

Second-Quarter Fiscal 2015 Earnings Conference Call

April 30, 2015



ASHLAND[®]

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Forward-Looking Statements



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Regulation G: Adjusted Results

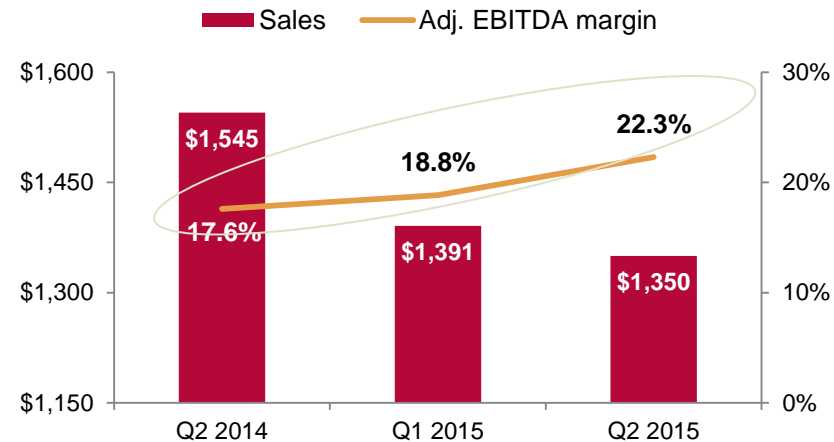
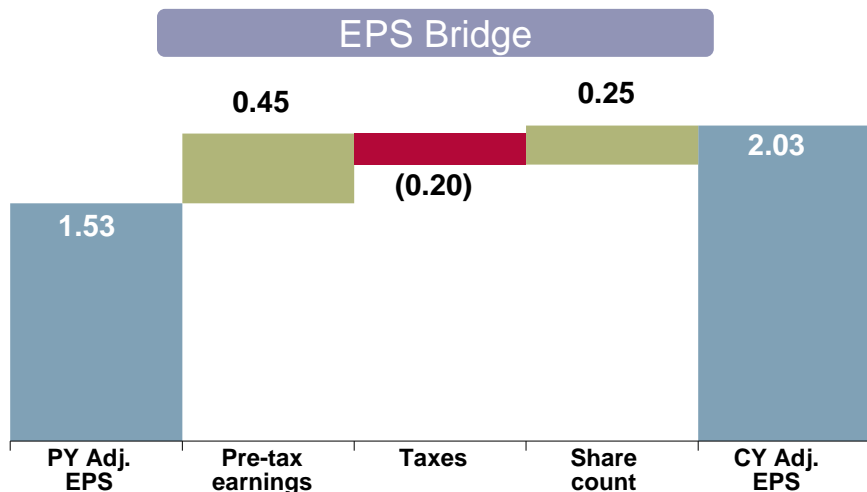
The information presented herein regarding certain unaudited adjusted results does not conform to generally accepted accounting principles in the United States (U.S. GAAP) and should not be construed as an alternative to the reported results determined in accordance with U.S. GAAP. Ashland has included 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.



Core priorities for first 100 days

- ✓ Sustain EBITDA margin growth momentum
- ✓ Continue to focus on upgrading mix and portfolio
- ✓ Maintain disciplined capital allocation
- ✓ Move to the front lines, getting to know our stakeholders

Executive Summary of Financial Results¹



- Reported earnings per share (EPS) from continuing operations of \$1.39
 - Adjusted EPS grew 33% to \$2.03 vs. \$1.53 in prior year
 - Fourth consecutive quarter of year-over-year adjusted EPS growth
- Adjusted EBITDA of \$301 million, up 11% over prior year
- Currency and divestitures were significant headwind to sales
- Achieved substantially all of the \$200 million in annual run-rate savings from global restructuring
- Launched \$270 million accelerated share repurchase
- In April, Ashland’s board authorized new \$1 billion share repurchase program

¹ Ashland's earnings releases dated April 29, 2015 and Jan. 26, 2015; available on Ashland's website at <http://investor.ashland.com>, reconciles adjusted amounts to amounts reported under GAAP.

