



# Third-Quarter Fiscal 2015 Earnings

July 29, 2015

**ASHLAND**<sup>®</sup>

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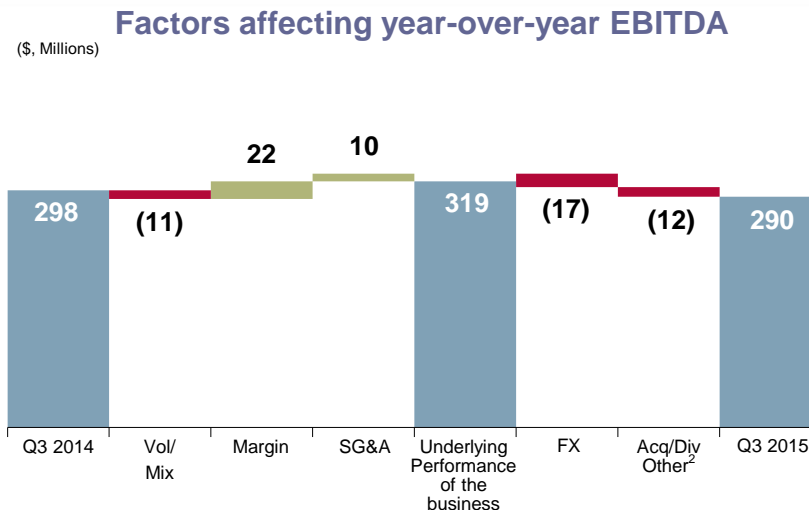
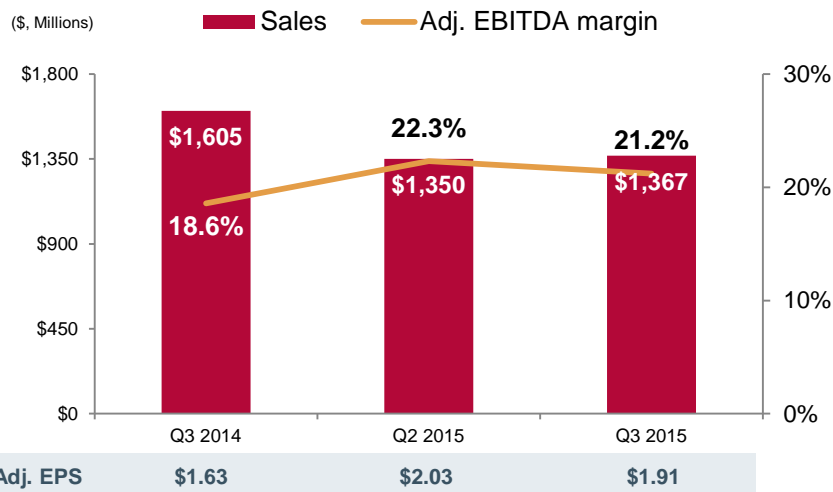
# Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Ashland has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “may,” “will,” “should” and “intends” and the negative of these words or other comparable terminology. In addition, Ashland may from time to time make forward-looking statements in its annual reports, 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, the economy and other future events or circumstances. Ashland’s expectations and assumptions include, without limitation, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw-material cost increases through price increases), and risks and uncertainties associated with the following: Ashland’s substantial indebtedness (including the possibility that such indebtedness and related restrictive covenants may adversely affect Ashland’s future cash flows, results of operations, financial condition and its ability to repay debt), the impact of acquisitions and/or divestitures Ashland has made or may make (including the possibility that Ashland may not realize the anticipated benefits from such transactions), the global restructuring program (including the possibility that Ashland may not realize the anticipated revenue and earnings growth, cost reductions and other expected benefits from the program), Ashland's ability to generate sufficient cash to finance its stock repurchase plans, severe weather, natural disasters and legal proceedings and claims (including environmental and asbestos matters). Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements, including, without limitation, risks and uncertainties affecting Ashland that are described in its most recent Form 10-K (including Item 1A Risk Factors) filed with the SEC, which is available on Ashland’s website at <http://investor.ashland.com> or on the SEC’s website at [www.sec.gov](http://www.sec.gov). Ashland believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Unless legally required, Ashland undertakes no obligation to update any forward-looking statements made in this presentation whether as a result of new information, future events or otherwise.

## Regulation G: Adjusted Results

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

# Fiscal Third Quarter 2015 Highlights<sup>1</sup>



- Reported earnings per share (EPS) from continuing operations of \$1.68
  - **Adjusted earnings grew 17%** to \$1.91 vs. \$1.63 per share in prior year
  - Fifth consecutive quarter of year-over-year adjusted EPS growth
- Adjusted EBITDA of \$290 million vs. \$298 million in prior year
  - Currency and divestitures – including exited product lines - were \$29 million headwind
- Completed \$1.35 billion share repurchase authorization
- Issued \$1.1 billion Term Loan Facility
  - Tendered and called March 2016 senior secured notes
  - \$500 million cash contribution to U.S. pension plans

<sup>1</sup> Ashland's earnings releases dated July 29, 2015, and April 29, 2015, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

<sup>2</sup> Divestitures includes elastomers divestiture, guar powder and redispersible powders (RDP) product lines exited during prior four quarters.

# Fiscal Third Quarter – Continuing Operations

## Key Items Affecting Income



2015	Operating Income				Total		
	Ashland Specialty Ingredients	Ashland Performance Materials	Valvoline	Unallocated and Other	Pre-tax	After-tax	Earnings per Share
Restructuring	\$ (2)				\$ (2)	\$ (2)	\$ (0.03)
Legacy environmental reserves				\$ (9)	(9)	(5)	(0.07)
Debt refinancing costs					(14)	(9)	(0.13)
<b>Total</b>	<b>\$ (2)</b>			<b>\$ (9)</b>	<b>\$ (25)</b>	<b>\$ (16)</b>	<b>\$ (0.23)</b>
2014							
Restructuring and integration		\$ (9)		\$ (22)	\$ (31)	\$ (23)	\$ (0.29)
Legacy environmental reserves	\$ (1)			\$ (12)	(13)	(8)	(0.10)
ASK impairment		\$ (4)			(4)	(2)	(0.02)
Foreign tax indemnification receivable				\$ (5)	(5)	(5)	(0.07)
Losses on pension & OPEB remeasurement				\$ (16)	(16)	(12)	(0.15)
Tax adjustments					-	(8)	(0.10)
<b>Total</b>	<b>\$ (1)</b>	<b>\$ (13)</b>		<b>\$ (55)</b>	<b>\$ (69)</b>	<b>\$ (58)</b>	<b>\$ (0.73)</b>

- Excluding intangible amortization, adjusted EPS would have been 20 cents higher, or \$2.11

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



(\$ in millions) Preliminary	Fiscal Third Quarter Three months ended June 30,			Three months ended March 31,	
	2015	2014	Change	2015	Change
<b>Sales</b>	\$ 1,367	\$ 1,605	(15) %	\$ 1,350	1 %
<b>Gross profit as a percent of sales</b>	31.5 %	28.4 %	310 bp	33.1 %	(160) bp
<b>Selling, general and admin./R&amp;D costs</b>	\$ 231	\$ 255	(9) %	\$ 239	(3) %
<b>Operating income</b>	\$ 207	\$ 212	(2) %	\$ 218	(5) %
<b>Operating income as a percent of sales</b>	15.1 %	13.2 %	190 bp	16.1 %	(100) bp
<b>Depreciation and amortization</b>	\$ 83	\$ 89	(7) %	\$ 83	- %
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	\$ 290	\$ 298	(3) %	\$ 301	(4) %
<b>EBITDA as a percent of sales</b>	21.2 %	18.6 %	260 bp	22.3 %	(110) bp

- Currency and divestitures<sup>2</sup> were ~\$170 million headwind to sales
- Mix, margins and cost savings drove 260 basis-point increase in EBITDA margin

<sup>1</sup> Ashland's earnings releases dated July 29, 2015, and April 29, 2015, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

<sup>2</sup> Divestitures includes elastomers divestiture, guar powder and redispersible powders (RDP) product lines exited during prior four quarters.

