

# Second-Quarter Fiscal 2016 Earnings

April 26, 2016

**ASHLAND**<sup>®</sup>

With good chemistry great things happen.<sup>™</sup>

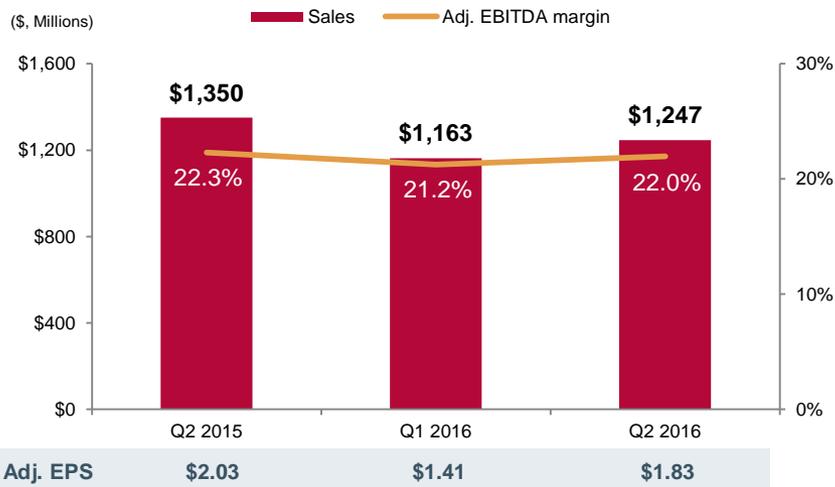
# Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Ashland has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “objectives,” “may,” “will,” “should,” “plans” and “intends” and the negative of these words or other comparable terminology. These forward-looking statements include statements relating to status of the separation process, the plan to pursue an IPO of up to 20 percent of the common stock of Valvoline and the expected completion of the separation through the subsequent distribution of Valvoline common stock, the expected timing of filing of a registration statement for the registration of common stock of Valvoline in the IPO, the anticipated timing of completion of the planned IPO and subsequent distribution of the remaining Valvoline common stock, and Ashland’s and Valvoline’s expected ratings profiles, capital structures, future financial flexibility and ability to pursue their long-term strategies. In addition, Ashland may from time to time make forward-looking statements in its annual report, quarterly reports and 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, including the proposed separation of its specialty chemicals and Valvoline businesses, the proposed IPO of its Valvoline business, the expected timetable for completing the IPO and the separation, the future financial and operating performance of each company, strategic and competitive advantages of each company, the leadership of each company, and future opportunities for each company, as well as 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: the possibility that the proposed IPO or separation will not be consummated within the anticipated time period or at all, including as the result of regulatory, market or other factors; the potential for disruption to Ashland’s business in connection with the proposed IPO or separation; the potential that the new Ashland and Valvoline do not realize all of the expected benefits of the proposed IPO or separation or obtain the expected credit ratings following the proposed IPO or separation; 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); the impact of acquisitions and/or divestitures Ashland has made or may make (including the possibility that Ashland may not realize the anticipated benefits from such transactions); Ashland’s ability to generate sufficient cash to finance its stock repurchase plans; 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 <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. Unless legally required, Ashland undertakes no obligation to update any forward-looking statements made in this presentation whether as a result of new information, future events or otherwise. This presentation does not constitute an offer to sell or the solicitation of an offer to buy securities, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

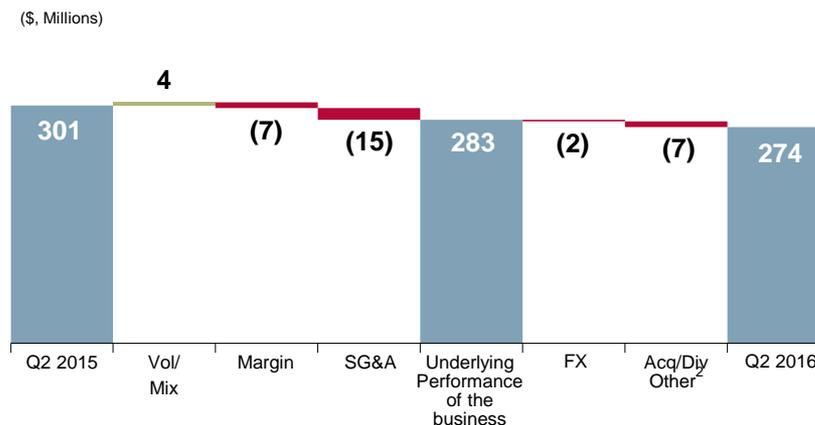
## Regulation G: Adjusted Results

The information presented herein regarding certain unaudited adjusted 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. Ashland has included this non-GAAP information to assist in understanding the operating performance of the company and its reportable segments. The non-GAAP 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.

# Fiscal Second Quarter 2016 Highlights<sup>1</sup>



## Factors affecting year-over-year EBITDA



- Reported earnings from continuing operations of \$1.38 per diluted share
- Adjusted earnings declined 10% to \$1.83 vs. \$2.03 per diluted share in prior year
- Adjusted EBITDA of \$274 million vs. \$301 million in prior year
  - As expected, headwinds from currency, energy end market and divestitures began to abate and represented an approximate \$7 million headwind
- Completed the \$500 million accelerated share repurchase (ASR) agreement that was announced in November
  - Repurchased a total of ~5 million shares at an average volume-weighted price of ~\$99 per share
  - No current plans to pursue additional share repurchases

<sup>1</sup> Ashland's earnings releases dated April 26, 2016, and January 25, 2016, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

<sup>2</sup> Acquisitions include OCH International, Inc. Divestitures includes biocides, redispersible powders (RDP) and Valvoline car care product lines exited during prior four quarters.

# Fiscal Second Quarter – Continuing Operations

## Key Items Affecting Income



(\$ in millions, except EPS) Preliminary	Operating Income				Total		
	Ashland Specialty Ingredients	Ashland Performance Materials	Valvoline	Unallocated and Other	Pre-tax	After-tax	Earnings per Share
<b>2016</b>							
Restructuring and separation costs	\$ (2)			\$ (16)	\$ (18)	\$ (14)	\$ (0.23)
Losses on pension and other postretirement plan remeasurements				(23)	(23)	(11)	(0.17)
Legal reserve				(5)	(5)	(3)	(0.05)
<b>Total</b>	\$ (2)			\$ (44)	\$ (46)	\$ (28)	\$ (0.45)
<b>2015</b>							
Restructuring	\$ (18)				\$ (18)	\$ (17)	\$ (0.25)
Impairment of equity investment			(14)		(14)	(14)	(0.21)
Tax indemnity income				16	16	16	0.23
Losses on pension plan remeasurement				(9)	(9)	(7)	(0.10)
Loss on divestiture					(33)	(21)	(0.31)
<b>Total</b>	\$ (18)		\$ (14)	\$ 7	\$ (58)	\$ (43)	\$ (0.64)

- Excluding intangible amortization, adjusted EPS would have been 22 cents higher, or \$2.05

