

# Fourth-Quarter Fiscal 2012 Earnings

October 30, 2012



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# Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, Ashland may from time to time make forward-looking statements in its other filings with the Securities and Exchange Commission (SEC), news releases and other written and oral communications. These forward-looking statements are based on Ashland's expectations and assumptions, as of the date such statements are made, regarding Ashland's future operating performance and financial condition, the economy and other future events or circumstances. Ashland's expectations and assumptions include, without limitation, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw-material cost increases through price increases), and risks and uncertainties associated with the following: Ashland's substantial indebtedness (including the possibility that such indebtedness and related restrictive covenants may adversely affect Ashland's future cash flows, results of operations, financial condition and its ability to repay debt), severe weather, natural disasters, and legal proceedings and claims (including environmental and asbestos matters). Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements, including, without limitation, risks and uncertainties affecting Ashland that are described in its most recent Form 10-K (including Item 1A Risk Factors) filed with the SEC, which is available on Ashland's website at <http://investor.ashland.com> or on the SEC's website at [www.sec.gov](http://www.sec.gov). Ashland believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Ashland undertakes no obligation to subsequently update any forward-looking statements made in this presentation or otherwise except as required by securities or other applicable law.

## Regulation G: Adjusted and Pro Forma Results

The information presented herein regarding certain unaudited adjusted and pro forma results does not conform to generally accepted accounting principles in the United States (U.S. GAAP) and should not be construed as an alternative to the reported results determined in accordance with U.S. GAAP. Management has included this non-GAAP and pro forma information to assist in understanding the operating performance of the company and its reporting segments. The non-GAAP and pro forma information provided may not be consistent with the methodologies used by other companies. All non-GAAP information related to previous Ashland filings with the SEC has been reconciled with reported U.S. GAAP results.

# Highlights<sup>1</sup>

- Reported EPS from continuing operations of \$(3.47)
  - Adjusted EPS of \$1.87 versus \$1.01 in Q4 2011
- Sales of \$2.1 billion
  - 3% growth when normalized for currency and divestitures
- Adjusted EBITDA of \$349 million
  - 32% increase from pro forma Q4 2011
- Successfully completed debt refinancing and accounts receivable securitization program
  - Saves roughly \$40 million of annualized interest expense
- Generated free cash flow of \$154 million

<sup>1</sup> Ashland's fourth-quarter earnings release dated Oct. 30, 2012, available on Ashland's website at <http://investor.ashland.com>, reconciles adjusted amounts to amounts reported under GAAP.

# Fiscal Fourth Quarter – Continuing Operations

## Key Items Affecting Income

Preliminary 2012	Operating Income					Total		
	Ashland Specialty Ingredients	Ashland Water Tech- nologies	Ashland Performance Materials	Ashland Consumer Markets	Unallocated and Other	Pretax	Aftertax	Earnings per Share
In Process R&D	\$ (13)					\$ (13)	\$ (8)	\$ (0.10)
Restructuring and integration		\$ (7)	\$ (11)		\$ (6)	(24)	(18)	(0.23)
Actuarial loss on pension and OPEB					(493)	(493)	(307)	(3.88)
Debt refinancing						(97)	(63)	(0.80)
Tax adjustments							(26)	(0.33)
<b>Total</b>	<b>\$ (13)</b>	<b>\$ (7)</b>	<b>\$ (11)</b>		<b>\$ (499)</b>	<b>\$ (627)</b>	<b>\$ (422)</b>	<b>\$ (5.34)</b>
<b>2011</b>								
Severance		\$ (9)	\$ (1)		\$ (26)	\$ (36)	\$ (25)	\$ (0.32)
Environmental and asset impairment		(11)			(6)	(17)	(11)	(0.14)
ISP inventory step-up	\$ (16)					(16)	(10)	(0.13)
Actuarial loss on pension and OPEB					(438)	(438)	(275)	(3.51)
Net loss on acquisitions/divestitures						(26)	(21)	(0.27)
Tax adjustments and discrete items							(11)	(0.14)
<b>Total</b>	<b>\$ (16)</b>	<b>\$ (20)</b>	<b>\$ (1)</b>		<b>\$ (470)</b>	<b>\$ (533)</b>	<b>\$ (353)</b>	<b>\$ (4.51)</b>

- Intangible amortization expense in September 2012 quarter of \$29 million
  - Excluding intangible amortization, adjusted EPS would have been 25 cents higher, or \$2.12

# Adjusted Pro Forma Results Summary<sup>1</sup>

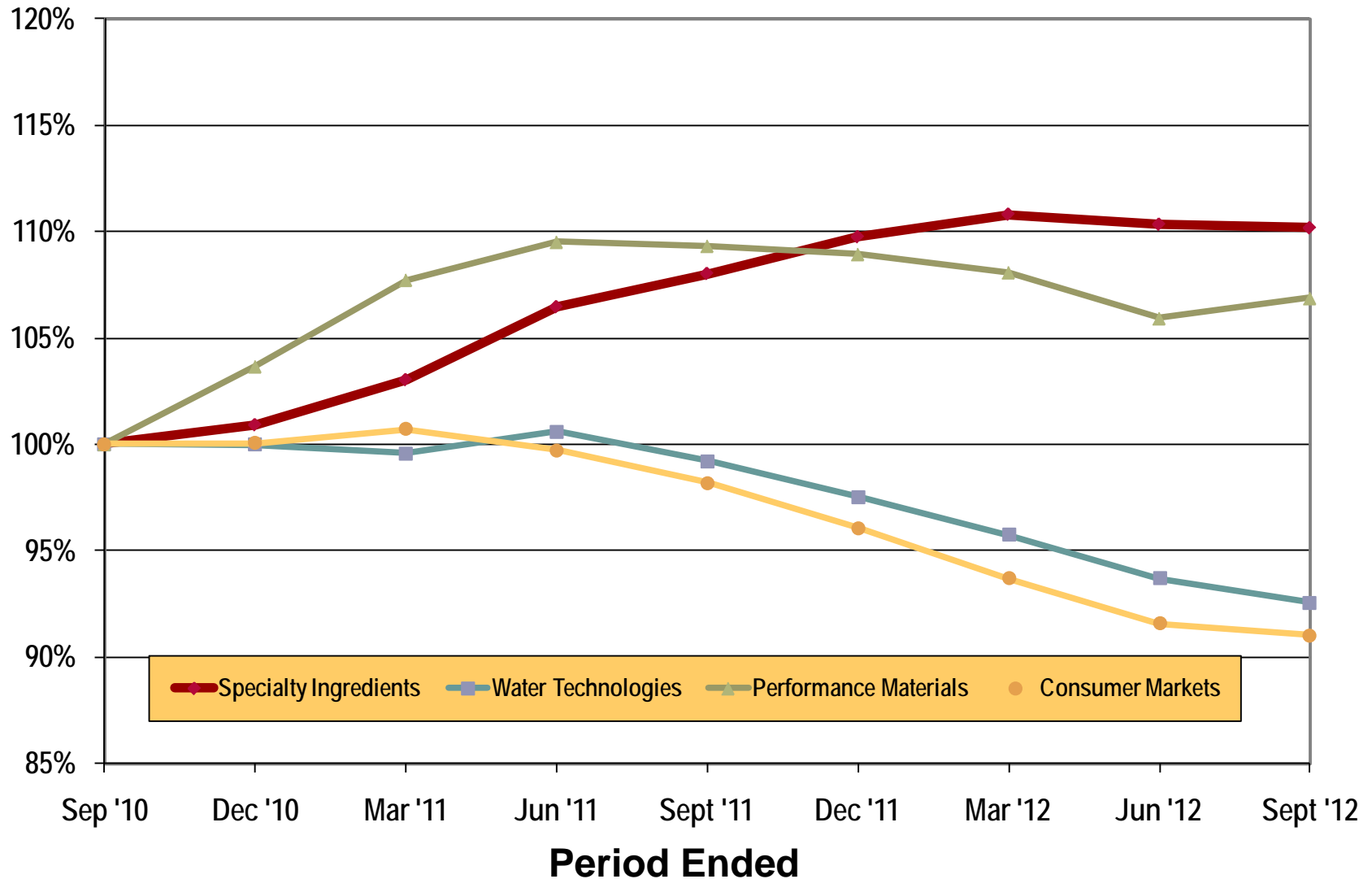
(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2012	2011	Change	2012	Change
Sales	\$ 2,056	\$ 2,116	(3) %	\$ 2,141	(4) %
Gross profit as a percent of sales	29.5 %	25.3 %	420 bp	29.3 %	20 bp
Selling, general and admin./R&D costs	\$ 376	\$ 389	(3) %	\$ 368	2 %
Operating income	\$ 246	\$ 154	60 %	\$ 274	(10) %
Operating income as a percent of sales	12.0 %	7.3 %	470 bp	12.8 %	(80) bp
Depreciation and amortization	\$ 104	\$ 110	(5) %	\$ 107	(3) %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 349	\$ 264	32 %	\$ 381	(8) %
EBITDA as a percent of sales	17.0 %	12.5 %	450 bp	17.8 %	(80) bp

