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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2020

OR

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

For the transition period from ________ to ________

Commission file number 333-211719

ASHLAND GLOBAL HOLDINGS INC.

(a Delaware corporation)
I.R.S. No. 81-2587835

8145 Blazer Drive
Wilmington, Delaware 19808
Telephone Number (302) 995-3000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $.01 per share	ASH	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☑	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

At December 31, 2020, there were 60,667,388 shares of Registrant’s Common Stock outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASHLAND GLOBAL HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

	Three months ended December 31	
(In millions except per share data - unaudited)	2020	2019
Sales	$ 552	$ 533
Cost of sales	374	380
Gross profit	178	153
Selling, general and administrative expense	106	99
Research and development expense	15	16
Intangibles amortization expense	21	21
Equity and other income	5	—
Operating income	41	17
Net interest and other expense (income)	(6)	10
Net income on divestitures	14	3
Income from continuing operations before income taxes	61	10
Income tax expense (benefit)	—	(24)
Income from continuing operations	61	34
Loss from discontinued operations (net of income taxes)	(5)	(2)
Net income	$ 56	$ 32
PER SHARE DATA		
Basic earnings per share - Note M		
Income from continuing operations	$ 1.00	$ 0.57
Income (loss) from discontinued operations	(0.08)	(0.03)
Net income	$ 0.92	$ 0.54
Diluted earnings per share - Note M		
Income from continuing operations	$ 0.99	$ 0.56
Income (loss) from discontinued operations	(0.08)	(0.03)
Net income	$ 0.91	$ 0.53
COMPREHENSIVE INCOME (LOSS)		
Net income	$ 56	$ 32
Other comprehensive income, net of tax		
Unrealized translation gain	48	38
Other comprehensive income	48	38
Comprehensive income	$ 104	$ 70

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND GLOBAL HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions - unaudited)	December 31 2020	September 30 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 335	$ 454
Accounts receivable (a)	409	471
Inventories - Note F	537	529
Other assets	100	87
Current assets held for sale - Note B	—	6
Total current assets	1,381	1,547
Noncurrent assets		
Property, plant and equipment		
Cost	3,310	3,265
Accumulated depreciation	1,748	1,700
Net property, plant and equipment	1,562	1,565
Goodwill - Note G	1,792	1,758
Intangibles - Note G	1,001	1,013
Operating lease assets, net - Note I	137	137
Restricted investments - Note E	316	301
Asbestos insurance receivable (b) - Note L	130	136
Deferred income taxes	26	26
Other assets	397	394
Total noncurrent assets	5,361	5,330
Total assets	$ 6,742	$ 6,877
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt - Note H	$ 93	$ 280
Trade and other payables	217	233
Accrued expenses and other liabilities	252	277
Current operating lease obligations - Note I	23	23
Total current liabilities	585	813
Noncurrent liabilities		
Long-term debt - Note H	1,601	1,573
Asbestos litigation reserve - Note L	498	513
Deferred income taxes	222	229
Employee benefit obligations - Note K	157	157
Operating lease obligations - Note I	124	124
Other liabilities	433	432
Total noncurrent liabilities	3,035	3,028
Commitments and contingencies - Note L		
Stockholders' equity	3,122	3,036
Total liabilities and stockholders' equity	$ 6,742	$ 6,877

(a) Accounts receivable includes an allowance for credit losses of $3 million at both December 31, 2020 and September 30, 2020.
(b) Asbestos insurance receivable includes an allowance for credit losses of $3 million at December 31, 2020.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND GLOBAL HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENT OF CONSOLIDATED EQUITY

(In millions - unaudited)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive income (loss) (a)	Total
BALANCE AT SEPTEMBER 30, 2020	$ 1	$ 769	$ 2,649	$ (383)	$ 3,036
Adoption of new accounting pronouncement (b)			(2)		(2)
Total comprehensive income					
Net Income			56		56
Other comprehensive income				48	48
Regular dividends, $0.275 per common share			(17)		(17)
Common shares issued under stock incentive and other plans (c)		1			1
BALANCE AT DECEMBER 31, 2020	$ 1	$ 770	$ 2,686	$ (335)	$ 3,122

(a) At December 31, 2020 and September 30, 2020, the after-tax accumulated other comprehensive loss of $335 million and $383 million, respectively, was each comprised of net unrealized translation losses of $333 million and $381 million, respectively, and unrecognized prior service costs as a result of certain employee benefit plan amendments of $2 million, each.

(b) Represents the cumulative-effect adjustment, net of tax, for the adoption of the new accounting pronouncement related to the measurement of credit losses on financial instruments.

(c) Common shares issued were 99,194 for the three months ended December 31, 2020

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND GLOBAL HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS

(In millions - unaudited)	Three months ended December 31 2020	2019
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		
Net income	$ 56	$ 32
Loss from discontinued operations (net of income taxes)	5	2
Adjustments to reconcile income from continuing operations to cash flows from operating activities:		
Depreciation and amortization	62	61
Original issue discount and debt issuance costs amortization	1	2
Deferred income taxes	(5)	(12)
Gain from sales of property and equipment	(4)	—
Stock based compensation expense	4	4
Income from restricted investments	(23)	(13)
Net income on divestitures	(14)	—
Impairments	9	—
Pension contributions	(2)	(1)
Change in operating assets and liabilities (a)	17	(109)
Total cash flows provided (used) by operating activities from continuing operations	106	(34)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		
Additions to property, plant and equipment	(30)	(29)
Proceeds from disposal of property, plant and equipment	5	—
Proceeds from sale or restructuring of operations	14	—
Net purchase of funds restricted for specific transactions	(1)	(1)
Reimbursement from restricted investments	8	10
Proceeds from sales of securities	42	4
Purchase of securities	(42)	(4)
Total cash flows used by investing activities from continuing operations	(4)	(20)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		
Proceeds from (repayment of) short-term debt	(187)	14
Cash dividends paid	(17)	(16)
Stock based compensation employee withholding taxes paid in cash	(3)	(5)
Total cash flows used by financing activities from continuing operations	(207)	(7)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	(105)	(61)
Cash provided (used) by discontinued operations		
Operating cash flows	(14)	(17)
Investing cash flows	(3)	2
Total cash provided (used) by discontinued operations	(17)	(15)
Effect of currency exchange rate changes on cash and cash equivalents	3	1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(119)	(75)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	454	232
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 335	$ 157

(a) Excludes changes resulting from operations acquired, sold or held for sale.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and Securities and Exchange Commission (SEC) regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. These statements omit certain information and footnote disclosures required for complete annual financial statements and, therefore, should be read in conjunction with Ashland Global Holdings Inc. and consolidated subsidiaries (Ashland) Annual Report on Form 10-K for the fiscal year ended September 30, 2020. Results of operations for the period ended December 31, 2020 are not necessarily indicative of the expected results for the remaining quarters in the fiscal year. All amounts are presented in millions except per-share amounts.

Ashland’s reportable segments include the consumer specialty businesses: Life Sciences and Personal Care & Household; the industrial specialty businesses: Specialty Additives and Performance Adhesives; and Intermediates and Solvents. Unallocated and Other includes corporate governance activities and certain legacy matters. For additional information, see Note Q.

Use of estimates, risks and uncertainties

The preparation of Ashland’s Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Significant items that are subject to such estimates and assumptions include, but are not limited to, long-lived assets (including goodwill and other intangible assets), income taxes and liabilities and receivables associated with asbestos litigation and environmental remediation. Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ significantly from the estimates under different assumptions or conditions.

Ashland’s results are affected by domestic and international economic, political, legislative, regulatory and legal actions. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, government fiscal policies and changes in the prices of certain key raw materials, can have a significant effect on operations. While Ashland maintains reserves for anticipated liabilities and carries various levels of insurance, Ashland could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings relating to asbestos, environmental remediation or other matters.

New accounting pronouncements

A description of new U.S. GAAP accounting standards issued or adopted during the current year is required in interim financial reporting. A detailed listing of new accounting standards relevant to Ashland is included in the Annual Report on Form 10-K for the fiscal year ended September 30, 2020. The following standards relevant to Ashland were either issued or adopted in the current fiscal year or will become effective in a subsequent period.

In June 2016, the FASB issued amended accounting guidance related to the measurement of credit losses on financial instruments. The amended accounting guidance changes the impairment model for most financial assets to require measurement and recognition of expected credit losses for financial assets held. This guidance became effective for Ashland on October 1, 2020. As a result, Ashland recorded a $3 million increase in its allowance for credit losses, primarily related to asbestos receivables, and a $2 million decrease to retained earnings, net of tax, reflecting the cumulative effect on retained earnings.

Under the new expected credit loss model, Ashland records an allowance for credit losses inherent in its receivables from revenue transactions and reinsurance recoverables. The allowance for credit losses is a valuation account deducted from the amortized cost basis of the assets to present their net carrying value at the amount expected to be collected. Ashland estimates expected credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. When measuring expected credit losses, Ashland pools assets with similar country risk and credit risk characteristics. Each period the allowance for credit losses is adjusted through earnings to reflect expected credit losses over the remaining lives of the assets. For the three months ending December 31, 2020, no significant credit losses were incurred within the Statements of Consolidated Comprehensive Income (Loss).

NOTE B – DIVESTITURES

Composites and Marl facility

On August 30, 2019, Ashland completed the sale of its Composites business (excluding the Maleic business) and butanediol manufacturing facility in Marl, Germany to INEOS Enterprises (INEOS).

On September 30, 2020, Ashland completed the sale of its Maleic business to AOC. Net proceeds from the sale were approximately $98 million.

Since this disposal group signifies a strategic shift in Ashland's business and had a major effect of Ashland's operations and financial results, the operating results and cash flows related to Composites and the Marl facility, including the Maleic business, have been reflected as discontinued operations in the Statements of Consolidated Comprehensive Income (Loss) and Statements of Condensed Consolidated Cash Flows. See Note C of the Notes to Condensed Consolidated Financial Statements for the results of operations for Composites and the Marl facility, including the Maleic business, for all periods presented.

Subsequent to the completion of the sale, Ashland is providing certain transition services to INEOS for a fee. While the transition services are expected to vary in duration depending upon the type of service provided, Ashland expects to reduce certain costs as the transition services are completed. Ashland recognized transition service fee income of $3 million during the three months ended December 31, 2020 and 2019.

Other manufacturing facility sales

During the three months ended December 31, 2020, Ashland completed the sale of a Specialty Additives facility, the assets and liabilities of which were classified as held for sale as of September 30, 2020. Net proceeds from the sale were approximately $14 million in the current quarter ($20 million in total including a deposit received in fiscal year 2020) and the Company recognized a pre-tax gain of $14 million recorded within the Net income on divestitures caption in the Statements of Consolidated Comprehensive Income (Loss).

NOTE C– DISCONTINUED OPERATIONS

Ashland has divested certain businesses that have qualified as discontinued operations. The operating results from these divested businesses and subsequent adjustments related to ongoing assessments of certain retained liabilities and tax items have been recorded within the discontinued operations caption in the Statements of Consolidated Comprehensive Income (Loss) for all periods presented.

Components of amounts reflected in the Statements of Consolidated Comprehensive Income (Loss) related to discontinued operations are presented in the following table for the three months ended December 31, 2020 and 2019.

(In millions)	Three months ended December 31 2020	2019
Income (loss) from discontinued operations (net of tax)		
Composites/Marl facility	$ —	$ —
Valvoline	—	(1)
Water Technologies	—	(1)
Distribution	(1)	—
Gain (loss) on disposal of discontinued operations (net of taxes)		
Composites/Marl facility	(4)	—
	$ (5)	$ (2)

The following table presents a reconciliation of the captions within Ashland's Statements of Consolidated Comprehensive Income (Loss) for the income (loss) from discontinued operations attributable to Composites and the Marl facility for the three months ended December 31, 2019. The Maleic business, which was sold during fiscal 2020 to AOC, was operated under the Composites business and Marl facility disposal group and is therefore reported in discontinued operations.

(In millions)	Three months ended December 31 2019
Income (loss) from discontinued operations attributable to Composites/Marl facility	
Sales	$ 12
Cost of sales	(10)
Selling, general and administrative expense	(2)
Equity and other income	2
Pretax income of discontinued operations	2
Income tax expense	(2)
Income from discontinued operations	$ —

NOTE D – RESTRUCTURING ACTIVITIES

Company-wide restructuring activities

Ashland periodically implements company-wide restructuring programs related to acquisitions, divestitures and other cost reduction programs in order to enhance profitability through streamlined operations and an improved overall cost structure.

Fiscal 2020 and 2021 restructuring costs

During the three months ended December 31, 2020 and 2019, Ashland incurred severance expense of $8 million and $3 million, respectively, attributable to executive management changes and business management changes within the organization. As of December 31, 2020, the severance reserve associated with this transition was $36 million.

The following table details at December 31, 2020 and 2019, the amount of restructuring severance reserves related to this program. The severance reserves were primarily recorded within accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet as of December 31, 2020 and December 31, 2019.

(In millions)	Severance costs
Balance at of September 30, 2020	39
Restructuring reserve	8
Utilization (cash paid)	(11)
Balance at December 31, 2020	$ 36

(In millions)		Severance costs
Balance at of September 30, 2019		—
Restructuring reserve		3
Utilization (cash paid)		—
Balance at December 31, 2019	$	3

Fiscal 2018 restructuring costs

During fiscal 2018, Ashland initiated a company-wide cost reduction program as a result of ongoing strategic asset plans and activities. As part of this restructuring program, Ashland announced a voluntary severance offer to certain qualifying employees that was formally approved during 2018. Additionally, during fiscal 2018, an involuntary program for employees was also initiated as part of the restructuring program. These programs resulted in additional severance expense of $1 million for the three months ended December 31, 2019 which was primarily recorded within the selling, general and administrative expense caption of the Statement of Consolidated Comprehensive Income (Loss). As of December 31, 2020, the severance reserve for the company-wide restructuring program was zero.

The following table details at December 31, 2019, the amount of restructuring reserves related to the programs discussed above, and the related activity in these reserves during the three months ended December 31, 2019. The severance reserve was primarily recorded within accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet as of December 31, 2019.

(In millions)		Severance costs
Balance at of September 30, 2019		7
Restructuring reserve		1
Utilization (cash paid)		(3)
Balance at December 31, 2019	$	5

NOTE E – FAIR VALUE MEASUREMENTS

As required by U.S. GAAP, Ashland uses applicable guidance for defining fair value, the initial recording and periodic remeasurement of certain assets and liabilities measured at fair value and related disclosures for instruments measured at fair value. Fair value accounting guidance establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows.

Level 1 – Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 – Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect Ashland's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include Ashland's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

For assets that are measured using quoted prices in active markets (Level 1), the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs (Level 2) are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability. For all other assets and liabilities for which unobservable inputs are used (Level 3), fair value is derived using fair value models, such as a discounted cash flow model or other standard pricing models that Ashland deems reasonable.

The following table summarizes financial instruments subject to recurring fair value measurements as of December 31, 2020.

(In millions)	Carrying value	Total fair value	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Assets					
Cash and cash equivalents	$ 335	$ 335	$ 335	$ —	$ —
Restricted investments (a)	346	346	346	—	—
Investment of captive insurance company (b)	8	8	8	—	—
Total assets at fair value	$ 689	$ 689	$ 689	$ —	$ —
Liabilities					
Foreign currency derivatives	$ 1	$ 1	$ —	$ 1	$ —

(a) Included in restricted investments is $30 million classified in the other current assets caption on the Condensed Consolidated Balance Sheets.
(b) Included in other noncurrent assets in the Condensed Consolidated Balance Sheets.

The following table summarizes financial asset instruments subject to recurring fair value measurements as of September 30, 2020.

(In millions)	Carrying value	Total fair value	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Assets					
Cash and cash equivalents	$ 454	$ 454	$ 454	$ —	$ —
Restricted investments (a)	331	331	331	—	—
Investment of captive insurance company (b)	9	9	9	—	—
Foreign currency derivatives	1	1	—	1	—
Total assets at fair value	$ 795	$ 795	$ 794	$ 1	$ —
Liabilities					
Foreign currency derivatives	$ 3	$ 3	$ —	$ 3	$ —

(a) Included in restricted investments is $30 million classified in the other current assets caption on the Condensed Consolidated Balance Sheets.
(b) Included in other noncurrent assets in the Condensed Consolidated Balance Sheets.

Restricted investments

Investment income and realized gains and losses on these company-restricted investments are reported within the net interest and other expense caption on the Statements of Consolidated Comprehensive Income (Loss). The following table provides a summary of the activity within the investment portfolio as of December 31, 2020 and September 30, 2020:

(In millions)	December 31 2020	September 30 2020
Original cost	$ 335	$ 335
Accumulated adjustments, net (a)	(50)	(30)
Adjusted cost, beginning of year	285	305
Investment income (b)	5	10
Net unrealized gain (c)	52	46
Realized gains (c)	11	2
Settlement funds	1	3
Disbursements	(8)	(35)
Fair value	$ 346	$ 331

(a) The accumulated adjustments include investment income, realized gains, disbursements and settlements recorded in previous periods.
(b) Investment income for the demand deposit includes interest income as well as dividend income transferred from the equity and fixed income mutual funds.
(c) Presented under the original cost method.

The following table presents gross unrealized gains and losses for the restricted investment securities as of December 31, 2020 and September 30, 2020:

(In millions)	Adjusted Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
As of December 31, 2020				
Demand deposit	$ 9	$ —	$ —	$ 9
Equity mutual fund	101	38	—	139
Fixed income mutual fund	184	14	—	198
	$ 294	$ 52	$ —	$ 346
As of September 30, 2020				
Demand deposit	$ 7	$ —	$ —	$ 7
Equity mutual fund	116	31	(1)	146
Fixed income mutual fund	162	16	—	178
	$ 285	$ 47	$ (1)	$ 331

The following table presents the investment income, net gains and losses realized and disbursements related to the investments within the portfolio for the three months ended December 31, 2020 and 2019.

(In millions)	Three months ended December 31 2020	2019
Investment income	$ 5	$ 4
Net gains (losses) unrealized (a)	18	9
Disbursements	(8)	(10)

(a) Ashland determined that all unrealized gains and (losses) were related to equity securities with readily determinable fair values. Due to the new accounting guidance adopted in the first quarter of fiscal year 2019, the net unrealized gains and (losses) during the year ended September 30, 2019 and forward were recorded within the net interest and other expense caption in the Statements of Consolidated Income (Loss).

Foreign currency derivatives

Ashland conducts business in a variety of foreign currencies. Accordingly, Ashland regularly uses foreign currency derivative instruments to manage exposure on certain transactions denominated in foreign currencies to curtail potential earnings volatility effects on certain assets and liabilities, including short-term inter-company loans, denominated in currencies other than Ashland's functional currency of an entity. These derivative contracts generally require exchange of one foreign currency for another at a fixed rate at a future date and generally have maturities of less than twelve months. All contracts are valued at fair value with net changes in fair value recorded within the selling, general and administrative expense caption. The impacts of these contracts were largely offset by gains and losses resulting from the impact of changes in exchange rates on transactions denominated in non-functional currencies. The following table summarizes the net gains and losses recognized during the three months ended December 31, 2020 and 2019 within the Statements of Consolidated Comprehensive Income (Loss).

	Three months ended December 31	
(In millions)	2020	2019
Foreign currency derivative gains (losses)	$ 3	$ 1

The following table summarizes the fair values of the outstanding foreign currency derivatives as of December 31, 2020 and September 30, 2020 included in accounts receivable and accrued expenses and other liabilities of the Condensed Consolidated Balance Sheets.

(In millions)	December 31 2020	September 30 2020
Foreign currency derivative assets	$ —	$ 1
Notional contract values	168	170
Foreign currency derivative liabilities	$ 1	$ 3
Notional contract values	221	215

Other financial instruments

At December 31, 2020 and September 30, 2020, Ashland's long-term debt (including the current portion and excluding debt issuance cost discounts) had a carrying value of $1,616 million and $1,588 million, respectively, compared to a fair value of $1,806 million and $1,708 million, respectively. The fair values of long-term debt are based on quoted market prices or, if market prices are not available, the present values of the underlying cash flows discounted at Ashland's incremental borrowing rates.

NOTE F – INVENTORIES

Inventories are carried at the lower of cost or net realizable value. Inventories are primarily stated at cost using the weighted-average cost method. In addition, certain inventories are valued at cost using the last-in, first-out (LIFO) method.

The following table summarizes Ashland's inventories as of the reported Condensed Consolidated Balance Sheet dates.

(In millions)	December 31, 2020	September 30, 2020
Finished products	$ 341	$ 336
Raw materials, supplies and work in process	196	193
	$ 537	$ 529

NOTE G – GOODWILL AND OTHER INTANGIBLES

Goodwill

Ashland tests goodwill and other indefinite-lived intangible assets for impairment annually as of July 1 and when events and circumstances indicate an impairment may have occurred. Ashland tests goodwill and other indefinite-lived intangible assets for impairment by comparing the estimated fair value of the reporting units (for goodwill) and other indefinite-lived intangible assets to the related carrying value. If the carrying amount of a reporting unit or other indefinite-lived intangible asset exceeds its estimated fair value, Ashland records an impairment loss based on the difference between fair value and carrying amount, in the case of reporting units, not to exceed to the associated carrying amount of goodwill.

Ashland's assessment of an impairment on any of these assets classified currently as having indefinite lives, including goodwill, could change in future periods if significant events happen and/or circumstances change that effect the previously mentioned assumptions such as: a significant change in projected business results, a divestiture decision, increase in Ashland's weighted-average cost of capital rates, decrease in growth rates or assumptions, economic deterioration that is more severe or of a longer duration than anticipated, or another significant economic event.

Ashland's reporting units align with its reportable segments. Ashland determined that its reporting units are Life Sciences, Personal Care & Household, Specialty Additives, Performance Adhesives, and Intermediates and Solvents.

