



# Third-Quarter Fiscal 2009 Earnings

July 24, 2009

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Ashland Aqualon Functional Ingredients*

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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. These forward-looking statements are based upon a number of assumptions, including those mentioned within this presentation. Performance estimates are also based upon 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, and cost of raw materials; legal proceedings and claims (including environmental and asbestos matters); and weather. These risks and uncertainties may cause actual operating results to differ materially from those stated, projected or implied. Other risks and uncertainties include the possibility that the benefits anticipated from Ashland's acquisition of Hercules will not be fully realized; Ashland's substantial indebtedness may impair its financial condition; the restrictive covenants under the debt instruments may hinder the successful operation of Ashland's business; future cash flow may be insufficient to repay the debt; and other risks that are described in filings made by Ashland with the Securities and Exchange Commission (the "SEC"). Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected herein will be achieved. This forward-looking information may prove to be inaccurate and actual results may differ significantly from those anticipated if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized or if other unexpected conditions or events occur. Other factors, uncertainties and risks affecting Ashland are contained in Ashland's periodic filings made with the SEC, including its Form 10-K for the fiscal year ended Sept. 30, 2008, and Forms 10-Q for the quarters ended Dec. 31, 2008, and March 31, 2009, which are available on Ashland's Investor Relations website at <http://investor.ashland.com> or the SEC's website at [www.sec.gov](http://www.sec.gov). Ashland undertakes no obligation to subsequently update or revise the forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation.

# *Agenda*

## Fiscal third-quarter preliminary results

- Highlights
- Adjusted pro forma results, including cost-reduction and debt updates
- Commercial-unit performance and outlook
- Summary
- Questions
- Appendices
  - A: Ashland Overview
  - B: Preliminary Results as Reported
  - C: Regulation G Reconciliations

# *Highlights*

- Generated cash flows from operating activities of \$355 million
- Reduced gross debt to under \$2 billion
  - Issued \$650 million of 9.125% notes to retire bridge loan
- Increased adjusted pro forma EBITDA to \$248 million, up 9 percent over Q3 FY '08
  - Record quarterly EBITDA for Ashland Consumer Markets (Valvoline)
  - Remaining segments' volume decreases ranging from 15 percent to nearly 40 percent
- Reported income from continuing operations of 68 cents per share
  - Significant, negative impact from 44-percent effective tax rate
- Exceeded \$265 million cost-reduction target by \$22 million
  - \$87 million achieved in Q3, including \$54 million of selling, general and administrative expenses and \$18 million of one-time savings
- Signed definitive agreement to sell Drew Marine for \$120 million pretax

# *Fiscal Third Quarter*

## *Key Items Affecting Income*

(\$ millions, except EPS impact) Preliminary 2009	Ashland Performance Materials	Ashland Distribution	Pretax Total	EPS Impact
Item affecting operating income (pretax)				
Severance and accelerated depreciation	\$ (13)	\$ (3)	\$ (16)	\$ (0.14)
Other expenses				
Accelerated debt amortization resulting from bridge loan retirement	-	-	(10)	(0.09)
Foreign tax judgment	-	-	(8)	(0.10)

*Fiscal Third Quarter 2009*

# *Diluted Earnings Per Share (As Reported)*

(in millions, except EPS)

Preliminary

	Three months ended	
	June 30,	
	2009	2008
Earnings before interest, taxes, depreciation and amortization	\$ 240	\$ 121
Less: depreciation and amortization	88	34
Operating income	\$ 152	\$ 87
Gain on MAP Transaction	1	1
Net interest and other financing (expense) income	(62)	5
Income from continuing operations before income taxes	91	93
Income tax expense	40	27
Income (loss) from disc. operations, net of income taxes	(1)	6
Net income	\$ 50	\$ 72
Diluted earnings per share		
Income from continuing operations	\$ 0.68	\$ 1.03
Net income	\$ 0.66	\$ 1.13
Average common shares and assumed conversions	75	64

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*Fiscal Third Quarter 2009*

# *Adjusted Pro Forma EBITDA*

(\$ in millions) Preliminary	Three months ended June 30,		
	2009	2008	Change
Sales and operating revenue	\$ 2,037	\$ 2,814	(28) %
Gross profit as a percent of sales	24.6 %	19.1 %	550 bp
Selling, general and administrative costs	\$ 349	\$ 398	(12) %
Operating income	\$ 168	\$ 151	11 %
Operating income as a percent of sales	8.2 %	5.4 %	280 bp
Depreciation and amortization	\$ 80	\$ 76	5 %
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>\$ 248</b>	<b>\$ 227</b>	<b>9 %</b>
<b>EBITDA as a percent of sales</b>	<b>12.2 %</b>	<b>8.1 %</b>	<b>410 bp</b>

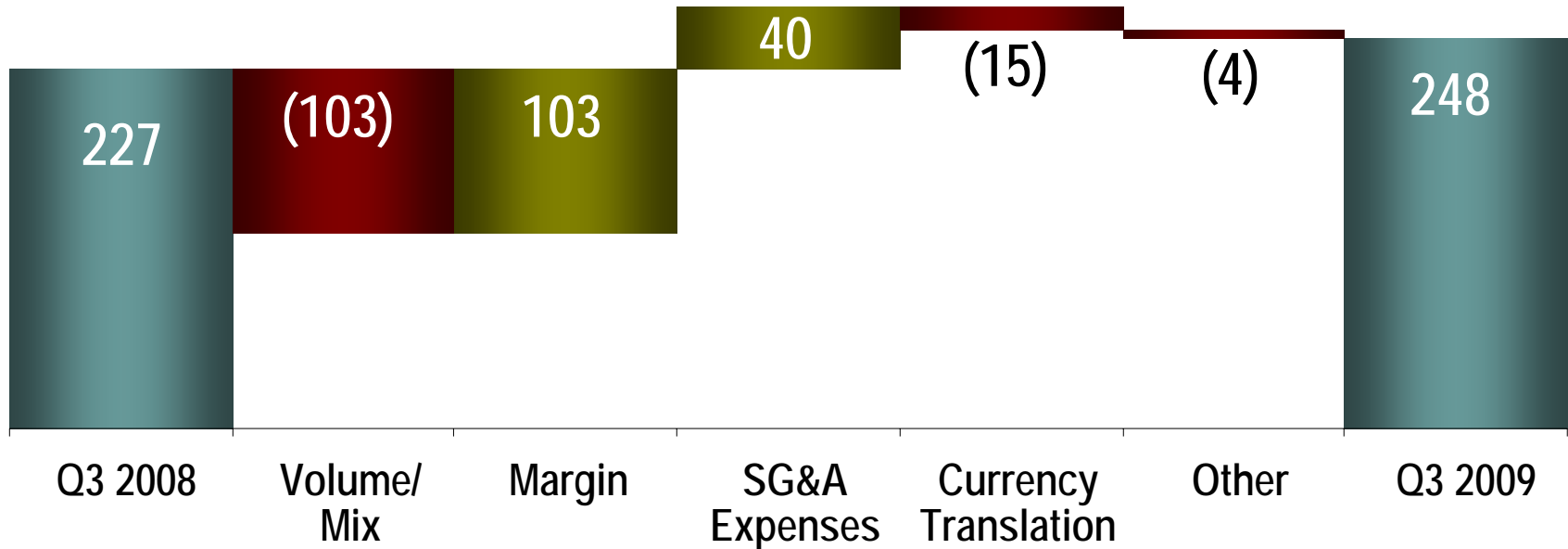
NOTE: Refer to Slides 53, 54, 60 and 61 of this presentation for a reconciliation of these adjusted pro forma amounts to amounts reported under generally accepted accounting principles (GAAP).

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Q3 FY 2008 vs. Q3 FY 2009

# Factors Impacting Adjusted Pro Forma EBITDA

(\$ millions)  
Preliminary



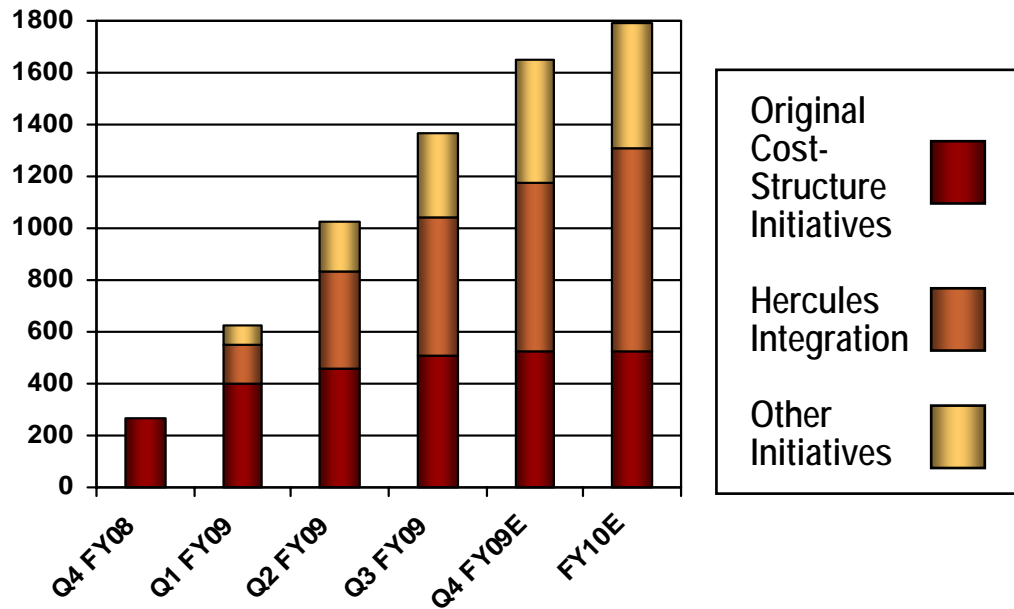
- Volume declines still averaging roughly 20 percent to 25 percent
- Pricing discipline and selling-, general- and administrative-expense reductions more than offset volume declines