- Prior year includes ISP on a full-quarter, pro forma basis
- Adjusting for currency, divestitures and joint ventures, sales grew 3% over the prior-year quarter

<sup>1</sup> Ashland's earnings releases dated Oct. 30 and July 26, 2012, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

# Normalized Volume Trends<sup>1</sup>

## Rolling Four Quarters

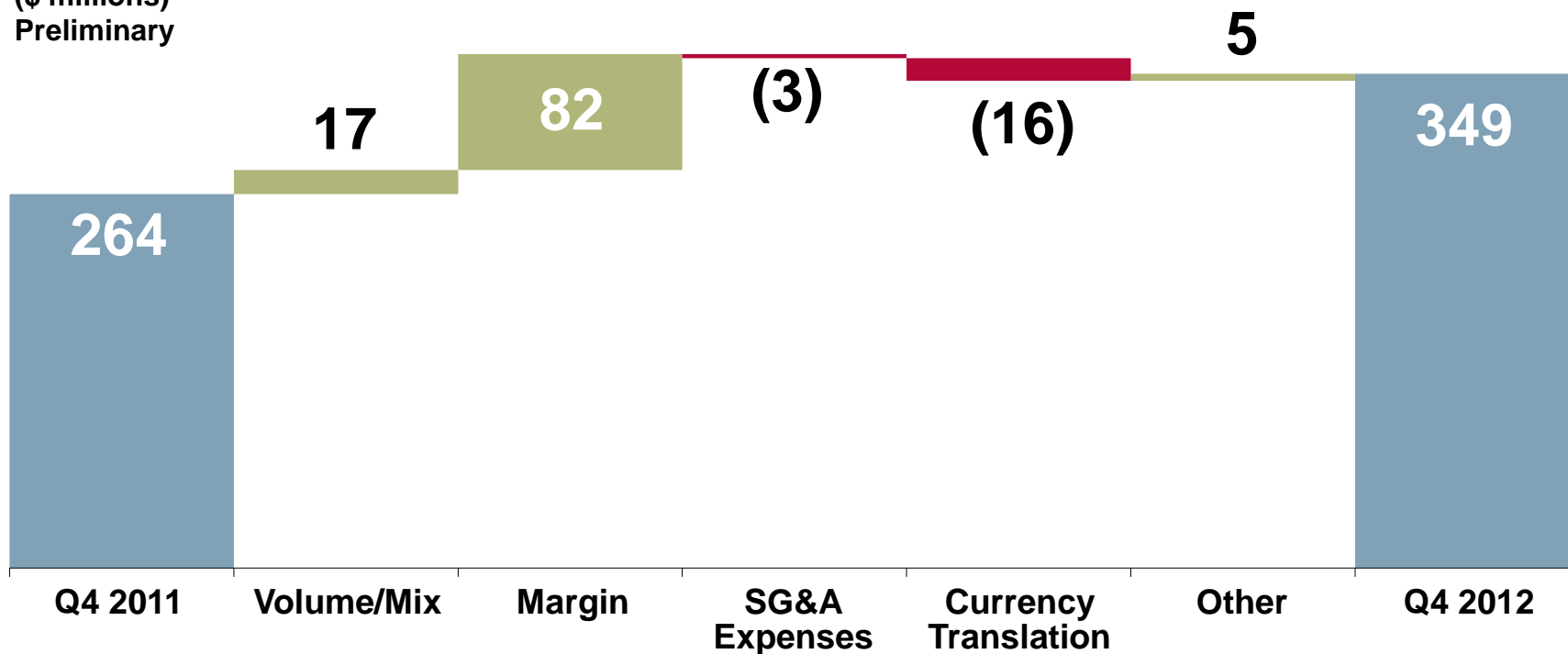


<sup>1</sup> Excludes volumes associated with Casting Solutions and divested Pinova, Synlubes, and PVAc businesses for all periods. Includes volumes associated with ISP and Ara Quimica for all periods.