No indicators of impairment were identified in the first quarter of Fiscal 2021.

The following is a progression of goodwill by reportable segment for the three months ended December 31, 2020.

(In millions)	Life Sciences	Personal Care & Household (a)	Specialty Additives (a)	Performance Adhesives	Intermediates and Solvents (a)	Total
Balance at September 30, 2020	$ 861	$ —	$ 444	$ 453	$ —	$ 1,758
Currency translation	21	—	13	—	—	34
Balance at December 31, 2020	$ 882	$ —	$ 457	$ 453	$ —	$ 1,792

(a)

As of December 31, 2020 and September 30, 2020, there were accumulated impairments of $356 million, $174 million and $90 million related to the Personal Care & Household, Specialty Additives and Intermediates and Solvents reportable segments, respectively.

Other intangible assets

Intangible assets principally consist of trademarks and trade names, intellectual property and customer and supplier relationships. Intangible assets classified as finite are amortized on a straight-line basis over their estimated useful lives. The cost of trademarks and trade names is amortized principally over 3 to 25 years, intellectual property over 5 to 25 years, and customer and supplier relationships over 3 to 24 years.

Ashland annually reviews, as of July 1, indefinite-lived intangible assets for possible impairment or whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

Trademarks and trade names are valued using a “relief-from-royalty” valuation method compared to the carrying value. No indicators of impairment were identified in the first quarter of Fiscal 2021.

Intangible assets were comprised of the following as of December 31, 2020 and September 30, 2020.

	December 31, 2020		
(In millions)	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangibles			
Trademarks and trade names	$ 66	$ (33)	$ 33
Intellectual property	731	(460)	271
Customer and supplier relationships	770	(351)	419
Total definite-lived intangibles	1,567	(844)	723
Indefinite-lived intangibles			
Trademarks and trade names	278	—	278
Total intangible assets	$ 1,845	$ (844)	$ 1,001

	September 30, 2020		
(In millions)	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangibles			
Trademarks and trade names	$ 66	$ (32)	$ 34
Intellectual property	721	(442)	279
Customer and supplier relationships	757	(335)	422
Total definite-lived intangibles	1,544	(809)	735
Indefinite-lived intangibles			
Trademarks and trade names	278	—	278
Total intangible assets	$ 1,822	$ (809)	$ 1,013

Amortization expense recognized on intangible assets was $21 million for both the three months ended December 31, 2020 and 2019, respectively, and is included in the Intangibles Amortization Expense caption of the Statements of Consolidated Comprehensive Income (Loss). Estimated amortization expense for future periods is $87 million in 2021 (includes three months actual and nine months estimated), $86 million in 2022, $86 million in 2023, $72 million in 2024 and $69 million in 2025. Actual amounts may change from such estimated amounts due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions and divestitures, potential impairment, accelerated amortization, or other events.

NOTE H – DEBT

The following table summarizes Ashland's current and long-term debt as of the dates reported in the Condensed Consolidated Balance Sheets.

(In millions)	December 31, 2020	September 30, 2020
4.750% notes, due 2022	$ 411	$ 411
2.00% Senior Notes, due 2028 (Euro 500 million principal)	614	587
6.875% notes, due 2043	282	282
Term loan A	250	250
Accounts receivable securitizations	69	177
6.50% junior subordinated notes, due 2029	55	55
Revolving credit facility	—	80
Other (a)	13	11
Total debt	1,694	1,853
Short-term debt (includes current portion of long-term debt)	(93)	(280)
Long-term debt (less current portion)	$ 1,601	$ 1,573

(a) Includes $15 million of debt issuance cost discounts as of both December 31, 2020 and September 30, 2020. Additionally, as of December 31, 2020 and September 30, 2020, Other includes a European short-term loan facility with an outstanding balance of $24 million and $23 million, respectively.

The scheduled aggregate maturities of long-term debt by year (including the current portion and excluding debt issuance costs) are as follows as of December 31, 2020: zero remaining in 2021, $421 million in 2022, $22 million in 2023, $44 million in 2024 and $175 million in 2025.

Available borrowing capacity

The borrowing capacity remaining under the 2020 $600 million Revolving Credit Facility was $580 million due to a reduction of $20 million for letters of credit outstanding as of December 31, 2020. Ashland's total borrowing capacity at December 31, 2020 was $694 million, which included $114 million of available capacity from the two accounts receivable securitization facilities.

Covenants related to current Ashland debt agreements

Ashland's debt contains usual and customary representations, warranties and affirmative and negative covenants, including financial covenants for leverage and interest coverage ratios, limitations on liens, additional subsidiary indebtedness, restrictions on subsidiary distributions, investments, mergers, sale of assets and restricted payments and other customary limitations. As of December 31, 2020, Ashland is in compliance with all debt agreement covenant restrictions.

The maximum consolidated net leverage ratio permitted under Ashland's most recent credit agreement (the 2020 Credit Agreement) is 4.0. At December 31, 2020, Ashland's calculation of the consolidated net leverage ratio was 2.6.

The minimum required consolidated interest coverage ratio under the 2020 Credit Agreement during its entire duration is 3.0. At December 31, 2020, Ashland's calculation of the interest coverage ratio was 7.8.

NOTE I – LEASING ARRANGEMENTS

Ashland determines if an arrangement is or contains a lease at contract inception and determines its classification as an operating or finance lease at lease commencement. Ashland leases certain office buildings, transportation equipment, warehouses and storage facilities, and equipment. All of Ashland's leases are operating leases. Real estate leases represent approximately 89% of the total lease liability. Operating lease assets and obligations are reflected within operating lease assets, net; current operating lease obligations; and non-current operating lease obligations captions on the Condensed Consolidated Balance Sheets.

Lease expense for these leases is recognized on a straight-line basis over the lease term, with variable lease payments recognized in the period those payments are incurred. The components of lease cost recognized within our Statements of Consolidated Comprehensive Income (Loss) were as follows:

		Three months ended December 31	
(In millions)	Location	2020	2019
Lease cost:			
Operating lease cost	Selling, General & Administrative	$ 3	$ 5
Operating lease cost	Cost of Sales	4	4
Variable lease cost	Cost of Sales	1	1
Short-term leases	Cost of Sales	1	—
Total lease cost		$ 9	$ 10

The following table summarizes Ashland's lease assets and liabilities as presented in the Condensed Consolidated Balance Sheet:

(In millions)	December 31, 2020	September 30, 2020
Assets		
Operating lease assets, net	$ 137	$ 137
Total lease assets	137	137
Liabilities		
Current operating lease obligations	$ 23	$ 23
Non-current operating lease obligations	124	124
Total lease liabilities	$ 147	$ 147

Ashland often has options to renew lease terms for buildings and other assets. The exercise of lease renewal options are generally at Ashland's sole discretion. In addition, certain lease arrangements may be terminated prior to their original expiration date at Ashland's discretion. Ashland evaluates renewal and termination options at the lease commencement date to determine if it is reasonably certain to exercise the option on the basis of economic factors. The weighted average remaining lease term for operating leases as of December 31, 2020 and September 30, 2020 was approximately 15 years for each period.

Residual value guarantees are not common within Ashland's lease agreements nor are restrictions or covenants imposed by leases. Ashland has elected the practical expedient to combine lease and non-lease components. The discount rate implicit within the leases is generally not determinable. Therefore, Ashland determines the discount rate based on its incremental borrowing rate. The incremental borrowing rate is determined using a buildup method resulting in an estimated range of secured borrowing rates matching the lease term and the currency of the jurisdiction in which lease payments are made, adjusted for impacts of collateral. Consideration was given to Ashland's own relevant debt issuances as well as debt instruments of comparable companies with similar credit characteristics. The weighted average discount rate used to measure operating lease liabilities as of December 31, 2020 and September 30, 2020 was 2.9%. There are no leases that have not yet commenced but that create significant rights and obligations for Ashland.

Right-of-use assets exchanged for new operating lease obligations were $2 million and less than $1 million for the three months ended December 31, 2020 and 2019, respectively.

Cash paid for amounts included in the measurement of operating lease liabilities:

	Three months ended December 31	
(In millions)	2020	2019
Operating cash flows from operating leases	$ 7	$ 9

Maturity Analysis of Lease Liabilities

Maturities of lease liabilities are shown below as of December 31, 2020 and September 30, 2020:

(In millions)	December 31, 2020	September 30, 2020
Remainder of 2021	$ 20	$ 28
2022	37	35
2023	17	17
2024	14	13
2025	12	11
Thereafter	$ 90	$ 88
Total lease payments	190	192
Less amount of lease payment representing interest	(43)	(45)
Total present value of lease payments	$ 147	$ 147

NOTE J – INCOME TAXES

Current fiscal year

Ashland's effective tax rate in any interim period is subject to adjustments related to discrete items and the mix of domestic and foreign operating results. The overall effective tax rate was zero for the three months ended December 31, 2020. The current quarter tax rate was impacted by jurisdictional income mix, as well as $13 million from favorable tax discrete items primarily related to the Specialty Additives facility sale.

Prior fiscal year

The overall effective tax rate was a benefit of 240% for the three months ended December 31, 2019. The quarter tax rate was primarily impacted by jurisdictional income mix, as well as $27 million from favorable tax discrete items primarily related to the Swiss Tax Reform.

Unrecognized tax benefits

Changes in unrecognized tax benefits are summarized as follows for the three months ended December 31, 2020.

(In millions)	
Balance at October 1, 2020	$ 171
Increases related to positions taken in the current year	7
Balance at December 31, 2020	$ 178

From a combination of statute expirations and audit settlements in the next twelve months, Ashland expects a decrease in the amount accrued for uncertain tax positions of between $50 million and $60 million for continuing operations. It is reasonably possible that there could be other material changes to the amount of uncertain tax positions due to activities of the taxing authorities, settlement of audit issues or the reassessment of existing uncertain tax positions; however, Ashland is not able to estimate the impact of these items at this time.

NOTE K - EMPLOYEE BENEFIT PLANS

Plan contributions

For the three months ended December 31, 2020, Ashland contributed $2 million to its non-U.S. pension plans and zero to its U.S. pension plans. Ashland expects to make additional contributions of approximately $3 million to its non-U.S. plans and $2 million to its U.S. pension plans during the remainder of fiscal 2021.

Components of net periodic benefit costs (income)

The following table details the components of pension and other postretirement benefit costs for continuing operations.

	Pension benefits		Other postretirement benefits	
(In millions)	2020	2019	2020	2019
Three months ended December 31				
Service cost	$ 1	$ 1	$ —	$ —
Interest cost	2	2	—	1
Expected return on plan assets	(2)	(3)	—	—
Curtailment	—	—	—	—
Total net periodic benefit costs	$ 1	$ —	$ —	$ 1

For segment reporting purposes, service cost is proportionately allocated to each segment, excluding the Unallocated and other segment, and is recorded within the selling, general and administrative expense and cost of sales captions on the Statements of Consolidated Comprehensive Loss (Income). All other components are recorded within the other net periodic benefit income caption on the Statements of Consolidated Comprehensive Loss (Income).

NOTE L – LITIGATION, CLAIMS AND CONTINGENCIES

Asbestos litigation

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims result from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley) and the acquisition of Hercules in November 2008. Although Riley, a former subsidiary, was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies. Hercules, an indirect wholly-owned subsidiary of Ashland, has liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products sold by one of Hercules’ former subsidiaries to a limited industrial market.

To assist in developing and annually updating independent reserve estimates for future asbestos claims and related costs given various assumptions for Ashland and Hercules asbestos claims, Ashland retained Nathan Associates Inc. (Nathan). The methodology used by Nathan to project future asbestos costs is based largely on recent experience, including claim-filing and settlement rates, disease mix, enacted legislation, open claims and litigation defense. The claim experience of Ashland and Hercules are separately compared to the results of previously conducted third party epidemiological studies estimating the number of people likely to develop asbestos-related diseases. Those studies were undertaken in connection with national analyses of the population expected to have been exposed to asbestos. Using that information, Nathan estimates a range of the number of future claims that may be filed, as well as the related costs that may be incurred in resolving those claims. Changes in asbestos-related liabilities and receivables are recorded on an after-tax basis within the discontinued operations caption in the Statements of Consolidated Comprehensive Income (Loss).

Ashland asbestos-related litigation

The claims alleging personal injury caused by exposure to asbestos asserted against Ashland result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley. The amount and timing of settlements and number of open claims can fluctuate from period to period. A summary of Ashland asbestos claims activity, excluding Hercules claims, follows.

(In thousands)	Three months ended December 31 2020	2019	Years ended September 30 2020	2019	2018
Open claims - beginning of year	49	53	53	53	54
New claims filed	1	—	2	2	2
Claims settled	—	—	(1)	(1)	(1)
Claims dismissed	(1)	(2)	(5)	(1)	(2)
Open claims - end of period	49	51	49	53	53

Ashland asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs, which generally approximates the mid-point of the estimated range of exposure from model results. Ashland reviews this estimate and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 50-year model developed with the assistance of Nathan.

During the most recent annual update of this estimate completed during fiscal year 2020, it was determined that the liability for Ashland asbestos-related claims should be increased by $13 million. Total reserves for asbestos claims were $325 million at December 31, 2020 compared to $335 million at September 30, 2020.

A progression of activity in the asbestos reserve is presented in the following table.

(In millions)	Three months ended December 31 2020	2019	Years ended September 30 2020	2019	2018
Asbestos reserve - beginning of year	$ 335	$ 352	$ 352	$ 380	$ 419
Reserve adjustment	—	—	13	1	(8)
Amounts paid	(10)	(10)	(30)	(29)	(31)
Asbestos reserve - end of period (a)	$ 325	$ 342	$ 335	$ 352	$ 380

(a)

Included $29 million classified in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets as of both December 31, 2020 and September 30, 2020.

Ashland asbestos-related receivables

Ashland has insurance coverage for certain litigation defense and claim settlement costs incurred in connection with its asbestos claims, and coverage-in-place agreements exist with the insurance companies that provide substantially all of the coverage that will be accessed.

For the Ashland asbestos-related obligations, Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent. A substantial portion of the estimated receivables from insurance companies are expected to be due from domestic insurers.

At December 31, 2020, Ashland's receivable for recoveries of litigation defense and claim settlement costs from insurers amounted to $98 million (excluding the Hercules receivable for asbestos claims) compared to $103 million at September 30, 2020. During fiscal year 2020, the annual update of the model used for purposes of valuing the asbestos reserve and its impact on valuation of future recoveries from insurers was completed. This model update resulted in a $1 million increase in the receivable for probable insurance recoveries.

A progression of activity in the Ashland insurance receivable is presented in the following table.

	Three months ended December 31		Years ended September 30		
(In millions)	2020	2019	2020	2019	2018
Insurance receivable - beginning of year	$ 103	$ 123	$ 123	$ 140	$ 155
Receivable adjustment (a)	(2)	—	1	(5)	(5)
Insurance settlement	—	—	(10)	—	—
Amounts collected	(3)	(1)	(11)	(12)	(10)
Insurance receivable - end of period (b)	$ 98	$ 122	$ 103	$ 123	$ 140

(a) The three months ended December 31, 2020 includes a $2 million adjustment related to allowances for credit losses as a result of Ashland's adoption of the new credit measurement standard described in Note A.

(b) Included $14 million classified in accounts receivable on the Condensed Consolidated Balance Sheets as of both December 31, 2020 and September 30, 2020.

Hercules asbestos-related litigation

Hercules has liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products which were sold by one of Hercules' former subsidiaries to a limited industrial market. The amount and timing of settlements and number of open claims can fluctuate from period to period. A summary of Hercules' asbestos claims activity follows.

	Three months ended December 31		Years ended September 30		
(In thousands)	2020	2019	2020	2019	2018
Open claims - beginning of year	12	13	13	13	12
New claims filed	1	—	1	1	2
Claims dismissed	(1)	—	(2)	(1)	(1)
Open claims - end of period	12	13	12	13	13

Hercules asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs, which generally approximates the mid-point of the estimated range of exposure from model results. Ashland reviews this estimate, and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 50-year model developed with the assistance of Nathan. As a result of the most recent annual update of this estimate, completed during fiscal year 2020, it was determined that the liability for Hercules asbestos-related claims should be decreased by $3 million. Total reserves for asbestos claims were $224 million at December 31, 2020 compared to $229 million at September 30, 2020.

A progression of activity in the asbestos reserve is presented in the following table.

	Three months ended December 31		Years ended September 30		
(In millions)	2020	2019	2020	2019	2018
Asbestos reserve - beginning of year	$ 229	$ 252	$ 252	$ 282	$ 323
Reserve adjustments	—	—	(3)	(10)	(19)
Amounts paid	(5)	(5)	(20)	(20)	(22)
Asbestos reserve - end of period (a)	$ 224	$ 247	$ 229	$ 252	$ 282

(a) Included $22 million classified in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets as of both December 31, 2020 and September 30, 2020.

Hercules asbestos-related receivables

For the Hercules asbestos-related obligations, certain reimbursement obligations pursuant to coverage-in-place agreements with insurance carriers exist. Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent. The estimated receivable consists exclusively of solvent domestic insurers.

As of December 31, 2020, Ashland's receivable for recoveries of litigation defense and claims costs from insurers with respect to Hercules amounted to $46 million. During fiscal year 2020, the annual update of the model used for purposes of valuing the asbestos reserve and its impact on valuation of future recoveries from insurers was completed. This model update resulted in a decrease of $2 million in the receivable for probable insurance recoveries.

A progression of activity in the Hercules insurance receivable is presented in the following table.

	Three months ended December 31		Years ended September 30		
(In millions)	2020	2019	2020	2019	2018
Insurance receivable - beginning of year	$ 47	$ 49	$ 49	$ 54	$ 68
Receivable adjustment (a)	(1)	—	(2)	(5)	(14)
Insurance receivable - end of period	$ 46	$ 49	$ 47	$ 49	$ 54

(a) The three months ended December 31, 2020 includes a $1 million adjustment related to allowances for credit losses as a result of Ashland's adoption of the new credit measurement standard described in Note A.

Asbestos litigation cost projection

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict. In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, mortality rates, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. Considering these inherent uncertainties, Ashland believes that the asbestos reserves for Ashland and Hercules represent the best estimate within a range of possible outcomes. As a part of the process to develop these estimates of future asbestos costs, a range of long-term cost models was developed. These models are based on national studies that predict the number of people likely to develop asbestos-related diseases and are heavily influenced by assumptions regarding long-term inflation rates for indemnity payments and legal defense costs, as well as other variables mentioned previously. Ashland has currently estimated in various models ranging from approximately 40 to 50 year periods that it is reasonably possible that total future litigation defense and claim settlement costs on an inflated and undiscounted basis could range as high as approximately $520 million for the Ashland asbestos-related litigation (current reserve of $325 million) and approximately $350 million for the Hercules asbestos-related litigation (current reserve of $224 million), depending on the combination of assumptions selected in the various models. If actual experience is worse than projected, relative to the number of claims filed, the severity of alleged disease associated with those claims or costs incurred to resolve those claims, or actuarial refinement or improvements to the assumptions used within these models are initiated, Ashland may need to further increase the estimates of the costs associated with asbestos claims and these increases could be material over time.

Environmental remediation and asset retirement obligations

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively, environmental remediation) at multiple locations. At December 31, 2020, such locations included 82 waste treatment or disposal sites where Ashland has been identified as a potentially responsible party under Superfund or similar state laws, 113 current and former operating facilities (including certain operating facilities conveyed as part of previous divestitures) and about 1,225 service station properties, of which 24 are being actively remediated.

Ashland’s reserves for environmental remediation and related environmental litigation amounted to $195 million at December 31, 2020 compared to $200 million at September 30, 2020, of which $145 million at December 31, 2020 and $150 million at September 30, 2020 were classified in other noncurrent liabilities on the Condensed Consolidated Balance Sheets. The remaining reserves were classified in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets.

The following table provides a reconciliation of the changes in the environmental remediation reserves during the three months ended December 31, 2020 and 2019.

	Three months ended December 31	
(In millions)	2020	2019
Reserve - beginning of period	$ 200	$ 186
Disbursements	(10)	(9)
Revised obligation estimates and accretion	5	2
Reserve - end of period	$ 195	$ 179

The total reserves for environmental remediation reflect Ashland’s estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries. Engineering studies, probability techniques, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation. Ashland continues to discount certain environmental sites and regularly adjusts its reserves as environmental remediation continues. Ashland has estimated the value of its probable insurance recoveries associated with its environmental reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage. At December 31, 2020 and September 30, 2020, Ashland's recorded receivable for these probable insurance recoveries was $15 million, of which $12 million at December 31, 2020 and September 30, 2020 was classified in other noncurrent assets on the Condensed Consolidated Balance Sheets.

Components of environmental remediation expense included within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income (Loss) are presented in the following table for the three months ended December 31, 2020 and 2019.

	Three months ended December 31	
(In millions)	2020	2019
Environmental expense	$ 5	$ 2
Accretion	—	—
Legal expense	1	2
Total expense	6	4
Insurance receivable	(1)	—
Total expense, net of receivable activity (a)	$ 5	$ 4

(a) Net expense of $1 million for the three months ended December 31, 2020, relates to divested businesses which qualified for treatment as discontinued operations for which certain environmental liabilities were retained by Ashland. These amounts are classified within the income from discontinued operations caption of the Statements of Consolidated Comprehensive Income (loss).

Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the costs. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites. Although it is not possible to predict with certainty the ultimate costs of environmental remediation, Ashland currently estimates that the upper end of the reasonably possible range of future costs for identified sites could be as high as approximately $470 million. The largest reserve for any site is 14% of the remediation reserve.

