



# First-Quarter Fiscal 2016 Earnings

January 25, 2016

**ASHLAND**<sup>®</sup>

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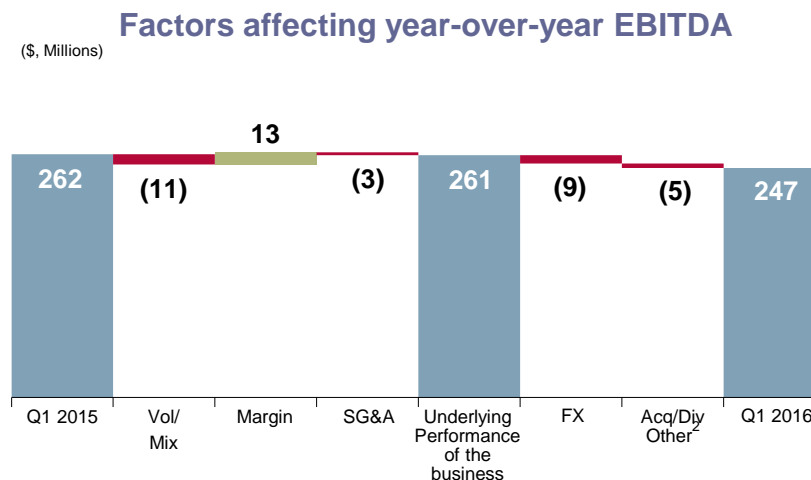
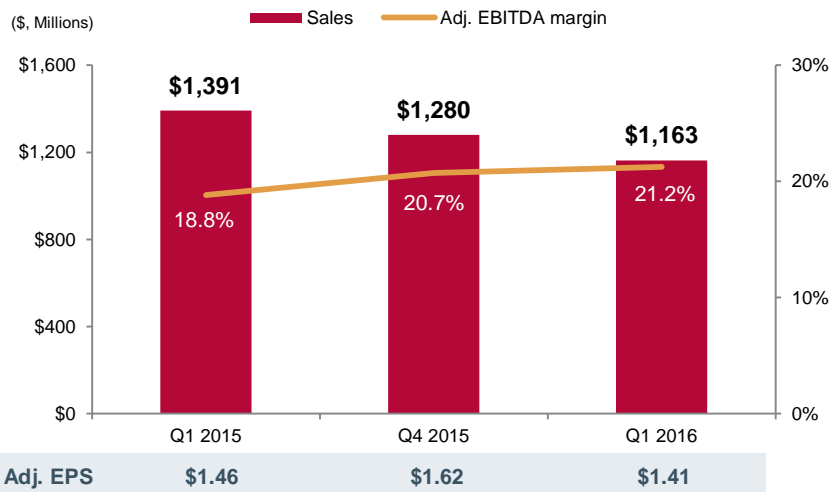
# Forward-Looking Statements

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 report, 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, including the proposed separation of its specialty chemicals and Valvoline businesses, the expected timetable for completing the separation, the future financial and operating performance of each company, strategic and competitive advantages of each company, the leadership of each company, and future opportunities for each company, as well as 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: the possibility that the proposed separation will not be consummated within the anticipated time period or at all, including as the result of regulatory market or other factors; the potential for disruption to Ashland’s business in connection with the proposed separation; the potential that the new Ashland and Valvoline do not realize all of the expected benefits of the separation, 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 <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 result of new information, future event 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 First Quarter 2016 Highlights<sup>1</sup>



- Reported earnings from continuing operations of \$1.38 per share
- Adjusted earnings declined 3% to \$1.41 vs. \$1.46 per share in prior year
- Adjusted EBITDA of \$247 million vs. \$262 million in prior year
  - Currency, energy end market and divestitures – including exited product lines – represented approximately \$20 million headwind
- In November, Ashland announced a \$500 million accelerated share repurchase (ASR) agreement
  - Initial delivery of approximately 3.9 million shares
  - Scheduled to terminate no later than May 2016

<sup>1</sup> Ashland's earnings releases dated January 25, 2016, and November 3, 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, biocides, redispersible powders (RDP) and Valvoline car care product lines exited during prior four quarters.

# Fiscal First Quarter – Continuing Operations

## Key Items Affecting Income



(\$ in millions, except EPS) Preliminary	Operating Income				Total		
	Ashland Specialty Ingredients	Ashland Performance Materials	Valvoline	Unallocated and Other	Pre-tax	After-tax	Earnings per Share
<b>2016</b>							
Restructuring and separation costs	\$ 3			\$ (6)	\$ (3)	\$ (3)	\$ (0.03)
Legal reserve				\$ (10)	(10)	(6)	(0.09)
Tax adjustments					-	6	0.09
<b>Total</b>	<b>\$ 3</b>			<b>\$ (16)</b>	<b>\$ (13)</b>	<b>\$ (3)</b>	<b>\$ (0.03)</b>
<b>2015</b>							
Loss on divestiture					\$ (85)	\$ (57)	\$ (0.82)
Stock award modification				\$ (7)	(7)	(4)	(0.06)
Restructuring				\$ (1)	(1)	(1)	(0.01)
<b>Total</b>				<b>\$ (8)</b>	<b>\$ (93)</b>	<b>\$ (62)</b>	<b>\$ (0.89)</b>

- Excluding intangible amortization, adjusted EPS would have been 21 cents higher, or \$1.62

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



(\$ in millions) Preliminary	Fiscal First Quarter			Three months ended	
	Three months ended Dec. 31,			Sept. 30,	
	2015	2014	Change	2015	Change
<b>Sales</b>	\$ 1,163	\$ 1,391	(16) %	\$ 1,280	(9) %
<b>Gross profit as a percent of sales</b>	33.4 %	29.4 %	400 bp	33.0 %	40 bp
<b>Selling, general and admin./R&amp;D costs</b>	\$ 233	\$ 243	(4) %	\$ 253	(8) %
<b>Operating income</b>	\$ 164	\$ 177	(7) %	\$ 178	(8) %
<b>Operating income as a percent of sales</b>	14.1 %	12.7 %	140 bp	13.9 %	20 bp
<b>Depreciation and amortization</b>	\$ 81	\$ 85	(5) %	\$ 84	(4) %
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	\$ 247	\$ 262	(6) %	\$ 265	(7) %
<b>EBITDA as a percent of sales</b>	21.2 %	18.8 %	240 bp	20.7 %	50 bp

- Currency, energy end markets and divestitures<sup>2</sup> were ~\$155 million headwind to sales
- Business mix, margins and cost execution drove 240 basis point increase in EBITDA margin

<sup>1</sup> Ashland's earnings releases dated January 25, 2016, and November 3, 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, biocides, redispersible powders (RDP) and Valvoline car care product line exited during prior four quarters.

