

ASHLAND INC.
Form 10-K
November 24, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-32532

ASHLAND INC.

Kentucky

(State or other jurisdiction of incorporation or organization)

20-0865835

(I.R.S. Employer Identification No.)

50 E. RiverCenter Boulevard

P.O. Box 391

Covington, Kentucky 41012-0391

Telephone Number (859) 815-3333

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$.01 per share

New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edgar Filing: ASHLAND INC. - Form 10-K

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

At March 31, 2014, the aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$7,714,064,080. In determining this amount, the Registrant has assumed that its directors and executive officers are affiliates. Such assumption shall not be deemed conclusive for any other purpose.

At October 31, 2014, there were 69,368,070 shares of Registrant’s common stock outstanding.

Documents Incorporated by Reference

Portions of Registrant’s Proxy Statement (Proxy Statement) for its January 29, 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this annual report on Form 10-K to the extent described herein.

TABLE OF CONTENTS

	Page
PART I	
Item 1. Business	1
General	1
Corporate Developments	2
Ashland Specialty Ingredients	2
Ashland Performance Materials	4
Valvoline	5
Miscellaneous	6
Item 1A. Risk Factors	9
Item 1B. Unresolved Staff Comments	14
Item 2. Properties	14
Item 3. Legal Proceedings	15
Item 4. Mine Safety Disclosures	16
Item X. Executive Officers of Ashland	16
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Five-Year Total Return Performance Graph Matters and Issuer Purchases of Equity Securities	18
Item 6. Selected Financial Data	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation	19
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	19
Item 8. Financial Statements and Supplementary Data	20
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	20
Item 9A. Controls and Procedures	20
Item 9B. Other Information	20
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	20
Item 11. Executive Compensation	20
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	21
Item 13. Certain Relationships and Related Transactions, and Director Independence	21
Item 14. Principal Accounting Fees and Services	21
PART IV	
Item 15. Exhibits and Financial Statement Schedules	21

PART I

ITEM 1. BUSINESS

GENERAL

Ashland Inc. is a Kentucky corporation, with its principal executive offices located at 50 E. RiverCenter Boulevard, Covington, Kentucky 41011 (Mailing Address: 50 E. RiverCenter Boulevard, P.O. Box 391, Covington, Kentucky 41012-0391) (Telephone: (859) 815-3333). Ashland was organized in 2004 as the successor to a Kentucky corporation of the same name organized on October 22, 1936. The terms “Ashland” and the “Company” as used herein include Ashland Inc., its predecessors and its consolidated subsidiaries, except where the context indicates otherwise. Ashland is a leading, global specialty chemical company that provides products, services and solutions that meet customers’ needs throughout a variety of industries in more than 100 countries. Ashland’s chemistry is used in a wide variety of markets and applications, including architectural coatings, adhesives, automotive, construction, energy, food and beverage, personal care, and pharmaceutical.

Subsequent to the sale of Water Technologies on July 31, 2014, Ashland has three reportable segments: Specialty Ingredients, Performance Materials and Valvoline (formerly Ashland Consumer Markets). In addition to the sale of Water Technologies, Ashland realigned certain components remaining in its portfolio of businesses during the year ended September 30, 2014, including divesting its casting solutions joint venture. As a result of the business realignment, Specialty Ingredients has been organized into two divisions: Consumer Specialties and Industrial Specialties, with adhesives joining the Industrial Specialties division, moving over from Performance Materials. This will enable Ashland to provide higher levels of customization and service demanded by the adhesives market. Also as part of the realignment, Specialty Ingredients moved from a global to regional structure, providing increased customer focus for North America, Europe, Asia and Latin America. In addition, following the realignment, Performance Materials now has three divisions: 1) Composites, which serves construction, transportation, marine and other markets; 2) Intermediates and Solvents, which moved over from Specialty Ingredients and serves both Ashland’s internal butanediol needs as well as the merchant market; and 3) Elastomers, which primarily serves the North American replacement tire market. On October 9, 2014, Ashland entered into an agreement to sell the Elastomers business. The sale is expected to close by December 31, 2014 subject to certain regulatory approvals and closing conditions. The business realignment during 2014 did not affect Valvoline, as it has remained unchanged compared to prior year periods.

Financial information about Ashland’s three reportable segments for each of the fiscal years in the three-year period ended September 30, 2014 is set forth in Note Q of Notes to Consolidated Financial Statements in this annual report on Form 10-K, including sales, equity income, other income, operating income and assets. International data, such as sales to external customers, net assets and property, plant and equipment, are set forth in Note Q as well.

Specialty Ingredients is a global leader in cellulose ethers and vinyl pyrrolidones. The commercial unit offers industry-leading products, technologies and resources for solving formulation and product-performance challenges. Specialty Ingredients uses natural, synthetic and semisynthetic polymers derived from plant and seed extract, cellulose ethers and vinyl pyrrolidones, as well as acrylic and polyurethane-based adhesives. The commercial unit includes two divisions--Consumer Specialties and Industrial Specialties--that offer comprehensive and innovative solutions for today’s demanding consumer and industrial applications. Key customers include pharmaceutical companies; makers of personal and home care products, food and beverages; manufacturers of paint, coatings and construction materials; packaging and converting markets; and oilfield service companies.

Performance Materials comprises three divisions; Composites, Intermediates and Solvents, and Elastomers.

Performance Materials is a leader in each of the markets it serves. Performance Materials is the global leader in unsaturated polyester resins and vinyl ester resins and has leading positions in gelcoats, maleic anhydride, butanediol, tetrahydrofuran, n-methylpyrrolidone, emulsion styrene butadiene rubber, and other intermediates and solvents. Key customers include: manufacturers of residential and commercial building products; infrastructure engineers; wind blade and pipe manufacturers; auto, truck and tire makers; boatbuilders; adhesives, engineered plastics, and electronic

producers; and specialty chemical manufacturers. Performance Materials commercial unit also previously provided metal casting consumables and design services for effective foundry management through its 50% ownership in the ASK Chemicals GmbH joint venture, which was sold on June 30, 2014. See Note B for information on the divestiture of this investment and Note R regarding Ashland's agreement to sell the Elastomers division.

Valvoline is a leading, worldwide producer and distributor of premium-branded automotive, commercial and industrial lubricants, automotive chemicals and car-care products. It ranks as the #2 quick-lube chain and #3 passenger car motor oil brand in the United States. The brand operates and franchises approximately 920 Valvoline Instant Oil Change™ centers in the United States. It also markets Valvoline™ lubricants and automotive chemicals; MaxLife™ lubricants created for higher-mileage engines; NextGen™ motor oil, created with recycled, re-refined base oil; SynPower™ synthetic motor oil and Car Brite™ automotive appearance products; and Zerex™ antifreeze. Key customers include: retail auto parts stores and mass merchandisers who sell to consumers; installers, such as car dealers, repair shops and quick lubes; commercial fleets; and distributors.

At September 30, 2014, Ashland and its consolidated subsidiaries had approximately 11,000 employees (excluding contract employees).

Available Information – Ashland’s Internet address is <http://www.ashland.com>. On this website, Ashland makes available, free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as well as any beneficial ownership reports of officers and directors filed on Forms 3, 4 and 5. All such reports are available as soon as reasonably practicable after they are electronically filed with, or electronically furnished to, the Securities and Exchange Commission (SEC). Ashland also makes available, free of charge on its website, its Corporate Governance Guidelines, Board Committee Charters, Director Independence Standards and code of business conduct that applies to Ashland’s directors, officers and employees. These documents are also available in print to any shareholder who requests them. Information contained on Ashland’s website is not part of this annual report on Form 10-K and is not incorporated by reference in this document. The public may read and copy any materials Ashland files with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

CORPORATE DEVELOPMENTS

Ashland signed a definitive agreement on February 18, 2014 to sell the Water Technologies business to a fund managed by Clayton, Dubilier & Rice (CD&R). The sale was completed on July 31, 2014 in a transaction valued at approximately \$1.8 billion. The total post-closing adjusted cash proceeds received by Ashland, during 2014 before taxes was \$1.6 billion, which includes estimates for certain working capital and other post-closing adjustments, as defined in the definitive agreement. Ashland expects to receive an additional \$48 million once a foreign entity completes certain regulatory closing requirements. Receipt of the additional cash proceeds and final settlement of working capital and other post-closing adjustments are expected to occur in fiscal 2015.

The proceeds from the sale will primarily be used to return capital to shareholders in the form of share repurchases. Ashland recognized a gain of \$92 million after tax, which is included within the discontinued operations caption in the Statement of Consolidated Comprehensive Income for 2014.

During 2014, Ashland, in conjunction with its partner, initiated a process to sell the ASK Chemicals GmbH (ASK) joint venture, in which Ashland had 50% ownership. As part of the sale process, Ashland determined during March 2014 that the fair value of its investment in the ASK joint venture was less than the carrying value and that an other than temporary impairment had occurred. As a result, Ashland recognized certain charges during the fiscal year, which were included within the equity and other income caption of the Statements of Consolidated Comprehensive Income. In April 2014, Ashland and its partner announced that they had entered into a definitive agreement to sell the ASK joint venture to investment funds affiliated with Rhône Capital, LLC (Rhône), a London and New York-based private equity investment firm. Total pre-tax proceeds to the sellers was \$205 million, which included \$176 million in cash and a \$29 million note from Rhône due in calendar year 2022. Ashland and its partner completed the sale to Rhône on June 30, 2014 and proceeds were split evenly between Ashland and its partner under the terms of the 50/50 joint venture. For additional information regarding the divestiture, see Note B of Notes to the Consolidated Financial Statements in this annual report on Form 10-K.

On October 9, 2014, Ashland entered into an agreement under which Lion Copolymer Holdings, LLC will purchase Ashland's Elastomers division based in Port Neches, Texas. The sale is expected to close by December 31, 2014 subject to certain customary regulatory approvals and standard closing conditions. For additional information regarding the divestiture, See Note R of Notes to the Consolidated Financial Statements in this annual report on Form 10-K.

ASHLAND SPECIALTY INGREDIENTS

Ashland Specialty Ingredients (Specialty Ingredients) offers industry-leading products, technologies and resources for solving formulation and product-performance challenges. Using natural, synthetic and semisynthetic polymers derived from plant and seed extract, cellulose ethers, water-based, solvent-based and energy-curable coatings and adhesives and vinyl pyrrolidones, Specialty Ingredients offers comprehensive and innovative solutions for consumer and industrial applications.

Key customers include pharmaceutical companies; makers of personal and home care products, food and beverages; manufacturers of paint, coatings and construction materials; packaging and converting markets; and oilfield service companies. Certain customer relationships are significant, and the loss of any one of those customers could have a material adverse effect on the Specialty Ingredients reportable segment.

Specialty Ingredients' areas of expertise include: organic and synthetic chemistry, polymer chemistry, surface and colloid science, rheology, structural analysis and microbiology.

Specialty Ingredients' solutions provide an array of properties, including: thickening and rheology control, water retention, adhesive strength, binding power, film formation, conditioning and deposition, colloid stabilization and suspension.

Specialty Ingredients is comprised of two divisions: Consumer Specialties and Industrial Specialties. These divisions are defined based on end use markets of our customers, but significant overlap of underlying product lines between the two divisions exists and many of the products are produced in shared manufacturing facilities, in order to better manage capacity and achieve desired returns.

Consumer Specialties – The Consumer Specialties division includes the Oral Care, Hair Care, Skin Care, Home Care and Pharmaceutical & Nutrition portfolios.

Oral Care – Specialty Ingredients' portfolio of oral care products delivers active ingredients in toothpaste and mouthwashes; provides bioadhesive functionality for dentures; delivers flavor, texture and other functional properties; and provides product binding to ensure form and function throughout product lifecycle.

Hair Care – Specialty Ingredients' portfolio of hair care products includes advanced styling polymers, fixatives, conditioning polymers, emulsifiers, preservatives and rheology modifiers.

Skin Care – Specialty Ingredients' portfolio of skin care products helps to firm, nourish, revitalize and smooth skin. The Skin Care line also provides sun care products, including UV filters, water-resistant agents and thickeners. Emulsifiers, emollients, preservatives and rheology modifiers complete the Skin Care product line.

Home Care – Specialty Ingredients' portfolio of products and technologies is used in many types of cleaning applications, including fabric care, home care and dishwashing. Specialty Ingredients' products are used in a variety of applications for viscosity enhancement, particle suspension, rheology modification and stabilization.

Pharmaceutical – Specialty Ingredients is a leading supplier of excipients and tablet coating systems to the pharmaceutical and nutraceutical industries. The excipients business offers a comprehensive range of polymers for use as tablet binders, superdisintegrants, sustained-release agents and drug solubilizers, as well as a portfolio of fully formulated, one-step tablet coating systems for immediate-, sustained- and delayed-release applications.

Nutrition – Specialty Ingredients' nutrition portfolio provides functional benefits in areas such as thickening, texture control, thermal gelation, structure enhancement, water binding, clarification and stabilization. Its core products include cellulose gums and vinyl pyrrolidone polymers which are used in a wide range of offerings for bakery, beverage, dairy, desserts, meat products, pet food, prepared foods, sauces and savory products.

Industrial Specialties - The Industrial Specialties division includes Coatings, Construction, Energy, Adhesives and Performance Specialties.

Coatings - Coatings Specialties is a recognized leader in rheology solutions for waterborne architectural paint and coatings. Products include hydroxyethylcellulose (HEC), which provides thickening and application properties for interior and exterior paints, and nonionic synthetic associative thickeners (NSATs), which are APEO-free liquid synthetics for high-performance paint and industrial coatings. The Coatings Specialties business complements its rheology offering with a broad portfolio of performance foam-control agents, surfactants and wetting agents, dispersants and pH neutralizers. In addition, the Coatings Specialties business offers a comprehensive line of biocides and preservatives for paint, coatings and wood care.

Construction - Construction Specialties is a major producer and supplier of cellulose ethers and companion products for the construction industry. These products control properties such as water retention, open time, workability, adhesion, stabilization, pumping, sag resistance, rheology, strength, appearance and performance in dry-mortar formulations.

Energy - Energy Specialties is a leading global manufacturer of guar-, synthetic- and cellulosic-based products for drilling fluids, oil-well cement slurries, completion and workover fluids, fracturing fluids and

production chemicals. Specialty Ingredients offers the oil and gas industry solutions for drilling, stimulation, completion, cementing and production applications.

Adhesives - Adhesives Specialties manufactures and sells adhesive solutions to the packaging and converting, building and construction, and transportation markets and manufactures and markets specialty coatings and adhesive solutions for use across multiple industries. Key technologies and markets include: acrylic polymers for pressure-sensitive adhesives; urethane adhesive for flexible packaging applications; aqueous and radiation-curable adhesives and specialty coatings for printing and converting applications; emulsion polymer isocyanate adhesives for structural wood bonding; elastomeric polymer adhesives for commercial roofing applications; acrylic, polyurethane and epoxy structural adhesives for bonding

fiberglass reinforced plastics, composites, thermoplastics and metals in automotive, marine, recreational and industrial applications; specialty phenolic resins for paper impregnation and friction material bonding. Adhesive Specialties adhesive products provide an array of functional properties including high-strength bonding, ease and speed of product assembly, heat and moisture resistance and design flexibility.

Performance - Performance Specialties provides products and services to over 30 industries. Ashland offers a broad spectrum of organo- and water-soluble polymers that are derived from both natural and synthetic resources. Product lines include derivatized cellulose polymers, synthetics, guar and guar derivatives that impart effective functionalities to serve a variety of industrial markets and specialized applications. Many of the products within Performance Specialties function as performance additives that deliver high levels of end-user value in formulated products. In other areas, such as plastics and textiles, Performance Specialties' products function as a processing aid, improving the quality of end products and reducing manufacturing costs.

Specialty Ingredients' cellulose products were approximately 37% and 15% of Specialty Ingredients' sales and Ashland's consolidated sales, respectively, for fiscal 2014.

Specialty Ingredients operates throughout the Americas, Europe and Asia Pacific. It has 25 manufacturing facilities in eight countries which serve both the Consumer Specialties and Industrial Specialties divisions and participates in two joint ventures. Specialty Ingredients has manufacturing facilities in Huntsville, Alabama; Wilmington, Delaware; Dalton, Georgia; Calvert City, Kentucky; Freetown, Massachusetts; Chatham and Parlin, New Jersey; Columbus and Ashland, Ohio; White City, Oregon; Piedmont, South Carolina; Kenedy and Texas City, Texas and Hopewell, Virginia within the United States and Doel-Beveren, Belgium; Cabreuva, Brazil; Jiangmen and Nanjing, China; Alizay and Sophia Antipolis, France; Horhausen, Memmingen, Germany; Zwijndrecht, the Netherlands and Kidderminster, Newton Aycliffe and Poole, United Kingdom. Specialty Ingredients also operates two production facilities through a joint venture in Luzhou and Suzhou, China.

Specialty Ingredients markets and distributes its products and services directly and through third-party distributors in the Americas, Europe, the Middle East, Africa and Asia Pacific.

ASHLAND PERFORMANCE MATERIALS

Ashland Performance Materials' (Performance Materials) Composites division is a global leader helping customers create stronger, lighter, more resistant substitutes for traditional materials through higher performing, cost-efficient resin technologies that improve the manufacturing, fabrication and design process. Applied industries include construction, transportation, infrastructure, and boatbuilding. The Elastomers division provides high-quality styrene butadiene rubber primarily to the replacement tire market. Intermediates and Solvents provides butanediol and its derivatives to the chemical process industry, plastics manufacturers, and electronics markets, among others.

Performance Materials also previously provided metal casting consumables and design services for effective foundry management through its 50% ownership in the ASK Chemicals GmbH joint venture, which was sold on June 30, 2014. See Note B of Notes to Consolidated Financial Statements in this annual report on Form 10-K.

Key customers include manufacturers of residential and commercial building products, infrastructure engineers, wind blade manufacturers, pipe manufacturers, auto and truck makers, tire makers, and boatbuilders, chemical producers and electronics makers.

Performance Materials is comprised of the following divisions:

Composites – The Composites division manufactures and sells a broad range of general-purpose and high-performance grades of unsaturated polyester and vinyl ester resins, gelcoats and low-profile additives for the reinforced plastics industry. Key markets include the transportation, construction, marine and infrastructure end markets. Performance Materials' composite products provide an array of functional properties including corrosion resistance, fire retardance, ultraviolet resistance, water and chemical resistance, high mechanical strength, impact and scratch resistance and high strength-to-weight ratios. In addition, the division also manufactures and sells molten maleic anhydride for the manufacture of a variety of products such as unsaturated polyester resins, copolymers, lubricating oil additives,

alkenyl succinic anhydrides, malic acid, fumaric acid and numerous derivative chemicals. Molten maleic anhydride is supplied both to Ashland businesses who consume it as a raw material, primarily in North America, and to the merchant market.

Elastomers – The Elastomers division, acquired by Ashland as part of the acquisition of International Specialty Products Inc. (ISP) in 2011, is one of the largest suppliers in North America to the merchant market of high-quality styrene butadiene rubber (SBR). It provides raw materials used in the manufacture of tires, flooring, shoe soles, adhesives and sealants, automotive parts and industrial rubber goods. With a variety of product grades, the Elastomers division supplies SBR to a wide array of manufacturers. In October 2014, Ashland entered into an agreement to sell the Elastomers business, which sale is expected to

close by December 31, 2014 subject to certain regulatory approvals and closing conditions. See "Corporate Developments" and Note R of Notes to Consolidated Financial Statements in this annual report on Form 10-K. Intermediates and Solvents - The Intermediates and Solvents (I&S) division was also acquired as part of the acquisition of ISP. I&S is a leading producer of 1,4 butanediol and its derivatives, including tetrahydrofuran and n-methylpyrrolidone. These products are used as chemical intermediates in the production of engineering polymers and polyurethanes, and as specialty process solvents in a wide array of applications including electronics, construction, and pharmaceutical API manufacture. Butanediol is also supplied to Specialty Ingredients for use as a raw material. Performance Materials' composites products were approximately 56% and 14% of Performance Materials' sales and Ashland's total consolidated sales, respectively, for fiscal 2014.

Performance Materials operates throughout the Americas, Europe and Asia Pacific. It has 16 manufacturing facilities in seven countries. Composites has manufacturing plants in Fort Smith and Jacksonville, Arkansas; Commerce, California; Bartow, Florida; Neville Island and Philadelphia, Pennsylvania; and Neal, West Virginia within the United States and Aracariguama, Brazil; Changzhou, China; Porvoo, Finland; Miszewo, Poland; and Benicarló, Spain. Elastomers has one manufacturing facility in Port Neches, Texas. I&S has manufacturing facilities in Lima, Ohio and Marl, Germany. Performance Materials also provides toll manufacturing services to ASK Chemicals GmbH through manufacturing facilities located in Changzhou, China. Performance Materials markets and distributes its products directly and through third-party distributors in the Americas, Europe, the Middle East, Africa and Asia Pacific.