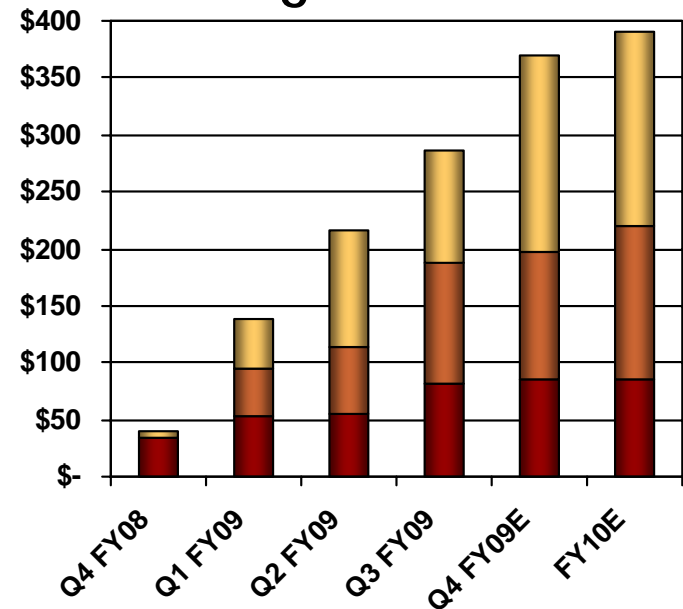
# Cost-Reduction Program Update

- Exceeded \$265 million target by \$22 million and ahead of schedule
  - \$87 million achieved in Q3, including \$54 million of selling, general and administrative expenses and \$18 million of one-time savings

## Cumulative Headcount Reductions



## Annualized Run-rate Savings (in millions)



# Fiscal Third Quarter 2009

## Cash Flows Statement

(\$ millions)

Preliminary

	Three months ended June 30, 2009	Nine months ended June 30, 2009
<b>Cash flows from operating activities</b>		
Net income	\$ 50	\$ (22)
Depreciation and amortization	88	244
Debt-issuance cost amortization	19	35
Changes in operating assets and liabilities <sup>1</sup>	150	208
Other	48	184
	<b>355</b>	<b>649</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(27)	(107)
Sales and maturities of available-for-sale securities	26	55
Purchase of operations, net of cash acquired	-	(2,080)
Other	(1)	(83)
	(2)	(2,215)
<b>Cash flows from financing activities</b>		
Cash dividends paid	(6)	(17)
Repayment of long-term debt	(857)	(1,489)
Proceeds from issuance of long-term debt	628	2,628
Proceeds from/repayments of issuance of short-term debt	(40)	3
Debt-issuance costs	(24)	(161)
Other	2	(11)
	(297)	953
Other adjustments	(3)	(17)
Change in cash and cash equivalents	\$ 53	\$ (630)

# Net Debt

(\$ millions)  
Preliminary

	Expiration	Interest Rate	Moody's	S&P	At June 30, 2009
Revolver drawn <sup>1</sup>	11/2013		Ba1	BB+	\$ -
A/R securitization <sup>2</sup>	11/2009	CP+90			-
Term Loan A <sup>3</sup>	11/2013	L+350	Ba1	BB+	340
Term Loan B <sup>3</sup>	05/2014	L+440	Ba1	BB+	780
9.125% senior notes <sup>4</sup> , par \$650 million	06/2017	9.125%	Ba3	BB-	628
6.5% debentures, par \$282 million	06/2029	6.50%	B1	B	124
Other debt		Various			121
<b>Total debt</b>			<b>Ba2 / Neg</b>	<b>BB- / Stable</b>	<b>\$ 1,993</b>
Cash (excludes auction rate securities <sup>5</sup> )					\$ 256
<b>Net debt</b>					<b>\$ 1,737</b>

<sup>1</sup> \$400 million facility, including ~\$140 million used for letters of credit.  
<sup>2</sup> \$184 million facility  
<sup>3</sup> Subject to a LIBOR floor of 3.25%.  
<sup>4</sup> Includes four-year, no-call provision.  
<sup>5</sup> Excludes auction rate securities with book value of \$188 million.

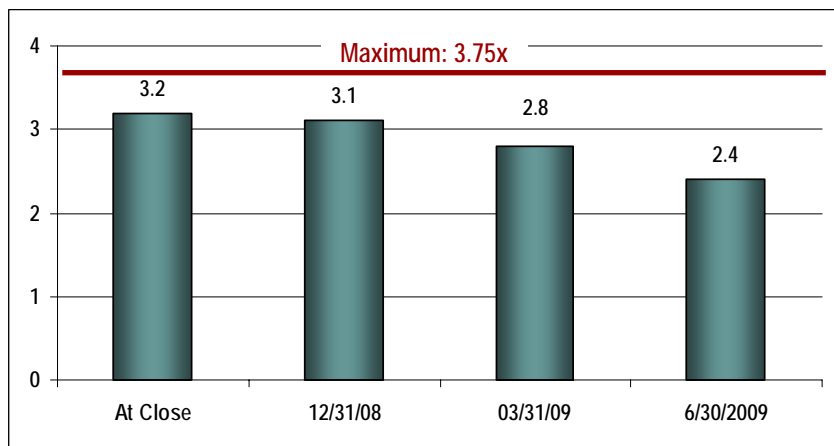
Liquidity	At June 30, 2009
Cash	\$ 256
Available revolver capacity	261
Available A/R securitization	184
<b>Liquidity</b>	<b>\$ 701</b>

## Scheduled Debt Repayments by Fiscal Year

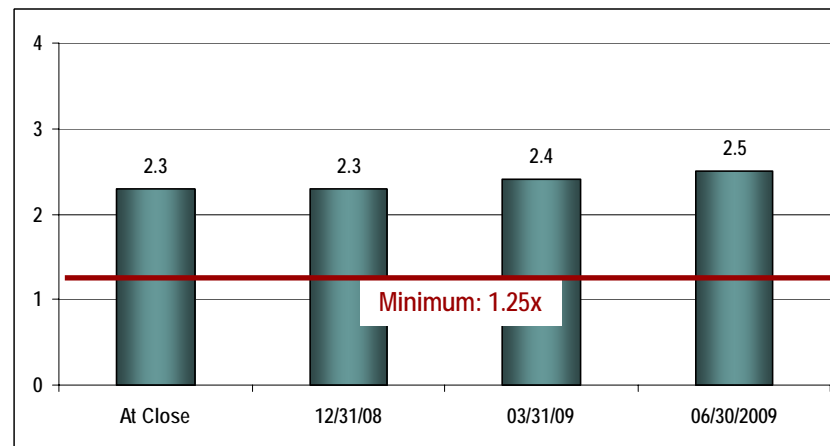


# Debt Financial Covenant Calculations<sup>1</sup>

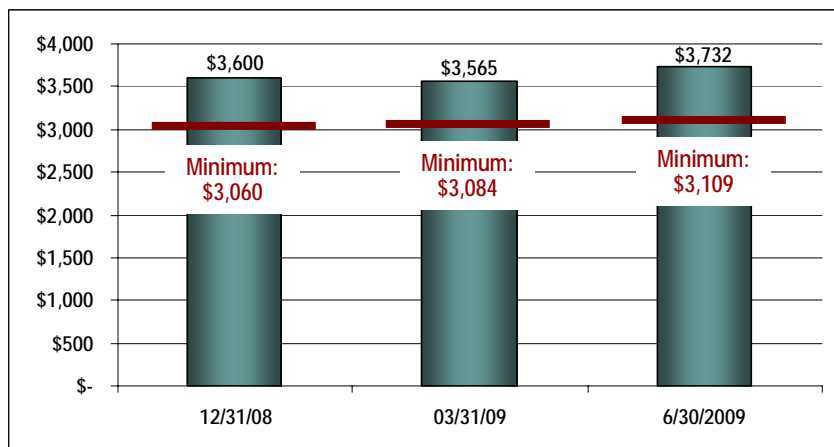
## Debt-to-EBITDA



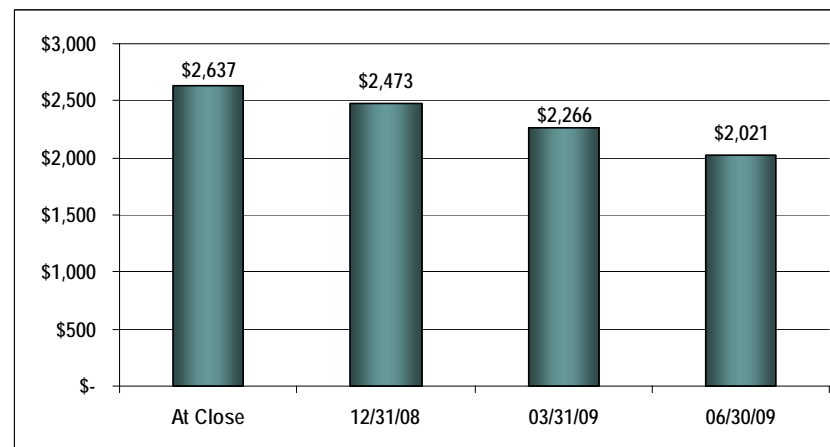
## Fixed Charge Coverage Ratio



## Net Worth (in millions)



## Total Debt (in millions)



<sup>1</sup> All numbers adjusted to reflect terminology and calculation methodology governing Ashland's Senior Secured Credit Facility ("Credit Agreement"), as disclosed in an 8-K filing on Nov. 21, 2008, as amended.

# Ashland Aqualon Functional Ingredients Adjusted Pro Forma Results Summary

Fiscal Third Quarter	Three months ended June 30,		
	2009	2008	Change
Metric tons sold (000s)	41.2	56.5	(27) %
Sales and operating revenue	\$ 233	\$ 303	(23) %
Gross profit as a percent of sales	27.6 %	29.7 %	(210) bp
Selling, general and administrative costs	\$ 39	\$ 47	(17) %
Operating income	\$ 24	\$ 42	(43) %
Operating income as a percent of sales	10.3 %	13.9 %	(360) bp
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 50	\$ 68	(26) %
EBITDA as a percent of sales	21.5 %	22.4 %	(90) bp

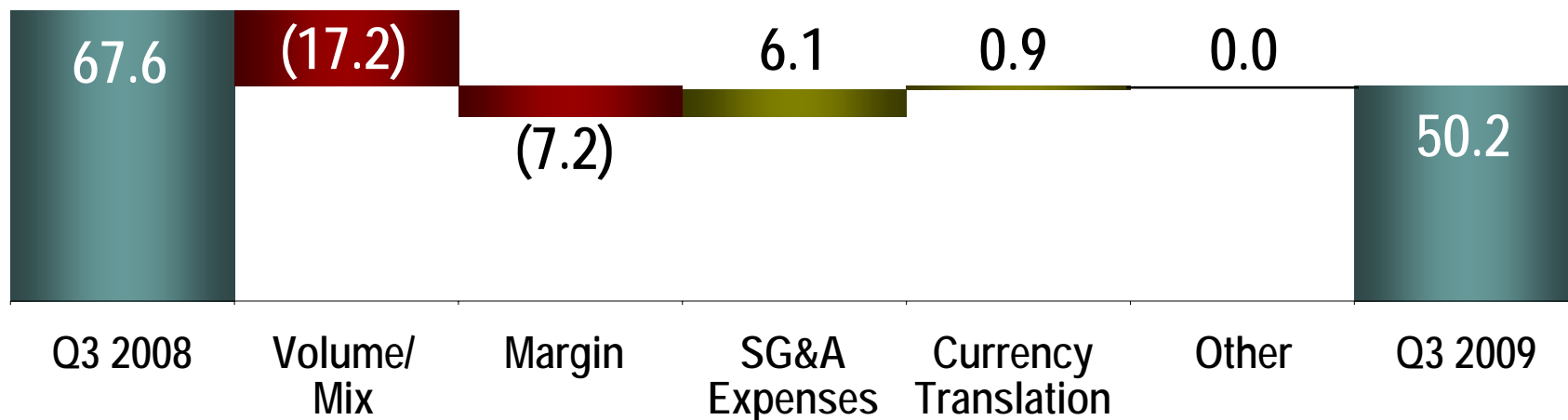
NOTE: Refer to Slides 48 and 55 in Appendix C of this presentation for a reconciliation of these adjusted pro forma amounts to amounts reported under generally accepted accounting principles.