Adjusted Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal Third Quarter			Three months ended	
	Three months ended June 30,			March 31,	
	2015	2014	Change	2015	Change
<b>Metric tons sold (in thousands) - Actives basis</b>	<b>83.6</b>	<b>95.0</b>	<b>(12) %</b>	<b>82.7</b>	<b>1 %</b>
<b>Sales</b>	<b>\$ 579</b>	<b>\$ 653</b>	<b>(11) %</b>	<b>\$ 583</b>	<b>(1) %</b>
<b>Gross profit as a percent of sales</b>	<b>33.1 %</b>	<b>31.5 %</b>	<b>160 bp</b>	<b>34.8 %</b>	<b>(170) bp</b>
<b>Selling, general and admin./R&amp;D costs</b>	<b>\$ 115</b>	<b>\$ 124</b>	<b>(7) %</b>	<b>\$ 120</b>	<b>(4) %</b>
<b>Operating income</b>	<b>\$ 77</b>	<b>\$ 81</b>	<b>(5) %</b>	<b>\$ 83</b>	<b>(7) %</b>
<b>Operating income as a percent of sales</b>	<b>13.3 %</b>	<b>12.4 %</b>	<b>90 bp</b>	<b>14.2 %</b>	<b>(90) bp</b>
<b>Depreciation and amortization</b>	<b>\$ 60</b>	<b>\$ 61</b>	<b>(2) %</b>	<b>\$ 59</b>	<b>2 %</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>\$ 137</b>	<b>\$ 142</b>	<b>(4) %</b>	<b>\$ 142</b>	<b>(4) %</b>
<b>EBITDA as a percent of sales</b>	<b>23.7 %</b>	<b>21.7 %</b>	<b>200 bp</b>	<b>24.4 %</b>	<b>(70) bp</b>

- Energy and foreign exchange (FX) were significant headwinds to sales
- Business and product mix, as well as manufacturing and SG&A cost execution, more than offset FX headwind, leading to 200-basis-point improvement in EBITDA margin

<sup>1</sup> Ashland's earnings releases dated July 29, 2015, and April 29, 2015, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

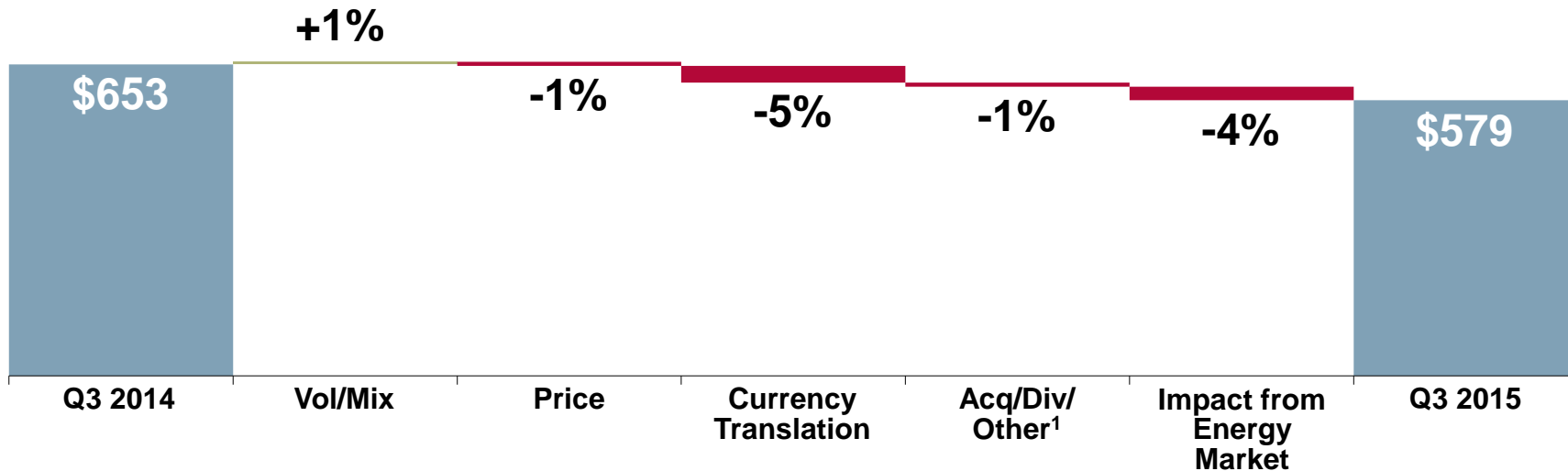


# Revenue and Adjusted EBITDA Bridges<sup>1</sup>

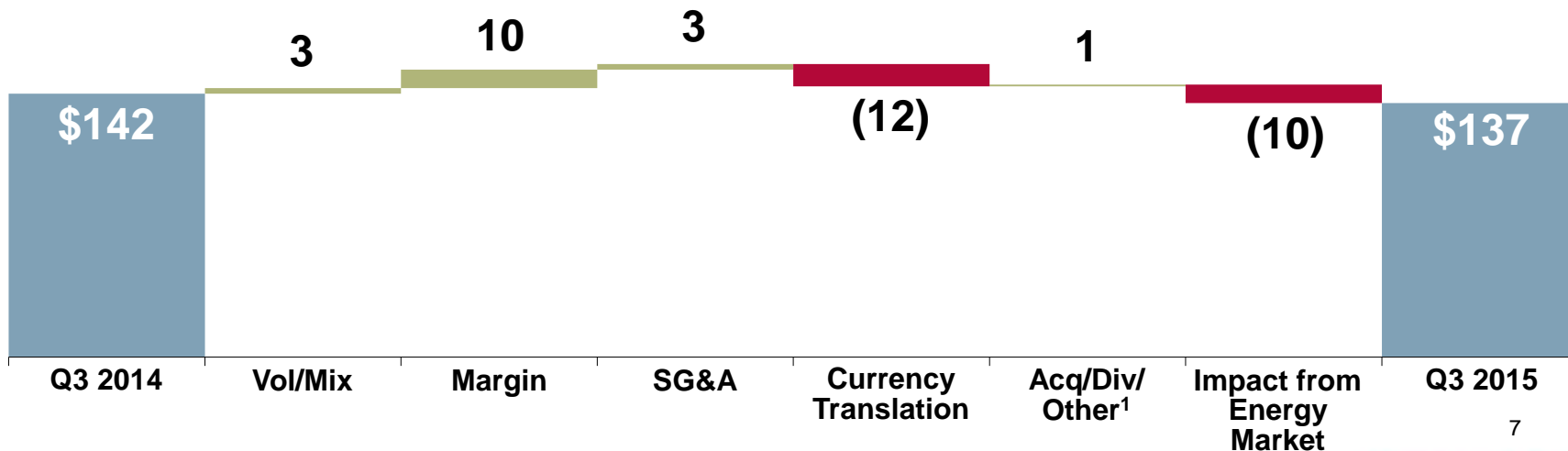
(\$ millions)  
Preliminary

## Q3 FY 2014 versus Q3 FY 2015

Revenue



EBITDA



<sup>1</sup> Acq/Div/Other includes guar powder and redispersible powders (RDP) product lines exited during prior four quarters.