Q4 FY 2011 vs. Q4 FY 2012

# Adjusted Pro Forma EBITDA Bridge

(\$ millions)  
Preliminary



- Improved gross margin in all four commercial units
- Stronger dollar had a \$16 million negative effect on EBITDA

# Liquidity and Net Debt

(\$ in millions)

Liquidity	At Sept. 30, 2012
Cash	\$ 523
Available revolver and A/R facility capacity	955
<b>Liquidity</b>	<b>\$ 1,478</b>

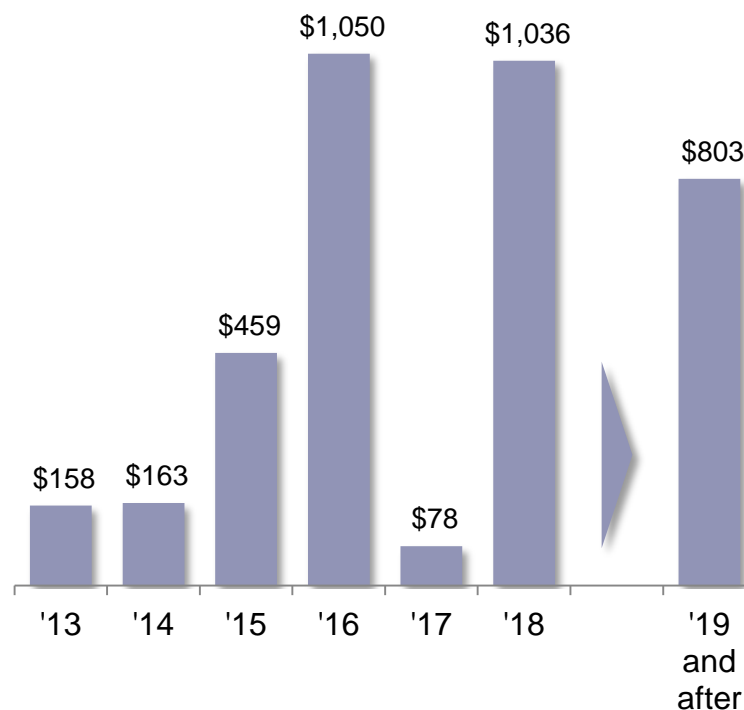
Debt	Expiration	Interest Rate	Moody's	S&P	At Sept. 30, 2012
Term Loan A	08/2016	L+200	Baa3	BB+	\$ 1,425
Term Loan B	08/2018	L/Floor+275	Baa3	BB+	1,036
4.75% senior notes, par \$500 million	08/2022	4.75%	Ba2	BB-	500
A/R facility drawn <sup>1</sup>	08/2015	L+75			300
6.5% debentures, par \$282 million	06/2029	6.50%	Ba2	B+	129
9.125% senior notes <sup>2</sup> , par \$78 million	06/2017	9.125%	Baa3	BB+	76
Other debt		Various			124
Revolver drawn <sup>3</sup>	08/2016	L+200	Baa3	BB+	-
<b>Total debt</b>			<b>Ba1/ Stable</b>	<b>BB/ Stable</b>	<b>\$ 3,590</b>
Cash					\$ 523
<b>Net debt (cash)</b>					<b>\$ 3,067</b>

<sup>1</sup> \$350 million accounts receivable securitization facility

<sup>2</sup> Callable June 2013

<sup>3</sup> \$1 billion facility, including ~\$95 million used for letters of credit

## Scheduled Debt Repayments by Fiscal Year





## Ashland Specialty Ingredients

# Adjusted Pro Forma Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2012	2011	Change	2012	Change
Metric tons sold (in thousands) - Actives basis	96.6	97.2	(1) %	104.3	(7) %
Sales	\$ 734	\$ 672	9 %	\$ 793	(7) %
Gross profit as a percent of sales	34.0 %	30.7 %	330 bp	34.7 %	(70) bp
Selling, general and admin./R&D costs	\$ 127	\$ 119	7 %	\$ 119	7 %
Operating income	\$ 128	\$ 88	45 %	\$ 156	(18) %
Operating income as a percent of sales	17.4 %	13.1 %	430 bp	19.7 %	(230) bp
Depreciation and amortization	\$ 65	\$ 67	(3) %	\$ 68	(4) %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 193	\$ 155	25 %	\$ 224	(14) %
EBITDA as a percent of sales	26.3 %	23.1 %	320 bp	28.2 %	(190) bp

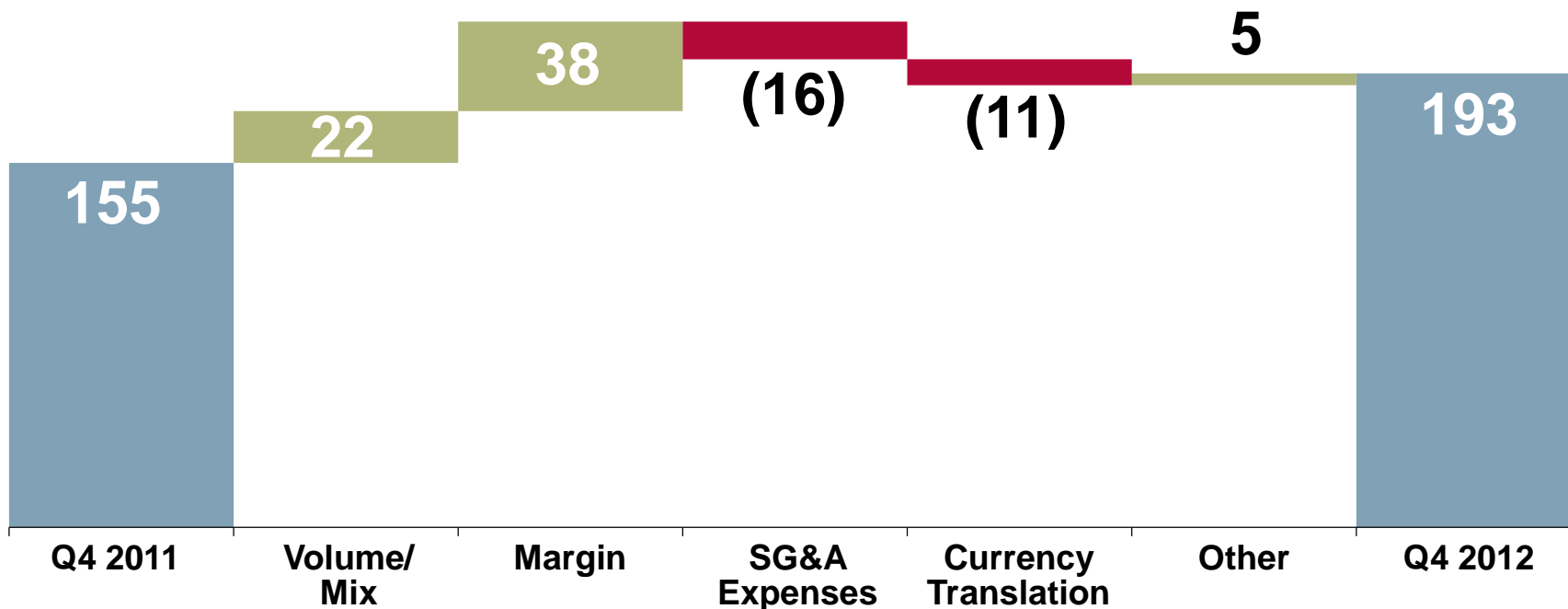
- Year-over-year volume declines driven by Energy and Coatings
- \$6 million plant shutdown negatively affected quarter

<sup>1</sup> Ashland's earnings releases dated Oct. 30 and July 26, 2012, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

# Adjusted Pro Forma EBITDA Bridge

(\$ millions)  
Preliminary

## Q4 FY 2011 versus Q4 FY 2012



- Improved business mix, more than offset volume declines
- Pricing efforts continue to cover raw material cost increases

