360,279 | (290,813) | 4c | 6,041,784 | 7 | 11,786,732 |
| Deferred income tax assets | — | 26,684 | 41,610 | 8b | — | | 68,294 |
| Restricted cash | 845 | 6,205,817 | (6,205,817) | 5 | — | | 845 |
| Other assets | 654,937 | 426,170 | 402,270 | 5 | — | | 1,483,377 |
| **Total assets** | **$13,085,374** | **$ 27,028,893** | **$(5,831,972)** | | **$ 6,750,218** | | **$41,032,513** |
| **Liabilities and shareholders' equity** | | | | | | | |
| **Current liabilities:** | | | | | | | |
| Bank borrowings, overdrafts and current portion of long-term debt | $ 440,962 | $ — | $ 102,082 | 4f | $ — | | $ 543,044 |
| Accounts payable | 505,259 | 559,506 | — | | — | | 1,064,765 |
| Other current liabilities | 670,038 | 437,897 | 10,399 | 5 | (12,907) | 8a | 1,105,427 |
| Total current liabilities | 1,616,259 | 997,403 | 112,481 | | (12,907) | | 2,713,236 |
| Long-term debt | 3,890,762 | 6,191,782 | 1,248,237 | 5 | 243,738 | 7 | 11,574,519 |
| Retirement liabilities | 257,993 | 49,793 | 148,343 | 4a | — | | 456,129 |
| Deferred income taxes | 612,744 | 869,809 | (68,691) | 8b | 1,623,940 | 7 | 3,037,802 |
| Other liabilities | 517,296 | 287,137 | 380,154 | 5 | — | | 1,184,587 |
| **Total liabilities** | **6,895,054** | **8,395,924** | **1,820,524** | | **1,854,771** | | **18,966,273** |
| **Redeemable noncontrolling interests** | 100,005 | — | — | | — | | 100,005 |
| **Shareholders' equity:** | | | | | | | |
| Common stock | 16,066 | — | — | | 17,718 | 6 | 33,784 |
| Capital in excess of par value | 3,847,824 | — | — | | 15,911,075 | 6 | 19,758,899 |
| Retained earnings | 4,170,894 | — | — | | (78,961) | 8a | 4,091,933 |
| Parent company net investment | — | 19,156,971 | (7,591,278) | 5 | (11,565,693) | 6 | — |
| Accumulated other comprehensive income (loss) | (939,419) | (550,090) | (61,218) | 4a | 611,308 | 6 | (939,419) |
| Treasury stock, at cost | (1,017,158) | — | — | | — | | (1,017,158) |
| Total shareholders' equity | 6,078,207 | 18,606,881 | (7,652,496) | | 4,895,447 | | 21,928,039 |
| Noncontrolling interests | 12,108 | 26,088 | — | | — | | 38,196 |
| **Total shareholders' equity including NCI** | **6,090,315** | **18,632,969** | **(7,652,496)** | | **4,895,447** | | **21,966,235** |
| **Total liabilities and shareholders' equity** | **$13,085,374** | **$ 27,028,893** | **$(5,831,972)** | | **$ 6,750,218** | | **$41,032,513** |

See the accompanying "Notes to the Unaudited Condensed Combined Pro Forma Financial Statements" beginning on page 7, which are an integral part hereof. The pro forma adjustments are explained in the notes below.

**IFF AND THE N&B BUSINESS**
**UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENT OF INCOME**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**
**(in USD thousands, except per share amounts)**

| | Historical IFF | Historical N&B Business after reclassification (Note 3) | Transaction Accounting Adjustments: Pre-merger adjustments | Note | Transaction Accounting Adjustments: Merger adjustments | Note | Pro forma combined |
|---|---|---|---|---|---|---|---|
| Net sales | $3,814,166 | $ 4,556,710 | $ — | | $ — | | $8,370,876 |
| Cost of goods sold | 2,242,030 | 2,966,194 | — | | 26,101 | 7 | 5,234,325 |
| *Gross profit* | 1,572,136 | 1,590,516 | — | | (26,101) | | 3,136,551 |
| Research and development expenses | 256,825 | 195,524 | — | | — | | 452,349 |
| Selling and administrative expenses | 694,641 | 829,394 | — | | — | | 1,524,035 |
| Restructuring and other charges, net | 8,299 | 11,388 | — | | — | | 19,687 |
| Amortization of acquisition-related intangibles | 144,922 | 1,063,820 | (836,461) | 4c | 186,261 | 7 | 558,542 |
| Losses (gains) on sales of fixed assets | 1,568 | — | — | | — | | 1,568 |
| *Total expenses* | 1,106,255 | 2,100,126 | (836,461) | | 186,261 | | 2,556,181 |
| *Operating profit (loss)* | 465,881 | (509,610) | 836,461 | | (212,362) | | 580,370 |
| Interest expense | 99,046 | 54,447 | 124,145 | 5 | (12,700) | 7 | 264,938 |
| Other expense (income), net | 4,762 | 6,516 | — | | — | | 11,278 |
| *Total other (income) expense* | 103,808 | 60,963 | 124,145 | | (12,700) | | 276,216 |
| Income (loss) before taxes | 362,073 | (570,573) | 712,316 | | (199,662) | | 304,154 |
| Taxes on income (loss) | 61,265 | (121,944) | 177,335 | 8b | (49,257) | 8b | 67,399 |
| Net income (loss) | 300,808 | (448,629) | 534,981 | | (150,405) | | 236,755 |
| Net income (loss) attributable to noncontrolling interests | 5,169 | (126) | — | | — | | 5,043 |
| Net income (loss) attributable to common shareholders | $ 295,639 | $ (448,503) | $ 534,981 | | $(150,405) | | $ 231,712 |
| Net income per share — basic | $ 2.68 | $ — | | | | | $ 0.91 |
| Net income per share — diluted | $ 2.64 | $ — | | | | | $ 0.91 |
| Average number of shares outstanding - basic | 112,148 | | | | | | 253,888 |
| Average number of shares outstanding - diluted | 113,631 | | | | | | 255,371 |

See the accompanying “Notes to the Unaudited Condensed Combined Pro Forma Financial Statements” beginning on page 7, which are an integral part hereof. The pro forma adjustments are explained in the notes below.

**IFF AND THE N&B BUSINESS**
**UNAUDITED CONDENSED COMBINED PRO FORMA STATEMENT OF INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(in USD thousands, except per share amounts)**