# Ashland Aqualon Functional Ingredients

## Factors Impacting Adjusted Pro Forma EBITDA

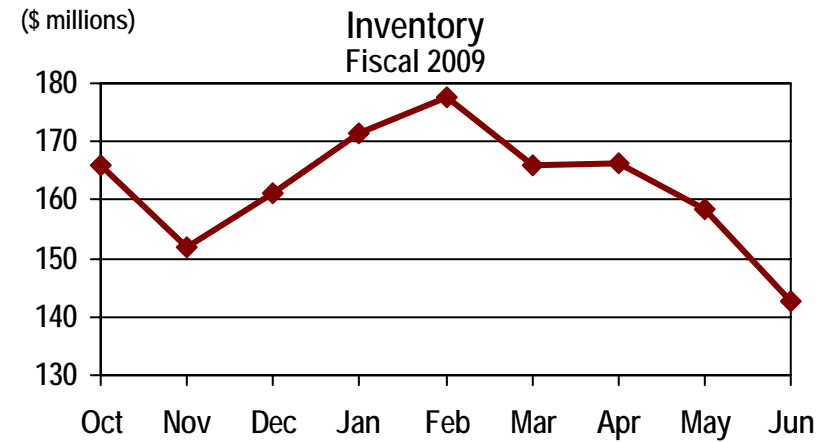
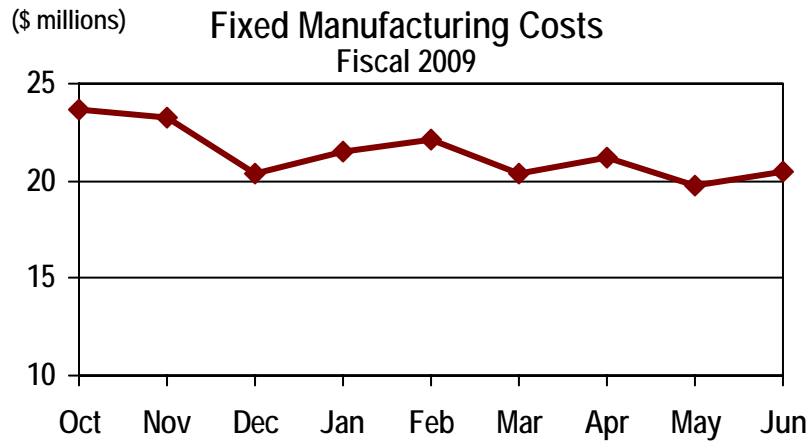
(\$ millions)  
Preliminary

Q3 FY 2008 versus Q3 FY 2009



- Volume declines primarily in construction and energy & specialties markets
- \$7 million of margin decline due to impact of reduced inventories on manufacturing costs

# Ashland Aqualon Functional Ingredients Resizing the Business



- **Aligning cost structure with current macroeconomic realities**
  - Volumes down approximately 25 percent
- **Fixed manufacturing costs run-rate down by \$2 million a month**
- **Inventory reduced \$35 million from peak**
- **Staffing reduced by approximately 200**

# Ashland Aqualon Functional Ingredients Strategies

## Core Organic

- ▶ Geographic expansion
  - China, Russia, India, Japan, South America
- ▶ Accelerate new product introductions
- ▶ Productivity ... Cost/unit reduction
- ▶ Pricing leadership
- ▶ Capital investment consistent with growth

## Adjacent Organic

- ▶ Commercialize existing programs ... film coatings, phosphate ester and redispersible powders
- ▶ Launch adjacent technologies consistent with strategic direction
- ▶ Align resources (capital and work force) to deliver this growth

## Acquisition

- ▶ Accelerate growth via bolt-on acquisitions ... good opportunities and consistent with the strategy



# Ashland Aqualon Functional Ingredients Targeted Segments

Industry	Targeted Markets (estimated market size)	Targeted Segment
Coatings Additives	\$1.7 billion	Water-Based Architectural
Construction	\$2.1 billion	Dry Mortar and Gypsum
Energy	\$0.5 billion	Cementing and Stimulation
Specialties Solutions	\$1.9 billion	Civil Engineering and Ceramics
Regulated Industries		
Pharmaceutical	\$1.0 billion	Oral Dosage Binders and Coatings
Personal Care	\$1.4 billion	Hair Care Rheology and Conditioning
Food	\$2.2 billion	Bakery, Process Foods and Beverage

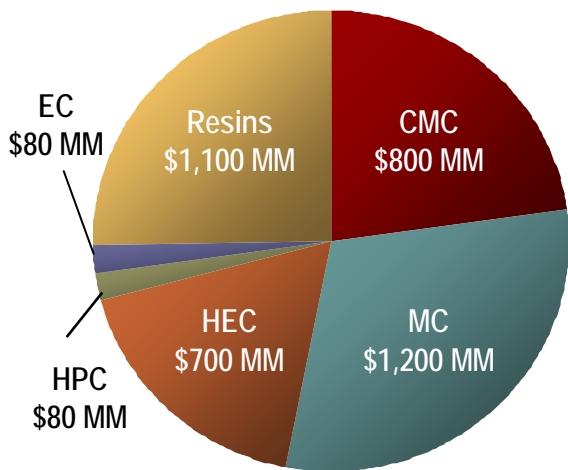
*Targeting Segments to Focus and Align Resources for Growth*

# Ashland Aqualon Functional Ingredients

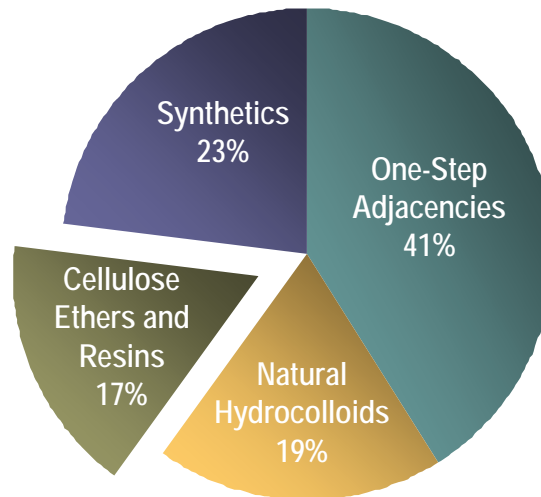
## Grow the Core First ... Then Adjacencies

### Core

(Water Soluble Polymers)

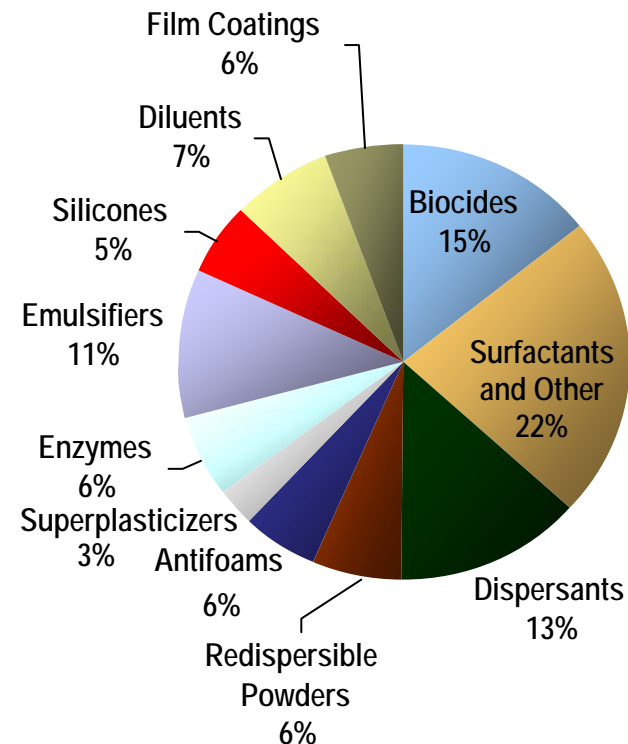


Total = \$4 Billion



Total = \$23 Billion

### One-Step Adjacencies



Total = \$9 Billion

*Significant Potential for Growth*

# Ashland Aqualon Functional Ingredients

## New Products by Industry

Market Segment	Top Sellers	Est. FY '09 Sales (\$ millions)	New Launches
Coatings & Construction	Aquaflow® rheology modifiers Dextrol® dispersants Advantage® foam control	25 13 24	New Aquaflow grades pHLEX™ neutralizers Aquapas™ redispersible powders
Regulated Products	N-Hance® conditioners Aquarius® color coatings	15 3	New Benecel® grades Aquarius® functional coating Carbomer rheology
Energy & Specialties	Gas migration additive Electronics grade ethylcellulose	2 8	Dispersible polyanionic cellulose Methylcellulose for advanced ceramics

