

# First-Quarter Fiscal 2014 Earnings Conference Call

January 28, 2014



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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 reporting segments. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information related to previous Ashland filings with the SEC has been reconciled with reported U.S. GAAP results.

# Executive Summary of Financial Results<sup>1</sup>

- Reported EPS from continuing operations of \$1.42
  - Versus adjusted EPS of \$1.12 in Q1 2013
- Sales of \$1.9 billion, flat with prior year
- Strong volumes in each commercial unit
  - Overall Ashland volumes up 3%
- Capital spending of \$52 million
- \$15 million use of cash
  - Continue to expect free cash flow of \$475 - \$500 million for fiscal 2014

<sup>1</sup> Ashland's first-quarter earnings release dated Jan. 27, 2014, available on Ashland's website at <http://investor.ashland.com>, reconciles adjusted amounts to amounts reported under GAAP.

# Ashland Specialty Ingredients

## Strategic Actions

- **Increasing focus on Specialty businesses**
  - Moving I&S to APM, adhesives to ASI
- **Reorganizing business units**
  - Aligns organizations with customers and market opportunity
  - Reducing cost while increasing customer and market focus
- **Moving to regional management teams**
  - Improves geography specific customer intimacy
- **Aligning support structures appropriate for customer needs**
  - Drives efficiency and effectiveness

### Consumer Specialties - \$1.1B

**Highly regulated markets supporting consumer product segments**

- Pharmaceutical, Nutrition, Personal Care

**Supported by strong global market trends**

- Aging population
- Growing middle class

### Industrial Specialties - \$1.4B

**Differentiated technologies supporting global industrial markets**

- Coatings, Construction, Energy, Adhesives (Packaging & Converting, Housing, Transportation)

**Supported by global macro growth, particularly from emerging markets**

- Housing, autos, commercial, infrastructure

## Strategic Actions (continued)

### Improving Performance

#### Volume Growth

- Position to benefit from global market trends
- Innovate to meet geographic specific needs

Moving to regional management teams fosters enhanced customer intimacy and product innovation to capture market growth

#### Pricing

- Optimize product mix
- Increase customer service levels
- Improve pricing methods

Improving technical and customer service levels enables ASI to extract full value for products and services provided to customers

#### Competitiveness

- Reduce number of business units
- Right-size support structure, leverage IT investment

Streamlining the organization improves customer and market focus while reducing cost

Leads to Revenue and Earnings Growth

# Performance Summary

## Strong performances from several areas of the business

- Specialty Ingredients
  - Care – strong performance in Europe
  - Coatings, Construction – volume growth in Asia, Latin America
- Water Technologies
  - Third quarter of year-over-year sales and profit growth
- Performance Materials
  - Adhesives – strength in auto, housing, packaging & converting
  - Composites – wins in energy market, growth in Asia and Latin America
- Valvoline executing on key growth strategies
  - International business consistently growing volumes
  - Strong VIOC company-owned same store sales growth

# Actions to Create Shareholder Value

- Expect to announce Water Technologies transaction in March quarter
  - Primary use of net proceeds expected to be return of capital to shareholders through share repurchase
- Execute global restructuring program
  - More nimble organization, regionally focused
  - Increased competitiveness, efficiently meeting customer needs
- Management and Board to continue evaluating the portfolio



# **Appendix: Reclassifications and Regulation G Reconciliations**

# Ashland Inc. and Consolidated Subsidiaries

## Reconciliation of Non-GAAP Data

### for 12 Months Ended December 31, 2013

(\$ millions, except percentages)

Sales <sup>1</sup>	Q1 14	Q4 13	Q3 13	Q2 13	Total	
Specialty Ingredients	599	596	716	682	2,593	
Water Technologies	436	441	435	424	1,736	
Performance Materials	347	366	395	374	1,482	
Consumer Markets	486	508	513	494	2,001	
<b>Total</b>	<b>1,868</b>	<b>1,911</b>	<b>2,059</b>	<b>1,974</b>	<b>7,812</b>	
						<b>Adjusted EBITDA</b>
Adjusted EBITDA <sup>1</sup>	Q1 14	Q4 13	Q3 13	Q2 13	Total	Margin
Specialty Ingredients	110	132	145	156	543	20.9%
Water Technologies	45	51	41	39	176	10.1%
Performance Materials	34	29	30	33	126	8.5%
Consumer Markets	83	83	86	88	340	17.0%
Unallocated	17	15	23	23	78	
<b>Total</b>	<b>289</b>	<b>310</b>	<b>325</b>	<b>339</b>	<b>1,263</b>	

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

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