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



(\$ in millions) Preliminary	Fiscal Second Quarter			Three months ended	
	Three months ended Mar. 31,			Dec. 31,	
	2016	2015	Change	2015	Change
<b>Sales</b>	\$ 1,247	\$ 1,350	(8) %	\$ 1,163	7 %
<b>Gross profit as a percent of sales</b>	34.9 %	33.1 %	180 bp	33.4 %	150 bp
<b>Selling, general and admin./R&amp;D costs</b>	\$ 248	\$ 239	4 %	\$ 233	6 %
<b>Operating income</b>	\$ 193	\$ 218	(11) %	\$ 164	18 %
<b>Operating income as a percent of sales</b>	15.5 %	16.1 %	(60) bp	14.1 %	140 bp
<b>Depreciation and amortization</b>	\$ 83	\$ 83	- %	\$ 81	2 %
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	\$ 274	\$ 301	(9) %	\$ 247	11 %
<b>EBITDA as a percent of sales</b>	22.0 %	22.3 %	(30) bp	21.2 %	80 bp

- As expected, headwinds are receding; currency, energy end markets and divestitures<sup>2</sup> were ~\$60 million headwind to sales
- Favorable business mix and margins offset by increased investment in digital technology and promotions at Valvoline

<sup>1</sup> Ashland's earnings releases dated April 26, 2016, and January 25, 2016, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

<sup>2</sup> Divestitures includes biocides, redispersible powders (RDP) and Valvoline car care product line exited during prior four quarters.

Adjusted Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal Second Quarter			Three months ended	
	Three months ended Mar. 31,			Dec. 31,	
	2016	2015	Change	2015	Change
<b>Metric tons sold (in thousands) - Actives basis</b>	77.3	82.7	(7) %	68.7	13 %
<b>Sales</b>	\$ 529	\$ 583	(9) %	\$ 476	11 %
<b>Gross profit as a percent of sales</b>	35.1 %	34.8 %	30 bp	32.1 %	300 bp
<b>Selling, general and admin./R&amp;D costs</b>	\$ 117	\$ 120	(3) %	\$ 118	(1) %
<b>Operating income</b>	\$ 67	\$ 83	(19) %	\$ 35	91 %
<b>Operating income as a percent of sales</b>	12.7 %	14.2 %	(150) bp	7.4 %	530 bp
<b>Depreciation and amortization</b>	\$ 60	\$ 59	2 %	\$ 59	2 %
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	\$ 127	\$ 142	(11) %	\$ 94	35 %
<b>EBITDA as a percent of sales</b>	24.0 %	24.4 %	(40) bp	19.7 %	430 bp

- Volume and share gains in numerous core growth end markets
- Developed markets remain strong, offset by weaker emerging regions
- Business trends improved throughout the course of the quarter

<sup>1</sup> Ashland's earnings releases dated April 26, 2016, and January 25, 2016, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

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



(\$ in millions) Preliminary	Fiscal Second Quarter Three months ended Mar. 31,			Three months ended Dec. 31,	
	2016	2015	Change	2015	Change
<b>Metric tons sold (in thousands)</b>	116.3	118.3	(2) %	106.2	10 %
<b>Sales</b>	\$ 239	\$ 286	(16) %	\$ 231	3 %
<b>Gross profit as a percent of sales</b>	20.6 %	22.7 %	(210) bp	22.1 %	(150) bp
<b>Selling, general and admin./R&amp;D costs</b>	\$ 31	\$ 35	(11) %	\$ 30	3 %
<b>Operating income</b>	\$ 20	\$ 30	(33) %	\$ 24	(17) %
<b>Operating income as a percent of sales</b>	8.4 %	10.5 %	(210) bp	10.4 %	(200) bp
<b>Depreciation and amortization</b>	\$ 13	\$ 14	(7) %	\$ 13	- %
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	\$ 33	\$ 44	(25) %	\$ 37	(11) %
<b>EBITDA as a percent of sales</b>	13.8 %	15.4 %	(160) bp	16.0 %	(220) bp

- Strong volumes in Europe led by residential construction applications
- Volume and pricing pressure in other regions of the world
- As expected, weak volumes and margins within I&S

<sup>1</sup> Ashland's earnings releases dated April 26, 2016, and January 25, 2016, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

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



(\$ in millions) Preliminary	Fiscal Second Quarter Three months ended Mar. 31,			Three months ended Dec. 31,	
	2016	2015	Change	2015	Change
Lubricant gallons (in millions)	43.7	40.5	8 %	40.4	8 %
Sales	\$ 479	\$ 481	(0) %	\$ 456	5 %
Gross profit as a percent of sales	40.0 %	36.1 %	390 bp	38.3 %	170 bp
Selling, general and admin./R&D costs	\$ 92	\$ 84	10 %	\$ 88	5 %
Operating income	\$ 105	\$ 96	9 %	\$ 92	14 %
Operating income as a percent of sales	21.9 %	20.0 %	190 bp	20.2 %	170 bp
Depreciation and amortization	\$ 10	\$ 10	- %	\$ 9	11 %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 115	\$ 106	8 %	\$ 101	14 %
EBITDA as a percent of sales	24.0 %	22.0 %	200 bp	22.1 %	190 bp

- Continued execution against strategic objectives leading to the tenth consecutive quarter of year-over-year earnings growth
- Successfully closed Oil Can Henry's acquisition on February 1<sup>st</sup>, adding 89 quick lube locations in the US Pacific Northwest

8

<sup>1</sup> Ashland's earnings releases dated April 26, 2016, and January 25, 2016, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

# Corporate Items



- Adjusted corporate operating income of \$1 million
- Net interest expense of \$43 million
  - FY 2016 expectation of approximately \$170-\$180 million
- Adjusted effective tax rate of 22%
  - FY 2016 expectation at the upper end of the 24%-26% range
- Trade Working Capital<sup>1</sup> for the quarter was 19.5% of sales
- Capital expenditures totaled \$50 million
  - FY 2016 expectation remains \$320-340 million
- Free cash flow<sup>2</sup> generation of \$134 million
  - FY 2016 expectation remains \$325-\$350 million

<sup>1</sup> Trade Working Capital defined as trade accounts receivables plus inventories minus trade accounts payables; calculated on a 13-month rolling basis.

<sup>2</sup> Definition of free cash flow: operating cash less capital expenditures and other items Ashland has deemed non-operational.