Other legal proceedings and claims

In addition to the matters described above, there are other various claims, lawsuits and administrative proceedings pending or threatened against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability, and other environmental matters, which seek remedies or damages, some of which are for substantial amounts. While Ashland cannot predict with certainty the outcome of such actions, it believes that adequate reserves have been recorded and losses already recognized with respect to such actions were immaterial as of December 31, 2020 and September 30, 2020. There is a reasonable possibility that a loss exceeding amounts already recognized may be incurred related to these actions; however, Ashland believes that such potential losses were immaterial as of December 31, 2020.

NOTE M – EARNINGS PER SHARE

The following is the computation of basic and diluted earnings per share (EPS) from continuing operations attributable to Ashland. Stock appreciation rights (SARs), stock options and warrants available to purchase shares outstanding for each reporting period whose grant price was greater than the average market price of Ashland Common Stock for each applicable period were not included in the computation of income from continuing operations per diluted share because the effect of these instruments would be antidilutive. The total number of these shares outstanding was approximately 2 million at December 31, 2020 and 2019, respectively. Earnings per share is reported under the treasury stock method.

	Three months ended December 31	
(In millions, except per share data)	2020	2019
Numerator		
Numerator for basic and diluted EPS -		
Income (loss) from continuing operations	$ 61	$ 34
Denominator		
Denominator for basic EPS - Weighted-average common shares outstanding	60	60
Share based awards convertible to common shares	1	1
Denominator for diluted EPS - Adjusted weighted-average shares and assumed conversions	61	61
EPS from continuing operations		
Basic	$ 1.00	$ 0.57
Diluted	0.99	0.56

NOTE N – EQUITY ITEMS

Stockholder dividends

Dividends of 27.5 cents per share were paid in the first quarter of fiscal 2021 and fiscal 2020.

Accumulated other comprehensive income (loss)

Components of other comprehensive income (loss) recorded in the Statements of Consolidated Comprehensive Income (Loss) are presented below, before tax and net of tax effects.

	2020			2019		
(In millions)	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Three months ended December 31						
Other comprehensive income (loss)						
Unrealized translation gain	$ 48	$ —	$ 48	$ 38	$ —	$ 38
Total other comprehensive income	$ 48	$ —	$ 48	$ 38	$ —	$ 38

Summary of stockholders' equity

A reconciliation of changes in stockholders' equity are as follows:

(In millions)	Three months ended December 31 2020	2019
Common stock and paid in capital		
Balance, beginning of period	$ 770	$ 757
Common shares issued under stock incentive and other plans (a)	1	1
Balance, end of period	771	758
Retained earnings		
Balance, beginning of period	2,649	3,224
Adoption of new accounting pronouncements	(2)	—
Net income	56	32
Regular dividends	(17)	(17)
Balance, end of period	2,686	3,239
Accumulated other comprehensive income (loss)		
Balance, beginning of period	(383)	(410)
Unrealized translation gain	48	38
Balance, end of period	(335)	(372)
Total stockholders' equity	$ 3,122	$ 3,625
Cash dividends declared per common share	$ 0.275	$ 0.275

(a) Common shares issued were 99,194 shares and 70,461 shares for the three months ended December 31, 2020 and 2019, respectively.

NOTE O – STOCK INCENTIVE PLANS

The components of Ashland's pre-tax stock-based compensation expense included in continuing operations are as follows:

(In millions)	Three months ended December 31 2020 (a)	2019 (b)
SARs	$ 1	$ 2
Nonvested stock awards	2	2
Performance share awards	2	1
	$ 5	$ 5

(a) Included $1 million of expense related to cash-settled nonvested restricted stock awards and zero related to cash-settled performance units during the three months ended December 31, 2020.

(b) Included $1 million of expense related to cash-settled nonvested restricted stock awards and zero related to cash-settled performance units during the three months ended December 31, 2019.

NOTE P – REVENUE

Revenue recognition

Ashland's revenue is measured as the amount of consideration it expects to receive in exchange for transferring goods or providing services and is recognized when performance obligations are satisfied under the terms of contracts with customers. Ashland generally utilizes standardized language for the terms of contracts, unless a separate agreement has been entered into with a customer that supersedes the standard language.

A performance obligation is deemed to be satisfied by Ashland when control of the product or service is transferred to the customer. The transaction price of a contract, or the amount Ashland expects to receive upon satisfaction of all performance obligations, is determined by reference to the contract's terms and includes adjustments, if applicable, for any variable consideration, such as volume discounts, rebates, refunds and right to return. Where a contract contains more than one distinct performance obligation, the transaction price is allocated to each performance obligation based on the standalone selling price of each performance obligation, although these situations do not occur frequently and are generally not included within Ashland’s contracts. Any unsatisfied performance obligations are not material. Standalone selling prices are based on prices Ashland charges to customers, which in some cases is based on established market prices. Ashland generally collects the cash from its customers within 60 days of the product delivery date. Sales and other similar taxes collected from customers on behalf of third parties are excluded from the contract price.

All of Ashland’s revenue is derived from contracts with customers, and nearly all contracts with customers contain one performance obligation for the transfer of goods where such performance obligation is satisfied at a point in time. Control of a product is deemed to be transferred to the customer generally upon shipment or delivery. Costs for shipping and handling activities, whether performed before or after the customer obtains control of the goods, are accounted for as fulfillment costs when not reimbursed.

Costs incurred to obtain contracts with customers have historically not been significant and are expensed immediately as the amortization period is generally one year or less. Ashland records bad debt expense in specific situations when it is determined that the customer is unable to meet its financial obligation.

Trade receivables

Trade receivables are defined as receivables arising from contracts with customers and are recorded within the accounts receivable caption within the Condensed Consolidated Balance Sheets. Ashland’s trade receivables were $383 million and $441 million as of December 31, 2020 and September 30, 2020, respectively.

Disaggregation of revenue

Ashland disaggregates its revenue by segment and geographical region as Ashland believes these categories best depict how management reviews the financial performance of its operations. See the following tables for details (intersegment sales eliminations have been excluded). See Note Q for additional information.

Sales by geography

(In millions)	Three months ended December 31 2020	Three months ended December 31 2019
Life Sciences		
North America	$ 51	$ 49
Europe	54	49
Asia Pacific	47	42
Latin America & other	18	15
	$ 170	$ 155

(In millions)	Three months ended December 31 2020	Three months ended December 31 2019
Personal Care & Household		
North America	$ 41	$ 41
Europe	46	55
Asia Pacific	21	24
Latin America & other	18	17
	$ 126	$ 137

(In millions)	Three months ended December 31 2020	Three months ended December 31 2019
Specialty Additives		
North America	$ 45	$ 45
Europe	52	50
Asia Pacific	41	35
Latin America & other	9	9
	$ 147	$ 139

(In millions)	Three months ended December 31 2020	Three months ended December 31 2019
Performance Adhesives		
North America	$ 68	$ 64
Europe	10	7
Asia Pacific	4	2
Latin America & other	2	1
	$ 84	$ 74

(In millions)	Three months ended December 31 2020	Three months ended December 31 2019
Intermediates and Solvents		
North America	$ 21	$ 15
Europe	4	5
Asia Pacific	7	7
Latin America & other	1	1
	$ 33	$ 28

NOTE Q – REPORTABLE SEGMENT INFORMATION

Ashland determines its reportable segments based on how operations are managed internally for the products and services sold to customers, including how the results are reviewed by the chief operating decision maker, which includes determining resource allocation methodologies used for reportable segments. Operating income and EBITDA are the primary measures of performance that are reviewed by the chief operating decision maker in assessing each reportable segment's financial performance. Ashland does not aggregate operating segments to arrive at these reportable segments.

Reportable Segments

Ashland's reportable segments include Life Sciences, Personal Care & Household, Specialty Additives, Performance Adhesives and Intermediates and Solvents. Unallocated and Other includes corporate governance activities and certain legacy matters. Ashland has also provided subtotals by its consumer and industrial businesses to reflect the end markets served by each reportable segment.

Reportable segment business descriptions

Consumer Specialties

The Consumer Specialties business is comprised of the following reportable segments:

Life Sciences is comprised of pharmaceuticals, nutrition, nutraceuticals, agricultural chemicals, advanced materials and fine chemicals. Pharmaceutical solutions include controlled release polymers, disintegrants, film coatings, solubilizers, and tablet binders. Nutrition solutions include thickeners, stabilizers, emulsifiers and additives for enhancing mouthfeel, controlling moisture migration, reducing oil uptake and controlling color. Nutraceutical solutions include products for weight management, joint comfort, stomach and intestinal health, sports nutrition and general wellness, and providing custom formulation, toll processing and particle engineering solutions. Customers include pharmaceutical, food, beverage, nutraceuticals and supplements manufacturers, hospitals and radiologists and industrial manufacturers.

Personal Care & Household is comprised of biofunctionals, preservatives, skin care, sun care, oral care, hair care and household. These businesses have a broad range of nature-based, biodegradable, and performance-enhancing ingredients for customer-driven solutions to help protect, renew, moisturize and revitalize skin and hair, and provide solutions for toothpastes, mouth washes and rinses, denture cleaning and care for teeth. Household supplies nature-derived rheology ingredients, biodegradable surface wetting agents, performance encapsulates, and specialty polymers for household, industrial and institutional cleaning products. Customers include formulators at large multinational branded consumer products companies and smaller, independent boutique companies.

Industrial Specialties

The Industrial Specialties business is comprised of the following reportable segments:

Specialty Additives is comprised of rheology- and performance-enhancing additives serving the coatings, construction, energy, automotive and various industrial markets. Solutions include coatings additives for architectural paints, finishes and lacquers, cement- and gypsum- based dry mortars, ready-mixed joint compounds, synthetic plasters for commercial and residential construction, and specialty materials for industrial applications. Products include rheology modifiers (cellulosic and associative thickeners), foam-control agents, surfactants and wetting agents, pH neutralizers, advanced ceramics used in catalytic converters, and environmental filters, ingredients that aid the manufacturing process of ceramic capacitors, plasma display panels and solar cells, ingredients for textile printing, thermoplastic metals and alloys for welding. Products help improve desired functional outcomes through rheology modification and control, water retention, workability, adhesive strength, binding power, film formation, deposition and suspension and emulsification. Customers include global paint manufacturers, electronics and automotive manufacturers, textile mills, the construction industry, and welders.

Performance Adhesives is comprised of adhesives used in packaging, converting and structural applications. Packaging adhesives has an extensive line of pressure sensitive adhesives, functional coatings and primers combined with innovative technology solutions for narrow-, mid- and wide-web applications. Products meet stringent requirements in food and beverage safety, shipping, transportation, health and beauty, industrial, postage and security printing. Structural adhesives include light weighting vehicles and eliminating VOCs in buildings. Customers include converters of packaging materials, manufacturers of building materials and tier one suppliers to transportation industry.

Other

Intermediates and Solvents is comprised of the production of 1,4 butanediol (BDO) and related derivatives, including n-methylpyrrolidone. These products are used as chemical intermediates in the production of engineering polymers and polyurethanes, and as specialty process solvents in a wide array of applications including electronics, pharmaceuticals, water filtration membranes and more. Butanediol is also provided to Life Sciences, Personal Care, and Specialty Additives for use as a raw material.

Unallocated and Other generally includes items such as certain significant company-wide restructuring activities, corporate governance costs and legacy costs or activities that relate to divested businesses that are no longer operated by Ashland.

Reportable segment results

Results of Ashland’s reportable segments are presented based on its management and internal accounting structure. The structure is specific to Ashland; therefore, the financial results of Ashland’s reportable segments are not necessarily comparable with similar information for other comparable companies. Ashland allocates all significant costs to its reportable segments except for certain significant company-wide restructuring activities, certain corporate governance costs and other costs or activities that relate to former businesses that Ashland no longer operates. The service cost component of pension and other postretirement benefits costs is allocated to each reportable segment on a ratable basis; while the remaining components of pension and other postretirement benefits costs are recorded within the other net periodic benefit income caption on the Statements of Consolidated Comprehensive Income (Loss). Ashland refines its expense allocation methodologies to the reportable segments from time to time as internal accounting practices are improved, more refined information becomes available and the industry or market changes. Significant revisions to Ashland’s methodologies are adjusted for all segments on a retrospective basis. This includes charges in the current fiscal year for certain corporate governance costs, which were previously allocated in the first quarter of fiscal 2020. These costs are now reflected in Unallocated and Other for all periods presented.

The following table presents various financial information for each reportable segment for the three months ended December 31, 2020 and 2019.

(In millions - unaudited)	Three months ended December 31 2020	2019
SALES		
Life Sciences	$ 170	$ 155
Personal Care & Household	126	137
Consumer Specialties	296	292
Specialty Additives	147	139
Performance Adhesives	84	74
Industrial Specialties	231	213
Intermediates and Solvents	33	28
Intersegment sales (a)		
Intermediates and Solvents	(8)	—
	$ 552	$ 533
OPERATING INCOME (LOSS)		
Life Sciences	$ 29	$ 22
Personal Care & Household	15	11
Consumer Specialties	44	33
Specialty Additives (b)	2	9
Performance Adhesives	20	10
Industrial Specialties	22	19
Intermediates and Solvents	2	(12)
Unallocated and other	(27)	(23)
	$ 41	$ 17
DEPRECIATION EXPENSE		
Life Sciences	$ 9	$ 8
Personal Care & Household	10	10
Consumer Specialties	19	18
Specialty Additives	16	15
Performance Adhesives	3	4
Industrial Specialties	19	19
Intermediates and Solvents	3	3
	$ 41	$ 40
AMORTIZATION EXPENSE		
Life Sciences	$ 7	$ 7
Personal Care & Household	9	9
Consumer Specialties	16	16
Specialty Additives	5	5
Performance Adhesives	—	—
Industrial Specialties	5	5
Intermediates and Solvents	—	—
	$ 21	$ 21
EBITDA (c)		
Life Sciences	$ 45	$ 37
Personal Care & Household	34	30
Consumer Specialties	79	67
Specialty Additives	23	29
Performance Adhesives	23	14
Industrial Specialties	46	43
Intermediates and Solvents	5	(9)
Unallocated and other	(27)	(23)
	$ 103	$ 78

(In millions - unaudited)	December 31 2020	September 30 2020
TOTAL ASSETS		
Life Sciences	$ 1,987	$ 1,974
Personal Care & Household	904	939
Consumer Specialties	2,891	2,913
Specialty Additives	1,662	1,666
Performance Adhesives	594	591
Industrial Specialties	2,256	2,257
Intermediates and Solvents	158	161
Unallocated and other	1,437	1,546
	$ 6,742	$ 6,877

(a) Intersegment sales from Intermediates and Solvents are accounted for at prices that approximate fair value. All other intersegment sales are accounted for at cost.

(b) Includes a capital project impairment of $9 million for the three months ended December 31, 2020 relating to a long-term capital project plan change at a plant facility.

(c) Excludes income (loss) from discontinued operations, other net periodic benefit income (expense) and net income (loss) on divestitures. See the Statement of Consolidated Comprehensive Income (Loss) for applicable amounts excluded.

NOTE R – SUBSEQUENT EVENTS

On January 19, 2021 Ashland announced it had signed a definitive agreement to acquire the personal care business from Schülke & Mayr GmbH, a portfolio company of the global investment organization EQT.

Under the terms of the agreement, Ashland will pay €262.5 million in an all cash transaction, which is expected to be completed before the end of the June 30, 2021 quarter subject to customary closing conditions and required regulatory approvals.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements including, without limitation, statements made under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operation” (MD&A), 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. Ashland may from time to time make forward-looking statements in its Annual Report to Shareholders, 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 and expected effects of the COVID-19 pandemic on Ashland’s business, as well as the economy and other future events or circumstances. Ashland’s expectations and assumptions include, without limitation, those mentioned within the MD&A, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies, cost savings 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 impact of acquisitions and/or divestitures Ashland has made or may make, including the proposed acquisition of Schülke & Mayr’s personal care business (including the possibility that Ashland may not realize the anticipated benefits from such transactions); 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); execution risks associated with Ashland’s growth strategies; the competitive nature of Ashland’s business; severe weather, natural disasters, public health crises (including the COVID-19 pandemic), cyber events and legal proceedings and claims (including product recalls, environmental and asbestos matters); the effects of the COVID-19 pandemic on the geographies in which Ashland operates, the end markets Ashland serves and on Ashland’s supply chain and customers; and without limitation, risks and uncertainties affecting Ashland that are contained in “Use of estimates, risks and uncertainties” in Note A of Notes to Consolidated Financial Statements and in Item 1A in its most recent Form 10-K 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. Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements. The extent and duration of the COVID-19 pandemic on our business and operations is uncertain. Factors that influence the impact on our business and operations include the duration and extent of the pandemic, the extent of imposed or recommended containment and mitigation measures, and the general economic consequences of the pandemic. 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 Form 10-Q whether as a result of new information, future events or otherwise. Information on Ashland’s website is not incorporated into or a part of this Form 10-Q.

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements herein.

BUSINESS OVERVIEW

Ashland profile

Ashland is a premier specialty materials company with a conscious and proactive mindset for sustainability. The Company serves customers in a wide range of consumer and industrial markets, including adhesives, architectural coatings, automotive, construction, energy, food and beverage, nutraceuticals, personal care and pharmaceutical. With approximately 4,200 employees worldwide, Ashland serves customers in more than 100 countries.

Ashland's sales generated outside of North America were 61% and 60% for the three months ended December 31, 2020 and 2019. Sales by region expressed as a percentage of total consolidated sales for the three months ended December 31 were as follows:

	Three months ended December 31	
Sales by Geography	2020	2019
North America (a)	39%	40%
Europe	30%	31%
Asia Pacific	22%	21%
Latin America & other	9%	8%
	100%	100%

(a) Ashland includes only U.S. and Canada in its North America designation.

Reportable segments

Ashland's reportable segments include Life Sciences, Personal Care & Household, Specialty Additives, Performance Adhesives and Intermediates and Solvents. Unallocated and Other includes corporate governance activities and certain legacy matters. Ashland has also provided subtotals by its consumer and industrial businesses to reflect the end markets served by each reportable segment. The contribution to sales by each reportable segment expressed as a percentage of total consolidated sales for the three month ended December 31 were as follows:

	Three months ended December 31	
Sales by Reportable Segment	2020	2019
Life Sciences	31%	29%
Personal Care & Household	23%	26%
Consumer Specialties	54%	55%
Specialty Additives	27%	26%
Performance Adhesives	14%	14%
Industrial Specialties	41%	40%
Intermediates and Solvents	5%	5%
	100%	100%

KEY DEVELOPMENTS

Business results

Ashland recorded net income of $56 million (income of $61 million in continuing operations and loss of $5 million in discontinued operations) and $32 million (income of $34 million in continuing operations and loss of $2 million in discontinued operations) in the current and prior year quarters, respectively. Ashland's EBITDA of $112 million increased by $33 million, while Ashland's Adjusted EBITDA was $124 million for the current quarter compared to $88 million in the prior year quarter. (see U.S. GAAP reconciliation below under consolidated review). The improvement in results was primarily due to higher volumes, improved pricing/mix, lower costs and favorable foreign currency exchange, partially offset by a capital project impairment.

Uncertainty relating to the COVID-19 pandemic

Ashland continues to closely monitor the impact of the COVID-19 pandemic on all aspects of its business and geographies, including how it will impact customers, employees, suppliers, vendors, business partners and distribution channels. Ashland is unable to predict the impact that the COVID-19 pandemic will have on its future financial position and operating results due to numerous uncertainties. These uncertainties include the severity of the virus, the duration of the outbreak, governmental, business or other actions, impacts on Ashland's supply chain, the effect on customer demand, or changes to Ashland's operations. The health of Ashland's workforce and its ability to meet staffing needs throughout the critical functions cannot be predicted and is vital to operations. Further, the impacts of a potential worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets, consumer spending as well as other unanticipated consequences remain unknown. In addition, Ashland cannot predict the impact that the COVID-19 pandemic will have on its customers, vendors, suppliers and other business partners; however, any material effect on these parties could adversely impact Ashland.

Ashland continues to successfully navigate the uncertain environment associated with the COVID-19 pandemic. This includes the execution of shelter in place, social distancing and deep cleaning process requirements. Through the first quarter of fiscal year 2021, Ashland has not experienced any additional major operating surprises, related to the COVID-19 pandemic, and continues to maintain a robust supply chain in a challenging environment, had strong safety performance in the face of unprecedented pressures and improved operating discipline across each of its businesses. The consumer specialties businesses continued to show resiliency in the face of difficult economic circumstances. The industrial specialties businesses and the Intermediates and Solvents business experienced downward pressure on demand as a result of the COVID-19 pandemic's impact on those businesses' end markets in 2020, with improved conditions through the first quarter of 2021. However, Ashland's overall liquidity remains strong and Ashland is able to meet its operating cash needs and other investing and financing cash requirements at this time, including those necessary to grow the business as economic conditions continue to improve.

The situation surrounding the COVID-19 pandemic remains fluid, and Ashland is actively managing its response in collaboration with customers, government officials, team members and business partners. For further information regarding the impact of the COVID-19 pandemic on the Company, please see Item 1A, Risk Factors in Ashland's most recent Form 10-K filed with the SEC.

Other items

Operational business model changes and restructurings

During the second quarter of fiscal year 2020, Ashland changed the manner in which it manages the business moving from a functionally led to a business led organization. This new business-centric operational redesign of core operating systems and processes lead to a realignment in both the selling, general and administrative and research and development costs (SARD) associated with each business. In addition to the realignment of SARD, a productivity review with a focus on cost of goods sold (COGS) was also initiated. Based on these initiatives, Ashland is currently targeting the following savings:

- $50 million of incremental SARD cost savings
- $50 million of incremental COGS productivity savings

Ashland achieved over 80% of its target run-rate SARD cost savings and about 70% of its COGS productivity savings, in total representing about $78 million in annualized run-rate savings under these initiatives as of December 31, 2020. Ashland expects to be substantially complete with these initiatives by the end of fiscal year 2021.