VALVOLINE

Valvoline delivers premium-branded automotive, commercial and industrial lubricants, automotive chemicals and car-care products. It operates and franchises approximately 920 Valvoline Instant Oil ChangeSM centers in the United States. It markets ValvolineTM lubricants and automotive chemicals; MaxLifeTM lubricants for cars with higher mileage engines; NextGenTM motor oil, created with recycled, re-refined base oil; SynPowerTM synthetic motor oil; Car BriteTM automotive appearance products; and ZerexTM antifreeze.

Key customers include retail auto parts stores and mass merchandisers who sell to consumers; installers, such as car dealers, repair shops and quick lubes; commercial fleets; and distributors. Certain customer relationships are significant, and the loss of any one of those customers could have a material adverse effect on the Valvoline commercial unit.

The Valvoline segment is comprised of the following units:

Do It Yourself (DIY) – The DIY unit sells ValvolineTM and other branded and private label products to consumers who perform their own auto maintenance. These products are sold through retail auto parts stores such as AutoZone, O'Reilly Auto Parts, Advance Auto Parts, mass merchandisers such as Wal-Mart Stores, Inc., and warehouse distributors and their affiliated jobber stores such as NAPA and CARQUEST.

Installer Channels – The Installer Channels unit sells branded products and services to installers (such as car dealers, general repair shops and quick lubes) through a network of independent distributors and company-owned and operated "direct market" operations as well as national accounts such as Goodyear, Monro and Sears. The division also sells branded products and services to on-highway fleets and construction companies through company-owned and operated "direct market" operations, national accounts and a network of distributors.

Valvoline Instant Oil Change (VIOC) – The Valvoline Instant Oil ChangeSM chain is the second largest competitor in the U.S. "fast oil change" service business, providing Valvoline with a significant presence in the installer channels segment of the passenger car and light truck motor oil market. As of September 30, 2014, 272 company-owned and 650 independently-owned and operated franchise VIOC centers were operating in 42 states. VIOC centers offer customers an innovative computer-based preventive maintenance tracking system that allows service technicians to make service recommendations based primarily on manufacturers' recommendations. In addition, this division includes distribution to quick lubes branded "Valvoline Express CareTM," which consists of 312 independently-owned and

operated stores.

Valvoline International – Outside of North America, Valvoline International markets Valvoline™, Zerex™ and other branded products through wholly-owned affiliates, joint ventures, licensees and independent distributors in 144 countries. Valvoline International operates joint ventures with Cummins Inc. (Cummins) in Argentina, China and India. In addition, Valvoline International operates joint ventures with local entities in Colombia, Ecuador, Thailand and Venezuela. Valvoline International markets products for both consumer and commercial vehicles and equipment and is served by company-owned plants in the United States, Australia and the Netherlands and by numerous third-party warehouses and toll manufacturers throughout the world.

5

Valvoline International sells branded products and services to original equipment manufacturers (OEMs) through company-owned and operated “direct market” operations, national accounts and a network of distributors. Valvoline International also maintains a strategic alliance with Cummins to distribute heavy duty lubricants to the commercial market, as well as smaller alliances with other global OEMs.

Valvoline’s lubricants products were approximately 86% and 29% of Valvoline’s and Ashland’s total consolidated sales, respectively, for fiscal 2014.

Valvoline operates lubricant blending and packaging plants in Santa Fe Springs, California; Cincinnati, Ohio; East Rochester, Pennsylvania and Deer Park, Texas within the United States and Wetherill Park, Australia and Dordrecht, the Netherlands. Automotive chemical manufacturing and distribution is conducted in Hernando, Mississippi. Bulk blending and distribution facilities are located in College Park, Georgia; Willow Springs, Illinois and St. Louis, Missouri within the United States and Mississauga, Canada. Distribution operations are conducted from centers located in College Park, Georgia; Willow Springs, Illinois; Noblesville, Indiana; St. Louis, Missouri; Cincinnati, Ohio and East Rochester, Pennsylvania within the United States and through owned facilities in Birkenhead, United Kingdom and leased facilities in Sydney, Australia and Dordrecht, the Netherlands. Valvoline also uses property owned and operated by third-parties in Pasadena and Highlands, Texas in the United States; Roosendal, the Netherlands, and other smaller locations.

In addition to raw materials, Valvoline sources a significant portion of packaging and third party products and services.

MISCELLANEOUS

Environmental Matters

Ashland has implemented a companywide environmental policy overseen by the Environmental, Health, Safety and Product Compliance Committee of Ashland’s Board of Directors. Ashland’s Environmental, Health, Safety and Product Regulatory (EHS&PR) department has the responsibility to ensure that Ashland’s businesses worldwide maintain environmental compliance in accordance with applicable laws and regulations. This responsibility is carried out via training; widespread communication of EHS&PR policies; information and regulatory updates; formulation of relevant policies, procedures and work practices; design and implementation of EHS&PR management systems; internal auditing by a separate auditing group; monitoring of legislative and regulatory developments that may affect Ashland’s operations; assistance to the businesses in identifying compliance issues and opportunities for voluntary actions that go beyond compliance; and incident response planning and implementation.

Federal, state and local laws and regulations relating to the protection of the environment have a significant impact on how Ashland conducts its businesses. In addition, Ashland’s operations outside the United States are subject to the environmental laws of the countries in which they are located. These laws include regulation of air emissions and water discharges, waste handling, remediation and product inventory, registration and regulation. New laws and regulations may be enacted or adopted by various regulatory agencies globally. The costs of compliance with any new laws or regulations cannot be estimated until the manner in which they will be implemented has been more precisely defined.

At September 30, 2014, Ashland’s reserves for environmental remediation amounted to \$197 million, reflecting Ashland’s estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries. Engineering, technical and feasibility studies are used, along with historical experience and other factors, to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation. Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland’s ability to estimate its share of the costs. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in

remediation technology and the number and financial strength of other potentially responsible parties at multiparty sites. Although it is not possible to predict with certainty the ultimate costs of environmental remediation, Ashland currently estimates that the upper end of the reasonably possible range of future costs for identified sites is approximately \$430 million. No individual remediation location is material, as the largest reserve for any site is approximately 13% or less of the remediation reserve. Ashland regularly adjusts its reserves as environmental remediation continues. Environmental remediation expense, net of insurance receivables, amounted to \$33 million in 2014, compared to \$29 million in 2013 and \$23 million in 2012.

Product Control, Registration and Inventory – Many of Ashland’s products and operations are subject to chemical control laws of the countries in which they are located. These laws include regulation of chemical substances and inventories under the Toxic Substances Control Act (TSCA) in the United States and the Registration, Evaluation and Authorization of Chemicals (REACH) regulation in Europe. Under REACH, additional testing requirements, documentation, risk assessments and registrations are occurring and will continue to occur and may adversely affect Ashland’s costs of products produced in or imported into the European Union. Examples of other product control regulations include right to know laws under the Global Harmonized System

(GHS) for hazard communication, regulation of biocides under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) in the United States, the Biocidal Products Regulation (BPR) in Europe, regulation of chemicals that contact food under the Food, Drug and Cosmetics Act in the United States, the Framework Regulation in Europe and other product control requirements for chemical weapons, drug precursors and import/export. New laws and regulations may be enacted or adopted by various regulatory agencies globally. The costs of compliance with any new laws or regulations cannot be estimated until the manner in which they will be implemented has been more precisely defined. Remediation – Ashland currently operates, and in the past has operated, various facilities at which, during the normal course of business, releases of hazardous substances have occurred. Additionally, Ashland has known or alleged potential environmental liabilities at a number of third-party sites. Federal and state laws, including but not limited to the Resource Conservation and Recovery Act (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and various other remediation laws, require that contamination caused by hazardous substance releases be assessed and, if necessary, remediated to meet applicable standards. Some of these laws also provide for liability for related damage to natural resources, and claims for alleged property and personal injury damage can also arise related to contaminated sites. Laws in other jurisdictions in which Ashland operates require that contamination caused by such releases at these sites be assessed and, if necessary, remediated to meet applicable standards.

Air – In the United States, the Clean Air Act (CAA) imposes stringent limits on facility air emissions, establishes a federally mandated operating permit program, allows for civil and criminal enforcement actions and sets limits on the volatile or toxic content of many types of industrial materials and consumer products. The CAA establishes national ambient air quality standards (NAAQS) with attainment deadlines and control requirements based on the severity of air pollution in a given geographical area. Various state clean air acts implement, complement and, in many instances, add to the requirements of the federal CAA. The requirements of the CAA and its state counterparts have a significant impact on the daily operation of Ashland's businesses and, in many cases, on product formulation and other long-term business decisions. Other countries where Ashland operates also have laws and regulations relating to air quality. Ashland's businesses maintain numerous permits and emission control devices pursuant to these clean air laws.

The United States Environmental Protection Agency (USEPA) has increased its frequency in reviewing the NAAQS. The USEPA has stringent standards for particulate matter, ozone and sulfur dioxide. Throughout 2014, state and local agencies continued to implement options for meeting the newest standards. Particulate matter strategies include dust control measures for construction sites and reductions in emission rates allowed for industrial operations. Options for ozone include emission controls for certain types of sources, reduced limits on the volatile organic compound content of industrial materials and consumer products, and requirements on the transportation sector. Most options for sulfur dioxide focus on coal and diesel fuel combustion sources. It is not possible at this time to estimate the potential financial impact that these newest standards may have on Ashland's operations or products. Ashland will continue to monitor and evaluate these standards to meet these and all air quality requirements.

Solid Waste – Ashland's businesses are subject to various laws relating to and establishing standards for the management of hazardous and solid waste. In the United States, Ashland's facilities are subject to RCRA and its regulations governing generators of hazardous waste. Ashland has implemented systems to oversee compliance with the RCRA regulations. In addition to regulating current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the storage of regulated substances in underground tanks. Ashland has the remediation liability for certain facilities subject to these regulations. Other countries where Ashland operates also have laws and regulations relating to hazardous and solid waste, and Ashland has systems in place to oversee compliance.

Water – Ashland's businesses maintain numerous discharge permits. In the United States, such permits may be required by the National Pollutant Discharge Elimination System of the Clean Water Act and similar state programs. Other

countries have similar laws and regulations requiring permits and controls relating to water discharge.

Climate Change and Related Regulatory Developments – Ashland has been collecting energy use data and calculating greenhouse gas (GHG) emissions for many years. Ashland evaluates the potential impacts from both climate change and the anticipated GHG regulations to facilities, products and other business interests, as well as the strategies commonly considered by the industrial sector to reduce the potential impact of these risks. These risks are generally grouped as impacts from legislative, regulatory and international developments, impacts from business and investment trends and impacts to company assets from the physical effects of climate change. Current North American, European and other regional regulatory developments are not expected to have a material effect on Ashland’s operations, although some facilities are subject to promulgated rules. Business and investment trends are expected to drive an increase in the demand for products that improve energy efficiency, reduce energy use and increase the use of renewable resources. At this time, Ashland cannot estimate the impact of this expected demand increase to its businesses. Physical effects from climate change have the potential to affect Ashland’s assets in areas prone to sea level rise or extreme weather events much as they do the general public and other businesses. Due to the uncertainty of these matters, Ashland cannot estimate the impact at this time of GHG-related developments on its operations or financial condition.

Competition

Specialty Ingredients and Performance Materials compete in the highly fragmented specialty chemicals industry. The participants in the industry offer a varied and broad array of product lines designed to meet specific customer requirements. Participants compete with individual and service product offerings on a global, regional and/or local level subject to the nature of the businesses and products, as well as the end-markets and customers served. Competition is based on several key criteria, including product performance and quality, product price, product availability and security of supply, responsiveness of product development in cooperation with customers, customer service, industry knowledge and technical capability. Certain key competitors are significantly larger than Ashland and have greater financial resources, leading to greater operating and financial flexibility. The industry has become increasingly global as participants have focused on establishing and maintaining leadership positions outside of their home markets. Many of these segments' product lines face domestic and international competition, as a result of industry consolidation, pricing pressures and competing technologies.

Valvoline competes in the highly competitive automotive lubricants and consumer products car care businesses, principally through its offerings of premium products and services primarily under the Valvoline™ family of trademarks, coupled with strong brand marketing, customer support and distribution capabilities. Some of the major brands of motor oils and lubricants with which Valvoline competes globally are Castrol, Mobil and Pennzoil. In the “fast oil change” business, Valvoline competes with other leading independent fast lube chains on a national, regional or local basis, as well as automobile dealers and service stations. Important competitive factors for Valvoline in the “fast oil change” market include the Valvoline brand recognition; maintaining market presence through Valvoline Instant Oil ChangeSM and Valvoline Express CareTM outlets; and quality and speed of service, location, convenience, sales promotions and other value-add elements.

Intellectual Property

Ashland has a broad intellectual property portfolio which is an important component of all of Ashland's reportable segments. In particular, Ashland's Specialty Ingredients and Performance Materials reportable segments rely on patents, trade secrets, formulae and know-how to protect and differentiate their products and technologies. In addition, these reportable segments own valuable trademarks which identify and differentiate Ashland's products from its competitors. The Valvoline™ trademark and other trademarks related to Valvoline brand products and franchises are of particular importance to the Valvoline brand segment and the overall Ashland business. Ashland also licenses intellectual property rights from third-parties.

Raw Materials

Ashland purchases its raw materials from multiple sources of supply in the United States and foreign countries, and believes that raw material supplies will be available in quantities sufficient to meet demand in fiscal 2015. All of Ashland's reportable segments were impacted to varying degrees in fiscal 2014 by the volatility of raw materials costs, and these conditions may continue in fiscal 2015.

Research and Development

Ashland's program of research and development is focused on defining the needs of the marketplace and framing those needs into technology platforms. Ashland has the capability to deliver and develop the intellectual property required to grow and protect those platforms. Ashland is focused on developing new chemistries, market-changing technologies and customer driven solutions at numerous technology centers located in the Americas, Europe and the Asia Pacific region. Research and development costs are expensed as they are incurred and totaled \$114 million in fiscal 2014, \$142 million in 2013 and \$104 million in 2012. These amounts include impairment charges of \$13 million, \$41 million and \$13 million during fiscal 2014, 2013 and 2012, respectively, related to certain in-process research and development assets associated with the acquisition of ISP. For additional information regarding these impairment charges, see Note H of Notes to Consolidated Financial Statements in this annual report on Form 10-K.

Seasonality

Ashland's business may vary due to seasonality. Ashland's commercial units typically experience stronger demand during warmer weather months, which generally occur during Ashland's third and fourth quarters.

Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not historical facts and generally are identified by words such as "anticipates," "believes," "estimates," "expects," "is likely," "predicts," "projects," "forecasts," "may," "will," "should," and the negative of these words or other comparable terminology. Although Ashland believes that its expectations are based on reasonable assumptions,

such expectations are subject to risks and uncertainties that are difficult to predict and may be beyond Ashland's control. As a result, Ashland cannot assure that the expectations contained in such statements will be achieved. Important factors that could cause actual results to differ materially from those contained in such statements are discussed under "Use of estimates, risks and uncertainties" in Note A of Notes to Consolidated Financial Statements in this annual report on Form 10-K. For a discussion of other factors and risks that could affect Ashland's expectations and operations, see "Item 1A. Risk Factors" in this annual report on Form 10-K.

ITEM 1A. RISK FACTORS

The following discussion of "risk factors" identifies the most significant factors that may adversely affect Ashland's business, operations, financial position or future financial performance. This information should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and related notes incorporated by reference into this annual report on Form 10-K. The following discussion of risks is designed to highlight what Ashland believes are important factors to consider when evaluating its expectations. These factors could cause future results to differ from those in forward-looking statements and from historical trends.

Adverse developments in the global economy and potential disruptions of financial markets could negatively impact Ashland's customers and suppliers, and therefore have a negative impact on Ashland's results of operations.

A global or regional economic downturn may reduce customer demand or inhibit Ashland's ability to produce and sell products. Ashland's business and operating results are sensitive to global and regional economic downturns, credit market tightness, declining consumer and business confidence, fluctuating commodity prices, volatile exchange rates, changes in interest rates, sovereign debt defaults and other challenges, including those related to international sanctions and acts of aggression or threatened aggression that can affect the global economy. In the event of adverse developments or stagnation in the economy or financial markets, Ashland's customers may experience deterioration of their businesses, reduced demand for their products, cash flow shortages and difficulty obtaining financing. As a result, existing or potential customers might delay or cancel plans to purchase products and may not be able to fulfill their obligations to Ashland in a timely fashion. Further, suppliers may experience similar conditions, which could impact their ability to fulfill their obligations to Ashland. A weakening or reversal of the current economic recovery in the global economy or a substantial part of it could negatively impact Ashland's business, results of operations, financial condition and ability to grow.

Ashland has set aggressive growth goals for its key businesses, including increasing sales, cash flow and margins, in order to achieve its long term strategic objectives. Ashland's successful execution of its growth strategies and business plans to facilitate that growth involves a number of risks, including risks associated with the Ashland's ongoing global restructuring program.

Ashland has set aggressive growth goals for its specialty chemicals and other key businesses in order to meet long term strategic objectives and improve shareholder value. Ashland's failure to meet one or more of these goals or objectives would negatively impact Ashland's potential value and the businesses. One of the most important risks is that Ashland might fail to adequately execute its business and growth plans. Aspects of that risk include changes to global economic environment, changes to the competitive landscape, attraction and retention of skilled employees, the potential failure of product innovation plans, failure to comply with existing or new regulatory schemes and other risks outlined in greater detail in this Item 1A.

To support its aggressive growth objectives, Ashland recently began implementing a substantial restructuring program to help it maintain an optimized cost structure. The program included the realignment of certain business units, decentralizing the supply chain structure, relocating and consolidating certain workforce positions, workforce reductions, and other cost reduction initiatives. A global restructuring program of this type is complex, and creates certain risks especially related to employee retention and succession and compliance with various regulatory requirements, including financial reporting, as resources are realigned and employees adjust to new responsibilities. In addition, once cost reductions are achieved, there is a risk that the structure will not be maintained at the reduced or an optimized level. The failure to achieve an optimized cost structure or to maintain it once achieved would threaten

Ashland's ability to meet long term growth and financial performance objectives.

Ashland's success depends upon its ability to attract and retain key employees and the identification and development of talent to succeed senior management.

Ashland's success depends on its ability to attract and retain key personnel, and Ashland relies heavily on its management team. The inability to recruit and retain key personnel or the unexpected loss of key personnel may adversely affect Ashland's operations. Also, a substantial portion of Ashland's U.S.-based employees will be retirement-eligible within the next five years. That, combined with the relatively small number of middle tier managers with substantial experience in place to replace this group of retirement eligible employees, increases the potential negative impact of the risk that key employees could leave the Company. This risk of unwanted employee turnover also is substantial in positions that require certain technical expertise and geographically in developing markets which Ashland has targeted for growth, especially in Asia, South America and Eastern Europe. Ashland's

global restructuring program also could exacerbate this risk by eliminating positions or reorganizing the workforce in a way that creates gaps in knowledge or ability as succession plans are implemented.

In addition, because of its reliance on its management team, Ashland's future success depends, in part, on its ability to identify and develop talent to succeed its senior management. The retention of key personnel and appropriate senior management succession planning, including the planned succession of James O'Brien as Chairman and CEO of Ashland at the end of calendar 2014, will continue to be critical to the successful implementation of Ashland's strategies.

Failure to develop and market new products and production technologies could impact Ashland's competitive position and have an adverse effect on its businesses and results of operations.

The specialty chemical industry is subject to periodic technological change and ongoing product improvements. In order to maintain margins and remain competitive, Ashland must successfully develop and introduce new products or improvements that appeal to its customers, and ultimately to global consumers. Ashland plans to grow earnings, in part, by focusing on developing markets and solutions to meet increasing demand in those markets, including demand for personal care and pharmaceutical products which are subject to lengthy regulatory approval processes. Ashland's efforts to respond to changes in consumer demand in a timely and cost-efficient manner to drive earnings could be adversely affected by difficulties or delays in product development, including the inability to identify viable new products, successfully complete research and development, obtain regulatory approvals, obtain intellectual property protection or gain market acceptance of new products. Due to the lengthy development process, technological challenges and intense competition, there can be no assurance that any of the products Ashland is currently developing, or could develop in the future, will achieve substantial commercial success.

Ashland's substantial global operations subject it to risks of doing business in foreign countries, which could adversely affect its business, financial condition and results of operations.

Approximately one half of Ashland's net sales for fiscal 2015 are expected to be to customers outside of North America. Ashland expects sales from international markets to continue to represent an even larger portion of the Company's sales in the future. Also, a significant portion of Ashland's manufacturing capacity is located outside of the United States. Accordingly, Ashland's business is subject to risks related to the differing legal, political, cultural, social and regulatory requirements and economic conditions of many jurisdictions.

The global nature of Ashland's business presents difficulties in hiring and maintaining a workforce in certain countries. Fluctuations in exchange rates may affect product demand and may adversely affect the profitability in U.S. dollars of products and services provided in foreign countries. In addition, foreign countries may impose additional withholding taxes or otherwise tax Ashland's foreign income, or adopt other restrictions on foreign trade or investment, including currency exchange controls. The imposition of tariffs is also a risk that could impair Ashland's financial performance. Certain legal and political risks are also inherent in the operation of a company with Ashland's global scope. For example, it may be more difficult for Ashland to enforce its agreements or collect receivables through foreign legal systems. There is a risk that foreign governments may nationalize private enterprises in certain countries where Ashland operates. In certain countries or regions, terrorist activities and the response to such activities may threaten Ashland's operations more than in those in the United States. In Europe, the effect of economic sanctions imposed on Russia and/or Russia's reaction to the sanctions could adversely impact Ashland's performance and results of operations. Social and cultural norms in certain countries may not support compliance with Ashland's corporate policies including those that require compliance with substantive laws and regulations. Also, changes in general economic and political conditions in countries where Ashland operates, particularly in Europe, the Middle East and emerging markets, are a risk to Ashland's financial performance.