| | Historical IFF | Historical N&B Business after reclassification (Note 3) | Transaction Accounting Adjustments: Pre-merger adjustments | Note | Transaction Accounting Adjustments: Merger adjustments | Note | Pro forma combined |
|---|---|---|---|---|---|---|---|
| Net sales | $5,140,084 | $ 6,076,156 | $ — | | $ — | | $11,216,240 |
| Cost of goods sold | 3,027,336 | 4,043,065 | — | | 457,434 | 7 | 7,527,835 |
| *Gross profit* | 2,112,748 | 2,033,091 | — | | (457,434) | | 3,688,405 |
| Research and development expenses | 346,128 | 287,754 | — | | — | | 633,882 |
| Selling and administrative expenses | 876,121 | 968,605 | — | | 91,868 | 8a | 1,936,594 |
| Restructuring and other charges, net | 29,765 | 117,350 | — | | — | | 147,115 |
| Amortization of acquisition-related intangibles | 193,097 | 349,284 | (47,969) | 4c | 250,179 | 7 | 744,591 |
| Goodwill and equity method investment impairment | — | 736,566 | — | | — | | 736,566 |
| Losses (gains) on sales of fixed assets | 2,367 | (13,000) | — | | — | | (10,633) |
| *Total expenses* | 1,447,478 | 2,446,559 | (47,969) | | 342,047 | | 4,188,115 |
| *Operating profit (loss)* | 665,270 | (413,468) | 47,969 | | (799,481) | | (499,710) |
| Interest expense | 138,221 | 2,094 | 174,044 | 5 | (16,934) | 7 | 297,425 |
| Other expense (income), net | (30,403) | 4,623 | — | | — | | (25,780) |
| *Total other (income) expense* | 107,818 | 6,717 | 174,044 | | (16,934) | | 271,645 |
| Income (loss) before taxes | 557,452 | (420,185) | (126,075) | | (782,547) | | (771,355) |
| Taxes on income (loss) | 97,184 | 51,370 | (28,453) | 8b | (167,037) | 8b | (46,936) |
| Net income (loss) | 460,268 | (471,555) | (97,622) | | (615,510) | | (724,419) |
| Net income (loss) attributable to noncontrolling interests | 4,395 | 552 | — | | — | | 4,947 |
| Net income (loss) attributable to common shareholders | $ 455,873 | $ (472,107) | $ (97,622) | | $(615,510) | | $ (729,366) |
| Net income (loss) per share — basic | $ 4.05 | $ — | | | | | $ (2.87) |
| Net income (loss) per share — diluted | $ 4.00 | $ — | | | | | $ (2.87) |
| Average number of shares outstanding - basic | 111,966 | | | | | | 253,706 |
| Average number of shares outstanding - diluted | 113,307 | | | | | | 253,706 |

See the accompanying “Notes to the Unaudited Condensed Combined Pro Forma Financial Statements” beginning on page 7, which are an integral part hereof. The pro forma adjustments are explained in the notes below.

**1) DESCRIPTION OF TRANSACTION**

On February 1, 2021, IFF consummated the previously announced combination of IFF and the N&B Business in accordance with the Merger Agreement and Separation Agreement, pursuant to which and subject to the terms and conditions therein:

- DuPont transferred the N&B Business to N&B,
- N&B made a cash distribution to DuPont equal to $7,359,477 in accordance with the calculation prescribed in the Separation Agreement and subject to post-closing adjustment pursuant to the terms of the Separation Agreement,
- DuPont distributed to its stockholders all of the issued and outstanding shares of N&B common stock by way of an exchange offer, and
- Merger Sub I merged with and into N&B, with N&B as the surviving corporation.

As a result of the Merger, the existing shares of N&B common stock were automatically converted into the right to receive a number of shares of IFF common stock. Subsequent to the Merger being completed, holders (or, if such holders exchange all of their shares of DuPont common stock in the Exchange Offer, also former holders) of DuPont's common stock that received shares of N&B common stock in the Distribution owned approximately 55.4% of the outstanding shares of IFF common stock on a fully diluted basis and existing holders of IFF common stock immediately prior to the Merger owned approximately 44.6% of the outstanding shares of IFF common stock on a fully diluted basis, in each case, excluding any overlaps in the pre-Merger stockholder bases. The Distribution and the Merger are a Reverse Morris Trust transaction and are expected to be tax-free to DuPont stockholders for U.S. federal income tax purposes, except to the extent that cash is paid to DuPont stockholders in lieu of fractional shares in the Distribution or the Merger.

As described above, prior to the Distribution, N&B made the Special Cash Payment to DuPont amounting to $7,359,477 in cash, in accordance with the calculation prescribed in the Separation Agreement and subject to post-closing adjustment pursuant to the terms of the Separation Agreement.

The Special Cash Payment was funded by newly issued debt treated as assumed by the combined company in the Merger pursuant to ASC 805. See Note 5 for more details.

**2) BASIS OF PRESENTATION**

The unaudited condensed combined pro forma financial statements are prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses." after giving effect to the Merger and other adjustments related to the Transactions. The Merger is being accounted for as a business combination with IFF as the legal and accounting acquirer. The unaudited condensed combined pro forma statements of income are presented as if these Transactions occurred on January 1, 2019. The unaudited condensed combined pro forma balance sheet is presented as if these Transactions occurred on September 30, 2020.

The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give pro forma effect to Transaction Accounting Adjustments that reflect the accounting for the transaction under U.S. GAAP. Article 11 of Regulation S-X permits presentation of reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur ("Management's Adjustments"). IFF has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the unaudited pro forma condensed combined financial information. The unaudited condensed combined pro forma financial statements are derived from IFF's historical consolidated financial statements and the N&B Business's historical combined financial statements for each period presented. The N&B Business's historical combined financial statements have been prepared on a "carve-out" basis from DuPont's consolidated financial statements using the historical results of operations, assets and liabilities of the N&B Business and include allocations of expenses from DuPont. All of the allocations and estimates in such financial statements are based on assumptions that DuPont's management believes are reasonable, in the aggregate. As a result, the N&B Business's historical financial statements may not necessarily reflect what its financial condition and results of operations would have been had the N&B Business been an independent, stand-alone entity during the periods presented.

The preparation of unaudited condensed combined pro forma financial statements requires IFF and N&B management to make estimates and assumptions that affect the amounts reported in such financial statements and the notes thereto. These unaudited condensed combined pro forma financial statements, including the preliminary purchase price allocation, are presented for illustrative purposes only and do not necessarily reflect the operating results or financial position that would have occurred if the Transactions had been consummated on the dates indicated, nor is it necessarily indicative of the results of operations or financial condition that may be expected for any future period or date. Accordingly, such information should not be relied upon as an indicator of future performance, financial condition or liquidity.

Based on a preliminary review of the accounting policies of IFF and the N&B Business, IFF is not aware of any differences that would have a material impact on the unaudited condensed combined pro forma financial statements. IFF is currently performing a full and detailed review of the N&B Business's accounting policies and financial statements. As a result of the review, accounting policy differences may be identified and these differences, when identified, could have a material impact on the unaudited pro forma financial statements. Certain items included in the N&B Business's historical combined financial statements have been reclassified to conform to IFF's basis of presentation (See Note 3).

## 3) RECLASSIFICATION ADJUSTMENTS

Certain reclassifications have been made on a preliminary basis to the historical presentation of combined statements of operations and condensed combined balance sheet of the N&B Business included within the unaudited condensed combined pro forma financial information to conform to the financial statement presentation of IFF. IFF is currently performing a full and detailed review of the N&B Business's accounting policies and financial statements. As a result of that review, IFF may identify additional differences between the accounting policies and financial statements presentation of the two companies that, when conformed, could have a material impact on the consolidated financial statements of the combined company. The following tables indicate the reclassification made for the purpose of unaudited pro forma financial statements included in this filing:

**Balance Sheet Reclassifications**
**As of September 30, 2020**
**(In USD thousand)**

| | Historical N&B Business | Reclassification adjustment | Note | Historical N&B Business after reclassification |
|---|---|---|---|---|
| **Current assets:** | | | | |
| Accounts and notes receivable, net | $ 1,123,784 | $ (1,123,784) | 3a,3b | $ — |
| Trade receivables | — | 954,098 | 3a | 954,098 |
| Inventories | 1,438,467 | — | | 1,438,467 |
| Prepaid expenses and other current assets | 53,156 | 169,686 | 3b | 222,842 |
| Total current assets | 2,615,407 | — | | 2,615,407 |
| **Noncurrent assets:** | | | | |
| Property, plant and equipment, net | 2,988,527 | — | | 2,988,527 |
| Goodwill | 11,406,009 | — | | 11,406,009 |
| Other intangible assets, net | 3,360,279 | — | | 3,360,279 |
| Deferred income tax assets | 26,684 | — | | 26,684 |
| Restricted cash | 6,205,817 | — | | 6,205,817 |
| Other assets | 426,170 | — | | 426,170 |
| Total noncurrent assets | 24,413,486 | — | | 24,413,486 |
| **Total assets** | **$ 27,028,893** | **$ —** | | **$ 27,028,893** |
| **Liabilities and equity:** | | | | |
| **Current liabilities** | | | | |
| Accounts payable | $ 680,460 | $ (120,954) | 3c | $ 559,506 |
| Employee compensation and benefits | 128,201 | (128,201) | 3d | — |
| Income taxes payable | 70,219 | (70,219) | 3d | — |
| Accrued and other current liabilities | 118,523 | (118,523) | 3d | — |
| Other current liabilities | — | 437,897 | 3c,3d | 437,897 |
| Total current liabilities | 997,403 | — | | 997,403 |
| **Non-current liabilities** | | | | |
| Long-term debt | 6,191,782 | — | | 6,191,782 |
| Deferred income taxes | 869,809 | — | | 869,809 |
| Retirement liabilities | — | 49,793 | 3e | 49,793 |
| Other liabilities | 336,930 | (49,793) | 3e | 287,137 |
| Total noncurrent liabilities | 7,398,521 | — | | 7,398,521 |
| **Total liabilities** | 8,395,924 | — | | 8,395,924 |
| **Equity** | | | | |
| Parent company net investment | 19,156,971 | — | | 19,156,971 |
| Accumulated other comprehensive loss | (550,090) | — | | (550,090) |
| Total N&B equity | 18,606,881 | — | | 18,606,881 |
| Noncontrolling interests | 26,088 | — | | 26,088 |
| **Total equity** | 18,632,969 | — | | 18,632,969 |
| **Total liabilities and equity** | **$ 27,028,893** | **$ —** | | **$ 27,028,893** |

The following items represent certain reclassifications of the historical N&B Business's financial statement line items to conform to the expected financial statement line items of the combined company including:

**Statement of Income Reclassifications**
**For the nine months ended September 30, 2020**
**(In USD thousand)**

| | Historical N&B Business | Reclassification adjustment | Note | Historical N&B Business after reclassification |
|---|---|---|---|---|
| ***Revenue:*** | | | | |
| Net sales | $ 4,556,710 | $ — | | $ 4,556,710 |
| Cost of goods sold | 2,966,194 | — | | 2,966,194 |
| *Gross profit* | 1,590,516 | — | | 1,590,516 |
| Research and development expenses | 195,524 | — | | 195,524 |
| Selling and administrative expenses | 478,688 | 350,706 | 3f | 829,394 |
| Amortization of acquisition-related intangibles | 1,063,820 | — | | 1,063,820 |
| Restructuring and asset related charges, net | 11,388 | (11,388) | 3g | — |
| Restructuring and other charges, net | — | 11,388 | 3g | 11,388 |
| Integration and separation costs | 350,706 | (350,706) | 3f | — |
| Interest expense | — | 54,447 | 3h | 54,447 |
| Other expense (income), net | 60,963 | (54,447) | 3h | 6,516 |
| **Loss before income taxes** | (570,573) | — | | (570,573) |
| Taxes on (loss) income | (121,944) | — | | (121,944) |
| **Net loss** | (448,629) | — | | (448,629) |
| Net loss attributable to noncontrolling interests | (126) | — | | (126) |
| **Net loss attributable to N&B's shareholders** | $ (448,503) | $ — | | $ (448,503) |

**Statement of Income Reclassifications**
**For the year ended December 31, 2019**
**(In USD thousand)**

| | Historical N&B Business (audited) | Reclassification adjustment | Note | Historical N&B Business after reclassification |
|---|---|---|---|---|
| ***Revenue:*** | | | | |
| Net sales | $ 6,076,156 | $ — | | $ 6,076,156 |
| Cost of goods sold | 4,043,065 | — | | 4,043,065 |
| *Gross profit* | 2,033,091 | — | | 2,033,091 |
| Research and development expenses | 287,754 | — | | 287,754 |
| Selling and administrative expenses | 704,426 | 264,179 | 3f | 968,605 |
| Amortization of acquisition-related intangibles | 349,284 | — | | 349,284 |
| Restructuring and asset related charges, net | 180,350 | (180,350) | 3g | — |
| Restructuring and other charges, net | — | 117,350 | 3g | 117,350 |
| Goodwill impairment charge | 673,566 | (673,566) | 3i | — |
| Goodwill and equity method investment impairment | — | 736,566 | 3g,3i | 736,566 |
| Losses (gains) on sales of fixed assets | — | (13,000) | 3j | (13,000) |
| Integration and separation costs | 264,179 | (264,179) | 3f | — |
| Interest expense | — | 2,094 | 3h | 2,094 |
| Other expense (income), net | (6,283) | 10,906 | 3h,3j | 4,623 |
| **Loss before income taxes** | (420,185) | — | | (420,185) |
| Taxes on (loss) income | 51,370 | — | | 51,370 |
| **Net loss** | (471,555) | — | | (471,555) |
| Net income (loss) attributable to noncontrolling interests | 552 | — | | 552 |
| **Net loss attributable to N&B's shareholders** | $ (472,107) | $ — | | $ (472,107) |

The following items represent certain reclassifications of the historical N&B Business's financial statement line items to conform to the expected financial statement line items of the combined company including:

***Balance sheet items:***

a) Accounts receivable, net of $954,098 included in Accounts and notes receivable, net have been reclassified to Trade receivables;

b) Notes receivable and other miscellaneous receivables of $169,686 included in Accounts and notes receivable, net have been reclassified to Prepaid expenses and other current assets;

c) Other payables of $120,954 included in Accounts payable have been reclassified to Other current liabilities;

d) Employee compensation and benefits, Income taxes payable and Accrued and other current liabilities have been combined into Other current liabilities;

e) Net funded status of single employer plans amounting to $49,793 included in Other liabilities have been reclassified to Retirement liabilities.

***Statement of income items:***

f) Integration and separation costs of $350,706 and $264,179 for the nine months ended September 30, 2020 and for the year ended December 31, 2019, respectively, have been reclassified to Selling and administrative expenses;

g) Equity method investment impairment loss of $63,000 for the year ended December 31, 2019, included in Restructuring and asset related charges, net has been reclassified to Goodwill and equity method investment impairment, and remaining expenses included in Restructuring and asset related charges, net have been reclassified to Restructuring and other charges, net for the nine months ended September 30, 2020 and for the year ended December 31, 2019;

h) Interest expense, including amortization of financing fee, of $54,447 and $2,094 for the nine months ended September 30, 2020 and for the year ended December 31, 2019, respectively, included in Other expense (income), net have been reclassified to Interest expense;

i) Goodwill impairment charge for the year ended December 31, 2019 has been reclassified to Goodwill and equity method investment impairment;

j) Gains on sale of assets of $13,000 for the year ended December 31, 2019 included in Other expense (income), net have been reclassified to Losses (gains) on sales of fixed assets.