# Guar

- Guar destocking has continued
  - Will likely remain soft until January
- Dynamics differ by end-product
  - Higher technology “derivatized guar” doing well
  - Large price/volume declines in more commoditized “straight guar”
- Price remains highly volatile in straight guar
  - Potential \$15 to \$25 million loss if current conditions persist

# Business Outlook

- Expect strong performance in other parts of the business
  - Pharmaceutical, Personal Care and Coatings
- New products and technologies continue to gain share
  - New products represented 21% of sales for fiscal 2012
- Significant capital investment expected over next several years
  - High overall returns on investment

# Ashland Water Technologies

## Adjusted Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2012	2011	Change	2012	Change
Sales	\$ 431	\$ 491	(12) %	\$ 427	1 %
Gross profit as a percent of sales	32.3 %	31.4 %	90 bp	32.1 %	20 bp
Selling, general and admin./R&D costs	\$ 126	\$ 125	1 %	\$ 119	6 %
Operating income	\$ 15	\$ 30	(50) %	\$ 19	(21) %
Operating income as a percent of sales	3.5 %	6.1 %	(260) bp	4.4 %	(90) bp
Depreciation and amortization	\$ 18	\$ 20	(10) %	\$ 18	- %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 33	\$ 50	(34) %	\$ 37	(11) %
EBITDA as a percent of sales	7.7 %	10.2 %	(250) bp	8.7 %	(100) bp

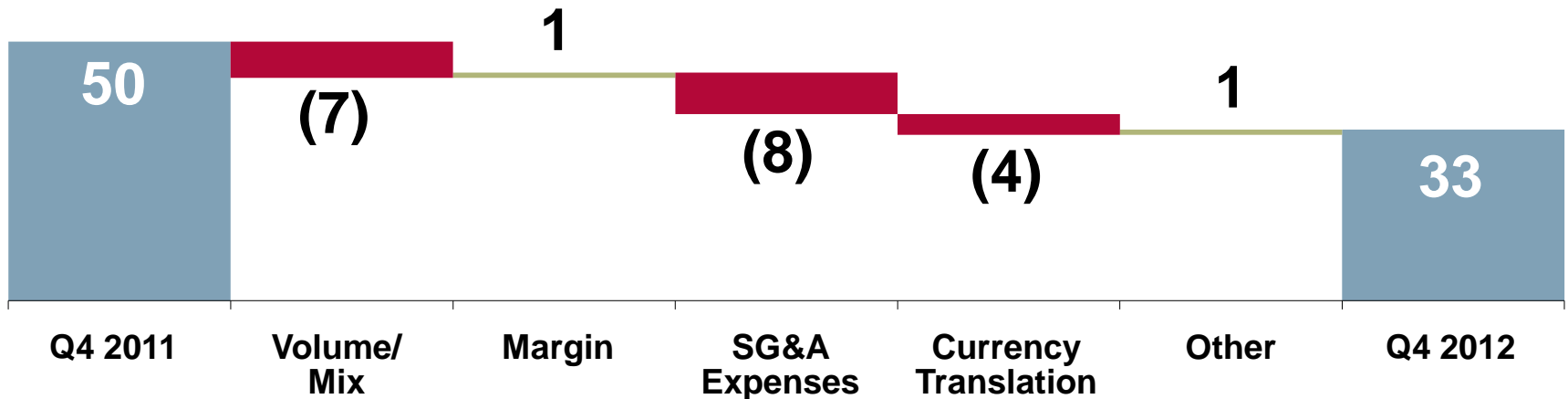
- Normalized for currency and adjusted for divestitures, sales were down 4% from the year-ago quarter

<sup>1</sup> Ashland's earnings releases dated Oct. 30 and July 26, 2012, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q4 FY 2011 versus Q4 FY 2012



- Volumes down approximately 4%, excluding divestitures
- Currency translation had materially negative effect

# Business Update

- Business has underperformed versus our expectations
  - Sales and GP% have stabilized last three quarters
- Results should improve and we are focused on sales growth and improving market penetration
- John Panichella, as Group Operating Officer, will be responsible for Specialty Ingredients and Water Technologies
  - Search for Water Technologies President has begun

# Strategic Actions

- Improve execution and overall accountability
- Implement more disciplined approach to SG&A
  - Tightly control our costs
  - Improve sales efficiency
- Tighter control over pricing and contract management



## Ashland Performance Materials

# Adjusted Pro Forma Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2012	2011	Change	2012	Change
Metric tons sold (in thousands)	132.6	148.3	(11) %	133.4	(1) %
Sales	\$ 369	\$ 436	(15) %	\$ 404	(9) %
Gross profit as a percent of sales	16.3 %	13.3 %	300 bp	18.1 %	(180) bp
Selling, general and admin./R&D costs	\$ 44	\$ 40	10 %	\$ 44	- %
Operating income	\$ 19	\$ 19	- %	\$ 37	(49) %
Operating income as a percent of sales	5.1 %	4.4 %	70 bp	9.2 %	(410) bp
Depreciation and amortization	\$ 12	\$ 12	- %	\$ 12	- %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 31	\$ 31	- %	\$ 49	(37) %
EBITDA as a percent of sales	8.4 %	7.1 %	130 bp	12.1 %	(370) bp

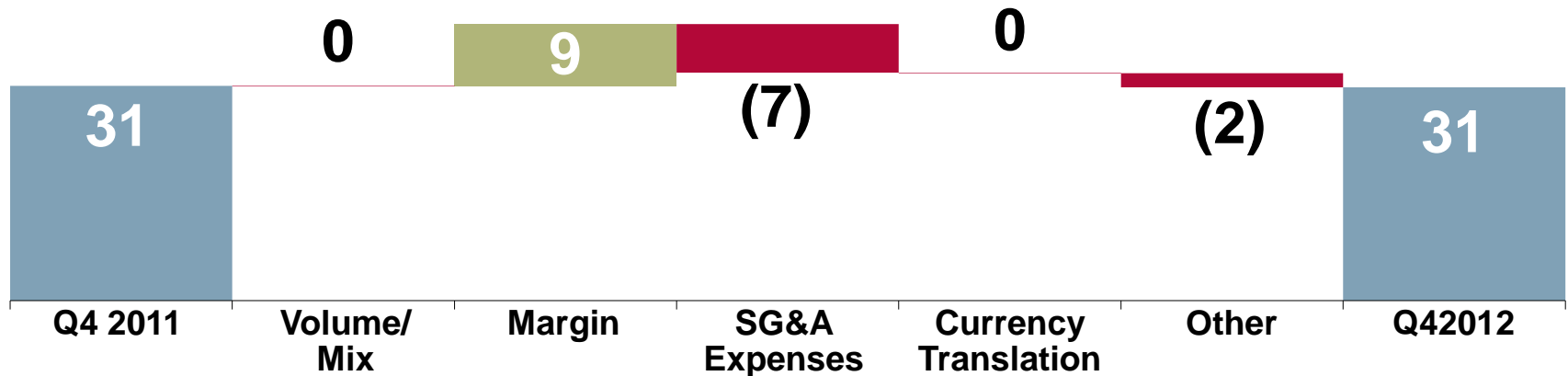
- Excluding Casting Solutions and divested PVAc business, volumes up 4% versus Q4 2011
- Sequential decline in GP% primarily due to butadiene