As Ashland continues to operate its business globally, its success will depend, in part, on its ability to anticipate and effectively manage these and other related risks. There can be no assurance that the consequences of these and other factors relating to its multinational operations will not have an adverse effect on Ashland's business, financial condition or results of operations.

The impact of changing laws or regulations or the manner of interpretation or enforcement of existing rules could adversely impact Ashland's financial performance and restrict its ability to operate its business or execute its strategies. New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase Ashland's cost of doing business and restrict its ability to operate its business or execute its strategies. This includes, among other things, the possible taxation under U.S. law of certain income from foreign operations, regulations related to the protection of private information of Ashland's employees and customers, regulations issued by the U.S. Food and Drug Administration (and analogous non-U.S. agencies) affecting Ashland and its customers, compliance with The U.S. Foreign Corrupt Practices Act (and analogous non-U.S. laws) and the European Union's Registration, Authorisation and Restriction of Chemicals (REACH) regulation (and analogous non-EU initiatives), and costs associated with complying with the Patient Protection and Affordable Care Act of 2010 and the regulations promulgated thereunder. In addition, compliance with laws and regulations is

complicated by Ashland's substantial and growing global footprint, which will require significant and additional resources to comprehend and ensure compliance with applicable laws in the more than one hundred countries where Ashland conducts business.

Ashland's business exposes it to potential product liability claims and recalls, which could adversely affect its financial condition and performance.

The development, manufacture and sale of specialty chemical and other products by Ashland, including products produced for the food, beverage, personal care, pharmaceutical and nutritional supplement industries, involve an inherent risk of exposure to product liability claims, product recalls, product seizures and related adverse publicity. A product liability claim or judgment against Ashland could also result in substantial and unexpected expenditures, affect consumer or customer confidence in its products, and divert management's attention from other responsibilities. Although Ashland maintains product liability insurance, there can be no assurance that this type or the level of coverage is adequate or that Ashland will be able to continue to maintain its existing insurance or obtain comparable insurance at a reasonable cost, if at all. A product recall or a partially or completely uninsured product liability judgment against Ashland could have a material adverse effect on its reputation, results of operations and financial condition.

Ashland faces competition from other companies, which places downward pressure on prices and margins and may adversely affect Ashland's businesses and results of operations.

Ashland operates in highly competitive markets, competing against a number of domestic and foreign companies. Competition is based on several key criteria, including product performance and quality, product price, product availability and security of supply, responsiveness of product development in cooperation with customers and customer service, as well as the ability to bring innovative products or services to the marketplace. Certain key competitors are significantly larger than Ashland and have greater financial resources, leading to greater operating and financial flexibility. As a result, these competitors may be better able to withstand changes in conditions within the relevant industry, changes in the prices of raw materials and energy and changes in general economic conditions. In addition, competitors' pricing decisions could compel Ashland to decrease its prices, which could negatively affect its margins and profitability. Additional competition in markets served by Ashland could adversely affect margins and profitability and could lead to a reduction in market share. Also, Ashland competes in certain markets that are declining and has targeted other markets for growth opportunities. If Ashland's strategies for dealing with declining markets and leveraging opportunity markets are not successful, its results of operations could be negatively affected. The competitive nature of Ashland's markets may delay or prevent the Company from passing increases in raw materials or energy costs on to its customers. In addition, certain of Ashland's suppliers may be unable to deliver products or raw materials or may withdraw from contractual arrangements. The occurrence of either event could adversely affect Ashland's results of operations.

Rising and volatile raw material prices, especially those of hydrocarbon derivatives, cotton linters or wood pulp, may negatively impact Ashland's costs, results of operations and the valuation of its inventory. Similarly, energy costs are a significant component of certain of Ashland's product costs. Ashland is not always able to raise prices in response to such increased costs, and its ability to pass on the costs of such price increases is dependent upon market conditions. Likewise, reductions in the valuation of Ashland's inventory due to market volatility may not be recovered and could result in losses.

Ashland purchases certain products and raw materials from suppliers, often pursuant to written supply contracts. If those suppliers are unable to meet Ashland's orders in a timely manner or choose to terminate or otherwise avoid contractual arrangements, Ashland may not be able to make alternative supply arrangements. Also, domestic and global government regulations related to the manufacture or transport of certain raw materials may impede Ashland's ability to obtain those raw materials on commercially reasonable terms. If Ashland is unable to obtain and retain qualified suppliers under commercially acceptable terms, its ability to manufacture and deliver products in a timely, competitive and profitable manner or grow its business successfully could be adversely affected.

Ashland's future success depends on its ability to execute its strategy to optimize the value of its business portfolio while managing its significant debt and contingent liabilities.

Ashland's strategic objective has been to create a more focused company built around a strong core of specialty chemicals businesses. Ashland intends to invest in and grow its specialty chemicals businesses and structure the rest of its businesses in a manner that optimizes its enterprise value. As Ashland evaluates opportunities to enhance its enterprise value, Ashland will continue to evaluate the alignment of its business portfolio with that strategic vision and may engage in future divestitures, spin-offs, acquisitions or joint ventures, and resulting capital and debt restructuring. These potential transactions all carry substantial inherent risks, including the risk that Ashland will not optimize the value of any disposition or spin-off or be able to realize the anticipated benefits of any acquisition or joint venture. In addition, the execution of Ashland's strategy also may be affected by considerations related to its significant debt and contingent liabilities, including significant legacy contingent liabilities related to retiree pension and benefits obligations, personal injury claims from asbestos exposure and environmental remediation projects. If Ashland fails

to optimize the value of its business portfolio while managing its significant debt and contingent liabilities, Ashland's enterprise value could be negatively affected.

Business disruptions from natural, operational and other catastrophic risks could seriously harm Ashland's operations and financial performance. In addition, a catastrophic event at one of Ashland's facilities or involving its products or employees could lead to liabilities that could further impair its operations and financial performance.

Business disruptions, including those related to operating hazards inherent with the production of chemicals, natural disasters, severe weather conditions, supply or logistics disruptions, increasing costs for energy, temporary plant and/or power outages, information technology systems and network disruptions, cyber-security breach, terrorist attacks, armed conflict, war, pandemic diseases, fires, floods or other catastrophic events, could seriously harm Ashland's operations, as well as the operations of its customers and suppliers, and may adversely impact Ashland's financial performance. Although it is impossible to predict the occurrence or consequences of any such events, they could result in reduced demand for Ashland's products, make it difficult or impossible for Ashland to manufacture its products or deliver products and services to its customers or to receive raw materials from suppliers, or create delays and inefficiencies in the supply chain. In addition to leading to a serious disruption of Ashland's businesses, a catastrophic event at one of our facilities or involving our products or employees could lead to substantial legal liability to or claims by parties allegedly harmed by the event.

While Ashland maintains business continuity plans that are intended to allow it to continue operations or mitigate the effects of events that could disrupt its business, Ashland cannot provide assurances that its plans would fully protect it from all such events. In addition, insurance maintained by Ashland to protect against property damage, loss of business and other related consequences resulting from catastrophic events is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of Ashland's damages or damages to others in the event of a catastrophe. In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates.

Ashland has incurred, and will continue to incur, substantial costs as a result of environmental, health and safety, and hazardous substances liabilities and related compliance requirements. These costs could adversely impact Ashland's cash flow, and, to the extent they exceed Ashland's established reserves for these liabilities, its results of operations. Ashland is subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and human health and safety, and the generation, storage, handling, treatment, disposal and remediation of hazardous substances and waste materials. Ashland has incurred, and will continue to incur, significant costs and capital expenditures to comply with these laws and regulations.

Environmental, health and safety regulations change frequently, and such regulations and their enforcement have tended to become more stringent over time. Accordingly, changes in environmental, health and safety laws and regulations and the enforcement of such laws and regulations could interrupt Ashland's operations, require modifications to its facilities or cause Ashland to incur significant liabilities, costs or losses that could adversely affect its profitability. Actual or alleged violations of environmental, health or safety laws and regulations could result in restrictions or prohibitions on plant operations as well as substantial damages, penalties, fines, civil or criminal sanctions and remediation costs. In addition, under some environmental laws, Ashland may be strictly liable and/or jointly and severally liable for environmental damages and penalties.

Ashland is also subject to various federal, state, local and foreign environmental laws and regulations that require environmental assessment or remediation efforts (collectively, environmental remediation) at multiple locations. Ashland uses engineering studies, historical experience and other factors to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation.

Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the applicable costs. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in

remediation technology and the number and financial strength of other potentially responsible parties at multiparty sites. As a result, Ashland's actual costs for environmental remediation could affect Ashland's cash flow and, to the extent costs exceed established reserves for those liabilities, its results of operations.

Ashland is responsible for, and has financial exposure to, liabilities from pending and threatened claims, including those alleging personal injury caused by exposure to asbestos, which could adversely impact Ashland's results of operations and cash flow.

There are various claims, lawsuits and administrative proceedings pending or threatened, including those alleging personal injury caused by exposure to asbestos, against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability and other matters that seek remedies or damages, some of which are for substantial amounts. While these actions are being contested, their outcome is not predictable. Ashland's results could be adversely

affected by financial exposure to these liabilities. Insurance maintained by Ashland to protect against claims for damages alleged by third parties is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of Ashland's liabilities to others. In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates.

Ashland's ability to recover from its insurers for asbestos liabilities could also have an adverse impact on its results of operations. In particular, Ashland has initiated arbitration proceedings against Underwriters at Lloyd's, certain London companies and certain Chartis (AIG member) companies seeking to enforce these insurers' contractual obligations to provide indemnity for asbestos liabilities and defense costs under existing coverage-in-place agreements. In addition, Ashland has initiated a lawsuit in Kentucky state court against certain Berkshire Hathaway entities (National Indemnity Company and Resolute Management Inc.) on grounds that these Berkshire entities have wrongfully interfered with these insurers' performance of their respective contractual obligations to provide asbestos coverage by directing the insurers to reduce and delay certain claim payments. While Ashland anticipates its position will be supported by the proceedings, an adverse resolution of these proceedings could have a significant effect on the timing of loss reimbursement and the amount of Ashland's recorded insurance receivables from these insurers, which in turn could have an adverse impact on Ashland's results of operations and cash flow.

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict. In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, Ashland believes that its asbestos reserves represent the best estimate within a range of possible outcomes. As a part of the process to develop these estimates of future asbestos costs, a range of long-term cost models was developed. These models are based on national studies that predict the number of people likely to develop asbestos-related diseases and are heavily influenced by assumptions regarding long-term inflation rates for indemnity payments and legal defense costs, as well as other variables mentioned previously. Because of the inherent uncertainties in projecting future asbestos liabilities and establishing appropriate reserves, Ashland's actual asbestos costs could adversely affect its results of operations and, to the extent they exceed its reserves, could adversely affect its results of operations.

Ashland may not be able to effectively protect or enforce its intellectual property rights.

Ashland relies on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect its intellectual property rights. The laws of some countries may not protect Ashland's intellectual property rights to the same extent as the laws of the United States. Failure of foreign countries to have laws to protect Ashland's intellectual property rights or an inability to effectively enforce such rights in foreign countries could result in the loss of valuable proprietary information, which could have an adverse effect on Ashland's business and results of operations.

Even in circumstances where Ashland has a patent on certain technologies, such patents may not provide meaningful protection against competitors or against competing technologies. In addition, any patent applications submitted by Ashland may not result in an issued patent. There can be no assurance that Ashland's intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable. Ashland could also face claims from third parties alleging that Ashland's products or processes infringe on their proprietary rights. If Ashland is found liable for infringement, it could be responsible for significant damages, prohibited from using certain products or processes or required to modify certain products and processes. Any such infringement liability could adversely affect Ashland's product and service offerings, profitability and results of operations.

Ashland also has substantial intellectual property associated with its know-how and trade secrets that are not protected by patent or copyright laws. Ashland protects these rights by entering into confidentiality and non-disclosure agreements with most of its employees and with third parties. There can be no assurance that such agreements will not be breached or that Ashland will be able to effectively enforce them. In addition Ashland's trade secrets and know how may be improperly obtained by other means, such as a breach of Ashland's information technologies security systems or direct theft. Any unauthorized disclosure of any of Ashland's material know-how or trade secrets could adversely affect Ashland's business and results of operations.

Ashland's pension and postretirement benefit plan obligations are currently underfunded, and Ashland may have to make significant cash payments to some or all of these plans, which would reduce the cash available for Ashland's businesses.

Ashland has underfunded obligations under its domestic and foreign pension and postretirement benefit plans. The funded status of Ashland's pension plans is dependent upon many factors, including returns on invested assets, the level of certain market interest rates and the discount rate used to determine pension obligations. Unfavorable returns on plan assets or unfavorable changes in applicable laws or regulations could materially change the timing and amount of required plan funding, which would reduce the cash available for Ashland's businesses. In addition, a decrease in the discount rate used to determine pension obligations could result in an increase in the valuation of pension obligations, which could affect the reported funding status of Ashland's

pension plans and future contributions. Similarly, an increase in discount rates could increase the periodic pension cost in subsequent fiscal years.

Under the Employee Retirement Income Security Act of 1974 (ERISA), as amended, the Pension Benefit Guaranty Corporation (PBGC) has the authority to terminate an underfunded tax-qualified pension plan under limited circumstances. In the event Ashland's tax-qualified pension plans are terminated by the PBGC, Ashland could be liable to the PBGC for some portion of the underfunded amount.

Ashland's substantial indebtedness may adversely affect its business, results of operations and financial condition. Ashland maintains a substantial amount of debt. Ashland's substantial indebtedness could adversely affect its business, results of operations and financial condition by, among other things:

- requiring Ashland to dedicate a substantial portion of its cash flow from operations to pay principal and interest on its debt, which would reduce the availability of Ashland's cash flow to fund working capital, capital expenditures, acquisitions, execution of its growth strategy and other general corporate purposes;

- limiting Ashland's ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, execution of its growth strategy and other purposes;

- making Ashland more vulnerable to adverse changes in general economic, industry and regulatory conditions and in its business by limiting Ashland's flexibility in planning for, and making it more difficult for Ashland to react quickly to, changing conditions;

- placing Ashland at a competitive disadvantage compared with those of its competitors that have less debt and lower debt service requirements;

- making Ashland more vulnerable to increases in interest rates since some of its indebtedness is subject to variable rates of interest; and

- making it more difficult for Ashland to satisfy its financial obligations.

In addition, Ashland may not be able to generate sufficient cash flow from its operations to repay its indebtedness when it becomes due and to meet its other cash needs. If Ashland is not able to pay its debts as they become due, it could be in default under its credit facility or other indebtedness. Ashland might also be required to pursue one or more alternative strategies to repay indebtedness, such as selling assets, refinancing or restructuring its indebtedness or selling additional debt or equity securities. Ashland may not be able to refinance its debt or sell additional debt or equity securities or its assets on favorable terms, if at all, and if Ashland must sell its assets, it may negatively affect its ability to generate revenues.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Ashland's corporate headquarters is located in Covington, Kentucky. Principal offices of other major operations are located in Wilmington, Delaware (Specialty Ingredients); Bridgewater and Roseland, New Jersey (Specialty Ingredients); Dublin, Ohio (Performance Materials); Lexington, Kentucky (Valvoline); Hyderabad, India (Specialty Ingredients); Warsaw, Poland (Valvoline and Specialty Ingredients) and Barendrecht, the Netherlands; Shanghai, China; and Schaffhausen, Switzerland (each of which are shared service centers of Ashland's commercial units). All of these office buildings are leased, except for portions of the Dublin, Ohio and the Lexington, Kentucky facilities that are owned. Principal manufacturing, marketing and other materially important physical properties of Ashland and its subsidiaries are described within the applicable commercial units under "Item 1" in this annual report on Form 10-K. All of Ashland's physical properties are owned or leased. Ashland believes its physical properties are suitable and adequate for the Company's business. Additional information concerning certain leases may be found in Note K of Notes to Consolidated Financial Statements in this annual report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

The following is a description of Ashland's material legal proceedings.

Asbestos-Related Litigation

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley), a former subsidiary. Although Riley was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies.

Hercules, a wholly-owned subsidiary of Ashland, is also subject to liabilities from asbestos-related personal injury lawsuits involving claims which typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products which were sold by one of Hercules' former subsidiaries to a limited industrial market.

Ashland and Hercules are also defendants in lawsuits alleging exposure to asbestos at facilities formerly or presently owned or operated by Ashland or Hercules.

For additional detailed information regarding liabilities arising from asbestos-related litigation, see "Management's Discussion and Analysis - Critical Accounting Policies - Asbestos Litigation" and Note N of Notes to Consolidated Financial Statements in this annual report on Form 10-K.

Environmental Proceedings

(a) CERCLA and Similar State Law Sites - Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state laws, Ashland and its subsidiaries may be subject to joint and several liability for cleanup costs in connection with alleged releases of hazardous substances at sites where it has been identified as a "potentially responsible party" (PRP). As of September 30, 2014, Ashland and its subsidiaries have been identified as a PRP by U.S. federal and state authorities, or by private parties seeking contribution, for the cost of environmental investigation and/or cleanup at 81 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the United States Environmental Protection Agency (USEPA) or a state agency, in which Ashland or its subsidiaries are typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site cleanup and administrative oversight and/or long-term monitoring of environmental conditions at the sites. The ultimate costs are not predictable with assurance.

(b) Hattiesburg, Mississippi Resource Conservation and Recovery Act Matter - In November 2008, the Mississippi Department of Environmental Quality (MDEQ) issued a Notice of Violation to Hercules' now-closed Hattiesburg, Mississippi manufacturing facility alleging that a storm water retention basin at the facility had been operated as a hazardous waste storage and treatment facility without a permit in violation of the Resource Conservation and Recovery Act. In May 2011, the USEPA issued an inspection report from a September 2010 inspection with allegations similar to those of the MDEQ and promulgated an information request. Ashland has been working with the MDEQ and USEPA to settle this matter in the context of the shutdown and ongoing remediation of the Hattiesburg facility. The MDEQ proposed a settlement penalty in excess of \$100,000. While it is reasonable to believe that this matter will involve a penalty from the MDEQ and/or the USEPA exceeding \$100,000, the potential liability with respect to this matter should not be material to Ashland.

(c) Jefferson Borough, Pennsylvania Matter - In May 2013, the Pennsylvania Department of Environmental Protection (PADEP) provided Ashland with notice of four alleged unauthorized releases of leachate and wastewater at the Resin Disposal Superfund Site to the ground, groundwater and a tributary. This matter has been resolved pursuant to a Consent Assessment of Civil Penalty, dated October 20, 2014, between Ashland and PADEP ("Consent"). Under the terms of the Consent, Ashland was required to pay (and has paid) PADEP the sum of \$425,000.

(d) Lower Passaic River, New Jersey Matters - Ashland, through two formerly owned facilities, and ISP, through a now-closed facility, have been identified as "potentially responsible parties" (PRPs), along with approximately 70 other companies (the Cooperating Parties Group or the CPG), in a May 2007 Administrative Order of Consent (AOC) with the USEPA. The parties are required to perform a remedial investigation and feasibility study (RI/FS) of the entire 17

miles of the Passaic River. In June 2007, the EPA separately commenced a Focused Feasibility Study (FFS) as an interim measure. In accordance with the 2007 AOC, in June 2012 the CPG voluntarily entered into another AOC for an interim removal action focused solely at mile 10.9 of the Passaic River. The allocations for the 2007 AOC and the 2012 removal action are based on interim allocations, are immaterial and have been accrued. In April 2014, the EPA released the FFS. It is not possible at this time to reasonably estimate Ashland's liability with respect to the outcome of the remediation efforts and related legal proceedings in which it is involved. Based on current knowledge and proceedings Ashland does not believe the outcome of these proceedings or the release of the FFS will have a material adverse

impact on its business and financial operations; however, there are a number of contingencies in the future that could possibly have a material impact including adverse rulings or verdicts, allocation proceedings and related orders.

(e) **Zwijndrecht Plant Matter** - Since August 2012, Dutch environmental authorities have found several violations of a waste water discharge permit by Ashland Industries Nederland B.V. (Ashland Nederland), as owner of the manufacturing site at Zwijndrecht, The Netherlands. An administrative penalty of €50,000 and a sanction of €50,000 were paid in calendar year 2013 for violations of the law and permit from December 2011 through August 2012. In February 2014, the Dutch environmental authorities claimed payment of administrative fines totaling €250,000 in connection with additional violations of the waste water discharge permit. In June 2014, Ashland Nederland lost its appeal on this decision. In addition to the €250,000 fines, the Dutch authorities announced prosecution with regards to the violations of the same permit during the period of October 2012 through January 2014. The case is expected to be brought before the court in 2014. While it is reasonable to believe that this matter will involve a penalty exceeding \$100,000, the potential liability with respect to this matter should not be material to Ashland.