# Ashland Hercules Water Technologies

## Adjusted Pro Forma Results Summary

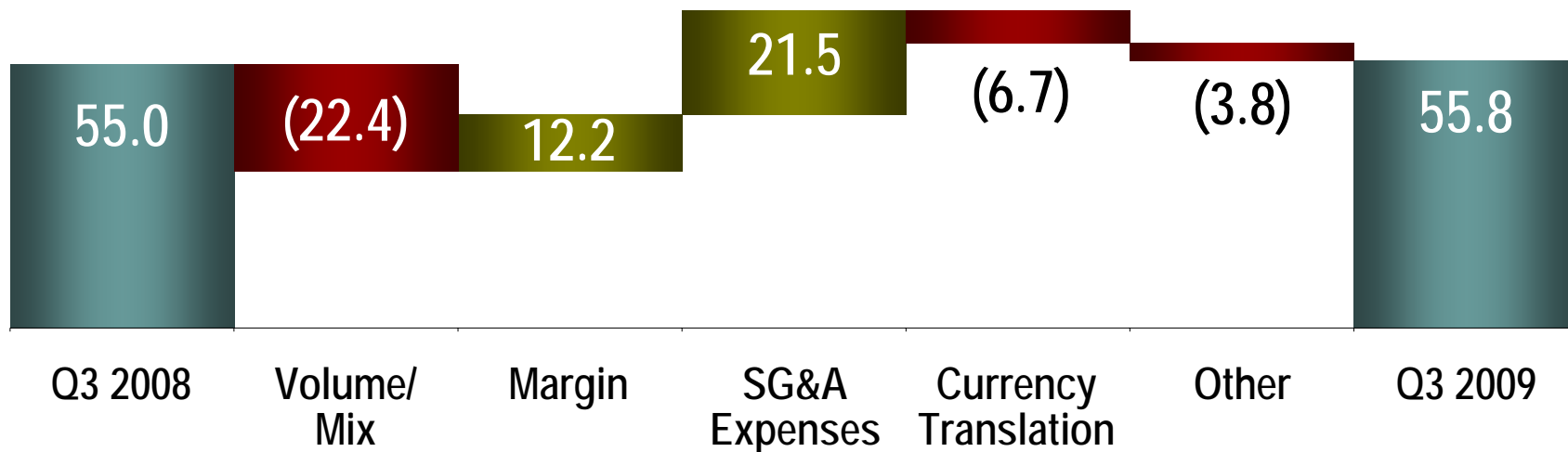
Fiscal Third Quarter	Three months ended June 30,		
	2009	2008	Change
Sales and operating revenue	\$ 436	\$ 554	(21) %
Gross profit as a percent of sales	34.7 %	32.7 %	200 bp
Selling, general and administrative costs	\$ 120	\$ 152	(21) %
Operating income	\$ 31	\$ 31	- %
Operating income as a percent of sales	7.1 %	5.6 %	150 bp
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 56	\$ 55	2 %
EBITDA as a percent of sales	12.8 %	9.9 %	290 bp

NOTE: Refer to Slides 49 and 56 in Appendix C of this presentation for a reconciliation of these adjusted pro forma amounts to amounts reported under generally accepted accounting principles.

# Factors Impacting Adjusted Pro Forma EBITDA

(\$ millions)  
Preliminary

Q3 FY 2008 versus Q3 FY 2009



- Weaker volumes versus prior-year quarter, up slightly sequentially
- Gross profit percentage improved significantly
- Improvements in selling, general and administrative expenses due to integration activities, furlough, and travel and entertainment, partially offset by bad debt expense

# *Ashland Hercules Water Technologies*

## *Outlook*

- **No signs of further volume deceleration**
  - Latin America has nearly returned to year-ago volumes
  - While still below prior year, other regions, especially Europe, are improving sequentially
- **Margin management and additional cost savings continue to drive profitability**
- **Longer term opportunity for margin expansion when volumes improve**
  - New product sales in growth markets beginning to accelerate

# Ashland Performance Materials Adjusted Pro Forma Results Summary

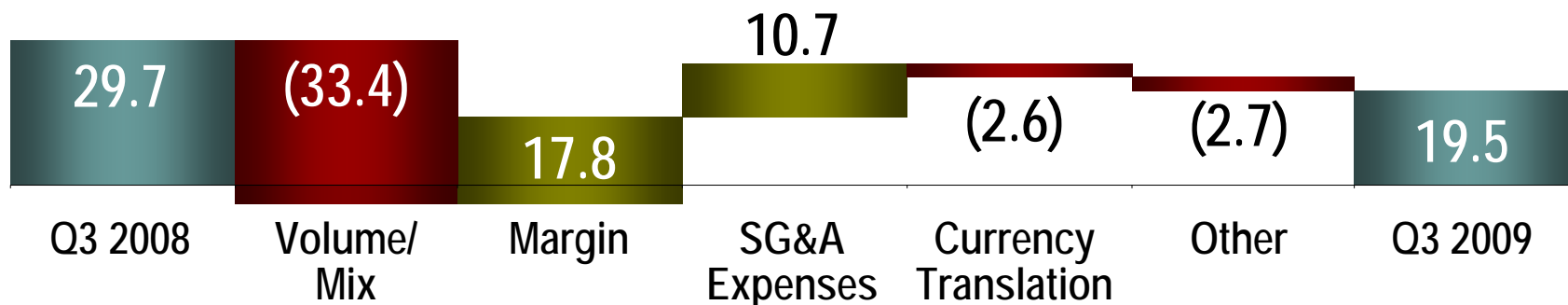
Fiscal Third Quarter	Three months ended June 30,		
	2009	2008	Change
Pounds/day	3.8	4.9	(22) %
Sales and operating revenue	\$ 256	\$ 425	(40) %
Gross profit as a percent of sales	20.3 %	17.5 %	280 bp
Selling, general and administrative costs	\$ 47	\$ 61	(23) %
Operating income	\$ 8	\$ 19	(58) %
Operating income as a percent of sales	3.1 %	4.5 %	(140) bp
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 20	\$ 30	(33) %
EBITDA as a percent of sales	7.8 %	7.1 %	70 bp

NOTE: Refer to Slides 50 and 57 in Appendix C of this presentation for a reconciliation of these adjusted pro forma amounts to amounts reported under generally accepted accounting principles.

# Factors Impacting Adjusted Pro Forma EBITDA

(\$ millions)  
Preliminary

Q3 FY 2008 versus Q3 FY 2009



- Continued significant weakness in North American and European markets
- Margin improvement approximately 30 percent manufacturing cost reductions, with the remainder raw materials
- Selling, general and administrative expenses lower than prior-year quarter largely due to 2008/2009 reductions in force



# *Ashland Performance Materials*

## *Outlook*

- Current short-term expectations of neither volume improvement nor degradation
  - Seasonal decline typically occurs in July/August
  - Automotive may return to March levels in September
- Announced composites price increases of 2 percent to 5 percent for July in North America and Europe
  - Counters broad-based raw material cost increases
- Investments in wind energy applications creating new opportunities

# Ashland Consumer Markets (Valvoline) Adjusted Pro Forma Results Summary

Fiscal Third Quarter	Three months ended June 30,		
	2009	2008	Change
Lubricant gallons	45.7	43.8	4 %
Sales and operating revenue	\$ 441	\$ 428	3 %
Gross profit as a percent of sales	37.5 %	23.9 %	1,360 bp
Selling, general and administrative costs	\$ 76	\$ 80	(5) %
Operating income	\$ 95	\$ 26	265 %
Operating income as a percent of sales	21.5 %	6.1 %	1,540 bp
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 103	\$ 35	194 %
EBITDA as a percent of sales	23.4 %	8.2 %	1,520 bp

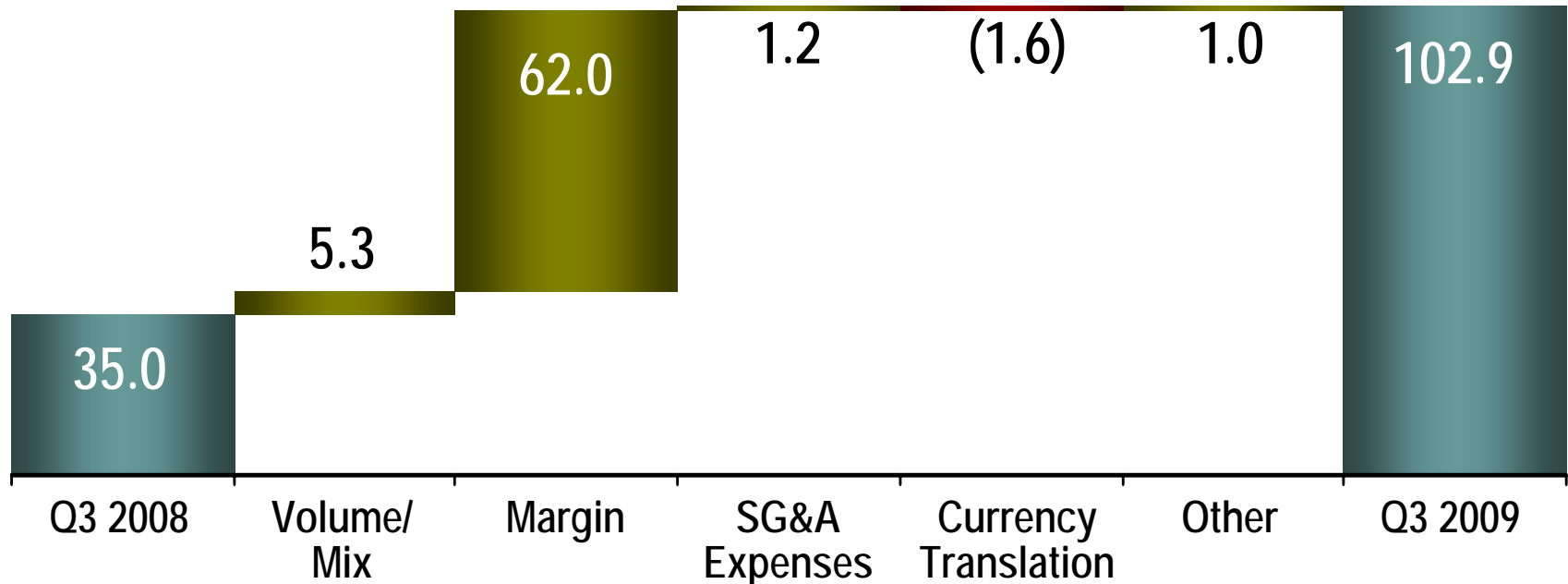
NOTE: Refer to Slides 51 and 58 in Appendix C of this presentation for a reconciliation of these adjusted pro forma amounts to amounts reported under generally accepted accounting principles.

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# Ashland Consumer Markets (Valvoline) Factors Impacting EBITDA

(\$ millions)  
Preliminary

Q3 FY 2008 versus Q3 FY 2009



- Margin improvement driven by pricing actions, lower raw materials costs, cost-savings initiatives and improved mix
- Valvoline Instant Oil Change grew oil changes per store 4 percent and average ticket 3 percent

# Ashland Consumer Markets (Valvoline) *Outlook*

- Dynamic cost-pricing environment
  - Additional base oil cost increases totaling 40 cents announced for late June and July
- Volume trends improving since January
- Launched engine-guarantee loyalty program



When your products are this good,  
you can make a guarantee this bold.

