



July 26, 2012

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

Earnings from continuing operations more than double to \$2.00 per diluted share; adjusted earnings, excluding key items, increase to \$2.04 per diluted share

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, 2012, the third quarter of its 2012 fiscal year.

Quarterly Highlights

(in millions except per-share amounts)	Quarter Ended June 30,	
	2012	2011
Operating income	\$ 263	\$ 129
Key items*	11	8
Adjusted operating income*	\$ 274	\$ 137
Adjusted pro forma EBITDA*	\$ 381	\$ 307
Diluted earnings per share (EPS)		
From net income	\$ 1.90	\$ 1.17
From continuing operations	\$ 2.00	\$ 0.94
Key items*	0.04	0.06
Adjusted EPS from continuing operations*	\$ 2.04	\$ 1.00
Cash flows provided by operating activities		
from continuing operations	\$ 118	\$ 12
Free cash flow*	34	(46)
* See Tables 5, 6 and 7 for definitions and U.S. GAAP reconciliations.		
Includes International Specialty Products Inc. in both periods.		

Ashland reported income from continuing operations of approximately \$160 million, or \$2.00 per diluted share, on sales of \$2.1 billion. These results included three key items that together reduced income from continuing operations by approximately \$3 million, net of tax, or four cents per diluted share. Excluding these three key items, Ashland's adjusted income from continuing operations was \$163 million, or \$2.04 per diluted share, an increase of 104 percent versus the year-ago quarter.

For the year-ago quarter, income from continuing operations was \$75 million, or 94 cents per diluted share, on sales of \$1.7 billion. The year-ago results included two key items that had a combined negative effect of \$5 million, net of tax, or six cents per diluted share. Excluding these items, adjusted income from continuing operations was \$1.00 per diluted share. The results from the prior-year quarter 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.)

For the remainder of this press release, financial results are adjusted for 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 declined 2 percent to \$2.1 billion; normalizing for currency and divestitures, sales increased 4 percent;
- Operating income rose 40 percent to \$274 million;
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 24 percent to \$381 million; and
- EBITDA as a percent of sales rose 370 basis points to 17.8 percent, in line with the company's long-term financial targets.

"We continued to make solid overall progress in the third quarter toward our long-term financial goals, with significant year-over-year improvement in EBITDA and margins despite a challenging demand environment in some of our commercial units," said James J. O'Brien, Ashland chairman and chief executive officer. "These improved margins were primarily driven by strong pricing discipline, with three of our four commercial units generating significant increases in profitability."

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 turned in another strong quarter, with the highest growth coming within the industrial segment, which includes energy and construction. Specialty Ingredients' sales totaled \$793 million, an increase of 15 percent when compared to a year ago on a pro forma basis. EBITDA rose 29 percent, to \$224 million, while EBITDA as a percent of sales was 28.2 percent, an increase of 310 basis points versus the year-ago quarter. Specialty Ingredients represents the largest commercial unit within Ashland, comprising roughly 60 percent of the company's consolidated EBITDA on a trailing 12-month basis.

Ashland Performance Materials reported sales of \$404 million, a 15-percent decrease from the June 2011 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 recently divested PVAc business, year-over-year sales for Performance Materials declined 8 percent. Despite sales declines, Performance Materials achieved particularly strong earnings growth in its composites, adhesives and elastomers businesses. EBITDA increased 75 percent, to \$49 million, while EBITDA as a percent of sales grew 620 basis points to 12.1 percent.

Although Consumer Markets' sales and volumes were down versus the prior year due to continued softness in the domestic do-it-yourself market, earnings improved on the strength of higher margins and lower advertising expenses. Sales at Ashland Consumer Markets declined 1 percent, to \$517 million, when compared to a year ago. EBITDA totaled \$68 million, an increase of 10 percent versus a year ago, while EBITDA as a percent of sales was 13.2 percent, an increase of 130 basis points from June 2011.

Ashland Water Technologies' sales totaled \$427 million in the June 2012 quarter, a decline of 13 percent from the year-ago quarter. Normalizing for currency effects and adjusting for divestitures, sales decreased 4 percent. EBITDA was \$37 million, an 18-percent decline from June 2011. EBITDA as a percent of sales was 8.7 percent, down 50 basis points. Water Technologies continues to face soft demand in some key markets, including paper and industrial, with lower volumes more than offsetting the benefit from improved pricing in the quarter.

After excluding the effects from key items, Ashland's effective tax rate for the June 2012 quarter was 26 percent. We expect the company's effective tax rate for the 2012 fiscal year to come in at the low end of the 28-30 percent range previously disclosed.

Outlook

As the company enters the fourth quarter, O'Brien said he is pleased with Ashland's progress on executing its strategic plan.

"We have now completed three full quarters since the acquisition of ISP, and our performance has steadily improved as we realize the strategic benefits of this higher-margin portfolio of businesses. Despite broader economic headwinds in some of our businesses, our commercial units have done a good job of managing costs and other areas within their control. We are also making continued progress on the integration of ISP, which is a testament to the efforts of employees across Ashland," he explained.

"We have established positive momentum in our business as we approach the end of our fiscal year. Through July, demand trends are generally holding up well and in line with our expectations. In a number of areas, raw material costs have begun to move in our favor and could serve as a tailwind as we close out our fiscal year. Overall, I believe we are well on track to deliver our longer-term financial targets for sales and earnings growth," O'Brien 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 26, 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.

- 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: 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-Q for the fiscal quarter ended June 30, 2012, is filed with the SEC.

FOR FURTHER INFORMATION:

Media Relations:

Gary Rhodes

+1 (859) 815-3047

glrhodes@ashland.com

Investor Relations:

David Neuberger

+1 (859) 815-4454

daneuberger@ashland.com

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#1629359

News Provided by Acquire Media