For additional information regarding environmental matters and reserves, see Note N of Notes to Consolidated Financial Statements in this annual report on Form 10-K.

Other Pending Legal Proceedings

In addition to the matters described above, there are other various claims, lawsuits and administrative proceedings pending or threatened against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability and other environmental matters which seek remedies or damages, some of which are for substantial amounts. While Ashland cannot predict with certainty the outcome of such actions, it believes that adequate reserves have been recorded and losses already recognized with respect to such actions were immaterial as of September 30, 2014. There is a reasonable possibility that a loss exceeding amounts already recognized may be incurred related to these actions; however, Ashland believes that such potential losses were immaterial as of September 30, 2014.

The Iran Threat Reduction and Syria Human Rights Act of 2012

The Iran Threat Reduction and Syria Human Rights Act of 2012, passed by the United States Congress and signed into law in August 2012, requires companies to report certain prohibited activities or conduct that were knowingly engaged in by the company or any of its affiliates involving Iran or other parties named therein. For the fiscal year ended September 30, 2014, Ashland had no such activities or conduct to report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM X. EXECUTIVE OFFICERS OF ASHLAND

The following is a list of Ashland's executive officers, their ages and their positions and offices during the last five years (listed alphabetically after the Chief Executive Officer and the current members of Ashland's Executive Committee).

JAMES J. O'BRIEN (age 60) is Chairman of the Board, Chief Executive Officer and a Director of Ashland and has served in such capacities since 2002. Pursuant to Ashland's previously announced and ongoing integrated succession and strategic plan, Mr. O'Brien will retire as Chairman of the Board and Chief Executive Officer of Ashland at the end of December 2014.

WILLIAM A. WULFSOHN (age 52). In connection with the previously announced and ongoing integrated succession and strategic plan, the Board announced on November 14, 2014, that it had elected William A. Wulfsohn as Chairman and Chief Executive Officer of Ashland, effective January 1, 2015. Prior to joining Ashland, Mr. Wulfsohn served as President and Chief Executive Officer of Carpenter Technology Corp. from July 1, 2010. Mr. Wulfsohn also served as a Director for Carpenter Technology Corp. beginning in April 2009. Prior to joining Carpenter Technology Corp., Mr. Wulfsohn served as Senior Vice President, Industrial Coatings at PPG Industries. Before joining PPG Industries, Mr. Wulfsohn served as Vice President and General Manager for Honeywell

International. Previously, Mr. Wulfsohn worked for Morton International/Rohm & Haas, beginning as a director of marketing and subsequently as Vice President and Business Director.

J. KEVIN WILLIS (age 49) is Senior Vice President and Chief Financial Officer of Ashland and has served in such capacities since May 2013. Mr. Willis served as Vice President of Finance and Controller for the Specialty Ingredients commercial unit from August 2011 until May 2013 and Vice President of Finance and Treasurer from 2007 to 2011.

PETER J. GANZ (age 52) is Senior Vice President, General Counsel and Secretary of Ashland and has served as Senior Vice President and General Counsel since July 2011 and Secretary since November 2012. During the past five years, he has also served as a partner with Sedgwick LLP, an international law firm, and as Executive Vice President, General Counsel and Secretary of Foster Wheeler AG, a global engineering and construction contractor and power equipment supplier.

SUSAN B. ESLER (age 53) is Vice President and Chief Human Resources and Communications Officer of Ashland and has served in such capacities since 2006 and July 2011, respectively. During the past five years, she has also served as Vice President, Human Resources and Communications of Ashland.

LUIS FERNANDEZ-MORENO (age 52) is Senior Vice President of Ashland and President of Specialty Ingredients and has served in such capacities since October 2013. He previously served as Vice President of Ashland and President of Water Technologies from November 2012 until October 2013. During the past five years, he has served as Executive Vice President of Arch Chemicals, Inc., where he was responsible for the wood protection and HTH water products businesses, as Business Group Vice President, Dow Coating Materials and in a series of leadership positions with Rohm & Haas, including directing businesses such as paint and coating materials, plastic additives and printing technologies.

THEODORE L. HARRIS (age 49) is Senior Vice President and President of Performance Materials and has served in such capacities since 2011, 2008 and 2009, respectively. During the past five years, he has also served as President, Global Supply Chain of Ashland and Vice President of Ashland; President of Environmental, Health and Safety and Information Technology; President of Ashland Distribution and General Manager of the Composite Polymers Division of Ashland.

J. WILLIAM HEITMAN (age 60) is Vice President and Controller of Ashland and has served in such capacities since 2008.

SAMUEL J. MITCHELL, JR. (age 53) is Senior Vice President of Ashland and President of Valvoline and has served in such capacities since 2011 and 2002, respectively. During the past five years, he has also served as Vice President of Ashland.

KEITH C. SILVERMAN (age 47) is Vice President, Environmental, Health, Safety and Regulatory Compliance and has served in such capacities since February 2014. He previously served as Vice President, Environmental, Health, Safety and Product Regulatory from June 2012 until January 2014. Prior to that he spent a number of years at Merck & Co., Inc., where he held various positions of increasing responsibility in research and development as well as in global safety and the environment.

ANNE T. SCHUMANN (age 54) is Vice President and Chief Information and Administrative Services Officer of Ashland and has served in such capacities since 2008 and 2009, respectively. During the past five years, she has also served as Vice President, Acquisition Integration of Ashland and Vice President, Information Technology and Human Resources of Hercules.

WALTER H. SOLOMON (age 54) is Vice President and Chief Growth Officer of Ashland and has served in such capacities since 2005.

Each executive officer is elected by the Board of Directors of Ashland to a term of one year, or until a successor is duly elected, at the annual meeting of the Board of Directors, except in those instances where the officer is elected other than at an annual meeting of the Board of Directors, in which case his or her tenure will expire at the next annual meeting of the Board of Directors unless the officer is re-elected.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

See Quarterly Financial Information on page F-51 for information relating to market price and dividends of Ashland's Common Stock.

At October 31, 2014, there were approximately 13,568 holders of record of Ashland's Common Stock. Ashland Common Stock is listed on the New York Stock Exchange (NYSE) (ticker symbol ASH) and has trading privileges on NASDAQ.

There were no sales of unregistered securities required to be reported under Item 5 of Form 10-K.

FIVE-YEAR TOTAL RETURN PERFORMANCE GRAPH

The following graph compares Ashland's five-year cumulative total shareholder return with the cumulative total return of the S&P MidCap 400[†] index and one peer group of companies. Ashland is listed in the S&P MidCap 400[†] index. The cumulative total shareholder return assumes the reinvestment of dividends.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

ASHLAND, S&P MIDCAP 400[†] INDEX AND PEER GROUP

	2009	2010	2011	2012	2013	2014
Ashland	100	114	104	171	224	256
S&P MidCap 400 [†]	100	118	116	149	191	213
Peer Group - Materials	100	112	105	137	160	191

The peer group consists of the following industry indices:

Peer Group – Materials: S&P 500[†] Materials (large-cap) and S&P MidCap 400[†] Materials. As of September 30, 2014, this peer group consisted of 62 companies.

Purchase of Company Common Stock

Share repurchase activity during the three months ended September 30, 2014 was as follows:

Q4 Fiscal Periods	Total Number of Shares Purchased	Average Price Paid per Share, including commission	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in millions) (a)
July 1, 2014 to July 31, 2014	—	\$—	—	
August 1, 2014 to August 31, 2014:				
May 2014 PSR	763,896 (b)	(b)	763,896 (b)	
August 2014 ASR	5,883,506 (c)	(c)	5,883,506 (c)	
Open Market Purchases	534,940	\$104.19	534,940	
September 1, 2014 to September 30, 2014:				
Open Market Purchases	630,000	\$107.50	630,000	
Total.....	7,812,342		7,812,342	\$396

In 2013, the Company's Board of Directors authorized a program to repurchase up to \$600 million of the company's stock beginning in 2013. In February 2014, the Company's Board of Directors increased the share repurchase program authorization from \$600 million to \$1,350 million. The Company's share repurchase

- (a) program does not obligate it to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 of the Exchange Act. The \$396 million represents the remaining amount available to repurchase as of September 30, 2014 under the authorized repurchase program.

On May 28, 2014, Ashland entered into a prepaid variable share repurchase agreement (PSR) with a financial institution pursuant to which it delivered \$125 million to the financial institution. Under the agreement, between \$75 million and \$125 million of Ashland common stock was to be purchased by the financial institution during the period that began on May 29, 2014 and ended on July 30, 2014. The number of shares to be delivered to

- (b) Ashland by the financial institution under the agreement was based upon a pre-determined formula, subject to modification or cancellation of the plan under certain circumstances. On August 4, 2014 the financial institution delivered \$44.6 million of cash and 763,896 shares of common stock at an average price of \$105.22. With the delivery of \$44.6 million of cash to Ashland on August 4, 2014, the PSR had the net effect of reducing shareholders' equity in the Company's Consolidated Balance Sheet by \$80.4 million.
- (c) In August 2014, the Company entered into an accelerated share repurchase (ASR) program with two financial institutions to purchase \$750 million of the Company's common stock. In exchange for up-front payments totaling \$750 million, the financial institutions committed to deliver shares during the ASR's purchase periods, which will end during 2015. The total number of shares ultimately delivered, and therefore the average price paid per share, will be determined at the end of the applicable purchase period based on the volume weighted average price of the Company's stock during that period. During the fourth quarter of 2014, 5,883,506 shares were initially delivered to the Company and retired. This does not represent the final number of shares to be delivered under the ASR. The up-front payments of \$750 million were accounted for as a reduction to

shareholders' equity in the Company's Consolidated Balance Sheet.

ITEM 6. SELECTED FINANCIAL DATA

See Five-Year Selected Financial Information on page F-52.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See Management's Discussion and Analysis of Financial Condition and Results of Operations on pages M-1 through M-34.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Quantitative and Qualitative Disclosures about Market Risk on page M-34.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of Ashland presented in this annual report on Form 10-K are listed in the index on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As disclosed in Ashland's current report on Form 8-K filed on July 18, 2014, Ashland changed its independent registered public accountants effective for the fiscal year ending September 30, 2015. There were no disagreements or reportable events related to the change in accountants.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures – As of September 30, 2014, Ashland, under the supervision and with the participation of Ashland's management, including Ashland's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Ashland's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of September 30, 2014.

Internal Control over Financial Reporting – See Management's Report on Internal Control Over Financial Reporting on page F-2 and the Report of Independent Registered Public Accounting Firm on page F-3.

Changes in Internal Control over Financial Reporting – There have been no changes in Ashland's internal control over financial reporting that occurred during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, Ashland's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

There is hereby incorporated by reference the information to appear under the caption "Election of Directors" in Ashland's Proxy Statement, which will be filed with the SEC within 120 days after September 30, 2014. See also the list of Ashland's executive officers and related information under "Executive Officers of Ashland" in Part I - Item X in this annual report on Form 10-K.

There is hereby incorporated by reference the information to appear under the caption "Corporate Governance - Governance Principles" in Ashland's Proxy Statement.

There is hereby incorporated by reference the information to appear under the caption "Corporate Governance - Shareholder Nominations of Directors" in Ashland's Proxy Statement.

There is hereby incorporated by reference the information to appear under the caption "Audit Committee Report" regarding Ashland's audit committee and audit committee financial experts, as defined under Item 407(d)(4) and (5) of Regulation S-K in Ashland's Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information to appear under the captions "Compensation of Directors," "Corporate Governance - Personnel and Compensation Committee Interlocks and Insider Participation," "Executive Compensation," "Compensation Discussion and Analysis," and "Personnel and Compensation Committee Report on Executive Compensation" in Ashland's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

There is hereby incorporated by reference the information to appear under the captions “Ashland Common Stock Ownership of Certain Beneficial Owners,” Ashland Common Stock Ownership of Directors and Executive Officers of Ashland” and “Equity Compensation Plan Information” in Ashland’s Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

There is hereby incorporated by reference the information to appear under the captions “Corporate Governance – Director Independence and Certain Relationships,” “Related Person Transaction Policy,” and “Audit Committee Report” in Ashland’s Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

There is hereby incorporated by reference the information with respect to principal accounting fees and services to appear under the captions “Audit Committee Report” and “Ratification of Independent Registered Public Accountants” in Ashland’s Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Report

(1) Financial Statements; and

(2) See Item 15(b) in this annual report on Form 10-K

The consolidated financial statements of Ashland presented in this annual report on Form 10-K are listed in the index on page F-1.

Schedules other than that listed above have been omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto. Separate financial statements of unconsolidated affiliates are omitted because each company does not constitute a significant subsidiary using the 20% tests when considered individually. Summarized financial information for all unconsolidated affiliates is disclosed in Note D of Notes to Consolidated Financial Statements.

(b) Documents required by Item 601 of Regulation S-K

2.1 – Stock and Asset Purchase Agreement, dated as of February 18, 2014, between Ashland Inc. and CD&R Seahawk Bidco, LLC (filed as Exhibit 2.1 to Ashland’s Form 8-K filed on February 24, 2014 (SEC File No. 001-32532), and incorporated herein by reference).

2.2 – Sale and Purchase Agreement related to the ASK Chemicals Group, dated April 8, 2014, among Ashland Inc., Ashland International Holdings, Inc., Clariant Produkte (Deutschland) GmbH, Clariant Corp., mertus 158. GmbH, Ascot US Bidco Inc. and Ascot UK Bidco Limited (filed as Exhibit 2.1 to Ashland’s Form 8-K filed on April 14, 2014 (SEC File No. 001-32532), and incorporated herein by reference).

3.1 – Fourth Restated Articles of Incorporation of Ashland Inc. (filed as Exhibit 3.2 to Ashland’s Form 8-K filed on February 4, 2014 (SEC File No. 001-32532), and incorporated herein by reference).

3.2 – By-laws of Ashland Inc., as amended and restated (filed as Exhibit 3.3 to Ashland’s Form 8-K filed on February 4, 2014 (SEC File No. 001-32532), and incorporated herein by reference).

4.1 –

Edgar Filing: ASHLAND INC. - Form 10-K

Ashland agrees to provide the SEC, upon request, copies of instruments defining the rights of holders of long-term debt of Ashland and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the SEC.

4.2 – Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland Inc. and Citibank, N.A., as Trustee (filed as Exhibit 4.2 to Ashland's Form 10-K for the fiscal year ended September 30, 2008 (SEC File No. 001-32532), and incorporated herein by reference).

21

- 4.3 – Agreement of Resignation, Appointment and Acceptance, dated as of November 30, 2006, by and among Ashland Inc., Wilmington Trust Company (Wilmington) and Citibank, N.A. (Citibank) whereby Wilmington replaced Citibank as Trustee under the Indenture dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland Inc. and Citibank (filed as Exhibit 4 to Ashland’s Form 10-Q for the quarter ended December 31, 2006 (SEC File No. 001-32532), and incorporated herein by reference).
- 4.4 – Indenture, dated May 27, 2009, by and among Ashland Inc., the Guarantors and U.S. Bank National Association (filed as Exhibit 4.1 to Ashland’s Form 10-Q for the quarter ended June 30, 2009 (SEC File No. 001-32532), and incorporated herein by reference).
- 4.5 – Warrant Agreement dated July 27, 1999 between Hercules and The Chase Manhattan Bank, as warrant agent (filed as Exhibit 4.4 to Hercules’ Form 8-K filed on July 28, 1999 (SEC File No. 001-00496), and incorporated herein by reference).
- 4.6 – Form of Series A Junior Subordinated Deferrable Interest Debentures (filed as Exhibit 4.5 to Hercules’ Form 8-K filed on July 28, 1999 (SEC File No. 001-00496), and incorporated herein by reference).
- 4.7 – Form of CRESTSSM Unit (filed as Exhibit 4.7 to Hercules’ Form 8-K filed on July 28, 1999 (SEC File No. 001-00496), and incorporated herein by reference).
- 4.8 – Form of Warrant (filed as Exhibit 4.8 to Hercules’ Form 8-K filed on July 28, 1999 (SEC File No. 001-00496), and incorporated herein by reference).
- 4.9 – Form of \$100,000,000 6.6% Debenture due August 27, 2027 (filed as Exhibit 4.2 to Hercules’ Form 8-K filed on July 30, 1997 (SEC File No. 001-00496), and incorporated herein by reference).
- 4.10 – Indenture, dated as of August 7, 2012, between Ashland Inc. and U.S. Bank N.A., as Trustee (filed as Exhibit 4.1 to Ashland’s Form 8-K filed on September 21, 2012 (SEC File No. 001-32532), and incorporated herein by reference).
- 4.11 – Registration Rights Agreement, dated as of August 7, 2012, between Ashland Inc. and Citigroup Global Markets Inc., as representative of the several Initial Purchasers (filed as Exhibit 4.2 to Ashland’s Form 8-K filed on September 21, 2012 (SEC File No. 001-32532), and incorporated herein by reference).
- 4.12 – First Supplemental Indenture, dated as of February 26, 2013, between Ashland Inc. and U.S. Bank National Association, as Trustee, in respect of the senior notes due 2022. (filed as Exhibit 4.11 to Ashland’s Form 10-K for the fiscal year ended September 30, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 4.13 – Registration Rights Agreement, dated as of February 26, 2013, among Ashland Inc. and Citigroup Global Markets Inc., as representative of the Initial Purchasers, in respect of the additional senior notes due 2022 (filed as Exhibit 4.2 to Ashland’s Form 8-K filed on February 27, 2013 (SEC File No. 001- 32532), and incorporated herein by reference).
- 4.14 – Indenture, dated as of February 26, 2013, between Ashland Inc. and U.S. Bank National Association, as Trustee (filed as Exhibit 4.3 to Ashland’s Form 8-K filed on February 27, 2013 (SEC File No. 001- 32532), and incorporated herein by reference).

Edgar Filing: ASHLAND INC. - Form 10-K

- 4.15 – First Supplemental Indenture, dated as of February 26, 2013, between Ashland Inc. and U.S. Bank National Association, as Trustee, in respect of the senior notes due 2016, 2018 and 2043 (filed as Exhibit 4.4 to Ashland’s Form 8-K filed on February 27, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 4.16 – Registration Rights Agreement, dated as of February 26, 2013, among Ashland Inc. and Citigroup Global Markets Inc., as representative of the Initial Purchasers, in respect of the senior notes due 2016, 2018 and 2043 (filed as Exhibit 4.1 to Ashland’s Form 8-K filed on February 27, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 4.17 – Registration Rights Agreement, dated as of March 14, 2013, between Ashland Inc. and Citigroup Global Markets Inc., as Initial Purchaser, in respect of the senior notes due 2043 (filed as Exhibit 4.1 to Ashland’s Form 8-K filed on March 18, 2013 (SEC File No. 001-32532), and incorporated herein by reference).

- 4.18 – Second Supplemental Indenture, dated as of March 14, 2013, between Ashland Inc. and U.S. Bank National Association, as Trustee, in respect of the senior notes due 2043 (filed as Exhibit 4.2 to Ashland’s Form 8-K filed on March 18, 2013 (SEC File No. 001-32532), and incorporated herein by reference).

The following Exhibits 10.1 through 10.24 are contracts or compensatory plans or arrangements or management contracts required to be filed as exhibits pursuant to Items 601(b)(10)(ii)(A) and 601(b)(10)(iii)(A) and (B) of Regulation S-K.

- 10.1 – Ashland Inc. Deferred Compensation Plan for Non-Employee Directors and Amendment No. 1 (filed as Exhibit 10.5 to Ashland’s Form 10-Q for the quarter ended December 31, 2004 (SEC File No. 001-02918), and incorporated herein by reference).
- 10.2 – Ashland Inc. Deferred Compensation Plan and Amendment No. 1 (filed as Exhibit 10.3 to Ashland’s Form 10-Q for the quarter ended December 31, 2004 (SEC File No. 001-02918), and incorporated herein by reference).
- 10.3 – Amended and Restated Ashland Inc. Deferred Compensation Plan for Employees (2005) (filed as Exhibit 10.3 to Ashland’s Form 10-K for the fiscal year ended September 30, 2008 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.4 – Amended and Restated Ashland Inc. Deferred Compensation Plan for Non-Employee Directors (2005) (filed as Exhibit 10.4 to Ashland’s Form 10-K for the fiscal year ended September 30, 2008 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.5 – Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees (filed as Exhibit 10.5 to Ashland’s Form 10-K for the fiscal year ended September 30, 2010 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.6 – Ashland Supplemental Defined Contribution Plan for Certain Employees (filed as Exhibit 10.3 to Ashland’s Form 10-Q for the quarter ended March 31, 2011 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.7 – Amended and Restated Ashland Inc. Nonqualified Excess Benefit Pension Plan (filed as Exhibit 10.6 to Ashland’s Form 10-K for the fiscal year ended September 30, 2008 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.8 – Hercules Incorporated Employee Pension Restoration Plan (filed as Exhibit 10.9 to Ashland’s Form 10- K for the fiscal year ended September 30, 2010 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.9 – Form of Chief Executive Officer Change in Control Agreement (filed as Exhibit 10.1 to Ashland’s Form 8-K filed on January 7, 2009 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.10 – Form of Executive Officer Change in Control Agreement (filed as Exhibit 10.2 to Ashland’s Form 8-K filed on January 7, 2009 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.11 – Form of Executive Officer Change in Control Agreement, effective for agreements entered into after July 2009 (filed as Exhibit 10.11 to Ashland’s Form 10-K for the fiscal year ended September 30, 2009 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.12 – Ashland Inc. Severance Pay Plan (filed as Exhibit 10.1 to Ashland’s Form 10-Q for the quarter ended June 30, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.13 – Form of Indemnification Agreement between Ashland and members of its Board of Directors (filed as Exhibit 10.10 to Ashland’s annual report on Form 10-K for fiscal year ended September

Edgar Filing: ASHLAND INC. - Form 10-K

30, 2005 (SEC File No. 001-32532), and incorporated herein by reference).