## 4) SEPARATION ADJUSTMENTS

The N&B Business's historical combined financial statements include certain assets and liabilities that have historically been held at the DuPont corporate level but are specifically identifiable or otherwise attributable to the N&B Business. In addition, the historical statements of operations for the N&B Business reflect allocations of general corporate expenses from DuPont including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services, and restructuring and DWDP integration activities related to these functions. These allocations were made on the basis of revenue, expenses, headcount or other relevant measures. Management of the N&B Business and DuPont consider these allocations to be an overall reasonable reflection of the utilization of services by, or the benefits provided to, the N&B Business, in the aggregate. The allocations may not, however, reflect the expenses the N&B Business would have incurred as a stand-alone company for the periods presented. Actual costs that may have been incurred if the N&B Business had been a stand-alone company could have been materially different (higher or lower) and would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following the Transactions, certain functions such as information technology and infrastructure will be performed by IFF (utilizing IFF's existing capabilities, the N&B Business's own resources acquired by IFF as part of the Transactions, or a combination of both) or third-party service providers. For an interim period, however, some of these functions will continue to be provided by DuPont under the Transition Services Agreements. The duration of such services is generally limited to no longer than three years from the date of the Separation for information technology services and no longer than two years from the date of the Separation for all other services and the total of service fees payable by N&B (and as such a cost of the combined company) may not exceed $45 million in any calendar year, and as such any costs or expenses in excess of that for services provided will be borne by DuPont. IFF may be unable to replace these services in a timely manner or on terms and conditions as favorable as those the N&B Business currently receives from DuPont. The costs for these services could in the aggregate be higher than the combination of IFF's current costs and those reflected in the historical financial statements of the N&B Business.

In accordance with the Separation Agreement, certain assets and liabilities have been transferred by DuPont to N&B that are currently not reflected in the historical balance sheet of the N&B Business. In addition, the historical balance sheet of the N&B Business reflects certain assets that were not acquired and certain liabilities that were not assumed as part of the Transactions. Therefore, the following adjustments are included in the unaudited condensed combined pro forma balance sheet and in the unaudited condensed combined pro forma statements of income to reflect the impact of inclusion or exclusion of these costs, assets and liabilities, as necessary:

a) Pro forma adjustments have been posted to reflect the impact of defined benefit plans of DuPont that have been transferred to N&B as part of the Separation. The costs, assets, and liabilities associated with the single-employer plans are reflected in the historical combined financial statements of the N&B Business. In addition to the single-employer plans, DuPont offers both funded and unfunded noncontributory defined benefit pension plans in certain non-U.S. jurisdictions that are shared amongst its businesses, including the N&B Business, and the participation of its employees and retirees in these plans is reflected in the historical combined financial statements of the N&B Business as though the N&B Business participated in a multiemployer plan with DuPont. A proportionate share of the cost associated with these defined benefit plans is reflected in the historical combined financial statements of the N&B Business, while any assets and liabilities associated with these defined benefit plans are retained by DuPont and are not recorded on the historical combined financial statements of the N&B Business. As part of the Separation, specific pension plan assets and benefit obligations of these defined benefit plans, not reflected in the historical financial statements, were also transferred to N&B. These adjustments are based on an actuarial valuation performed based on Management's preliminary analysis of participant's data and reflect the following impact on the unaudited condensed combined pro forma balance sheet:

- An increase of $148,343 in Retirement liabilities related to the defined benefit plans of employees transferring to IFF;
- An increase of $236 in Other assets for the net defined benefit asset position of the plans which are overfunded;

- An increase of $41,610 in Deferred income tax assets related to the tax effect of aforementioned defined benefit plans; and
- A decrease of $45,279 to Parent company net investment and a decrease of $61,218 to Accumulated other comprehensive income (loss) for the related impact of the aforesaid defined benefit plans attributed to transferred employees of the N&B Business.

b) A pro forma adjustment has been posted to reflect the impact of the inclusion of the Property, plant and equipment that are not reflected on the N&B Business's historical combined balance sheet but have been transferred to N&B as part of the Separation. This adjustment is based on a preliminary analysis performed by Management and reflects the following impact on the unaudited condensed combined pro forma balance sheet:

- An increase of $22,356 in Property, plant and equipment, net related to the fixed assets transferring to IFF; and
- An increase of $22,356 to Parent company net investment related to the impact of the inclusion of the aforementioned Property, plant and equipment.

No pro forma adjustment for incremental depreciation has been recognized as the depreciation related to such assets is currently reflected on the N&B Business's historical combined statements of operations by way of corporate expense allocation. The tax impact of this pro forma adjustment was determined to be immaterial.

c) A pro forma adjustment has been posted to reflect the impact of the exclusion of certain tradenames that are currently reflected on the N&B Business's historical combined balance sheet but have not been acquired by IFF as part of the Transactions. This adjustment is based on the unamortized value of the tradenames as of September 30, 2020 and reflects the following impact on the unaudited condensed combined pro forma balance sheet:

- A decrease of $290,813 in Other intangible assets, net related to tradenames not transferring to IFF;
- A decrease of $71,366 in Deferred income taxes related to the tax effect of exclusion of aforementioned tradenames; and
- A decrease of $219,447 to Parent company net investment related to the corresponding impact of these adjustments.

Additionally, a pro forma adjustment has been posted to reverse the amortization expense related to such tradenames that is currently reflected on the N&B Business's historical combined statements of operations for the nine months ended September 30, 2020 and for the year ended December 31, 2019. This adjustment reflects the following impact on the unaudited condensed combined pro forma statements of income:

- A decrease in Amortization of acquisition-related intangibles of $836,461 for the nine months ended September 30, 2020 and of $47,969 for the year ended December 31, 2019; and
- An increase in Taxes on income (loss) of $205,268 for the nine months ended September 30, 2020 and of $10,707 for the year ended December 31, 2019 related to the tax effect of such amortization expenses.

d) A pro forma adjustment has been posted to reflect the impact of certain new facilities lease agreements that were entered into between DuPont and N&B prior to the Separation, which were assumed by IFF as part of the Transactions. This adjustment is based on a preliminary analysis performed by Management and reflects the following impact on the unaudited condensed combined pro forma balance sheet:

- An increase of $21,880 and $290,326 in Other current liabilities and Other liabilities, respectively, related to the current and non-current portion of the lease liability; and
- An increase of $312,206 in Other assets related to the Right-of-Use assets in relation to such leases.

No pro forma adjustment for lease expense has been recognized, as the expenses related to such facilities are currently reflected on the N&B Business's historical combined statements of operations by way of corporate expense allocation. The tax impact of this pro forma adjustment was determined to be immaterial.

e) In connection with the Transactions, DuPont, N&B and IFF entered into the Tax Matters Agreement to govern the parties' respective rights, responsibilities, and obligations with respect to taxes, including taxes arising in the ordinary course of business, taxes, if any, incurred as a result of any failure of the Distribution, the Mergers (as defined in the Merger Agreement) or certain related transactions to qualify as tax-free for U.S. federal income tax purposes, and the apportionment of tax attributes. The Tax Matters Agreement also sets forth the respective obligations of the parties with respect to the filing of tax returns, the administration of tax contests and assistance and cooperation on tax matters. The unaudited pro forma consolidated balance sheet as of September 30, 2020 does not reflect certain tax asset and liability balances that may be included pursuant to the implementation of the Tax Matters Agreement. Management anticipates additional impacts from the Tax Matters Agreement; however, the full financial impact cannot be determined at this time. A pro forma adjustment has been posted to reflect the impact of certain tax receivables which, upon receipt will be reimbursed to DuPont as specified in the Tax Matters Agreement. This adjustment has been calculated using certain preliminary information and reflects the following impact on the unaudited condensed combined pro forma balance sheet:

- An increase of $89,828 in Other assets related to the expected receivable from the tax authorities; and
- An increase of $89,828 in Other liabilities related to the future reimbursement of this amount to DuPont in accordance with the Tax Matters Agreement.

f) On January 22, 2021, DuPont, N&B and IFF entered into an amendment to the Separation Agreement which provided for certain cash balances held by N&B entities immediately prior to the Distribution, and prior to the payment of the Special Cash Payment, to remain with those entities in order to ensure the operations of those entities would not be disrupted. To facilitate the transfer of closing cash to DuPont, a bank overdraft was taken out by N&B equal to the amount of these cash balances, the proceeds of such bank overdraft were transferred to DuPont prior to the Distribution, and the obligation of the bank overdraft remained with N&B. A pro forma adjustment has been posted to reflect the impact of these transactions. The following adjustments have been posted to the unaudited condensed combined pro forma balance sheet:

- An increase of $102,082 in Cash and cash equivalents related to the expected amount of cash remaining at N&B entities; and
- An increase of $102,082 in Bank borrowings, overdrafts and current portion of long-term debt related to the bank overdraft remaining with N&B in accordance with the amendment to the Separation Agreement.