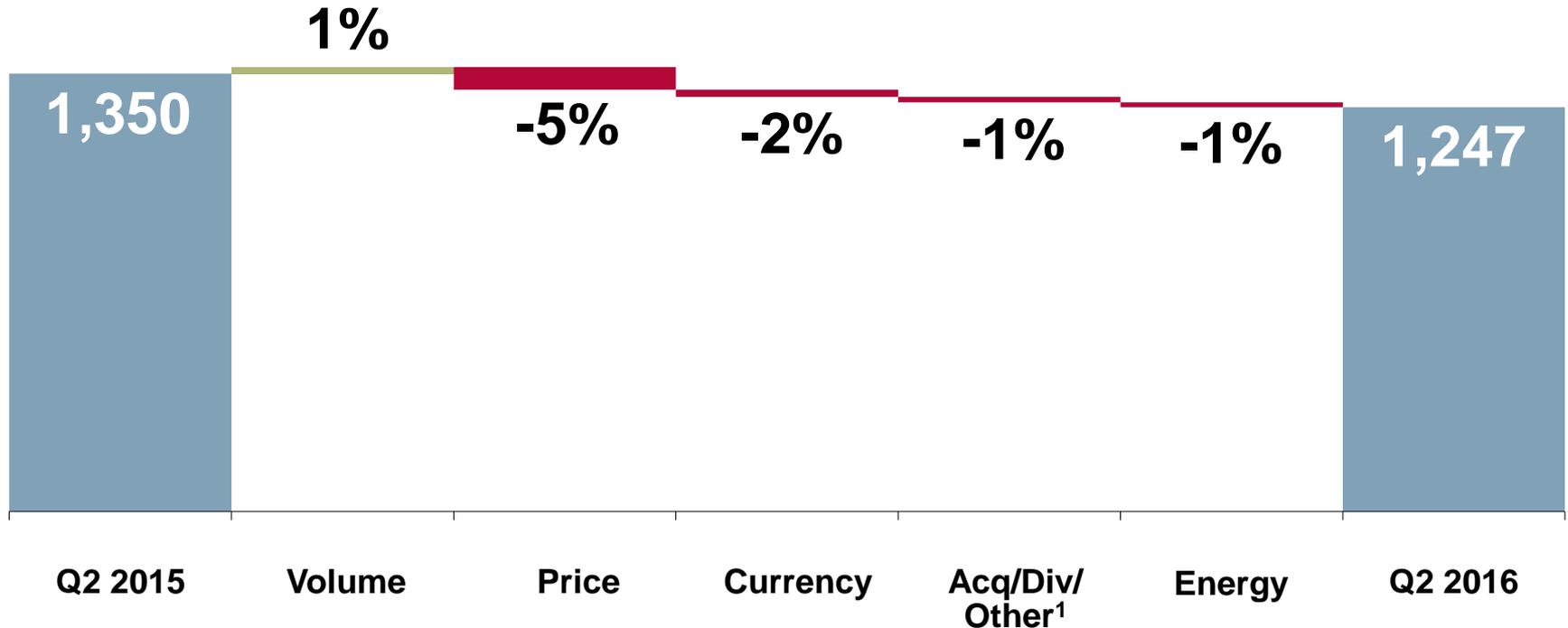


# Appendix A: Bridges



# Revenue Bridge

(\$ millions)  
Preliminary



- Headwinds from currency, energy markets and divestitures represented ~\$60 million headwind to overall sales
- Raw material pass through was primary driver to lower overall pricing

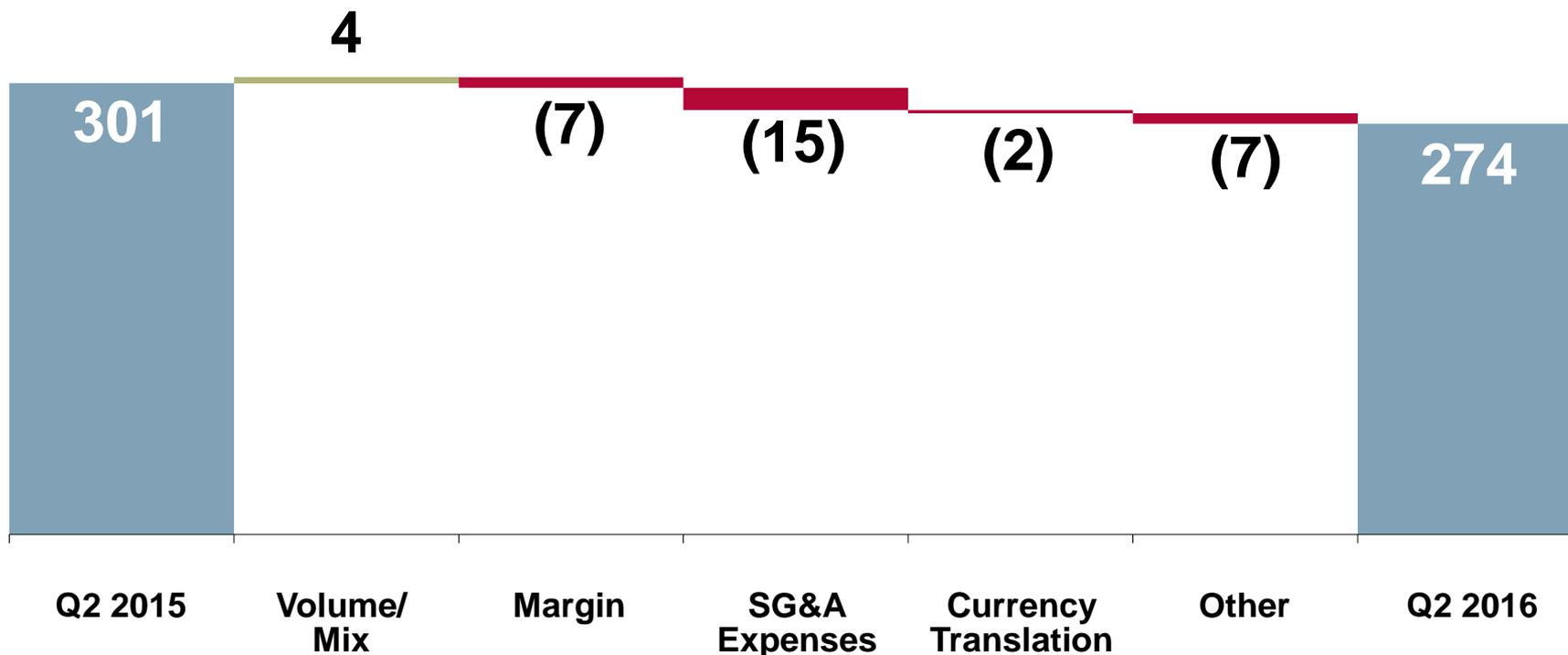
11

<sup>1</sup> Acquisitions include OCH International, Inc. Divestitures includes biocides, redispersible powders (RDP) and Valvoline car care product lines exited during prior four quarters.