- 10.14 – Amended and Restated Ashland Inc. Incentive Plan (filed as Exhibit 10.17 to Ashland's Form 10-K for the fiscal year ended September 30, 2009 (SEC File No. 001-32532), and incorporated herein by reference).

23

- 10.15 – 2006 Ashland Inc. Incentive Plan (filed as Exhibit 10 to Ashland’s Form 10-Q for the quarter ended December 31, 2005 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.16** – Form of Stock Appreciation Rights Award Agreement
- 10.17** – Form of Performance Unit (LTIP) Award Agreement
- 10.18** – Form of Restricted Stock Award Agreement
- 10.19** – Form of Restricted Stock Unit Agreement
- 10.20 – Amendment to 2011 Ashland Inc. Incentive Plan (filed as Exhibit 10.1 to Ashland’s Form 8-K filed on February 1, 2013 (SEC File No. 001-32532) and incorporated herein by reference).
- 10.21 – Amended and Restated 2011 Ashland Inc. Incentive Plan (filed as Exhibit 10.1 to Ashland’s Form 8-K filed on February 1, 2013 (SEC File No. 001-32532) and incorporated herein by reference).
- 10.22 – Letter Agreement between Ashland and Luis Fernandez-Moreno dated July 29, 2013. (filed as Exhibit 10.22 to Ashland’s Form 10-K for the fiscal year ended September 30, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.23 – Letter Agreement between Ashland and Luis Fernandez-Moreno dated November 4, 2013. (filed as Exhibit 10.23 to Ashland’s Form 10-K for the fiscal year ended September 30, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.24 – Letter Agreement between Ashland and John E. Panichella dated November 13, 2013 (filed as Exhibit 10.1 to Ashland’s Form 8-K filed on November 15, 2013 (SEC File No. 001-32532) and incorporated herein by reference).
- 10.25** – Letter Agreement between Ashland and Susan B. Esler dated October 28, 2014.
- 10.26 – Master Formation Agreement dated July 15, 2010, among Ashland, Süd-Chemie Aktiengesellschaft and Ashland-Südchemie-Kernfest GmbH filed as Exhibit 10.26 to Ashland’s Form 10-K for the fiscal year ended September 30, 2010 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.27 – Master Contribution and Sale Agreement dated July 15, 2010, among Ashland, Ashland International Holdings, Inc., Süd-Chemie Aktiengesellschaft, Tecpro Holding Corporation Inc. and Ashland- Südchemie-Kernfest GmbH (filed as Exhibit 10.27 to Ashland’s Form 10-K for the fiscal year ended September 30, 2010 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.28 – Shareholders’ Agreement effective November 30, 2010 by and between Süd-Chemie Aktiengesellschaft and Süd-Chemie Finance GmbH and Ashland and Ashland International Holdings, Inc. (filed as Exhibit 10 to Ashland’s Form 10-Q for the quarter ended December 31, 2010 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.29 – Stock Purchase Agreement dated as of May 30, 2011, entered into by and among The Samuel J. Heyman 1981 Continuing Trust for Lazarus S. Heyman, The Samuel J. Heyman 1981 Continuing Trust for Eleanor S. Heyman, The Samuel J. Heyman 1981 Continuing Trust for Jennifer L. Heyman, The Samuel J. Heyman 1981 Continuing Trust for Elizabeth D. Heyman, The Lazarus S. Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S. Heyman, The Eleanor S. Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S. Heyman, The Jennifer L. Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S. Heyman, The Elizabeth D. Heyman Age 50 Trust for Assets Appointed Under Will of Lazarus S. Heyman, The Horizon Holdings Residual Trust, RFH Investment Holdings LLC, Ashland and Ronnie F. Heyman, as representative of the Seller Parties (filed as Exhibit 2.1 to Ashland’s Form 8-K filed on May 31, 2011 (SEC File No. 001-32532), and incorporated herein by reference).

- 10.30 – Transfer and Administration Agreement, dated as of August 31, 2012, among CVG Capital III LLC, Ashland Inc., Hercules Incorporated, Aqualon Company, ISP Technologies Inc., ISP Synthetic Elastomers LLC, and each other entity from time to time party thereto as an Originator, as Originators, Ashland Inc., as initial Master Servicer, each of Liberty Street Funding LLC, Market Street Funding LLC and Gotham Funding Corporation, as Conduit Investors and Uncommitted Investors, The Bank of Nova Scotia, as the Agent, a Letter of Credit Issuer, a Managing Agent, an Administrator and a Committed Investor, and the Letter of Credit Issuers, Managing Agents, Administrators, Uncommitted Investors and Committed Investors parties thereto from time to time (filed as Exhibit 10.1 to Ashland’s Form 8-K filed on September 7, 2012 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.31 – Sale Agreement, dated as of August 31, 2012, among Ashland Inc., Hercules Incorporated, Aqualon Company, ISP Technologies Inc., ISP Synthetic Elastomers LLC and CVG Capital III LLC (filed as Exhibit 10.2 to Ashland’s Form 8-K filed on September 7, 2012 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.32 – Parent Undertaking, dated as of August 31, 2012, by Ashland Inc. in favor of The Bank of Nova Scotia and the Secured Parties (filed as Exhibit 10.3 to Ashland’s Form 8-K filed on September 7, 2012 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.33 – Credit Agreement dated as of March 14, 2013, among Ashland Inc., as Borrower, The Bank of Nova Scotia, as Administrative Agent, Swing Line Lender and an L/C Issuer, Citibank, N.A., as Syndication Agent, Bank of America, N.A., Deutsche Bank Securities Inc. and PNC Bank, National Association, as Co-Documentation Agents, and the Lenders from time to time party thereto (filed as Exhibit 10.1 to Ashland’s Form 8-K filed on March 15, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.34 – First Amendment to Transfer and Administration Agreement, dated as of April 30, 2013, among Ashland Inc., CVG Capital III LLC, the Investors, Letter of Credit Issuers, Managing Agents and Administrators party thereto, and the Bank of Nova Scotia, as Agent for the Investors (filed as Exhibit 10.2 to Ashland’s Form 10-Q for the quarter ended June 30, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.35 – Omnibus Amendment to Transfer and Administration Agreement, dated as of August 21, 2013, among Ashland Inc., CVG Capital III LLC, the Originators, the Investors, Letter of Credit Issuers, Managing Agents and Administrators party thereto, and the Bank of Nova Scotia, as Agent for the Investors. (filed as Exhibit 10.34 to Ashland’s Form 10-K for the fiscal year ended September 30, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.36 – Third Amendment to Transfer and Administration Agreement, dated as of October 15, 2013, among Ashland Inc., CVG Capital III LLC, the Originators, the Investors, Letter of Credit Issuers, Managing Agents and Administrators party thereto, and the Bank of Nova Scotia, as Agent for the Investors. (filed as Exhibit 10.35 to Ashland’s Form 10-K for the fiscal year ended September 30, 2013 (SEC File No. 001-32532), and incorporated herein by reference).
- 10.37 – Fourth Amendment to Transfer and Administration Agreement, dated as of June 30, 2014, among Ashland Inc., CVG Capital III LLC, the Originators, the Investors, Letter of Credit Issuers, Managing Agents and Administrators party thereto, and the Bank of Nova Scotia, as Agent for the Investors. (filed as Exhibit 10.1 to Ashland’s Form 10-Q for the quarter ended June 30, 2014 (SEC File No. 001-32532), and incorporated herein by reference).

Edgar Filing: ASHLAND INC. - Form 10-K

10.38 – First Amendment to Sale Agreement, dated as of June 30, 2014, among Ashland Inc., Hercules Incorporated, Ashland Specialty Ingredients G.P., ISP Technologies Inc., Ashland Elastomers LLC and CVG Capital III LLC. (filed as Exhibit 10.2 to Ashland's Form 10-Q for the quarter ended June 30, 2014 (SEC File No. 001-32532), and incorporated herein by reference).

10.39 – Originator Removal Agreement and Facility Amendment, dated as of July 28, 2014, by and among Ashland, Hercules Incorporated, Ashland Specialty Ingredients G.P., ISP Technologies Inc., Ashland LLC, CVG Capital III LLC, the Investors, the Letter of Credit Issuers, Managing Agents and Administrators party thereto, and the Bank of Nova Scotia, as Agent for the Investors. (filed as Exhibit 10.1 to Ashland's Form 8-K filed on August 1, 2014 (SEC File No. 001-32532) and incorporated herein by reference).

25

- 10.40 – Master Confirmation - Uncollared Accelerated Share Repurchase, dated August 5, 2014, between Ashland Inc. and Deutsche Bank AG, London Branch. (filed as Exhibit 10.1 to Ashland’s Form 8-K filed on August 6, 2014 (SEC File No. 001-32532) and incorporated herein by reference).
- 10.41 – Master Confirmation – Uncollared Accelerated Share Repurchase, dated August 5, 2014, between Ashland Inc. and J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, N.A. (filed as Exhibit 10.2 to Ashland’s Form 8-K filed on August 6, 2014 (SEC File No. 001-32532) and incorporated herein by reference).
- 11** – Computation of Earnings Per Share (appearing in Note A of Notes to Consolidated Financial Statements in this annual report on Form 10-K).
- 12** – Computation of Ratio of Earnings to Fixed Charges.
- 21** – List of Subsidiaries.
- 23.1** – Consent of PricewaterhouseCoopers LLP.
- 23.2** – Consent of Hamilton, Rabinovitz & Associates, Inc.
- 24** – Power of Attorney.
- 31.1** – Certification of James J. O’Brien, Chief Executive Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2** – Certification of J. Kevin Willis, Chief Financial Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32** – Certification of James J. O’Brien, Chief Executive Officer of Ashland, and J. Kevin Willis, Chief Financial Officer of Ashland, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS* XBRL Instance Document.
- 101.SCH* XBRL Taxonomy Extension Schema Document.
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document.

*Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Statements of Consolidated Comprehensive Income for years ended September 30, 2014, 2013 and 2012; (ii) Consolidated Balance Sheets at September 30, 2014 and 2013; (iii) Statements of Consolidated Stockholders' Equity at September 30, 2014, 2013 and 2012; (iv) Statements of Consolidated Cash Flows for years ended September 30, 2014, 2013 and 2012; and (v) Notes to Consolidated Financial Statements. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**Filed herewith.

SM Service mark, Ashland or its subsidiaries, registered in various countries.

TM Trademark, Ashland or its subsidiaries, registered in various countries.

[†]Trademark owned by a third party.

Upon written or oral request, a copy of the above exhibits will be furnished at cost.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ASHLAND INC.

(Registrant)

By:

/s/ J. Kevin Willis

J. Kevin Willis

Senior Vice President and Chief Financial Officer

Date: November 24, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, in the capacities indicated, on November 24, 2014.

Signatures	Capacity
/s/ James J. O'Brien	Chairman of the Board, Chief Executive Officer and Director
James J. O'Brien	(Principal Executive Officer)
/s/ J. Kevin Willis	Senior Vice President and Chief Financial Officer
J. Kevin Willis	(Principal Financial Officer)
/s/ J. William Heitman	Vice President and Controller
J. William Heitman	(Principal Accounting Officer)
*	Director
Brendan M. Cummins	
*	Director
Roger W. Hale	
*	Director
Stephen F. Kirk	
*	Director
Vada O. Manager	
*	Director
Barry W. Perry	
*	Director
Mark C. Rohr	
*	Director
George A. Schaefer, Jr.	
*	Director
Janice J. Teal	
*	Director
John F. Turner	
*	Director
Michael J. Ward	
*By: /s/ Peter J. Ganz	
Peter J. Ganz	
Attorney-in-Fact	

Date: November 24, 2014

This page intentionally left blank.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements for the years ended September 30, 2014, 2013 and 2012.

BUSINESS OVERVIEW

Ashland profile

Ashland is a leading, global specialty chemical company that provides products, services and solutions that meet customers' needs throughout a variety of industries. Ashland's chemistry is used in a wide variety of markets and applications, including architectural coatings, automotive, construction, energy, food and beverage, personal care, and pharmaceutical. With approximately 11,000 employees worldwide, Ashland serves customers in more than 100 countries.

Ashland's sales generated outside of North America were 47% in 2014, 46% in 2013 and 44% in 2012. Sales by region expressed as a percentage of total consolidated sales were as follows:

Sales by Geography	2014		2013		2012	
North America (a)	53	%	54	%	56	%
Europe	25	%	24	%	24	%
Asia Pacific	15	%	15	%	14	%
Latin America & other	7	%	7	%	6	%
	100	%	100	%	100	%

(a) Ashland includes only U.S. and Canada in its North America designation.

Reportable segments

Ashland's reporting structure is composed of three reportable segments: Ashland Specialty Ingredients (Specialty Ingredients), Ashland Performance Materials (Performance Materials) and Valvoline. For further descriptions of each reportable segment, see "Results of Operations – Reportable Segment Review" beginning on page M-11.

The contribution to sales by each reportable segment expressed as a percentage of total consolidated sales were as follows:

Sales by Reportable Segment	2014		2013		2012	
Specialty Ingredients	41	%	41	%	42	%
Performance Materials	26	%	26	%	27	%
Valvoline	33	%	33	%	31	%
	100	%	100	%	100	%

KEY DEVELOPMENTS

During 2014, the following operational decisions and economic developments had an impact on Ashland's current and future cash flows, results of operations and financial position.

Business results

Ashland's overall financial performance increased by 4% during 2014 compared to 2013 as adjusted EBITDA results increased to \$1,078 million (see U.S. GAAP reconciliation on page M-6). The increase in adjusted EBITDA was

attributable to increased sales and gross profit within the Specialty Ingredients and Valvoline reportable segments, partially offset by a decline in the Performance Materials reportable segment. Compared to 2013, Specialty Ingredients' adjusted EBITDA results increased \$38 million, or 8%, primarily due to volume growth during the year. Valvoline's adjusted EBITDA results increased \$30 million, or 9%, primarily due to improved profitability from product mix, international operations, and instant oil change divisions. Performance Materials' adjusted EBITDA results, which decreased by \$15 million, or 8%, compared to 2013, were negatively impacted by pricing declines within the Intermediates/Solvents division as well as plant shut downs for maintenance.

M-1

Divestitures

During the last several years, Ashland has completed the transformation of its overall business into a global specialty chemical company. Much of this transformation has occurred due to significant acquisition and divestiture activity. The following discussion outlines the key divestitures during 2014 that contributed to this transformation. There were no significant acquisitions during 2014.

Water Technologies divestiture

Ashland signed a definitive agreement on February 18, 2014 to sell the Water Technologies business to a fund managed by Clayton, Dubilier & Rice (CD&R). The sale was completed on July 31, 2014 in a transaction valued at approximately \$1.8 billion. The total post-closing adjusted cash proceeds received by Ashland, during 2014 before taxes was \$1.6 billion, which includes estimates for certain working capital and other post-closing adjustments, as defined in the definitive agreement. Ashland expects to receive an additional \$48 million once a foreign entity completes certain regulatory closing requirements. Receipt of the additional cash proceeds and final settlement of working capital and other post-closing adjustments are expected to occur in fiscal 2015.

The proceeds from the sale will primarily be used to return capital to shareholders in the form of share repurchases. Ashland recognized a gain of \$92 million after tax, which is included within the discontinued operations caption in the Statement of Consolidated Comprehensive Income for 2014.

Sales recognized for the ten month period Water Technologies was still owned by Ashland in 2014 were \$1.5 billion and \$1.7 billion for each of the fiscal years ended September 30, 2013 and September 30, 2012. Water Technologies employed approximately 3,000 employees throughout the Americas, Europe and Asia Pacific as of September 30, 2013.

Since this transaction signified Ashland's exit from the Water Technologies business, Ashland has classified Water Technologies' results of operations and cash flows within the Statements of Consolidated Comprehensive Income and Statements of Consolidated Cash Flows as discontinued operations for all periods presented. Certain indirect corporate costs included within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income that were previously allocated to the Water Technologies reportable segment do not qualify for classification within discontinued operations and are now reported as selling, general and administrative expense within continuing operations on a consolidated basis and within the Unallocated and other segment. These costs were \$31 million, \$34 million and \$32 million for 2014, 2013 and 2012, respectively. Ashland is continuing to implement plans to eliminate these costs as part of a global restructuring program.

Ashland will retain and has agreed to indemnify CD&R for certain liabilities of the Water Technologies business arising prior to the closing of the sale, including certain pension and postretirement liabilities, environmental remediation liabilities and certain legacy liabilities relating to businesses disposed or discontinued by the Water Technologies business. Costs directly related to these retained liabilities have been included within the discontinued operations caption of the Statements of Consolidated Comprehensive Income during 2014, 2013 and 2012.

Ashland will provide certain transition services to CD&R for a fee. During the fourth quarter of 2014, Ashland recognized transition service fees of \$7 million, which offset costs within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income. While the transition services vary in duration depending upon the type of service provided, Ashland expects to reduce costs as the transition services are completed. See Note C in the Notes to Consolidated Financial Statements for further information on the results of operations of Water Technologies for all periods presented.

Casting Solutions joint venture

During 2014, Ashland, in conjunction with its partner, initiated a process to sell the ASK Chemicals GmbH (ASK) joint venture, in which Ashland had 50% ownership. As part of the sale process, Ashland determined during 2014 that the fair value of its investment in the ASK joint venture was less than the carrying value and that an other than temporary impairment had occurred. As a result, Ashland recognized an impairment charge of \$50 million related to its investment in the ASK joint venture. The charge was recognized within the equity and other income caption of the

Statements of Consolidated Comprehensive Income.

In April 2014, Ashland, and its partner, announced that they had entered into a definitive agreement to sell the ASK joint venture to investment funds affiliated with Rhône Capital, LLC (Rhône), a London and New York-based private equity investment firm. Total pre-tax proceeds to the sellers was \$205 million, which included \$176 million in cash and a \$29 million note from Rhône due in calendar year 2022. Ashland and its partner completed the sale to Rhône on June 30, 2014 and proceeds were split evenly between Ashland and its partner under the terms of the 50/50 joint venture.

Elastomers

During 2013, Ashland announced that a formal sale process was ongoing for the Elastomers division within Performance Materials. On October 9, 2014, Ashland entered into a definitive agreement to sell the Elastomers division to Lion Copolymer

M-2

Holdings, LLC. The transaction is expected to close by December 31, 2014, contingent on certain customary regulatory approvals and standard closing conditions.

Global restructuring

Ashland initiated a global restructuring of its businesses in 2014 to enhance profitability through streamlined operations and an improved overall cost structure. The following highlights the key programs initiated.

Business realignment

Subsequent to the sale of Water Technologies, Ashland's businesses are now managed within three reportable segments: Specialty Ingredients, Performance Materials and Valvoline. Specialty Ingredients is organized into two divisions: Consumer Specialties and Industrial Specialties, with adhesives joining the Industrial Specialties division, moving over from Performance Materials. This will enable Ashland to provide higher levels of customization and service demanded by the adhesives market. Also as part of the realignment, Specialty Ingredients moved from a global to regional structure, providing increased customer focus for North America, Europe, Asia Pacific and Latin America. Performance Materials is now comprised of three divisions: 1) Intermediates/Solvents, which moved over from Specialty Ingredients and will serve both Ashland's internal butanediol needs as well as the merchant market; 2) Composites, which will serve construction, transportation, marine and other markets; and 3) Elastomers, which primarily serves the North American replacement tire market.

Within Valvoline, the restructuring plan is focused on reducing costs and improving margins, with a goal of growing EBITDA margin.

Cost reduction program

During 2014, Ashland initiated a global restructuring program to streamline the resources used across the organization and eliminate remaining stranded costs from the Water Technologies divestiture. As part of this global restructuring program, Ashland initiated a voluntary severance offer (VSO) in January 2014 to certain U.S. employees.

Approximately 400 employees were formally approved for the VSO. An involuntary program for employees was also initiated as part of the global restructuring program. The VSO and involuntary programs resulted in expense of \$95 million being recognized during 2014, with \$13 million being recorded within the cost of sales caption and \$82 million being recorded within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income. In addition, asset impairment and accelerated depreciation charges of \$36 million and \$12 million of other restructuring and integration costs were incurred during 2014. See Note E of the Notes to Consolidated Financial Statements for further information.

