

# Fourth-Quarter Fiscal 2013 Earnings

November 5, 2013



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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, 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”, “may”, “will”, “should” and “intends” and the negatives of these words or other comparable terminology. In addition, Ashland may from time to time make forward-looking statements in its 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), the potential sale transactions involving Ashland Water Technologies and the elastomers business (including the possibility that one or both transactions may not occur or that, if a transaction does occur, Ashland may not realize the anticipated benefits from such transaction), 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 [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 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. Management has included this non-GAAP information to assist in understanding the operating performance of the company and its reporting 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.

# **Highlights<sup>1</sup>**

- Reported EPS from continuing operations of \$5.13
  - Adjusted EPS of \$1.54 versus \$1.87 in Q4 2012
- Sales of \$1.9 billion, down 7% versus Q4 2012
  - Year-over-year volume increase in three of four commercial units
- Adjusted EBITDA of \$310 million
- Generated free cash flow of \$173 million
- Announced sale process for Water Technologies
- Announced global restructuring program
  - Expected to reduce cost by \$150 - \$200 million
- New leaders for Ashland Water Technologies and Ashland Specialty Ingredients

<sup>1</sup> Ashland's fourth-quarter earnings release dated Nov. 5, 2013, 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

2013	Operating Income					Total		
	Ashland Specialty Ingredients	Ashland Water Technologies	Ashland Performance Materials	Ashland Consumer Markets	Unallocated and Other	Pretax	Aftertax	Earnings per Share
In Process R&D	\$ (37)					\$ (37)	\$ (23)	\$ (0.29)
Restructuring and integration					\$ (14)	(14)	(9)	(0.12)
Actuarial gain on pension and OPEB					\$ 498	498	313	3.98
MAP settlement charge						(14)	(14)	(0.18)
Tax adjustments						-	16	0.20
<b>Total</b>	<b>\$ (37)</b>				<b>\$ 484</b>	<b>\$ 433</b>	<b>\$ 283</b>	<b>\$ 3.59</b>
2012								
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 re-financing						(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>

- Intangible amortization expense in September 2013 quarter of \$29 million
  - Excluding intangible amortization, adjusted EPS would have been 26 cents higher, or \$1.80

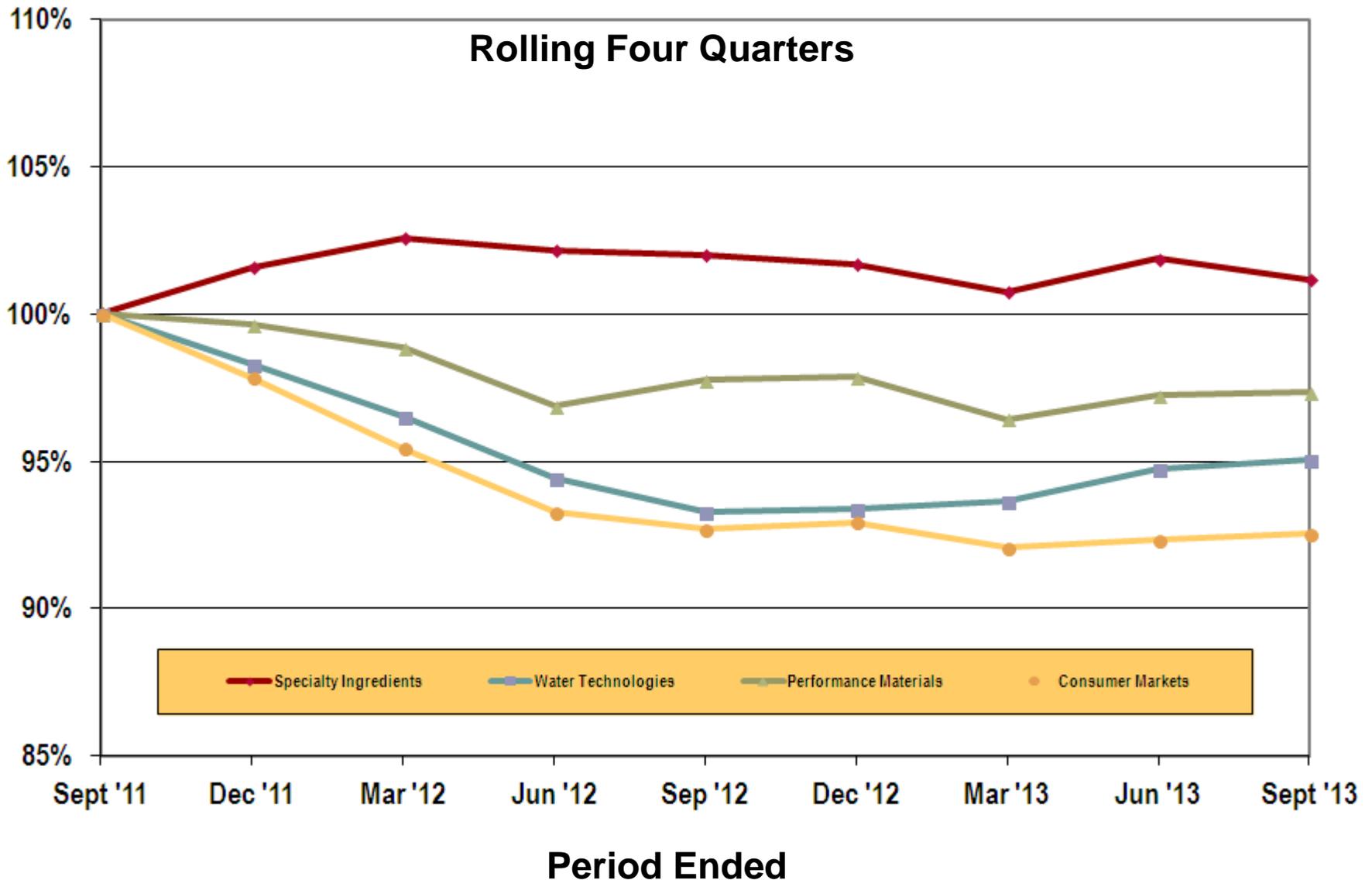
# Adjusted Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2013	2012	Change	2013	Change
Sales	\$ 1,911	\$ 2,056	(7) %	\$ 2,059	(7) %
Gross profit as a percent of sales	29.2 %	29.5 %	(30) bp	28.2 %	100 bp
Selling, general and admin./R&D costs	\$ 365	\$ 376	(3) %	\$ 375	(3) %
Operating income	\$ 203	\$ 246	(17) %	\$ 220	(8) %
Operating income as a percent of sales	10.6 %	12.0 %	(140) bp	10.7 %	(10) bp
Depreciation and amortization	\$ 107	\$ 104	3 %	\$ 106	1 %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 310	\$ 349	(11) %	\$ 325	(5) %
EBITDA as a percent of sales	16.2 %	17.0 %	(80) bp	15.8 %	40 bp

