



July 25, 2013

Ashland Inc. reports preliminary financial results for third quarter of fiscal 2013

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- Earnings from continuing operations equal \$1.47 per diluted share; adjusted EPS, excluding key items, is \$1.66 per diluted share
- Results reflect a non-cash charge, after tax, of \$0.16 per share related to elastomers inventory write-down
- Free cash flow estimate for fiscal 2013 raised to approximately \$450 million
- Company exploring strategic options for Ashland Water Technologies, including possible sale
- Ashland initiates process to sell elastomers business

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 June 30, 2013, the third quarter of its 2013 fiscal year.

Quarterly Highlights

(in millions except per-share amounts)	Quarter Ended June 30	
	2013	2012
Operating income	\$ 210	\$ 263
Key items*	10	11
Adjusted operating income*	\$ 220	\$ 274
Adjusted EBITDA*	\$ 325	\$ 381
Diluted earnings per share (EPS)		
From net income	\$ 1.55	\$ 1.90
From continuing operations	\$ 1.47	\$ 2.00
Key items*	0.19	0.04
Adjusted EPS from continuing operations*	\$ 1.66	\$ 2.04
Cash flows provided by operating activities	\$ 255	\$ 118
from continuing operations		
Free cash flow*	184	52

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

Ashland reported income from continuing operations of \$117 million, or \$1.47 per diluted share, on sales of \$2.1 billion. These results included several key items that together reduced income from continuing operations by approximately \$15 million, net of tax, or \$0.19 per diluted share. The largest key item was a \$10 million after-tax charge from adjustments made to environmental reserves primarily related to legacy non-operating sites. Excluding all key items, Ashland's adjusted earnings per share declined 19 percent, to \$1.66, when compared to the year-ago quarter. These adjusted results include a non-cash write-down of \$17 million, or \$0.16 per diluted share, on elastomers inventory within Ashland Performance Materials.

For the year-ago quarter, Ashland reported income from continuing operations of \$160 million, or \$2.00 per diluted share, on sales of \$2.1 billion. The year-ago results included three key items that had a combined negative effect of \$3 million, net of tax, or \$0.04 per diluted share. Excluding these three items, adjusted income from continuing operations was \$163 million, or \$2.04 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:

- Volumes rose 3 percent;

- Sales declined 4 percent to \$2.1 billion;
- Operating income decreased 20 percent to \$220 million;
- Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 15 percent to \$325 million; and
- EBITDA as a percent of sales decreased 200 basis points to 15.8 percent.

"Much of the decline in sales and profitability during the third quarter can be attributed to sharply lower guar sales in Ashland Specialty Ingredients when compared to the year-ago period. Excluding guar and the elastomers write-down, our overall performance in the third quarter was encouraging," said James J. O'Brien, Ashland chairman and chief executive officer. "Each of our four commercial units reported volume increases. Within Ashland Specialty Ingredients, volumes rose 4 percent versus the year-ago period. Our higher-margin pharmaceutical and personal care businesses were particularly strong, with good gains in both sales and volume. Ashland Water Technologies continued to improve, with overall increases in sales and volume driven by our pulp and paper business. Ashland Performance Materials reported a 3 percent volume increase driven by solid gains in our adhesives and composites business. Ashland Consumer Markets delivered another strong quarter as international growth and several successful promotions helped fuel a 26 percent increase in EBITDA compared to a year ago."

"During the third quarter, we also increased our quarterly dividend by more than 50 percent and bought back 1.7 million shares of Ashland stock as part of a new \$600 million stock repurchase authorization. These actions reflect our continued commitment to create value for shareholders," he added.

The company also generated \$184 million in free cash flow during the third quarter, bringing the total through the first nine months of fiscal 2013 to \$357 million. In light of this strong performance, Ashland now expects free cash flow for the full fiscal year to be approximately \$450 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 basis and EBITDA, or adjusted EBITDA, is reconciled to operating income in Table 7 of this news release.

Ashland Specialty Ingredients' year-over-year sales declined 10 percent, to \$716 million, driven by an \$86 million reduction in guar sales versus last year. Excluding guar, overall sales increased 1 percent. The impact of lower guar sales could also be seen on profitability, as EBITDA declined 35 percent, to \$145 million. EBITDA as a percent of sales was 20.3 percent, down 790 basis points versus the year-ago quarter. Sales within Ashland's higher-margin pharmaceutical and personal care businesses rose 9 percent and 5 percent, respectively. This improvement was driven largely by increased growth in Latin America and other emerging markets. Specialty Ingredients' non-guar energy business performed well with a 6 percent increase in gross profit versus the prior-year quarter. On a sequential basis, Specialty Ingredients' volume rose 8 percent and sales increased 5 percent. Coatings and construction showed particular improvement, with combined sales increasing 15 percent sequentially.