<sup>1</sup> Ashland's earnings releases dated Oct. 30 and July 26, 2012, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

# Adjusted Pro Forma EBITDA Bridge

(\$ millions)  
Preliminary

## Q4 FY 2011 versus Q4 FY 2012



- Negative mix offset normalized volume gains
- Increased margins in Adhesives and Composites
- Effects of ASK Chemicals joint venture and divested PVAc business captured in Other

## Ashland Consumer Markets

# Adjusted Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2012	2011	Change	2012	Change
Lubricant gallons (in millions)	40.5	41.5	(2) %	40.8	(1) %
Sales	\$ 522	\$ 517	1 %	\$ 517	1 %
Gross profit as a percent of sales	29.7 %	23.0 %	670 bp	26.8 %	290 bp
Selling, general and admin./R&D costs	\$ 87	\$ 94	(7) %	\$ 86	1 %
Operating income	\$ 74	\$ 29	155 %	\$ 59	25 %
Operating income as a percent of sales	14.2 %	5.6 %	860 bp	11.4 %	280 bp
Depreciation and amortization	\$ 9	\$ 10	(10) %	\$ 9	- %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 83	\$ 39	113 %	\$ 68	22 %
EBITDA as a percent of sales	15.9 %	7.5 %	840 bp	13.2 %	270 bp

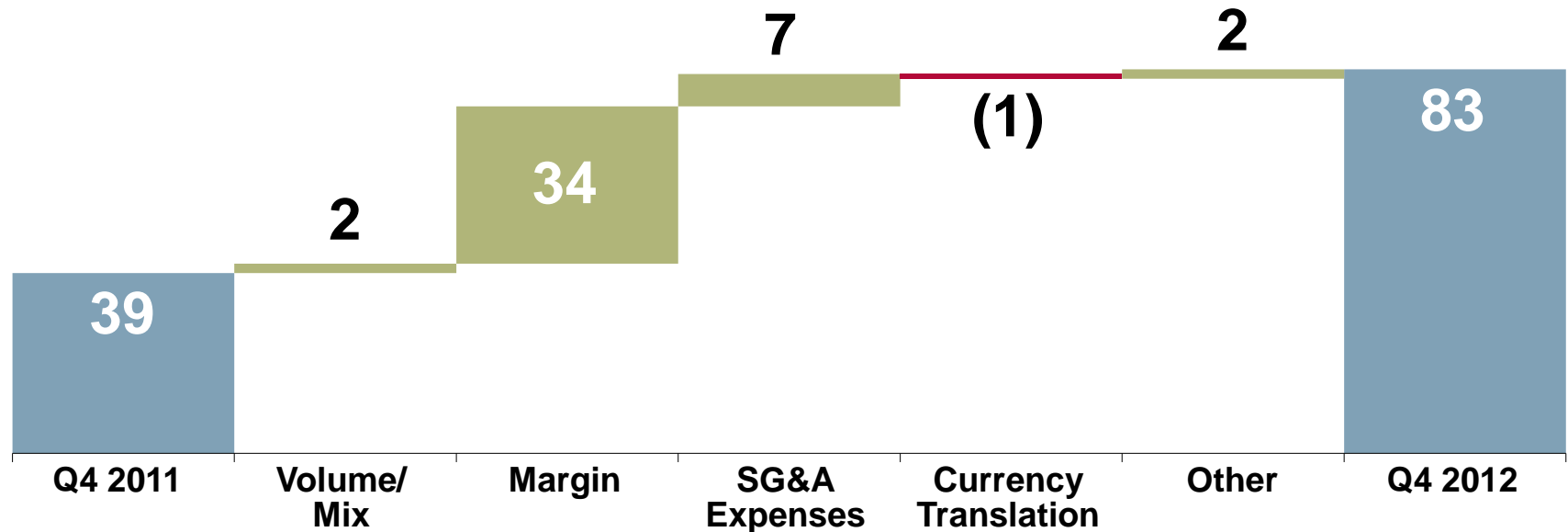
- Stable volumes sequentially despite normal seasonal downturn
- Recent raw material cost declines have led to more normalized margins

<sup>1</sup> Ashland's earnings releases dated Oct. 30 and July 26, 2012, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q4 FY 2011 versus Q4 FY 2012



- Stronger business mix offset small volume declines
- Margin expansion driven by lower raw material costs

# Pension and OPEB

- Ashland recognizes actuarial gains and losses in the year they occur
- Asset returns exceeded expectations, but discount rates fell over 100 basis points
  - Led to \$493 million corporate charge
- 2013 expectations
  - Pension/OPEB income of \$30 million versus expense of \$7 million in 2012
  - Pension cash funding of \$110 million, \$60 million below fiscal 2012

# Corporate Items

- Capital expenditures of \$134 million
- Net interest expense of \$54 million after adjusting for refinancing related costs
  - Unusually low interest income during the quarter
- Effective tax rate of 21%
  - Excludes key items
  - Brings fiscal 2012 to 26%,
    - 2013 expectations of 26% - 28%
- Free cash flow<sup>1</sup> generation of \$154 million

<sup>1</sup> See Table 6 of the Q4 2012 earnings release for U.S. GAAP reconciliations.

# Performance Summary

- Solid performance versus the prior year but did have areas of softness sequentially
- As compared with pro forma September 2011 quarter
  - Normalized volumes down 1%
  - Sales of \$2.1 billion
  - EBITDA of \$349 million, up 32%
- EBITDA margin of approximately 17%
- Free cash flow generation of \$154 million

# Fiscal 2012 Accomplishments

- Adjusted EPS of \$6.62
  - 70% increase from fiscal 2011
- Grew pro forma EBITDA 17% versus fiscal 2011
  - Good growth in Specialty Ingredients, Performance Materials and Consumer Markets
- Attained \$75 million in savings through corporate cost reduction program
- Completed commercial integration of ISP
- Significantly improved capital structure



# Near-Term Outlook

- Demand trends generally holding
  - Guar trends still developing
- Regional performance still mixed
  - Continued growth in North America
  - Europe and Asia remain soft

# Fiscal 2013 Objectives

- Expand sales and contain costs
  - Improve performance in Water Technologies
  - Focus growth capital in Specialty Ingredients
  - Achieve sales gains in Consumer Markets and Performance Materials
- Complete remaining \$15 million in ISP cost synergies
- Achieve significant increases in free cash flow