**5) PRE-MERGER ADJUSTMENTS**

Prior to the effective time of the Merger, and as a condition to the Distribution, N&B was required to make the Special Cash Payment to DuPont pursuant to the Separation Agreement. The amount of the Special Cash Payment was equal to a cash dividend of $7,306,000, as adjusted by certain items provided under the Separation Agreement. The Special Cash Payment was to be adjusted (i) upwards or downwards depending on the extent that the actual net working capital of N&B and the members of the N&B Group as of immediately prior to the Distribution is greater or less than specified target amounts of net working capital for N&B and the members of the N&B Group as of such time, (ii) downwards to the extent N&B and the members of the N&B Group were liable for indebtedness other than the N&B Debt Financing and (iii) upward to reimburse DuPont with respect to certain specified expenses, principally certain commitment fees in connection with the N&B Debt Financing and certain post-closing employee payments. The Special Cash Payment was made immediately prior to the Distribution based on estimates of the items set forth in (i)-(iii) of the preceding sentence. To the extent the actual amounts in respect of those items differs from the estimates utilized in the calculation of the Special Cash Payment paid immediately prior to the Distribution, the parties will make a subsequent corrective payment following the closing of the Merger.

The estimated amount for these adjustments, as detailed below, was $53,477, which includes financing fees incurred or paid by DuPont prior to the Distribution, and an adjustment for existing indebtedness. The following table summarizes the calculation of the Special Cash Payment paid prior to effective time of the Merger:

| | (in USD '000) |
|---|---|
| Base cash dividend amount | 7,306,000 |
| Adjustments as per the Separation Agreement | |
| Plus: Working Capital Adjustment | — |
| Less: Spinco Indebtedness | (13,799) |
| Plus: Spinco Expense Reimbursement | 67,276 |
| Less: French Consideration | — |
| **Special Cash Payment to DuPont** | **7,359,477** |

N&B, with the coordination from IFF, financed the Special Cash Payment with the issuance of $7,500,000 of newly issued debt which, pursuant to ASC 805, has been assumed by the combined company in the Merger. The financing consists of (i) issuing senior unsecured notes of $6,250,000 (referred to as the Notes) with maturities ranging from 2 – 30 years, and (ii) senior unsecured term loans under the Term Loan Facility referred to below of $1,250,000.

On January 17, 2020, N&B entered into a term loan credit agreement in an aggregate principal amount of up to $1,250,000 (referred to in this filing as the Term Loan Facility). The Term Loan Facility included a $625,000 three-year tranche and a $625,000 five-year tranche (collectively, the Term Loans and, together with the Notes, are referred to in this filing as the Permanent Financing) and had a weighted average interest rate on drawdown of 1.68% per annum. The proceeds from the Term Loans were drawn down on February 1, 2021, prior to the closing of the Transactions.

On September 16, 2020, N&B completed an offering in the aggregate principal amount of $6,250,000 of senior unsecured notes in six series, comprised of the following: $300,000 aggregate principal amount of 0.697% Senior Notes due 2022; $1,000,000 aggregate principal amount of 1.230% Senior Notes due 2025; $1,200,000 aggregate principal amount of 1.832% Senior Notes due 2027; $1,500,000 aggregate principal amount of 2.300% Senior Notes due 2030; $750,000 aggregate principal amount of 3.268% Senior Notes due 2040; and $1,500,000 aggregate principal amount of 3.468% Senior Notes due 2050. The Notes were sold to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S, under the Securities Act. Each series of Notes was issued under an indenture, dated September 16, 2020 (the "Indenture"), between N&B and U.S. Bank National Association, as trustee (the "Trustee"), and are senior unsecured obligations of N&B, to be guaranteed by IFF upon consummation of the Merger. At the election of N&B and IFF, IFF may agree to assume all of N&B's obligations under the Notes, whereupon N&B shall be released from such obligations, which assumption is expected to occur after the Second Merger. The Notes have a weighted average interest rate of 2.47% per annum. Refer to Note 10 of the financial statements of the N&B Business for the nine months ended September 30, 2020.

The net proceeds from the Notes were deposited into an escrow account, subject to the terms and conditions of the escrow agreement, dated September 16, 2020, by and among N&B, the Trustee and U.S. Bank National Association, as escrow agent and have been used to partially fund the Special Cash Payment, as detailed above, and pay the related financing fees and expenses.

The historical balance sheet of the N&B Business reflects $6,205,817 of net proceeds from the Notes included in non-current Restricted cash. Such Restricted cash was subsequently used to distribute the Special Cash Payment to DuPont prior to the consummation of the Merger, along with the proceeds of the Term Loan Facility. A pro forma adjustment of $6,205,817 has been posted to the unaudited condensed combined balance sheet to reclassify the Notes proceeds from Restricted cash to Cash and cash equivalents, since such proceeds were no longer restricted upon the closing of the Transactions.

Estimated debt issuance costs of $59,984 have been incurred for the Permanent Financing of which $44,031 were deducted from the proceeds of the Permanent Financing and $15,953 would be paid by DuPont.

The following pro forma adjustments have been recorded in the unaudited condensed combined pro forma balance sheet in relation to the Term Loans (in USD thousands):

| | As of September 30, 2020 |
|---|---|
| Term Loans | 1,250,000 |
| Debt issuance costs | (1,763) |
| **Pro forma adjustments to Long-term debt** | **1,248,237** |

No pro forma adjustment has been posted to Long-term debt in relation to the Notes since the Notes have already been included in the historical balance sheet of the N&B Business as of September 30, 2020. However, a pro forma adjustment has been posted to Other current liabilities to eliminate the accrued interest and financing fees of $11,481 in relation to the Notes. Refer to Note 7 for further details on the fair valuation of the Notes.

During the nine months ended September 30, 2020, an Interest expense of $6,387 in relation to the Notes has been recognized in the historical statement of operations of the N&B Business. A pro forma adjustment has been posted to reflect the incremental Interest expense in relation to the Permanent Financing. Additionally, an interest expense of $48,198 is currently reflected in the N&B Business's historical combined statement of operations for the nine months ended September 30, 2020. This expense will not affect the statements of income beyond 12 months after the acquisition date. The following pro forma adjustments have been recorded in the unaudited condensed combined pro forma statements of income (in USD thousands):

| | Nine months ended September 30, 2020 | Year ended December 31, 2019 |
|---|---|---|
| Interest expense on the Term Loans | 15,746 | 20,996 |
| Interest expense on the Notes | 114,786 | 153,048 |
| Less: Interest expense on the Notes included in the N&B Business historical statement of operations | (6,387) | — |
| **Pro forma adjustments to Interest expense** | 124,145 | 174,044 |

The weighted-average interest rate on the Term Loans and the Notes as of the issuance is 2.34%. The tax impact of the pro forma adjustment to Interest expense is estimated at a weighted average rate of 22.5%, which represents a blended federal and state income tax rate in effect in the United States as applicable to IFF.