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary



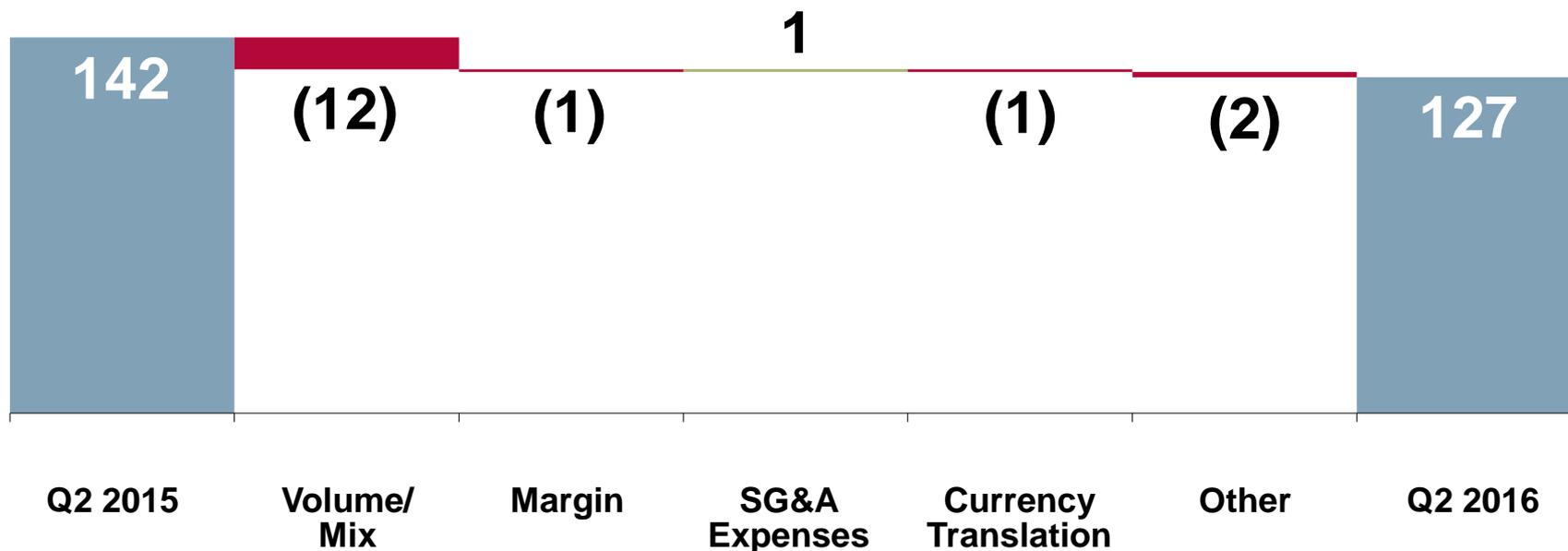
- Gains in volume / mix led by strong Valvoline results
- Foreign currency headwinds receded to \$2 million



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q2 FY 2015 versus Q2 FY 2016



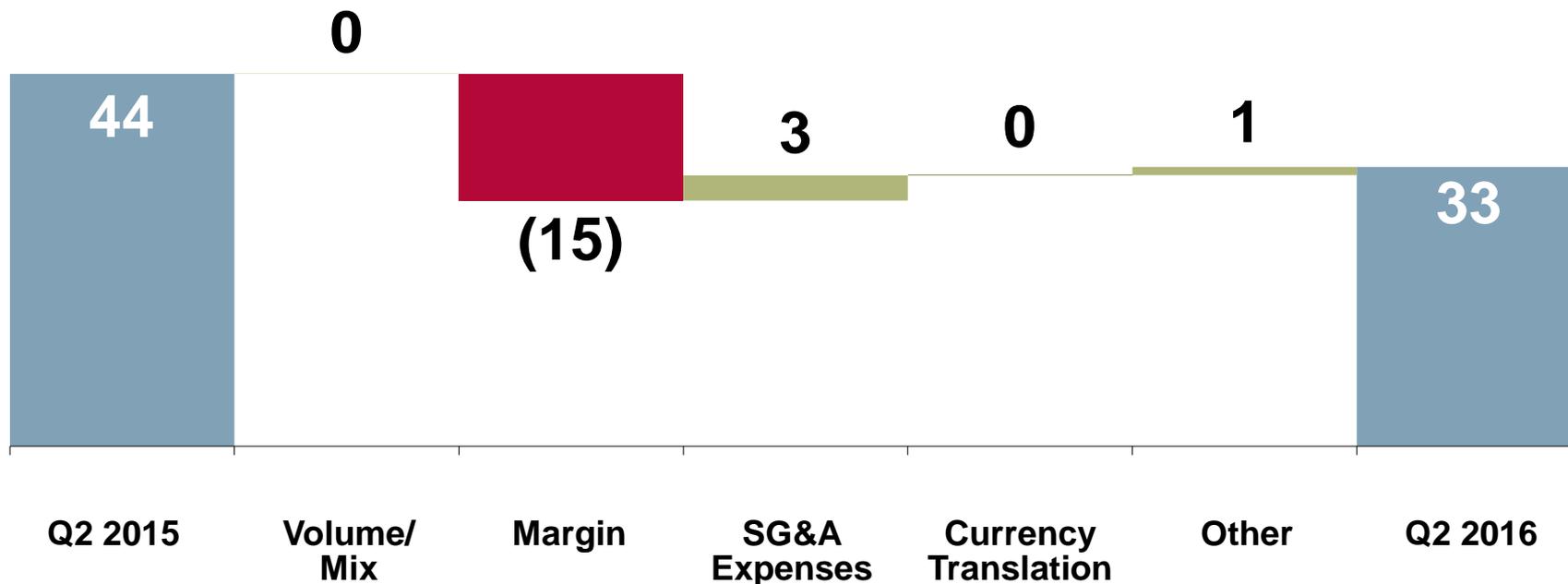
- Energy end market represents \$4 million of Volume/Mix
- Divestitures and exited product lines (biocides and RDP) included in the Other category; currency, driven by Euro, was a \$1 million headwind



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q2 FY 2015 versus Q2 FY 2016