- Sales declined 7% versus prior year
- EBITDA margin up sequentially, due to reduced SG&A

<sup>1</sup> Ashland's earnings releases dated Nov. 5 and July 25, 2013, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

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

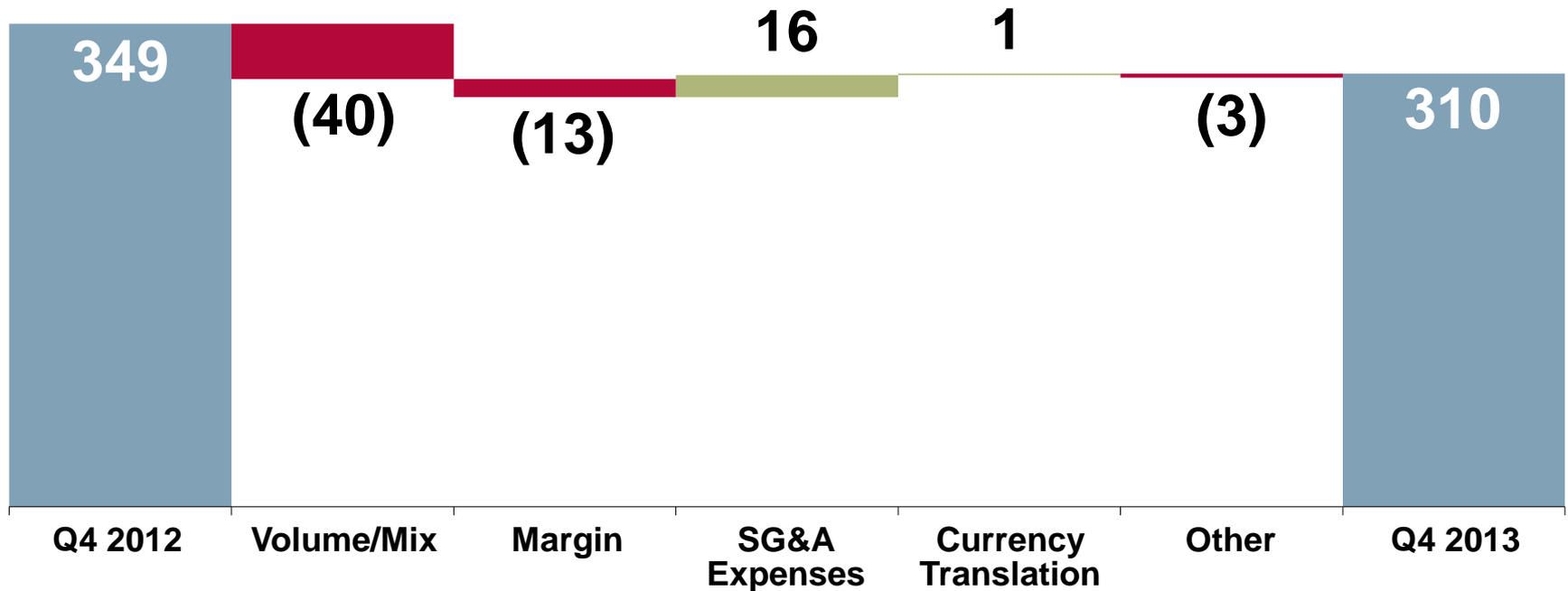


<sup>1</sup> Excludes volumes associated with Casting Solutions and divested Pinova, Synlubes, and PVAc businesses for all periods. Includes volumes associated with ISP and Ara Quimica for all periods.

Q4 FY 2012 vs. Q4 FY 2013

# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary



- Volume and mix weakness in ASI offset strong volumes in other commercial units
- Margin negatively affected by guar and elastomers

# Liquidity and Net Debt

(\$ in millions)

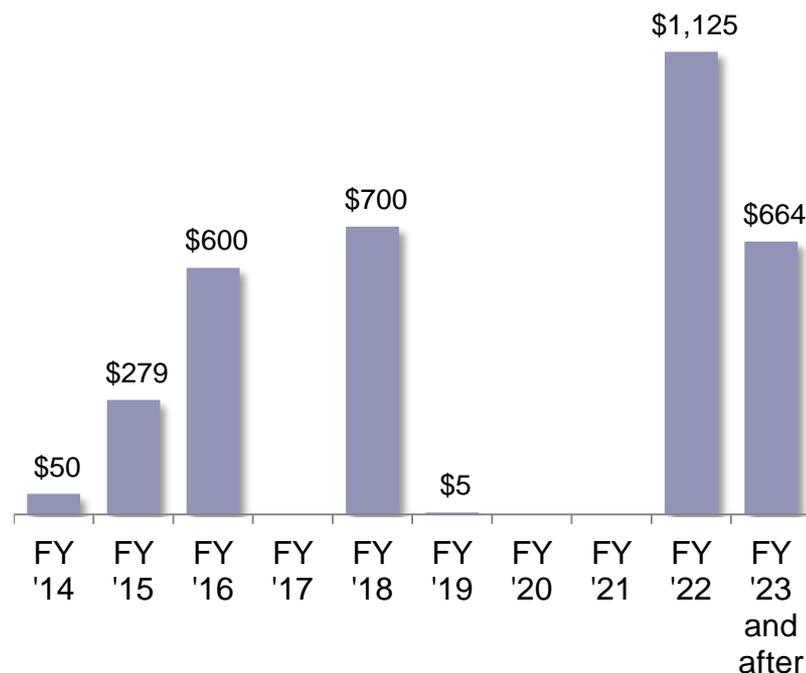
Liquidity	At Sept. 30, 2013
Cash	\$ 346
Available revolver and A/R facility capacity	1,199
<b>Liquidity</b>	<b>\$ 1,545</b>