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



(\$ in millions) Preliminary	Fiscal Third Quarter Three months ended June 30,			Three months ended March 31,	
	2015	2014	Change	2015	Change
Metric tons sold (in thousands)	118.2	154.7	(24) %	118.3	(0) %
Sales	\$ 278	\$ 420	(34) %	\$ 286	(3) %
Gross profit as a percent of sales	16.2 %	17.1 %	(90) bp	22.7 %	(650) bp
Selling, general and admin./R&D costs	\$ 33	\$ 41	(20) %	\$ 35	(6) %
Operating income	\$ 13	\$ 35	(63) %	\$ 30	(57) %
Operating income as a percent of sales	4.7 %	8.3 %	(360) bp	10.5 %	(580) bp
Depreciation and amortization	\$ 14	\$ 18	(22) %	\$ 14	- %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 27	\$ 53	(49) %	\$ 44	(39) %
EBITDA as a percent of sales	9.7 %	12.6 %	(290) bp	15.4 %	(570) bp

- Favorable mix and good margins in composites offset by divestitures, I&S plant shutdowns and foreign exchange
- I&S plant shutdowns were \$14 million headwind to EBITDA

<sup>1</sup> Ashland's earnings releases dated July 29, 2015, and April 29, 2015, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

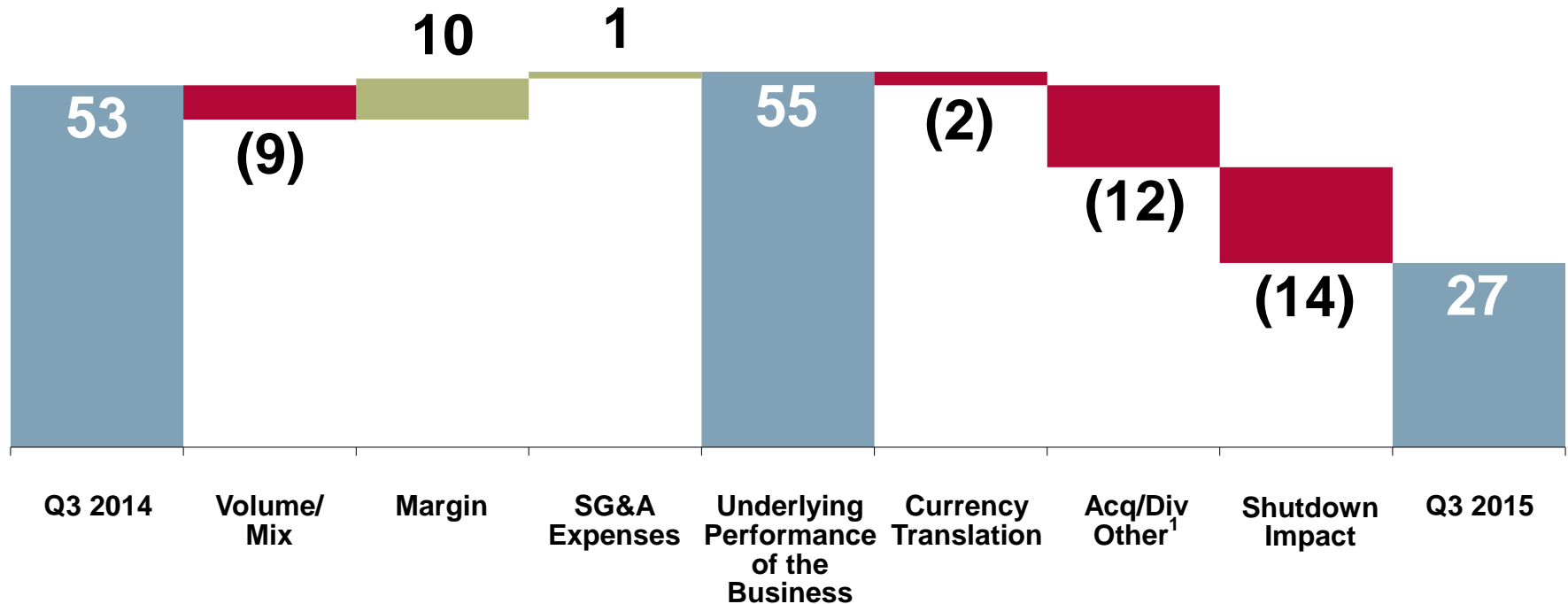




# Bridge of Items Affecting EBITDA

(\$ millions)  
Preliminary

## Q3 FY 2014 versus Q3 FY 2015



- Turnaround/shutdown costs within I&S more than offset good margins in composites
- Other category includes \$13mm impact of ASK and elastomers divestitures

<sup>1</sup> Acq/Div/Other includes sale of elastomers in December 2014 and ASK joint venture in June 2014.

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



(\$ in millions) Preliminary	Fiscal Third Quarter Three months ended June 30,			Three months ended March 31,	
	2015	2014	Change	2015	Change
Lubricant gallons (in millions)	44.4	42.8	4 %	40.5	10 %
Sales	\$ 510	\$ 532	(4) %	\$ 481	6 %
Gross profit as a percent of sales	37.0 %	32.7 %	430 bp	36.1 %	90 bp
Selling, general and admin./R&D costs	\$ 88	\$ 91	(3) %	\$ 84	5 %
Operating income	\$ 107	\$ 90	19 %	\$ 96	11 %
Operating income as a percent of sales	21.0 %	16.9 %	410 bp	20.0 %	100 bp
Depreciation and amortization	\$ 9	\$ 9	- %	\$ 10	(10) %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 116	\$ 99	17 %	\$ 106	9 %
EBITDA as a percent of sales	22.7 %	18.6 %	410 bp	22.0 %	70 bp

- Strong promotions and superior service model continues to drive solid growth, leading to another record quarter for Valvoline segment earnings
- Pricing adjustments made during quarter led to decline in sales versus prior year

# Fiscal Third Quarter 2015

## Corporate Items



- Adjusted effective tax rate of 22.0%
  - FY 2015 expectation now at 23-25%
- Trade Working Capital<sup>1</sup> ended quarter at 19.0% of sales
- Capital expenditures totaled \$61 million
  - Full-year 2015 expectation now at ~\$265-\$275 million
- Free cash flow<sup>2</sup> generation of \$184 million
  - FY 2015 expectation now at \$225-\$250 million
- Liquidity remains strong at \$2.3 billion with ~\$1.1 billion in cash
  - Almost all cash held outside the U.S.

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

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

# Corporate Actions to Create Value

Fiscal Year 2015



**Actions Ashland has taken to improve risk profile, increase earnings, and enhance free cash flow....**

- ✓ Extended debt maturities at lower interest rate
  - Executed \$1.1 billion five-year term loan
  - Tendered and called March 2016 bonds
  - Swapped bonds with unsecured bank debt
  
- ✓ Reduced U.S. pension risk
  - Contributed \$500 million of cash into U.S. qualified pension plans
  - Reduces expected required cash contributions in future years
  
- ✓ Concluded significant asbestos insurance settlement

**....have created value for shareholders.**

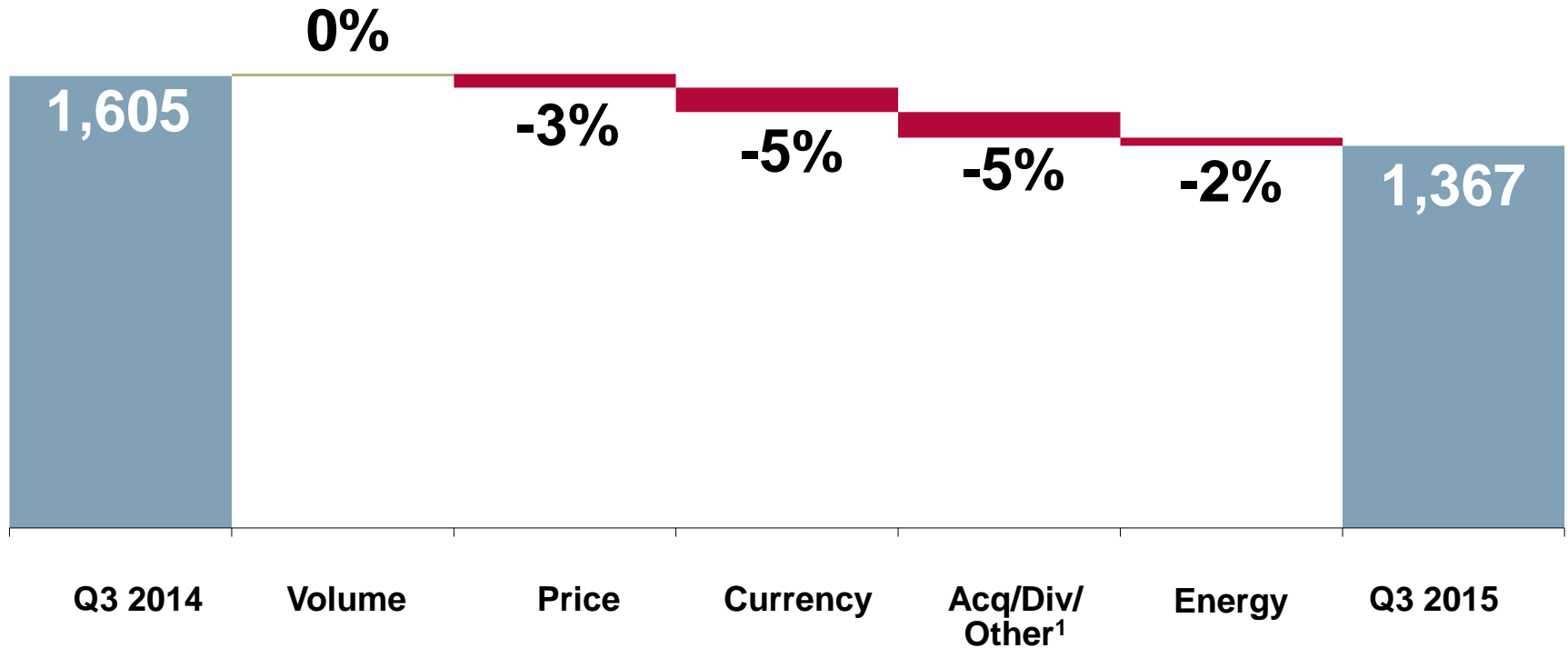
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**Appendix A:  
Bridges**



