



April 24, 2013

## Ashland Inc. reports preliminary financial results for second quarter of 2013

*Earnings from continuing operations equal \$0.68 per diluted share; adjusted EPS, excluding key items, is \$1.78 per diluted share*

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, 2013, the second quarter of its 2013 fiscal year.

### Quarterly Highlights

(in millions except per-share amounts)	Quarter Ended March 31	
	2013	2012
Operating income	\$ 205	\$ 179
Key items*	23	42
Adjusted operating income*	\$ 228	\$ 221
Adjusted EBITDA*	\$ 339	\$ 329
Diluted earnings per share (EPS)		
From net income	\$ 0.66	\$ 1.10
From continuing operations	\$ 0.68	\$ 1.13
Key items*	1.10	0.39
Adjusted EPS from continuing operations*	\$ 1.78	\$ 1.52
Cash flows provided by operating activities		
from continuing operations	\$ 158	\$ 210
Free cash flow*	144	155
* See Tables 5, 6 and 7 for definitions and U.S. GAAP reconciliations.		

Ashland reported income from continuing operations of \$55 million, or \$0.68 per diluted share, on sales of \$2.0 billion. These results included several key items that together reduced income from continuing operations by approximately \$88 million, net of tax, or \$1.10 per diluted share. The two largest key items were related to debt refinancing during the quarter. The company incurred a \$34 million after-tax cash expense related to the termination of interest-rate swaps and a \$32 million after-tax non-cash charge related to accelerated debt issuance and other costs. Excluding all key items, Ashland's adjusted earnings per share rose 17 percent, to \$1.78, when compared to the year-ago quarter.

For the year-ago quarter, Ashland reported income from continuing operations of \$90 million, or \$1.13 per diluted share, on sales of \$2.1 billion. The year-ago results included three key items that had a combined negative effect of \$31 million, net of tax, or 39 cents per diluted share. Excluding these items, adjusted income from continuing operations was \$121 million, or \$1.52 per diluted share. (Please refer to Table 5 of the accompanying financial statements for details of key items in both periods.)

For the remainder of this news release, financial results exclude the effect of key items in both the current and prior-year quarters. On this basis, Ashland's results as compared to the year-ago quarter were as follows:

- Sales were \$2.0 billion, a decline of 5 percent;
- Operating income increased 3 percent to \$228 million;
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 3 percent to \$339 million; and
- EBITDA as a percent of sales increased 140 basis points to 17.2 percent.

"We faced a number of challenges in the second quarter, including economic weakness in several key regions, particularly Europe," said James J. O'Brien, Ashland chairman and chief executive officer. "Each of our four commercial units reported year-over-year declines in sales in the face of soft demand. From a sequential standpoint, our performance was more encouraging. Sales at Ashland Specialty Ingredients grew 10 percent compared to the December quarter. Ashland Water Technologies' performance has stabilized, and we expect continued improvement going forward. Ashland Performance Materials improved from the December quarter, with gains in sales and volumes consistent with seasonality. Ashland Consumer Markets turned in another strong earnings performance, both sequentially and year-over-year, as lower raw-material costs drove significant gains in EBITDA. During the second quarter, we also strengthened our capital structure by restructuring our debt to lock in attractive interest rates, extend our maturity schedule and put in place investment-grade covenants."

## **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.

Ashland Specialty Ingredients' sales totaled \$682 million, a decline of 6 percent when compared to a year ago. EBITDA declined 16 percent, to \$156 million, while EBITDA as a percent of sales was 22.9 percent, down 280 basis points versus the year-ago quarter.

The EBITDA decline was driven primarily from selling straight-guar inventory, which was written down to market value in the first quarter and sold at no margin in the second quarter. In addition, Specialty Ingredients experienced lower volumes in the intermediates and solvents business, which accounted for the majority of Specialty Ingredients' overall decline in the quarter. Specialty Ingredients' non-guar energy business performed well with a 33 percent increase in sales versus the prior-year quarter. Sales and volumes in personal care were flat year over year, with growth in hair and oral care offset by home and skin care. On a sequential basis, Specialty Ingredients' EBITDA rose 34 percent and EBITDA margin increased 430 basis points.