Debt	Expiration	Interest Rate	Moody's	S&P	At June 30, 2013
4.750% senior notes, par \$1,125 million	08/2022	4.75%	Ba1	BB	\$ 1,119
3.875% senior notes, par \$700 million	04/2018	3.875%	Ba1	BB	700
3.000% senior notes, par \$600 million	03/2016	3.000%	Ba1	BB	600
6.875% senior notes, par \$375 million	05/2043	6.875%	Ba1	BB	376
A/R facility drawn <sup>1</sup>	08/2015	L+75			270
6.5% debentures, par \$282 million	06/2029	6.500%	Ba2	B+	131
Revolver drawn <sup>2</sup>	03/2018	L+175	Ba1	BB	-
Other debt		Various			71
<b>Total debt</b>			<b>Ba1/ Stable</b>	<b>BB/ Stable</b>	<b>\$ 3,267</b>
Cash					\$ 346
<b>Net debt (cash)</b>					<b>\$ 2,921</b>

<sup>1</sup> AR securitization facility with maximum borrowing capacity of \$350 million; Sept. 30 capacity of \$350 million

<sup>2</sup> \$1.2 billion facility, including ~\$81 million for letters of credit

## Scheduled Debt Repayments by Fiscal Year



## Ashland Specialty Ingredients

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

(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2013	2012	Change	2013	Change
Metric tons sold (in thousands) - Actives basis	93.8	96.6	(3) %	108.7	(14) %
Sales	\$ 596	\$ 734	(19) %	\$ 716	(17) %
Gross profit as a percent of sales	30.5 %	34.0 %	(350) bp	28.5 %	200 bp
Selling, general and admin./R&D costs	\$ 116	\$ 127	(9) %	\$ 124	(6) %
Operating income	\$ 67	\$ 128	(48) %	\$ 79	(15) %
Operating income as a percent of sales	11.2 %	17.4 %	(620) bp	11.0 %	20 bp
Depreciation and amortization	\$ 65	\$ 65	- %	\$ 66	(2) %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 132	\$ 193	(32) %	\$ 145	(9) %
EBITDA as a percent of sales	22.1 %	26.3 %	(420) bp	20.3 %	180 bp

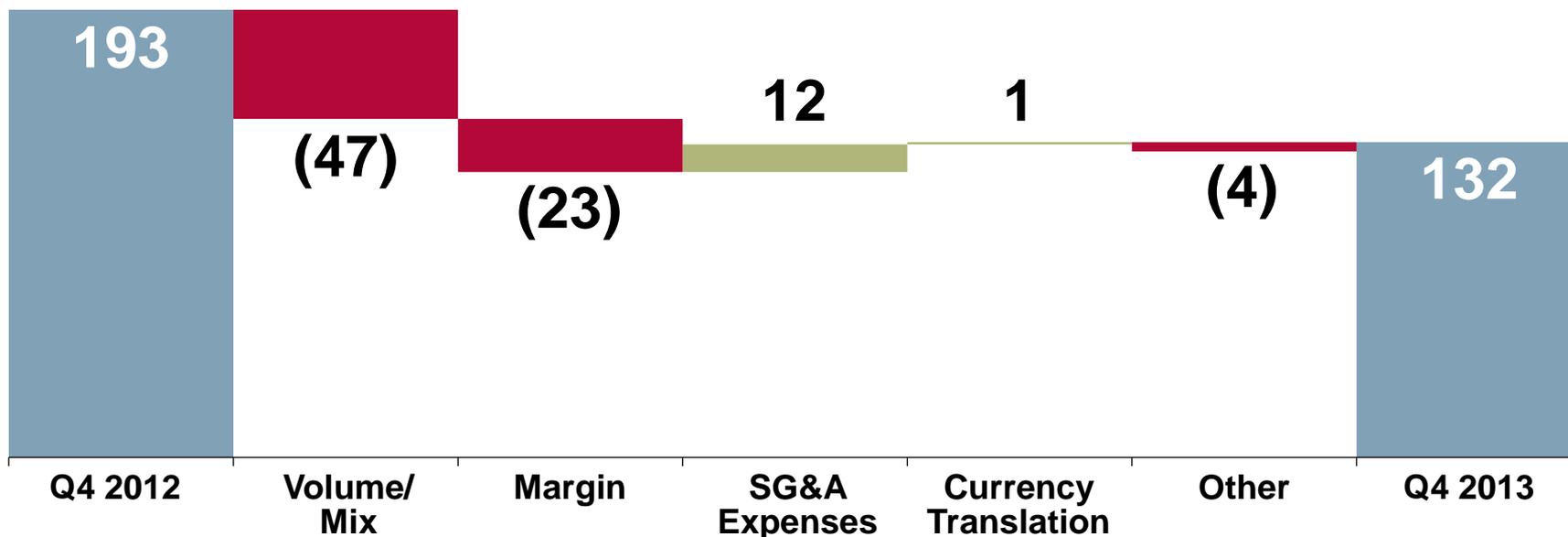
- Volume down 3% versus prior year; excluding guar and Intermediates and Solvents, volume increased 3%
- Gross profit sequential improvement driven by one-time COGS adjustment

<sup>1</sup> Ashland's earnings releases dated Nov. 5 and July 25, 2013, 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 2012 versus Q4 FY 2013



- Negative mix and low volume largest driver to year-over-year EBITDA decline
- Margin decline driven by significant decline in guar pricing

# Business Outlook

- Luis Fernandez-Moreno to lead Ashland Specialty Ingredients
  - 30 years of specialty chemical experience
  - Proven operator, led performance improvement in Water Technologies
- December quarter is seasonally weakest
  - Expect flat top-line sequentially
- Intermediates and Solvents expected to present significant 2014 headwind
  - \$20 million headwind in 2013 versus 2012
  - Expect \$50 - \$60 million headwind in 2014 versus 2013

# 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,	
	2013	2012	Change	2013	Change
Sales	\$ 441	\$ 431	2 %	\$ 435	1 %
Gross profit as a percent of sales	34.4 %	32.3 %	210 bp	33.9 %	50 bp
Selling, general and admin./R&D costs	\$ 121	\$ 126	(4) %	\$ 126	(4) %
Operating income	\$ 32	\$ 15	113 %	\$ 23	39 %
Operating income as a percent of sales	7.3 %	3.5 %	380 bp	5.3 %	200 bp
Depreciation and amortization	\$ 19	\$ 18	6 %	\$ 18	6 %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 51	\$ 33	55 %	\$ 41	24 %
EBITDA as a percent of sales	11.6 %	7.7 %	390 bp	9.4 %	220 bp