## Ashland Distribution

# Adjusted Pro Forma Results Summary

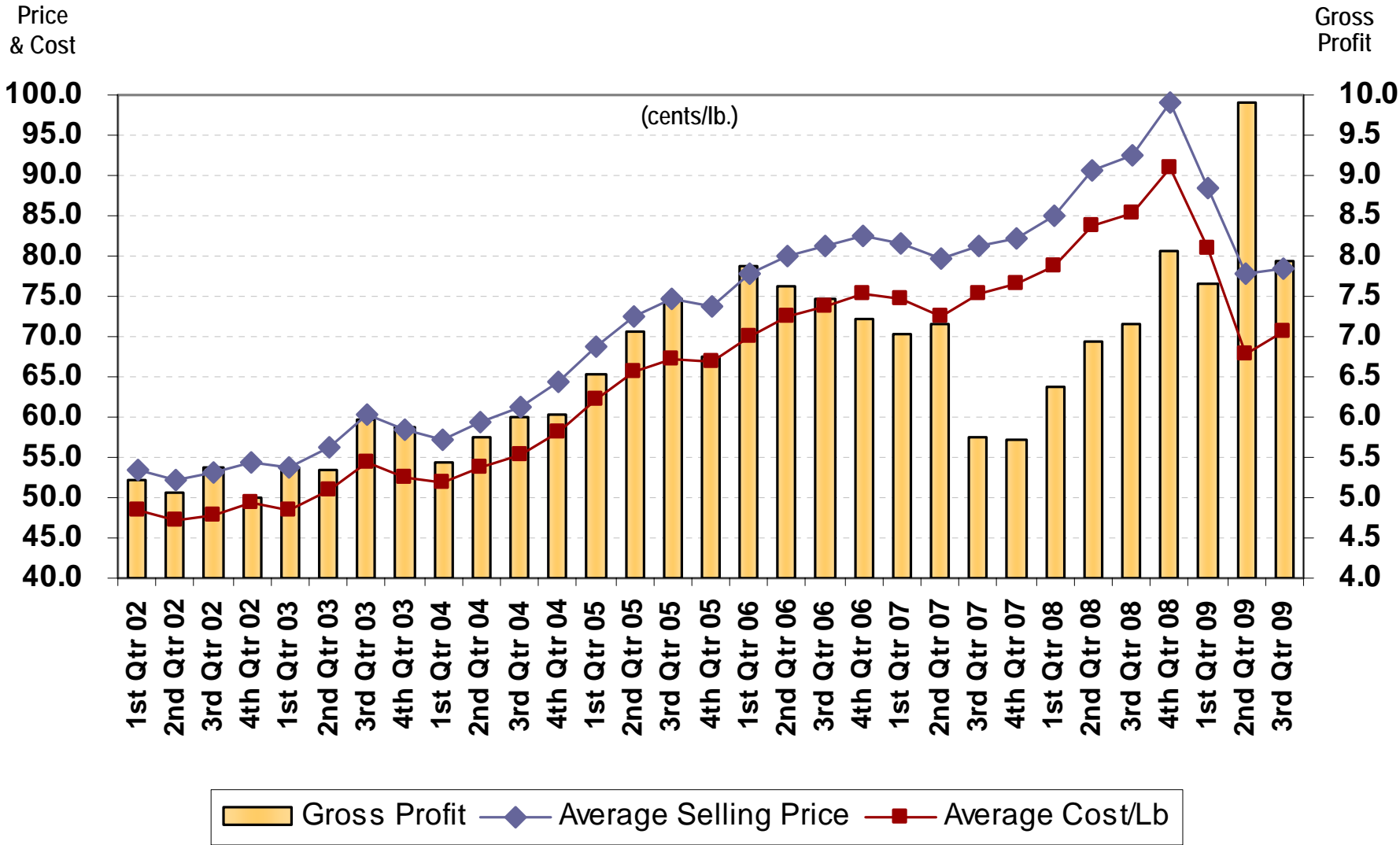
Fiscal Third Quarter	Three months ended June 30,		
	2009	2008	Change
Pounds/day	14.1	19.0	(26) %
Sales and operating revenue	\$ 698	\$ 1,151	(39) %
Gross profit as a percent of sales	10.1 %	7.8 %	230 bp
Selling, general and administrative costs	\$ 66	\$ 69	(4) %
Operating income	\$ 6	\$ 20	(70) %
Operating income as a percent of sales	0.9 %	1.7 %	(80) bp
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 13	\$ 26	(50) %
EBITDA as a percent of sales	1.9 %	2.3 %	(40) bp

NOTE: Refer to Slides 52 and 59 in Appendix C of this presentation for a reconciliation of these adjusted pro forma amounts to amounts reported under generally accepted accounting principles.

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# Distribution

## Selling Price, Cost and Gross Profit Trends

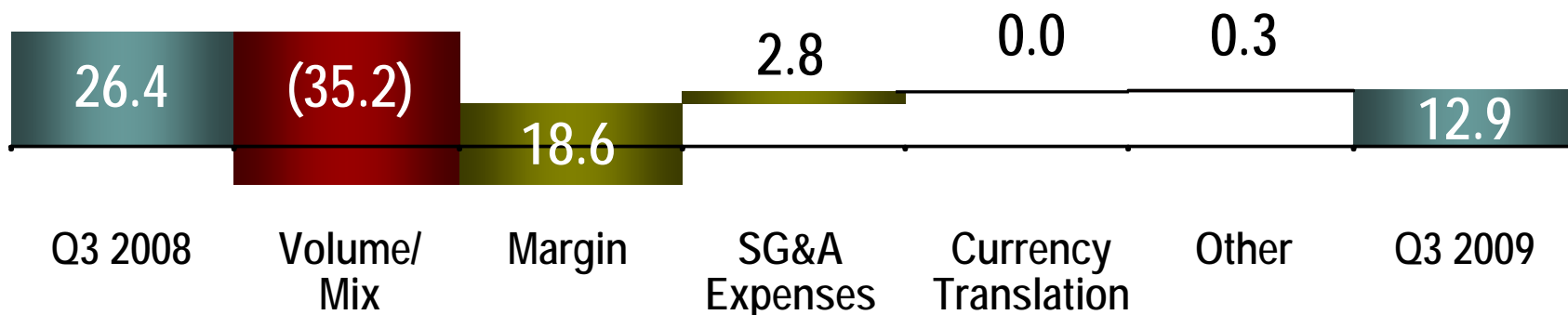


# Ashland Distribution

## Factors Impacting EBITDA

(\$ millions)  
Preliminary

Q3 FY 2008 versus Q3 FY 2009



- Volume declined at approximately the segment average in both chemicals and plastics

## *Ashland Distribution*

# *Outlook*

- Significant July price increases announced
- Volume remains down roughly 25 percent versus prior year
- Implemented resizing project across entire organization
  - Announced elimination of 130 positions
  - Closure of Santa Ana, Calif., service center



# *Summary*

- Focusing on what we can control and generating cash flow
- Fast progress on debt reduction
- Over-delivering on promised cost reductions
  - \$87 million savings in Q3 FY '09
  - Run-rate \$22 million above plan
- Resizing cost structure to depressed demand levels

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**Appendix A**  
**Ashland Overview**

# *Regulation G: Adjusted Pro Forma Results*

The information presented in this appendix regarding adjusted pro forma results does not conform to generally accepted accounting principles (GAAP) and should not be construed as an alternative to the reported results determined in accordance with GAAP. Management has included this non-GAAP information to assist in understanding the operating performance of the company and its 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 has been reconciled with reported GAAP results. Certain prior period adjusted pro forma results could not be reconciled to previous GAAP statements filed by Ashland since it relied upon pro forma information from Hercules. The unaudited adjusted pro forma results are presented for informational purposes only and do not reflect future events that may occur or any operating efficiencies or inefficiencies that may result from the acquisition of Hercules Incorporated. Certain significant and identifiable cost allocation, reporting and accounting policy differences have been reflected in these adjusted pro forma results. However, these adjusted pro forma results do not purport to identify all these differences. Therefore, the unaudited adjusted pro forma results are not necessarily indicative of results that would have been achieved had the businesses been combined during the period presented or the results that Ashland will experience in the future. In addition, the preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and 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. These estimates and assumptions can be significantly different depending on changes to conform to Ashland policy.

# *Strong Leadership Positions in the Markets We Serve*

**ASHLAND®**

Ashland  
Aqualon  
Functional  
Ingredients

*#2 global  
producer  
of cellulose  
ethers*

Ashland  
Hercules  
Water  
Technologies

*#1 global  
producer  
of  
papermaking  
chemicals*

Ashland  
Performance  
Materials

*#1 global leader  
in unsaturated  
polyester resins  
and vinyl ester  
resins*

Ashland  
Consumer  
Markets  
(Valvoline)

*#3 passenger-  
car motor oil  
and  
#2 quick-lube  
chain in the  
United States*