IFF and N&B entered into a debt commitment letter with Morgan Stanley Senior Funding, Inc., Credit Suisse Loan Funding LLC, and Credit Suisse AG, under which N&B obtained a 364-day senior unsecured bridge loan facility of up to $7,500,000 (referred to in this document as the Bridge Facility). On January 17, 2020, N&B entered into the Term Loan Facility, which reduced the commitments under the Bridge Facility to $6,250,000. On September 16, 2020, N&B issued $6,250,000 in aggregate principal amount of the Notes, which reduced the remaining commitments under the Bridge Facility in their entirety. The Bridge Facility was also terminated as of such date. However, the Separation Agreement provides that certain fees with respect to the financing arrangements that are paid by DuPont prior to the closing of the Transactions would be reimbursed to DuPont by an increase in the amount of the Special Cash Payment to be paid by N&B to DuPont prior to the Distribution. As such, the payment of the financing fees in relation to the Bridge Facility and the Permanent Financing amounting to $67,267 has been adjusted in the calculation of the Special Cash Payment.

The following table summarizes the Pre-merger pro forma adjustments posted to Cash and cash equivalents:

| | (in USD '000) |
|---|---|
| Proceeds from debt financing | 1,250,000 |
| Reclassification from Restricted cash | 6,205,817 |
| Payment of the Special Cash Payment | (7,359,477) |
| Separation adjustment related to cash at N&B entities (Note 4f) | 102,082 |
| **Pro forma adjustment to Cash and cash equivalents** | **198,422** |

The following table summarizes Pre-merger pro forma adjustments posted to Other assets, Other current liabilities and Other liabilities (in USD '000):

| | Other assets | Other current liabilities | Other liabilities |
|---|---|---|---|
| Separation adjustment related to defined benefit plans (Note 4a) | 236 | — | — |
| Separation adjustment related to certain new facilities leases (Note 4d) | 312,206 | 21,880 | 290,326 |
| Separation adjustment related to tax indemnification receivable and payable (Note 4e) | 89,828 | — | 89,828 |
| Reversal of accrued interest and financing fee (Note 5) | — | (11,481) | — |
| **Pro forma adjustment** | **402,270** | **10,399** | **380,154** |

Further, the following table summarizes the Pre-merger pro forma adjustments posted to Parent company net investment:

| | (in USD '000) |
|---|---|
| Payment of the Special Cash Payment | (7,359,477) |
| Reversal of accrued interest and financing fee | 11,481 |
| Elimination of tax on accrued interest and financing fee | (2,675) |
| Debt issuance costs paid by DuPont | 1,763 |
| Separation adjustment related to defined benefit plans (Note 4a) | (45,279) |
| Separation adjustment related to property, plant and equipment (Note 4b) | 22,356 |
| Separation adjustment related to Trade Name (Note 4c) | (219,447) |
| **Pro forma adjustment to Parent company net investment** | **(7,591,278)** |

## 6) ESTIMATED PRELIMINARY PURCHASE CONSIDERATION

Pursuant to the Transactions, the N&B shares held by DuPont's stockholders have been converted into the number of shares of IFF common stock such that immediately after the Merger such DuPont stockholders collectively own approximately 55.4% of IFF common stock on a fully diluted basis, and IFF shareholders collectively own approximately 44.6% of IFF common stock on a fully diluted basis.

The following table represents the preliminary estimate of the purchase consideration paid in the Transactions (in USD thousands, except share and per share data):

| | |
|---|---|
| Number of fully diluted shares of IFF common stock(6a) | 114,108,747 |
| Share issuance ratio(6b) | 1.24215 |
| Number of shares of IFF common stock to be issued to former DuPont stockholders | 141,740,461 |
| IFF share price(6c) | 112.38 |
| Fair value of equity shares to be issued | 15,928,793 |
| **Estimated preliminary purchase consideration** | **15,928,793** |

Notes:

a. Number of fully diluted shares of IFF common stock

| | |
|---|---|
| Number of shares of IFF common stock issued and outstanding (excluding stock held in treasury) | 106,781,557 |
| Number of shares issuable upon settlement of Tangible Equity Units ("TEU") (Note 6d) | 6,334,350 |
| Number of shares issuable upon conversion of equity awards | 992,840 |
| | 114,108,747 |

b. The number of shares of IFF common stock issued is equal to the number of fully diluted shares of IFF common stock multiplied by the quotient of 55.4% / 44.6% in accordance with the Merger Agreement.

c. Closing price of one share of IFF common stock on the New York Stock Exchange on January 29, 2021.

d. Unless settled early, the stock purchase contract portion of each TEU will be settled based on the 20-day volume-weighted average price ("VWAP") of IFF common stock as follows:

| VWAP of IFF common stock | Common stock issued |
|---|---|
| Equal to or greater than $159.54 | 0.3134 shares (minimum settlement rate) |
| Less than $ 159.54, but greater than $130.25 | $50 divided by VWAP |
| Less than or equal to $130.25 | 0.3839 shares (maximum settlement rate) |

For the purpose of this calculation, the number of shares issuable upon settlement of the TEUs is determined based on the 20-day VWAP of one share of IFF common stock on the New York Stock Exchange as of January 29, 2021 as calculated below:

| | |
|---|---|
| 20-Day VWAP as of January 29, 2021 | $ 115.94 |
| Common stock issued per TEU | 0.3839 |
| Total number of TEUs outstanding | 16,500,000 |
| Number of shares issuable upon settlement of TEU | 6,334,350 |

The estimated preliminary purchase consideration reflected in the unaudited condensed combined pro forma financial information does not purport to represent what the actual purchase consideration will be when the Transactions close. In accordance with ASC 805, the fair value of equity securities issued as part of the consideration paid were measured on the closing date of the Transactions at the then-current market price.

IFF has issued new equity shares as purchase consideration to those DuPont's stockholders that receive shares of N&B common stock in the Distribution, subject to IFF shareholders' approval (which approval has been obtained on August 27, 2020). In addition, the unaudited condensed combined pro forma balance sheet has been adjusted to eliminate the N&B Business's Parent company net investment, which represents the historical book value of the N&B Business's net assets, as a result of the Transactions.

The following pro forma adjustments have been recorded to equity balances in the unaudited condensed combined pro forma balance sheet (in USD thousands):

| | Removal of N&B's equity | Purchase consideration issued to DuPont stockholders | Pro forma adjustment |
|---|---|---|---|
| Common stock | — | 17,718 | 17,718 |
| Capital in excess of par value | — | 15,911,075 | 15,911,075 |
| Parent company net investment | (11,565,693) | — | (11,565,693) |
| Accumulated other comprehensive loss | 611,308 | — | 611,308 |

## 7) ESTIMATED PURCHASE PRICE ALLOCATION

In the unaudited condensed combined pro forma balance sheet, IFF's estimated preliminary purchase price to acquire N&B has been allocated to the assets acquired, liabilities assumed and goodwill based upon management's preliminary estimate of their respective fair values. Accordingly, the unaudited condensed combined pro forma financial information includes a preliminary allocation of the purchase price based on the assumptions and estimates that, while considered reasonable under the circumstances, are subject to changes, which may be material.

As of the date of this filing, IFF has not completed a full, detailed valuation analysis necessary to determine the fair values of the N&B Business's identifiable assets acquired, liabilities assumed and noncontrolling interest. The preliminary purchase price allocation presented below is based on IFF management's estimate of the fair value of tangible and intangible assets acquired and liabilities assumed using information that is currently available. The excess of the purchase price over the fair value of net assets acquired will be allocated to goodwill. The final allocation of the purchase price will be based on a comprehensive final evaluation of tangible and intangible assets acquired and liabilities assumed by IFF.