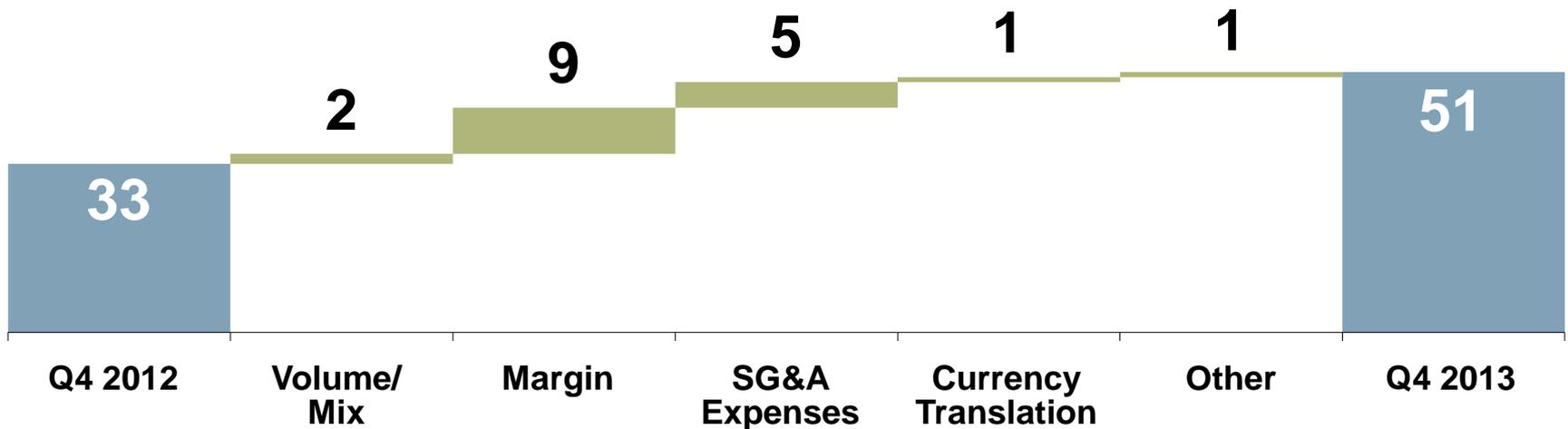
- Sales increased 2% versus prior year, driven by Pulp & Paper
- Operating income more than doubled over prior year

<sup>1</sup> Ashland's earnings releases dated Nov. 5 and July 25, 2013, 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 2012 versus Q4 FY 2013



- Volume gains in Pulp and Paper and pricing discipline contributed \$11 million dollars to EBITDA
- Full run-rate basis of SG&A cost reduction program reflected in the quarter

# Ashland Performance Materials

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

(\$ in millions) Preliminary	Fiscal Fourth Quarter			Three months ended	
	Three months ended Sept. 30,			June 30,	
	2013	2012	Change	2013	Change
Metric tons sold (in thousands)	133.3	132.6	1 %	137.9	(3) %
Sales	\$ 366	\$ 369	(1) %	\$ 395	(7) %
Gross profit as a percent of sales	15.2 %	16.3 %	(110) bp	14.2 %	100 bp
Selling, general and admin./R&D costs	\$ 42	\$ 44	(5) %	\$ 43	(2) %
Operating income	\$ 16	\$ 19	(16) %	\$ 17	(6) %
Operating income as a percent of sales	4.4 %	5.1 %	(70) bp	4.3 %	10 bp
Depreciation and amortization	\$ 13	\$ 12	8 %	\$ 13	- %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 29	\$ 31	(6) %	\$ 30	(3) %
EBITDA as a percent of sales	7.9 %	8.4 %	(50) bp	7.6 %	30 bp

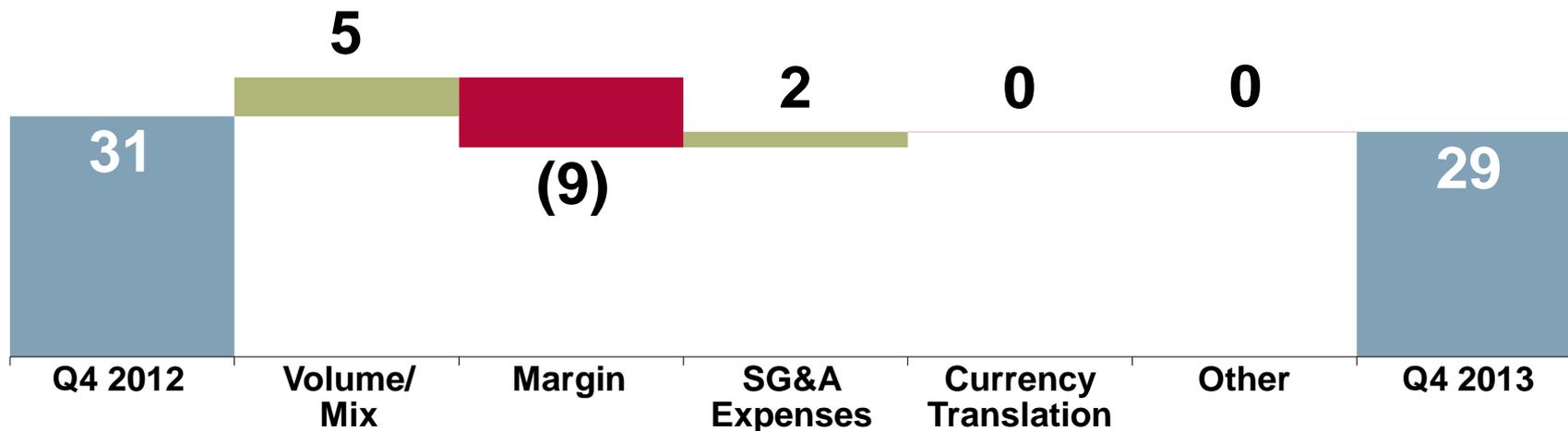
- Adhesives and Composites volume increase offset by elastomers
- GP% decline due to falling butadiene affecting the elastomers business
  - Adhesives and Composites gross profit up 130 basis points YOY

<sup>1</sup> Ashland's earnings releases dated Nov. 5 and July 25, 2013, 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 2012 versus Q4 FY 2013