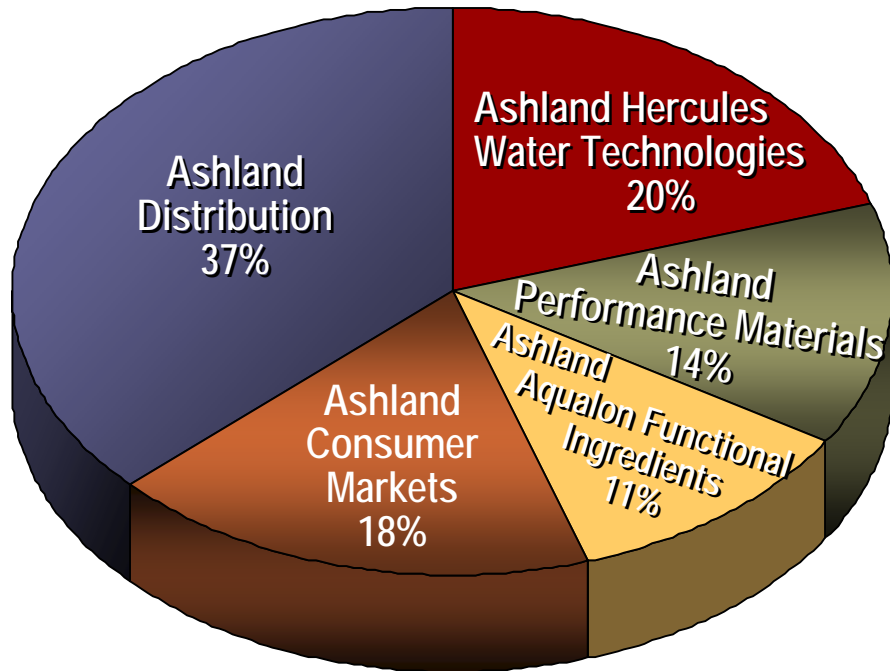
Ashland  
Distribution

*#2 plastics  
and #3  
chemicals  
distributor  
in North  
America*

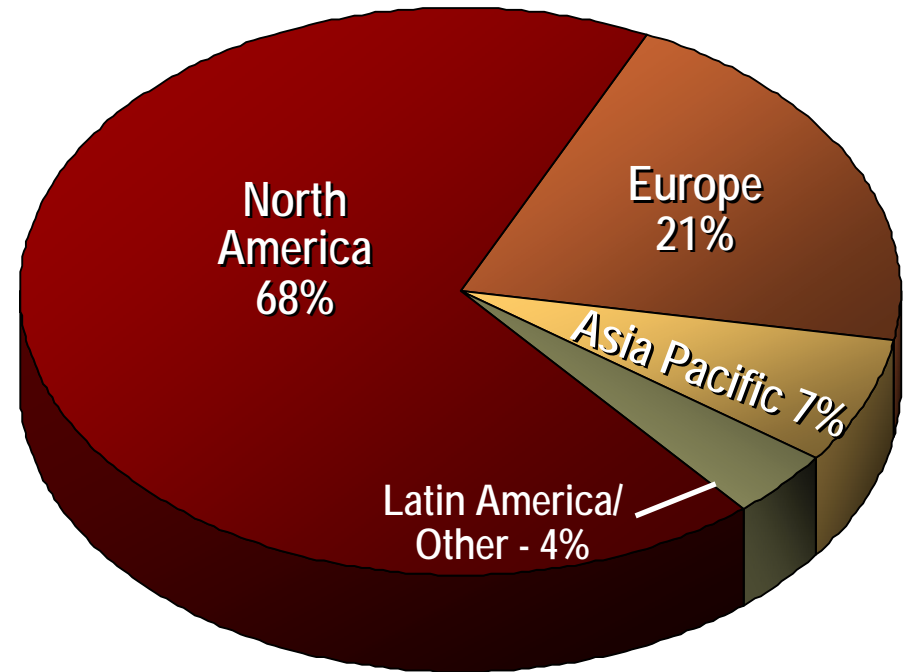
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# Trailing 12 Months Pro Forma<sup>1</sup> Sales and Operating Revenue

## By commercial unit



## By geography

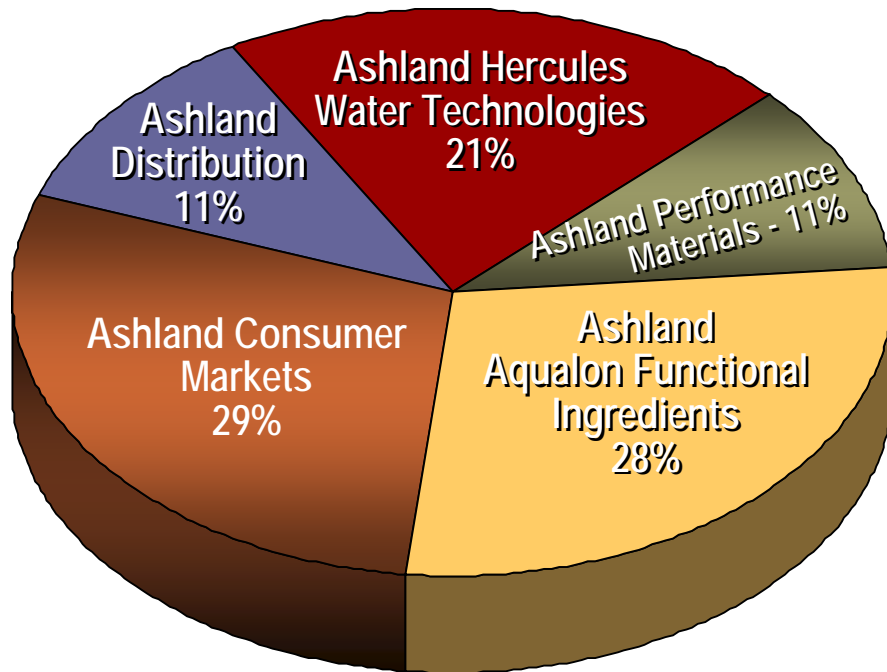


~32 percent of total revenue comes from outside North America

<sup>1</sup> For the 12 months ended June 30, 2009, including intersegment sales.

# Corporate Profile

## Pro Forma Ongoing EBITDA<sup>1</sup> by commercial unit



NYSE Ticker Symbol:	ASH
Employees:	~15,000
Number of countries in which Ashland has sales:	More than 100
Active patents in U.S.:	~650
Active patents worldwide:	~2,600

- 60 percent of EBITDA comes from specialty chemicals
  - More than 25 percent from renewable materials

<sup>1</sup> For the 12 months ended June 30, 2009.

# Ashland Aqualon Functional Ingredients

## A global leader in managing rheology of water-based systems

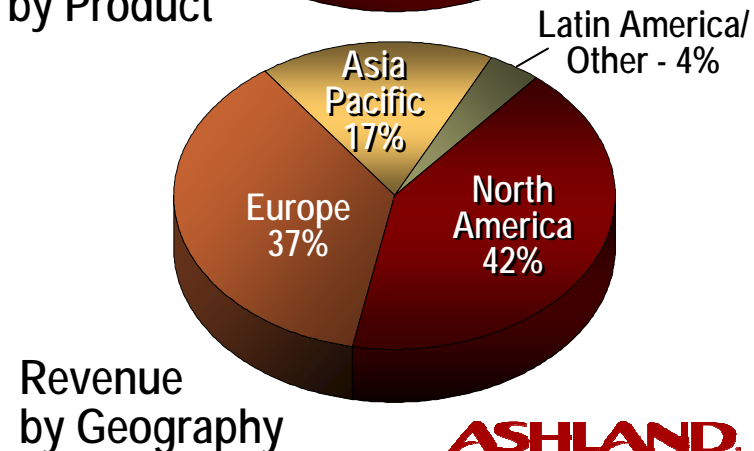
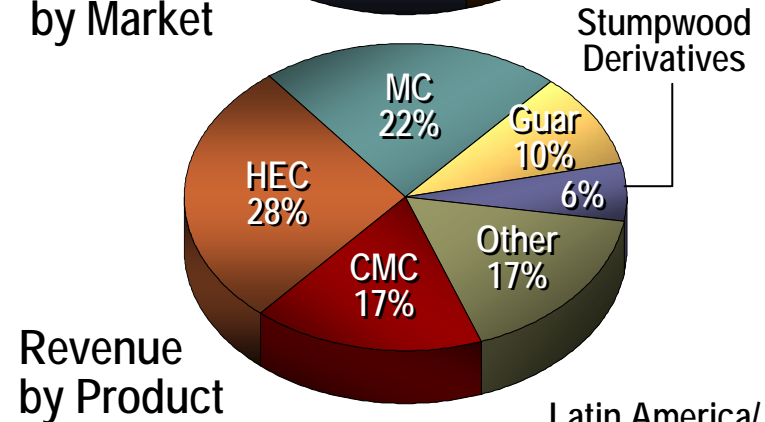
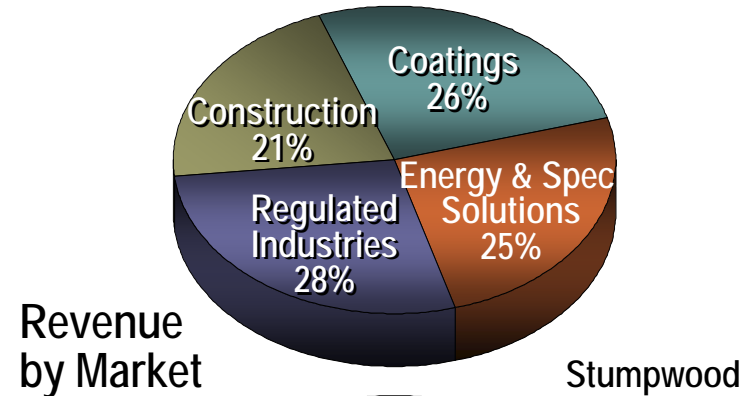
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.0 billion

Pro Forma Ongoing EBITDA: \$216 million

Pro Forma Ongoing EBITDA Margin: 21.6%

Business Overview	
Customers	<ul style="list-style-type: none"> <li>Diversified, global customer base</li> </ul>
Products	<ul style="list-style-type: none"> <li>Broad product line based on renewable resources                             <ul style="list-style-type: none"> <li>Water soluble polymers (cellulose ethers and guar derivatives)</li> <li>Refined wood rosin and natural wood terpenes</li> </ul> </li> </ul>
Markets	<ul style="list-style-type: none"> <li>Water-based paints</li> <li>Paper coatings</li> <li>Construction</li> <li>Oilfield (chemicals and drilling muds)</li> <li>Regulated markets                             <ul style="list-style-type: none"> <li>Personal care</li> <li>Food</li> <li>Pharmaceuticals</li> </ul> </li> </ul>



**ASHLAND.**

# Ashland Hercules Water Technologies

## A major global supplier of process and functional chemicals

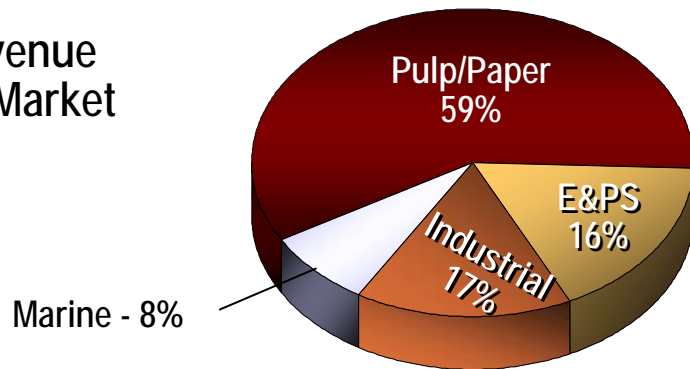
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.9 billion

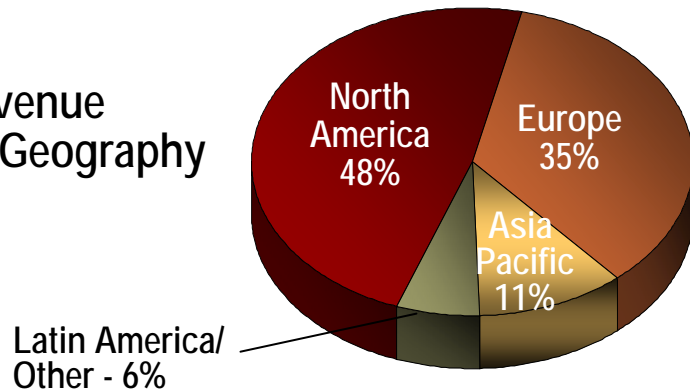
Pro Forma Ongoing EBITDA: \$165 million

Pro Forma Ongoing EBITDA Margin: 8.7%

Revenue  
by Market



Revenue  
by Geography



### Business Overview

#### Customers/ Markets

- Pulp and paper processing
- Industrial and institutional
- Mining
- Municipal wastewater treatment
- Merchant marine