Adjusted Results Summary<sup>1</sup>

(\$ in millions) Preliminary	Fiscal First Quarter			Three months ended	
	Three months ended Dec. 31,			Sept. 30,	
	2015	2014	Change	2015	Change
<b>Metric tons sold (in thousands) - Actives basis</b>	<b>68.7</b>	<b>79.9</b>	<b>(14) %</b>	<b>78.1</b>	<b>(12) %</b>
<b>Sales</b>	<b>\$ 476</b>	<b>\$ 561</b>	<b>(15) %</b>	<b>\$ 540</b>	<b>(12) %</b>
<b>Gross profit as a percent of sales</b>	<b>32.1 %</b>	<b>32.7 %</b>	<b>(60) bp</b>	<b>35.2 %</b>	<b>(310) bp</b>
<b>Selling, general and admin./R&amp;D costs</b>	<b>\$ 118</b>	<b>\$ 124</b>	<b>(5) %</b>	<b>\$ 121</b>	<b>(2) %</b>
<b>Operating income</b>	<b>\$ 35</b>	<b>\$ 60</b>	<b>(42) %</b>	<b>\$ 69</b>	<b>(49) %</b>
<b>Operating income as a percent of sales</b>	<b>7.4 %</b>	<b>10.7 %</b>	<b>(330) bp</b>	<b>12.8 %</b>	<b>(540) bp</b>
<b>Depreciation and amortization</b>	<b>\$ 59</b>	<b>\$ 59</b>	<b>- %</b>	<b>\$ 60</b>	<b>(2) %</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>\$ 94</b>	<b>\$ 119</b>	<b>(21) %</b>	<b>\$ 129</b>	<b>(27) %</b>
<b>EBITDA as a percent of sales</b>	<b>19.7 %</b>	<b>21.2 %</b>	<b>(150) bp</b>	<b>23.9 %</b>	<b>(420) bp</b>

- Achieved gains in most core growth end markets
- Energy, foreign exchange (FX) and divestitures were significant headwinds to sales and EBITDA

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



(\$ in millions) Preliminary	Fiscal First Quarter			Three months ended	
	Three months ended Dec. 31,			Sept. 30,	
	2015	2014	Change	2015	Change
<b>Metric tons sold (in thousands)</b>	106.2	129.5	(18) %	110.6	(4) %
<b>Sales</b>	\$ 231	\$ 338	(32) %	\$ 256	(10) %
<b>Gross profit as a percent of sales</b>	22.1 %	17.3 %	480 bp	19.3 %	280 bp
<b>Selling, general and admin./R&amp;D costs</b>	\$ 30	\$ 36	(17) %	\$ 33	(9) %
<b>Operating income</b>	\$ 24	\$ 25	(4) %	\$ 19	26 %
<b>Operating income as a percent of sales</b>	10.4 %	7.4 %	300 bp	7.4 %	300 bp
<b>Depreciation and amortization</b>	\$ 13	\$ 17	(24) %	\$ 14	(7) %
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	\$ 37	\$ 42	(12) %	\$ 33	12 %
<b>EBITDA as a percent of sales</b>	16.0 %	12.4 %	360 bp	12.9 %	310 bp

- Favorable margins in Composites offset by generally weaker industrial volumes
- Elastomers divestiture and FX represented a \$3 million EBITDA headwind

<sup>1</sup> Ashland's earnings releases dated January 25, 2016, and November 3, 2015, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.

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



(\$ in millions) Preliminary	Fiscal First Quarter Three months ended Dec. 31,			Three months ended Sept. 30,	
	2015	2014	Change	2015	Change
Lubricant gallons (in millions)	40.4	38.9	4 %	43.5	(7) %
Sales	\$ 456	\$ 492	(7) %	\$ 484	(6) %
Gross profit as a percent of sales	38.3 %	33.3 %	500 bp	35.8 %	250 bp
Selling, general and admin./R&D costs	\$ 88	\$ 87	1 %	\$ 91	(3) %
Operating income	\$ 92	\$ 83	11 %	\$ 87	6 %
Operating income as a percent of sales	20.2 %	16.9 %	330 bp	18.0 %	220 bp
Depreciation and amortization	\$ 9	\$ 9	- %	\$ 10	(10) %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 101	\$ 92	10 %	\$ 97	4 %
EBITDA as a percent of sales	22.1 %	18.7 %	340 bp	20.0 %	210 bp

- Continued execution against strategic objectives leading to another record first quarter for Valvoline segment earnings
- Signed definitive agreement to acquire Oil Can Henry's and add 89 quick lube stores in the US Pacific Northwest; closing expected during fiscal Q2

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<sup>1</sup> Ashland's earnings releases dated January 25, 2016, and November 3, 2015, available on Ashland's website at <http://investor.ashland.com>, reconcile adjusted amounts to amounts reported under GAAP.



# Fiscal First Quarter 2016

## Corporate Items



- Adjusted corporate income of \$13 million
- Net interest expense of \$42 million
  - FY 2016 expectation of approximately \$170-\$180 million
- Adjusted effective tax rate of 25%
  - FY 2016 expectation at the upper end of the 24%-26% range
- Trade Working Capital<sup>1</sup> for the quarter was 18.6% of sales
- Capital expenditures totaled \$53 million
  - FY 2016 expectation remains \$320-340 million
- Free cash flow<sup>2</sup> generation of \$13 million
  - FY 2016 expectation remains \$325-\$350 million

<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.