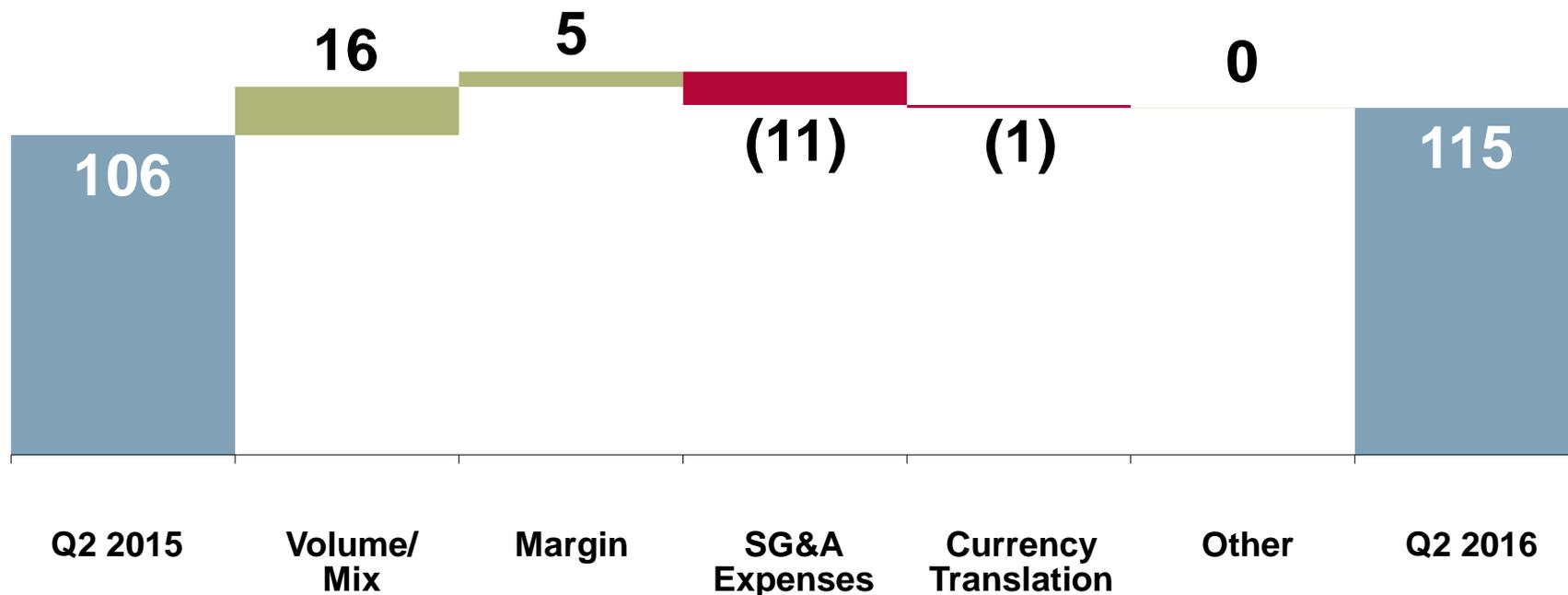
- I&S pricing accounts for the majority of margin impact
- Composites volumes soft but margins better than expected
- Planned Marl BDO shutdown negatively impacted margin by ~\$2 million



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q2 FY 2015 versus Q2 FY 2016

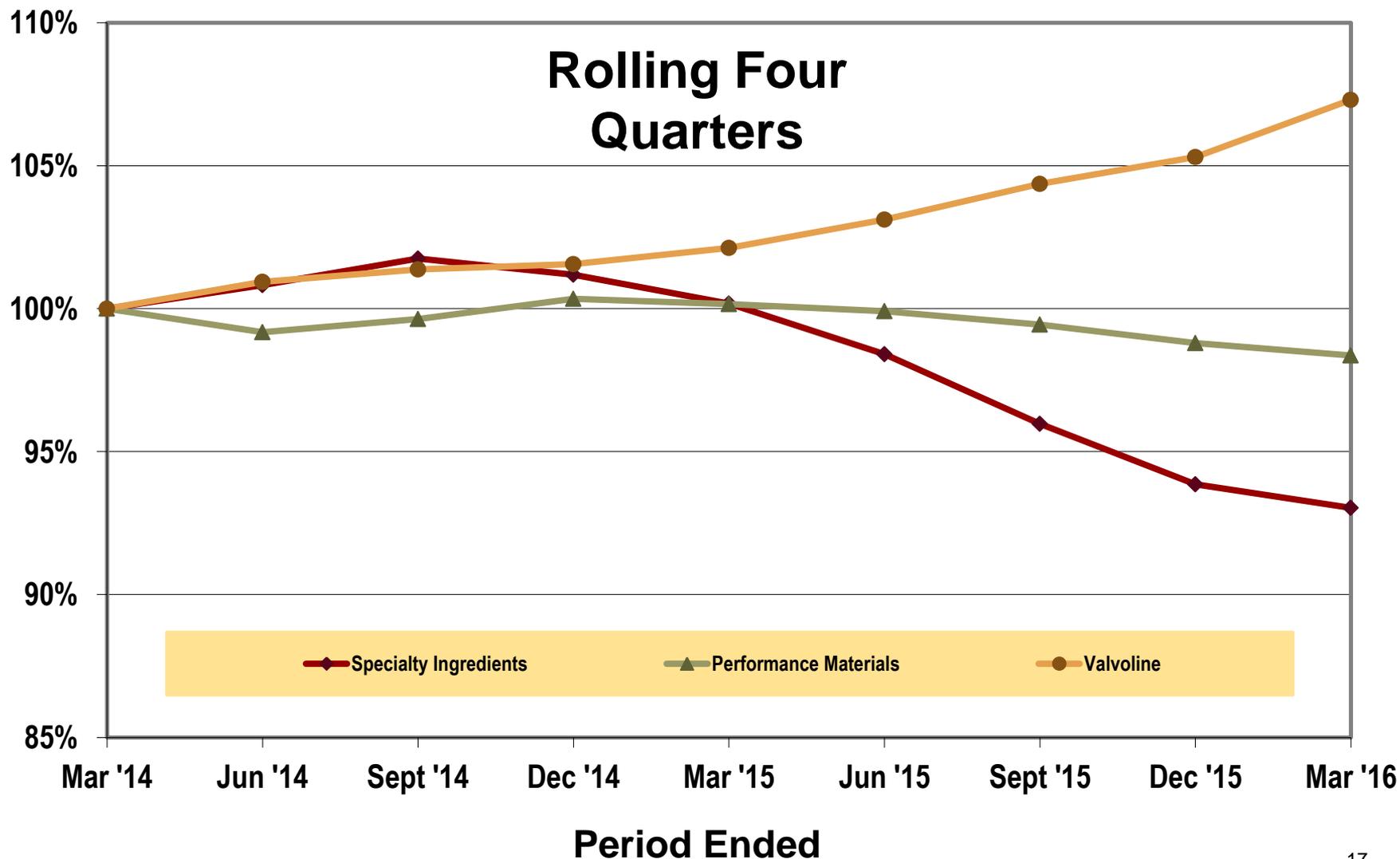


- Strong DIY and VIOC results, lower input costs, disciplined margin management and good volume/mix key to EBITDA growth
- Investments in promotions and advertising, digital technology and employee costs led to SG&A growth



# **Appendix B: Volume Trends and Liquidity and Net Debt**

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



<sup>1</sup> Excludes volumes associated with divestitures of elastomers and biocides and exited redispersible powders (RDP) product line for all periods. Includes volumes associated with OCH International, Inc. ASI and APM reflect realignment of adhesives and intermediates and solvents for all periods.