Pending acquisition

On January 19, 2021 Ashland announced it had signed a definitive agreement to acquire the personal care business from Schülke & Mayr GmbH, a portfolio company of the global investment organization EQT.

Under the terms of the agreement, Ashland will pay €262.5 million in an all cash transaction, which is expected to be completed before the end of the June 30, 2021 quarter subject to customary closing conditions and required regulatory approvals.

RESULTS OF OPERATIONS – CONSOLIDATED REVIEW

Consolidated review

Net income

Ashland's net income is primarily affected by results within operating income, net interest and other expense, income taxes, discontinued operations and other significant events or transactions that are unusual or nonrecurring.

Key financial results for the three months ended December 31, 2020 and 2019 included the following:

- Ashland's net income amounted to $56 million compared to $32 million for the three months ended December 31, 2020 and 2019, respectively, or income of $0.91 and $0.53 diluted earnings per share, respectively.
- Discontinued operations, which are reported net of taxes, resulted in a loss of $5 million and $2 million during the three months ended December 31, 2020 and 2019, respectively.
- Income from continuing operations, which excludes results from discontinued operations, amounted to $61 million and $34 million for the three months ended December 31, 2020 and 2019, respectively.
- The effective income tax rates were an expense of zero and a benefit of 240% for the three months ended December 31, 2020 and 2019, respectively, and were significantly impacted by certain tax discrete items in both the current and prior year quarters.
- Ashland incurred pretax net interest and other income of $6 million compared to expense of $10 million for the three months ended December 31, 2020 and 2019, respectively. This includes gains of $18 million and $9 million on restricted investments.
- Net income on divestitures totaled income of $14 million and $3 million for the three months ended December 31, 2020 and 2019, respectively.
- Operating income was $41 million and $17 million for the three months ended December 31, 2020 and 2019, respectively.

For further information on the items reported above, see the discussion in the comparative Statements of Consolidated Comprehensive Income (Loss) caption review analysis.

Operating income

Operating income/loss amounted to income of $41 million and $17 million for the three months ended December 31, 2020 and 2019, respectively. The current and prior year quarters' operating income included certain key items that were excluded to arrive at Adjusted EBITDA and are quantified in the table below in the "EBITDA and Adjusted EBITDA" section. These operating key items for the applicable periods are summarized as follows:

- Restructuring, separation and other costs – Ashland periodically implements company-wide cost reduction programs related to acquisitions, divestitures and other cost reduction programs in order to enhance profitability through streamlined operations and an improved overall cost structure. Ashland often incurs severance, facility and integration costs associated with these programs. See Note D in the Notes to Condensed Consolidated Financial Statements for further information on the restructuring activities.
- During the three months ended December 31, 2020, Ashland incurred an impairment charge associated with a long-term capital project plan change at a plant facility.

Operating income/loss for the three months ended December 31, 2020 and 2019 included depreciation and amortization of $62 million and $61 million, respectively.

Non-operating key items affecting EBITDA

- Net gain on divestitures – Ashland recorded a gain of $14 million during the three months ended December 31, 2020 related to the sale of a Specialty Additives facility.

Statements of Consolidated Comprehensive Income (Loss) – caption review

A comparative analysis of the Statements of Consolidated Comprehensive Income (Loss) by caption is provided as follows for the three months ended December 31, 2020 and 2019.

	Three months ended December 31		
(In millions)	2020	2019	Change
Sales	$ 552	$ 533	$ 19

The following table provides a reconciliation of the change in sales for the three months ended December 31, 2020 and 2019.

(In millions)	Three months ended December 31, 2020
Volume	$ 14
Pricing	(6)
Currency exchange	11
Change in sales	$ 19

Sales for the current quarter increased $19 million compared to the prior year quarter. Favorable volume and foreign currency exchange increased sales by $14 million and $11 million, respectively. These increases were partially offset by product pricing which decreased sales $6 million.

	Three months ended December 31		
(In millions)	2020	2019	Change
Cost of sales	$ 374	$ 380	$ (6)
Gross profit as a percent of sales	32.2%	28.7%	

The following table provides a reconciliation of the change in cost of sales between the three months ended December 31, 2020 and 2019.

(In millions)	Three months ended December 31, 2020
Changes in:	
Volume	$ 11
Price/mix	(12)
Currency exchange	4
Operating costs	(9)
Change in cost of sales	$ (6)

Cost of sales for the current quarter decreased $6 million compared to the prior year quarter. Price/mix, and operating costs decreased cost of sales by $12 million and $9 million, respectively. These decreases were partially offset by higher volume and foreign currency exchange which increased cost of sales by $11 million and $4 million, respectively.

	Three months ended December 31		
(In millions)	2020	2019	Change
Selling, general and administrative expense	$ 106	$ 99	$ 7
As a percent of sales	19.2%	18.6%	

Selling, general and administrative expense for the current quarter increased $7 million compared to the prior year quarter with expenses as a percent of sales increasing 0.6 percentage points. Key drivers of the fluctuation in selling, general and administrative expense compared to the prior year quarter were:

- $12 million and $7 million of key items for severance, lease abandonment and other restructuring costs during the three months ended December 31, 2020 and 2019, respectively;
- $9 million related to a capital project impairment during the three months ended December 31, 2020; and
- Unfavorable currency exchange of $1 million during the three months ended December 31, 2020.

The above increases were partially offset by achieved cost savings during the three months ended December 31, 2020 from restructuring programs initiated in fiscal year 2020.

	Three months ended December 31		
(In millions)	2020	2019	Change
Research and development expense	$ 15	$ 16	$ (1)

Research and development expense is relatively consistent with the prior year quarter.

	Three months ended December 31		
(In millions)	2020	2019	Change
Intangibles amortization expense	$ 21	$ 21	$ —

Amortization expense is consistent with the prior year quarter.

	Three months ended December 31		
(In millions)	2020	2019	Change
Equity and other income			
Other income	$ 5	$ —	$ 5
	$ 5	$ —	$ 5

Other income for the current year quarter was primarily due to a gain on sale of excess corporate property of roughly $4 million.

	Three months ended December 31		
(In millions)	2020	2019	Change
Net interest and other expense (income)			
Interest expense	$ 16	$ 23	$ (7)
Interest income	—	(1)	1
Loss (income) from restricted investments	(23)	(13)	(10)
Other financing costs	1	1	—
	$ (6)	$ 10	$ (16)

Net interest and other expense (income) decreased by $16 million during the current quarter compared to the prior year quarter. Interest expense decreased $7 million due to lower cost of debt and lower debt levels compared to the prior year quarter. Restricted investments included gains of $18 million and $9 million for the three months ended December 31, 2020 and 2019, respectively. See Note E for more information on the restricted investments.

	Three months ended December 31		
(In millions)	2020	2019	Change
Net income (loss) on divestitures	$ 14	$ 3	$ 11

The activity in the current year quarter was related to the sale of a Specialty Additives facility, while activity in the prior year quarter related to post-closing adjustments for certain divestitures.

	Three months ended December 31		
(In millions)	2020	2019	Change
Income tax expense (benefit)	$ —	$ (24)	$ 24
Effective tax rate	0%	(240)%	

Ashland's effective tax rate in any interim period is subject to adjustments related to discrete items and the mix of domestic and foreign operating results. The overall effective tax rate was zero for the three months ended December 31, 2020. The current quarter tax rate was impacted by jurisdictional income mix, as well as favorable discrete items of $13 million primarily related to the sale of a Specialty Additives facility.

The overall effective tax rate was a benefit of 240% for the three months ended December 31, 2019 and was primarily impacted by jurisdictional income mix, certain nondeductible restructuring costs as well as $27 million from favorable tax discrete items primarily from the tax benefit related to the Swiss Tax Reform enacted in the prior year quarter.

Adjusted income tax expense (benefit)

Key items are defined as the financial effects from significant transactions that may have caused short-term fluctuations in net income and/or operating income which Ashland believes do not accurately reflect Ashland's underlying business performance and trends. Tax specific key items are defined as the financial effects from tax specific financial transactions, tax law changes or other matters that fall within the definition of key items as previously described. The effective tax rate, excluding key items, which is a non-GAAP measure, has been prepared to illustrate the ongoing tax effects of Ashland's operations. Management believes investors and analysts use this financial measure in assessing Ashland's business performance and that presenting this non-GAAP measure on a consolidated basis assists investors in better understanding Ashland's ongoing business performance and enhancing their ability to compare period-to-period financial results.

The effective tax rate during the three months ended December 31, 2020 and 2019 was significantly impacted by the following tax specific key items:

- Restructuring and separation activity – Includes the impact from company-wide cost reduction programs, and the impact of the sale of a Specialty Additives facility; and
- Other tax reform – Includes the impact from other items related to the Tax Act and other tax law changes including Swiss Tax Reform. The Swiss Tax Reform benefit is an estimate based on ten year income projections and is subject to approval by the Swiss tax authorities. Ashland will monitor this amount and make adjustments as appropriate in future periods. These adjustments also include the impact from the deductibility of compensation items and miscellaneous state tax items.

The following table is a calculation of the effective tax rate, excluding these key items.

	Three months ended December 31	
(In millions)	2020	2019
Income (loss) from continuing operations before income taxes	$ 61	$ 10
Key items (pre-tax) (a)	(11)	(2)
Adjusted income from continuing operations before income taxes	**$ 50**	**$ 8**
Income tax expense (benefit)	$ —	$ (24)
Income tax rate adjustments:		
Tax effect of key items	(4)	(1)
Tax specific key items: (b)		
Restructuring and separation activity	13	—
Other tax reform	—	25
Total income tax rate adjustments	9	24
Adjusted income tax expense	**$ 9**	**$ —**
Effective tax rate, excluding key items (Non-GAAP) (c)	19%	3%

(a) See Adjusted EBITDA reconciliation table disclosed in this MD&A for a summary of the key items, before tax.

(b) For additional information on the effect that these tax specific key items had on EPS, see the Adjusted Diluted EPS table disclosed in this MD&A.

(c) Due to rounding conventions, the effective tax rate presented may not recalculate precisely based on the numbers disclosed within this table.

(In millions)	Three months ended December 31 2020	2019	Change
Income (loss) from discontinued operation (net of taxes)			
Valvoline	$ —	$ (1)	$ 1
Water Technologies	—	(1)	1
Distribution	(1)	—	(1)
Gain (loss) on disposal of discontinued operations (net of taxes)			
Composites/Marl facility	(4)	—	(4)
	$ (5)	$ (2)	$ (3)

The activity for Composites/Marl facility during the current quarter was related to post-closing purchase price adjustment disputes. The activity for Valvoline, Water Technologies and Distribution during the current and prior year quarters was related to post-closing adjustments.

Other comprehensive income (loss)

A comparative analysis of the components of other comprehensive income is provided below for the three months ended December 31, 2020 and 2019.

(In millions)	Three months ended December 31 2020	2019	Change
Other comprehensive income (loss) (net of taxes)			
Unrealized translation gain	$ 48	$ 38	$ 10
	$ 48	$ 38	$ 10

Total other comprehensive income, net of tax, for the current quarter increased $10 million compared to the prior year quarter primarily as a result of the following:

- For the three months ended December 31, 2020, the change in unrealized gain (loss) from foreign currency translation adjustments resulted in a gain of $48 million compared to $38 million for the three months ended December 31, 2019. The fluctuations in unrealized translation gains and losses are primarily due to translating foreign subsidiary financial statements from local currencies to U.S. Dollars.

Use of non-GAAP measures

Ashland has included within this document the following non-GAAP measures, on both a consolidated and reportable segment basis, which are not defined within U.S. GAAP and do not purport to be alternatives to net income or cash flows from operating activities as a measure of operating performance or cash flows:

- EBITDA – net income (loss), plus income tax expense (benefit), net interest and other expenses, and depreciation and amortization.
- Adjusted EBITDA – EBITDA adjusted for noncontrolling interests, discontinued operations, net income (loss) on acquisitions and divestitures, other income and (expense) and key items (including the remeasurement gains and losses related to pension and other postretirement plans).
- Adjusted EBITDA margin – Adjusted EBITDA divided by sales.
- Adjusted diluted earnings per share (EPS) – income (loss) from continuing operations, adjusted for key items, net of tax, divided by the average outstanding diluted shares for the applicable period.
- Adjusted diluted earnings per share (EPS) excluding intangibles amortization expense – Adjusted earnings per share adjusted for intangibles amortization expense net of tax, divided by the average outstanding diluted shares for the applicable period.
- Free cash flow – operating cash flows less capital expenditures and certain other adjustments as applicable.

Management believes the use of EBITDA and Adjusted EBITDA measures on a consolidated and reportable segment basis assists investors in understanding the ongoing operating performance by presenting comparable financial results between periods. Ashland believes that by removing the impact of depreciation and amortization and excluding certain non-cash charges, amounts spent on interest and taxes and certain other charges that are highly variable from year to year, EBITDA and Adjusted EBITDA provide Ashland's investors with performance measures that reflect the impact to operations from trends in changes in sales, margin and operating expenses, providing a perspective not immediately apparent from net income and operating income. The adjustments Ashland makes to derive the non-GAAP measures of EBITDA and Adjusted EBITDA exclude items which may cause short-term fluctuations in net income and operating income and which Ashland does not consider to be the fundamental attributes or primary drivers of its business. EBITDA and Adjusted EBITDA provide disclosure on the same basis as that used by Ashland's management to evaluate financial performance on a consolidated and reportable segment basis and provide consistency in our financial reporting, facilitate internal and external comparisons of Ashland's historical operating performance and its business units and provide continuity to investors for comparability purposes.

The Adjusted diluted EPS metric enables Ashland to demonstrate what effect key items have on an earnings per diluted share basis by taking income (loss) from continuing operations, adjusted for key items after tax that have been identified in the Adjusted EBITDA table, and dividing by the average outstanding diluted shares for the applicable period. Ashland's management believes this presentation is helpful to illustrate how the key items have impacted this metric during the applicable period.

The Adjusted diluted EPS, excluding intangibles amortization expense metric enables Ashland to demonstrate the impact of non-cash intangibles amortization expense on EPS, in addition to the key items previously mentioned. Ashland's management believes this presentation is helpful to illustrate how previous acquisitions impact applicable period results.

The free cash flow metric enables Ashland to provide a better indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Unlike cash flow provided by operating activities, free cash flow includes the impact of capital expenditures from continuing operations, providing a more complete picture of cash generation. Free cash flow has certain limitations, including that it does not reflect adjustment for certain non-discretionary cash flows such as mandatory debt repayments. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

Although Ashland may provide forward-looking guidance for Adjusted EBITDA, Adjusted diluted EPS and free cash flow, Ashland is not reaffirming or providing forward-looking guidance for U.S. GAAP-reported financial measures or a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP measure because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items that affect these metrics such as domestic and international economic, political, legislative, regulatory and legal actions. In addition, certain economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, government fiscal policies and changes in the prices of certain key raw materials, can have a significant effect on operations and are difficult to predict with certainty.

These non-GAAP measures should be considered supplemental in nature and should not be construed as more significant than comparable measures defined by U.S. GAAP. Limitations associated with the use of these non-GAAP measures include that these measures do not present all of the amounts associated with our results as determined in accordance with U.S. GAAP. The non-GAAP measures provided are used by Ashland management and may not be determined in a manner consistent with the methodologies used by other companies. EBITDA and Adjusted EBITDA provide a supplemental presentation of Ashland's operating performance on a consolidated and reportable segment basis. Adjusted EBITDA generally includes adjustments for items that impact comparability between periods. In addition, certain financial covenants related to Ashland's 2020 Credit Agreement are based on similar non-GAAP measures and are defined further in the sections that refer to this metric.

EBITDA and Adjusted EBITDA

EBITDA totaled income of $112 million and $79 million for the three months ended December 31, 2020 and 2019, respectively. EBITDA and Adjusted EBITDA results in the table below have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items previously described. Management believes the use of such non-GAAP measures on a consolidated and reportable segment basis assists investors in understanding the ongoing operating performance by presenting the financial results between periods on a more comparable basis.

	Three months ended December 31	
(In millions)	2020	2019
Net income	$ 56	$ 32
Income tax expense (benefit)	—	(24)
Net interest and other expense (income)	(6)	10
Depreciation and amortization	62	61
EBITDA	112	79
Loss from discontinued operations (net of tax)	5	2
Key items included in EBITDA:		
Restructuring, separation and other costs	12	7
Capital project impairment	9	—
Net gain on divestitures	(14)	—
Total key items included in EBITDA	7	7
Adjusted EBITDA	$ 124	$ 88
Total key items included in EBITDA	$ 7	$ 7
Unrealized gain on securities	(18)	(9)
Total key items, before tax	$ (11)	$ (2)

Diluted EPS and Adjusted Diluted EPS

The following table reflects the U.S. GAAP calculation for the income (loss) from continuing operations adjusted for the cumulative diluted EPS effect for key items after tax that have been identified in the Adjusted EBITDA table in the previous section. Key items are defined as the financial effects from significant transactions that may have caused short-term fluctuations in net income and/or operating income which Ashland believes do not accurately reflect Ashland's underlying business performance and trends. The Adjusted diluted EPS for the income (loss) from continuing operations in the following table has been prepared to illustrate the ongoing effects of Ashland's operations. Management believes investors and analysts use this financial measure in assessing Ashland's business performance and that presenting this non-GAAP measure on a consolidated basis assists investors in better understanding Ashland's ongoing business performance and enhances their ability to compare period-to-period financial results.

	Three months ended December 31	
	2020	2019
Diluted EPS from continuing operations (as reported)	$ 0.99	$ 0.56
Key items, before tax:		
Restructuring, separation and other costs	0.18	0.12
Capital project impairment	0.16	—
Unrealized gain on securities	(0.29)	(0.15)
Net gain on divestitures	(0.23)	—
Key items, before tax	(0.18)	(0.03)
Tax effect of key items (a)	0.07	0.02
Key items, after tax	(0.11)	(0.01)
Tax specific key items:		
Restructuring and separation activity	(0.22)	—
Other tax reform	—	(0.42)
Tax specific key items (b)	(0.22)	(0.42)
Total key items	(0.33)	(0.43)
Adjusted diluted EPS from continuing operations (non-GAAP)	$ 0.66	$ 0.13
Amortization expense adjustment (net of tax) (c)	$ 0.28	$ 0.28
Adjusted diluted EPS from continuing operations (non-GAAP) excluding intangibles amortization expense	$ 0.94	$ 0.41

(a) Represents the diluted EPS impact from the tax effect of the key items that are identified above.

(b) Represents the diluted EPS impact from tax specific financial transactions, tax law changes or other matters that fall within the definition of key items. For additional explanation of these tax specific key items, see the income tax expense (benefit) discussion within the Statements of Consolidated Comprehensive Income (Loss) caption review section above.

(c) Amortization expense adjustment (net of tax) tax rates were 21% and 20% for the three months ended December 31, 2020 and December 31, 2019, respectively.

RESULTS OF OPERATIONS – REPORTABLE SEGMENT REVIEW

Ashland’s reportable segments include Life Sciences, Personal Care & Household, Specialty Additives, Performance Adhesives and Intermediates and Solvents. Unallocated and Other includes corporate governance activities and certain legacy matters. Ashland has also provided subtotals by its consumer and industrial businesses to reflect the end markets served by each reportable segment.

Results of Ashland’s reportable segments are presented based on its management and internal accounting structure. The structure is specific to Ashland; therefore, the financial results of Ashland’s reportable segments are not necessarily comparable with similar information for other companies. Ashland allocates all significant costs to its reportable segments except for certain significant company-wide restructuring activities, certain corporate governance costs and other costs or activities that relate to former businesses that Ashland no longer operates. The service cost component of pension and other postretirement benefits costs is allocated to each reportable segment on a ratable basis; while the remaining components of pension and other postretirement benefits costs are recorded within the other net periodic benefit income caption on the Statements of Consolidated Comprehensive Income (Loss). Ashland refines its expense allocation methodologies to the reportable segments from time to time as internal accounting practices are improved, more refined information becomes available and the industry or market changes. Significant revisions to Ashland’s methodologies are adjusted for all segments on a retrospective basis. This includes charges in the current fiscal year for certain corporate governance costs, which were previously allocated in the first quarter of fiscal 2020. These costs are now reflected in Unallocated and Other for all periods presented.

The following table discloses sales, operating income, depreciation and amortization and EBITDA by reportable segment for the three months ended December 31, 2020 and 2019.

(In millions - unaudited)	Three months ended December 31 2020	2019
SALES		
Life Sciences	$ 170	$ 155
Personal Care & Household	126	137
Consumer Specialties	296	292
Specialty Additives	147	139
Performance Adhesives	84	74
Industrial Specialties	231	213
Intermediates and Solvents	33	28
Intersegment sales (a)		
Intermediates and Solvents	(8)	—
	$ 552	$ 533
OPERATING INCOME (LOSS)		
Life Sciences	$ 29	$ 22
Personal Care & Household	15	11
Consumer Specialties	44	33
Specialty Additives (b)	2	9
Performance Adhesives	20	10
Industrial Specialties	22	19
Intermediates and Solvents	2	(12)
Unallocated and other	(27)	(23)
	$ 41	$ 17
DEPRECIATION EXPENSE		
Life Sciences	$ 9	$ 8
Personal Care & Household	10	10
Consumer Specialties	19	18
Specialty Additives	16	15
Performance Adhesives	3	4
Industrial Specialties	19	19
Intermediates and Solvents	3	3
	$ 41	$ 40
AMORTIZATION EXPENSE		
Life Sciences	$ 7	$ 7
Personal Care & Household	9	9
Consumer Specialties	16	16
Specialty Additives	5	5
Performance Adhesives	—	—
Industrial Specialties	5	5
Intermediates and Solvents	—	—
	$ 21	$ 21
EBITDA (c)		
Life Sciences	$ 45	$ 37
Personal Care & Household	34	30
Consumer Specialties	79	67
Specialty Additives	23	29
Performance Adhesives	23	14
Industrial Specialties	46	43
Intermediates and Solvents	5	(9)
Unallocated and other	(27)	(23)
	$ 103	$ 78

(a) Intersegment sales are accounted for at prices that approximate fair value.