# Revenue Bridge

(\$ millions)  
Preliminary



- Volume growth across most end markets offset by currency headwinds and divestitures.
- Raw material pass through was primary driver to lower overall pricing

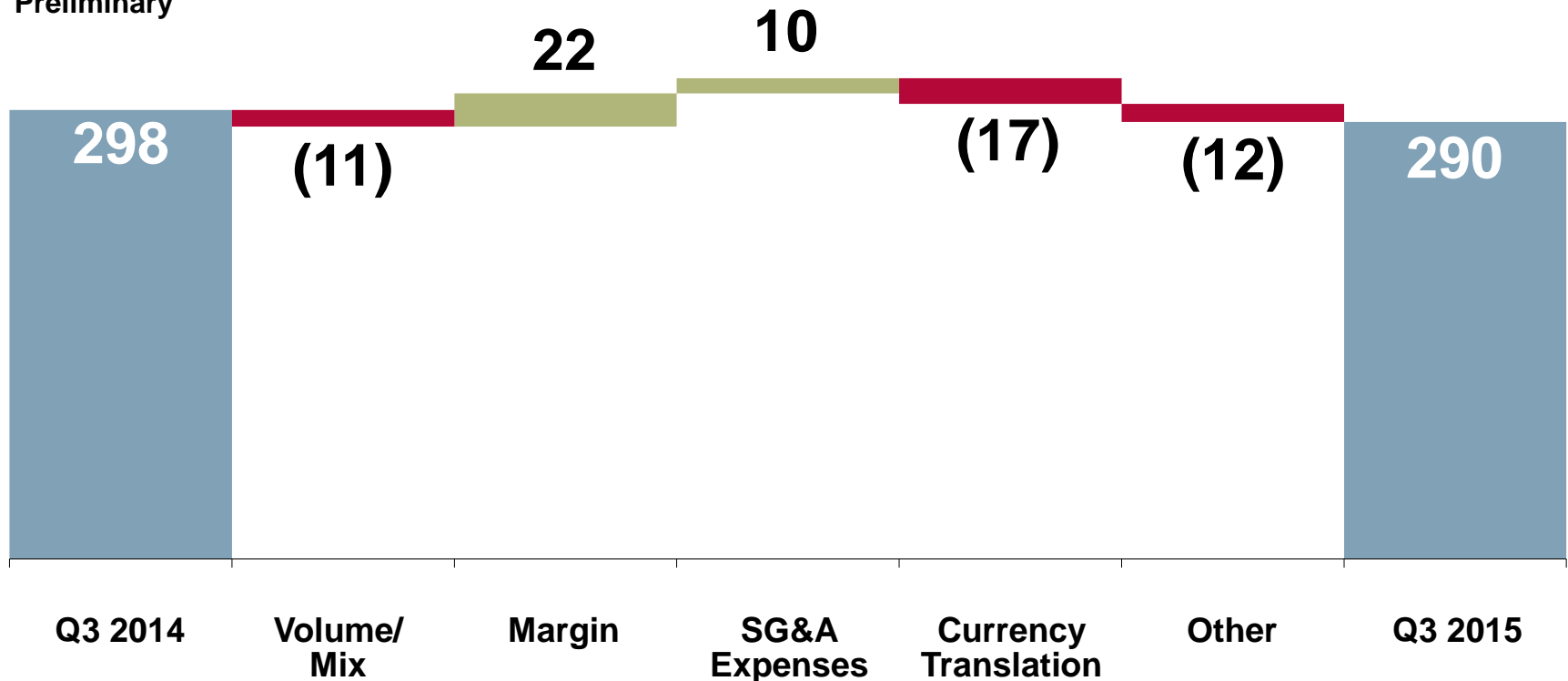
14

<sup>1</sup> Acq/Div/Other includes elastomers division, guar powder and redispersible powders (RDP) product line exited during prior four quarters.



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary



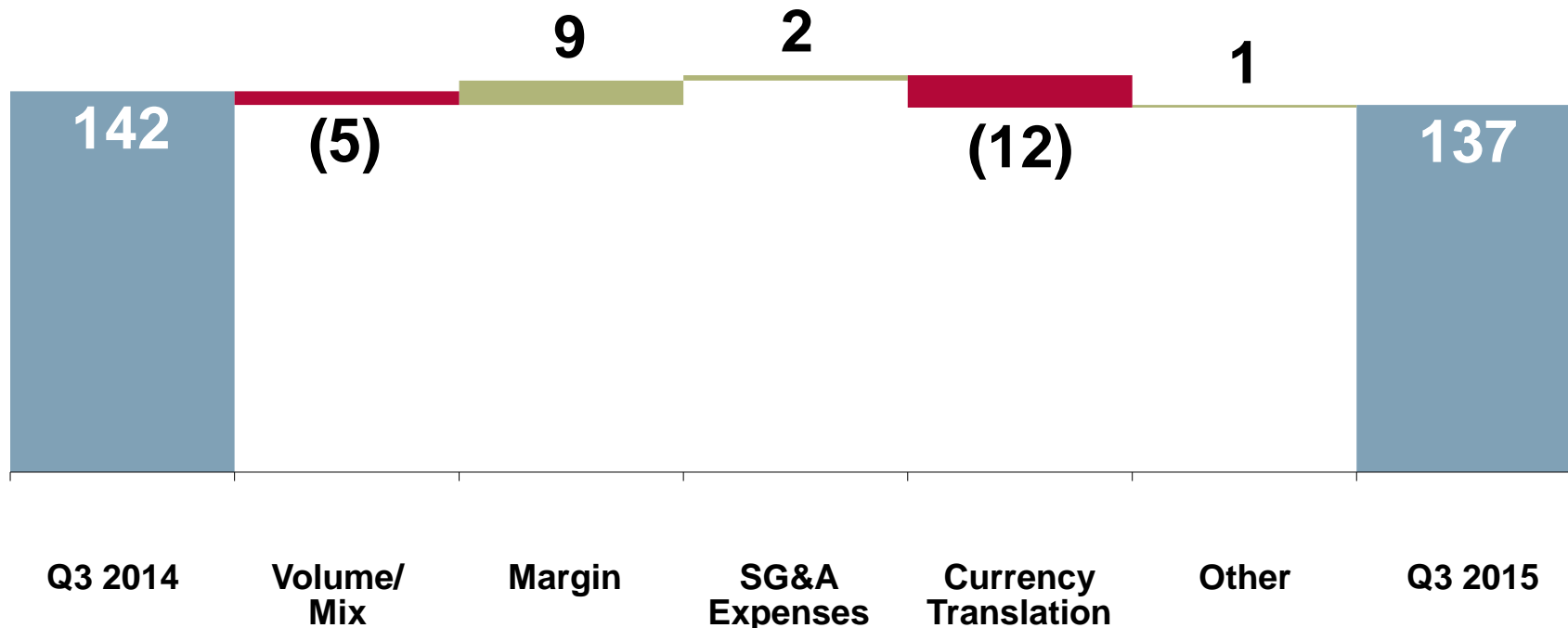
- Strong margins and SG&A cost savings contributed \$32 million to EBITDA, more than offsetting currency headwinds
- Elastomers and ASK joint venture divestitures, included in Other category, resulted in \$13 million headwind



