



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

### FOR IMMEDIATE RELEASE

Jan. 24, 2012

*Earnings from continuing operations equal 76 cents per diluted share; adjusted earnings, excluding key items, increased 30 percent to \$1.20 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 Dec. 31, 2011, the first quarter of its 2012 fiscal year.

### Quarterly Highlights

(in millions except per-share amounts)	Quarter Ended Dec. 31,	
	2011	2010
Operating income	\$ 144	\$ 114
Key items*	53	10
Adjusted operating income*	\$ 197	\$ 124
Adjusted pro forma EBITDA*	\$ 301	\$ 266
Diluted earnings per share (EPS)		
From net income	\$ 0.77	\$ 1.25
From continuing operations	\$ 0.76	\$ 0.91
Key items*	0.44	0.01
Adjusted EPS from continuing operations*	\$ 1.20	\$ 0.92
Cash flows used by operating activities		
from continuing operations	\$ (181)	\$ (38)
Free cash flow*	(147)	(72)
* See Tables 5, 6 and 7 for definitions and U.S. GAAP reconciliations.		
• Includes International Specialty Products Inc. in both periods.		

For the first quarter of fiscal 2012, Ashland reported income from continuing operations of \$60 million, or 76 cents per diluted share, on sales of \$1.9 billion. These results included two key item charges totaling approximately \$35 million, net of tax, or 44 cents per diluted share, related to stepped-up inventory values from the acquisition of International Specialty Products Inc. (ISP) last August and severance related to Ashland's cost-reduction program. Excluding these two key items, Ashland's adjusted income from continuing operations was \$95 million, or \$1.20 per diluted share, an increase of 30 percent versus the year-ago quarter.

For the year-ago quarter, income from continuing operations was \$71 million, or 91 cents per diluted share, on sales of \$1.4 billion. The year-ago results included four key items that had a combined negative impact of \$1 million, net of tax, or 1 cent per diluted share. Excluding these items, adjusted income from continuing operations was 92 cents per diluted share. The December 2010 results do not include ISP 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.)

Adjusting for the impact of key items in both the current and prior-year quarters and for the acquisition of ISP on a pro forma basis, Ashland's results for the December 2011 quarter as compared with the December 2010 quarter were as follows:

- Sales grew 6 percent to \$1.9 billion;
- Operating income rose 27 percent to \$197 million;
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 13 percent to \$301 million; and
- EBITDA as a percent of sales increased 100 basis points to 15.6 percent.

On a stand-alone basis, ISP businesses contributed approximately \$450 million of sales in the December 2011 quarter, a 16-percent increase over ISP's sales for the prior-year quarter. ISP's adjusted EBITDA was approximately \$120 million in the December 2011 quarter, approximately 50 percent above the year-ago quarter.<sup>(2)</sup>

"Our first-quarter financial results reflect the improved earnings power from Ashland's transformation into a high-growth specialty chemical company," said James J. O'Brien, Ashland chairman and chief executive officer. "The addition of ISP has significantly expanded our positions in higher-margin growth markets such as personal care and pharmaceuticals, and we are beginning to see the bottom-line benefits from our broadened business portfolio. Ashland Specialty Ingredients, which now includes the majority of ISP, had a very strong quarter with good volume growth and strong margins. At the same time, Ashland Performance Materials and Ashland Consumer Markets both reported improved sequential results on the strength of pricing and improved cost recovery. Ashland Water Technologies faced a more challenging demand environment, and we are focused on returning this business to more profitable levels."

## **Business Segment Performance**

In order to aid understanding of Ashland's ongoing business performance, the results of Ashland's business segments are presented on an adjusted or pro forma adjusted basis, and EBITDA is reconciled to operating income in Tables 7 and 8 of this news release. The majority of ISP's results are included within the Specialty Ingredients commercial unit, with the results of ISP's elastomers business included within the Performance Materials commercial unit.

Ashland Specialty Ingredients reported sales of \$628 million for the December 2011 quarter, an increase of 19 percent when compared to a year ago on a pro forma basis. EBITDA rose 39 percent, to \$160 million, while EBITDA as a percent of sales was 25.5 percent, an increase of 370 basis points versus the year-ago quarter. Specialty Ingredients' margin improvement was driven by significantly better pricing, as well as volume gains, most notably in the construction and energy markets.