(b) Includes a capital project impairment of $9 million for the three months ended December 31, 2020 relating to a long-term capital project plan change at a plant facility.

(c) Excludes income (loss) from discontinued operations, other net periodic benefit income (expense) and net income (loss) on divestitures. See the Statement of Consolidated Comprehensive Income (Loss) for applicable amounts excluded.

Consumer Specialties

The Consumer Specialties business is comprised of the following reportable segments:

Life Sciences

Life Sciences is comprised of pharmaceuticals, nutrition, nutraceuticals, agricultural chemicals, advanced materials and fine chemicals. Pharmaceutical solutions include controlled release polymers, disintegrants, film coatings, solubilizers, and tablet binders. Nutrition solutions include thickeners, stabilizers, emulsifiers and additives for enhancing mouthfeel, controlling moisture migration, reducing oil uptake and controlling color. Nutraceutical solutions include products for weight management, joint comfort, stomach and intestinal health, sports nutrition and general wellness, and providing custom formulation, toll processing and particle engineering solutions. Customers include pharmaceutical, food, beverage, nutraceuticals and supplements manufacturers, hospitals and radiologists and industrial manufacturers.

Personal Care & Household

Personal Care & Household is comprised of biofunctionals, preservatives, skin care, sun care, oral care, hair care and household. These businesses have a broad range of nature-based, biodegradable, and performance-enhancing ingredients for customer-driven solutions to help protect, renew, moisturize and revitalize skin and hair, and provide solutions for toothpastes, mouth washes and rinses, denture cleaning and care for teeth. Household supplies nature-derived rheology ingredients, biodegradable surface wetting agents, performance encapsulates, and specialty polymers for household, industrial and institutional cleaning products. Customers include formulators at large multinational branded consumer products companies and smaller, independent boutique companies.

December 2020 quarter compared to December 2019 quarter

Consumer Specialties' sales increased $4 million to $296 million in the current quarter. Life Sciences represented an increase of $15 million, offset by a decrease of $11 million for Personal Care & Household. Favorable currency exchange increased sales by $5 million for the Consumer Specialties business. This increase was partially offset by product pricing which decreased sales by $1 million.

Operating income increased $11 million to income of $44 million for the current quarter. Life Sciences and Personal Care & Household recorded income of $29 million and $15 million, respectively. Favorable price/mix, favorable foreign currency exchange, lower costs and a legal settlement related to Personal Care & Household increased operating income by $4 million, $4 million, $2 million and $2 million, respectively. These increases were partially offset by lower volume which decreased operating income by $1 million. Current quarter EBITDA increased $12 million to $79 million, of which $45 million was in Life Sciences and $34 million in Personal Care & Household. EBITDA margin increased 3.7 percentage points in the current quarter to 26.7%.

EBITDA and Adjusted EBITDA reconciliation

The EBITDA and Adjusted EBITDA amounts presented within this business section are provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for each segment. Each of these non-GAAP measures is defined as follows: EBITDA (operating income plus depreciation and amortization), Adjusted EBITDA (EBITDA adjusted for key items, which may include pro forma effects for significant acquisitions or divestitures, as applicable), and Adjusted EBITDA margin (Adjusted EBITDA, which may include pro forma adjustments, divided by sales or sales adjusted for pro forma results). Ashland does not allocate items to each reportable segment below operating income, such as interest expense and income taxes. As a result, reportable segment EBITDA and Adjusted EBITDA are reconciled directly to operating income since it is the most directly comparable Statements of Consolidated Comprehensive Income (Loss) caption.

The following EBITDA presentation for the three months ended December 31, 2020 and 2019 is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Consumer Specialties.

	Life Sciences		Personal Care & Household		Consumer Specialties	
	Three months ended December 31					
(In millions)	2020	2019	2020	2019	2020	2019
Operating income	$ 29	$ 22	$ 15	$ 11	$ 44	$ 33
Depreciation and amortization	16	15	19	19	35	34
EBITDA	45	37	34	30	79	67

Industrial Specialties

The Industrial Specialties business is comprised of the below reportable segments:

Specialty Additives

Specialty Additives is comprised of rheology- and performance-enhancing additives serving the coatings, construction, energy, automotive and various industrial markets. Solutions include coatings additives for architectural paints, finishes and lacquers, cement- and gypsum- based dry mortars, ready-mixed joint compounds, synthetic plasters for commercial and residential construction, and specialty materials for industrial applications. Products include rheology modifiers (cellulosic and associative thickeners), foam-control agents, surfactants and wetting agents, pH neutralizers, advanced ceramics used in catalytic converters, and environmental filters, ingredients that aid the manufacturing process of ceramic capacitors, plasma display panels and solar cells, ingredients for textile printing, thermoplastic metals and alloys for welding. Products help improve desired functional outcomes through rheology modification and control, water retention, workability, adhesive strength, binding power, film formation, deposition and suspension and emulsification. Customers include global paint manufacturers, electronics and automotive manufacturers, textile mills, the construction industry, and welders.

Performance Adhesives

Performance Adhesives is comprised of adhesives used in packaging, converting and structural applications. Packaging adhesives has an extensive line of pressure sensitive adhesives, functional coatings and primers combined with innovative technology solutions for narrow-, mid- and wide-web applications. Products meet stringent requirements in food and beverage safety, shipping, transportation, health and beauty, industrial, postage and security printing. Structural adhesives include light weighting vehicles and eliminating VOCs in buildings. Customers include converters of packaging materials, manufacturers of building materials and tier one suppliers to transportation industry.

December 2020 quarter compared to December 2019 quarter

Industrial Specialties' sales increased $18 million to $231 million in the current quarter. Specialty Additives and Performance Adhesives represented $8 million and $10 million of the increase, respectively. Higher volume and favorable currency exchange increased sales by $16 million and $5 million, respectively. These increases were partially offset by product pricing which decreased sales by $3 million.

Operating income increased $3 million to $22 million for the current quarter. Specialty Additives and Performance Adhesives recorded income of $2 million and $20 million, respectively, down $7 million and up $10 million from the prior year quarter, respectively. Higher volume, favorable price/mix, foreign currency exchange and production costs increased operating income by $4 million, $5 million, $1 million and $2 million, respectively. Those increases were partially offset by a capital project impairment of $9 million. Current quarter EBITDA increased $3 million to $46 million, $23 million income in Specialty Additives and $23 million income in Performance Adhesives. Adjusted EBITDA increased $12 million to $55 million, of which $32 million and $23 million originated from Specialty Additives and Performance Adhesives, respectively. Adjusted EBITDA margin increased 3.6 percentage points in the current quarter to 23.8%.

EBITDA and adjusted EBITDA reconciliation

The following EBITDA and Adjusted EBITDA presentation (as defined and described in the section above) for the three months ended December 31, 2020 and 2019 below is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Industrial Specialties. Adjusted EBITDA results have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items. The key items during the three months ended December 31, 2020 related to a capital project impairment within Specialty Additives.

	Specialty Additives		Performance Adhesives		Industrial Specialties	
	Three months ended December 31					
(In millions)	2020	2019	2020	2019	2020	2019
Operating income	$ 2	$ 9	$ 20	$ 10	$ 22	$ 19
Depreciation and amortization	21	20	3	4	24	24
EBITDA	23	29	23	14	46	43
Capital project impairment	9	—	—	—	9	—
Adjusted EBITDA	$ 32	$ 29	$ 23	$ 14	$ 55	$ 43

Intermediates and Solvents

Intermediates and Solvents is comprised of the production of 1,4 butanediol (BDO) and related derivatives, including n-methylpyrrolidone. These products are used as chemical intermediates in the production of engineering polymers and polyurethanes, and as specialty process solvents in a wide array of applications including electronics, pharmaceuticals, water filtration membranes and more. Butanediol is also provided to Life Sciences, Personal Care, and Specialty Additives for use as a raw material.

December 2020 quarter compared to December 2019 quarter

Intermediates and Solvents' sales increased $5 million to $33 million in the current quarter primarily due to higher volume.

Operating income/loss increased $14 million to $2 million for the current quarter. Lower production costs and higher volume increased operating income by $17 million and $1 million, respectively. This increase was partially offset by price/mix and foreign currency exchange which decreased operating income by $3 million and $1 million respectively. Current quarter EBITDA increased $14 million to $5 million. EBITDA margin for the current quarter was 15.2%.

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA presentation (as defined and described in the section above) for the three months ended December 31, 2020 and 2019 is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Intermediates and Solvents.

	Three months ended December 31	
(In millions)	2020	2019
Operating income	$ 2	$ (12)
Depreciation and amortization	3	3
EBITDA	5	(9)

Unallocated and other

The following table summarizes the key components of the Unallocated and other segment's operating income (loss) for the three months ended December 31, 2020 and 2019.

	Three months ended December 31	
(In millions)	2020	2019
Restructuring activities	$ (12)	$ (7)
Environmental expenses	(4)	(3)
Other expenses (primarily governance and legacy expenses)	(11)	(13)
Total expense	$ (27)	$ (23)

December 2020 quarter compared to December 2019 quarter

Unallocated and other recorded expense of $27 million and $23 million for the three months ended December 31, 2020 and 2019, respectively. The current and prior year quarters included charges for restructuring activities of $12 million and $7 million, respectively, which were comprised of the following:

- $12 million and $7 million of severance, lease abandonment and other restructuring costs related to company-wide cost reduction programs during the current and prior quarters, respectively.

The current quarter and prior quarter included $4 million and $3 million for environmental expenses, respectively.

FINANCIAL POSITION

Liquidity

Ashland had $335 million in cash and cash equivalents as of December 31, 2020, of which $263 million was held by foreign subsidiaries and had no significant limitations that would prohibit remitting the funds to satisfy corporate obligations. In certain circumstances, if such amounts were repatriated to the United States, additional taxes might need to be accrued and paid depending on the source of the earnings remitted. Ashland currently has no plans to repatriate any amounts for which additional taxes would need to be accrued.

Ashland has taken actions and may continue to take actions intended to increase its cash position and preserve financial flexibility in light of current uncertainty in the global markets. In January 2020, Ashland renewed and extended its Revolving Credit Agreement through 2025 and issued new 2.00% senior notes in Europe for €500 million which mature in 2028. During the three months ended December 31, 2020, Ashland elected not to access funds on its Revolving Credit Facility. As of December 31, 2020, Ashland has total remaining borrowing capacity of $694 million, comprised of amounts remaining available under the Revolving Credit Facility and two accounts receivable securitization facilities. Ashland has no significant maturities related to our term loans, revolving credit facilities or bonds until August 2022.

Ashland believes that cash flow from operations, availability under existing credit facilities and arrangements, current cash and investment balances and the ability to obtain other financing, if necessary, will provide adequate cash funds for Ashland's foreseeable working capital needs, capital expenditures at existing facilities, dividend payments and debt service obligations. Ashland's cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that the Company may complete may also impact its cash requirements. For information regarding the impact of COVID-19 on the Company, including on its liquidity and capital resources, please see item 1A, in Ashland's most recent Form 10-K filed with the SEC.

Ashland's cash flows from operating, investing and financing activities, as reflected in the Statements of Condensed Consolidated Cash Flows, are summarized as follows for the three months ended December 31, 2020 and 2019.

	Three months ended December 31	
(In millions)	2020	2019
Cash provided (used) by:		
Operating activities from continuing operations	$ 106	$ (34)
Investing activities from continuing operations	(4)	(20)
Financing activities from continuing operations	(207)	(7)
Discontinued operations	(17)	(15)
Effect of currency exchange rate changes on cash and cash equivalents	3	1
Net decrease in cash and cash equivalents	$ (119)	$ (75)

Operating activities

The following discloses the cash flows associated with Ashland's operating activities for the three months ended December 31, 2020 and 2019.

	Three months ended December 31	
(In millions)	2020	2019
Cash flows provided (used) by operating activities from continuing operations		
Net income	$ 56	$ 32
Loss from discontinued operations (net of income taxes)	5	2
Adjustments to reconcile income from continuing operations to cash flows from operating activities:		
Depreciation and amortization	62	61
Original issue discount and debt issuance costs amortization	1	2
Deferred income taxes	(5)	(12)
Gain from sales of property and equipment	(4)	—
Stock based compensation expense	4	4
Income from restricted investments	(23)	(13)
Net income on divestitures	(14)	—
Impairments	9	—
Pension contributions	(2)	(1)
Change in operating assets and liabilities (a)	17	(109)
Total cash flows provided (used) by operating activities from continuing operations	$ 106	$ (34)

(a) Excludes changes resulting from operations acquired or sold.

Cash flows provided (used) from operating activities from continuing operations amounted to inflows of $106 million and outflows of $(34) million in the current and prior year periods, respectively.

Operating Activities – Operating Assets and Liabilities

The cash results during each period are primarily driven by net income, excluding discontinued operation results, adjusted for certain non-cash items including depreciation and amortization (including original issue discount and debt issuance cost amortization), as well as changes in working capital, which are fluctuations within accounts receivable, inventory, trade payables and accrued expenses. Ashland continues to emphasize working capital management as a high priority and focus.

Changes in operating assets and liabilities accounted for inflows of $17 million for the current quarter compared to outflows of $109 million for the three months ended December 31, 2020 and 2019, respectively, and were primarily driven by the following net working capital accounts:

- Accounts receivable – There were cash inflows of $59 million and $40 million during the current and prior year quarters, respectively.

- Inventory – There were cash outflows of $12 million and $38 million during the current and prior year quarters, respectively.
- Trade and other payables – There were cash outflows of $34 million and $96 million during the current and prior year quarters, respectively, and primarily related to the timing of certain payments and management of supplier/vendor payment terms.

The remaining changes to operating assets and liabilities resulted in inflows of $4 million and outflows of $15 million in the current and prior year quarters, respectively, and were primarily due to income taxes paid or income tax refunds, interest paid, and adjustments to certain accruals and other long-term assets and liabilities.

Operating Activities – Summary

Operating cash flows for the current year quarter included income from continuing operations of $61 million. Additionally, the current quarter included non-cash adjustments of $62 million for depreciation and amortization, $4 million for stock-based compensation expense, $23 million income from restricted investments, $14 million net income on divestitures and $9 million for impairments.

Operating cash flows for the prior year quarter included income from continuing operations of $34 million. Additionally, the prior year quarter included non-cash adjustments of $61 million for depreciation and amortization, $13 million income from restricted investments and $4 million for stock-based compensation expense.

Investing activities

The following discloses the cash flows associated with Ashland’s investing activities for the three months ended December 31, 2020 and 2019.

	Three months ended December 31	
(In millions)	2020	2019
Cash flows provided (used) by investing activities from continuing operations		
Additions to property, plant and equipment	$ (30)	$ (29)
Proceeds from disposal of property, plant and equipment	5	—
Proceeds from sale or restructuring of operations	14	—
Net purchase of funds restricted for specific transactions	(1)	(1)
Reimbursement from restricted investments	8	10
Proceeds from sales of securities	42	4
Purchase of securities	(42)	(4)
Total cash flows used by investing activities from continuing operations	$ (4)	$ (20)

Cash used by investing activities was $4 million and $20 million for the current and prior year quarters, respectively. The significant cash investing activities for the current quarter primarily related to cash outflows of $30 million for property additions compared to $29 million in the prior year quarter. Additionally, there were reimbursements from the restricted renewable annual asbestos trust of $8 million during the current quarter compared to $10 million in the prior year quarter, proceeds from disposal of property, plant and equipment of $5 million in the current quarter and proceeds from sale or restructuring of operations of $14 million in the current quarter. The current quarter also included a rebalancing within the asbestos trust, which resulted in $42 million of proceeds from the sale of securities offset by $42 million of purchases of securities.

Financing activities

The following discloses the cash flows associated with Ashland's financing activities for the three months ended December 31, 2020 and 2019.

	Three months ended December 31			
(In millions)	2020		2019	
Cash flows provided (used) by financing activities from continuing operations				
Proceeds from (repayment of) short-term debt	$	(187)	$	14
Cash dividends paid		(17)		(16)
Stock based compensation employee withholding taxes paid in cash		(3)		(5)
Total cash flows used by financing activities from continuing operations	$	(207)	$	(7)

Cash flows used by financing activities resulted in an outflow of $207 million for the current quarter compared to an outflow of $7 million for the prior year quarter.

Significant cash financing activities for the current quarter included short-term debt repayments of $187 million, primarily related to the 2020 Revolving Credit Facility and accounts receivable securitization facilities. The current quarter included cash dividends paid of $0.275 per share, for a total of $17 million.

Significant cash financing activities for the prior year quarter included short-term cash inflows of $14 million, primarily related to draws on the 2017 Revolving Credit Facility. The prior year quarter included cash dividends paid of $0.275 per share, for a total of $16 million.

The following discloses the cash flows associated with Ashland's discontinued operations for the three months ended December 31, 2020 and 2019.

	Three months ended December 31			
(In millions)	2020		2019	
Cash provided (used) by discontinued operations				
Operating cash flows	$	(14)	$	(17)
Investing cash flows		(3)		2
Total cash provided (used) by discontinued operations	$	(17)	$	(15)

Cash flows for discontinued operations in the current quarter primarily related to previously divested businesses, including net payments of asbestos, environmental liabilities and tax payments during the period.

Cash flows for discontinued operations in the prior year quarter related to previously divested businesses, including net payments of asbestos and environmental liabilities.

Free cash flow and other liquidity resources

The following represents Ashland's calculation of free cash flow for the disclosed quarters. Free cash flow does not reflect adjustments for certain non-discretionary cash flows such as mandatory debt repayments.

	Three months ended December 31			
(In millions)	2020		2019	
Total cash flows provided (used) by operating activities from continuing operations	$	106	$	(34)
Adjustments:				
Additions to property, plant and equipment		(30)		(29)
Free cash flows (a)	$	76	$	(63)

(a) Includes $14 million and $6 million of restructuring payments for the three months ended December 31, 2020 and 2019, respectively.

Working capital (current assets minus current liabilities, excluding long-term debt due within one year) amounted to $802 million and $734 million as of December 31, 2020 and September 30, 2020, respectively. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 127% and 114% of current liabilities (excluding current liabilities held for sale) as of December 31, 2020 and September 30, 2020, respectively.

The following summary reflects Ashland’s cash and unused borrowing capacity as of December 31, 2020 and September 30, 2020.

(In millions)	December 31 2020	September 30 2020
Cash and investment securities		
Cash and cash equivalents	$ 335	$ 454
Unused borrowing capacity		
Revolving credit facility	$ 580	$ 500
Accounts receivable securitizations	114	—

The borrowing capacity remaining under the $600 million revolving credit facility was $580 million due to a reduction of $20 million for letters of credit outstanding at December 31, 2020. In total, Ashland’s available liquidity position, which includes cash, the revolving credit facility and the accounts receivable securitization facilities, was $1,029 million at December 31, 2020, compared to $954 million at September 30, 2020.

Capital resources

Debt

The following summary reflects Ashland’s debt as of December 31, 2020 and September 30, 2020.

(In millions)	December 31 2020	September 30 2020
Short-term debt (includes current portion of long-term debt)	$ 93	$ 280
Long-term debt (less current portion and debt issuance cost discounts) (a)	1,601	1,573
Total debt	$ 1,694	$ 1,853

(a) Includes $15 million of debt issuance cost discounts as of both December 31, 2020 and September 30, 2020.

Debt as a percent of capital employed was 35% and 38% at December 31, 2020 and at September 30, 2020, respectively. At December 31, 2020, Ashland’s total debt had an outstanding principal balance of $1,751 million, discounts of $42 million, and debt issuance costs of $15 million. The scheduled aggregate maturities of long-term debt by year (including the current portion and excluding debt issuance costs) are as follows: zero remaining in 2021, $421 million in 2022, $22 million in 2023, $44 million in 2024 and $175 million in 2025.

Ashland credit ratings

Ashland’s corporate credit ratings remained unchanged at BB+ by Standard & Poor’s and Ba1 by Moody’s Investor Services. As of December 31, 2020, Moody’s Investor Services outlook remained at stable, while Standard & Poor's outlook remained at negative. Subsequent changes to these ratings or outlook may have an effect on Ashland’s borrowing rate or ability to access capital markets in the future.

Ashland debt covenant restrictions

Ashland's most recent credit agreement (the 2020 Credit Agreement) contains usual and customary representations, warranties and affirmative and negative covenants, including financial covenants for leverage and interest coverage ratios, limitations on liens, additional subsidiary indebtedness, restrictions on subsidiary distributions, investments, mergers, sale of assets and restricted payments and other customary limitations. As of December 31, 2020, Ashland is in compliance with all debt agreement covenant restrictions under the 2020 Credit Agreement.

The maximum consolidated net leverage ratio permitted under the 2020 Credit Agreement is 4.0. The 2020 Credit Agreement defines the consolidated net leverage ratio as the ratio of consolidated indebtedness minus unrestricted cash and cash equivalents to consolidated EBITDA (Covenant Adjusted EBITDA) for any measurement period. In general, the 2020 Credit Agreement defines Covenant Adjusted EBITDA as net income plus consolidated interest charges, taxes, depreciation and amortization expense, fees and expenses related to capital market transactions and proposed or actual acquisitions and divestitures, restructuring and integration charges, noncash stock and equity compensation expense, and any other nonrecurring expenses or losses that do not represent a cash item in such period or any future period; less any noncash gains or other items increasing net income. The computation of Covenant Adjusted EBITDA differs from the calculation of EBITDA and Adjusted EBITDA, which have been reconciled above in the "consolidated review" section. In general, consolidated indebtedness includes debt plus all purchase money indebtedness, banker's acceptances and bank guaranties, deferred purchase price of property or services, attributable indebtedness and guarantees. At December 31, 2020, Ashland's calculation of the consolidated net leverage ratio was 2.6.

