



M&A: Retrenchment or Recovery?

Chemical Week Webcast Series
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The Transformation of Ashland

ASHLAND®

1920s

1998

2005

2006

2008

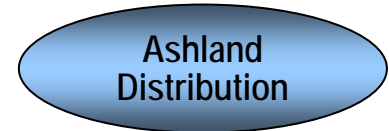
Regional Oil Refiner and Marketer

- Dual Core Company:
- Road Construction/Materials
 - Diversified Chemicals

- Prior to Hercules Acquisition:
- Global Chemical Company



MAP*



Acquisition Criteria

- Determination of target
 - Competitive position (No. 1 or 2 positions in specialty chemicals, global in scope)
 - Complementary business model (formulation, service, market-focus, batch manufacturing)
 - Strengthen core technologies (water soluble polymers, thermosets, industrial biotechnology)
 - Financial returns (growth, attractive operating margin, returns exceeding target cost of capital)
- Analyzed 100+ candidates over three years
 - Refined list to those worthy of more in-depth analysis
 - Full-blown analysis of top candidates
- Internal teams to advocate for and against potential candidates

Integration Approach

- Opportunity to integrate smaller businesses helps develop internal skill set for larger acquisitions
- Core Integration Team of senior people empowered to make quick decisions
- Quickly decide what “matters” and focus on those things
 - “park” other items until the appropriate time
- Set clear objectives and accountabilities
- Review and recommend best practices, organizational principles, risk tolerances, and cultural changes for the new Ashland

Divestiture Activity

- Completed sale of Drew Marine business in August 2009
 - Private equity buyer
 - Had access to capital
- Difficult past six months due to:
 - Gap between seller and buyer expectations
 - Tight credit markets
- Others still in various stages of progress