- Elastomers volume and margins offset strong performance 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,	
	2013	2012	Change	2013	Change
Lubricant gallons (in millions)	40.8	40.5	1 %	41.3	(1) %
Sales	\$ 508	\$ 522	(3) %	\$ 513	(1) %
Gross profit as a percent of sales	32.1 %	29.7 %	240 bp	32.4 %	(30) bp
Selling, general and admin./R&D costs	\$ 95	\$ 87	9 %	\$ 96	(1) %
Operating income	\$ 73	\$ 74	(1) %	\$ 77	(5) %
Operating income as a percent of sales	14.4 %	14.2 %	20 bp	15.0 %	(60) bp
Depreciation and amortization	\$ 10	\$ 9	11 %	\$ 9	11 %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 83	\$ 83	- %	\$ 86	(3) %
EBITDA as a percent of sales	16.3 %	15.9 %	40 bp	16.8 %	(50) bp

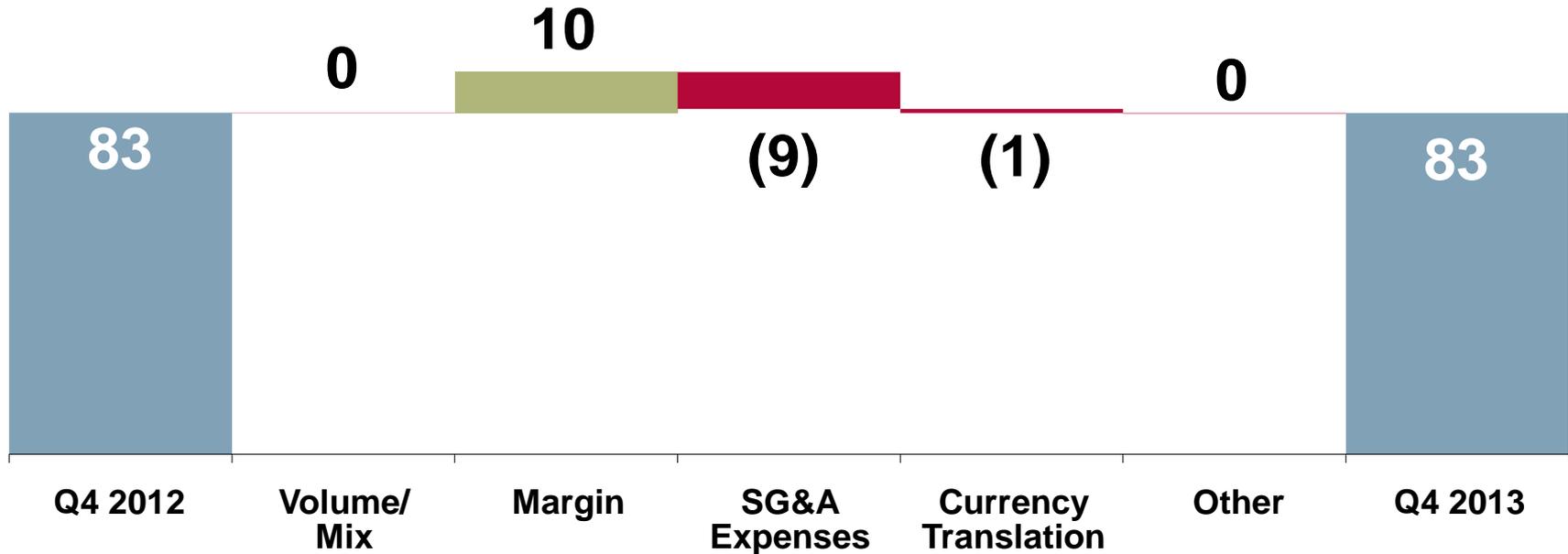
- Year-over-year volume increase driven by International business
- Margin improvement versus prior year due to lower input costs

<sup>1</sup> Ashland's earnings releases dated Nov. 5 and July 25, 2013, 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 2012 versus Q4 FY 2013



- Margin expansion driven by lower raw-material costs
- SG&A increase due to higher advertising and promotions

# Corporate Items

- Pension and other post-retirement re-measurement of \$498 million
  - 2014 expectations
    - Pension and other post-retirement income of \$55 million versus income of \$79 million in 2013
    - Pension cash funding of \$45 million versus \$128 million in 2013
- Capital expenditures of \$125 million in Q4, \$314 million for full year
  - Expect \$275 million in fiscal 2014
- Adjusted net interest expense of \$42 million
- Effective tax rate<sup>1</sup> of 25%
  - Expect full year 2014 rate of 24% – 26%
- Free cash flow<sup>2</sup> generation of \$173 million in Q4, \$529 million for full year
  - Expect \$475 to \$500 million in fiscal 2014

<sup>1</sup> Excludes Key Items.

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

# Fiscal 2013 Accomplishments

- Successfully completed debt restructuring
- Improved performance in Ashland Water Technologies
  - Fourth quarter annualized run-rate EBITDA increased 55% versus prior year
- Strong performance in Ashland Consumer Markets
  - EBITDA margin improved to long-term expectations of 15% to 17%
  - Premium lubricant sales increased 330 basis points to 33.6%
- Achieved volume gains in Ashland Performance Materials
  - Adhesives and Composites volume up 3%
- Return of capital to shareholders
  - \$150 million share buyback and 50% increase to dividend

# Outlook

- October volume in line with prior year
  - Expect full quarter volume flat with prior year
- Geographic expectations
  - North America slow but stable
  - Asia to remain strong
  - Approaching Europe cautiously
  - Latin America to remain uneven

# Fiscal 2014 Objectives

- Complete Water Technologies and Elastomers transactions
  - Primary use of net proceeds expected to be return of capital to shareholders through share repurchase
- Management and Board to continue evaluating the portfolio
- Execute global restructuring program
  - Full run rate savings expected within 12 – 15 months
- Ultimate goal of being top-quartile EBITDA margin specialty chemical company