The minimum required consolidated interest coverage ratio under the 2020 Credit Agreement is 3.0. The 2020 Credit Agreement defines the consolidated interest coverage ratio as the ratio of Covenant Adjusted EBITDA to consolidated interest charges for any measurement period. At December 31, 2020, Ashland's calculation of the consolidated interest coverage ratio was 7.8.

Any change in Covenant Adjusted EBITDA of $100 million would have an approximate 0.4x effect on the consolidated net leverage ratio and a 1.5x effect on the consolidated interest coverage ratio. The change in consolidated indebtedness of $100 million would affect the consolidated leverage ratio by approximately 0.2x.

Additional capital resources

Cash projection

Ashland believes that cash flow from operations, availability under existing credit facilities and arrangements, current cash and investment balances and the ability to obtain other financing, if necessary, will provide adequate cash funds for the Company's foreseeable working capital needs, capital expenditures at existing facilities, pending acquisitions, dividend payments and debt service obligations. The Company's cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that the Company may complete may also impact its cash requirements. For information regarding the impact of COVID-19 on the Company, including on its liquidity and capital resources, please see item 1A, in Ashland's most recent Form 10-K filed with the SEC.

Total equity

Total equity increased $86 million since September 30, 2020 to $3,122 million at December 31, 2020. The increase of $86 million was due to net income of $56 million, deferred translation gain of $48 million and $1 million of common shares issued under stock incentive plans, offset by $17 million of dividends and $2 million related to the adoption of new accounting guidance around the measurement of credit losses.

Stockholder dividends

In May 2019, the Board of Directors of Ashland announced a quarterly cash dividend of 27.5 cents per share to eligible stockholders at record. This dividend was paid in the first quarter of fiscal 2021, each quarter of fiscal 2020 and the third and fourth quarters of fiscal 2019.

Capital expenditures

Capital expenditures were $30 million for the three months ended December 31, 2020 compared to $29 million for the three months ended December 31, 2019.

CRITICAL ACCOUNTING POLICIES

The preparation of Ashland's Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses, and the disclosures of contingent assets and liabilities. Significant items that are subject to such estimates and assumptions include, but are not limited to, long-lived assets (including goodwill and other intangible assets), income taxes, other liabilities and receivables associated with asbestos litigation and environmental remediation. These accounting policies are discussed in detail in "Management's Discussion and Analysis – Critical Accounting Policies" in Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2020. Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ significantly from the estimates under different assumptions or conditions. Management has reviewed the estimates affecting these items with the Audit Committee of Ashland's Board of Directors. No material changes have been made to the valuation techniques during the three months ended December 31, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Ashland’s market risk exposure at December 31, 2020 is generally consistent with the types of market risk exposures presented in Ashland’s Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures - As of the end of the period covered by this quarterly report, Ashland, under the supervision and with the participation of its management, including Ashland’s Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of Ashland’s disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) promulgated under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting - During the three months ended December 31, 2020, there were no significant changes in Ashland’s internal control over financial reporting, or in other factors, that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, Ashland’s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following is a description of Ashland's material legal proceedings. Ashland's threshold for disclosing material environmental legal proceedings involving a governmental authority where potential monetary sanctions are involved is $1 million.

Asbestos-Related Litigation

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley), a former subsidiary. Although Riley was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies.

Hercules LLC (formerly Hercules Incorporated), an indirect wholly-owned subsidiary of Ashland, is also subject to liabilities from asbestos-related personal injury lawsuits involving claims which typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products which were sold by one of Hercules' former subsidiaries to a limited industrial market.

Ashland and Hercules are also defendants in lawsuits alleging exposure to asbestos at facilities formerly or presently owned or operated by Ashland or Hercules.

For additional detailed information regarding liabilities arising from asbestos-related litigation, see Note L of Notes to Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

Environmental Proceedings

(a) CERCLA and Similar State Law Sites - Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state laws, Ashland and its subsidiaries may be subject to joint and several liability for cleanup costs in connection with alleged releases of hazardous substances at sites where it has been identified as a "potentially responsible party" (PRP). As of December 31, 2020, Ashland and its subsidiaries have been identified as a PRP by U.S. federal and state authorities, or by private parties seeking contribution, for the cost of environmental investigation and/or cleanup at 82 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the United States Environmental Protection Agency (USEPA) or a state agency, in which Ashland or its subsidiaries are typically participating as a member of a PRP group. Generally, the types of relief sought include remediation of contaminated soil and/or groundwater, reimbursement for past costs of site cleanup and administrative oversight and/or long-term monitoring of environmental conditions at the sites. The ultimate costs are not predictable with assurance.

(b) Lower Passaic River, New Jersey Matters - Ashland, through two formerly owned facilities, and ISP, through a now-closed facility, have been identified as PRPs, along with approximately 70 other companies (the Cooperating Parties Group or the CPG), in a May 2007 Administrative Order of Consent (AOC) with the USEPA. The parties are required to perform a remedial investigation and feasibility study (RI/FS) of the entire 17 miles of the Passaic River. In June 2007, the USEPA separately commenced a Focused Feasibility Study (FFS) as an interim measure. In accordance with the 2007 AOC, in June 2012 the CPG voluntarily entered into another AOC for an interim removal action focused solely at mile 10.9 of the Passaic River. The allocations for the 2007 AOC and the 2012 removal action are based on interim allocations, are immaterial and have been accrued. In April 2014, the USEPA released the FFS. The CPG submitted the Draft RI/FS Report on April 30, 2015. The USEPA has released the FFS Record of Decision for the lower 8 miles and recently reached an agreement with another chemical company to conduct and pay for the remedial design. This chemical company has sued Ashland, ISP and numerous other defendants to recover past and future costs pursuant to the CERCLA. Ashland, ISP and numerous other defendants have filed a Motion to Dismiss all of the claims. Ashland and ISP are participating in an USEPA allocation process. The release of the FFS Record of Decision, the current allocations proceedings and the lawsuit are not expected to be material to Ashland.

For additional information regarding environmental matters and reserves, see Note L of Notes to Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

Other Pending Legal Proceedings

In addition to the matters described above, there are other various claims, lawsuits and administrative proceedings pending or threatened against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability and other environmental matters which seek remedies or damages, some of which are for substantial amounts. While Ashland cannot predict with certainty the outcome of such actions, it believes that adequate reserves have been recorded and losses already recognized with respect to such actions were immaterial as of December 31, 2020. There is a reasonable possibility that a loss exceeding amounts already recognized may be incurred related to these actions; however, Ashland believes that such potential losses were immaterial as of December 31, 2020.

ITEM 1A. RISK FACTORS

During the period covered by this report, there were no material changes from the risk factors previously disclosed in Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There was no share repurchase activity during the three months ended December 31, 2020.

Issuer Purchases of Equity Securities

Q1 Fiscal Periods	Total Number of Shares Purchased	Average Price Paid Per Share, including commission	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Be Purchased Under the Plans or Programs (in millions)(a)
October 1, 2020 to October 31, 2020	—	$ —	—	$ 800
November 1, 2020 to November 30, 2020	—	—	—	800
December 1, 2020 to December 31, 2020	—	—	—	800
Total	—		—	$ 800

(a) During March 2018, Ashland's Board of Directors approved a new $1 billion stock repurchase program, which replaced the previous stock repurchase program. Ashland's stock repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 of the Exchange Act. As of December 31, 2020, $800 million remains available for repurchase under this authorization.

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Letter Agreement by and between Ashland Global Holdings Inc. and Peter J. Ganz, dated May 19, 2020 (filed as Exhibit 10.1 to Ashland's Form 8-K filed on May 22, 2020, (SEC File No. 333-211719) and incorporated herein by reference).
10.2	Consulting Agreement by and between Ashland Global Holdings Inc. and Peter J. Ganz, dated May 19, 2020 (filed as Exhibit 10.2 to Ashland's Form 8-K filed on May 22, 2020, (SEC File No. 333-211719) and incorporated herein by reference).
10.3*	Separation Agreement and General Release between Peter S. Ganz and Ashland LLC, effective as of December 31, 2020.
10.4*	Separation Agreement and General Release between Keith Silverman and Ashland LLC, effective as of November 30, 2020.
31.1*	Certificate of Guillermo Novo, Chief Executive Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certificate of J. Kevin Willis, Chief Financial Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certificate of Guillermo Novo, Chief Executive Officer of Ashland, and J. Kevin Willis, Chief Financial Officer of Ashland pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	Inline XBRL Instance Document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Statements of Consolidated Comprehensive Income (Loss) for the three months ended December 31, 2020 and December 31, 2019; (ii) Condensed Consolidated Balance Sheets at December 31, 2020 and September 30, 2020; (iii) Statements of Consolidated Equity at December 31, 2020; (iv) Statements of Condensed Consolidated Cash Flows for the three months ended December 31, 2020 and December 31, 2019; and (v) Notes to Condensed Consolidated Financial Statements.

SM Service mark, Ashland or its subsidiaries, registered in various countries.

™ Trademark, Ashland or its subsidiaries, registered in various countries.

SIGNATURE

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

	Ashland Global Holdings Inc.
	(Registrant)
February 4, 2021	/s/ J. Kevin Willis
	J. Kevin Willis Senior Vice President and Chief Financial Officer (on behalf of the Registrant and as principal financial officer)

SEPARATION AGREEMENT AND GENERAL RELEASE

Section 1. SPECIAL SEVERANCE BENEFITS

I, Peter Ganz (EE#A408943), understand that on **December 31, 2020** ("Termination Date"), my employment with Ashland LLC (the "Company" or "Ashland") ended. I am signing this Separation Agreement and General Release (the "Separation Agreement") in return for the special severance benefits offered to me by Ashland, which are more than would otherwise be provided to me upon termination. Specifically, I understand that I will receive the severance benefits more fully described in **Attachment I** (Summary of Benefits), which is hereby incorporated by reference.

Section 2. COMPLETE RELEASE OF LIABILITY

(a) **General Release.** In exchange for these special severance benefits offered by Ashland, I completely release any and all claims I may have at this time, whether known or unknown, against Ashland, its parents, divisions, subsidiaries, insurers and affiliates, their predecessors, successors and assigns, and their officers, directors or employees (collectively referred to hereafter as "Releasees"). This Release is intended to be a broad release and shall apply to any relief from Releasees, no matter how denominated, including, but not limited to, claims for future employment, rights or causes of action for wages, backpay, front pay, compensatory damages, punitive damages, or attorney's fees. I also agree that I will not file any such claim and I hereby agree to indemnify and hold Releasees harmless from any such claim.

(b) **Extent of Release.** This Release includes all claims I may have against Releasees which relate either to the time of my employment or to my termination, except the claims mentioned in Section 2(c) below. Some of the types of claims that I am releasing, although there also may be others not listed here, are claims under local, state or federal law relating to:

1. Discrimination on the basis of age, sex, race, color, national origin, religion, disability, veteran status, or any other category protected under applicable law;

2. Restrictions, if any, upon the rights of Ashland to terminate its employees at will, including (i) violation of public policy, (ii) breach of any express or implied covenant of the employment contract, and (iii) breach of any covenant of good faith and fair dealing;

3. Discrimination on the basis of age, including claims under the Age Discrimination in Employment Act (the "ADEA"), which is located at 29 United States Code, Sections 621 through 634;

4. Payments, if any, that might otherwise be owed and payable to me pursuant to the Workers' Adjustment and Retraining Notification (WARN) Act; and
5. Civil actions relating to negligence, defamation, invasion of privacy, fraud, misrepresentation, or infliction of emotional or mental distress.

Employee Initials: _____

(c) **Exceptions to Release.** The only claims against Releasees that this release does not include are claims related to:

1. Benefits to which I am entitled under this special severance offer and enforcement of the terms of this Separation Agreement;

2. Any applicable workers' compensation or unemployment compensation laws;

3. My rights under those benefit plans offered to employees of the Company that are governed by the Employee Retirement Income Security Act of 1974, as amended (ERISA), in effect as of my Termination Date; and

4. Any claims that the law states may not be waived.

I further understand that nothing in this Separation Agreement is intended to or shall prevent, impede, or interfere with my non-waivable right, without prior notice to Releasees, to provide information to the government, participate in investigations, file a complaint, testify in proceedings regarding Releasees' past or future conduct, or engage in any future activities protected under the whistleblower statutes of other government agency, or the right to receive payment from a government agency for information provided directly to the government agency pursuant to a government-administered whistleblower award program.

Section 3. CONSEQUENCES OF BREACHING MY PROMISES IN SECTION 2

If I breach my promise in Section 2 of this General Release and file a claim or lawsuit based on what I released in this General Release, I agree to pay for all liabilities and costs incurred by Releasees, including reasonable attorneys' fees, in defending against my claim or lawsuit. Provided, however, that this provision shall not apply to any alleged breach due to a challenge of the validity of the ADEA waiver contained herein.

Section 4. CONFIDENTIALITY

I understand and agree that as a result of my employment with Ashland, I have come into contact with, had access to and learned various technical and non-technical Confidential Information relating to the Ashland's operations, including the operations of parents, subsidiaries and affiliates of Ashland (collectively, the "Company"). "Confidential Information" includes financial and business information such as information with respect to costs, commissions, fees, profits, sales, markets, mailing lists, strategies, customer information, customer identities, names and addresses, customer services and customer products, methods, procedures, devices and other means used by the Company, or any of its subsidiaries and affiliates, in the conduct of its business; marketing plans and strategies; innovative programs and services; acquisition or divestiture plans and strategies; data processing computer programs, databases, formulae, software codes, secret processes, financial products and adaptations thereto; inventions, research projects, and all other matters of a technical nature; names and addresses of the vendors and suppliers used by the Company, or any of its subsidiaries and affiliates; financial arrangements with the vendors and suppliers, and vendor and supplier representatives responsible for entering into contracts with the Company, or any of its subsidiaries and affiliates; information with respect to the finances, budgets, funding, investments, costs, and similar financial information of the Company, or any of its subsidiaries and affiliates; information regarding clients of Company, or any of its subsidiaries and affiliates, including but not

Employee Initials: _____

limited to their names, service and product histories, and addresses, and referrals to prospective clients; and information with respect to the experience, qualifications, abilities and job performance of employees of the Company, or any of its subsidiaries and affiliates. Confidential Information can be in any form including but not limited to, oral, written or machine readable, including electronic files. Notwithstanding the above, except with respect to personally identifiable information ("PII") about individuals obtained in the course of my employment with the Company, which shall always be treated as Confidential Information, Confidential Information shall not include any information that is in the public domain, through no unauthorized act on my part; or which was rightfully in my possession free of any obligation of confidence at or subsequent to the time it was communicated to me by the Company.

I acknowledge and agree that disclosing, divulging, revealing or otherwise using any of the aforesaid Confidential Information, other than as specifically authorized by the Company, will be highly detrimental to the business of the Company and serious loss of business and pecuniary damage may result therefrom. Accordingly, I specifically covenant and agree to hold all such Confidential Information in the strictest confidence, and I will not, without the Company's prior written consent, disclose, divulge or reveal it to any person whomsoever, or use it for any purpose other than the exclusive benefit of the Company, whether such Confidential Information is contained in my memory or embodied in writing or other physical form. I specifically agree that this obligation of Confidentiality shall continue for so long as I have knowledge of such Confidential Information.

Notwithstanding the foregoing, the Confidentiality provisions of this Separation Agreement will not be breached in the event I disclose Confidential Information to the U.S. Securities and Exchange Commission (the "SEC"), to the extent necessary to report suspected or actual violations of U.S. securities laws, or where my disclosure of Confidential Information is protected under the whistleblower statutes administered by the Occupational Safety and Health Administration, the SEC, the Equal Opportunity Employment Commission, the National Labor Relations Board, or any other government agency. I also understand that I am not required to inform Releasees, in advance or otherwise, that such disclosure(s) has been made. In addition, I understand that nothing in or about this Separation Agreement prohibits me from: (i) filing and, as provided for under Section 21F of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), maintaining the confidentiality of a claim with the SEC; (ii) providing confidential information about this Separation Agreement or the Company or any of its affiliates to the SEC, or providing the SEC with information that would otherwise violate any section of this Separation Agreement, to the extent permitted by Section 21F of the Exchange Act; (iii) cooperating, participating or assisting in an SEC investigation or proceeding without notifying the Company; or (iv) receiving a monetary award as set forth in Section 21F of the Exchange Act. I am further advised that if I disclose Confidential Information that constitutes a trade secret to which the Defend Trade Secrets Act (18 USC Section 1833(b)) applies, then I will not be held criminally or civilly liable under any federal or state trade secret law, or considered to be in violation of the confidentiality provisions of this Separation Agreement if my disclosure is made solely for the purpose of reporting or investigating a suspected violation of law and in confidence to a federal, state, or local government official, whether directly or indirectly, or to an attorney; or where my disclosure is made in a complaint or other document filed in a lawsuit or other proceeding against Releasees, and such filing is made under seal. However, except as otherwise provided above, I understand and agree that if I am served with or otherwise presented with a court order or lawful subpoena to testify or produce information to a third party or public entity, including but not limited to a state of the U.S. or the United States government, which might require me to disclose Confidential Information, then within 24 hours of my receipt of such court order or lawful subpoena, and prior to responding to the same, I will notify Ashland's General Counsel that I have been ordered or

Employee Initials: _____

subpoenaed to provide information that might include Confidential Information, and I will provide a copy of the court order or lawful subpoena to Ashland's General Counsel.

I further agree that during the period of eighteen (18) months following my Separation Date, I will not, without the express written permission of the then Chief Executive Officer of the Company, in consultation with the General Counsel, (1) engage directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, employee or otherwise in any business or activity that is competitive with the business conducted by the Company or any of its subsidiaries or affiliates; or (2) solicit or encourage any existing or former employee, director, contractor, consultant, customer or supplier of the Company to terminate an existing relationship with the Company for any reason, or otherwise violate any contracts or covenants existing between them and the Company; or (3) make disparaging or defamatory statements (including but not limited to statements that amount to libel or slander) about the Company, its businesses, officers, directors, or employees. .

I also understand that my eligibility to receive benefits under certain executive compensation plans and programs of the Company may also be subject to additional restrictive covenants, and my eligibility to receive those benefits continue to be governed by the terms and conditions of the relevant plans and programs, the terms and conditions of which are also incorporated herein by reference, and nothing contained in this Separation Agreement shall be construed to relieve me of my obligations thereunder. I further agree that I will continue to be bound by the terms of any non-competition, non-solicitation, non-disclosure and/or confidentiality agreements in effect on my Separation Date, the terms and conditions of which are incorporated herein by reference.

I acknowledge and agree that compliance with the covenants set forth in this Separation Agreement is necessary to protect the business and goodwill of the Company and that any breach of these covenants will result in irreparable and continuing harm to the Company, for which money damages may not provide adequate relief. Accordingly, in the event of any breach or anticipatory breach of these covenants by me, I agree that the Company shall be entitled to the following particular forms of relief as a result of such breach, in addition to any liquidated damages or other remedies available to it at law or equity: (1) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach, and I hereby consent to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (2) recovery of all reasonable sums and costs, including attorney's fees, incurred by the Company if it successfully enforces the covenants.

Section 5. **RETURN OF COMPANY INFORMATION AND PROPERTY**

I agree that on or prior to my Termination Date I returned to Ashland all Company Information and related reports, maps, files, memoranda, and records; credit cards, cardkey passes; door and file keys; computer access codes; software; and other physical or personal property which I received or prepared or helped prepare in connection with my employment.

I further represent that I have not retained and will not retain any copies, duplicates, reproductions, or excerpts thereof, except as otherwise provided above in Section 4. I understand that the term "Company Information" as used in this Separation Agreement refers to information obtained during my employment with ASI or any other Releasees, and includes (a) confidential information including, without limitation, information received from third parties under confidential conditions; and (b) other technical, business, or financial information, the use or disclosure of which might reasonably be construed to be contrary to the interests of Ashland.

Employee Initials: _____

Section 6. ADVICE TO CONSULT WITH ATTORNEY

I understand that I am advised to consult with an attorney before signing this General Release.

Section 7. PERIOD FOR REVIEW AND COVERAGE OF OFFER

I understand and agree that I have been given at least 55 days to review and consider this General Release. I understand that I may use as much or as little of this period of time as I wish to prior to reaching a decision regarding the signing of this General Release. I understand that if I sign this General Release prior to my Termination Date or if I do not sign, date, and return this General Release by hand, or by a mailing postmarked on or before by **February 24, 2021** the General Release will not be valid and I will not be eligible to receive the special severance benefits under the terms of this special severance offer, and I will not be eligible for any benefits under Ashland's Severance Pay Plan, or under any other severance pay plan or program of Releasees.

Section 8. EFFECTIVE DATE AND MY RIGHT TO REVOKE GENERAL RELEASE

In accordance with federal law, I understand that this General Release may be revoked by me at any time within seven (7) calendar days after the date of execution noted below. To be effective, the revocation must be in writing and delivered to Steve Spalding, Assistant General Counsel, 5475 Rings Rd, Dublin, OH 43017, either by hand or mail within a seven (7) day period following my execution of this General Release. If delivered by mail, the recision must be:

1. Postmarked within the seven (7) day period;
2. Properly addressed as noted above; and
3. Sent by Certified Mail, Return Receipt Requested.

I understand that this Separation Agreement and the General Release contained herein, and my acceptance of it shall not become effective or enforceable until the first day immediately following the last day of the seven (7) day revocation period (the "Effective Date").