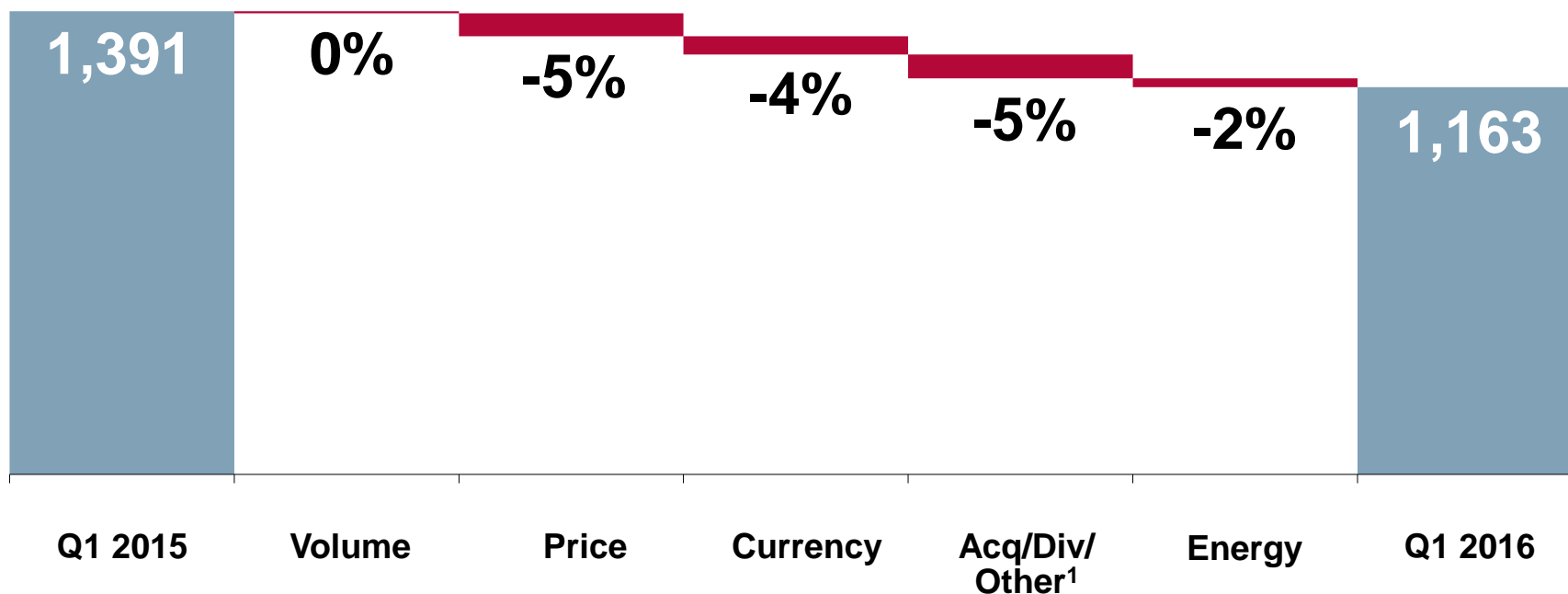


# Appendix A: Bridges



# Revenue Bridge

(\$ millions)  
Preliminary



- Headwinds from currency, energy markets and divestitures continued, representing ~\$155 million headwind to overall sales
- Raw material pass through was primary driver to lower overall pricing

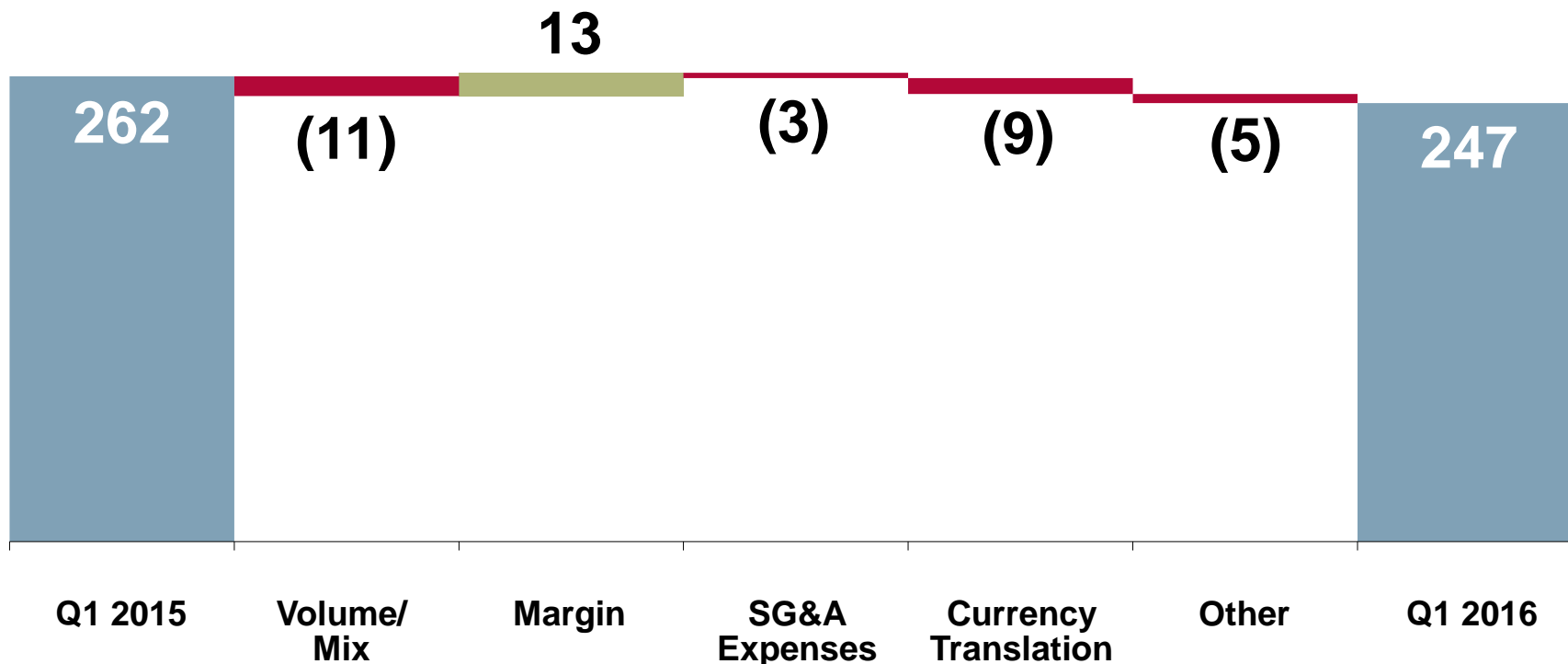
11

<sup>1</sup> Divestitures includes elastomers, biocides, redispersible powders (RDP) and Valvoline car care product lines exited during prior four quarters.



