



April 30, 2014

## Ashland Inc. reports preliminary financial results for second quarter of fiscal 2014

- Earnings from continuing operations total (\$0.78) per diluted share
- Adjusted earnings from continuing operations total \$1.53 per diluted share, which excludes \$0.21 per diluted share from discontinued operations, where Ashland Water Technologies is now classified
- Company reports good progress on global restructuring

April 30, 2014

COVINGTON, Ky. - Ashland Inc. (NYSE: ASH), a global leader in specialty chemical solutions for consumer and industrial markets, today announced preliminary<sup>(1)</sup> financial results for the quarter ended March 31, 2014, the second quarter of its 2014 fiscal year.

### Quarterly Highlights

(in millions except per-share amounts)	Quarter Ended March 31	
	2014	2013
Operating income (loss)	\$ (64)	\$ 184
Key items*	247	12
Adjusted operating income*	\$ 183	\$ 196
Adjusted EBITDA*	\$ 272	\$ 290
Diluted earnings per share (EPS)		
From net income (loss)	\$ (0.57)	\$ 0.66
From continuing operations	\$ (0.78)	\$ 0.61
Key items*	2.31	0.92
Adjusted EPS from continuing operations*	\$ 1.53	\$ 1.53
Cash flows provided by operating activities		
from continuing operations	\$ 175	\$ 126
Free cash flow*	124	124

\* See Tables 5, 6 and 7 for Ashland definitions and U.S. GAAP reconciliations.

Ashland reported a loss from continuing operations of \$61 million, or \$0.78 per diluted share, on sales of \$1.5 billion. These results included five key items that together reduced income from continuing operations by approximately \$181 million, net of tax, or \$2.31 per diluted share. Among the key items were two charges related to Ashland's global restructuring: a \$70 million after-tax, non-cash charge related to pension plan re-measurements, and a \$61 million after-tax charge related to cost restructuring efforts. During the quarter Ashland also incurred a \$29 million after-tax, non-cash impairment charge related to the recently announced divestiture of the ASK Chemicals joint venture. Excluding the five key items, Ashland's adjusted income from continuing operations was \$120 million, or \$1.53 per diluted share.

For the year-ago quarter, Ashland reported income from continuing operations of \$48 million, or \$0.61 per diluted share, on sales of \$1.5 billion. The year-ago results included five key items that together reduced income from continuing operations by approximately \$74 million, net of tax, or \$0.92 per diluted share. The two largest key items were related to debt refinancing. Excluding all key items, Ashland's adjusted income from continuing operations was \$122 million, or \$1.53 per diluted share. (Please refer to Table 5 of the accompanying financial statements for details of key items in both periods.)

As a result of the pending sale of Ashland Water Technologies, that commercial unit's results have been excluded from continuing operations. However, certain costs previously allocated to Water Technologies remain in continuing operations for all periods and are classified within Ashland's selling, general and administrative expenses. On this basis and for the remainder of this news release, financial results exclude the effect of key items in the current and prior-year quarters. Ashland's results as

compared to the year-ago quarter were as follows:

- Volumes increased 3 percent;
- Sales were flat;
- Operating income decreased 7 percent to \$183 million;
- Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 6 percent to \$272 million; and
- EBITDA as a percent of sales decreased 110 basis points to 17.6 percent.

"Despite the year-over-year comparisons, we were encouraged by our overall performance in the second quarter, as two of our three commercial units, Ashland Performance Materials and Valvoline, posted growth in both sales and profitability," said James J. O'Brien, Ashland chairman and chief executive officer. "In addition, we saw good sequential improvement, with better-than-expected results across all three commercial units. Within Ashland Specialty Ingredients, sales rose a healthy 11 percent when compared to the December quarter thanks to growth in our core divisions, while EBITDA margin returned to the 20 percent level. Performance Materials reported strong volume gains in both adhesives and composites, as well as significantly improved performance within elastomers. Valvoline reported a record second quarter in operating income, with good growth in lubricant volumes and sales, as well as improved product mix."