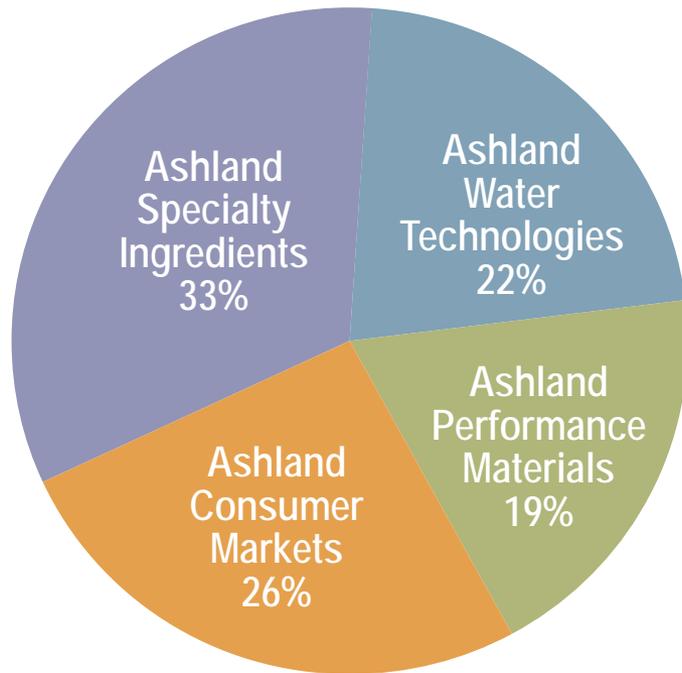


**Appendix A:**  
**Business Profiles**  
**12 Months Ended September 30, 2013**

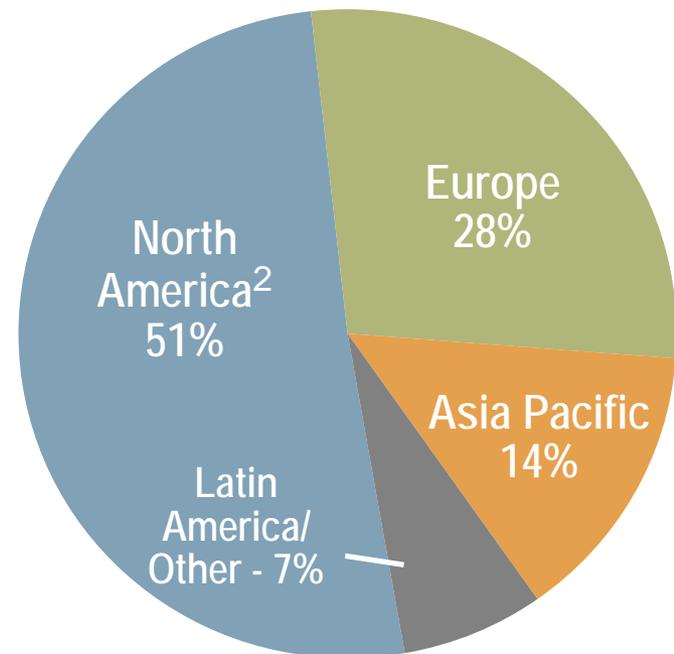
# Corporate Profile

Sales<sup>1</sup> - \$7.8 Billion

By commercial unit



By geography

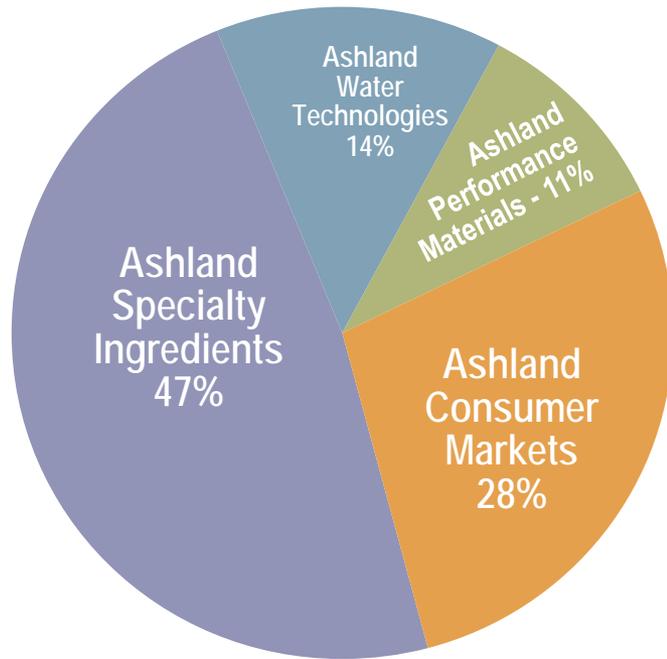


<sup>1</sup> For 12 months ended September 30, 2013.

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

# Corporate Profile

Adjusted EBITDA<sup>1</sup> - \$1.2 Billion



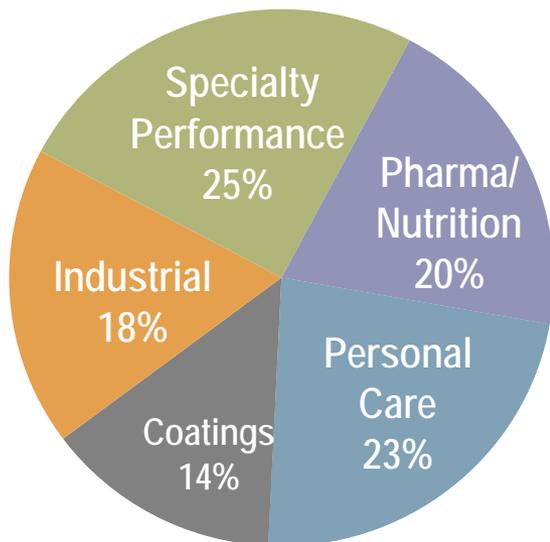
NYSE Ticker Symbol:	ASH
Total Employees:	~15,000
Outside North America	~40%
Number of Countries in Which Ashland Has Sales:	More than 100

<sup>1</sup> For 12 months ended September 30, 2013. See Appendix B for reconciliation to amounts reported under GAAP.