# Liquidity and Net Debt



(\$ in millions)

Liquidity	At Mar 31, 2016
Cash	\$ 1,136
Available revolver and A/R facility capacity	654
<b>Liquidity</b>	<b>\$ 1,790</b>

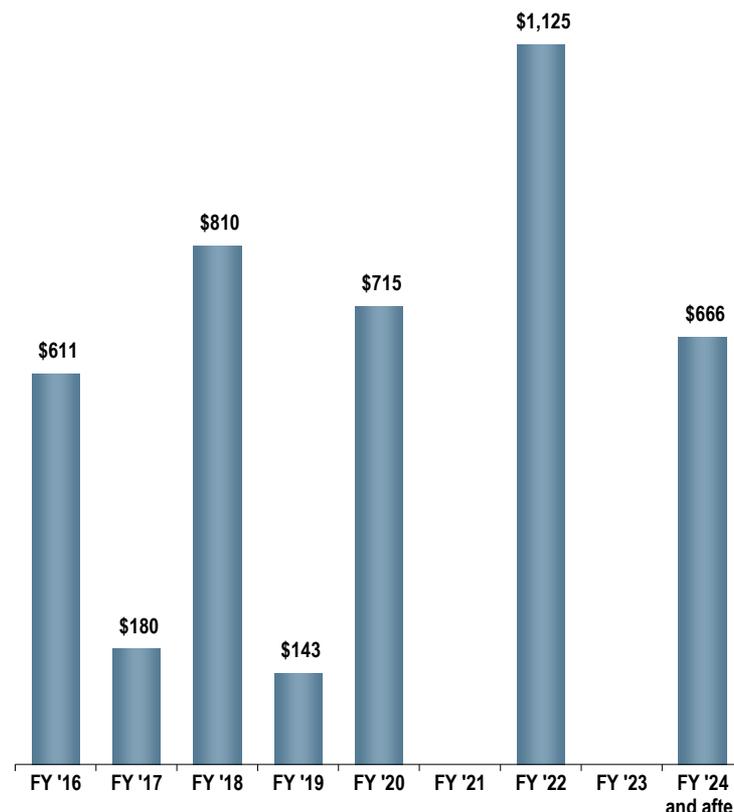
Debt	Expiration	Interest Rate	Moody's	S&P	At Mar 31, 2016
4.750% senior notes, par \$1,125 million	08/2022	4.750%	Ba1	BB	\$ 1,121
Term Loan A	06/2020 <sup>1</sup>	L+175	Ba1	BB	1,059
3.875% senior notes, par \$700 million	04/2018	3.875%	Ba1	BB	700
6.875% senior notes, par \$375 million	05/2043	6.875%	Ba1	BB	376
A/R facility drawn <sup>2</sup>	03/2017	L+65			120
6.5% debentures, par \$282 million	06/2029	6.50%	Ba2	B+	138
Revolver drawn <sup>3</sup>	06/2020	L+175	Ba1	BB	550
Other debt		Various			13
<b>Total debt</b>			<b>Ba1/ Stable</b>	<b>BB/ Negative</b>	<b>\$ 4,077</b>
<b>Cash</b>					<b>\$ 1,136</b>
<b>Net debt (cash)</b>					<b>\$ 2,941</b>

<sup>1</sup> The Term Loan has an amortizing principal, starting in 2015, with complete repayment in 2020.

<sup>2</sup> AR securitization facility with maximum borrowing capacity of \$250 million; Mar 31 capacity of \$199 million

<sup>3</sup> \$1.2 billion facility, including ~\$75 million used for letters of credit

## Scheduled Debt Repayments by Fiscal Year





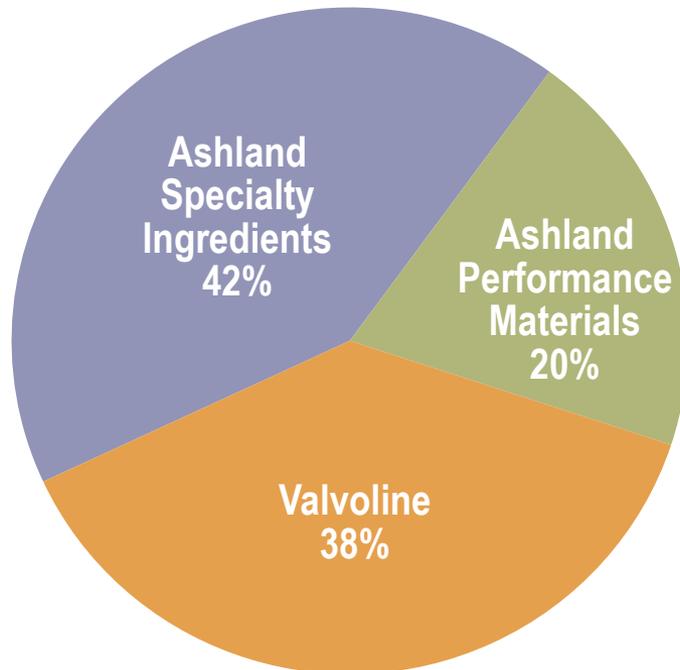
**Appendix C:**  
**Business Profiles**  
**12 Months Ended March 31, 2016**

# Corporate Profile

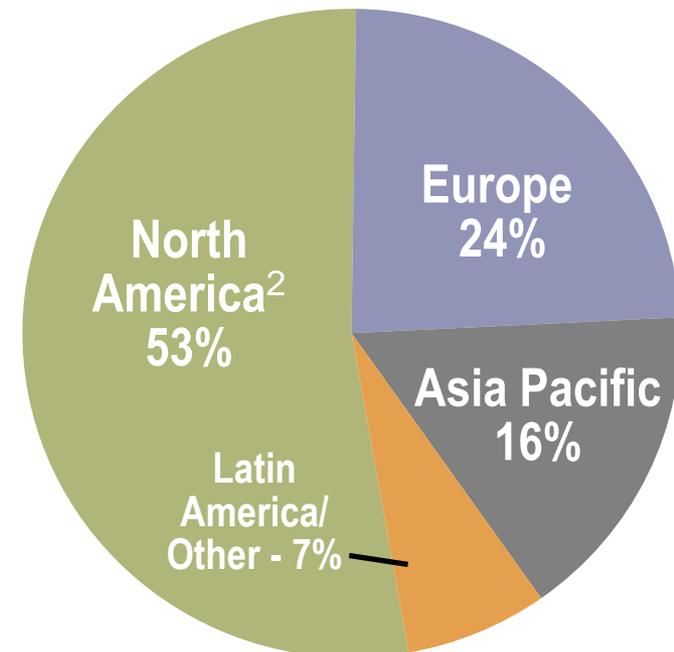


Sales<sup>1</sup> - \$5.1 Billion

By business unit



By geography



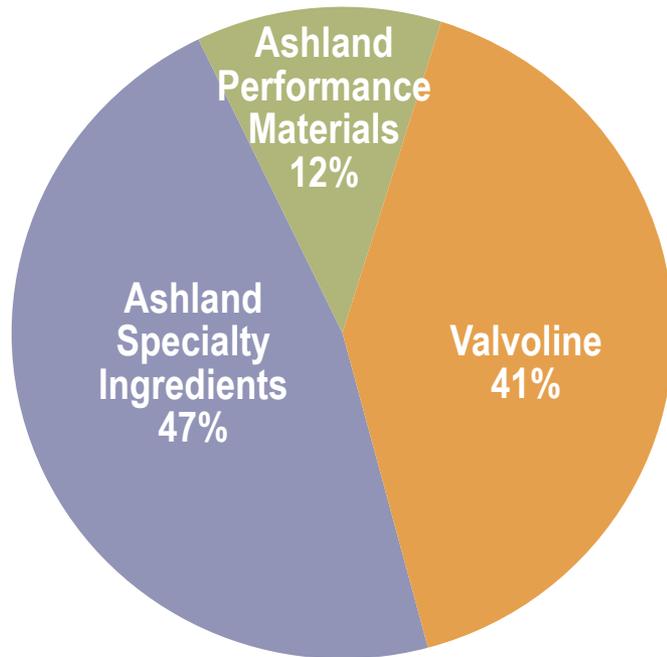
<sup>1</sup> For 12 months ended March 31, 2016.