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary



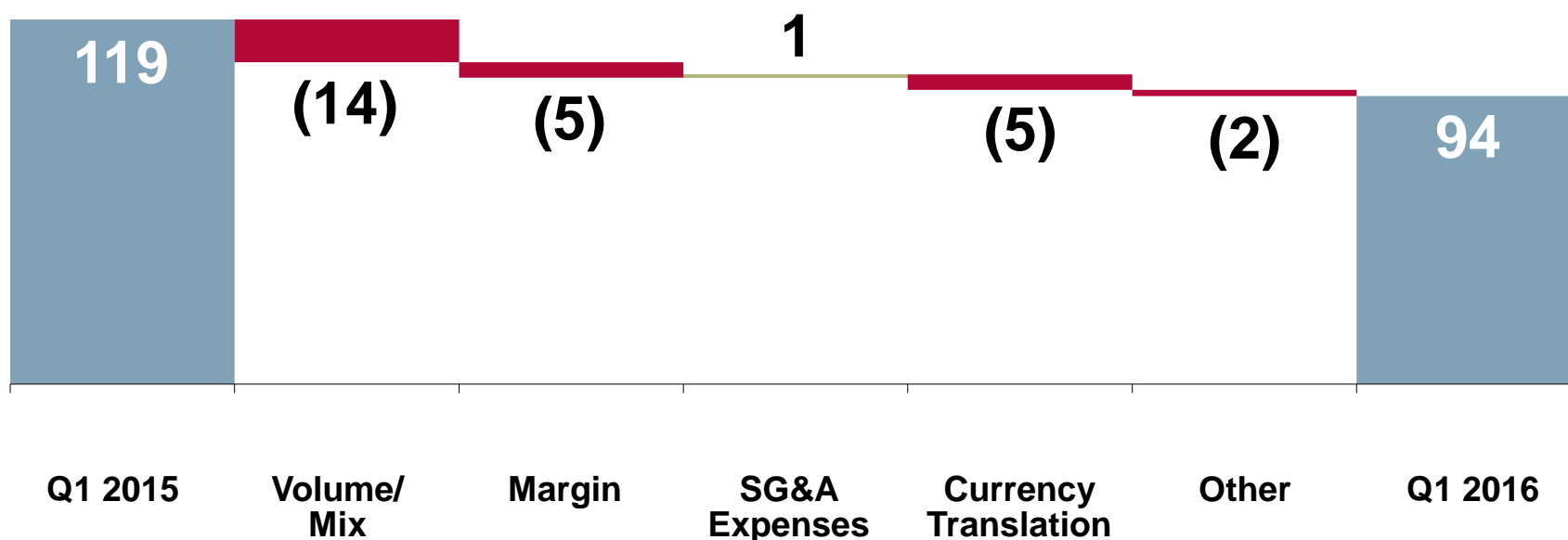
- Strong margins, reflecting strong price management, contributed \$13 million to EBITDA
- Foreign currency translation remained a \$9 million headwind



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q1 FY 2015 versus Q1 FY 2016



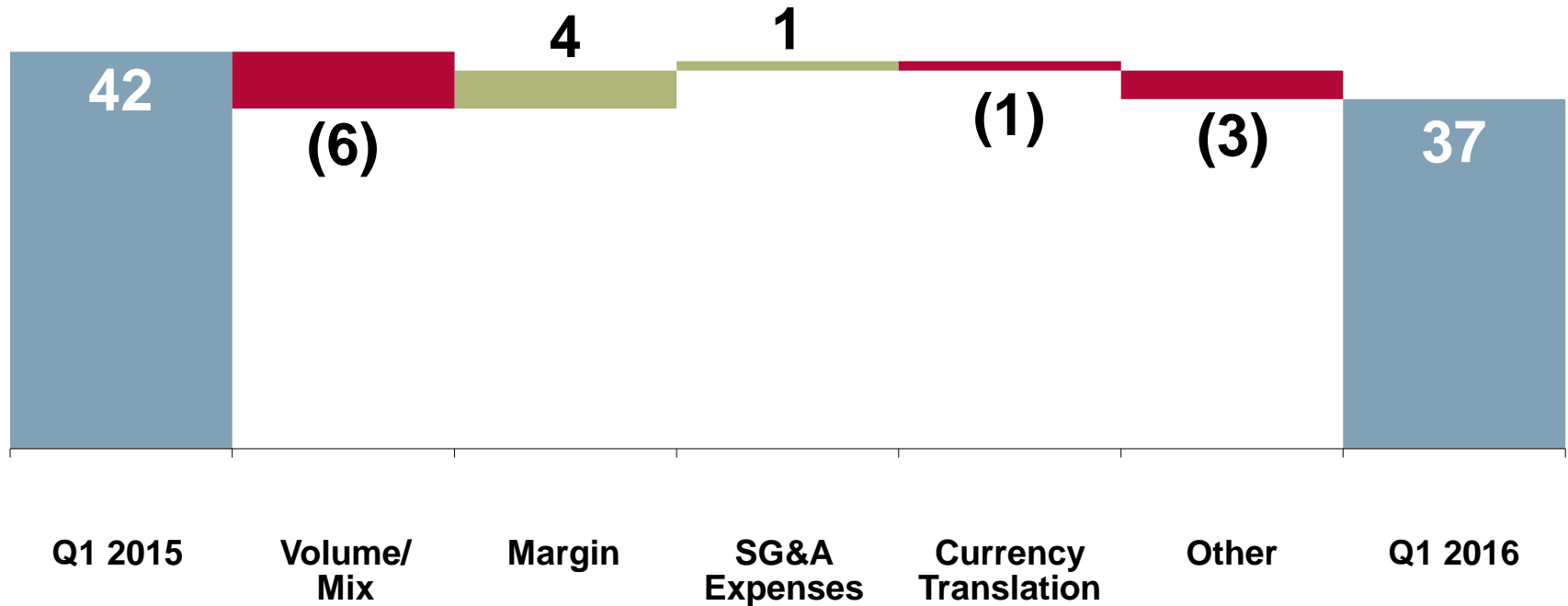
- Energy end market represents \$8 million of Volume/Mix
- Divestitures and exited product lines (biocides and RDP) included in the Other category; currency, driven by Euro, was a \$5 million headwind



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q1 FY 2015 versus Q1 FY 2016