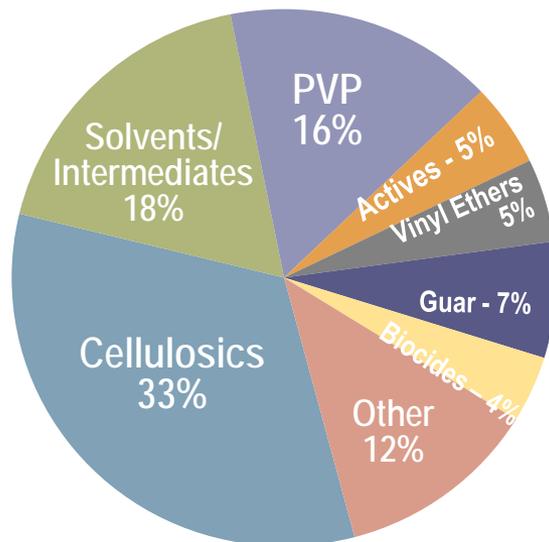
# Ashland Specialty Ingredients

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

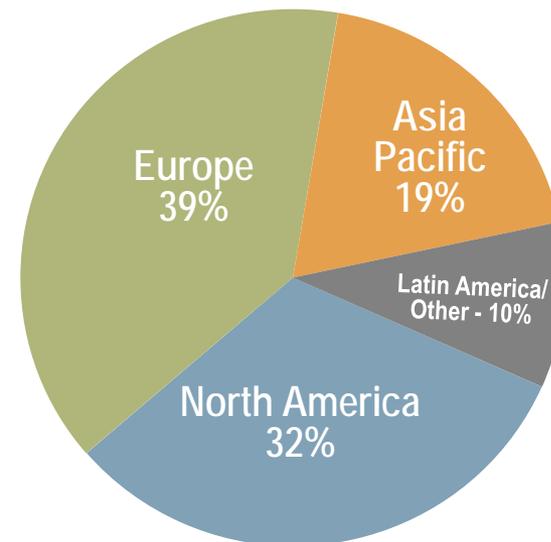
**Sales  
by Market**



**Sales  
by Product**



**Sales  
by Geography**



**For 12 Months Ended September 30, 2013**

**Sales: \$2.6 billion**

**Adjusted EBITDA: \$550 million<sup>1</sup>**

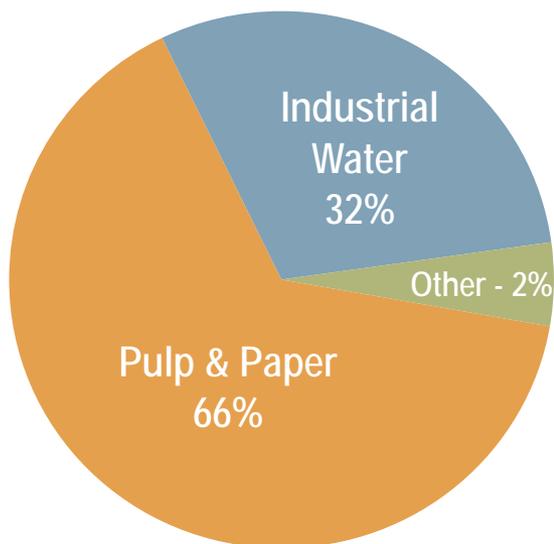
**Adjusted EBITDA Margin: 21.0%<sup>1</sup>**

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

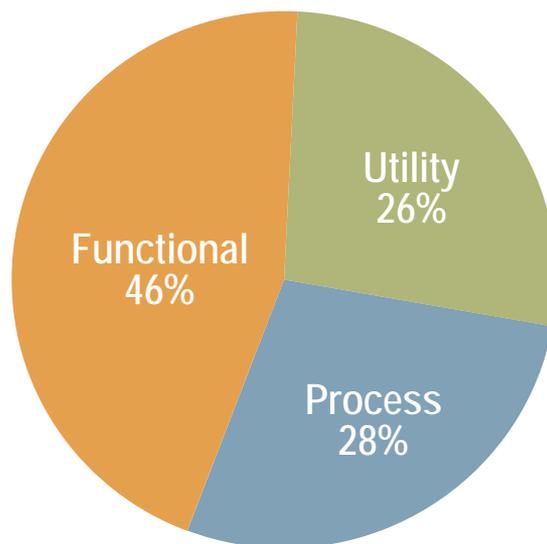
# Ashland Water Technologies

Providing specialty chemicals and services to water-intensive industries

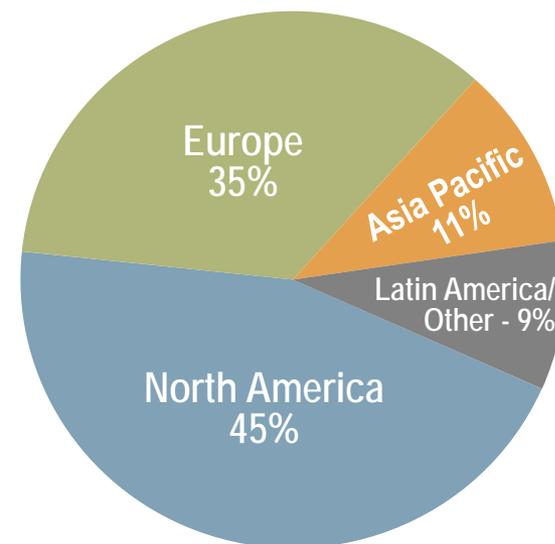
Sales  
by Market



Sales  
by Product



Sales  
by Geography



For 12 Months Ended September 30, 2013

Sales: \$1.7 billion

Adjusted EBITDA: \$164 million<sup>1</sup>

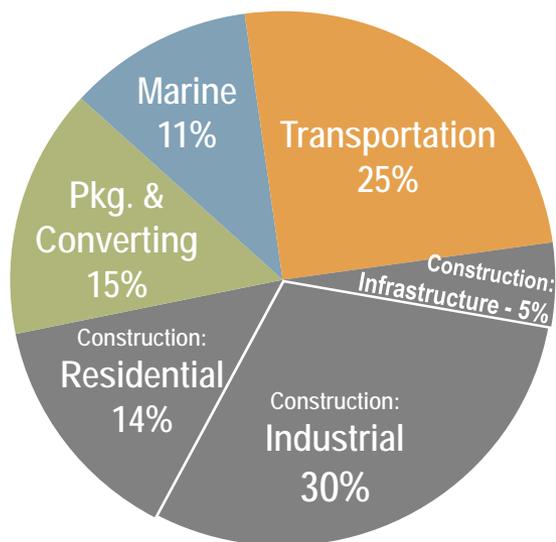
Adjusted EBITDA Margin: 9.5%<sup>1</sup>