The global restructuring program is expected to improve operational performance while recognizing significant annualized cost savings. Ashland's global restructuring program, which is targeting \$200 million in cost savings remains on track to be substantially complete by the end of the second quarter of fiscal 2015. Over half of the annualized run-rate savings have been realized through 2014. Among these achievements:

• More than 80% of the previously announced 800 job eliminations have been completed with the remainder substantially completed by the end of the second fiscal quarter of 2015.

• Ashland's previously centralized supply chain organization has been integrated into the commercial units, optimizing the level of support needed to serve the varying needs of customers and markets.

• Regional business teams in Europe, Asia Pacific and Latin America have been realigned to provide better service and value to customers.

• Relocation of certain positions to low-cost centers of excellence has continued to progress.

Specific business programs

In addition to the corporate restructuring programs previously identified, each business periodically initiates its own specific restructuring programs based on smaller scale acquisitions and divestitures within its own business or based on the prevailing economic environment within the markets or industries it serves. These programs are disclosed by each business in further detail within the "Reportable Segment" discussion section as deemed applicable.

Stock programs

Stock repurchase programs

During 2014, the Board of Directors of Ashland authorized a \$1.35 billion common stock repurchase program. This new authorization replaced Ashland's previous \$600 million share repurchase authorization, approved in May 2013, which had \$450 million remaining. Under the new program, Ashland's common shares may be repurchased in open market transactions, privately

M-3

negotiated transactions or pursuant to one or more accelerated stock repurchase programs or Rule 10b5-1 plans. This new repurchase program will expire on December 31, 2015.

As part of the \$1.35 billion common stock repurchase program, Ashland announced that it has entered into accelerated share repurchase agreements (2014 ASR Agreements) with each of Deutsche Bank AG, London Branch (Deutsche Bank), and JPMorgan Chase Bank, N.A. (JPMorgan), to repurchase an aggregate of \$750 million of Ashland's common stock. Under the 2014 ASR Agreements, Ashland paid an initial purchase price of \$750 million, split evenly between the financial institutions. As of September 30, 2014, Ashland received an initial delivery of approximately 5.9 million shares of common stock under the 2014 ASR Agreements. The 2014 ASR Agreements have a variable maturity, at the financial institutions option, with a scheduled termination date of no later than June 30, 2015.

In addition, Ashland also announced that it had entered into an agreement with each of Deutsche Bank Securities and JPMorgan to repurchase an aggregate of \$250 million of Ashland's common stock. Under the terms of the agreement, the financial institutions will purchase a pre-determined number of shares on various trading days dependent upon Ashland's prevailing stock price on that date. The term of the agreements is through June 30, 2015. As of September 30, 2014, Ashland paid \$124 million and received 1.2 million shares of common stock under the agreements.

Under the \$1.35 billion common stock repurchase program, Ashland also entered into and completed a \$125 million prepaid variable share repurchase agreement during 2014. The settlement price, which represents the weighted average price of Ashland's common stock over the pricing period less a discount, was \$105.22 per share. Ashland received 0.8 million shares and \$45 million in cash for the unused portion of the \$125 million prepayment, for a net cash outlay of \$80 million. As of November 21, 2014, Ashland has retired approximately 9.0 million shares under the current share repurchase authorization.

Financing activities

Accounts receivable securitization

On July 28, 2014, the available funding for qualifying receivables under the 2012 account receivable securitization facility was reduced from \$350 million to \$275 million due to the elimination of Water Technologies as a participant in the accounts receivable securitization. No other significant terms of the agreement were amended.

Credit ratings

During 2014, Ashland's corporate credit ratings remained unchanged at BB by Standard & Poor's and Ba1 by Moody's Investor Services. At September 30, 2014, Standard & Poor's and Moody's Investor Services both rated Ashland's outlook as stable. Ashland's ability to access capital markets to provide liquidity has remained largely unchanged as a result of the stable ratings; however, improvements in the credit markets and Ashland's financial performance has allowed, and should continue in the future to allow, Ashland to borrow on more favorable terms, including less restrictive covenants and lower interest rates.

RESULTS OF OPERATIONS – CONSOLIDATED REVIEW

Use of non-GAAP measures

Ashland has included within this document certain non-GAAP measures which include EBITDA (net income, plus income tax expense (benefit), net interest and other financing expenses, and depreciation and amortization), Adjusted EBITDA (EBITDA adjusted for discontinued operations, net gain (loss) on acquisitions and divestitures, other income and (expense) and key items, which may include pro forma effects for significant acquisitions or divestitures, as applicable) and Adjusted EBITDA margin (Adjusted EBITDA, which can include pro forma adjustments, divided by sales). Such measurements are not prepared in accordance with U.S. GAAP and as related to pro forma adjustments, contain Ashland's best estimates of cost allocations and shared resource costs. Management believes the use of non-GAAP measures on a consolidated and reportable segment basis assists investors in understanding the ongoing operating performance by presenting comparable financial results between periods. The non-GAAP information provided is used by Ashland management and may not be determined in a manner consistent with the methodologies

used by other companies. EBITDA and Adjusted EBITDA provide a supplemental presentation of Ashland's operating performance on a consolidated and reportable segment basis. Adjusted EBITDA generally includes adjustments for unusual, non-operational or restructuring-related activities. In addition, certain financial covenants related to Ashland's 2013 Senior Credit Facility are based on similar non-GAAP measures and are defined further in the sections that reference this metric.

In accordance with U.S. GAAP, Ashland recognizes actuarial gains and losses for defined benefit pension and other postretirement benefit plans annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement during a fiscal year. Actuarial gains and losses occur when actual experience differs from the estimates used to allocate the change in value of pension and other postretirement benefit plans to expense throughout the year or when assumptions change, as they may each year. Significant factors that can contribute to the recognition of actuarial gains and losses include

M-4

changes in discount rates used to remeasure pension and other postretirement obligations on an annual basis or upon a qualifying remeasurement, differences between actual and expected returns on plan assets and other changes in actuarial assumptions, for example the life expectancy of plan participants. Management believes Adjusted EBITDA, which includes the expected return on pension plan assets and excludes both the actual return on pension plan assets and the impact of actuarial gains and losses, provides investors with a meaningful supplemental presentation of Ashland's operating performance. Management believes these actuarial gains and losses are primarily financing activities that are more reflective of changes in current conditions in global financial markets (and in particular interest rates) that are not directly related to the underlying business and that do not have an immediate, corresponding impact on the compensation and benefits provided to eligible employees and retirees. For further information on the actuarial assumptions and plan assets referenced above, see MD&A - Critical Accounting Policies - Employee benefit obligations and Note M of the Notes to Consolidated Financial Statements.

Ashland has included free cash flow as an additional non-GAAP metric of cash flow generation. Ashland believes free cash flow is relevant because capital expenditures are an important element of Ashland's ongoing cash activities. By deducting capital expenditures from operating cash flows, Ashland is able to provide a better indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Prior to 2013, Ashland deducted dividends from this calculation but has discontinued this practice to be more comparable to the broader market's calculation of the term free cash flow.

Consolidated review

Net income

Ashland's net income amounted to \$233 million in 2014, \$683 million in 2013 and \$26 million in 2012, or \$3.00, \$8.57 and \$0.33 diluted earnings per share, respectively. Ashland's net income is primarily affected by results within operating income, net interest and other financing expense, income taxes, discontinued operations and other significant events or transactions that are unusual or nonrecurring. Operating income includes Ashland's adjustment for the immediate recognition of the change in the fair value of the plan assets and net actuarial gains and losses annually for defined benefit pension plans and other postretirement benefit plans each fiscal year. See "Critical Accounting Policies" for additional details regarding Ashland's accounting policies for benefit plan obligations. Income from continuing operations, which excludes results from discontinued operations, amounted to \$72 million in 2014, \$553 million in 2013 and \$14 million in 2012, or \$0.93, \$6.95 and \$0.17 diluted earnings per share, respectively. Operating income was \$46 million, \$1,039 million and \$281 million during 2014, 2013 and 2012, respectively. See the "Operating income" discussion for an analysis of these results.

Ashland incurred pretax net interest and other financing expense of \$166 million, \$282 million and \$317 million during 2014, 2013 and 2012, respectively. Certain charges associated with debt refinancing activity impacted 2013 and 2012. For further information on the items reported within this caption, see the "net interest and other financing expense" caption discussion in the comparative Statements of Consolidated Comprehensive Income caption review analysis.

The effective income tax benefit rate of 162.1% for 2014, income tax expense rate of 26.2% for 2013, and the income tax benefit rate of 132.6% for 2012, were significantly affected by a number of discrete items discussed in further detail within the "income tax expense (benefit)" caption discussion in the comparative Statements of Consolidated Comprehensive Income caption review analysis.

Discontinued operations, which are reported net of taxes, resulted in income of \$161 million, \$130 million and \$12 million during 2014, 2013 and 2012, respectively. The results each year include the direct operating results of the Water Technologies business (2014 also includes the gain on the sale), updates to the asbestos liability and receivable models as well as other activity associated with previously divested businesses. For further information on items reported within this caption, see the "discontinued operations" caption discussion in the comparative Statements of Consolidated Comprehensive Income caption review analysis.

Operating income

Operating income amounted to \$46 million, \$1,039 million and \$281 million in 2014, 2013 and 2012, respectively. Operating income for each period is significantly affected by the immediate recognition from the change in the fair value of the plan assets and net gains and losses for defined benefit pension plans and other postretirement benefit plans, and resulted in expense of \$438 million in 2014, income of \$417 million in 2013 and expense of \$406 million in 2012, respectively.

Operating income results in 2014 included \$438 million of key items related to the pension and other postretirement plan remeasurement net losses. The current period also included \$147 million of restructuring and integration costs (including \$17 million of accelerated depreciation and \$19 million in asset impairment charges related to a foreign operation), a \$50 million impairment charge related to the ASK joint venture equity investment, two \$5 million charges for a foreign tax indemnification receivable adjustment and a legal reserve charge, a \$13 million net environmental charge related to previously divested businesses,

M-5

and a \$13 million impairment charge related to certain in-process research and development (IPR&D) assets associated with the acquisition of International Specialty Products Inc. (ISP) in 2011.

Operating income results in 2013 included income of \$417 million for the pension and other postretirement plan remeasurement, a \$22 million gain resulting from Ashland's settlement of an insurance claim, a \$13 million gain resulting from Ashland's settlement of a customer claim, \$29 million of other restructuring and ISP integration costs, a \$16 million net environmental charge related to previously divested businesses and a \$41 million total impairment charge related to certain IPR&D assets. The results in 2013 also included a \$31 million inventory charge for certain guar-based products.

Operating income results in 2012 included expense of \$406 million for the pension and other postretirement plan remeasurement, \$83 million in restructuring and other integration costs, which consisted of a \$20 million lease abandonment charge related to the closure of a corporate facility, \$23 million of ISP integration costs, a \$13 million charge related to the abandonment of a construction project for a multi-purpose facility, as well as \$27 million for severance and restructuring charges from Ashland's ongoing stranded cost and ISP integration programs. Results for 2012 also included an \$8 million net environmental charge related to businesses previously owned by Ashland. In addition, operating income in 2012 included noncash charges of \$28 million related to the fair value assessment of inventory acquired from ISP at the date of acquisition. The results in 2012 also included a \$13 million impairment charge related to certain IPR&D assets.

Operating income for 2014, 2013 and 2012 included depreciation and amortization of \$357 million, \$354 million and \$355 million, respectively, (which excludes asset impairment charges and accelerated depreciation of \$36 million, \$2 million and \$4 million, respectively, for each year). EBITDA totaled \$568 million, \$1,515 million and \$641 million for 2014, 2013 and 2012, respectively. Adjusted EBITDA results in the following table have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items since management believes the use of such non-GAAP measures on a consolidated and reportable segment basis assists investors in understanding the ongoing operating performance by presenting the financial results between periods on a more comparable basis.

(In millions)	2014	2013	2012
Net income	\$233	\$683	\$26
Income tax expense (benefit)	(188)	) 196	(57)
Net interest and other financing expense	166	282	317
Depreciation and amortization (a)	357	354	355
EBITDA	568	1,515	641
Income from discontinued operations (net of taxes)	(161)	) (130)	(12)
Losses (gain) on pension and other postretirement plan remeasurement (b)	438	(417)	) 406
Restructuring and other integration costs	111	29	83
Impairment of ASK joint venture	50	—	—
Environmental reserve adjustments	13	16	8
Impairment of IPR&D assets	13	41	13
Asset impairment and accelerated depreciation	36	2	4
Foreign tax indemnification receivable adjustment	5	—	—
Legal reserve charge	5	—	—
Insurance settlement	—	(22)) —
Settled claim	—	(13)) —
Net loss on divestitures	—	14	4
Inventory fair value adjustment	—	—	28
Other	—	2	—
Adjusted EBITDA	\$1,078	\$1,037	\$1,175

- (a) Excludes \$36 million, \$2 million and \$4 million of asset impairment charges and accelerated depreciation during 2014, 2013 and 2012, respectively.
- (b) For supplemental information on the components of this adjustment, see page M-28 within the MD&A - Critical Accounting Policies - Employee benefit obligations.

Statements of Consolidated Comprehensive Income – caption review

A comparative analysis of the Statements of Consolidated Comprehensive Income by caption is provided as follows for the years ended September 30, 2014, 2013 and 2012.

M-6

(In millions)	2014	2013	2012	2014 change	2013 change
Sales	\$6,121	\$6,091	\$6,472	\$30	\$(381)

Sales for 2014 increased \$30 million compared to 2013 primarily due to a combined change in volume and product mix which increased sales by \$110 million, or 2%. Favorable currency exchange increased sales by \$8 million. These increases were partially offset by pricing declines of \$88 million, or 1%, primarily within the Performance Materials and Specialty Ingredients reportable segments

Sales for 2013 decreased \$381 million, or 6%, compared to 2012 primarily as a result of pricing declines which decreased sales by \$221 million, or 3%. Changes in product mix and volume combined to decrease sales by \$130 million, or 2%. The 2012 divestiture of the polyvinyl acetate homopolymer and copolymer group (PVAc) within the Specialty Ingredients reportable segment reduced sales by \$11 million and unfavorable currency exchange decreased sales by \$19 million.

(In millions)	2014	2013	2012	2014 change	2013 change
Cost of sales	\$4,605	\$4,304	\$4,813	\$301	\$(509)
Gross profit as a percent of sales	24.8	% 29.3	% 25.6	%	

Fluctuations in cost of sales are driven primarily by raw material prices, volume and changes in product mix, currency exchange, net losses or gains on pension and other postretirement benefit plan remeasurements, and other certain charges incurred as a result of changes or events within the businesses or restructuring activities.

The following table provides a reconciliation of the changes in cost of sales between fiscal years 2014 and 2013 and between fiscal years 2013 and 2012.

(In millions)	2014 change	2013 change
Pension and other postretirement benefit plans expense (income) (including remeasurements)	\$269	\$(248)
Production costs	(70)	(157)
Volumes and product mix	80	(81)
Divestitures	—	(10)
Currency exchange	4	(12)
Inventory charges	(51)	51
Insurance claim settlement	22	(22)
Inventory fair value assessment noncash charge	—	(28)
Severance	13	—
Asset impairment and accelerated depreciation	34	(2)
Change in cost of sales	\$301	\$(509)

Cost of sales for 2014 increased \$301 million, or 7%, compared to 2013 primarily due to increased expense of \$269 million related to the pension and other postretirement plans' remeasurement losses in 2014 compared to the gain in 2013. Lower costs decreased cost of sales \$70 million while higher volume and product mix resulted in an increase of \$80 million. The current period also includes \$49 million of costs associated with plant closures, which includes \$17 million of accelerated depreciation within the Performance Materials reportable segment and \$19 million of asset impairment charges within the Specialty Ingredients reportable segment. Currency exchange caused an increase of \$4 million. The prior period included a \$51 million inventory charge for certain guar-based products and inventory adjustments within Elastomers, a \$22 million gain resulting from Ashland's settlement of an insurance claim, and \$2 million of accelerated depreciation.

Cost of sales for 2013 decreased \$509 million, or 11%, compared to 2012 primarily due to increased income of \$248 million related to the pension and other postretirement plans' remeasurement gain in 2013 compared to the loss in 2012. Lower costs decreased cost of sales \$157 million, or 3%, while changes in product mix and volume combined to cause a decrease of \$81 million. The divestiture of the PVAc group within the Specialty Ingredients reportable segment in 2012 caused a decrease of \$10 million. Currency exchange caused a decrease of \$12 million. As previously discussed, cost of sales for 2013 included a \$51 million inventory charge for certain guar-based products and inventory adjustments within Elastomers and a \$22 million gain resulting

M-7

from Ashland's settlement of an insurance claim. Cost of sales during 2012 included a noncash charge of \$28 million related to the fair value assessment of inventory acquired from ISP at the date of acquisition.

(In millions)	2014	2013	2012	2014 change	2013 change
Selling, general and administrative expense	\$1,358	\$670	\$1,327	\$688	\$(657)
As a percent of sales	22.2	% 11.0	% 20.5	%	

Selling, general and administrative expense for 2014 increased 103% compared to 2013, while expenses as a percent of sales increased 11.2 percentage points. The increase was substantially related to the fluctuation in adjustments from the net gains and losses for pension and postretirement benefit plans, which resulted in a \$590 million increase in expense compared to the prior year (loss of \$301 million in 2014 and gain of \$289 million in 2013). Other pension and other postretirement benefit plans income also decreased by \$9 million compared to 2013. The current and prior year also included expense of \$98 million and \$29 million, respectively, for severance, restructuring and integration charges, in addition to expense of \$29 million and \$22 million, respectively, for environmental reserve adjustments. Excluding the items mentioned that effected comparability in 2014 and 2013, selling, general and administrative expense increased due to increased incentive compensation of approximately \$50 million, partially offset by approximately \$40 million in cost savings from the 2014 global restructuring program.

Selling, general and administrative expense for 2013 decreased 50% compared to 2012, as expenses as a percent of sales decreased 9.5 percentage points. The significant decline was substantially related to the fluctuation in adjustments from the net gains and losses for pension and other postretirement benefit plans, which resulted in a \$585 million decline compared to 2012 (income of \$289 million in 2013 and loss of \$296 million in 2012). Other pension and postretirement benefit plans income increased by \$25 million compared to 2012. Additional expenses impacting the comparability of 2013 compared to 2012 included expense of \$29 million and \$78 million, respectively, for severance, restructuring and integration charges, in addition to expense of \$22 million and \$14 million, respectively, for environmental reserve adjustments. In addition, incentive compensation decreased by \$28 million in 2013 compared to 2012.

(In millions)	2014	2013	2012	2014 change	2013 change
Research and development expense	\$114	\$142	\$104	\$(28)	\$38

Research and development expenses during 2014 decreased \$28 million as compared to 2013. The current and prior year included impairment charges of \$13 million and \$41 million, respectively, related to certain IPR&D assets associated with the acquisition of ISP.

Research and development expenses for 2013 increased \$38 million as compared to 2012 due to a \$41 million impairment charge during 2013 related to certain IPR&D assets associated with the acquisition of ISP.

(In millions)	2014	2013	2012	2014 change	2013 change
Equity and other income (loss)					
Equity income (loss)	\$(25)	\$26	\$34	\$(51)	\$(8)
Other income	27	38	19	(11)	19
	\$2	\$64	\$53	\$(62)	\$11

Total equity and other income decreased 97% during 2014 compared to 2013. Equity income (loss) declined \$51 million in the current year primarily due to a \$50 million impairment charge during the current year within the ASK joint venture equity investment. The decrease in other income during the current year is primarily due to a gain in the prior year of \$13 million resulting from Ashland's settlement of a claim related to sales commissions and receivables

within the Specialty Ingredients reportable segment. These decreases were partially offset by income of \$8 million from a favorable arbitration ruling on a commercial contract within the Valvoline reportable segment during 2014. Total equity and other income increased 21% during 2013 compared to 2012. Equity income declined \$8 million during 2013 primarily due to lower operating results from joint ventures within the Specialty Ingredients and Performance Materials reportable

M-8

segments. The increase in other income in 2013 compared to 2012 is primarily due to a gain of \$13 million resulting from Ashland's settlement of a claim related to sales commissions and receivables within the Specialty Ingredients reportable segment.

(In millions)	2014	2013	2012	2014 change	2013 change	
Net interest and other financing expense (income)						
Interest expense	\$ 163	\$ 273	\$ 251	\$(110)	) \$22
Interest income	(6	) (4	) (8	) (2	) 4
Other financing costs	9	13	74	(4) (61)
	\$ 166	\$ 282	\$ 317	\$(116)) \$(35)

Interest expense and other financing costs, excluding interest income, declined \$114 million in 2014 compared to 2013. The prior year had significant charges included within the interest expense captions. During 2013, interest expense included a \$47 million charge for the accelerated amortization of debt issuance and other costs resulting from the repayment of the 2011 Senior Credit Facility, as well as a \$52 million charge resulting from the termination of the interest rate swap agreements associated with the 2011 Senior Credit Facility. The 2013 period also included a \$3 million charge for debt issuance costs and the original issue discount from certain instruments, as well as a \$4 million charge related to an early redemption premium payment, both resulting from Ashland's repayment of the remaining 9.125% senior notes during 2013. Excluding these charges of \$106 million during 2013, interest expense and other financing costs declined \$8 million during 2014 primarily due to a lower outstanding debt balance for most of 2014 compared to 2013.