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

# Corporate Profile



Adjusted EBITDA<sup>1</sup> - \$1.1 Billion



NYSE Ticker Symbol: ASH

Total Employees: ~11,000

Outside North America ~30%

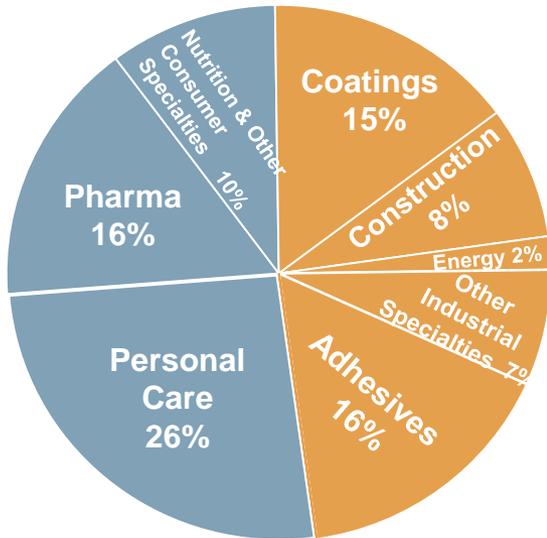
Number of Countries  
in Which Ashland  
Has Sales: More  
than 100

<sup>1</sup> For 12 months ended March 31, 2016. See Appendix D for reconciliation to amounts reported under GAAP.

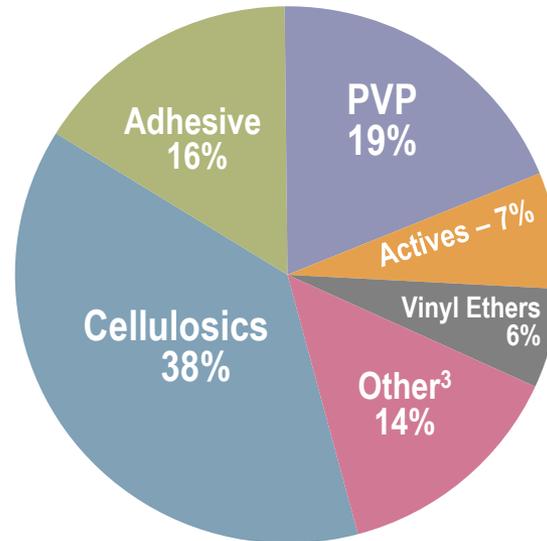
# Ashland Specialty Ingredients: A global leader of cellulose ethers, vinyl pyrrolidones and biofunctionals



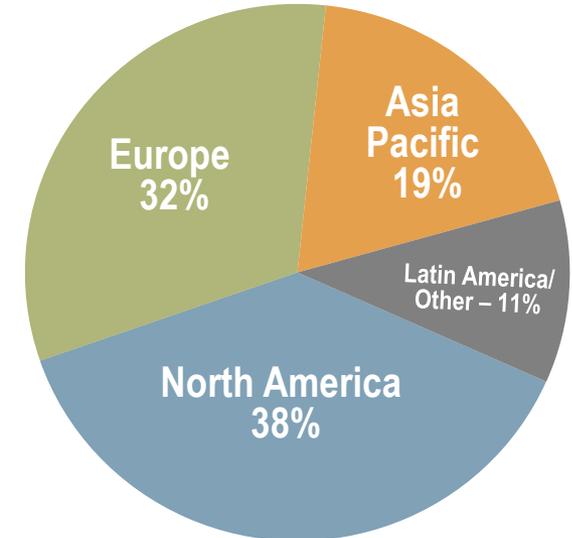
**Sales by Market<sup>2</sup>**



**Sales by Product**



**Sales by Geography**



**For 12 Months Ended March 31, 2016**

**Sales: \$2.1 billion**

**Adjusted EBITDA: \$487 million<sup>1</sup>**

**Adjusted EBITDA Margin: 22.9%<sup>1</sup>**

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

<sup>2</sup> Within the Sales by Market chart above, Industrial Specialties are presented in orange and Consumer Specialties are presented in blue.

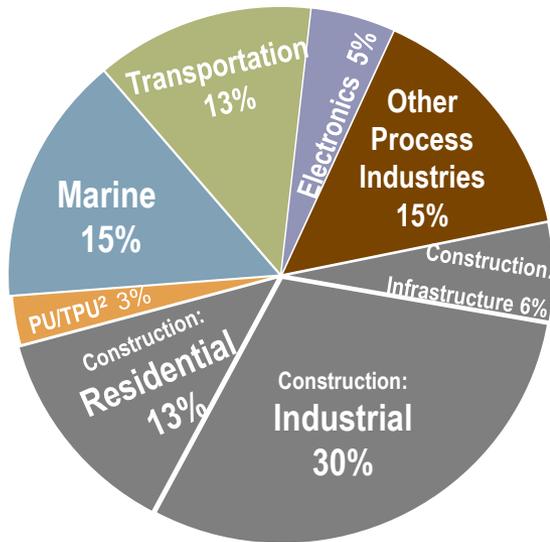
<sup>3</sup> Includes Biocides' sales only through July 1, 2015.