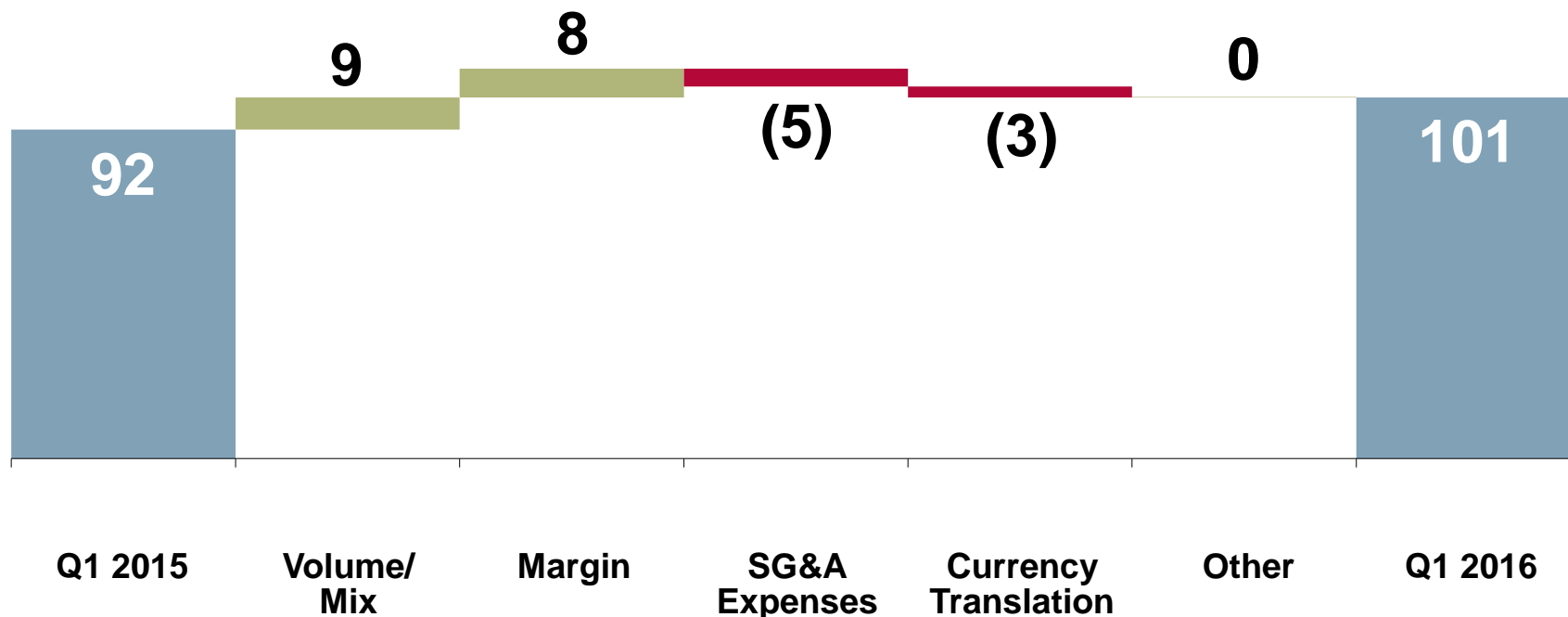
- Disciplined margin management in Composites offset by weaker BDO volumes and pricing
- Other category includes \$2 million impact from Elastomers divestiture



# Adjusted EBITDA Bridge

(\$ millions)  
Preliminary

## Q1 FY 2015 versus Q1 FY 2016



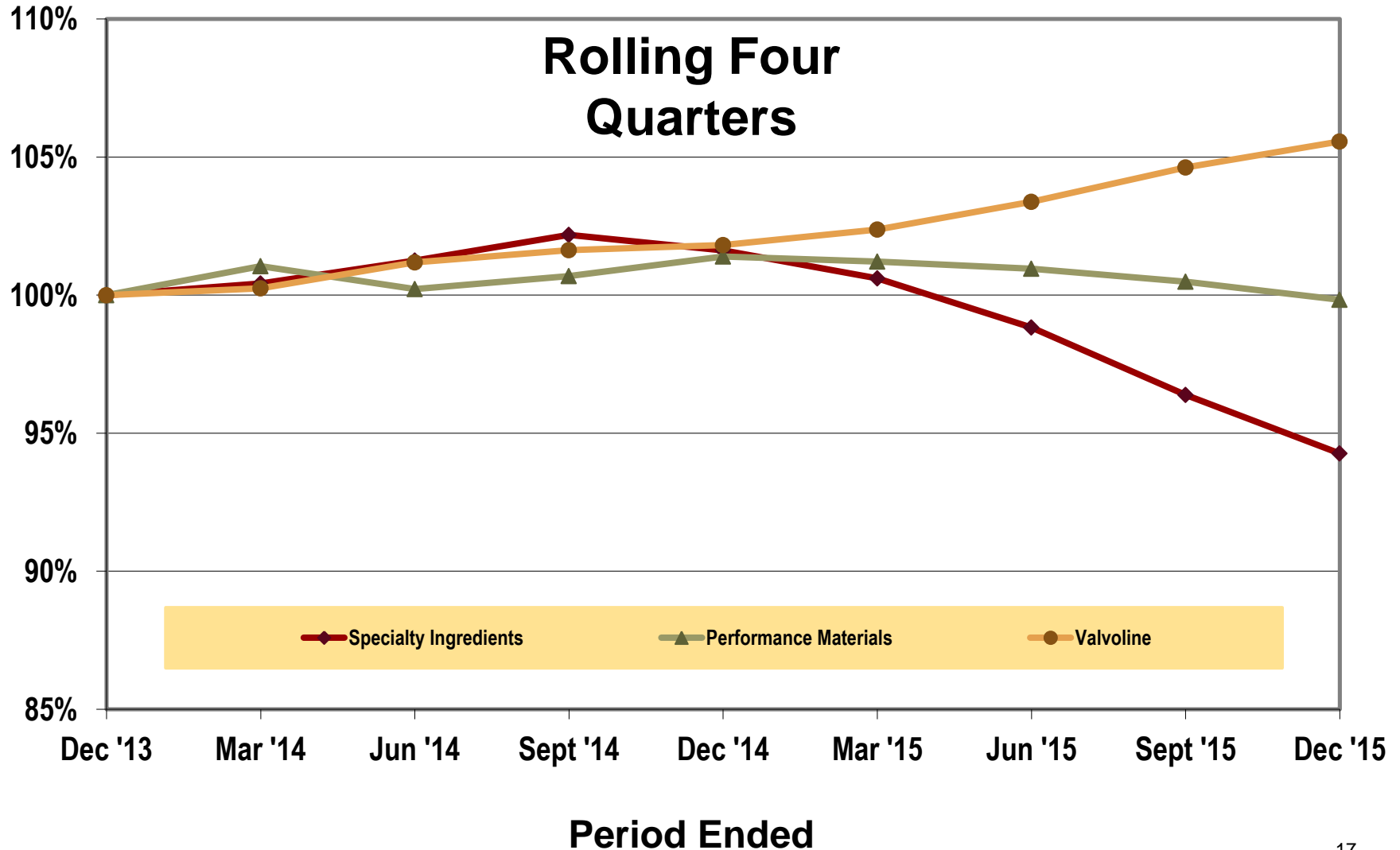
- Record Q1 earnings for Valvoline
- Lower input costs, disciplined margin management and good volume/mix key to EBITDA growth; currency was a moderate headwind



## **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 and exited redispersible powders (RDP) product line for all periods.  
 ASI and APM reflect realignment of adhesives and intermediates and solvents for all periods.

