



October 30, 2012

Ashland Inc. reports preliminary financial results for fourth quarter of fiscal 2012

- Posts loss from continuing operations of \$3.47 per diluted share primarily due to pension and debt refinancing charges
- Adjusted EPS, excluding key items, increase 85 percent to \$1.87

COVINGTON, Ky. - Ashland Inc. (NYSE: ASH), a global leader in specialty chemical solutions for consumer and industrial markets, today announced preliminary⁽¹⁾ financial results for the quarter ended September 30, 2012, the fourth quarter of its 2012 fiscal year.

Quarterly Highlights

(in millions except per-share amounts)	Quarter Ended Sept. 30,	
	2012	2011
Operating income	\$ (284)	\$ (370)
Key items*	530	507
Adjusted operating income*	\$ 246	\$ 137
Adjusted pro forma EBITDA*	\$ 349	\$ 264
Diluted earnings per share (EPS)		
From net income	\$ (3.49)	\$ (3.38)
From continuing operations	\$ (3.47)	\$ (3.50)
Key items*	5.34	4.51
Adjusted EPS from continuing operations*	\$ 1.87	\$ 1.01
Cash flows provided by operating activities		
from continuing operations	\$ 239	\$ 154
Free cash flow*	154	35
* See Tables 5, 6 and 7 for definitions and U.S. GAAP reconciliations.		
Includes International Specialty Products Inc. in both periods.		

Ashland reported a loss from continuing operations of approximately \$272 million, or \$3.47 per diluted share, on sales of \$2.1 billion. These results included five key items that together reduced income from continuing operations by approximately \$422 million, net of tax, or \$5.34 per diluted share. The largest key items were a non-cash charge of \$3.88 per share related to an actuarial loss on pension, and a charge of 80 cents per share related to debt refinancing during the quarter. Excluding all five key items, Ashland's adjusted income from continuing operations was \$150 million, or \$1.87 per diluted share, an increase of 85 percent versus the year-ago quarter.

For the year-ago quarter, Ashland reported a loss from continuing operations of \$273 million, or \$3.50 per diluted share, on sales of \$1.8 billion. The year-ago results included six key items that had a combined negative effect of \$353 million, net of tax, or \$4.51 per diluted share. Excluding these items, adjusted income from continuing operations was \$1.01 per diluted share. The results from the prior-year quarter do not include pre-acquisition ISP results or related financing costs associated with that acquisition. (Please refer to Table 5 of the accompanying financial statements for details of key items in both periods.)

For the remainder of this press release, financial results exclude the effect of key items in both the current and prior-year quarters. The prior year also includes the results of ISP on a pro forma basis. As such, Ashland's results as compared to the year-ago quarter were as follows:

- Sales were \$2.1 billion; normalizing for currency, divestitures and joint ventures, sales increased 3 percent;
- Operating income rose 60 percent to \$246 million;
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 32 percent to \$349 million; and
- EBITDA as a percent of sales rose 450 basis points to 17 percent, in line with the company's long-term financial targets.

"We achieved significant year-over-year growth in EBITDA and margins during the quarter, despite economic challenges that tempered sales growth in some of our businesses," said James J. O'Brien, Ashland chairman and chief executive officer. "Three of our four commercial units generated increased profitability, as we benefitted from better pricing and lower raw material costs. Also during the quarter, we improved our capital structure with a successful refinancing of our nine-and-one-eighth percent senior notes and the implementation of an accounts receivables asset securitization program. In addition, we had a solid quarter for free cash flow, generating \$154 million."

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 or pro forma adjusted basis, and EBITDA or adjusted EBITDA is reconciled to operating income in Tables 7 and 8 of this news release.

Ashland Specialty Ingredients' sales totaled \$734 million, an increase of 9 percent when compared to a year ago on a pro forma basis. EBITDA rose 25 percent, to \$193 million, while EBITDA as a percent of sales was 26.3 percent, an increase of 320 basis points versus the year-ago quarter. While year-over-year growth was significant, EBITDA was down sequentially. This is primarily due to reduced sales in our more economically sensitive guar and solvents product lines. Our more specialized businesses, which include Personal Care and Pharmaceutical, generally performed well.

Ashland Water Technologies' sales totaled \$431 million in the September 2012 quarter, a decline of 12 percent from the year-ago quarter. Nearly half of that decline was due to the stronger dollar. Normalizing for currency effects and adjusting for divestitures, sales decreased 4 percent. EBITDA was \$33 million, a 34-percent decline from September 2011. EBITDA as a percent of sales was 7.7 percent, down 250 basis points. Issues within Water Technologies have largely continued, with key markets, including Paper and Industrial, remaining soft.

Ashland Performance Materials reported sales of \$369 million, a 15-percent decrease from the September quarter on the same pro forma basis, which includes the results of ISP's elastomers business. Excluding effects associated with our Casting Solutions joint venture and the divested PVAc business, year-over-year sales for Performance Materials declined 10 percent. This sales decrease was almost entirely attributable to lower index-based pricing for elastomers products. Despite overall sales and volume declines, EBITDA held steady at \$31 million, while EBITDA as a percent of sales grew 130 basis points to 8.4 percent.

Consumer Markets had a very strong quarter, with significant increases in profitability. Earnings rose on the strength of higher margins, which benefitted primarily from reduced base oil costs. Sales at Ashland Consumer Markets increased 1 percent, to \$522 million, when compared to a year ago. EBITDA more than doubled, to \$83 million, while EBITDA as a percent of sales was 15.9 percent, an increase of 840 basis points.

After excluding the effects from key items, Ashland's effective tax rate for the September 2012 quarter was 21 percent, bringing the rate for the full 2012 fiscal year to approximately 26 percent. For fiscal 2013, Ashland expects its effective tax rate to be in the range of 26 to 28 percent.

Summary and Outlook

O'Brien said he is pleased with Ashland's overall performance in fiscal 2012.

"Fiscal 2012 was a defining year for Ashland. With our transformation into a global specialty chemical company complete, we set our sights on delivering sustained sales and earnings growth. Our performance in 2012 demonstrates that we are on the right strategic track. Adjusted earnings per share from continuing operations increased 70 percent, driven by good earnings growth in most of our commercial units. We also captured \$75 million in savings from the successful integration and corporate cost reduction program, improved our capital structure with the debt refinancing, and generated \$183 million of free cash flow. We're beginning to see the type of earnings power that we envisioned when we combined Ashland and ISP, with improved margins that better reflect our focus on specialty chemicals."

"While the current macroeconomic environment poses additional challenges, we remain committed to achieving our 2014 financial goals. We will drive performance by focusing on organic volume growth, margin expansion, cost efficiencies and strategic capital investment. We are confident in our ability to execute against this plan and create significant shareholder value in the years ahead," O'Brien said.

Conference Call Webcast

Ashland will host a live webcast of its fourth-quarter conference call with securities analysts at 9 a.m. EDT Tuesday, Oct. 30, 2012. 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 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. In addition, Ashland may from time to time make forward-looking statements in its 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, 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. 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-K for the fiscal year ended Sept. 30, 2012, is filed with the SEC.

FOR FURTHER INFORMATION:

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[Earnings Release 9-12 Final](#)

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