# Ashland Performance Materials

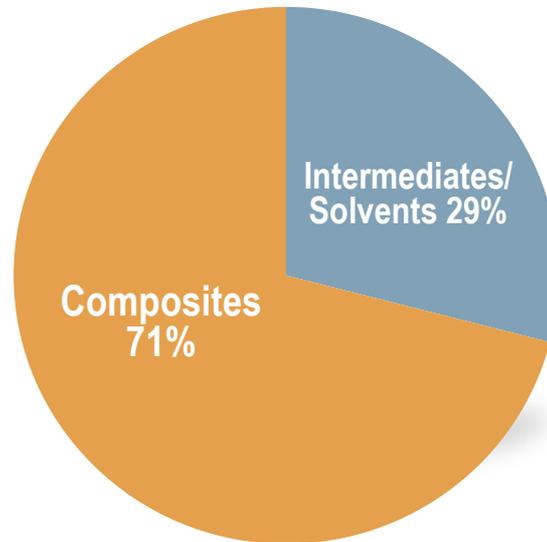


Global leader in unsaturated polyester resins and vinyl ester resins

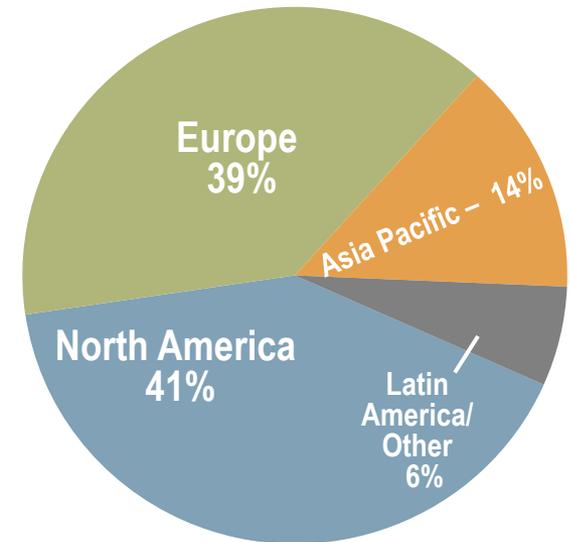
**Sales by Market**



**Sales by Product**



**Sales by Geography**



**For 12 Months Ended March 31, 2016**

**Sales: \$1.0 billion**

**EBITDA: \$130 million<sup>1</sup>**

**EBITDA Margin: 12.9%<sup>1</sup>**

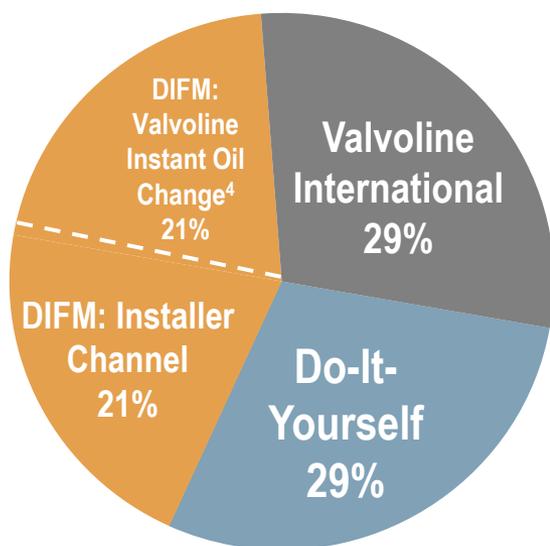
<sup>1</sup> See Appendix D for reconciliation to amounts reported under GAAP.

<sup>2</sup> PU/TPU stands for Polyurethane and Thermoplastic Polyurethane.

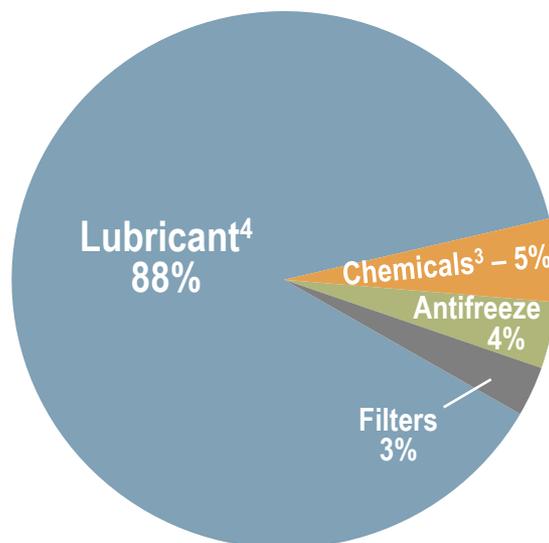
# Valvoline: A leading worldwide producer and distributor of premium-branded lubricants and automotive chemicals



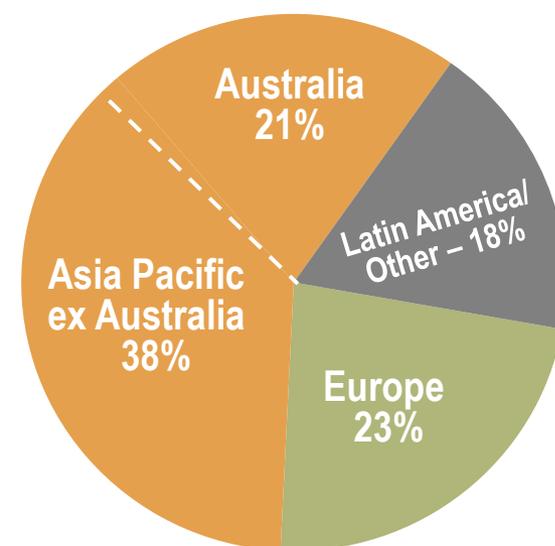
## Sales by Market



## Sales by Product



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



**For 12 Months Ended March 31, 2016**

**Sales: \$1.9 billion**  
**EBITDA: \$429 million<sup>1</sup>**  
**EBITDA Margin: 22.2%<sup>1</sup>**

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

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

<sup>3</sup> Includes car care products' sales only through June 30, 2015.

<sup>4</sup> Includes Oil Can Henry's sales starting February 1, 2016.



# **Appendix D: Non-GAAP Reconciliation**

# Reconciliation of Non-GAAP Data

for 12 Months Ended March 31, 2016



(\$ millions, except percentages)

<b>Sales<sup>1</sup></b>	<b>Q2 16</b>	<b>Q1 16</b>	<b>Q4 15</b>	<b>Q3 15</b>	<b>Total</b>	
<b>Specialty Ingredients</b>	<b>529</b>	<b>476</b>	<b>540</b>	<b>579</b>	<b>2,124</b>	
<b>Performance Materials</b>	<b>239</b>	<b>231</b>	<b>256</b>	<b>278</b>	<b>1,004</b>	
<b>Valvoline</b>	<b>479</b>	<b>456</b>	<b>484</b>	<b>510</b>	<b>1,929</b>	
<b>Total</b>	<b>1,247</b>	<b>1,163</b>	<b>1,280</b>	<b>1,367</b>	<b>5,057</b>	
						<b>Adjusted EBITDA</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>Q2 16</b>	<b>Q1 16</b>	<b>Q4 15</b>	<b>Q3 15</b>	<b>Total</b>	<b>Margin</b>
<b>Specialty Ingredients</b>	<b>127</b>	<b>94</b>	<b>129</b>	<b>137</b>	<b>487</b>	<b>22.9%</b>
<b>Performance Materials</b>	<b>33</b>	<b>37</b>	<b>33</b>	<b>27</b>	<b>130</b>	<b>12.9%</b>
<b>Valvoline</b>	<b>115</b>	<b>101</b>	<b>97</b>	<b>116</b>	<b>429</b>	<b>22.2%</b>
<b>Unallocated</b>	<b>(1)</b>	<b>15</b>	<b>6</b>	<b>10</b>	<b>30</b>	
<b>Total</b>	<b>274</b>	<b>247</b>	<b>265</b>	<b>290</b>	<b>1,076</b>	

<sup>1</sup> Quarterly totals may not sum to actual results due to quarterly rounding conventions. Calculation of adjusted EBITDA for each quarter has been reconciled within certain financial filings with the SEC and posted on Ashland's website for each reportable segment.

**ASHLAND®**

With good chemistry great things happen.™