# Liquidity and Net Debt



(\$ in millions)

Liquidity	At Dec 31, 2015
Cash	\$ 1,039
Available revolver and A/R facility capacity	700
<b>Liquidity</b>	<b>\$ 1,739</b>

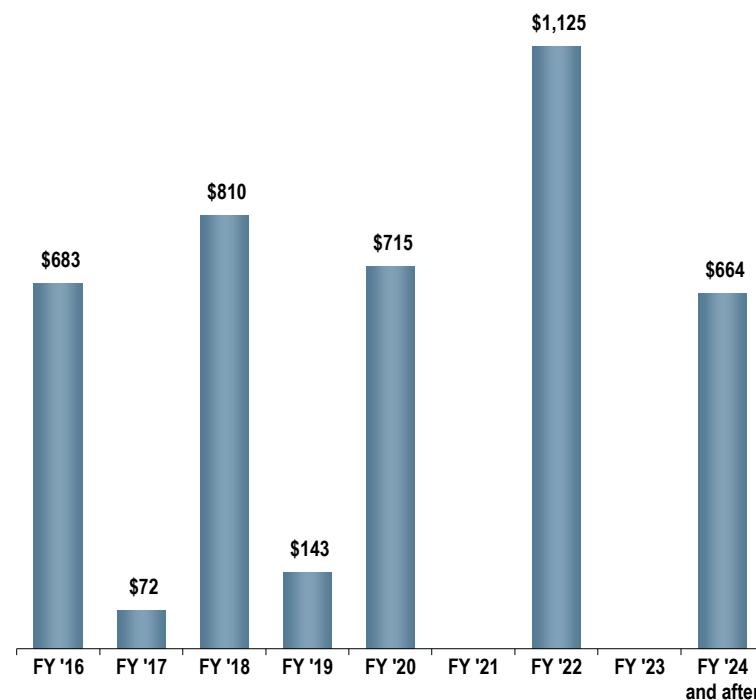
Debt	Expiration	Interest Rate	Moody's	S&P	At Dec 31, 2015
4.750% senior notes, par \$1,125 million	08/2022	4.750%	Ba1	BB	\$ 1,121
Term Loan A	06/2020 <sup>1</sup>	L+175	Ba1	BB	1,073
3.875% senior notes, par \$700 million	04/2018	3.875%	Ba1	BB	700
6.875% senior notes, par \$375 million	05/2043	6.875%	Ba1	BB	376
A/R facility drawn <sup>2</sup>	03/2017	L+65			100
6.5% debentures, par \$282 million	06/2029	6.50%	Ba2	B+	137
Revolver drawn <sup>3</sup>	06/2020	L+175	Ba1	BB	520
Other debt		Various			10
<b>Total debt</b>			<b>Ba1/ Stable</b>	<b>BB/ Negative</b>	<b>\$ 4,037</b>
<b>Cash</b>					<b>\$ 1,039</b>
<b>Net debt (cash)</b>					<b>\$ 2,998</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; Dec 31 capacity of \$195 million

<sup>3</sup> \$1.2 billion facility, including ~\$75 million used for letters of credit

## Scheduled Debt Repayments by Fiscal Year





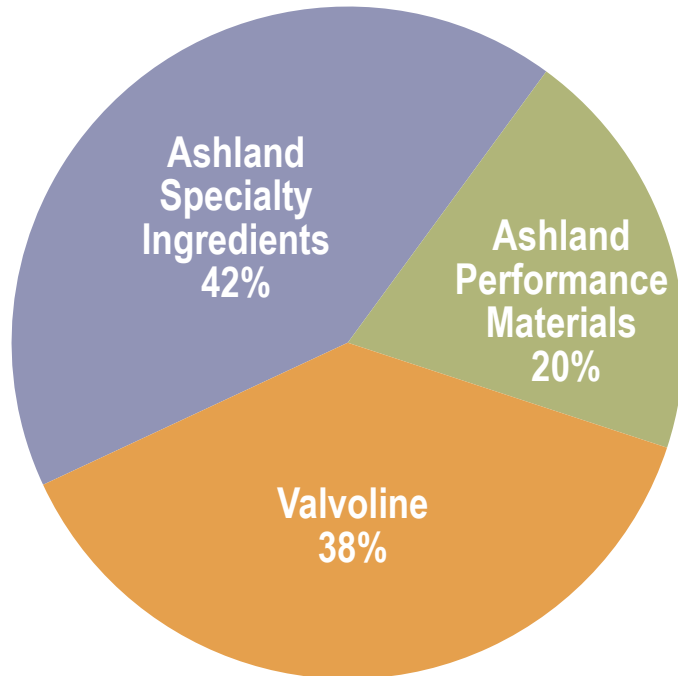
**Appendix C:**  
**Business Profiles**  
**12 Months Ended December 31, 2015**

# Corporate Profile

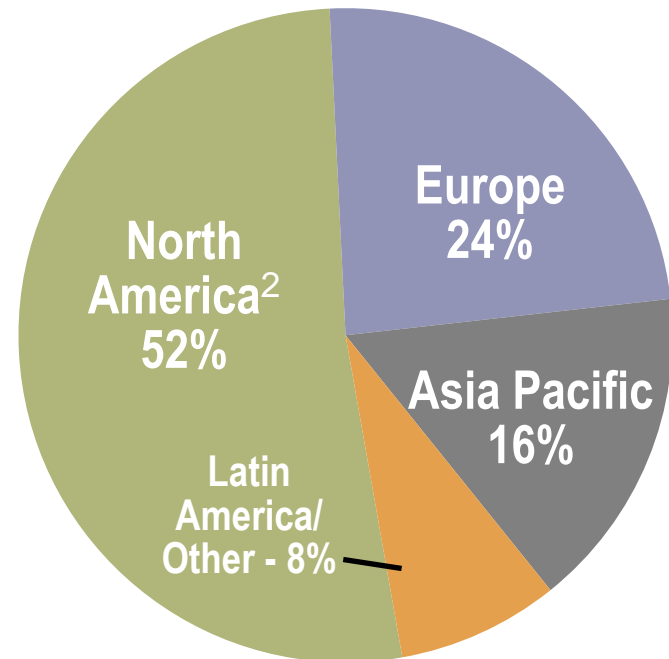


Sales<sup>1</sup> - \$5.2 Billion

By business unit



By geography



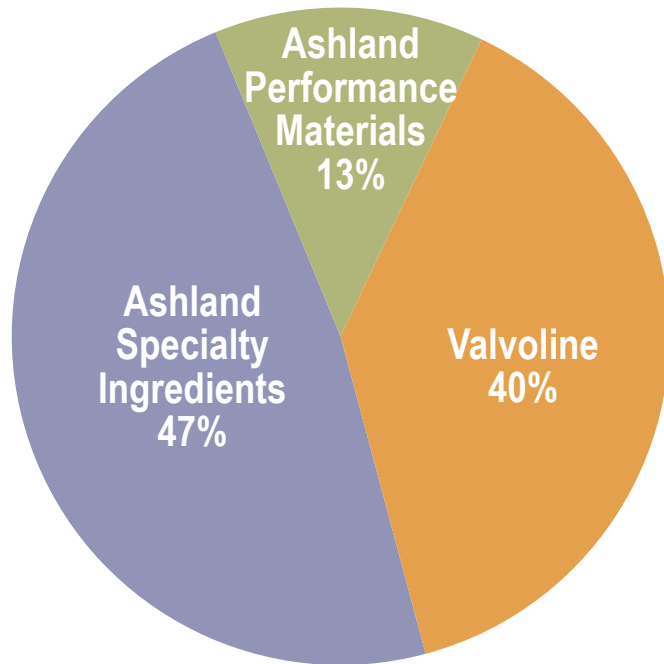
<sup>1</sup> For 12 months ended December 31, 2015.