Ashland Specialty Ingredients



\$, Millions

<u>Sales</u>					
PY	Vol/ Mix	Price	FX	Acq/ Div	CY
629	0%	-1%	-5%	-1%	583

<u>EBITDA</u>						
PY	Vol/ Mix	Margin	SG&A	FX	Other	CY
130	5%	7%	6%	-9%	0%	142

Q2 Summary

- Growth in higher value-added areas of the business: Care, Pharm, Coatings
 - Volumes up 3%
 - Sales up 2% (*constant currency*)
- Investments into emerging markets driving good growth
 - Volumes up 1%
 - Sales up 5% (*constant currency*)
- Currency, energy, and exited product lines resulted in ~\$57 million headwind
- Improved product and market segment mix contributed to margin improvement
- Restructuring savings reduced SG&A by \$14 million from prior year

Q3 Guidance

Revenues \$600 - \$620mm

- FX sensitivity: ~\$4.5mm per € cent

EBITDA margin 24 - 24.5%

- An increase of 250 - 300 bps from PY
- FX sensitivity: ~\$1.2mm per € cent

Near-term Outlook

- FX and energy expected to continue putting pressure on top line in Q3
- Margins expected to remain strong driven by good mix, margin, and cost savings

Longer-term Outlook

- Underlying growth in emerging regions and consumer end markets to remain healthy
- Making targeted capital investments focused on high growth end markets and regions
- Innovation pipeline strengthening leading to increased penetration of Care and Coatings markets

5

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

Ashland Performance Materials



\$, Millions

<u>Sales</u>					
<u>PY</u>	<u>Vol/ Mix</u>	<u>Price</u>	<u>FX</u>	<u>Acq/ Div</u>	<u>CY</u>
413	-1%	-6%	-6%	-18%	286

<u>EBITDA</u>						
<u>PY</u>	<u>Vol/ Mix</u>	<u>Margin</u>	<u>SG&A</u>	<u>FX</u>	<u>Other</u>	<u>CY</u>
49	-4%	35%	-4%	-8%	-29%	44

Q2 Summary

- Composites volume growth of 3% from prior year
 - Growth in most major regions
 - Consistent results across end markets
- Pricing adjustments due to lower inputs, however price/raw material spread positive
- APM Gross margin expanded 720 bps
 - Good margin management in volatile environment
 - Strong manufacturing cost execution
- I&S volumes down 10%
 - Shedding low-margin derivatives business
 - Increased competition from Asian imports

Q3 Guidance

Revenues **\$280 - \$290mm**

- Excluding elastomers, down ~12%
 - Currency translation, pricing adjustments in Composites, further declines in BDO pricing

EBITDA margin **approx. 6%**

- ASK and elastomers contributed ~\$9mm in prior year

Near-term Outlook

- Composites volume growth expected
- Lag effect of rising material costs expected to pressure current composites margins
- I&S turnaround and shutdown expected to reduce operating income by ~\$20 million from prior year

Longer-term Outlook

- Composites growth driven by:
 - Macro trends & regional economic expansion
 - New product and application development
- Strong margin management in volatile raw material environment
- I&S to remain challenged by Asian capacity

¹ Acq/Div/Other includes ASK and elastomers divestitures.

Valvoline



\$, Millions

<u>Sales</u>					
<u>PY</u>	<u>Vol/ Mix</u>	<u>Price</u>	<u>FX</u>	<u>Acq/ Div</u>	<u>CY</u>
503	2%	-3%	-3%	0%	481

<u>EBITDA</u>						
<u>PY</u>	<u>Vol/ Mix</u>	<u>Margin</u>	<u>SG&A</u>	<u>FX</u>	<u>Other</u>	<u>CY</u>
90	6%	13%	0%	-2%	1%	106

Q2 Summary

- Strong promotions drove 2% volume growth in DIY channel
- Industry leading service model led to another solid quarter for VIOC
 - Oil changes per day increased 7%
 - Average ticket increased 1% to ~\$70
 - Same-store sales growth of 7%
- Destocking in international channel slowed in quarter leading to 2% volume growth
- Premium branded lubricant sales volume increased to 40.7% from 37.1% in prior year