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

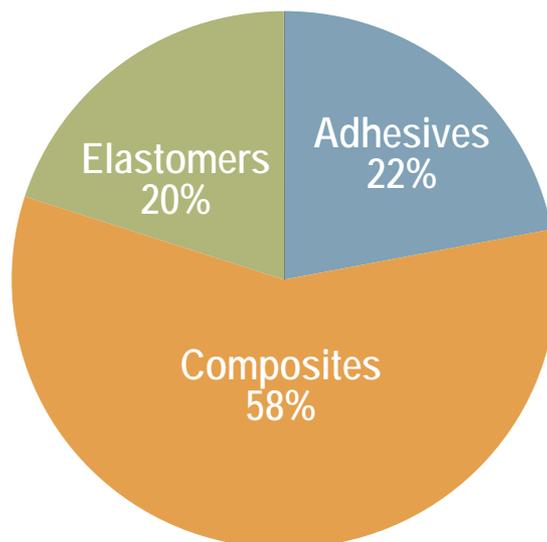
# Ashland Performance Materials

Global leader in composite resins, specialty adhesives and elastomers

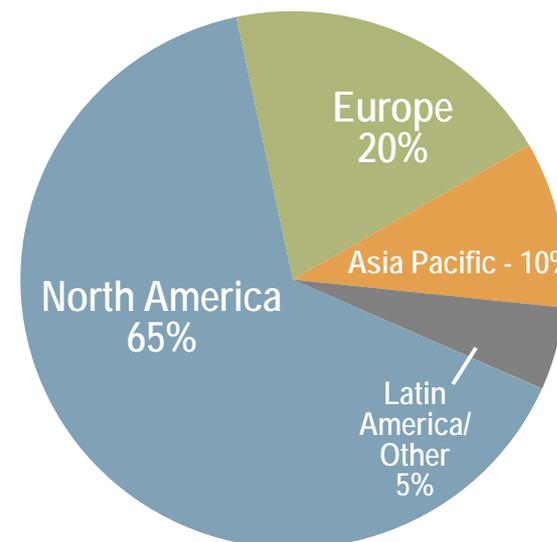
### Sales by Market



### Sales by Product



### Sales by Geography



**For 12 Months Ended September 30, 2013**

**Sales: \$1.5 billion**

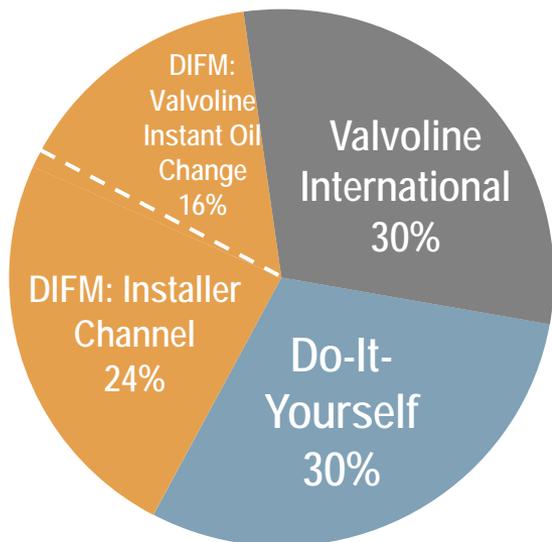
**Adjusted EBITDA: \$122 million<sup>1</sup>**

**Adjusted EBITDA Margin: 8.2%<sup>1</sup>**

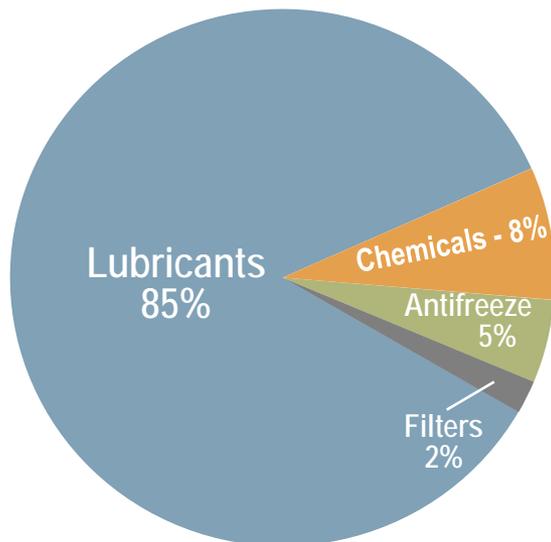
<sup>1</sup> See Appendix B for reconciliation to amounts reported under GAAP.

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

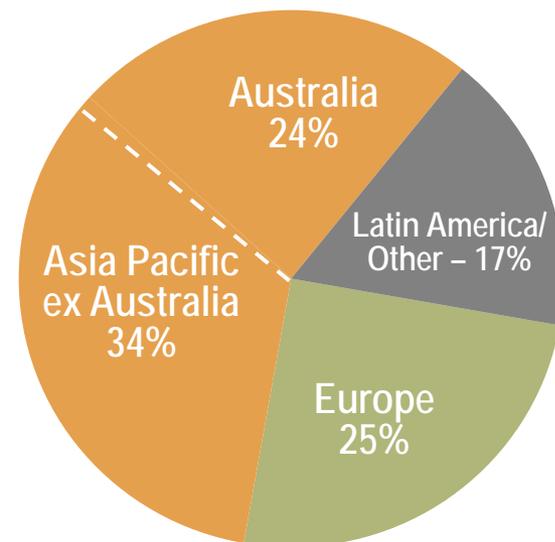
**Sales by Market**



**Sales by Product**



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



**For 12 Months Ended September 30, 2013**

**Sales: \$2.0 billion<sup>1</sup>**  
**EBITDA: \$330 million<sup>1</sup>**  
**EBITDA Margin: 16.5%<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 12 Months Ended September 30, 2013

(\$ millions, except percentages)

Sales <sup>1</sup>	Q4 13	Q3 13	Q2 13	Q1 13	Total	
Specialty Ingredients	596	716	682	622	2,616	
Water Technologies	441	435	424	421	1,722	
Performance Materials	366	395	374	345	1,479	
Consumer Markets	508	513	494	481	1,996	
<b>Total</b>	<b>1,911</b>	<b>2,059</b>	<b>1,974</b>	<b>1,869</b>	<b>7,813</b>	
						Adjusted EBITDA
Adjusted EBITDA <sup>1</sup>	Q4 13	Q3 13	Q2 13	Q1 13	Total	Margin
Specialty Ingredients	132	145	156	116	550	21.0%
Water Technologies	51	41	39	34	164	9.5%
Performance Materials	29	30	33	28	122	8.2%
Consumer Markets	83	86	88	75	330	16.5%
Unallocated	15	23	23	15	76	
<b>Total</b>	<b>310</b>	<b>325</b>	<b>339</b>	<b>268</b>	<b>1,242</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 each quarterly earnings release filed with the SEC and posted on Ashland's website.

# ASHLAND®

With good chemistry great things happen.™