Ashland Performance Materials reported sales of \$378 million, a 6-percent decrease from the December 2010 quarter on the same pro forma basis, which includes the results of ISP's elastomers business in prior periods. The year-ago quarter included consolidated results from the Casting Solutions business that was contributed to the ASK Chemicals joint venture in December 2010 and is now reported within equity income. Excluding Casting Solutions, year-over-year sales for Performance Materials rose 11 percent. EBITDA increased 13 percent, to \$45 million, while EBITDA as a percent of sales grew 190 basis points to 11.9 percent. Margins improved across all lines of business, benefiting from higher pricing and lower raw material costs during the December quarter.

Sales at Ashland Consumer Markets rose 8 percent, to \$475 million, when compared to a year ago. EBITDA totaled \$56 million, a decline of 26 percent versus a year ago, while EBITDA as a percent of sales was 11.8 percent, a decline of 550 basis points from December 2010. However, both EBITDA and EBITDA margin were significantly higher on a sequential basis when compared to the September 2011 quarter. Since the end of the December quarter, the cumulative effect of pricing and lower

raw material costs have helped restore Consumer Markets' gross profit as a percent of sales to more normalized levels.

Ashland Water Technologies' sales totaled \$449 million in the December 2011 quarter, essentially even with the year-ago quarter. EBITDA was \$40 million, an 18-percent decline from December 2010. EBITDA as a percent of sales was 8.9 percent, down 200 basis points. Margins were negatively affected by lower volumes, which offset improved pricing during the quarter.

After excluding the effects from key items, Ashland's effective tax rate for the December 2011 quarter was 30 percent.

## **Outlook**

Looking ahead, O'Brien said he is optimistic about Ashland's growth opportunities and business performance.

"With Ashland's transformation into a specialty chemical company now complete, we are squarely focused on driving earnings expansion through organic volume growth, margin improvement, cost efficiencies and strategic capital investment," he said. "We are off to a great start in fiscal 2012, with overall pricing efforts generating significant improvement in margins and profitability. Our enhanced position in stable, less-cyclical markets should enable us to produce strong results and be less affected by volatility in the broader economy. Our December quarter results clearly demonstrate that we are on the right strategic track, as our improved margins are more reflective of a specialty chemical business. Now we must continue to execute our plan across our full portfolio of businesses and deliver sustainable sales and earnings growth."

## **Conference Call Webcast**

Ashland will host a live webcast of its first-quarter conference call with securities analysts at 9 a.m. EST Tuesday, Jan. 24, 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 [www.ashland.com](http://www.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.

- 0 -

C-ASH

## **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: the possibility that the benefits anticipated from the acquisition of International Specialty Products Inc. (ISP) will not be fully realized, the substantial indebtedness Ashland has incurred to finance the acquisition of ISP (including the possibility that such debt 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 fiscal quarter ended Dec. 31, 2011, is filed with the SEC.

#### **(2) Historical ISP Results**

The financial results for ISP on a stand-alone basis for the quarter ended Dec. 31, 2011, represent Ashland's best estimate of ISP's operational performance. The stand-alone financial results for ISP for the quarter ended Dec. 31, 2011, have been calculated using Ashland's cost allocation methodologies and shared resource costs. These cost allocation methodologies and shared resource costs differ from those historically used by ISP.

#### **FOR FURTHER INFORMATION:**

Media Relations:

Gary Rhodes

+1 (859) 815-3047

[glrhodes@ashland.com](mailto:glrhodes@ashland.com)

Investor Relations:

David Neuberger

+1 (859) 815-4454

[daneuberger@ashland.com](mailto:daneuberger@ashland.com)

[Q1 2012 Earnings Press Release Tables Final](#)

---

*This announcement is distributed by Thomson Reuters on behalf of Thomson Reuters clients.*

*The owner of this announcement warrants that:*

*(i) the releases contained herein are protected by copyright and other applicable laws; and  
(ii) they are solely responsible for the content, accuracy and originality of the information contained therein.*

Source: Ashland Inc. via Thomson Reuters ONE

HUG#1579616

News Provided by Acquire Media