# ASHLAND®

With good chemistry great things happen.™

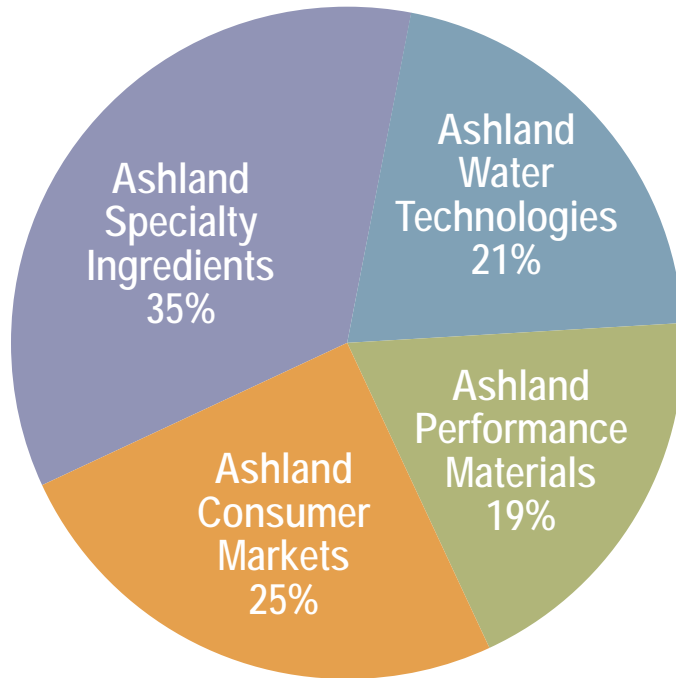


**Appendix A:  
Business Profiles  
12 Months Ended Sept. 30, 2012**

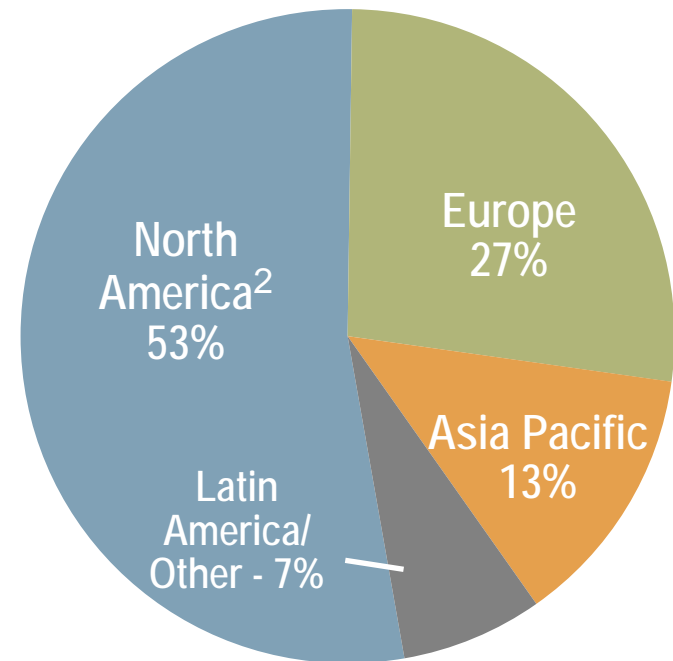
# Corporate Profile

Sales<sup>1</sup> - \$8.2 Billion

By commercial unit



By geography

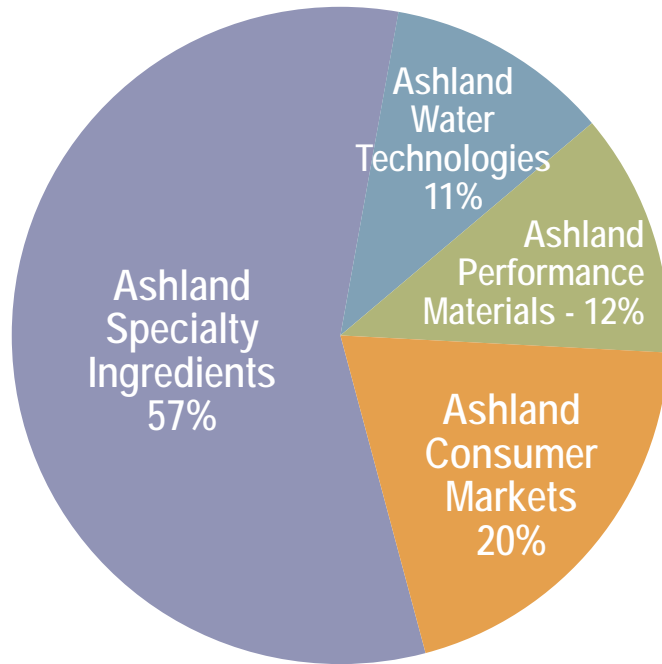


<sup>1</sup> For 12 months ended Sept. 30, 2012

<sup>2</sup> Ashland includes only U.S. and Canada in its North America designation

# Corporate Profile

Adjusted EBITDA<sup>1</sup> - \$1.4 Billion



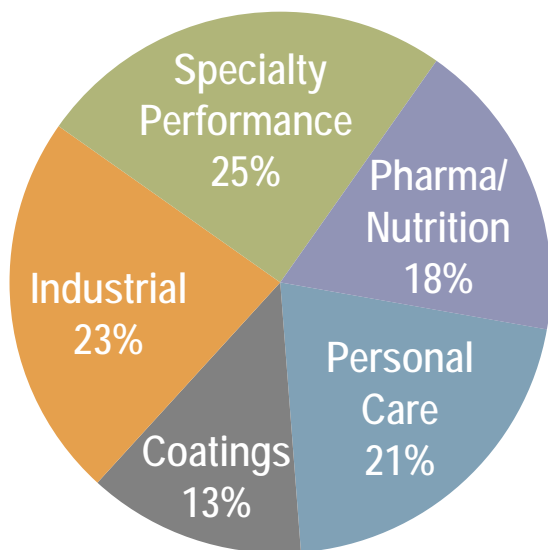
NYSE Ticker Symbol:	ASH
Total Employees:	~15,000
Outside North America	~40%
Number of Countries in Which Ashland Has Sales:	More than 100

<sup>1</sup> For fiscal year ended Sept. 30, 2012. See Appendix B for reconciliation to amounts reported under GAAP.