Ashland Water Technologies showed continued improvement, both on a year-over-year basis and sequentially. Sales increased 2 percent to \$435 million versus a year ago. The pulp and paper business led the way with a 7 percent increase in sales. Industrial water, which includes utility water and municipal wastewater treatment, continued to face challenges as sales declined 4 percent. Overall EBITDA rose 11 percent, to \$41 million, while EBITDA as a percent of sales climbed 70 basis points to 9.4 percent. The commercial unit's improved performance was attributed to better supply chain execution, improved product mix, increased asset utilization and better contract management. On a sequential basis, overall sales rose 3 percent, EBITDA increased 5 percent and EBITDA margin increased 20 basis points. Of note, sales within industrial water increased 2 percent sequentially.

Within Ashland Performance Materials, year-over-year volumes rose 3 percent. The adhesives and composites business showed particular strength, with volumes rising 5 percent and sales gaining 4 percent. This segment is benefitting from improving demand in North America and more favorable product mix overall. Total sales within Performance Materials declined 2 percent, to \$395 million, primarily due to steep declines in the price of butadiene, a key feedstock for elastomers. This led Ashland to take a \$17 million non-cash inventory write-down during the third quarter. The majority of this write-down relates to a decline in inventory value that occurred earlier in the 2013 fiscal year. Year-over-year EBITDA declined 39 percent to \$30 million. On a sequential basis, volume rose 5 percent and sales increased 6 percent. In particular, adhesives and composites sales and volume both increased by 7 percent on a sequential basis, primarily from improvement in North America and Asia.

Ashland has initiated a process to sell the elastomers business, which accounted for approximately 22 percent of Performance Materials' \$1.5 billion in sales for the trailing 12 months ended June 30, 2013. This business, which primarily serves the North American replacement tire market, was acquired as part of the ISP transaction in August 2011. Ashland operates a 250-person

manufacturing facility in Port Neches, Texas, that serves elastomers customers.

"The decision to sell our elastomers business fits with Ashland's well-established strategy of divesting non-core assets and reinvesting in higher-margin, specialty chemical businesses where we see attractive growth opportunities. We have a great team leading elastomers, and this business could be a good strategic fit for the right operator," said O'Brien.

Ashland Consumer Markets reported a strong third quarter driven by improved results across all business units. The international business reported continued growth, as improvements in Asia and Latin America contributed a 6 percent gain in volume. The Do-It-Yourself business unit reported modest growth, with several promotions helping to drive higher volumes for premium lubricants. Overall lubricant volumes increased 1 percent from the prior year. While year-over-year sales decreased 1 percent to \$513 million, EBITDA rose 26 percent to \$86 million. EBITDA as a percent of sales was 16.8 percent, an increase of 360 basis points versus the year-ago quarter. On a sequential basis, lubricant volume rose 5 percent and sales gained 4 percent.

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

Ashland exploring strategic alternatives for Water Technologies

The company also announced that it is exploring strategic alternatives for Ashland Water Technologies, including a potential sale of the business. The company has retained Citi to assist in this process and intends to evaluate all options.

"We are committed to unlocking value for Ashland shareholders," said O'Brien. "While Water Technologies' performance has improved this year, we believe that evaluating strategic options, including a possible sale, will help us determine the best path forward for this business."

Outlook

As Ashland enters the fourth quarter, O'Brien said he sees several encouraging signs.

"Market demand and volume trends have begun to improve in several areas of our business, providing momentum as we head toward the end of our fiscal year. Although we face difficult year-over-year comparisons in guar sales and profitability in the fourth quarter, this will be the final quarter of that effect. We are generating higher free cash flow than originally expected, leading us to raise our estimates for the full fiscal year. And earlier this month we rolled out our enterprise resource planning system across the former ISP sites. We expect this SAP system to be fully implemented in the fourth quarter, allowing us to capture the majority of the remaining \$15 million in synergy savings as we enter fiscal 2014," he said.

Conference Call Webcast

Ashland will host a live webcast of its third-quarter conference call with securities analysts at 9 a.m. EDT Thursday, July 25, 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 to see the innovations we offer through our four commercial units - Ashland Specialty Ingredients, Ashland Water Technologies, Ashland Performance Materials and Ashland Consumer Markets.

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 potential strategic transaction involving Ashland Water Technologies and the potential sale of the elastomers business (including, in each case, the possibility that a transaction may not occur or that, if a transaction does occur, Ashland may not realize the anticipated benefits from such transaction), 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. 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 June 30, 2013, is filed with the SEC.

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