## **Business Segment Performance**

In order to aid understanding of Ashland's ongoing business performance, the results of Ashland's business segments are described below on an adjusted basis and EBITDA, or adjusted EBITDA, is reconciled to operating income in Table 7 of this news release.

Specialty Ingredients reported mixed results on a year-over-year basis. Overall volume rose 3 percent. Volumes in the consumer-focused product lines - including personal care, pharmaceutical and nutrition - increased 3 percent. This performance was driven by product innovation and higher demand in Latin America and Europe. In the industrial-focused product lines - including coatings, construction, energy and related areas - volumes remained flat year-over-year, primarily due to lower guar volumes and capacity constraints within Ashland's cellulose manufacturing base. Sales totaled \$662 million, a decline of 3 percent when compared to a year ago due to lower sales of guar and intermediates and solvents. EBITDA declined 13 percent, to \$136 million, while EBITDA margin fell 240 basis points, to 20.5 percent. On a sequential basis, Specialty Ingredients' results were better than expected, with growth beginning to return to the core divisions. Volumes climbed 14 percent from the December quarter, while sales grew 11 percent and EBITDA margin rose 210 basis points.

Performance Materials turned in another solid performance, with good growth in adhesives and composites and a marked improvement within elastomers. Overall volumes rose 4 percent versus prior year while sales rose 2 percent to \$380 million. The adhesives and composites divisions continued their solid performances, with adhesives volume up 9 percent and composites rising 3 percent. Adhesives' gains were driven by growing customer demand for Performance Materials' innovative product platforms, particularly within the transportation and packaging and converting markets. Composites reported another strong performance, especially in China, due to increased penetration of building and construction and transportation markets. Elastomers showed considerable improvement over prior year as both volumes and margins increased, driven primarily by raw material costs moderating. Overall EBITDA increased 30 percent to \$43 million. EBITDA margin increased 250 basis points to 11.3 percent, driven by gross profit improvement. In early April, Ashland announced a definitive agreement to sell its ASK Chemicals joint venture headquartered in Hilden, Germany, for approximately €257 million. The transaction is expected to close prior to the end of September.

Ashland Consumer Markets (Valvoline) reported a record second quarter in operating income. Total lubricant volumes increased 1 percent and operating income increased 3 percent year-over-year. Same-store sales at company-owned Valvoline Instant Oil Change<sup>SM</sup> grew 5 percent year-over-year, driven by increased oil changes per day, average ticket price and total number of oil changes. Lubricant volume from Valvoline's International business rose 9 percent. The Do-It-Yourself (DIY) channel reported continued improvement in product mix, with premium-branded lubricant sales increasing 8 percent. Overall sales increased 2 percent versus prior year to \$503 million. Valvoline's EBITDA rose 2 percent, to \$90 million, and EBITDA as a percent of sales was 17.9 percent, an increase of 10 basis points versus the year-ago quarter.

Ashland announced the pending sale of Water Technologies in February. Accordingly, Water Technologies' results are now reported within discontinued operations. The results described in this paragraph reflect the business as it has been historically reported and are provided for comparative purposes only. Water Technologies' sales totaled \$431 million, a 2 percent increase from prior year. Overall EBITDA increased 8 percent, to \$42 million, while EBITDA as a percent of sales rose 50 basis points to 9.7 percent. As previously disclosed, Ashland expects to complete the sale of Water Technologies to Clayton, Dubilier & Rice for \$1.8 billion in cash by the end of September.

Ashland's effective tax rate for the March 2014 quarter was 15.4 percent, which was lower than expected. This was driven by reserve releases for certain foreign tax audits. Excluding these, the effective tax rate would have been 21 percent. Ashland now expects its effective tax rate for the full 2014 fiscal year to be approximately 21 percent.