<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: ~10,500

Outside North America ~30%

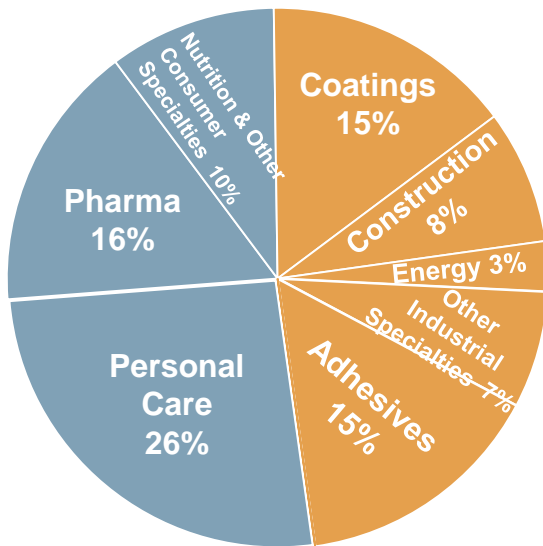
Number of Countries  
in Which Ashland  
Has Sales: More  
than 100

<sup>1</sup> For 12 months ended December 31, 2015. See Appendix D for reconciliation to amounts reported under GAAP.

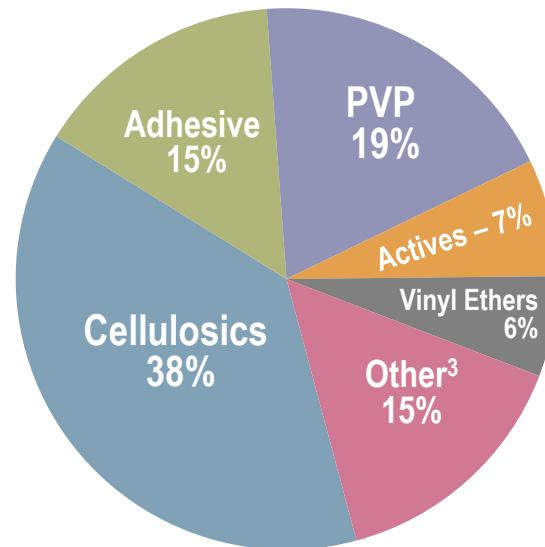
# Ashland Specialty Ingredients: A global leader of cellulose ethers, vinyl pyrrolidones and biofunctionals



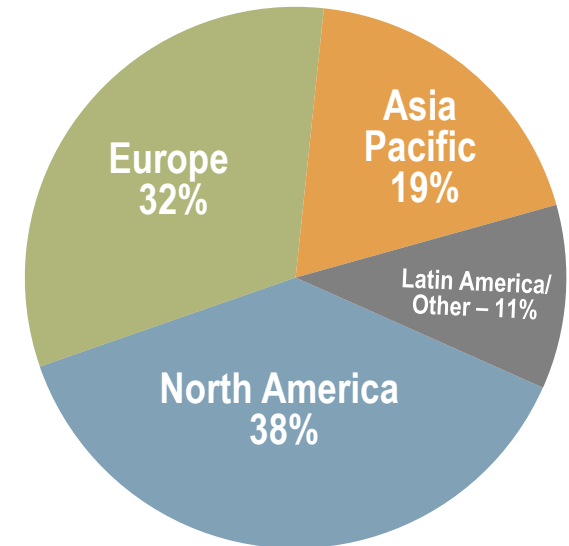
**Sales by Market<sup>2</sup>**



**Sales by Product<sup>4</sup>**



**Sales by Geography**



**For 12 Months Ended December 31, 2015**

**Sales: \$2.2 billion**

**Adjusted EBITDA: \$502 million<sup>1</sup>**

**Adjusted EBITDA Margin: 23.0%<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.

<sup>3</sup> Includes Biocides' sales only through July 1, 2015.

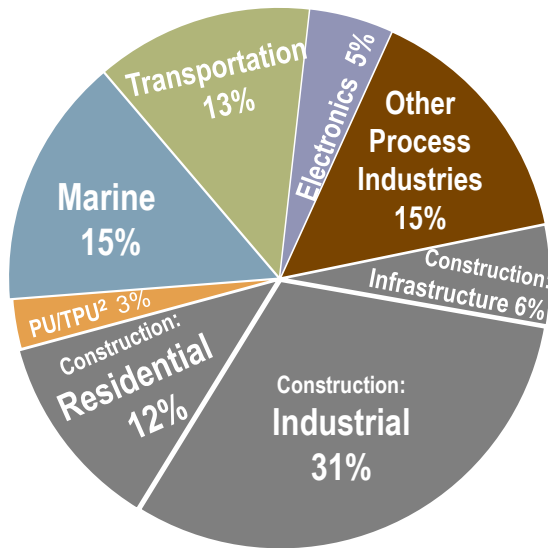
<sup>4</sup> Within the Sales by Product chart above, sales for the 12 months ended December 31, 2015 were reclassified between product line categories during the current quarter.