Significant judgment is required to estimate the fair value of long-lived tangible and intangible assets acquired and in assigning their respective useful lives. The fair value estimates are based on available historical information, future expectations and assumptions deemed reasonable by management, but are inherently uncertain. The preliminary fair values of intangible assets are generally determined using an income method, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates, discount rate and profitability), royalty rates used in the relief of royalty method, customer attrition rates, product obsolescence factors, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. Determining the useful life of an intangible asset also requires significant judgment. Most of the acquired intangible assets (e.g., Product Trade Names, Developed Technology, and Customer Relationships) are expected to have finite useful lives, with the exception of the Corporate Trade Names and In-Process Research and Development which are expected to have indefinite useful lives. Further, the preliminary calculation of In-Process Research and Development has been performed based on publicly available benchmarking information, as there are limitations on the type of information that can be exchanged between IFF and N&B. The costs of finite-lived intangible assets are amortized through expense over their estimated lives.

The estimated values of the assets acquired and liabilities assumed are preliminary. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the Merger and will be based on the fair values of the assets acquired and liabilities assumed as of the Merger closing date. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited condensed combined pro forma financial statements.

The following is a preliminary estimate of the assets acquired and the liabilities assumed by IFF in the Merger, reconciled to the estimated preliminary purchase consideration paid (in USD thousands):

| | Historical N&B after reclassification (Note 3) | Pre-merger adjustments (Note 4, 5) | Fair value adjustments | Fair value |
|---|---|---|---|---|
| Purchase consideration | | | | 15,928,793 |
| **Identifiable net assets:** | | | | |
| Cash and cash equivalents | — | 198,422 | — | 198,422 |
| Inventories | 1,438,467 | — | 422,633 | 1,861,100 |
| Property, plant and equipment | 2,988,527 | 22,356 | 400,217 | 3,411,100 |
| Identifiable intangible assets | 3,360,279 | (290,813) | 6,041,784 | 9,111,250 |
| Deferred tax assets | 26,684 | 41,610 | — | 68,294 |
| All other assets (excluding goodwill) | 7,808,927 | (5,803,547) | — | 2,005,380 |
| Deferred tax liabilities | (869,809) | 68,691 | (1,623,940) | (2,425,058) |
| Long-term debt | (6,191,782) | (1,248,237) | (243,738) | (7,683,757) |
| All other liabilities | (1,334,333) | (640,978) | — | (1,975,311) |
| **Total identifiable net assets** | **7,226,960** | **(7,652,496)** | **4,996,956** | **4,571,420** |
| Noncontrolling interests | (26,088) | — | — | (26,088) |
| Goodwill | 11,406,009 | — | (22,548) | 11,383,461 |
| **Total** | 18,606,881 | (7,652,496) | 4,974,408 | 15,928,793 |

Net assets acquired include the debt incurred by N&B to pay the Special Cash Payment to DuPont, additional pension and post-retirement assets and obligations and property, plant and equipment transferred to N&B. See Notes 4 and 5 for further details.

The unaudited condensed combined pro forma balance sheet has been adjusted to reflect the elimination of the N&B Business's historical goodwill of $11,406,009 and to record goodwill resulting from the Transactions of $11,383,476. Recorded goodwill is calculated as the difference between the fair value of the purchase price paid and the preliminary values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed as calculated above. The value of residual goodwill is not amortized, but is tested at least annually for impairment.

The unaudited condensed combined pro forma balance sheet has been adjusted to step up the N&B Business's inventory to a fair value of $1,861,100, an increase of $422,633 from the carrying value. This fair value estimate of inventory is preliminary and is determined based on the assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). This preliminary fair value estimate could include assets that are not intended to be used, may be sold or are intended to be used in a manner other than their highest and best use. The final fair value determination for inventories may differ from this preliminary determination. An adjustment of $422,633 has also been posted to the unaudited condensed combined pro forma statements of income for the year ended December 31, 2019 related to the write-off of such step up of inventory. These adjustments have been tax effected at the rate of 22.32%. These adjustments will not impact the statement of income beyond 12 months of the acquisition date.

The unaudited condensed combined pro forma balance sheet has been adjusted to step up the N&B Business's property, plant and equipment to a fair value of $3,411,100, an increase of $400,217 from the carrying value. Personal property assets such as computer hardware and software, furniture, fixtures and equipment were valued based on a trending and depreciation analysis in order to estimate a preliminary fair value adjustment with the information currently available. For real property assets, IFF does not have sufficient information available to make a reasonable preliminary estimate of the fair value adjustment at this time. Therefore, no adjustment has been recorded to modify the current book value for the real property assets. These estimates of fair value are preliminary and could vary materially from the final fair value based on future analyses. The unaudited condensed combined pro forma statements of income have been adjusted to recognize an additional depreciation expense of $26,101 for the nine months ended September 30, 2020 and $34,801 for the year ended December 31, 2019 related to the increased basis under Cost of goods sold. The additional depreciation expense is computed with the assumption that the assets will be depreciated over the remaining estimated useful lives on a straight-line basis.

As part of the preliminary valuation analysis, IFF identified certain intangible assets which included Trade Names, Customer Relationships, Developed Technology, and In-Process Research and Development. The remaining useful life of the acquired intangible assets was estimated based on a preliminary estimate of the period over which substantially all of the cumulative discounted cash flows are expected to be realized. The final fair value determinations for identifiable intangible assets may differ from this preliminary determination, and such differences could be material. The pro forma adjustment to recognize additional amortization expense related to the increased basis of the intangible assets has been computed with the assumption that these will be amortized over the estimated useful lives on a straight-line basis as IFF management continues to evaluate the pattern of the economic benefits.

The following table summarizes the estimated fair values of the N&B Business's identifiable intangible assets and their estimated useful lives and amortization expense based on a straight-line method (in USD thousands):

| | Estimated fair value | Estimated useful life (in years) | Amortization expense for the nine months ended September 30, 2020 | Amortization expense for the year ended December 31, 2019 |
|---|---|---|---|---|
| **Indefinite lived intangible assets** | | | | |
| In-process research and development | 140,000 | Indefinite | — | — |
| **Finite lived intangible assets** | | | | |
| Trade Names | 301,250 | 4 to 13 years | 19,479 | 25,972 |
| Customer Relationships | 6,180,000 | 14 to 26 years | 231,750 | 309,000 |
| Developed Technology | 2,490,000 | 9 to 14 years | 162,391 | 216,522 |
| | 9,111,250 | | 413,620 | 551,494 |
| Less: historical amortization expense | | | (227,359) | (301,315) |
| **Pro forma adjustment** | | | **186,261** | **250,179** |

A 10% change in the valuation of intangible assets and property, plant and equipment would cause a corresponding increase or decrease in the balance of goodwill and would also cause a corresponding increase or decrease in the amortization and depreciation expense by $41,362 and $2,610 for the nine months ended September 30, 2020 and by $55,149 and $3,480 for the year ended December 31, 2019, respectively.

The estimated tax impact of the fair market value adjustments on the amortization expense is reflected in the unaudited condensed combined pro forma statements of income using the weighted average statutory tax rate of the jurisdictions expected to be impacted. The actual deferred tax assets and liabilities may differ materially based on changes resulting from finalizing the allocation of the purchase price and valuing the assets acquired and liabilities assumed and tax basis step ups resulting from the Transactions that are not reasonably estimable for the purposes of these pro forma financial statements. The estimated tax impact of the fair market value adjustments on the depreciation and amortization expense is reflected in the unaudited condensed combined pro forma statements of income using the weighted average rate of 24.54% for the nine months ended September 30, 2020 and 22.32% for the year ended December 31, 2019, which were based on the statutory tax rates of the jurisdictions expected to be impacted for the periods presented.