Interest expense and other financing costs, excluding interest income, declined \$39 million in 2013 compared to 2012. Both periods had significant charges included within the interest expense captions. Compared to the interest charges during 2013 discussed previously, interest expense for 2012 included \$97 million of accelerated amortization of deferred debt issuance costs and prepayment penalties associated with the early payoff of the 9.125% senior notes, as well as the prepayment of \$350 million of principal on Ashland's term loan B facility. Excluding these charges in both years, interest expense declined \$48 million primarily due to a lower outstanding debt balance, as total debt outstanding at September 30, 2013 and 2012 was \$3,267 million and \$3,590 million, respectively. In addition, the decline in interest expense and other financing costs was partially related to the lower weighted-average interest rate during 2013 of 4.3%, which was a 60 basis point decline from 2012, primarily resulting from Ashland's repayment of the 2011 Senior Credit Facility and the remaining 9.125% senior notes.

(In millions)	2014	2013	2012	2014 change	2013 change	
Net gain (loss) on divestitures						
PVAc divestiture	\$—	\$ 1	\$ 2	\$(1) \$(1)
MAP Transaction adjustments	4	(8	) (8	) 12	—
Other	—	(1	) (1	) 1	—
	\$ 4	\$(8) \$(7) \$ 12	\$(1)

Net gain on divestitures during 2014 includes a gain resulting from the receipt of a tax credit reimbursement and other subsequent adjustments related to the 2005 transfer of Ashland's 38% interest in the Marathon Ashland Petroleum joint venture and two other small businesses to Marathon Oil Corporation (Marathon) (the MAP Transaction) for certain state tax attributes.

Net loss on divestitures during 2013 includes a \$14 million expense settlement and several favorable tax adjustments related to the MAP Transaction.

Edgar Filing: ASHLAND INC. - Form 10-K

Net loss on divestitures during 2012 includes a gain of \$2 million resulting from the sale of Ashland's PVAc group previously included within the Specialty Ingredients reportable segment and an \$8 million loss for subsequent adjustments to the MAP Transaction.

(In millions)	2014		2013		2012		2014 change		2013 change
Income tax expense (benefit)	\$(188	)	\$196		\$(57	)	\$(384	)	\$253
Effective tax rate	(162.1	)%	26.2	%	(132.6)%			
Effective tax rate (excluding key items)	19.9	%	21.9	%	25.3	%			

M-9

Income tax benefit for 2014 included a net tax benefit of \$223 million recorded on net pretax charges of \$671 million related to restructuring and other integration costs, pension and other postretirement plan costs, environmental reserves, a foreign tax indemnification receivable adjustment, impairments related to the investment in the ASK joint venture and certain IPR&D assets, and a reserve for legal costs.

During the quarter ended September 30, 2014, as a result of an updated analysis of future cash needs in the U.S. and opportunities for investment outside the U.S., including the use of proceeds from the Water Technologies sale, Ashland changed its assertion related to the historical earnings of certain subsidiaries, and reversed deferred tax liabilities of \$168 million, resulting in a tax benefit in 2014. With the exception of certain investments primarily in which Ashland has an ownership percentage of 50% or less, Ashland asserts that all other foreign earnings will be indefinitely reinvested and it will continue to monitor its assertion related to foreign earnings based upon cash requirements within and outside the U.S. In addition, 2014 included a charge of \$39 million for taxes associated with the sale of shares of subsidiaries included in the sale of the Water Technologies business, net charges of \$32 million for uncertain tax positions and related matters, a charge of \$14 million for a foreign income tax rate change and other net discrete item charges of \$7 million primarily related to changes in valuation allowances.

Income tax expense for 2013 included \$156 million of tax expense recorded on the \$417 million pension and other postretirement benefit plan remeasurement gain, a \$33 million tax benefit related to charges totaling \$99 million from an interest rate swap agreement termination and accelerated amortization of debt issuance and other costs, a zero benefit recorded on the MAP Transaction charge of \$14 million and a net benefit of \$16 million primarily attributable to a foreign income tax rate change.

Income tax benefit for 2012 included a \$154 million benefit recorded on the \$406 million pension and other postretirement benefit plan remeasurement loss, a \$34 million benefit recorded on \$97 million of charges incurred for early payment of certain debt instruments, tax benefits of \$43 million associated with other key item charges of \$140 million, which are detailed in the Adjusted EBITDA table on page M-6, tax expense of \$41 million to establish state valuation allowances and a tax benefit of \$15 million for deferred tax adjustments related to ongoing international restructuring efforts. The state valuation allowance of \$41 million was established primarily as a result of the \$406 million pension and postretirement charge, which moved Ashland into a cumulative three year pretax loss position in certain state tax jurisdictions. The \$15 million international restructuring amount will not be a recurring benefit in future years.

(In millions)	2014	2013	2012	2014 change	2013 change
Income (loss) from discontinued operations (net of taxes)					
Water Technologies	\$ 151	\$ 124	\$ 24	\$ 27	\$ 100
Distribution	—	(6	) (11	) 6	5
Asbestos-related litigation reserves	6	2	(1	) 4	3
APAC	4	10	—	(6	) 10
	\$ 161	\$ 130	\$ 12	\$ 31	\$ 118

The 2014 period includes an after-tax gain of \$92 million on the sale of Water Technologies and ten months of Water Technologies' operating results as compared to a full year of operating results for 2013 and 2012 as a result of the July 31, 2014 sale of the Water Technologies business to CD&R. Water Technologies sales for 2014, 2013, and 2012 included in discontinued operations were \$1,475 million, \$1,722 million, and \$1,734 million, respectively. Gross profit margin, on a comparable and adjusted basis, was 35.0%, 33.7%, and 31.6%, respectively. On a comparable and adjusted basis the operating income for Water Technologies during 2014, 2013 and 2012 were \$111 million, \$92 million, and \$76 million, respectively.

The reported results for Water Technologies in 2014 included \$29 million from depreciation and amortization that was recorded before the announced definitive agreement signed in February 2014. Due to Water Technologies designation as held for sale within the Consolidated Balance Sheets, no future depreciation or amortization was recorded. Additionally, 2014, 2013, and 2012 reported results included a loss of \$19 million, a gain of \$81 million, and a loss of \$87 million, respectively for pension and other postretirement plan remeasurement net losses or gains, which is discussed further in Note M of the Notes to the Consolidated Financial Statements. Also, the prior year period included an \$11 million charge for restructuring.

The operational results for income from discontinued operations for each year also includes favorable net adjustments (after-tax) to the asbestos reserve and related receivables of \$6 million and \$2 million in 2014 and 2013, respectively, and an unfavorable adjustment (after-tax) of \$1 million in 2012, as well as subsequent environmental and tax adjustments to the previously divested businesses of Ashland Distribution (Distribution) and Ashland Paving And Construction, Inc. (APAC).

M-10

RESULTS OF OPERATIONS – REPORTABLE SEGMENT REVIEW

Subsequent to the sale of Water Technologies on July 31, 2014, Ashland's businesses are now managed within three reportable segments: Specialty Ingredients, Performance Materials and Valvoline, (formerly Ashland Consumer Markets). As a result of the business realignment in the current year, Specialty Ingredients is organized into two divisions: Consumer Specialties and Industrial Specialties, with adhesives joining the Industrial Specialties division, moving over from Performance Materials. This will enable Ashland to provide higher levels of customization and service demanded by the adhesives market. Also as part of the realignment, Specialty Ingredients moved from a global to regional structure, providing increased customer focus for North America, Europe, Asia Pacific and Latin America. Performance Materials is now comprised of three divisions: 1) Intermediates/Solvents, which moved over from Specialty Ingredients and serves both Ashland's internal butanediol needs as well as the merchant market; 2) Composites, which serves construction, transportation, marine and other markets; and 3) Elastomers, which primarily serves the North American replacement tire market.

As part of this new realignment, historical financial results for both the Specialty Ingredients and Performance Materials reportable segments have been revised to account for this new alignment.

The business realignment during 2014 did not affect the Valvoline business, as it has remained unchanged compared to prior year periods.

Results of Ashland's reportable segments are presented based on its management structure and internal accounting practices. The structure and practices are specific to Ashland; therefore, the financial results of Ashland's reportable segments are not necessarily comparable with similar information for other comparable companies. Ashland allocates all costs to its reportable segments except for certain significant company-wide restructuring activities, such as certain restructuring plans described in Note E of Notes to Consolidated Financial Statements, and other costs or adjustments that relate to former businesses that Ashland no longer operates. The service cost component of pension and other postretirement benefits costs is allocated to each reportable segment on a ratable basis; while the remaining components of pension and other postretirement benefits costs are recorded to Unallocated and other. Ashland refines its expense allocation methodologies to the reportable segments from time to time as internal accounting practices are improved, more refined information becomes available and the industry or market changes. Revisions to Ashland's methodologies that are deemed insignificant are applied on a prospective basis.

The EBITDA and Adjusted EBITDA amounts presented within this business section are provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for each reportable segment. Each of these non-GAAP measures is defined as follows: EBITDA (operating income plus depreciation and amortization), Adjusted EBITDA (EBITDA adjusted for key items, which may include pro forma effects for significant acquisitions or divestitures, as applicable), and Adjusted EBITDA margin (Adjusted EBITDA, which may include pro forma adjustments, divided by sales or sales adjusted for pro forma results). Ashland does not allocate items to each reportable segment below operating income, such as interest expense and income taxes. As a result, reportable segment EBITDA and Adjusted EBITDA are reconciled directly to operating income since it is the most directly comparable U.S. GAAP measure.

The following table shows sales, operating income and statistical operating information by reportable segment for each of the last three years ended September 30.

(In millions)	2014	2013	2012		
Sales					
Specialty Ingredients	\$2,498	\$2,478	\$2,699		
Performance Materials	1,582	1,617	1,739		
Valvoline	2,041	1,996	2,034		
	\$6,121	\$6,091	\$6,472		
Operating income (loss)					
Specialty Ingredients	\$253	\$243	\$399		
Performance Materials	7	106	157		
Valvoline	323	295	236		
Unallocated and other	(537)	395	(511)))
	\$46	\$1,039	\$281		
Depreciation and amortization					
Specialty Ingredients	\$262	\$242	\$243		
Performance Materials	91	75	74		
Valvoline	37	35	36		
Unallocated and other	3	4	6		
	\$393	\$356	\$359		
Operating information					
Specialty Ingredients (a)					
Sales per shipping day	\$9.9	\$9.8	\$10.7		
Metric tons sold (thousands)	355.2	336.1	347.2		
Gross profit as a percent of sales	31.2	% 30.8	% 33.6	%	%
Performance Materials (a)					
Sales per shipping day	\$6.3	\$6.4	\$6.9		
Metric tons sold (thousands)	591.1	582.8	592.2		
Gross profit as a percent of sales	13.1	% 14.9	% 17.2	%	%
Valvoline (a)					
Lubricant sales gallons	162.6	158.4	158.7		
Premium lubricants (percent of U.S. branded volumes)	37.1	% 33.6	% 30.3	%	%
Gross profit as a percent of sales	31.8	% 31.6	% 27.1	%	%

(a) Sales are defined as sales and operating revenues. Gross profit is defined as sales, less cost of sales.

Specialty Ingredients

Specialty Ingredients is a global leader of cellulose ethers and vinyl pyrrolidones. It offers industry-leading products, technologies and resources for solving formulation and product-performance challenges. Specialty Ingredients uses natural, synthetic and semisynthetic polymers derived from plant and seed extract, cellulose ethers and vinyl pyrrolidones, as well as acrylic and polyurethane-based adhesives. Specialty Ingredients includes two divisions; Consumer Specialties and Industrial Specialties that offer comprehensive and innovative solutions for today's demanding consumer and industrial applications. Key customers include: pharmaceutical companies; makers of personal care products, food and beverages; manufacturers of paint, coatings and construction materials; packaging and converting; and oilfield service companies.

In January 2012, Ashland completed the sale of its PVAc group previously included within the Specialty Ingredients reportable segment to Celanese Corporation. Annual sales of the business were approximately \$45 million. Total net assets related to this business totaled \$20 million as of the date of sale and primarily consisted of property, plant and

equipment. The sale included the transfer of the PVAc group, inventory and related technology, but did not include any real estate or manufacturing facilities. Ashland's PVAc group included two brands, Flexbond™ and Vinac™ emulsions.

2014 compared to 2013

Specialty Ingredients' sales increased \$20 million, or 1%, to \$2,498 million in 2014 compared to \$2,478 million in 2013. Excluding the effect of guar products, sales increased by \$85 million with volume and mix combined increasing sales by \$80

M-12

million and currency exchange increasing sales by \$19 million. These increases were partially offset by pricing which decreased sales by \$14 million. Guar product sales decreased \$65 million compared to 2013 as guar powder sales declined by \$77 million.

Gross profit during 2014 increased \$16 million compared to 2013. The current year includes a \$19 million impairment charge related to a foreign operation. The prior year included a \$31 million loss on guar inventory, as well as a \$22 million gain resulting from Ashland's settlement of an insurance claim. Volume and product mix combined to increase gross profit by \$17 million while improved sales pricing compared to costs resulted in a net favorable impact of \$2 million. In addition, favorable currency exchange increased gross profit by \$7 million. In total, gross profit margin during 2014 increased 0.4 percentage points to 31.2% compared to 2013.

Selling, general and administrative expense (which include research and development expenses throughout the reportable segment discussion and analysis) decreased \$12 million, or 2%, during 2014 as compared to 2013. Research and development expenses decreased by \$27 million primarily due to the prior year including \$41 million of noncash impairment charges related to certain IPR&D assets compared to \$13 million in 2014. This decrease was partially offset by increased corporate resource costs of \$14 million. Equity and other income decreased \$18 million in 2014 compared to 2013 primarily due to income of \$13 million recorded during 2013 to resolve a claim, as well as \$5 million of a decrease in equity income and other items.

Operating income totaled \$253 million for the current year compared to \$243 million in 2013. EBITDA increased \$11 million to \$496 million in 2014. Adjusted EBITDA increased \$38 million to \$529 million in 2014. Adjusted EBITDA margin increased 1.4 percentage points in 2014 to 21.2%.

2013 compared to 2012

Specialty Ingredients' sales decreased \$221 million, or 8%, to \$2,478 million in 2013 compared to \$2,699 million in 2012, primarily due to result volume and change in product mix which combined to decrease sales by \$116 million, or 4%, during 2013 compared to 2012. Lower pricing decreased sales \$80 million, or 3%. The decline in pricing was principally within the energy market where significant price declines occurred as a result of much weaker demand in the current year for certain guar products. Unfavorable currency exchange decreased sales \$14 million, while the sale of Ashland's PVAc group reduced sales by \$11 million.

Gross profit during 2013 decreased \$142 million compared to 2012. Gross profit in 2013 included a \$31 million loss on certain guar inventory, as well as a \$22 million gain resulting from Ashland's settlement of an insurance claim, while 2012 included a noncash charge of \$28 million related to the fair value assessment of inventory acquired from ISP at the date of acquisition. Increased costs and lower prices resulted in gross profit decline of \$96 million, while volume and product mix combined to decrease gross profit by \$57 million. Unfavorable currency exchange decreased gross profit by \$6 million. The sale of Ashland's PVAc group decreased gross profit by \$2 million. In total, gross profit margin during 2013 decreased 2.8 percentage points to 30.8% compared to 2012.

During 2013, Specialty Ingredients' guar products incurred an approximately \$190 million decline in gross profit compared to the prior year due to a \$31 million loss on lower pricing in the prior year, lower margins as a result of improved guar supply and reduced customer stocking levels. The higher cost guar powder products during 2012 also caused certain customers during the current year to search for alternative, lower cost products and to buy directly from suppliers.

Selling, general and administrative expense increased \$25 million, or 5%, during 2013 as compared to 2012, primarily due to increased research and development expense of \$32 million, which included \$41 million and \$13 million in noncash impairment charges for 2013 and 2012, respectively, related to certain IPR&D assets purchased as part of the acquisition of International Specialty Products Inc. (ISP) during 2011. Equity and other income increased \$11 million in 2013 compared to 2012 primarily due to income of \$13 million recorded during 2013 to resolve a claim.

Operating income totaled \$243 million during 2013 compared to \$399 million in 2012. EBITDA decreased \$157 million to \$485 million in 2013. Adjusted EBITDA decreased \$192 million to \$491 million in 2013. Adjusted EBITDA margin decreased 5.5 percentage points in 2013 to 19.8%.

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA and Adjusted EBITDA presentation for the three annual periods is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Specialty Ingredients. Adjusted EBITDA results have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items. The \$13 million charge during 2014, \$41 million charge during 2013, and \$13 million charge during 2012 related to impairment charges for certain IPR&D assets associated with the acquisition of ISP during 2011. The \$19 million charge during 2014 related to the impairment of a foreign operation. The \$13 million adjustment during 2013 related to Ashland's settlement of a customer claim. The \$22 million adjustment during 2013 related to a gain resulting from Ashland's settlement of an insurance claim. The inventory fair value adjustment of \$28 million during 2012 related to the portion of acquired inventory sold during the period that was recorded at fair value in conjunction with the acquisition of ISP during 2011.

M-13

(In millions)	September 30		
	2014	2013	2012
Operating income	\$253	\$243	\$399
Depreciation and amortization (a)	243	242	243
EBITDA	496	485	642
Impairment of IPR&D assets	13	41	13
Asset impairment	19	—	—
Environmental reserve adjustment	1	—	—
Settled claim	—	(13) —
Insurance settlement	—	(22) —
Inventory fair value adjustment	—	—	28
Adjusted EBITDA	\$529	\$491	\$683

(a) Excludes \$19 million of asset impairment charges during 2014.

Performance Materials

Performance Materials comprises three divisions; Composites, Intermediates/Solvents, and Elastomers. Performance Materials is a leader in each of the markets it serves. Performance Materials is the global leader in unsaturated polyester resins and vinyl ester resins and has leading positions in gelcoats, maleic anhydride, butanediol, tetrahydrofuran, n-methylpyrrolidone, emulsion styrene butadiene rubber, and other intermediates and solvents. Key customers include: manufacturers of residential and commercial building products; infrastructure engineers; wind blade and pipe manufacturers; auto, truck and tire makers; boatbuilders; adhesives, engineered plastics, and electronic producers; and specialty chemical manufacturers. The Performance Materials commercial unit also provided metal casting consumables and design services for effective foundry management through its 50% ownership in the ASK Chemicals GmbH joint venture, which was sold on June 30, 2014. See Note B in the Notes to Consolidated Financial Statements for information on the divestiture of this investment.

Subsequent to the end of 2014, on October 9, 2014, Ashland entered into a definitive agreement to sell the Elastomers division to Lion Copolymer Holdings, LLC. The transaction is expected to close by December 31, 2014, contingent on certain customary regulatory approvals and standard closing conditions.

2014 compared to 2013

Performance Materials' sales decreased 2% to \$1,582 million in 2014 compared to \$1,617 million in 2013. Lower product pricing decreased sales \$41 million, or 3%, and changes in product mix decreased sales by \$11 million. Volume increased sales by \$17 million as metric tons sold increased to 591.1 thousand metric tons.

Gross profit decreased \$34 million in 2014 compared to 2013. The current year and prior year include \$30 million and \$2 million, respectively, of costs associated with plant closures. The current year plant closure costs are associated with the global restructuring program implemented in 2014 while the prior year plant closure charges were incurred as part of the ongoing stranded cost and ISP integration programs. In addition, the prior year included a \$20 million inventory charge in the Elastomers division. Pricing declines during 2014, primarily within the Intermediates/Solvents division, reduced gross profit by \$25 million. Volume and changes in product mix combined to decrease gross profit by \$2 million, while favorable currency exchange increased gross profit by \$1 million. In total, gross profit margin during 2014 decreased 1.8 percentage points to 13.1%, as compared to 2013.

Selling, general and administrative expense increased \$16 million, or 11%, during 2014 compared to 2013, primarily due to increased incentive compensation of \$5 million and corporate resource costs of \$9 million, as well as a \$5 million legal reserve charge, partially offset by decreases in employee expenses of \$3 million. Equity and other income decreased \$49 million during 2014 compared to 2013, primarily due to a \$50 million impairment charge for the ASK joint venture equity investment during the current year.

Operating income totaled \$7 million in 2014 compared to \$106 million in 2013. EBITDA decreased \$98 million to \$81 million in 2014. Adjusted EBITDA decreased \$15 million to \$166 million in 2014. Adjusted EBITDA margin decreased 0.7 percentage points to 10.5% in 2014.

2013 compared to 2012

Performance Materials' sales decreased 7% to \$1,617 million in 2013 compared to \$1,739 million in 2012. Lower product pricing decreased sales \$89 million, or 5%, primarily due to price declines in the Elastomers and Intermediates/Solvents divisions. Volume decreased sales by \$20 million as metric tons sold increased to 582.8 thousand. Change in product mix and unfavorable currency decreased sales \$8 million and \$5 million, respectively.