#### Products/ Services

- Process chemicals for microbial and contaminant control, pulping aids and retention aids
- Functional chemicals for sizing and wet strength
- Utility water treatments
- Process water treatments
- Technical products and shipboard services for the merchant marine and cruise ship industry



# Ashland Performance Materials

## A global leader in specialty chemicals

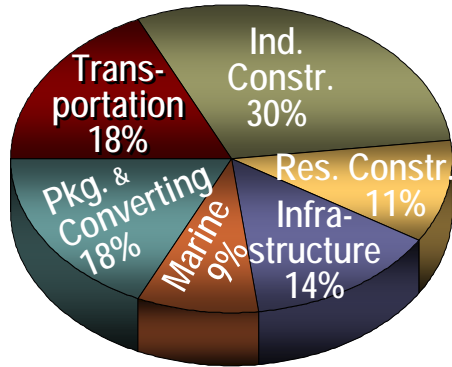
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.3 billion

Pro Forma Ongoing EBITDA: \$81 million

Pro Forma Ongoing EBITDA Margin: 6.3%

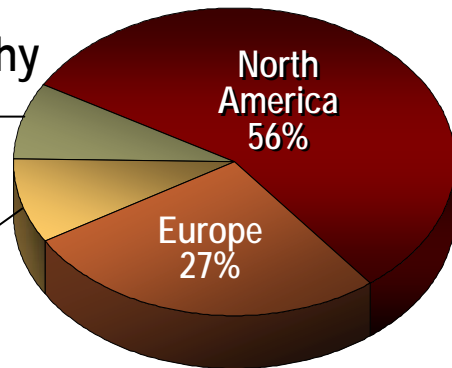
Revenue by Market



Revenue by Geography

Latin America/Other - 8%

Asia Pacific - 9%



### Business Overview

#### Customers

- Auto manufacturers; foundries; pipe and tank fabricators; packaging and converting; bathware, countertop and window lineal manufacturers; pipe relining contractors; boat builders; wide and narrow web printers

#### Products/Services

- Adhesives and Composites
  - Unsaturated polyester resins
  - Vinyl ester resins
  - Gelcoats
  - Pressure-sensitive adhesives
  - Structural adhesives
  - Specialty resins
- Casting Solutions
  - Foundry binder resins
  - Chemicals
  - Sleeves and filters
  - Design services

#### Markets

- Construction, packaging and converting, transportation, and marine

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

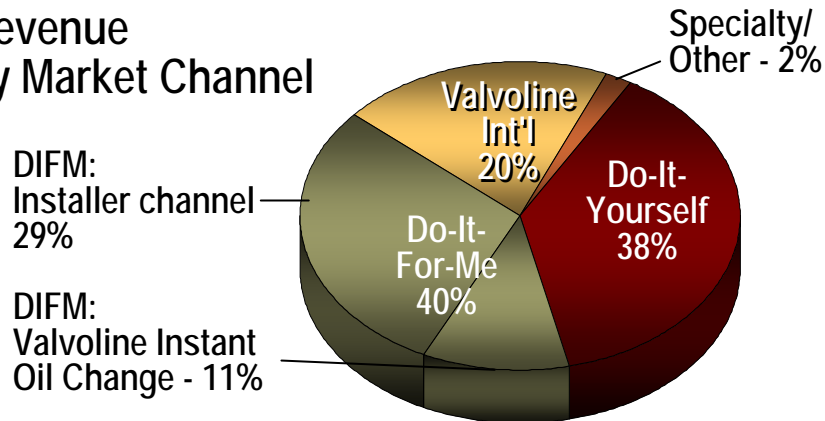
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.7 billion

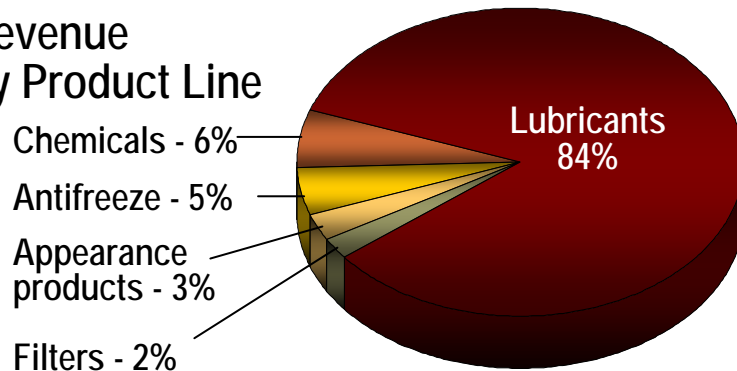
Pro Forma Ongoing EBITDA: \$227 million

Pro Forma Ongoing EBITDA Margin: 13.4%

Revenue by Market Channel



Revenue by Product Line



## Business Overview

Customers	<ul style="list-style-type: none"> <li>Retail auto parts stores and mass merchandisers who sell to consumers; installers, such as car dealers and quick lubes; distributors</li> </ul>
Products/Services	<ul style="list-style-type: none"> <li>Valvoline® lubricants and automotive chemicals</li> <li>MaxLife® lubricants for high-mileage vehicles</li> <li>SynPower® synthetic motor oil</li> <li>Eagle One® and Car Brite® appearance products</li> <li>Zerex® antifreeze</li> <li>Valvoline Instant Oil Change® service</li> </ul>
Market Channels	<ul style="list-style-type: none"> <li>Do-It-Yourself (DIY)</li> <li>Do-It-For-Me (DIFM)</li> <li>Valvoline International</li> </ul>

# Ashland Distribution

*A leading North American chemicals and plastics distributor*

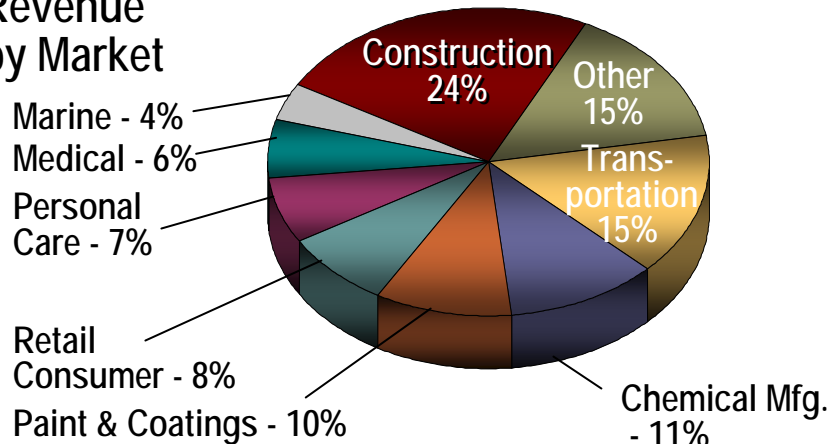
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$3.4 billion

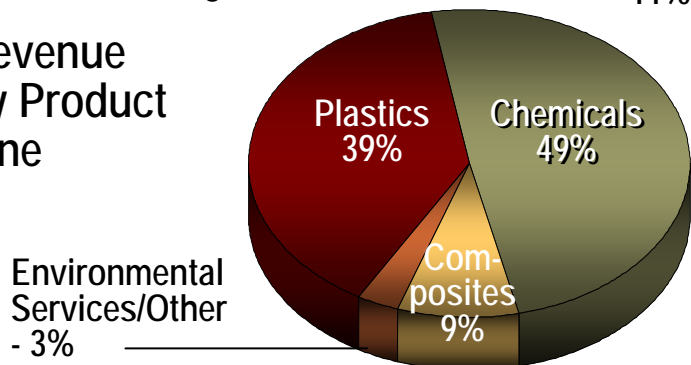
Pro Forma Ongoing EBITDA: \$88 million

Pro Forma Ongoing EBITDA Margin: 2.6%

Revenue by Market



Revenue by Product Line



## Business Overview

### Customers

- Diversified customer base in North America and Europe

### Products/Services

- More than 28,000 packaged and bulk chemicals, solvents, plastics and additives
- Comprehensive, hazardous and nonhazardous waste-management solutions in North America

### Markets

- Construction
- Transportation
- Chemical manufacturing
- Paint and coatings
- Retail consumer
- Personal care
- Medical
- Marine

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**Appendix B**  
**Preliminary Results As Reported**

*Fiscal Third Quarter 2009*  
***Financial Results*** (As reported)

(\$ in millions) Preliminary	Three months ended June 30,		
	2009	2008	Change
Sales and operating revenue	\$ 2,037	\$ 2,201	(7) %
Cost of sales	1,544	1,844	(16)
Gross profit	\$ 493	\$ 357	38 %
Gross profit as a percent of sales	24.2 %	16.2 %	800 bp
Selling, general & administrative expenses	\$ 353	\$ 283	25 %
SG&A as a percent of sales	17.3 %	12.9 %	440 bp
Equity and other income	\$ 12	\$ 13	(8) %
Operating income	\$ 152	\$ 87	75 %
Operating income as a percent of sales	7.5 %	4.0 %	350 bp
Depreciation and amortization	\$ 88	\$ 34	159 %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 240	\$ 121	98 %
EBITDA as a percent of sales	11.8 %	5.5 %	630 bp



Appendix C  
Regulation G Reconciliations

# *Regulation G: Reconciliations to Pro Forma Results and Consolidated EBITDA*

The information presented in this presentation regarding adjusted pro forma results and consolidated EBITDA does not conform to generally accepted accounting principles (GAAP) and should not be construed as an alternative to the reported results determined in accordance with GAAP. Management has included this non-GAAP information to assist in understanding the operating performance of the company and its segments. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information is reconciled with reported GAAP results in the tables provided on Slides 48 through 61.