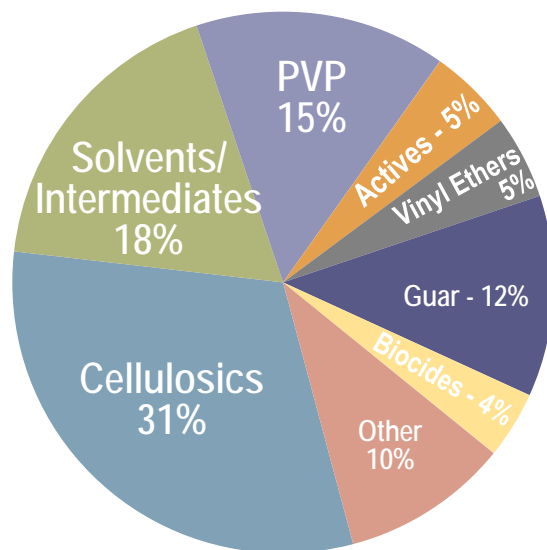
# Ashland Specialty Ingredients

A global leader in water-soluble and film-forming polymers

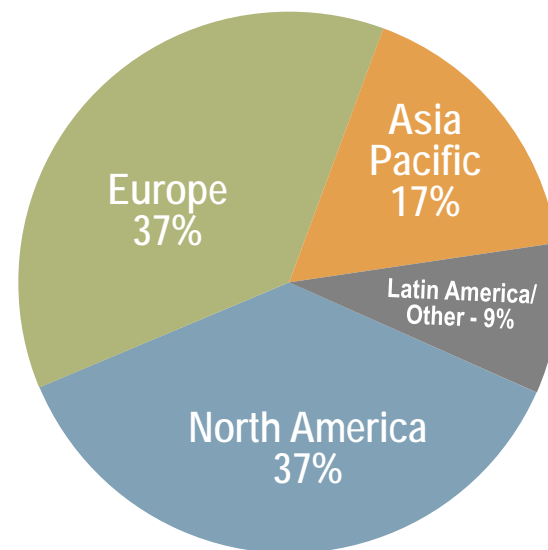
**Sales  
by Market**



**Sales  
by Product**



**Sales  
by Geography**



**Fiscal Year Ended Sept. 30, 2012**

**Sales: \$2.9 billion**

**Adjusted EBITDA: \$763 million<sup>1</sup>**

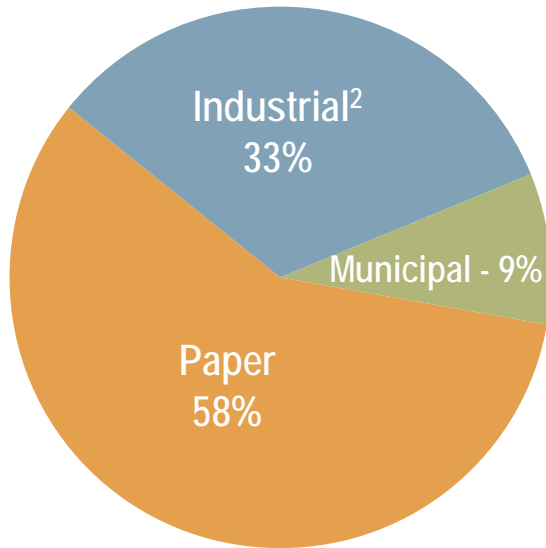
**Adjusted EBITDA Margin: 26.5%<sup>1</sup>**

<sup>1</sup> See Appendix B for reconciliation to amounts reported under GAAP.

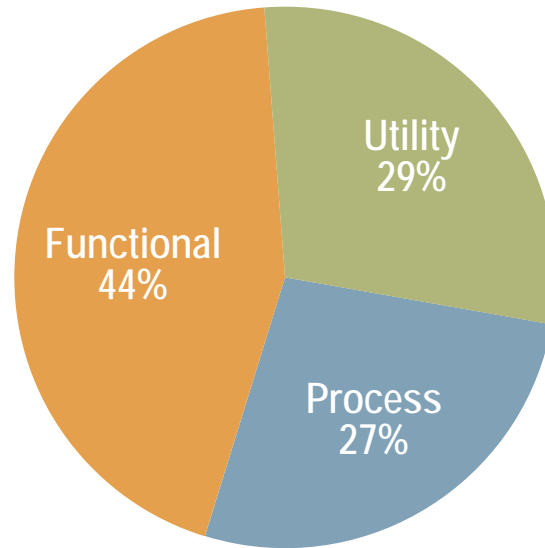
# Ashland Water Technologies

Providing specialty chemicals and services to water-intensive industries

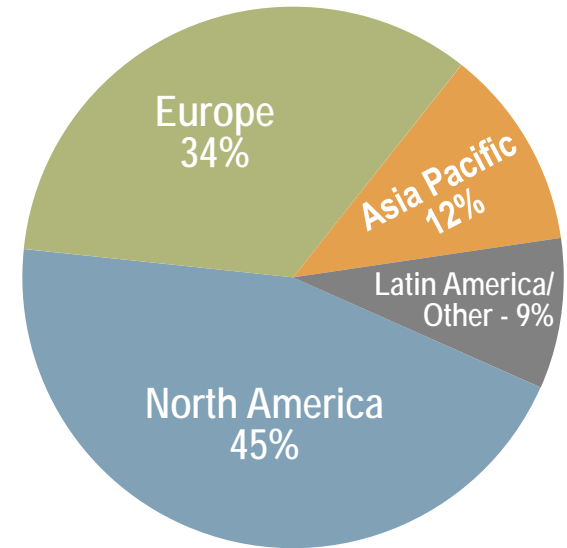
Sales  
by Market



Sales  
by Product



Sales  
by Geography



**Fiscal Year Ended Sept. 30, 2012**

**Sales: \$1.7 billion**

**Adjusted EBITDA: \$149 million<sup>1</sup>**

**Adjusted EBITDA Margin: 8.6%<sup>1</sup>**

<sup>1</sup> See Appendix B for reconciliation to amounts reported under GAAP.

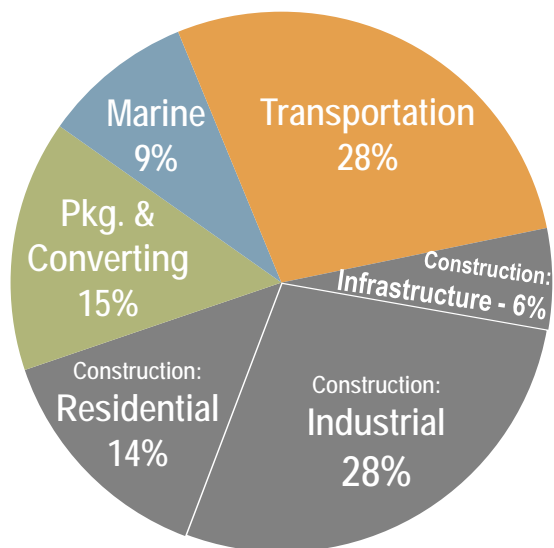
<sup>2</sup> Includes Pulp markets.