Section 9. GOVERNING LAW

It is agreed that this General Release shall be interpreted in accordance with the laws of the State of Delaware.

Section 10. PARTIAL INVALIDITY OF THE GENERAL RELEASE

I agree that if any term or provision of this General Release is determined by a court or other appropriate authority to be invalid, void, or unenforceable for any reason, the remainder of the terms and provisions of this General Release shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 11. MMSEA REPORTING REQUIREMENTS

I understand that pursuant to Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA), if I have applied for Medicare prior to the execution of this Separation

Employee Initials: _____

Agreement, or if I am likely to become eligible for Medicare within twelve (12) months thereafter, the Centers for Medicare Services will be notified of this Separation Agreement.

Section 12. COMPLETE AGREEMENT

It is agreed that the foregoing constitutes the entire agreement between the Employee and Releasees, and that except for those written agreements specifically incorporated herein by reference, there are no other agreements, oral or written, express or implied, relating to any matters covered by this Separation Agreement, or any other agreement in effect and relating to any other matter whatsoever, whether or not within the knowledge or contemplation of either of the Parties at the time of execution of this Separation Agreement.

IMPORTANT NOTICE

I acknowledge that:

- **I have read this General Release and I understand fully its final and binding effect;**
- **The only promises made to me to sign this General Release are those stated herein;**
- **I am signing this General Release knowingly and voluntarily; and**
- **I have no other claim or expectation of any additional pay or benefits incident to my Employment. The benefits I am receiving for this General Release are in lieu of, and fully satisfy, all monetary amounts, if any, to which I might otherwise be entitled under federal or state statute or common law.**

ASHLAND LLC

/s/ Peter Ganz_____________	/s/ Eileen Drury______________
PETER GANZ	Signature of Company Representative
Employee #A408943	
January 4, 2021____________	VP Human Resources________
Date of Execution by Employee	Title of Company Representative

Employee Initials: _____

Attachment 1

SUMMARY OF SPECIAL SEVERANCE BENEFITS,
EMPLOYEE BENEFITS AND MISCELLANEOUS PROVISIONS

On December 31, 2020 (your “Termination Date”), your employment with Ashland ended. After your Termination Date, you will receive severance benefits equal to **78 weeks** of base pay, calculated based on your salary band and your rate of base pay in effect as of your Termination Date.

Your severance benefit is payable to you by Ashland in a lump sum, less applicable withholding of taxes, etc. Any portion of the severance benefit which is exempt from Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”) will be paid to you by Ashland in a lump sum, less applicable withholding of taxes, etc., as soon as is practicable, but not more than 15 days, following the Effective Date of this Separation Agreement, as defined in Section 8 of this Separation Agreement. Any remaining portion of the severance benefit will be paid within five days following the first day of the seventh calendar month following the month in which the Termination Date occurs.

You are being offered the special severance benefits, described in this Attachment I, in exchange for your promises and covenants contained in this Separation Agreement. You understand and agree that if you fail to properly execute and return this Separation Agreement within the time period specified in Section 7 of this Separation Agreement, or you revoke your acceptance of it within the 7-day window provided in Section 8 of this Separation Agreement, then the Separation Agreement will not become effective, and you will not be eligible for any of the special severance benefits described in this Attachment I, or any benefits under Ashland’s Severance Pay Plan or any other severance pay plan or program of Releasees.

In addition, with respect to those special severance benefits relating to favorable treatment under certain employee benefit plans and programs, you understand that in the event this Separation Agreement does not become effect as provided above, then you will not receive this favorable treatment, and instead you will only be eligible to receive those benefits that are required to be paid to you under the relevant plans or programs in the event of your termination.

The following summarizes selected terms and conditions from some of the employee benefit plans in which you may have participated. The actual terms of these plans are in their plan documents. You should refer to the relevant summary plan description for more information on a particular plan and the effect that your severance has with regard to that plan.

In general, you cannot continue participation in any employee benefit plan after your Termination Date. If you were enrolled in a group health plan, you may be able to continue coverage by making what is called a COBRA election. You cannot elect to have any premiums you may have to pay for COBRA coverage deducted from any payments you are receiving under the terms of this Separation Agreement.

Employee Initials: _____

PENSION PLAN

If you are eligible to receive a benefit under a Company sponsored pension plan, your benefit will be based on the plan terms and the Company's records of your employment and plan benefit. If you have a vested benefit, then you will be eligible to elect to begin your pension benefit as of the date specified within the applicable plan.

MEDICAL AND DENTAL

If you are enrolled in the Medical or Dental Plan on your Termination Date, you will be eligible for COBRA continuation coverage at no cost to you, for a period equal to three (3) weeks for each completed year of service, provided that there is a minimum free coverage period of 20 weeks, and a maximum free coverage period of 52 weeks. Your free COBRA coverage period is **27 weeks**. Additionally, if your free COBRA continuation coverage period extends only partially into a month, your COBRA continuation coverage will be at no cost for that entire month. After your free COBRA continuation coverage ends, you may be eligible to continue coverage at the rates that apply to terminated employees. Generally, the maximum COBRA continuation coverage period is 18 months. The free COBRA continuation coverage period counts toward this 18-month limit. COBRA continuation coverage is not automatic; to be eligible for COBRA continuation coverage, including the initial period during which coverage is provided at no cost to you, you must first make a timely election of COBRA coverage. You make a timely election by completing and returning the COBRA election form that will be sent to you by the Ashland Benefits Service Center. If you have any questions please contact the Ashland Benefits Service Center at (855) 889-6519 (Monday-Friday 8:00 am – 5:00 pm EST).

HEALTH SAVINGS ACCOUNT

If you are enrolled in a Health Savings Plan on your Termination Date, then thereafter you can continue to make contributions to your HSA so long as you continue to participate in a medical plan that qualifies as a High Deductible Health Plan (HDHP). This could occur as a result of electing COBRA continuation coverage under your current Company-provided medical plan or as a result of your enrollment in a medical plan offered by a third-party that qualifies as a HDHP. Once your coverage under a HDHP ends, your ability to contribute to the HSA for future periods ends. You may be able to make retroactive contributions to the plan if there were prior periods when you could have made contributions but did not do so. Generally, your ability to contribute for periods in a calendar year when you were covered by a HDHP ends on April 15th of the subsequent calendar year. Regardless of whether you make any further contributions to your HSA after your Termination Date, the funds in your HSA are yours to keep, and can be used to pay for eligible medical expenses for you and your tax dependents in accordance with all applicable withdrawal rules. For more information, refer to IRS Publication 969 (www.irs.gov/pub/irs-pdf/p969.pdf) or contact your tax advisor.

LIFE INSURANCE

Employee Initials: _____

Your Company provided noncontributory life insurance coverage, contributory life coverage, spouse and dependent child life coverage, and group accidental death and dismemberment coverage will end on your Termination Date.

You may be eligible to continue your noncontributory and/or contributory life insurance coverage, spouse and dependent child life coverages after your Termination Date. Continuing these coverages, though, is strictly between you and the applicable insurance companies that provide this coverage. You have a 31-day window following your Termination Date to arrange to continue these coverages. To find out more about your ability to continue these coverages please contact Ashland's Benefits Department at: benefits@ashland.com or (844) 592-5322. A conversion privilege is not available for the group life accidental death and dismemberment portion of your coverage.

FLEXIBLE SPENDING ACCOUNTS PLAN

If you were a participant in the Flexible Spending Accounts Plan on your Termination Date, then any amount you have remaining in the Dependent Day Care Account and/or the Health Care Account is available to reimburse you for covered services incurred before your Termination Date. Thereafter, you may have rights to continue your Health Care Account coverage by making a COBRA election. Ashland's Employee Benefits Department will provide you with a summary of your COBRA rights that will tell you how to elect to continue coverage under the Health Care Account. A COBRA election can only continue your participation in the Health Care Account through the end of the calendar year in which your Termination Date occurs.

Any amount you have remaining in the Dependent Care Account and/or the Health Care Account is available to reimburse you for covered services incurred before the date your coverage under the particular account ends. Claims for services performed after your coverage ends are not eligible for reimbursement. Claims for reimbursement must be filed by June 30 in the calendar year following the year in which the covered expenses were incurred. Any amounts in your accounts that are not used will be forfeited according to IRS rules.

EMPLOYEE SAVINGS PLAN

Upon your Termination Date, you have a number of withdrawal options. If your account is valued at more than $1,000 on your Termination Date, you have the option of leaving your account in the plan. If your account is valued at $1,000 or less, it will be paid to you as a mandatory lump sum cash-out. If you have an unpaid loan, you may continue to make monthly payments after your Termination Date. Fidelity will send you payment instructions approximately 4 weeks following your Termination Date. To receive Savings Plan information, call Fidelity Investments at (800) 827-4526. You may also access Savings Plan information on the internet by clicking "Access My Account" under NetBenefits at www.401k .com.

LONG TERM DISABILITY, SUPPLEMENTAL LONG TERM DISABILITY; VOLUNTARY ACCIDENTAL DEATH AND DISMEMBERMENT; OCCUPATIONAL ACCIDENTAL DEATH AND DISMEMBERMENT; TRAVEL ACCIDENT INSURANCE AND ADOPTION ASSISTANCE PROGRAM

If you are enrolled in one or more of these plans on your Termination Date, your eligibility for coverage under the applicable plan(s) ends on your Termination Date.

Employee Initials: _____

If you were covered by the voluntary accidental death and dismemberment plan you may be eligible for conversion privileges within 31 days of your Termination Date. To find out if this applies to you, or to obtain contact information for the applicable insurance company, please contact If you have any questions please contact Ashland's Benefits Department at: benefits@ashland.com or (844) 592-5322.

VISION COST ASSISTANCE PLAN

If you are enrolled for this coverage, it will end on your Termination Date, although you may be able to elect COBRA continuation of coverage at that time. After your Termination Date Ashland's Vision Plan COBRA administrator will provide you with a summary of your COBRA rights that will tell you how to elect to continue coverage.

MISCELLANEOUS PROVISIONS

UNUSED VACATION/SICK PAY

In accordance with Ashland's Vacation policy, you will be paid in a lump sum for up to 40 hours of unused 2020 vacation. Based on your December 31, 2020 release date you will receive a payout of the full amount of vacation that would have been available for your use during the next calendar year. You will not be paid for any unused sick pay.

INCENTIVE PAY PLAN

If you were a participant in an incentive pay plan during FY2020 and/or FY2021, then if and when payments are made, you will be eligible to receive a payment under the applicable plan for that portion of the applicable plan year during which you were actively employed. Any payment will be made in accordance with all other terms and conditions of the applicable plan.

EQUITY AWARDS

With respect to your existing unvested equity awards, you will receive accelerated, prorata vesting of the outstanding portion of those RSU and SAR awards, calculated from the date of the applicable grant(s) through your Termination Date, and using the stock price at the close of the market on your Termination Date. The non-accelerated portions of your current unvested equity awards will be forfeited.

PERFORMANCE UNIT AWARDS (LTIP)

If and when payments are made to active employees, if eligible, you will receive a pro-rata payment under Ashland's Long Term Incentive Plan (LTIP) for each outstanding grant made to you under the LTIP. All payments under the LTIP will be pro-rated through your Termination Date, in accordance with the Company's customary pro-rata practices, calculated based on actual plan measures through the entire applicable plan cycle (including adjustments for unusual items), and made consistent with all other terms and conditions specified in the LTIP and the applicable award agreement.

Employee Initials: _____

OTHER EXECUTIVE COMPENSATION PLANS OR PROGRAMS

Your eligibility to receive benefits under any other executive compensation plans or programs offered by Ashland is governed exclusively by the terms and conditions of such plans, and nothing in this Separation Agreement impairs any rights you may otherwise have under those plans or programs. As part of the executive compensation plans, Ashland will fully pay your AYCO financial counseling services for up to one year after your exit.

CREDIT UNION

If you are a member of the Credit Union at the time of your Termination Date, you will be able to participate in the Credit Union after your Termination Date. You will need to contact the Credit Union directly to discuss handling of Credit Union business.

EDUCATIONAL REIMBURSEMENT

If the course has been approved for reimbursement prior to your Termination Date and will be completed within six (6) months of your Termination Date, you will be reimbursed for approved costs provided you complete the course within policy guidelines.

Once the course has been successfully completed and you have received your "final" grade showing you have met the qualifications for reimbursement, you must log back into the Tuition Reimbursement System (https://ashland.tuitionmanager.com) and submit a reimbursement request for each course. You will be required to upload a copy of your final grade and an itemized invoice.

If you have any questions, please contact the Education Assistance Administrator at educationassistance@ashland.com.

MATCHING GIFTS

Participation in the Matching Gifts Program will cease upon your Termination Date.

EMPLOYEE ASSISTANCE PROGRAM

Your participation in the Employee Assistance Program will end on your Termination Date.

EXPENSES

If you have incurred any expenses that are reimbursable by ASHLAND, you should submit an approved Expense Report to your supervisor, along with required receipts immediately. In the event there is an outstanding balance owed to Ashland for any charges on your corporate credit card or purchasing card account(s) that are not properly reimbursable under the Company's reimbursement policies, you understand and agree that ASHLAND will make deductions from your severance benefits in order to cover such balance(s).

OUTPLACEMENT ASSISTANCE

You will be provided with outplacement assistance services following your Termination Date to assist you in your search and transition into other employment. This assistance will be provided to you through a third-party selected by the Company, and will be provided at no expense to you. Please contact your Human Resources Representative for more information about this benefit.

UNEMPLOYMENT COMPENSATION

State laws control whether you are eligible to receive unemployment compensation. If you decide to file for unemployment compensation, Ashland is obligated to inform the state's unemployment commission of the nature of your termination.

VERIFICATION OF EMPLOYMENT

Ashland will only verify dates of employment and last job title, department and work location. Ashland will only release other information concerning your employment as required by law, or at your request and with your written consent.

SECTION 409A

If, on the Termination Date, you were a "specified employee" within the meaning of Section 409A, then certain of the special severance benefits described in this Attachment 1 may be delayed to comply with Section 409A.

However it is intended that the special severance benefits described in this Attachment 1 shall be exempt from the requirements of Section 409A. With regard to any provision herein that provides for reimbursement costs and expenses or in-kind benefits, except as permitted by Section 409A: (1) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (2) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (3) such payments shall be made on or before the last day of you taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder.

FUTURE CORRESPONDENCE

Any future information from the Company will be sent to the address you currently have on file (i.e. employee benefit information, W-2's, etc.). Should your address change in the near future you should contact Ashland's Benefits Department at: benefits@ashland.com or (844) 592-5322. If you have an account established with one of the Company's benefits vendors, you should also contact that vendor to advise of any changes to your physical or e-mail addresses.

IMPORTANT NOTE ABOUT THIS SUMMARY

Details on the benefits from the employee benefit plans discussed above are provided in the summary plan description booklet for each plan. In all events, the rights and obligations of Ashland, and all covered employees, beneficiaries or other claimants are governed solely by

Employee Initials: _____

the terms of the official documents under which each particular plan, policy or program is operated

R E M I N D E R

Once You Have Signed Both Originals of This Document, Please Return Both Original Signed Agreements to:

Betty Lange
Human Resources
Ashland LLC
500 Hercules Road
Building 8134
Wilmington, Delaware 19808

A Fully Executed Original Agreement will be returned to your home address.

SEPARATION AGREEMENT AND GENERAL RELEASE

Section 1. SPECIAL SEVERANCE BENEFITS

I, Keith Silverman (EE# 412140), understand that on **November 20, 2020** ("Termination Date"), my employment with Ashland LLC (the "Company" or "Ashland") ended. I am signing this Separation Agreement and General Release (the "Separation Agreement") in return for the special severance benefits offered to me by Ashland, which are more than would otherwise be provided to me upon termination. Specifically, I understand that I will receive the severance benefits more fully described in **Attachment I** (Summary of Benefits), which is hereby incorporated by reference.

Section 2. COMPLETE RELEASE OF LIABILITY

(a) **General Release.** In exchange for these special severance benefits offered by Ashland, I completely release any and all claims I may have at this time, whether known or unknown, against Ashland, its parents, divisions, subsidiaries, insurers and affiliates, their predecessors, successors and assigns, and their officers, directors or employees (collectively referred to hereafter as "Releasees"). This Release is intended to be a broad release and shall apply to any relief from Releasees, no matter how denominated, including, but not limited to, claims for future employment, rights or causes of action for wages, backpay, front pay, compensatory damages, punitive damages, or attorney's fees. I also agree that I will not file any such claim and I hereby agree to indemnify and hold Releasees harmless from any such claim.

(b) **Extent of Release.** This Release includes all claims I may have against Releasees which relate either to the time of my employment or to my termination, except the claims mentioned in Section 2(c) below. Some of the types of claims that I am releasing, although there also may be others not listed here, are claims under local, state or federal law relating to:

1. Discrimination on the basis of age, sex, race, color, national origin, religion, disability, veteran status, or any other category protected under applicable law;

2. Restrictions, if any, upon the rights of Ashland to terminate its employees at will, including (i) violation of public policy, (ii) breach of any express or implied covenant of the employment contract, and (iii) breach of any covenant of good faith and fair dealing;

3. Discrimination on the basis of age, including claims under the Age Discrimination in Employment Act (the "ADEA"), which is located at 29 United States Code, Sections 621 through 634;

4. Payments, if any, that might otherwise be owed and payable to me pursuant to the Workers' Adjustment and Retraining Notification (WARN) Act; and
5. Civil actions relating to negligence, defamation, invasion of privacy, fraud, misrepresentation, or infliction of emotional or mental distress.

Employee Initials: _____

(c) **Exceptions to Release.** The only claims against Releasees that this release does not include are claims related to:

1. Benefits to which I am entitled under this special severance offer and enforcement of the terms of this Separation Agreement;

2. Any applicable workers' compensation or unemployment compensation laws;

3. My rights under those benefit plans offered to employees of the Company that are governed by the Employee Retirement Income Security Act of 1974, as amended (ERISA), in effect as of my Termination Date; and

4. Any claims that the law states may not be waived.

I further understand that nothing in this Separation Agreement is intended to or shall prevent, impede, or interfere with my non-waivable right, without prior notice to Releasees, to provide information to the government, participate in investigations, file a complaint, testify in proceedings regarding Releasees' past or future conduct, or engage in any future activities protected under the whistleblower statutes of other government agency, or the right to receive payment from a government agency for information provided directly to the government agency pursuant to a government-administered whistleblower award program.

Section 3. CONSEQUENCES OF BREACHING MY PROMISES IN SECTION 2

If I breach my promise in Section 2 of this General Release and file a claim or lawsuit based on what I released in this General Release, I agree to pay for all liabilities and costs incurred by Releasees, including reasonable attorneys' fees, in defending against my claim or lawsuit. Provided, however, that this provision shall not apply to any alleged breach due to a challenge of the validity of the ADEA waiver contained herein.

Section 4. CONFIDENTIALITY

I understand and agree that as a result of my employment with Ashland, I have come into contact with, had access to and learned various technical and non-technical Confidential Information relating to the Ashland's operations, including the operations of parents, subsidiaries and affiliates of Ashland (collectively, the "Company"). "Confidential Information" includes financial and business information such as information with respect to costs, commissions, fees, profits, sales, markets, mailing lists, strategies, customer information, customer identities, names and addresses, customer services and customer products, methods, procedures, devices and other means used by the Company, or any of its subsidiaries and affiliates, in the conduct of its business; marketing plans and strategies; innovative programs and services; acquisition or divestiture plans and strategies; data processing computer programs, databases, formulae, software codes, secret processes, financial products and adaptations thereto; inventions, research projects, and all other matters of a technical nature; names and addresses of the vendors and suppliers used by the Company, or any of its subsidiaries and affiliates; financial arrangements with the vendors and suppliers, and vendor and supplier representatives responsible for entering into contracts with the Company, or any of its subsidiaries and affiliates; information with respect to the finances, budgets, funding, investments, costs, and similar financial information of the Company, or any of its subsidiaries and affiliates; information regarding clients of Company, or any of its subsidiaries and affiliates, including but not limited to their names, service and product histories, and addresses, and referrals to prospective clients; and information with respect to the experience, qualifications, abilities and job performance of employees of the Company, or any of its subsidiaries and affiliates. Confidential Information can be in any form including but not limited to, oral, written or machine readable, including electronic files. Notwithstanding the above, except with respect to personally identifiable information ("PII") about individuals obtained in the course of my employment with the Company, which shall always be treated as Confidential Information, Confidential Information shall not include any information that is in the public domain, through no unauthorized act on my part; or which was rightfully in my possession free of any obligation of confidence at or subsequent to the time it was communicated to me by the Company.

I acknowledge and agree that disclosing, divulging, revealing or otherwise using any of the aforesaid Confidential Information, other than as specifically authorized by the Company, will be highly detrimental to the business of the Company and serious loss of business and pecuniary damage may result therefrom. Accordingly, I specifically covenant and agree to hold all such Confidential Information in the strictest confidence, and I will not, without the Company's prior written consent, disclose, divulge or reveal it to any person whomsoever, or use it for any purpose other than the exclusive benefit of the Company, whether such Confidential Information is contained in my memory or embodied in writing or other physical form. I specifically agree that this obligation of Confidentiality shall continue for so long as I have knowledge of such Confidential Information.