## RECONCILIATION OF 2009 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)

Preliminary

ASHLAND AQUALON

FUNCTIONAL INGREDIENTS

Three Months Ended June 30, 2009

	Ashland GAAP Results	Eliminate Key Items	Adjusted Pro Forma Results
Sales and operating revenue	\$ 233		\$ 233
Cost of sales and operating expenses	169		169
Gross profit as a percent of sales	27.6%		27.6%
Selling, general and administrative expenses	39		39
Equity and other income	(1)		(1)
Operating income	24		24
Operating income as a percent of sales	10.3%		10.3%
Depreciation and amortization	26		26
Earnings before interest, taxes, depreciation and amortization	\$ 50		\$ 50
EBITDA as a percent of sales	21.5%		21.5%



## RECONCILIATION OF 2009 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)

Preliminary

ASHLAND HERCULES

WATER TECHNOLOGIES

Three Months Ended June 30, 2009

	Ashland GAAP Results	Eliminate Key Items	Adjusted Pro Forma Results
Sales and operating revenue	\$ 436		\$ 436
Cost of sales and operating expenses	285		285
Gross profit as a percent of sales	34.7%		34.7%
Selling, general and administrative expenses	120		120
Equity and other income	-		-
Operating income	31		31
Operating income as a percent of sales	7.1%		7.1%
Depreciation and amortization	25		25
Earnings before interest, taxes, depreciation and amortization	\$ 56		\$ 56
EBITDA as a percent of sales	12.8%		12.8%

## RECONCILIATION OF 2009 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)

Preliminary

ASHLAND PERFORMANCE

MATERIALS

Three Months Ended June 30, 2009

	Ashland GAAP Results	Eliminate Key Items	Adjusted Pro Forma Results
Sales and operating revenue	\$ 256		\$ 256
Cost of sales and operating expenses	213	\$ (9)	204
Gross profit as a percent of sales	16.9%		20.3%
Selling, general and administrative expenses	48	(1)	47
Equity and other income	-	3	3
Operating income	(5)	13	8
Operating income as a percent of sales	-2.0%		3.1%
Depreciation and amortization	20	(8)	12
Earnings before interest, taxes, depreciation and amortization	\$ 15	\$ 5	\$ 20
EBITDA as a percent of sales	5.9%		7.8%

## RECONCILIATION OF 2009 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)

Preliminary

ASHLAND CONSUMER  
MARKETS (Valvoline)

Three Months Ended June 30, 2009

	Ashland GAAP Results	Eliminate Key Items	Adjusted Pro Forma Results
Sales and operating revenue	\$ 441		\$ 441
Cost of sales and operating expenses	275		275
Gross profit as a percent of sales	37.5%		37.5%
Selling, general and administrative expenses	76		76
Equity and other income	5		5
Operating income	95		95
Operating income as a percent of sales	21.5%		21.5%
Depreciation and amortization	8		8
Earnings before interest, taxes, depreciation and amortization	\$ 103		\$ 103
EBITDA as a percent of sales	23.4%		23.4%

## RECONCILIATION OF 2009 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)

Preliminary ASHLAND DISTRIBUTION Three Months Ended June 30, 2009	Ashland GAAP Results	Eliminate Key Items	Adjusted Pro Forma Results
Sales and operating revenue	\$ 698		\$ 698
Cost of sales and operating expenses	627		627
Gross profit as a percent of sales	10.1%		10.1%
Selling, general and administrative expenses	69	\$ (3)	66
Equity and other income	1		1
Operating income	3	3	6
Operating income as a percent of sales	0.4%		0.9%
Depreciation and amortization	7		7
Earnings before interest, taxes, depreciation and amortization	\$ 10	\$ 3	\$ 13
EBITDA as a percent of sales	1.4%		1.9%

## RECONCILIATION OF 2009 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)

Preliminary

INTERSEGMENT SALES/ UNALLOCATED AND OTHER Three Months Ended June 30, 2009	Ashland GAAP Results	Eliminate Key Items	Adjusted Pro Forma Results
Sales and operating revenue	\$ (27)		\$ (27)
Cost of sales and operating expenses	(25)		(25)
Selling, general and administrative expenses	1		1
Equity and other income	7		7
Operating income	4		4
Depreciation and amortization	2		2
Earnings before interest, taxes, depreciation and amortization	\$ 6		\$ 6

## RECONCILIATION OF 2009 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)

Preliminary ASHLAND INC. Three Months Ended June 30, 2009	Ashland GAAP Results	Eliminate Key Items	Adjusted Pro Forma Results
Sales and operating revenue	\$ 2,037		\$ 2,037
Cost of sales and operating expenses	1,544	\$ (9)	1,535
Gross profit as a percent of sales	24.2%		24.6%
Selling, general and administrative expenses	353	(4)	349
Equity and other income	12	3	15
Operating income	152	16	168
Operating income as a percent of sales	7.5%		8.2%
Depreciation and amortization	88	(8)	80
Earnings before interest, taxes, depreciation and amortization	\$ 240	\$ 8	\$ 248
EBITDA as a percent of sales	11.8%		12.2%

## RECONCILIATION OF 2008 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)	Pro Forma Adjustments				
Preliminary ASHLAND AQUALON FUNCTIONAL INGREDIENTS Three Months Ended June 30, 2008	Ashland GAAP Results	Hercules Ongoing Results (a)	Additional Purchase Accounting D&A	Conforming Adjustments	Adjusted Pro Forma Results
Sales and operating revenue	\$ -	\$ 303			\$ 303
Cost of sales and operating expenses		205	\$ 8		213
Gross profit as a percent of sales		32.3%			29.7%
Selling, general and administrative expenses		41	4	\$ 2	47
Equity and other income		-		(1)	(1)
Operating income		57	(12)	(3)	42
Operating income as a percent of sales		18.8%			13.9%
Depreciation and amortization		13	12	1	26
Earnings before interest, taxes, depreciation and amortization	\$ -	\$ 70	\$ -	\$ (2)	\$ 68
EBITDA as a percent of sales		23.1%			22.4%

(a) Certain nonrecurring, noncash or key items have been removed.

## RECONCILIATION OF 2008 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)	Pro Forma Adjustments				
Preliminary ASHLAND HERCULES WATER TECHNOLOGIES Three Months Ended June 30, 2008	Ashland GAAP Results	Hercules Ongoing Results (a)	Additional Purchase Accounting D&A	Conforming Adjustments	Adjusted Pro Forma Results
Sales and operating revenue	\$ 244	\$ 310			\$ 554
Cost of sales and operating expenses	153	215	\$ 5		373
Gross profit as a percent of sales	37.2%	30.6%			32.7%
Selling, general and administrative expenses	80	68	2	\$ 2	152
Equity and other income	1	-		1	2
Operating income	12	27	(7)	(1)	31
Operating income as a percent of sales	4.9%	8.7%			5.6%
Depreciation and amortization	6	10	7	1	24
Earnings before interest, taxes, depreciation and amortization	\$ 18	\$ 37	\$ -	\$ -	\$ 55
EBITDA as a percent of sales	7.4%	11.9%			9.9%

(a) Certain nonrecurring, noncash or key items have been removed.



## RECONCILIATION OF 2008 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)	Pro Forma Adjustments				
Preliminary ASHLAND PERFORMANCE MATERIALS Three Months Ended June 30, 2008	Ashland GAAP Results	Hercules Ongoing Results (a)	Additional Purchase Accounting D&A	Conforming Adjustments	Adjusted Pro Forma Results
Sales and operating revenue	\$ 425				\$ 425
Cost of sales and operating expenses	350				350
Gross profit as a percent of sales	17.5%				17.5%
Selling, general and administrative expenses	61				61
Equity and other income	5				5
Operating income	19				19
Operating income as a percent of sales	4.5%				4.5%
Depreciation and amortization	10			\$ 1	11
Earnings before interest, taxes, depreciation and amortization	\$ 29			\$ 1	\$ 30
EBITDA as a percent of sales	6.8%				7.1%

(a) Certain nonrecurring, noncash or key items have been removed.

## RECONCILIATION OF 2008 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)	Pro Forma Adjustments				
Preliminary ASHLAND CONSUMER MARKETS (Valvoline) Three Months Ended June 30, 2008	Ashland GAAP Results	Hercules Ongoing Results (a)	Additional Purchase Accounting D&A	Conforming Adjustments	Adjusted Pro Forma Results
Sales and operating revenue	\$ 428				\$ 428
Cost of sales and operating expenses	325				325
Gross profit as a percent of sales	23.9%				23.9%
Selling, general and administrative expenses	80				80
Equity and other income	3				3
Operating income	26				26
Operating income as a percent of sales	6.1%				6.1%
Depreciation and amortization	8			\$ 1	9
Earnings before interest, taxes, depreciation and amortization	\$ 34			\$ 1	\$ 35
EBITDA as a percent of sales	7.9%				8.2%

(a) Certain nonrecurring, noncash or key items have been removed.

## RECONCILIATION OF 2008 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)	Pro Forma Adjustments				
Preliminary ASHLAND DISTRIBUTION Three Months Ended June 30, 2008	Ashland GAAP Results	Hercules Ongoing Results (a)	Additional Purchase Accounting D&A	Conforming Adjustments	Adjusted Pro Forma Results
Sales and operating revenue	\$ 1,151				\$ 1,151
Cost of sales and operating expenses	1,063				1,063
Gross profit as a percent of sales	7.8%				7.8%
Selling, general and administrative expenses	69				69
Equity and other income	1				1
Operating income	20				20
Operating income as a percent of sales	1.7%				1.7%
Depreciation and amortization	6				6
Earnings before interest, taxes, depreciation and amortization	\$ 26				\$ 26
EBITDA as a percent of sales	2.3%				2.3%

(a) Certain nonrecurring, noncash or key items have been removed.

## RECONCILIATION OF 2008 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)	Pro Forma Adjustments				
Preliminary INTERSEGMENT SALES/ UNALLOCATED AND OTHER Three Months Ended June 30, 2008	Ashland GAAP Results	Hercules Ongoing Results (a)	Additional Purchase Accounting D&A	Conforming Adjustments	Adjusted Pro Forma Results
Sales and operating revenue	\$ (47)				\$ (47)
Cost of sales and operating expenses	(47)				(47)
Selling, general and administrative expenses	(7)	\$ -		\$ (4)	(11)
Equity and other income	3	(1)		-	2
Operating income	10	(1)		4	13
Depreciation and amortization	4	-		(4)	-
Earnings before interest, taxes, depreciation and amortization	\$ 14	\$ (1)		\$ -	\$ 13

(a) Certain nonrecurring, noncash or key items have been removed.

## RECONCILIATION OF 2008 FISCAL THIRD QUARTER ADJUSTED PRO FORMA RESULTS

(\$ millions, except percentages)	Pro Forma Adjustments				
Preliminary ASHLAND INC. Three Months Ended June 30, 2008	Ashland GAAP Results	Hercules Ongoing Results (a)	Additional Purchase Accounting D&A	Conforming Adjustments	Adjusted Pro Forma Results
Sales and operating revenue	\$ 2,201	\$ 613			\$ 2,814
Cost of sales and operating expenses	1,844	420	\$ 13		2,277
Gross profit as a percent of sales	16.2%	31.5%			19.1%
Selling, general and administrative expenses	283	109	6	\$ -	398
Equity and other income	13	(1)		-	12
Operating income	87	83	(19)	-	151
Operating income as a percent of sales	4.0%	13.5%			5.4%
Depreciation and amortization	34	23	19	-	76
Earnings before interest, taxes, depreciation and amortization	\$ 121	\$ 106	\$ -	\$ -	\$ 227
EBITDA as a percent of sales	5.5%	17.3%			8.1%

(a) Certain nonrecurring, noncash or key items have been removed.