The unaudited condensed combined pro forma balance sheet has been adjusted to reflect the fair value of the Notes and Term Loans. The fair value of the Notes was determined on the basis of unadjusted quoted prices on an over-the-counter market. These purchase price allocation adjustments to the fair valuation of Long-term debt resulted in a decrease in Interest expense of $12,700 for the nine months ended September 30, 2020 and $16,934 for the year ended December 31, 2019. The impact on Interest expense was tax effected at the rate of 22.5%, resulting in a pro forma adjustment to income tax expense of $2,857 for the nine months ended September 30, 2020 and $3,810 for the year ended December 31, 2019.

## 8) OTHER PRO FORMA ADJUSTMENTS

a) IFF incurred $24,372 and $20,747 of transaction related costs during the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively; with related tax benefits of $904 and $2,354. The N&B Business incurred $292,883 and $46,596 of transaction related costs during the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively; with related tax benefits of $69,236 and $10,840. These transaction related costs are included in the unaudited condensed combined pro forma statements of income. These costs will not affect the statements of income beyond 12 months after the Closing Date.

The unaudited condensed combined pro forma balance sheet has been adjusted to reflect an adjustment for future estimated transaction related costs consisting of professional, legal and other acquisition-related fees. The anticipated costs that are expected to be incurred by IFF through the closing of the Transactions amounting to $91,868 are adjusted in the unaudited condensed combined pro forma balance sheet as a decrease to Cash and cash equivalents and Retained earnings. The unaudited condensed combined pro forma income statement of income for the year ended December 31, 2019 has also been adjusted to reflect the additional anticipated transaction costs and related tax impact. Based on a preliminary analysis of each component of these expenses, a tax impact of $12,907 was recorded. The tax impact was determined by using a blended federal and state statutory income tax rate of 22.5% as applied to the expenses deemed to be deductible for income tax purposes. The unaudited condensed combined pro forma balance sheet and statements of income do not include an adjustment for the N&B Business's anticipated separation related expenses as these are incurred and paid by DuPont.

b) The estimated tax impacts of the pro forma adjustments have been reflected in Taxes on income (loss) in the unaudited condensed combined pro forma statements of income by using a tax rate of 24.54% for the nine months ended September 30, 2020 and 22.32% for the year ended December 31, 2019, unless otherwise stated. The estimated tax impacts of the pro forma adjustments have been reflected in Deferred income taxes in the condensed combined pro forma balance sheet by using a tax rate of 24.54%, unless otherwise stated. These tax rates were determined using the weighted average statutory tax rate of the jurisdictions expected to be impacted for each of these periods. The total effective tax rate of the combined company could be significantly different depending on the post-acquisition geographical mix of income and other factors. Because the tax rate used for these pro forma financial statements is an estimate, it will likely vary from the actual rate in periods subsequent to the completion of the business combination and those differences may be material. The pro forma adjustments do not consider the impact of the changes to legislation due to the ongoing outbreak of the COVID-19 pandemic.

The estimate of the deferred income tax liabilities resulting from the fair value adjustments for the inventory, property, plant and equipment and identifiable intangible assets acquired is preliminary and is subject to change based upon final determination of the fair values of tangible and identifiable intangible assets acquired and liabilities assumed in the Transactions.

The pro forma adjustments to Taxes on income (loss) for the nine months ended September 30, 2020 and for the year ended December 31, 2019 reflect the aggregate pro forma income tax effects of the following adjustments reflected in the unaudited condensed combined pro forma statements of income (in USD thousands):

| | For the nine months ended September 30, 2020 | | For the year ended December 31, 2019 | |
|---|---|---|---|---|
| | **Pre-merger adjustments** | **Merger adjustments** | **Pre-merger adjustments** | **Merger adjustments** |
| Tax effect of incremental amortization expense adjustment (Note 7) | — | (45,709) | — | (55,840) |
| Tax effect of incremental depreciation expense adjustment (Note 7) | — | (6,405) | — | (7,768) |
| Tax effect of separation adjustment related to trade names (Note 4c) | 205,268 | — | 10,707 | — |
| Tax effect of interest expense adjustment (Note 5, 7) | (27,933) | 2,857 | (39,160) | 3,810 |
| Tax effect of inventory adjustment (Note 7) | — | — | — | (94,332) |
| Tax effect of anticipated transaction related costs (Note 8a) | — | — | — | (12,907) |
| | **177,335** | **(49,257)** | **(28,453)** | **(167,037)** |

The pro forma adjustments to Deferred income taxes, Deferred income tax assets, and Current tax liabilities included within Other current liabilities, reflect the aggregate pro forma income tax effects of the following adjustments reflected in the unaudited condensed combined pro forma balance sheet (in USD thousands):

| | Pro forma adjustment | | |
|---|---|---|---|
| | Other current liabilities | Deferred income taxes | Deferred income tax assets |
| **Pre-merger adjustments** | | | |
| Tax effect of reversal of financing fee (Note 5) | — | 2,675 | — |
| Tax effect of separation adjustment related to defined benefit pension plans (Note 4a) | — | — | 41,610 |
| Tax effect of separation adjustment related to trade names (Note 4c) | — | (71,366) | — |
| | **—** | **(68,691)** | **41,610** |
| **Merger adjustments** | | | |
| Tax effect of transaction related costs (Note 8a) | (12,907) | — | — |
| Tax effect of PPA adjustments (Note 7) | — | 1,623,940 | — |
| | **(12,907)** | **1,623,940** | **—** |

## 9) PRO FORMA INCOME (LOSS) PER SHARE

The pro forma income (loss) per share of common stock for the nine months ended September 30, 2020 and for the year ended December 31, 2019 have been calculated based on the estimated weighted average number of shares of IFF's common stock that would have been outstanding on a pro forma basis. The pro forma weighted average number of shares outstanding was derived using IFF's historical weighted average number of shares outstanding after giving effect to the preliminary estimated number of shares of IFF common stock to be issued as part of purchase consideration calculated pursuant to the Merger Agreement. For the year ended December 31, 2019, there was no difference in the weighted average number of common shares used for the calculation of pro forma basic and diluted loss per share as the effect of all potentially dilutive shares outstanding would have been anti-dilutive. For the purposes of the pro forma earnings per share calculations, the shares issued in connection with the Merger were considered issued and outstanding as of January 1, 2019. Pro forma income (loss) per share calculations do not consider the impact of issuance of common stock to TEU holders and equity award holders from July 1, 2020 through the date of acquisition. Per share information for the N&B Business is not presented because the N&B Business did not have outstanding capital stock since its historical combined financial statements have been prepared on a carve-out basis.

The following table presents the calculation of pro forma combined basic and diluted net income (loss) per share of common stock (in thousands, except per share amounts):

| | Nine months ended September 30, 2020 | Year ended December 31, 2019 |
|---|---|---|
| Pro forma net income (loss) attributable to common shareholders | 231,712 | (729,366) |
| Weighted average number of IFF shares outstanding—basic | 112,148 | 111,966 |
| IFF shares issued to DuPont as part of purchase consideration (Note 6) | 141,740 | 141,740 |
| Pro forma weighted average number shares outstanding—basic | 253,888 | 253,706 |
| Weighted average number of IFF shares outstanding—diluted | 113,631 | 111,966 |
| IFF shares issued to DuPont as part of purchase consideration (Note 6) | 141,740 | 141,740 |
| Pro forma weighted average number shares outstanding—diluted | 255,371 | 253,706 |
| Pro forma net income (loss) per share of common stock – basic | 0.91 | (2.87) |
| Pro forma net income (loss) per share of common stock – diluted | 0.91 | (2.87) |