# Ashland Performance Materials

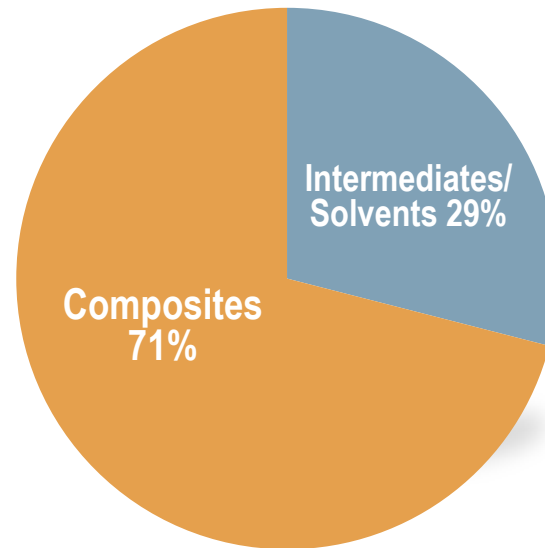


Global leader in unsaturated polyester resins and vinyl ester resins

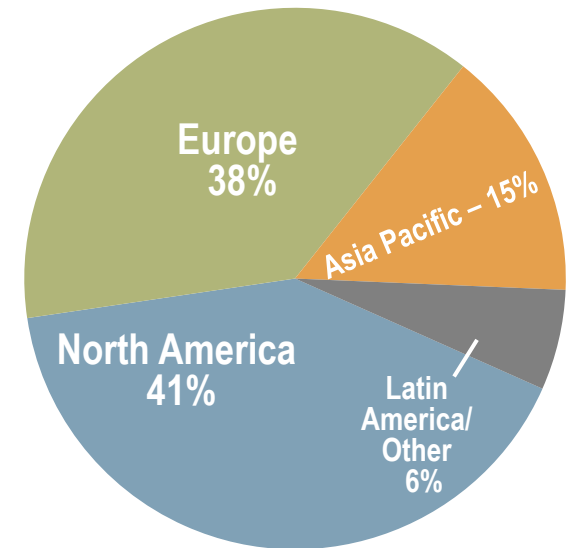
**Sales by Market**



**Sales by Product**



**Sales by Geography**



**For 12 Months Ended December 31, 2015**

**Sales: \$1.1 billion**

**EBITDA: \$141 million<sup>1</sup>**

**EBITDA Margin: 13.4%<sup>1</sup>**

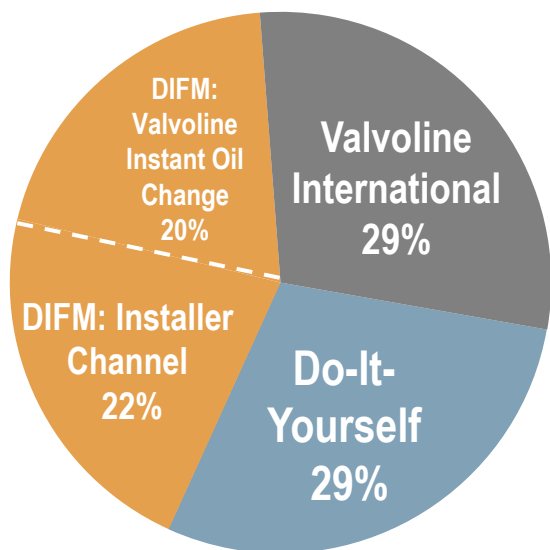
<sup>1</sup> See Appendix D for reconciliation to amounts reported under GAAP.

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

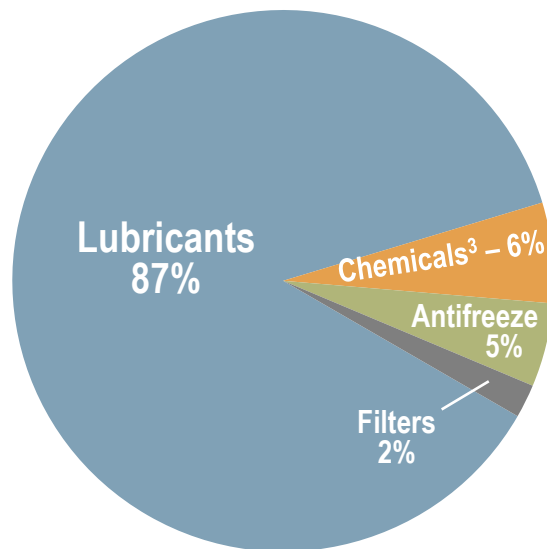
# Valvoline: A leading worldwide producer and distributor of premium-branded lubricants and automotive chemicals



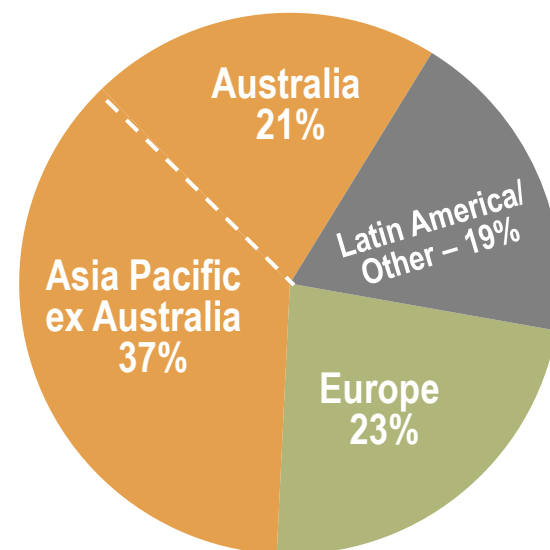
### Sales by Market



### Sales by Product



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



**For 12 Months Ended December 31, 2015**

**Sales: \$1.9 billion**

**Adjusted EBITDA: \$420 million<sup>1</sup>**

**Adjusted EBITDA Margin: 21.8%<sup>1</sup>**

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

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

<sup>3</sup> Includes car care products' sales only through June 30, 2015.





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

# Reconciliation of Non-GAAP Data

for 12 Months Ended December 31, 2015



(\$ millions, except percentages)

<b>Sales<sup>1</sup></b>	<b>Q1 16</b>	<b>Q4 15</b>	<b>Q3 15</b>	<b>Q2 15</b>	<b>Total</b>	
<b>Specialty Ingredients</b>	<b>476</b>	<b>540</b>	<b>579</b>	<b>583</b>	<b>2,178</b>	
<b>Performance Materials</b>	<b>231</b>	<b>256</b>	<b>278</b>	<b>286</b>	<b>1,051</b>	
<b>Valvoline</b>	<b>456</b>	<b>484</b>	<b>510</b>	<b>481</b>	<b>1,931</b>	
<b>Total</b>	<b>1,163</b>	<b>1,280</b>	<b>1,367</b>	<b>1,350</b>	<b>5,160</b>	
						<b>Adjusted EBITDA</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>Q1 16</b>	<b>Q4 15</b>	<b>Q3 15</b>	<b>Q2 15</b>	<b>Total</b>	<b>Margin</b>
<b>Specialty Ingredients</b>	<b>94</b>	<b>129</b>	<b>137</b>	<b>142</b>	<b>502</b>	<b>23.0%</b>
<b>Performance Materials</b>	<b>37</b>	<b>33</b>	<b>27</b>	<b>44</b>	<b>141</b>	<b>13.4%</b>
<b>Valvoline</b>	<b>101</b>	<b>97</b>	<b>116</b>	<b>106</b>	<b>420</b>	<b>21.8%</b>
<b>Unallocated</b>	<b>15</b>	<b>6</b>	<b>10</b>	<b>9</b>	<b>40</b>	
<b>Total</b>	<b>247</b>	<b>265</b>	<b>290</b>	<b>301</b>	<b>1,103</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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