Q3 Guidance (vs Prior Year)

- Revenues** -3% to -5%
- Pricing adjustments due to lower base oil are expected to offset volume growth
- EBITDA margin** 20.0 - 21.0%
- An increase of 140 - 240 bps from PY

Near-term Outlook

- International volume growth expected to resume
- Margins expected to remain strong driven by good mix (strong DIY and VIOC) and margin

Longer-term Outlook

- Int'l, VIOC, and Installer volume growth
- Base oil market expected to remain favorable
- Margin structure has improved as a result of lower crude prices
 - Gross margin of 32 – 34%
 - EBITDA margin of 19 – 20%

Valvoline

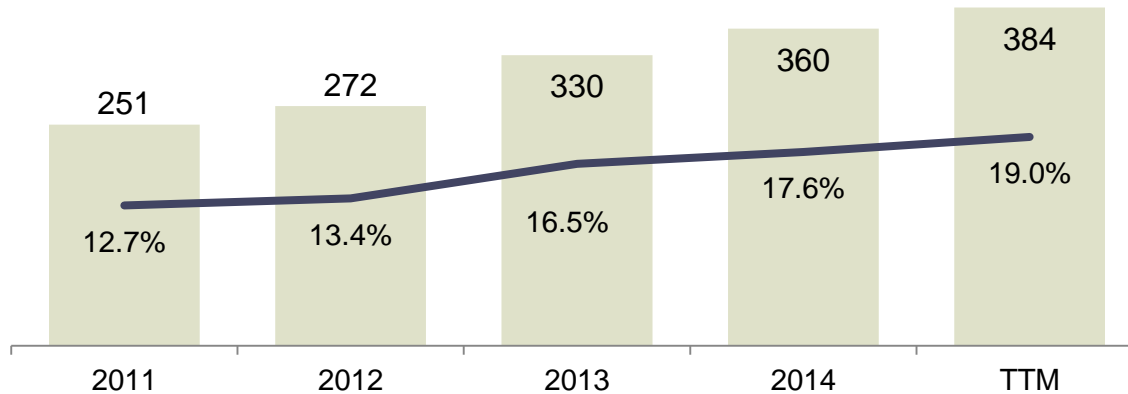
Historical Financial Performance



\$ MM

— % EBITDA margin

EBITDA



**% Premium US Branded
Lubricant Sales**

2011	31.3%	30.3%	33.6%	37.1%	38.6%
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Key drivers to profit improvement from 2011:

- ✓ Consistent volume and profit growth in international markets
- ✓ 8 consecutive years of Valvoline Instant Oil Change same-store-sales growth
- ✓ Premium mix improvements across all channels
- ✓ Improved volatility management, leveraging longer base oil market and strengthening business model
- ✓ Disciplined approach to SG&A and product cost management
- ✓ Enhanced consumer marketing to more focused and effective programs

Key Observations



1. Strong team, executing clear strategy at a high level
2. While we remain committed to being the premier specialty chemical company, we need to recognize we also have a strong consumer brand in Valvoline
3. Further opportunity to drive value
4. Shareholder perceptions of the company

Committed to creating shareholder value....

- Successfully completed global restructuring program
- Strong execution drove margin expansion
- Approved \$1B share repurchase authorization



Appendix: Non-GAAP Reconciliations

Reconciliation of Non-GAAP Data

for 12 Months Ended March 31, 2015



(\$ millions, except percentages)

Sales¹	Q2 15	Q1 15	Q4 14	Q3 14	Total	
Specialty Ingredients	583	561	635	653	2,432	
Performance Materials	286	338	383	420	1,427	
Valvoline	481	492	520	532	2,025	
Total	1,350	1,391	1,538	1,605	5,884	
						Adjusted EBITDA
Adjusted EBITDA¹	Q2 15	Q1 15	Q4 14	Q3 14	Total	Margin
Specialty Ingredients	142	119	147	142	550	22.6%
Performance Materials	44	42	31	53	170	11.9%
Valvoline	106	92	87	99	384	19.0%
Unallocated	9	9	7	4	29	
Total	301	262	272	298	1,133	

¹ 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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