Ashland Water Technologies reported sales of \$424 million in the March 2013 quarter, a decline of 1 percent from the year-ago quarter. Normalizing for currency effects and adjusting for divestitures, sales would have been up 1 percent. EBITDA was flat at \$39 million. EBITDA as a percent of sales was 9.2 percent, up 10 basis points. On a sequential basis, EBITDA rose 15 percent and EBITDA margin increased 110 basis points. During the second quarter, Water Technologies' paper business reported improved results. Two-thirds of the paper business' sales come from the growing tissue and towel and packaging markets, where Ashland is a global leader. However, Water Technologies' industrial water business, which includes both utility water and municipal wastewater treatment, has faced continuing challenges. A new management team with proven success in this space has been brought in to drive top-line growth and improved execution. In March, Water Technologies reorganized into two global business units - pulp and paper chemicals, and industrial water - to simplify the organization, sharpen the strategic focus and improve execution.

Ashland Performance Materials reported sales of \$374 million, an 8-percent decrease compared to a year ago. EBITDA declined 6 percent to \$33 million, while EBITDA as a percent of sales grew 20 basis points to 8.8 percent. Overall volumes were down 6 percent from the year-ago quarter, primarily due to lower demand for elastomers resulting from a weak North American replacement tire market. During the quarter, volume in adhesives and composites increased 9 percent sequentially, primarily reflecting seasonal improvement in North America.

Ashland Consumer Markets reported record second-quarter income driven by lower raw-material costs and improved results across nearly every segment of the business, with particularly strong results in Valvoline Instant Oil Change<sup>SM</sup> and in Valvoline's International business. Although lubricant volumes declined 4 percent on a year-over-year basis, they rose 6 percent on a sequential basis. While year-over-year sales decreased 5 percent to \$494 million, EBITDA rose 33 percent to \$88 million. EBITDA as a percent of sales was 17.8 percent, an increase of 510 basis points versus the year-ago quarter.

After excluding the effects from key items, Ashland's effective tax rate for the March 2013 quarter was 24 percent. Ashland now expects the effective tax rate for the full 2013 fiscal year to be in the range of 25-27 percent.

"Despite facing soft demand and economic challenges in a number of markets, we were able to increase adjusted earnings per share by 17 percent and generate \$144 million in free cash during the quarter," O'Brien said. "Overall, our Specialty Ingredients business held up well during a tough economic environment and Water Technologies has stabilized. Performance Materials' adhesive and composites businesses benefited from an increase in seasonal demand and Consumer Markets turned in another great quarter."

## **Outlook**

In late 2011, Ashland outlined a plan to increase earnings to a range of \$9.50-\$10.50 per share and to grow EBITDA to \$1.7 billion by fiscal 2014. That three-year plan was based on business forecasts as well as a variety of assumptions related to global economic growth, market demand and other factors.

"We are now halfway through that three-year plan and the reality is that some of those expectations, particularly those related to growth in emerging markets, have not materialized. As a result, our recent performance has been below target," O'Brien explained. "In light of the broader economic challenges and market softness Ashland is facing in a number of key regions around the world, it is now unlikely that we will be able to achieve that range for earnings per share or EBITDA."

He said that while fiscal 2013 is shaping up to be more challenging than originally expected, Ashland's strategic focus has not changed.

"We will continue to look for ways to drive improvements that will lead to sustained sales and earnings growth. Since beginning our transformation into a specialty chemical company in 2004, we have executed our strategy of acquiring higher-margin businesses with strong growth potential, while divesting cyclical or underperforming businesses and returning capital to our shareholders. As a result, we have dramatically reshaped the company and positioned Ashland for long-term success. We remain fully committed to unlocking value and generating significant returns for Ashland shareholders," 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 Wednesday, April 24, 2013. 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 Ashland Consumer Markets.

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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), 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, 2013, is filed with the SEC.

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

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[Ashland Financial Tables](#)

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