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q3 FY 2014 versus Q3 FY 2015



- Manufacturing and SG&A cost execution, combined with good margins drove \$11 million increase to EBITDA
- Currency, driven by Euro, was a \$12 million headwind

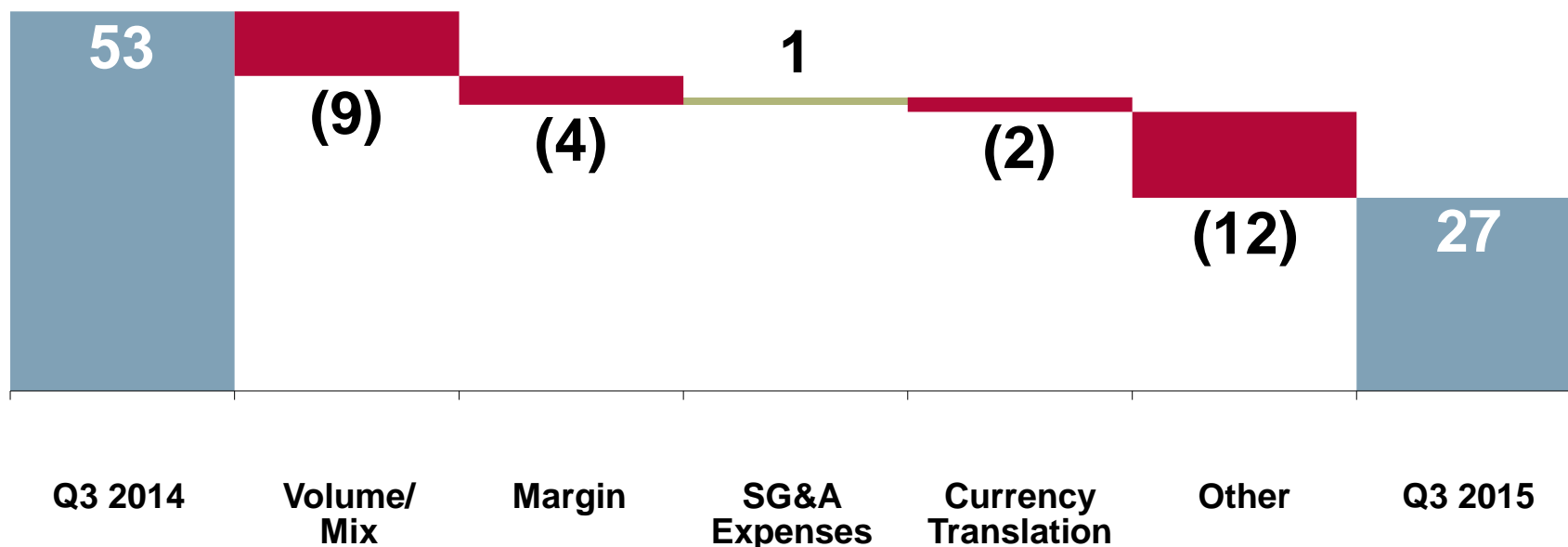




# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q3 FY 2014 versus Q3 FY 2015



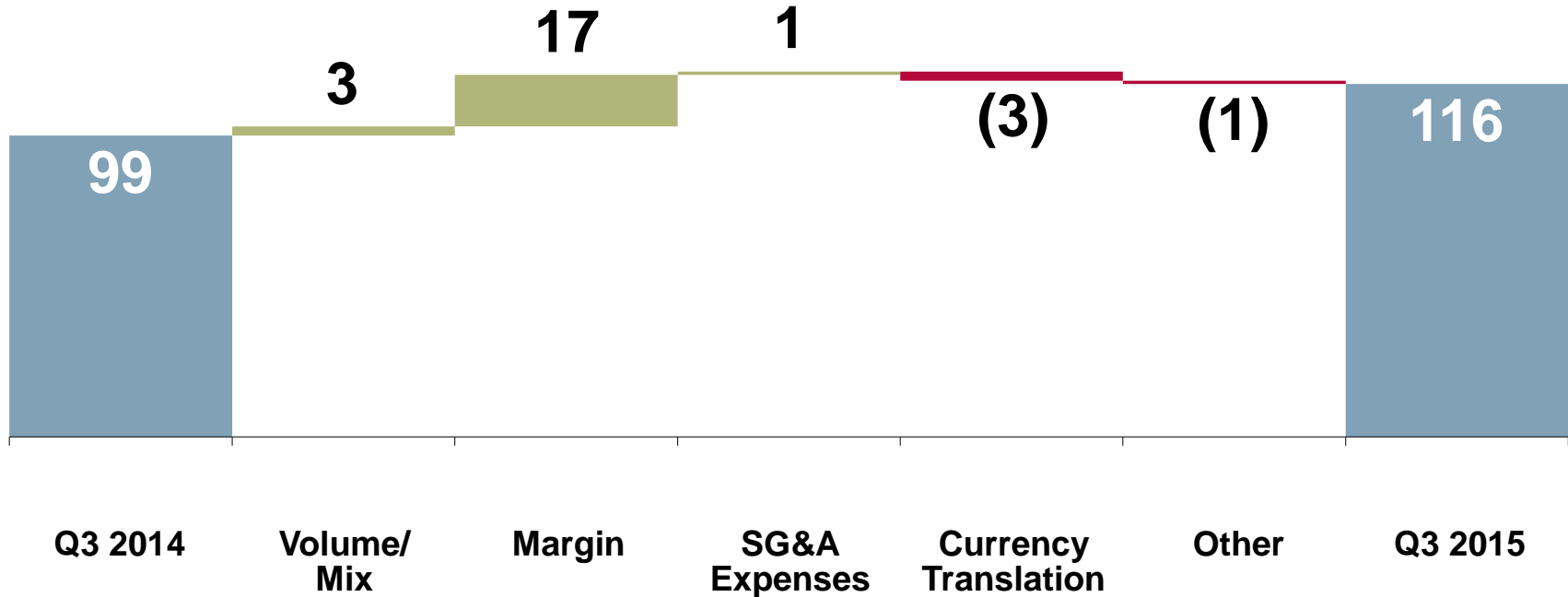
- Turnaround and shutdown costs within I&S more than offset good margins in composites
- Other category includes \$13 million impact of ASK and elastomers divestitures



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q3 FY 2014 versus Q3 FY 2015