Notwithstanding the foregoing, the Confidentiality provisions of this Separation Agreement will not be breached in the event I disclose Confidential Information to the U.S. Securities and Exchange Commission (the "SEC"), to the extent necessary to report suspected or actual violations of U.S. securities laws, or where my disclosure of Confidential Information is protected under the whistleblower statutes administered by the Occupational Safety and Health Administration, the SEC, the Equal Opportunity Employment Commission, the National Labor Relations Board, or any other government agency. I also understand that I am not required to inform Releasees, in advance or otherwise, that such disclosure(s) has been made. In addition, I understand that nothing in or about this Separation Agreement prohibits me from: (i) filing and, as provided for under Section 21F of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), maintaining the confidentiality of a claim with the SEC; (ii) providing confidential information about this Separation Agreement or the Company or any of its affiliates to the SEC, or providing the SEC with information that would otherwise violate any section of this Separation Agreement, to the extent permitted by Section 21F of the Exchange Act; (iii) cooperating, participating or assisting in an SEC investigation or proceeding without notifying the Company; or (iv) receiving a monetary award as set forth in Section 21F of the Exchange Act. I am further advised that if I disclose Confidential Information that constitutes a trade secret to which the Defend Trade Secrets Act (18 USC Section 1833(b)) applies, then I will not be held criminally or civilly liable under any federal or state trade secret law, or considered to be in violation of the confidentiality provisions of this Separation Agreement if my disclosure is made solely for the purpose of reporting or investigating a suspected violation of law and in confidence to a federal, state, or local government official, whether directly or indirectly, or to an attorney; or where my disclosure is made in a complaint or other document filed in a lawsuit or other proceeding against Releasees, and such filing is made under seal. However, except as otherwise provided above, I understand and agree that if I am served with or otherwise presented with a court order or lawful subpoena to testify or produce information to a third party or public entity, including but not limited to a state of the U.S. or the United States government, which might require me to disclose Confidential Information, then within 24 hours of my receipt of such court order or lawful subpoena, and prior to responding to the same, I will notify Ashland's General Counsel that I have been ordered or

Employee Initials: _____

subpoenaed to provide information that might include Confidential Information, and I will provide a copy of the court order or lawful subpoena to Ashland's General Counsel.

I further agree that during the period of eighteen (18) months following my Separation Date, I will not, without the express written permission of the then Chief Executive Officer of the Company, in consultation with the General Counsel, (1) engage directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, employee or otherwise in any business or activity that is competitive with the business conducted by the Company or any of its subsidiaries or affiliates; or (2) solicit or encourage any existing or former employee, director, contractor, consultant, customer or supplier of the Company to terminate an existing relationship with the Company for any reason, or otherwise violate any contracts or covenants existing between them and the Company; or (3) make disparaging or defamatory statements (including but not limited to statements that amount to libel or slander) about the Company, its businesses, officers, directors, or employees. .

I also understand that my eligibility to receive benefits under certain executive compensation plans and programs of the Company may also be subject to additional restrictive covenants, and my eligibility to receive those benefits continue to be governed by the terms and conditions of the relevant plans and programs, the terms and conditions of which are also incorporated herein by reference, and nothing contained in this Separation Agreement shall be construed to relieve me of my obligations thereunder. I further agree that I will continue to be bound by the terms of any non-competition, non-solicitation, non-disclosure and/or confidentiality agreements in effect on my Separation Date, the terms and conditions of which are incorporated herein by reference.

I acknowledge and agree that compliance with the covenants set forth in this Separation Agreement is necessary to protect the business and goodwill of the Company and that any breach of these covenants will result in irreparable and continuing harm to the Company, for which money damages may not provide adequate relief. Accordingly, in the event of any breach or anticipatory breach of these covenants by me, I agree that the Company shall be entitled to the following particular forms of relief as a result of such breach, in addition to any liquidated damages or other remedies available to it at law or equity: (1) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach, and I hereby consent to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (2) recovery of all reasonable sums and costs, including attorney's fees, incurred by the Company if it successfully enforces the covenants.

Section 5. RETURN OF COMPANY INFORMATION AND PROPERTY

I agree that on or prior to my Termination Date I returned to Ashland all Company Information and related reports, maps, files, memoranda, and records; credit cards, cardkey passes; door and file keys; computer access codes; software; and other physical or personal property which I received or prepared or helped prepare in connection with my employment.

I further represent that I have not retained and will not retain any copies, duplicates, reproductions, or excerpts thereof, except as otherwise provided above in Section 4. I understand that the term "Company Information" as used in this Separation Agreement refers to information obtained during my employment with ASI or any other Releasees, and includes (a) confidential information including, without limitation, information received from third parties under confidential conditions; and (b) other technical, business, or financial information, the use or disclosure of which might reasonably be construed to be contrary to the interests of Ashland.

Employee Initials: _____

Section 6. ADVICE TO CONSULT WITH ATTORNEY

I understand that I am advised to consult with an attorney before signing this General Release.

Section 7. PERIOD FOR REVIEW AND COVERAGE OF OFFER

I understand and agree that I have been given at least **45 days** to review and consider this General Release. I understand that I may use as much or as little of this period of time as I wish to prior to reaching a decision regarding the signing of this General Release. I understand that if I sign this General Release prior to my Termination Date or if I do not sign, date, and return this General Release by hand, or by a mailing postmarked on or before by **January 4, 2020** the General Release will not be valid and I will not be eligible to receive the special severance benefits under the terms of this special severance offer, and I will not be eligible for any benefits under Ashland's Severance Pay Plan, or under any other severance pay plan or program of Releasees.

I further acknowledge that I have been advised that the offer has been made to all employees in my department whose service is being terminated, as set out in Attachment II, hereto, and has not been offered to those so noted on Attachment II. I understand that additional information can be obtained upon request from my Human Resources representative.

Section 8. EFFECTIVE DATE AND MY RIGHT TO REVOKE GENERAL RELEASE

In accordance with federal law, I understand that this General Release may be revoked by me at any time within seven (7) calendar days after the date of execution noted below. To be effective, the revocation must be in writing and delivered to Steve Spalding, Assistant General Counsel, 5475 Rings Rd, Dublin, OH 43017, either by hand or mail within a seven (7) day period following my execution of this General Release. If delivered by mail, the recision must be:

1. Postmarked within the seven (7) day period;
2. Properly addressed as noted above; and
3. Sent by Certified Mail, Return Receipt Requested.

I understand that this Separation Agreement and the General Release contained herein, and my acceptance of it shall not become effective or enforceable until the first day immediately following the last day of the seven (7) day revocation period (the "Effective Date").

Section 9. GOVERNING LAW

It is agreed that this General Release shall be interpreted in accordance with the laws of the State of Delaware.

Section 10. PARTIAL INVALIDITY OF THE GENERAL RELEASE

I agree that if any term or provision of this General Release is determined by a court or other appropriate authority to be invalid, void, or unenforceable for any reason, the remainder of the terms and provisions of this General Release shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Employee Initials: _____

Section 11. MMSEA REPORTING REQUIREMENTS

I understand that pursuant to Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA), if I have applied for Medicare prior to the execution of this Separation Agreement, or if I am likely to become eligible for Medicare within twelve (12) months thereafter, the Centers for Medicare Services will be notified of this Separation Agreement.

Employee Initials: _____

Section 12. COMPLETE AGREEMENT

It is agreed that the foregoing constitutes the entire agreement between the Employee and Releasees, and that except for those written agreements specifically incorporated herein by reference, there are no other agreements, oral or written, express or implied, relating to any matters covered by this Separation Agreement, or any other agreement in effect and relating to any other matter whatsoever, whether or not within the knowledge or contemplation of either of the Parties at the time of execution of this Separation Agreement.

IMPORTANT NOTICE

I acknowledge that:

- **I have read this General Release and I understand fully its final and binding effect;**
- **The only promises made to me to sign this General Release are those stated herein;**
- **I am signing this General Release knowingly and voluntarily; and**
- **I have no other claim or expectation of any additional pay or benefits incident to my Employment. The benefits I am receiving for this General Release are in lieu of, and fully satisfy, all monetary amounts, if any, to which I might otherwise be entitled under federal or state statute or common law.**

ASHLAND LLC

/s/ Keith Silverman__________ KEITH SILVERMAN Employee # 412140	/s/ Eileen Drury__________________ Signature of Company Representative
January 1, 2021____________ Date of Execution by Employee	VP Human Resources____________ Title of Company Representative

SUMMARY OF SPECIAL SEVERANCE BENEFITS,
EMPLOYEE BENEFITS AND MISCELLANEOUS PROVISIONS

On November 20, 2020 (your “Termination Date”), your employment with Ashland ended. After your Termination Date, you will receive severance benefits equal to **78 weeks** of base pay, calculated based on your salary band and your rate of base pay in effect as of your Termination Date.

Your severance benefit is payable to you by Ashland in a lump sum, less applicable withholding of taxes, etc. Any portion of the severance benefit which is exempt from Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”) will be paid to you by Ashland in a lump sum, less applicable withholding of taxes, etc., as soon as is practicable, but not more than 15 days, following the Effective Date of this Separation Agreement, as defined in Section 8 of this Separation Agreement. Any remaining portion of the severance benefit will be paid within five days following the first day of the seventh calendar month following the month in which the Termination Date occurs.

You are being offered the special severance benefits, described in this Attachment I, in exchange for your promises and covenants contained in this Separation Agreement. You understand and agree that if you fail to properly execute and return this Separation Agreement within the time period specified in Section 7 of this Separation Agreement, or you revoke your acceptance of it within the 7-day window provided in Section 8 of this Separation Agreement, then the Separation Agreement will not become effective, and you will not be eligible for any of the special severance benefits described in this Attachment I, or any benefits under Ashland’s Severance Pay Plan or any other severance pay plan or program of Releasees.

In addition, with respect to those special severance benefits relating to favorable treatment under certain employee benefit plans and programs, you understand that in the event this Separation Agreement does not become effect as provided above, then you will not receive this favorable treatment, and instead you will only be eligible to receive those benefits that are required to be paid to you under the relevant plans or programs in the event of your termination.

The following summarizes selected terms and conditions from some of the employee benefit plans in which you may have participated. The actual terms of these plans are in their plan documents. You should refer to the relevant summary plan description for more information on a particular plan and the effect that your severance has with regard to that plan.

In general, you cannot continue participation in any employee benefit plan after your Termination Date. If you were enrolled in a group health plan, you may be able to continue coverage by making what is called a COBRA election. You cannot elect to have any premiums you may have to pay for COBRA coverage deducted from any payments you are receiving under the terms of this Separation Agreement.

Employee Initials: _____

RECOGNITION BONUS

In consideration of your extremely strong EH&S leadership during Covid and a record year in overall EH&S, you will receive an additional lump sum payment of $150,000, less applicable withholdings, which will be made within 15 days of the Effective Date of this Separation Agreement.

PENSION PLAN

If you are eligible to receive a benefit under a Company sponsored pension plan, your benefit will be based on the plan terms and the Company's records of your employment and plan benefit. If you have a vested benefit, then you will be eligible to elect to begin your pension benefit as of the date specified within the applicable plan.

MEDICAL AND DENTAL

If you are enrolled in the Medical or Dental Plan on your Termination Date, you will be eligible for COBRA continuation coverage at no cost to you, for a period equal to three (3) weeks for each completed year of service, provided that there is a minimum free coverage period of 20 weeks, and a maximum free coverage period of 52 weeks. Your free COBRA coverage period is **24 weeks**. Additionally, if your free COBRA continuation coverage period extends only partially into a month, your COBRA continuation coverage will be at no cost for that entire month. After your free COBRA continuation coverage ends, you may be eligible to continue coverage at the rates that apply to terminated employees. Generally, the maximum COBRA continuation coverage period is 18 months. The free COBRA continuation coverage period counts toward this 18-month limit. COBRA continuation coverage is not automatic; to be eligible for COBRA continuation coverage, including the initial period during which coverage is provided at no cost to you, you must first make a timely election of COBRA coverage. You make a timely election by completing and returning the COBRA election form that will be sent to you by the Ashland Benefits Service Center. If you have any questions, please contact the Ashland Benefits Service Center at (855) 889-6519 (Monday-Friday 8:00 am – 5:00 pm EST).

HEALTH SAVINGS ACCOUNT

If you are enrolled in a Health Savings Plan on your Termination Date, then thereafter you can continue to make contributions to your HSA so long as you continue to participate in a medical plan that qualifies as a High Deductible Health Plan (HDHP). This could occur as a result of electing COBRA continuation coverage under your current Company-provided medical plan or as a result of your enrollment in a medical plan offered by a third-party that qualifies as a HDHP. Once your coverage under a HDHP ends, your ability to contribute to the HSA for future periods ends. You may be able to make retroactive contributions to the plan if there were prior periods when you could have made contributions but did not do so. Generally, your ability to contribute for periods in a calendar year when you were covered by a HDHP ends on April 15th of the subsequent calendar year. Regardless of whether you make any further contributions to your HSA after your Termination Date, the funds in your HSA are yours to keep, and can be used to pay for eligible medical expenses for you and your tax dependents in accordance with all applicable withdrawal rules. For more information, refer to IRS Publication 969 (www.irs.gov/pub/irs-pdf/p969.pdf) or contact your tax advisor.

LIFE INSURANCE

Employee Initials: _____

Your Company provided noncontributory life insurance coverage, contributory life coverage, spouse and dependent child life coverage, and group accidental death and dismemberment coverage will end on your Termination Date.

You may be eligible to continue your noncontributory and/or contributory life insurance coverage, spouse and dependent child life coverages after your Termination Date. Continuing these coverages, though, is strictly between you and the applicable insurance companies that provide this coverage. You have a 31-day window following your Termination Date to arrange to continue these coverages. To find out more about your ability to continue these coverages please contact Ashland's Benefits Department at: benefits@ashland.com or (844) 592-5322. A conversion privilege is not available for the group life accidental death and dismemberment portion of your coverage.

FLEXIBLE SPENDING ACCOUNTS PLAN

If you were a participant in the Flexible Spending Accounts Plan on your Termination Date, then any amount you have remaining in the Dependent Day Care Account and/or the Health Care Account is available to reimburse you for covered services incurred before your Termination Date. Thereafter, you may have rights to continue your Health Care Account coverage by making a COBRA election. Ashland's Employee Benefits Department will provide you with a summary of your COBRA rights that will tell you how to elect to continue coverage under the Health Care Account. A COBRA election can only continue your participation in the Health Care Account through the end of the calendar year in which your Termination Date occurs.

Any amount you have remaining in the Dependent Care Account and/or the Health Care Account is available to reimburse you for covered services incurred before the date your coverage under the particular account ends. Claims for services performed after your coverage ends are not eligible for reimbursement. Claims for reimbursement must be filed by June 30 in the calendar year following the year in which the covered expenses were incurred. Any amounts in your accounts that are not used will be forfeited according to IRS rules.

EMPLOYEE SAVINGS PLAN

Upon your Termination Date, you have a number of withdrawal options. If your account is valued at more than $1,000 on your Termination Date, you have the option of leaving your account in the plan. If your account is valued at $1,000 or less, it will be paid to you as a mandatory lump sum cash-out. If you have an unpaid loan, you may continue to make monthly payments after your Termination Date. Fidelity will

Employee Initials: _____

send you payment instructions approximately 4 weeks following your Termination Date. To receive Savings Plan information, call Fidelity Investments at (800) 827-4526. You may also access Savings Plan information on the internet by clicking "Access My Account" under NetBenefits at www.401k .com.

LONG TERM DISABILITY, SUPPLEMENTAL LONG TERM DISABILITY; VOLUNTARY ACCIDENTAL DEATH AND DISMEMBERMENT; OCCUPATIONAL ACCIDENTAL DEATH AND DISMEMBERMENT; TRAVEL ACCIDENT INSURANCE AND ADOPTION ASSISTANCE PROGRAM

If you are enrolled in one or more of these plans on your Termination Date, your eligibility for coverage under the applicable plan(s) ends on your Termination Date.

If you were covered by the voluntary accidental death and dismemberment plan you may be eligible for conversion privileges within 31 days of your Termination Date. To find out if this applies to you, or to obtain contact information for the applicable insurance company, please contact If you have any questions please contact Ashland's Benefits Department at: benefits@ashland.com or (844) 592-5322.

VISION COST ASSISTANCE PLAN

If you are enrolled for this coverage, it will end on your Termination Date, although you may be able to elect COBRA continuation of coverage at that time. After your Termination Date Ashland's Vision Plan COBRA administrator will provide you with a summary of your COBRA rights that will tell you how to elect to continue coverage.

MISCELLANEOUS PROVISIONS

UNUSED VACATION/SICK PAY

In accordance with Ashland's Vacation policy, you will be paid in a lump sum for your unused 2020 vacation. You will not be paid for any unused sick pay.

INCENTIVE PAY PLAN

If you were a participant in an incentive pay plan during FY 2020 and/or FY 2021, then if and when payments are made, you will be eligible to receive a payment under the applicable plan for that portion of the relevant plan year during which you were actively employed. Any payment will be made in accordance with all other terms and conditions of the applicable plan.

EQUITY AWARDS

With respect to your existing unvested equity awards, you will receive accelerated, prorata vesting of the outstanding portion of those RSU and SAR awards, calculated from the date of the applicable grant(s) through your Termination Date, and using the stock price at the close of the market on your Termination Date. The non-accelerated portions of your current unvested equity awards will be forfeited.

PERFORMANCE UNIT AWARDS (LTIP)

If and when payments are made to active employees, if eligible, you will receive a pro-rata payment under Ashland's Long-Term Incentive Plan (LTIP) for each outstanding grant made to you under the LTIP. All payments under the LTIP will be pro-rated through your Termination Date, in accordance with the Company's customary pro-rata practices, calculated based on actual plan measures through the entire applicable plan cycle (including adjustments for unusual items), and made consistent with all other terms and conditions specified in the LTIP and the applicable award agreement.

OTHER EXECUTIVE COMPENSATION PLANS OR PROGRAMS

Your eligibility to receive benefits under any other executive compensation plans or programs offered by Ashland is governed exclusively by the terms and conditions of such plans, and nothing in this Separation Agreement impairs any rights you may otherwise have under those plans or programs.

CREDIT UNION

If you are a member of the Credit Union at the time of your Termination Date, you will be able to participate in the Credit Union after your Termination Date. You will need to contact the Credit Union directly to discuss handling of Credit Union business.

EDUCATIONAL REIMBURSEMENT

If the course has been approved for reimbursement prior to your Termination Date and will be completed within six (6) months of your Termination Date, you will be reimbursed for approved costs provided you complete the course within policy guidelines.

Once the course has been successfully completed and you have received your "final" grade showing you have met the qualifications for reimbursement, you must log back into the Tuition Reimbursement System (https://ashland.tuitionmanager.com) and submit a reimbursement request for each course. You will be required to upload a copy of your final grade and an itemized invoice.

If you have any questions, please contact the Education Assistance Administrator at educationassistance@ashland.com.

MATCHING GIFTS

Participation in the Matching Gifts Program will cease upon your Termination Date.

EMPLOYEE ASSISTANCE PROGRAM

Your participation in the Employee Assistance Program will end on your Termination Date.

EXPENSES

If you have incurred any expenses that are reimbursable by ASHLAND, you should submit an approved Expense Report to your supervisor, along with required receipts immediately. In the event there is an outstanding balance owed to Ashland for any charges on your corporate credit card or purchasing card account(s) that are not properly reimbursable under the Company's reimbursement policies, you understand and agree that ASHLAND will make deductions from your severance benefits in order to cover such balance(s).

OUTPLACEMENT ASSISTANCE

You will be provided with outplacement assistance services following your Termination Date to assist you in your search and transition into other employment. This assistance will be provided to you through a third-party selected by the Company and will be provided at no expense to you. Please contact your Human Resources Representative for more information about this benefit.

UNEMPLOYMENT COMPENSATION

State laws control whether you are eligible to receive unemployment compensation. If you decide to file for unemployment compensation, Ashland is obligated to inform the state's unemployment commission of the nature of your termination.

VERIFICATION OF EMPLOYMENT

Ashland will only verify dates of employment and last job title, department and work location. Ashland will only release other information concerning your employment as required by law, or at your request and with your written consent.

SECTION 409A

If, on the Termination Date, you were a "specified employee" within the meaning of Section 409A, then certain of the special severance benefits described in this Attachment 1 may be delayed to comply with Section 409A.

However, it is intended that the special severance benefits described in this Attachment 1 shall be exempt from the requirements of Section 409A. With regard to any provision herein that provides for reimbursement costs and expenses or in-kind benefits, except as permitted by Section 409A: (1) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (2) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (3) such payments shall be made on or before the last day of you taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder.

Employee Initials: _____

FUTURE CORRESPONDENCE

Any future information from the Company will be sent to the address you currently have on file (i.e. employee benefit information, W-2's, etc.). Should your address change in the near future you should contact Ashland's Benefits Department at: benefits@ashland.com or (844) 592-5322. If you have an account established with one of the Company's benefits vendors, you should also contact that vendor to advise of any changes to your physical or e-mail addresses.

IMPORTANT NOTE ABOUT THIS SUMMARY

Details on the benefits from the employee benefit plans discussed above are provided in the summary plan description booklet for each plan. In all events, the rights and obligations of Ashland, and all covered employees, beneficiaries or other claimants are governed solely by the terms of the official documents under which each particular plan, policy.

Employee Initials: _____

REMINDER

Once You Have Signed Both Originals of This Document, Please Return Both Original Signed Agreements to:

Betty Lange
Human Resources
Ashland LLC
500 Hercules Road
Building 8134
Wilmington, Delaware 19808

A Fully Executed Original Agreement will be returned to your home address.

EXHIBIT 31.1

CERTIFICATIONS

I, Guillermo Novo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ashland Global Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s Board of Directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 4, 2021

/s/ Guillermo Novo
Guillermo Novo
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, J. Kevin Willis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ashland Global Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2021

/s/ J. Kevin Willis
J. Kevin Willis
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

ASHLAND GLOBAL HOLDINGS INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ashland Global Holdings Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, Guillermo Novo, Chief Executive Officer of the Company, and J. Kevin Willis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Guillermo Novo
Guillermo Novo
Chief Executive Officer
February 4, 2021

/s/ J. Kevin Willis
J. Kevin Willis
Chief Financial Officer
February 4, 2021