## Global Restructuring Update

O'Brien said Ashland has made good progress in its global restructuring. To date, the company has identified approximately \$200 million in annualized cost savings opportunities. Among the actions taken to date:

- Approximately 800 employees will leave the company by the end of calendar 2014 through either a voluntary severance program or job elimination.
- In addition, Ashland is continuing to develop plans for substantially reducing certain external support services and for moving a significant number of jobs to existing, lower-cost regional centers of excellence.
- Most of the company's previously centralized supply chain organization has been integrated into the commercial units.
- As of April 1, 2014, the adhesives and intermediates and solvents divisions have been realigned within Specialty Ingredients and Performance Materials.

On a run-rate basis, Ashland expects to achieve more than half of the annualized cost savings by the end of the 2014 fiscal year, and substantially all of the savings by the end of the second quarter of fiscal 2015.

"I am pleased with the progress we are making in our global restructuring, particularly as we have identified cost savings opportunities at the top end of our targeted range of \$150-\$200 million. We intend to take a disciplined approach not only to capturing those savings, but also to sustaining them. When complete, this restructuring should fundamentally improve Ashland's underlying cost structure, enhance our competitiveness and better position Ashland to achieve EBITDA margins consistent with the top quartile of our specialty chemicals peer group," said O'Brien.

## Summary

Looking ahead to the second half of the fiscal year, O'Brien said he is optimistic about Ashland's business.

"We have more work to do in driving growth and removing costs from our businesses, but we have a clear plan in place and I am confident that we will be able to execute against it. The benefits of our global restructuring should begin to ramp up as we move through the year. At the same time, we are encouraged by some of the positive trends we are seeing within our business, particularly as we head into the second half of the year, which is our seasonally stronger period," O'Brien said.

## Conference Call Webcast

Ashland will host a live webcast of its second-quarter conference call with securities analysts at 9 a.m. EDT Thursday, May 1, 2014. The webcast and supporting materials will be accessible through Ashland's website at <http://investor.ashland.com>. Following the live event, an archived version of the webcast and supporting materials will be available for 12 months.

## Use of Non-GAAP Measures

This news release includes certain non-GAAP (Generally Accepted Accounting Principles) measures. Such measurements are not prepared in accordance with GAAP and should not be construed as an alternative to reported results determined in accordance with GAAP. Management believes the use of such non-GAAP measures assists investors in understanding the ongoing operating performance of the company and its segments. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP amounts have been reconciled with reported GAAP results in Tables 5, 6 and 7 of the financial statements provided with this news release.

## About Ashland

In more than 100 countries, the people of Ashland Inc. (NYSE: ASH) provide the specialty chemicals, technologies and insights to help customers create new and improved products for today and sustainable solutions for tomorrow. Our chemistry is at work every day in a wide variety of markets and applications, including architectural coatings, automotive, construction, energy, food and beverage, personal care, pharmaceutical, tissue and towel, and water treatment. Visit [ashland.com](http://ashland.com) to see the innovations we offer through our four commercial units - Ashland Specialty Ingredients, Ashland Water Technologies, Ashland Performance Materials and Valvoline.

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## Forward-Looking Statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Ashland has identified some of these forward-looking statements with words such as "anticipates," "believes," "expects," "estimates," "may," "will," "should" and "intends" and the negatives of these

words or other comparable terminology. In addition, Ashland may from time to time make forward-looking statements in its 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 sale transactions involving Ashland Water Technologies and the ASK joint venture and the potential sale transaction involving the elastomers division (including the possibility that the transactions may not occur or that, if a transaction does occur, Ashland may not realize the anticipated benefits from such transaction); the global restructuring program (including the possibility that Ashland may not achieve the anticipated revenue and earnings growth, cost reductions, and other expected benefits from the program); and, 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. Ashland undertakes no obligation to subsequently update any forward-looking statements made in this news release or otherwise except as required by securities or other applicable law.

#### **(1) Preliminary Results**

Financial results are preliminary until Ashland's Form 10-Q for the quarter ended March 31, 2014, is filed with the SEC.

<sup>SM</sup> Service mark, Ashland or its subsidiaries, registered in various countries

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[Ashland Q2 Financial Tables](#)

[Q2-2014 Earnings Release Presentation](#)

[Q2-2014 Earnings Prepared Remarks](#)

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