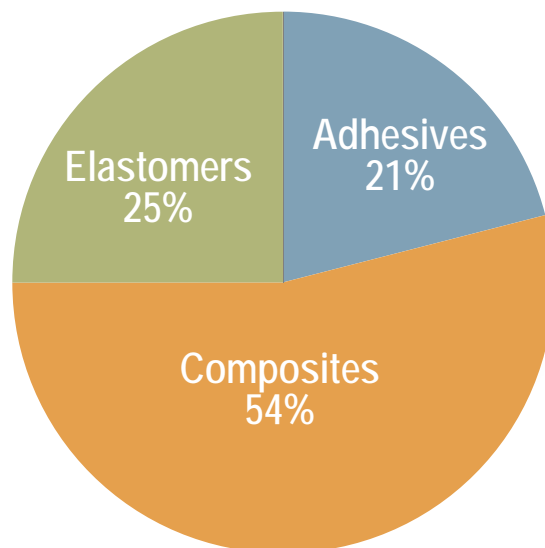
# Ashland Performance Materials

Global leader in composite resins, specialty adhesives and elastomers

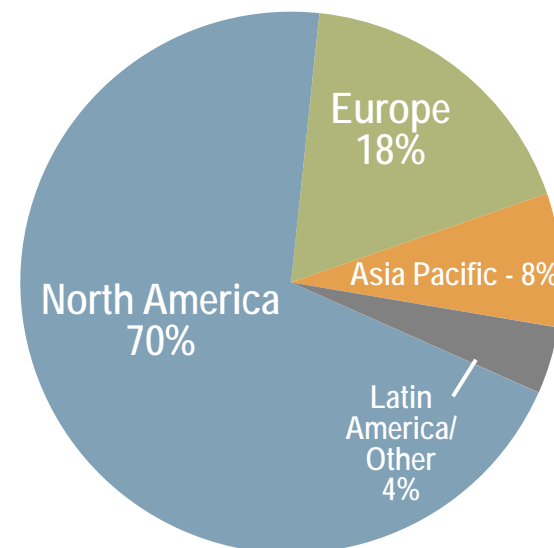
Sales  
by Market<sup>2</sup>



Sales  
by Product<sup>2</sup>



Sales  
by Geography<sup>2</sup>



**Fiscal Year Ended Sept. 30, 2012**

**Sales: \$1.6 billion**

**Adjusted EBITDA<sup>1</sup>: \$159 million**

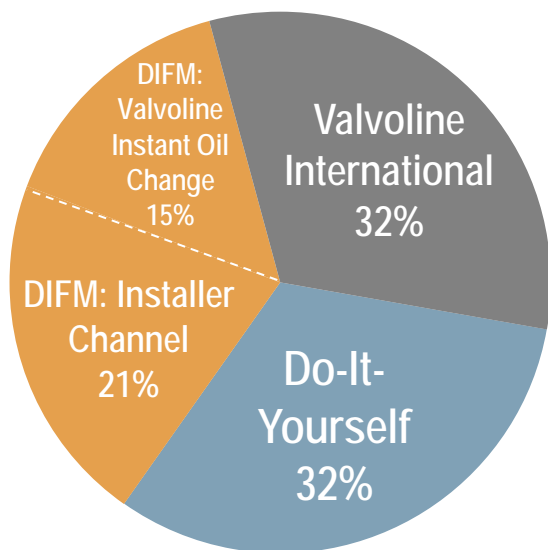
**Adjusted EBITDA Margin<sup>1</sup>: 10.2%**

<sup>1</sup> See Appendix B for reconciliation to amounts reported under GAAP.

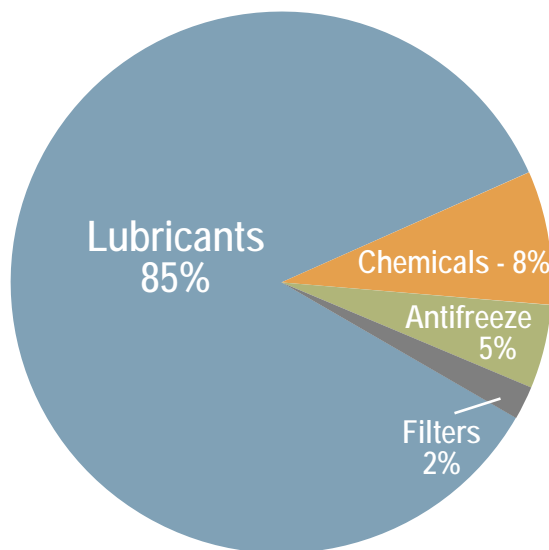
<sup>2</sup> Excludes sales from Casting Solutions.

# Ashland Consumer Markets: A leading worldwide marketer of premium-branded automotive lubricants and chemicals

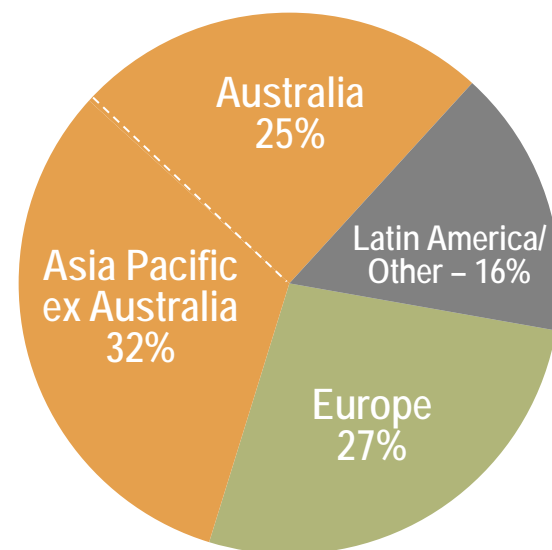
**Sales by Market**



**Sales by Product**



**International Sales by Region<sup>2</sup>**



**Fiscal Year Ended Sept. 30, 2012**

**Sales: \$2.0 billion<sup>1</sup>**  
**EBITDA: \$272 million<sup>1</sup>**  
**EBITDA Margin: 13.4%<sup>1</sup>**

<sup>1</sup> See Appendix B for reconciliation to amounts reported under GAAP.

<sup>2</sup> Includes nonconsolidated joint ventures.



# **Appendix B: Reclassifications and Regulation G Reconciliations**

# Ashland Inc. and Consolidated Subsidiaries

## Reconciliation of Non-GAAP Data

### for Fiscal Year Ended Sept. 30, 2012

(\$ millions, except percentages)

Sales	Q4 12	Q3 12	Q2 12	Q1 12	Total	
Specialty Ingredients	734	793	723	628	2,878	
Water Technologies	431	427	428	449	1,735	
Performance Materials	369	404	408	378	1,559	
Consumer Markets	522	517	520	475	2,034	
<b>Total</b>	<b>2,056</b>	<b>2,141</b>	<b>2,079</b>	<b>1,930</b>	<b>8,206</b>	
						Adjusted
						EBITDA
<b>Adjusted EBITDA<sup>1</sup></b>	<b>Q4 12</b>	<b>Q3 12</b>	<b>Q2 12</b>	<b>Q1 12</b>	<b>Total</b>	<b>Margin</b>
Specialty Ingredients	193	224	186	160	763	26.5%
Water Technologies	33	37	39	40	149	8.6%
Performance Materials	31	49	35	45	159	10.2%
Consumer Markets	83	68	66	56	272	13.4%
Unallocated	9	3	3	-	16	
<b>Total</b>	<b>349</b>	<b>381</b>	<b>329</b>	<b>301</b>	<b>1,359</b>	

<sup>1</sup> Calculation of adjusted EBITDA for each quarter has been reconciled within each quarterly earnings release filed with the SEC and posted on Ashland's website. Total Adjusted EBITDA may not sum to actual results due to quarterly rounding conventions.

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