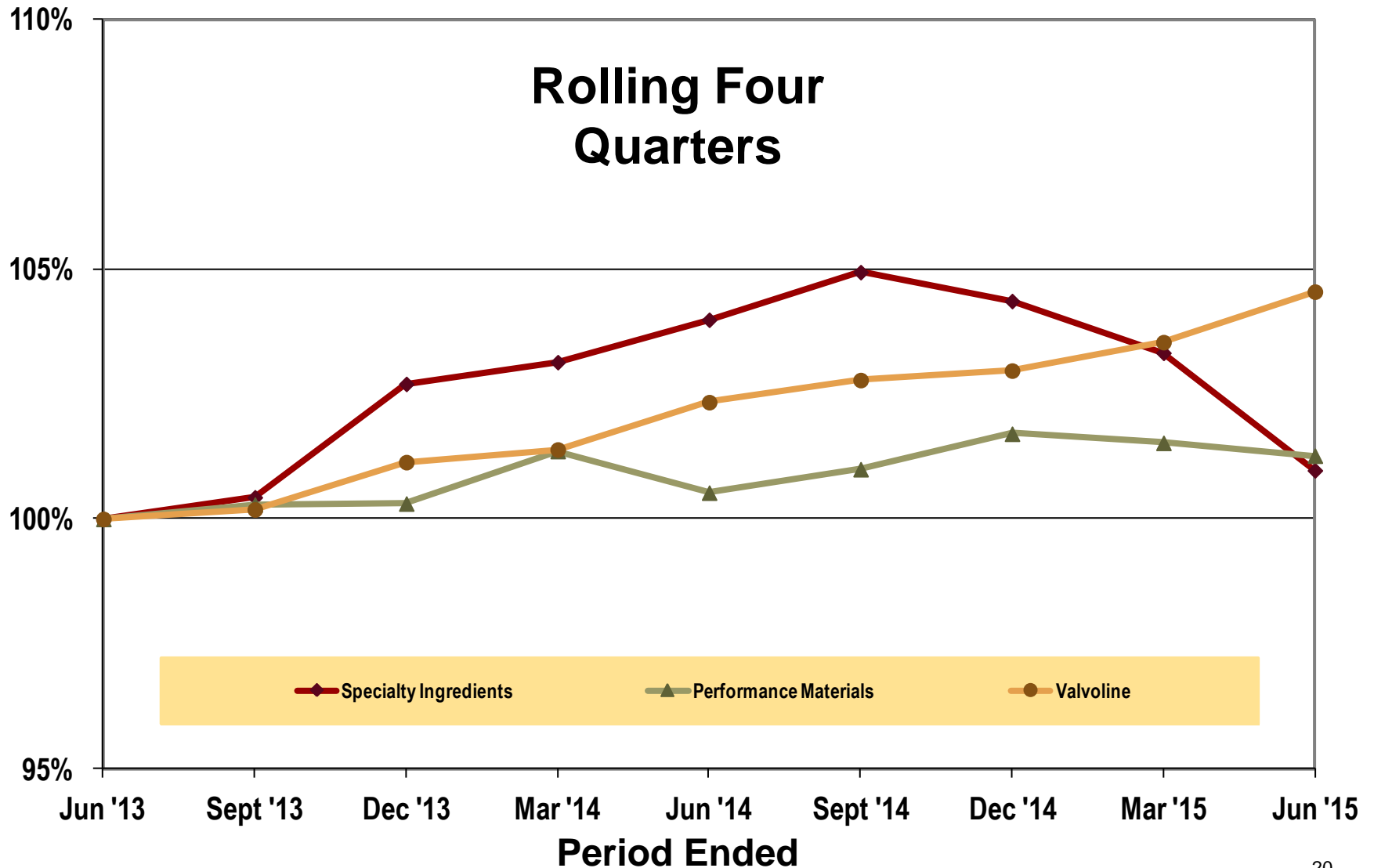


- Lower input costs, disciplined pricing management and good volume/mix key to EBITDA growth
- Currency was moderate headwind



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

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



<sup>1</sup> Excludes volumes associated with divestitures of elastomers and biocides for all periods. Excludes volumes associated with exited redispersible powders (RDP) product line for all periods.

<sup>2</sup> ASI and APM reflect realignment of adhesives and intermediates and solvents for all periods.

# Liquidity and Net Debt



(\$ in millions)

Liquidity	At June 30, 2015
Cash	\$ 1,113
Available revolver and A/R facility capacity	1,147
<b>Liquidity</b>	<b>\$ 2,260</b>

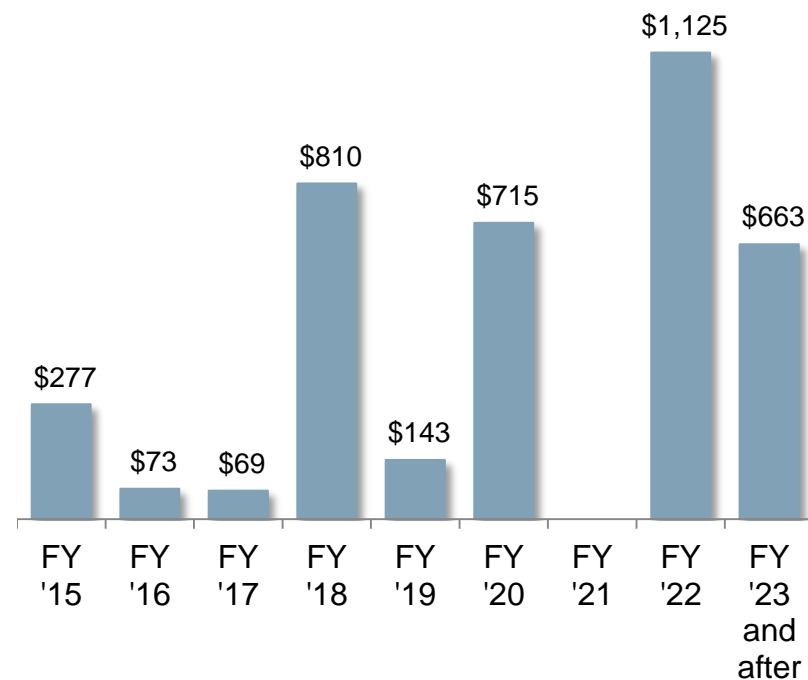
Debt	Expiration	Interest Rate	Moody's	S&P	At June 30, 2015
4.750% senior notes, par \$1,125 million	08/2022	4.75%	Ba1	BB	\$ 1,120
Term Loan A	06/2020 <sup>1</sup>	L+175	Ba1	BB	1,100
3.875% senior notes, par \$700 million	04/2018	3.875%	Ba1	BB	700
3.000% senior notes, par \$600 million	03/2016	3.000%	Ba1	BB	50
6.875% senior notes, par \$375 million	05/2043	6.875%	Ba1	BB	376
A/R facility drawn <sup>2</sup>	08/2015	L+75			205
6.5% debentures, par \$282 million	06/2029	6.500%	Ba2	B+	136
Revolver drawn <sup>3</sup>	03/2018	L+175	Ba1	BB	-
Other debt		Various			11
<b>Total debt</b>			<b>Ba1/ Stable</b>	<b>BB/ Stable</b>	<b>\$ 3,698</b>
<b>Cash</b>					<b>\$ 1,113</b>
<b>Net debt (cash)</b>					<b>\$ 2,585</b>

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

<sup>2</sup> AR securitization facility with maximum borrowing capacity of \$250 million; capacity as of June 30, 2015 of \$224 million

<sup>3</sup> \$1.2 billion facility, including ~\$72 million for letters of credit

## Scheduled Debt Repayments by Fiscal Year





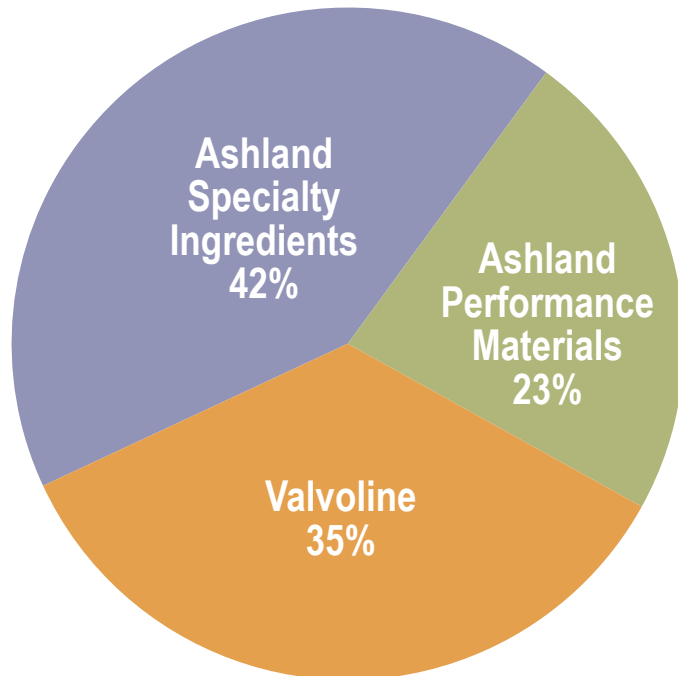
**Appendix C:  
Business Profiles  
12 Months Ended June 30, 2015**

# Corporate Profile

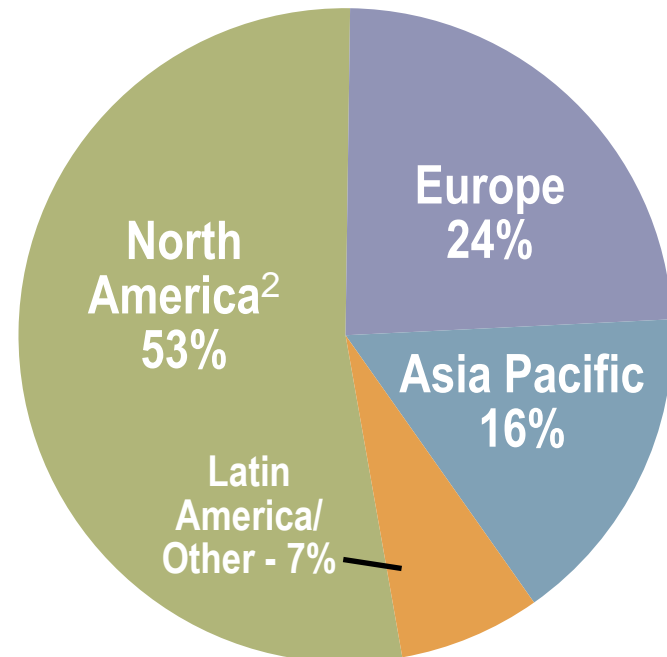


Sales<sup>1</sup> - \$5.6 Billion

By commercial unit



By geography



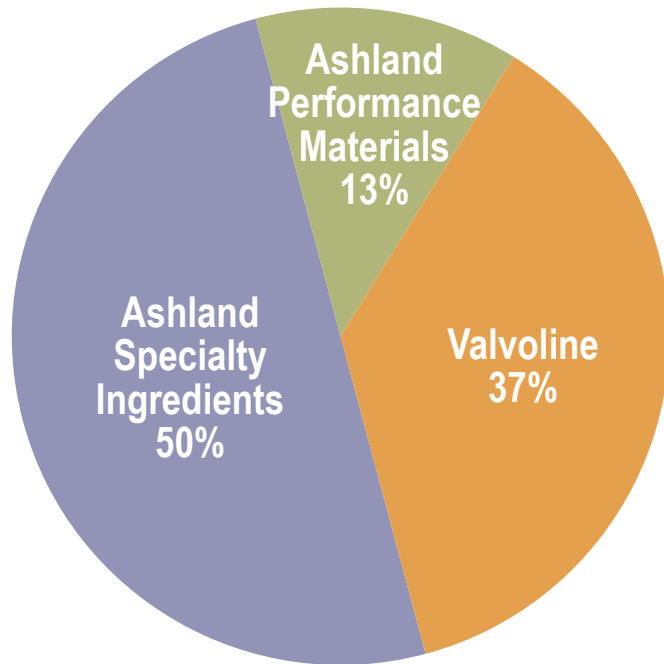
<sup>1</sup> For 12 months ended June 30, 2015.

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

# Corporate Profile



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



NYSE Ticker Symbol: ASH

Total Employees: ~10,000

Outside North America ~30%

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

<sup>1</sup> For 12 months ended June 30, 2015. See Appendix D for reconciliation to amounts reported under GAAP.

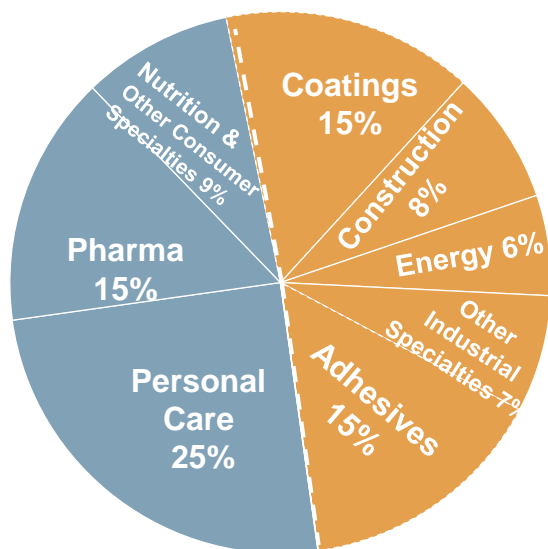


# Ashland Specialty Ingredients

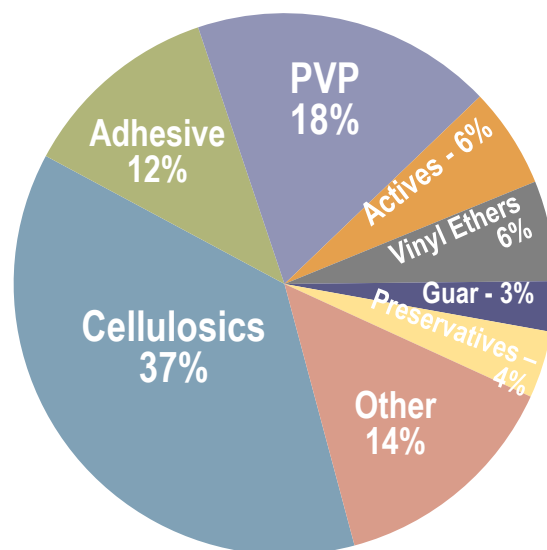
A global leader of cellulose ethers and vinyl pyrrolidones



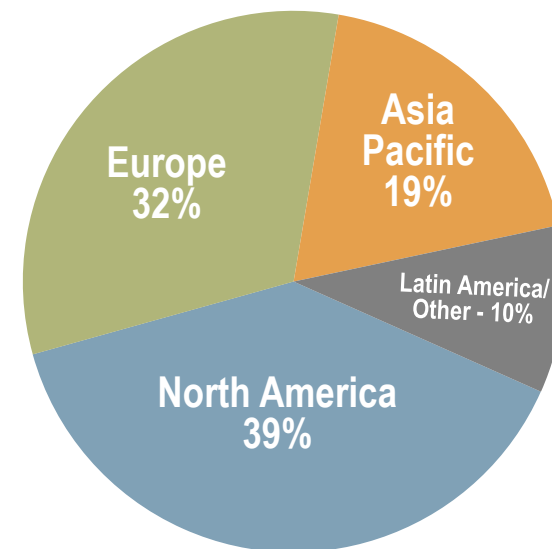
**Sales by Market<sup>2</sup>**



**Sales by Product**



**Sales by Geography**



**For 12 Months Ended June 30, 2015**

**Sales: \$2.4 billion**

**Adjusted EBITDA: \$545 million<sup>1</sup>**

**Adjusted EBITDA Margin: 23.1%<sup>1</sup>**

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

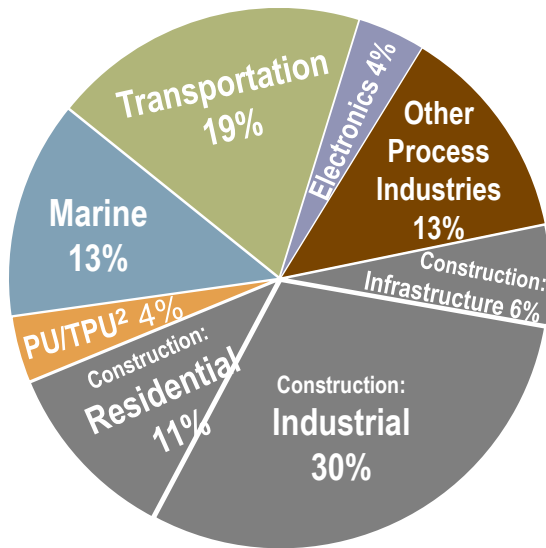
<sup>2</sup> Within the Sales by Market chart above, Industrial Specialties are presented in orange and Consumer Specialties are presented in blue.

# Ashland Performance Materials

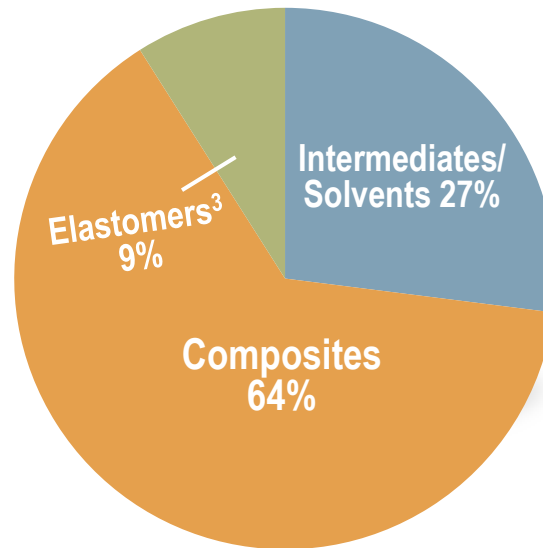


Global leader in unsaturated polyester resins and vinyl ester resins

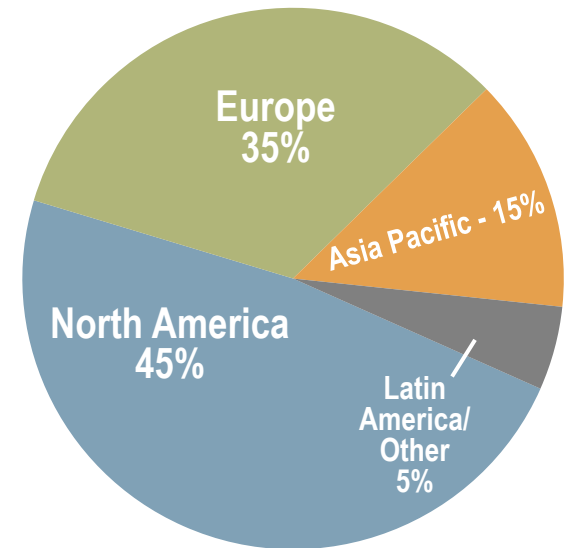
### Sales by Market



### Sales by Product



### Sales by Geography



**For 12 Months Ended June 30, 2015**

**Sales: \$1.3 billion**

**Adjusted EBITDA: \$144 million<sup>1</sup>**

**Adjusted EBITDA Margin: 11.2%<sup>1</sup>**

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

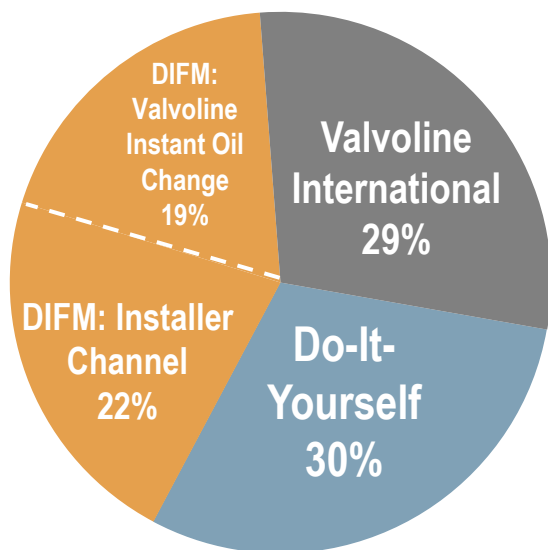
<sup>2</sup> PU/TPU stands for Polyurethane and Thermoplastic Polyurethane.

<sup>3</sup> Includes sales only through December 1, 2014

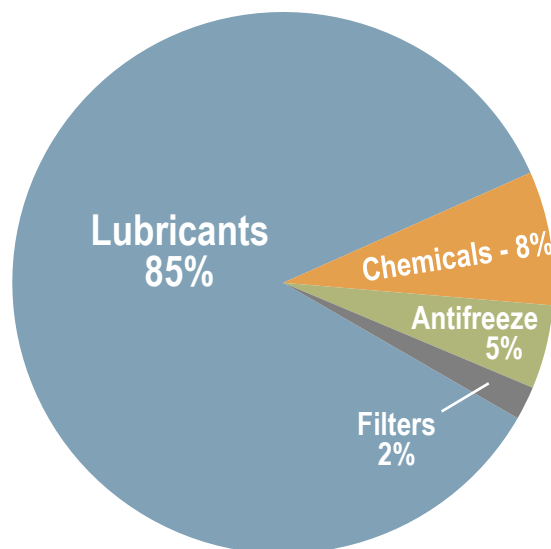
# Valvoline: A leading worldwide producer and distributor of premium-branded lubricants and automotive chemicals



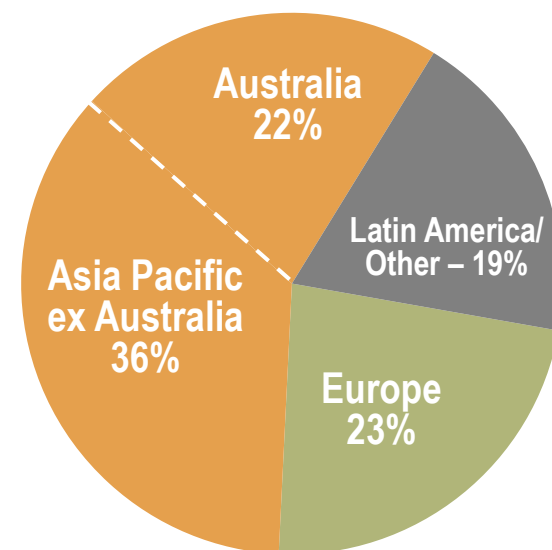
## Sales by Market



## Sales by Product



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



**For 12 Months Ended June 30, 2015**

**Sales: \$2.0 billion**

**Adjusted EBITDA: \$401 million<sup>1</sup>**

**Adjusted EBITDA Margin: 20.0%<sup>1</sup>**

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

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



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

# Reconciliation of Non-GAAP Data

for 12 Months Ended June 30, 2015



(\$ millions, except percentages)

<b>Sales<sup>1</sup></b>	<b>Q3 15</b>	<b>Q2 15</b>	<b>Q1 15</b>	<b>Q4 14</b>	<b>Total</b>	
<b>Specialty Ingredients</b>	<b>579</b>	<b>583</b>	<b>561</b>	<b>635</b>	<b>2,358</b>	
<b>Performance Materials</b>	<b>278</b>	<b>286</b>	<b>338</b>	<b>383</b>	<b>1,285</b>	
<b>Valvoline</b>	<b>510</b>	<b>481</b>	<b>492</b>	<b>520</b>	<b>2,003</b>	
<b>Total</b>	<b>1,367</b>	<b>1,350</b>	<b>1,391</b>	<b>1,538</b>	<b>5,646</b>	
						<b>Adjusted EBITDA</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>Q3 15</b>	<b>Q2 15</b>	<b>Q1 15</b>	<b>Q4 14</b>	<b>Total</b>	<b>Margin</b>
<b>Specialty Ingredients</b>	<b>137</b>	<b>142</b>	<b>119</b>	<b>147</b>	<b>545</b>	<b>23.1%</b>
<b>Performance Materials</b>	<b>27</b>	<b>44</b>	<b>42</b>	<b>31</b>	<b>144</b>	<b>11.2%</b>
<b>Valvoline</b>	<b>116</b>	<b>106</b>	<b>92</b>	<b>87</b>	<b>401</b>	<b>20.0%</b>
<b>Unallocated</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>7</b>	<b>35</b>	
<b>Total</b>	<b>290</b>	<b>301</b>	<b>262</b>	<b>272</b>	<b>1,125</b>	

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

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