M-14

Gross profit decreased \$58 million in 2013 compared to 2012. Included in 2013 is a \$20 million inventory charge in the Elastomers division and accelerated depreciation charges of \$2 million related to plant closures. These plant closure charges were incurred as part of the ongoing stranded cost and ISP integration programs. Pricing reduced gross profit by \$35 million, while volume and changes in product mix combined to decrease gross profit by \$1 million. In total, gross profit margin during 2013 decreased 2.3 percentage points to 14.9% as compared to 2012. During 2013, the Elastomers division reported an approximate \$50 million decline in gross profit compared to the strong performance in 2012, as price increases were not sufficient to recover previous margin levels due to the fluctuating price of its key raw material butadiene, as well as the inventory charge of \$20 million previously mentioned.

Selling, general and administrative expense decreased \$7 million, or 4%, during 2013 compared to 2012, primarily due to decreased incentive compensation and bad debt expense. Equity and other income was unchanged between 2013 and 2012.

Operating income totaled \$106 million in 2013 compared to \$157 million in 2012. EBITDA decreased \$49 million to \$179 million in 2013. Adjusted EBITDA decreased \$58 million to \$181 million in 2013. Adjusted EBITDA margin decreased 2.5 percentage points to 11.2% in 2013.

Out-of-Period Adjustments

In fiscal year 2013, Ashland identified an error in the application of lower-of-cost-or-market ("LCM") valuation principles to the inventory of the Elastomers division. As a result, fiscal year 2013 results included out-of-period inventory valuation charges related to the Elastomers division of approximately \$20 million, of which \$8 million related to fiscal year 2013 and \$12 million related to fiscal year 2012. Ashland concluded that the out-of-period inventory valuation charges related to the Elastomers division were immaterial when considered from both a quantitative and a qualitative perspective.

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA and Adjusted EBITDA presentation for the three annual periods is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Performance Materials. Adjusted EBITDA results have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items. The \$50 million charge during 2014 related to the impairment of the ASK joint venture equity investment. The \$13 million and \$17 million of severance and accelerated depreciation, respectively, during 2014 related to the current year global restructuring program. The \$2 million and \$4 million of accelerated depreciation and other plant closure costs in 2013 and 2012, respectively, and \$7 million of severance during 2012 were incurred as part of the ongoing stranded cost and ISP integration programs. The \$5 million during 2014 relates to a legal reserve charge.

(In millions)	September 30		
	2014	2013	2012
Operating income	\$7	\$106	\$157
Depreciation and amortization (a)	74	73	71
EBITDA	81	179	228
Impairment of ASK joint venture	50	—	—
Severance	13	—	7
Legal reserve charge	5	—	—
Accelerated depreciation and other plant closure costs	17	2	4
Adjusted EBITDA	\$166	\$181	\$239

(a) Excludes \$17 million, \$2 million and \$3 million of accelerated depreciation during 2014, 2013 and 2012, respectively.

Valvoline

Valvoline is a leading, worldwide producer and distributor of premium-branded automotive, commercial and industrial lubricants, automotive chemicals and car-care products. It ranks as the #2 quick-lube chain and #3 passenger car motor oil brand in the United States. The brand operates and franchises approximately 920 Valvoline Instant Oil Change™ centers in the United States. It also markets Valvoline™ lubricants and automotive chemicals; MaxLife™ lubricants created for higher-mileage engines; NextGen™ motor oil, created with recycled, re-refined base oil; SynPower™ synthetic motor oil; Car Brite™ automotive appearance products; and Zerex™ antifreeze. Key customers include: retail auto parts stores and mass merchandisers who sell to consumers; installers, such as car dealers, repair shops and quick lubes; commercial fleets; and distributors.

M-15

2014 compared to 2013

Valvoline's sales increased 2% to \$2,041 million in 2014 compared to \$1,996 million in 2013. Volume increased sales by \$37 million, or 2%, as lubricant gallons sold increased to 162.6 million gallons during 2014. Changes in product mix and improved pricing increased sales by \$15 million and \$4 million, respectively. Unfavorable currency exchange decreased sales \$11 million.

Gross profit increased \$17 million during 2014 compared to 2013. Changes in volume and product mix combined to increased gross profit by \$16 million, while price improvements increased gross profit by \$4 million. The currency exchange effect during the year reduced gross profit by \$3 million. In total, gross profit margin during 2014 increased 0.2 percentage points to 31.8%.

Selling, general and administrative expense decreased \$5 million, or 1%, during 2014 as compared to 2013, primarily as a result of decreased advertising and promotional expenses of \$13 million, partially offset by increased corporate resource costs of \$8 million. Equity and other income increased by \$6 million during 2014 compared to 2013, primarily due to a favorable arbitration ruling on a commercial contract in the current year.

Operating income totaled \$323 million in 2014 as compared to \$295 million in 2013. EBITDA increased \$30 million to \$360 million in 2014. EBITDA margin increased 1.1 percentage points to 17.6% in 2014. There were no unusual or key items that affected comparability for EBITDA during 2014 and 2013.

2013 compared to 2012

Valvoline's sales decreased 2% to \$1,996 million in 2013 compared to \$2,034 million in 2012. Lower product pricing decreased sales by \$52 million, or 3%. Volume effects on sales remained unchanged as lubricant gallons sold slightly declined to 158.4 million gallons during 2013 compared to 158.7 million gallons during 2012. Changes in product mix increased sales by \$15 million, or 1%, while unfavorable currency exchange decreased sales \$1 million.

Gross profit increased \$80 million during 2013 compared to 2012, primarily due to raw material cost declines, which increased gross profit by \$69 million. Lubricant volume increased gross profit \$3 million while improved product mix increased gross profit \$9 million. The currency exchange effect during the year reduced gross profit by \$1 million. In total, gross profit margin during 2013 increased 4.5 percentage points to 31.6%.

Selling, general and administrative expense increased \$23 million, or 7%, during 2013 as compared to 2012, primarily as a result of higher advertising expense of \$13 million and increased incentive compensation of \$8 million. Equity and other income increased by \$2 million in 2013 compared to 2012 principally due to increased income earned by the Valvoline Cummins joint venture.

Operating income totaled \$295 million in 2013 as compared to \$236 million in 2012. EBITDA increased \$58 million from \$272 million in 2012 to \$330 million in 2013. EBITDA margin increased 3.1 percentage points to 16.5% in 2013 compared to 13.4% in 2012. There were no unusual or key items that affected comparability for EBITDA during 2013 and 2012.

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA presentation for the three annual periods is provided as a means to enhance the understanding of financial measurements that Ashland has internally determined to be relevant measures of comparison for the results of Valvoline. There were no unusual or key items that affected comparability for Adjusted EBITDA during 2014, 2013 and 2012.

(In millions)	September 30		
	2014	2013	2012
Operating income	\$323	\$295	\$236
Depreciation and amortization	37	35	36
EBITDA	\$360	\$330	\$272

Unallocated and other

Unallocated and other recorded expense of \$537 million for 2014, income of \$395 million for 2013, and expense of \$511 million for 2012. Unallocated and other includes pension and other postretirement net periodic costs and income within continuing operations that have not been allocated to reportable segments. These costs include interest cost, expected return on assets and amortization of prior service credit, which resulted in income of \$54 million, \$68 million and \$28 million for 2014, 2013 and 2012, respectively. Unallocated and other also includes net gains and losses on pension and other postretirement plan remeasurements, which resulted in a loss of \$438 million in 2014, a gain of \$417 million in 2013, and a loss of \$406 million in 2012. Fluctuations in these amounts from year to year result primarily from changes in the discount rate but are also partially affected by differences between the expected and actual return on plan assets during each year as well as other changes in other actuarial assumptions such as changes in demographic data or mortality tables. For additional information regarding the actual

M-16

remeasurement for certain key assumptions for each year, see MD&A - Critical Accounting Policies - Employee benefit obligations and Note M of Notes to Consolidated Financial Statements.

Unallocated and other included certain indirect resource costs of \$31 million, \$34 million and \$32 million in 2014, 2013, and 2012, respectively, previously allocated to Water Technologies that do not qualify for discontinued operations accounting classification. Other significant costs for 2014, other than pension and postretirement net periodic income and stranded divestitures costs previously described, primarily related to \$28 million in environmental charges, as well as restructuring expense of \$98 million related to the severance program and other costs associated with the global restructuring.

Other significant costs for 2013, other than pension and postretirement net periodic income and stranded divestitures costs previously described, primarily related to \$22 million in environmental charges, as well as restructuring expense of \$30 million related to severance program costs and other ISP integration activities.

Other significant costs for 2012, other than pension and postretirement net periodic income and stranded divestitures costs previously described, primarily related to \$14 million in environmental charges, as well as \$85 million in restructuring and other integration costs, which includes stranded costs from other divestitures, excluding Water Technologies, of \$5 million, a \$20 million lease abandonment charge associated with Ashland's closure of a corporate facility, a \$13 million charge related to the abandonment of a construction project for a multi-purpose facility, severance charges of \$19 million associated with Ashland's involuntary program and the ongoing ISP integration and \$28 million related to other ISP integration activities.

(In millions)	September 30		
	2014	2013	2012
Gain (losses) on pension and other postretirement plan remeasurement	\$(438)	\$417	\$(406)
Pension and other postretirement net periodic income (a)	54	68	28
Restructuring activities (includes severance, integration and stranded divestiture costs)	(129)	(64)	(117)
Environmental reserves for divested businesses	(28)	(22)	(14)
Other income (expense)	4	(4)	(2)
Total unallocated income (expense)	\$(537)	\$395	\$(511)

(a) Amounts exclude service costs of \$30 million during 2014 and 2013, and \$25 million during 2012 which are allocated to Ashland's reportable segments.

FINANCIAL POSITION

Liquidity

Ashland had \$1,393 million in cash and cash equivalents as of September 30, 2014, of which \$1,097 million was held by foreign subsidiaries and had no significant limitations that would prohibit remitting the funds to satisfy corporate obligations. However, if such amounts were repatriated to the United States, additional taxes would likely need to be accrued and paid depending upon the source of the earnings remitted. Most amounts are intended to be indefinitely reinvested and Ashland currently has no plans to repatriate any amounts for which additional U.S. taxes would need to be accrued. In making this assessment, Ashland has taken into account numerous factors including evidence that certain earnings have already been reinvested outside the U.S., future plans to reinvest the earnings outside the U.S., financial requirements of Ashland and its foreign subsidiaries, long- and short-term operational and fiscal objectives and the cost of remitting such foreign earnings.

Ashland's cash flows from operating, investing and financing activities, as reflected in the Statements of Consolidated Cash Flows, are summarized as follows.

Edgar Filing: ASHLAND INC. - Form 10-K

(In millions)	2014	2013	2012	
Cash provided (used) by:				
Operating activities from continuing operations	\$580	\$653	\$189	
Investing activities from continuing operations	(168	) (272	) (205)
Financing activities from continuing operations	(1,034	) (592	) (317)
Discontinued operations	1,671	32	128	
Effect of currency exchange rate changes on cash and cash equivalents	(2	) 2	(9)
Net increase (decrease) in cash and cash equivalents	\$1,047	\$(177	) \$(214)

M-17

Ashland paid income taxes of \$88 million during 2014 compared to \$69 million in 2013 and \$88 million in 2012. Cash receipts for interest income were \$6 million in 2014, \$4 million in 2013 and \$8 million in 2012, while cash payments for interest expense amounted to \$154 million in 2014, \$182 million in 2013 and \$202 million in 2012.

Operating activities

The following discloses the cash flows associated with Ashland's operating activities for 2014, 2013 and 2012, respectively.

(In millions)	2014	2013	2012
Cash flows provided (used) by operating activities from continuing operations			
Net income	\$233	\$683	\$26
Income from discontinued operations (net of taxes)	(161)	) (130)	) (12)
Adjustments to reconcile income from continuing operations to cash flows from operating activities			
Depreciation and amortization	393	356	359
Debt issuance cost amortization	14	65	54
Deferred income taxes	(294)	) 153	(125)
Equity income from affiliates	(25)	) (26)	) (34)
Distributions from equity affiliates	14	11	2
Stock based compensation expense - Note P	34	30	28
Net loss (gain) on divestitures - Notes B and C	(4)	) 8	7
Inventory fair value adjustment related to ISP acquisition	—	—	28
Impairments of equity method investment and in-process research and development	63	41	13
Loss (gain) on pension and postretirement plan remeasurement	438	(417)	) 406
Change in operating assets and liabilities (a)	(125)	) (121)	) (563)
Total cash flows provided by operating activities from continuing operations	\$580	\$653	\$189

(a) Excludes changes resulting from operations acquired or sold.

Cash flows generated from operating activities from continuing operations, a major source of Ashland's liquidity, amounted to \$580 million in 2014, \$653 million in 2013 and \$189 million in 2012. The cash generated during each period is primarily driven by net income results, excluding results from discontinued operations, and adjusted for certain items such as depreciation and amortization (including debt issuance cost amortization) and remeasurement adjustments to the pension and postretirement plans, as well as changes in working capital, which are fluctuations within accounts receivable, inventory, and trade and other payables. Ashland continues to emphasize working capital management as a high priority that is aligned with annual company goals.

In 2014, a working capital inflow of \$44 million within the change in operating assets and liabilities caption was primarily a result of increased accruals for incentive compensation and severance related to the 2014 global restructuring partially offset by an increase in accounts receivable due to increased sales compared to the prior year. The remaining \$169 million outflow primarily relates to pension payments as well as adjustments in certain accruals and long term assets and liabilities. In 2013, a working capital inflow of \$142 million was primarily a result of decreased inventory levels primarily within the Specialty Ingredients reportable segment that carried lower value guar-based product at the end of the current year compared to the prior year. The remaining \$263 million outflow primarily relates to pension payments as well as adjustments in certain accruals and long term assets and liabilities. In 2012, a working capital outflow of \$218 million was primarily the result of increased inventory resulting from restocking of certain key products or to support sales growth in various markets. Working capital for 2012 also

included a \$92 million cash outflow for change in control payments associated with the ISP acquisition. The remaining \$253 million outflow primarily relates to pension payments as well as adjustments in certain accruals and long term assets and liabilities.

Operating cash flows for 2014 included income from continuing operations of \$72 million, \$438 million of net losses on pension and postretirement plan remeasurements and noncash adjustments of \$393 million for depreciation and amortization, which includes \$19 million of an impairment charge related to a foreign operation, and \$14 million for debt issuance cost amortization. Operating cash flows for 2014 also included a noncash adjustment of \$63 million related to the impairment of the ASK joint venture equity method investment and IPR&D assets.

M-18

Operating cash flows for 2013 included income from continuing operations of \$553 million, a \$417 million actuarial gain on pension and postretirement plan remeasurement and noncash adjustments of \$356 million for depreciation and amortization and \$65 million for debt issuance cost amortization. Operating cash flows for 2013 also included impairment charges totaling \$41 million related to certain IPR&D assets associated with the acquisition of ISP. Operating cash flows for 2012 included income from continuing operations of \$14 million, a \$406 million actuarial loss on pension and postretirement plan remeasurement and noncash adjustments of \$359 million for depreciation and amortization and \$54 million for debt issuance cost amortization. Operating cash flows for 2012 also included a cash outflow of \$67 million related to the premium paid for early redemption of the majority of Ashland's 9.125% senior notes, as well as the previously mentioned \$92 million cash outflow for change in control payments associated with the ISP acquisition. Operating cash flows for 2012 also included an impairment charge of \$13 million related to certain IPR&D assets and inventory fair value adjustments of \$28 million each related to the ISP acquisition. Ashland contributed cash of \$38 million to its pension plans during 2014 compared to \$124 million in 2013 and \$166 million in 2012.

Investing activities

The following discloses the cash flows associated with Ashland's investing activities for 2014, 2013 and 2012, respectively.

(In millions)	2014	2013	2012
Cash flows provided (used) by investing activities from continuing operations			
Additions to property, plant and equipment	\$(248)	\$(264)	\$(242)
Proceeds from disposal of property, plant and equipment	3	5	6
Proceeds from sale of available-for-sale securities	—	—	10
Proceeds (uses) from sale of operations or equity investments	92	(13)	21
Funds restricted for property transactions	(15)	—	—
Total cash flows used by investing activities from continuing operations	\$(168)	\$(272)	\$(205)

Cash used by investing activities was \$168 million in 2014 compared to \$272 million and \$205 million for 2013 and 2012, respectively. The significant cash investing activities for 2014 included cash outflows of \$248 million for capital expenditures and restricted cash of \$15 million held for use in property transactions. These outflows were partially offset by cash inflows related to the sale of the ASK equity method investment of \$87 million and \$5 million related to tax receipt from a previously divested business.

The significant cash investing activities for 2013 included cash outflows of \$264 million for capital expenditures. The significant cash investing activities for 2012 included cash outflows of \$242 million for capital expenditures, partially offset by combined cash proceeds of \$21 million related to the sale of Ashland's PVAc group and \$10 million on sale of securities.

Financing activities

The following discloses the cash flows associated with Ashland's financing activities for 2014, 2013 and 2012, respectively.

(In millions)	2014	2013	2012
Cash flows provided (used) by financing activities from continuing operations			
Proceeds from issuance of long-term debt	\$—	\$2,320	\$502
Repayment of long-term debt	(11)	(2,613)	(1,023)
Proceeds from (repayment of) short-term debt, net	22	(36)	261
Repurchase of common stock	(954)	(150)	—
Debt issuance costs	—	(38)	(10)

Edgar Filing: ASHLAND INC. - Form 10-K

Cash dividends paid	(103	)	(88	)	(63)
Excess tax benefits related to share-based payments	12		13		16	
Total cash flows used by financing activities from continuing operations	\$(1,034	)	\$(592	)	\$(317)

Cash used by financing activities was \$1,034 million for 2014, \$592 million for 2013, and \$317 million for 2012. Significant cash financing activities for 2014 included a \$954 million cash outflow related to the repurchase of common stock. During 2014,

M-19

Ashland repurchased \$80 million under the prepaid variable share repurchase agreement, \$750 million under the accelerated share repurchase agreements, and \$124 million under the trading agreements with Deutsche Bank and JPMorgan. Cash financing activities for 2014 also included cash outflows of \$11 million in repayments of long-term debt and \$103 million in cash dividends paid at \$1.36 per share, as well as cash inflows of \$22 million primarily related to draw on the revolver and \$12 million for proceeds from the exercise of stock options and excess tax benefits related to share-based payments.

Significant cash financing activities for 2013 included the proceeds of \$2.3 billion related to Ashland's issuance of the senior notes, offset by repayments of short term debt of \$36 million, as well as \$2.6 billion in repayments of long-term debt, primarily a result of Ashland's repayment of its term loan A and term loan B facilities. Financing activities for 2013 also included \$150 million in common stock repurchased, cash dividends paid of \$1.13 per share, that totaled \$88 million, \$38 million in cash paid for debt issuance costs, as well as cash inflows of \$13 million for proceeds from the exercise of stock options and excess tax benefits related to share-based payments.

Significant cash financing activities for 2012 included net repayments of long-term debt and net proceeds from short-term debt of \$521 million and \$261 million, respectively, and cash dividends paid of \$.80 per share, for a total of \$63 million. The net repayment of long-term debt primarily relates to Ashland's repayment of \$572 million aggregate principal amount of its 9.125% senior notes due 2017 and \$350 million of its term loan B facility, offset by proceeds of \$500 million from Ashland's issuance of 4.75% senior notes due 2022. The net proceeds from short-term debt primarily relates to \$300 million of proceeds from Ashland's \$350 million accounts receivable securitization facility. Financing activities for 2012 also included cash inflows of \$16 million for proceeds from the exercise of stock options and stock appreciation rights and excess tax benefits related to share-based payments.

Cash provided by discontinued operations

The following discloses the cash flows associated with Ashland's discontinued operations for 2014, 2013 and 2012, respectively.

(In millions)	2014	2013	2012
Cash provided (used) by discontinued operations			
Operating cash flows	\$63	\$80	\$165
Investing cash flows	1,608	(48	) (37
Total cash flows provided by discontinued operations	\$1,671	\$32	\$128

Cash provided by discontinued operations during 2014 includes \$1.6 billion of net proceeds from the sale of Water Technologies, net of estimated working capital and other adjustments as defined in the definitive sale agreement as well as transaction costs. Excluding the \$1.6 billion of proceeds, the remaining cash flows related to Water Technologies were \$68 million in 2014. Cash provided by discontinued operations during 2013 and 2012 includes Water Technologies activities of \$125 million and \$96 million, respectively. The remaining cash flows in each period principally related to other previously divested businesses and to payment of asbestos and environmental liabilities.

Free cash flow and other liquidity information

The following represents Ashland's calculation of free cash flow for the disclosed periods and reconciles free cash flow to cash flows provided by operating activities from continuing operations. Free cash flow does not reflect adjustments for certain non-discretionary cash flows such as mandatory debt repayments. See "Results of Operations - Consolidated Review - Use of non-GAAP measures" for additional information.

(In millions)	September 30		
	2014	2013	2012
Cash flows provided by operating activities from continuing operations	\$580	\$653	\$189
Less:			
Additions to property, plant and equipment	(248	) (264	) (242

Edgar Filing: ASHLAND INC. - Form 10-K

Payment resulting from termination of interest rate swaps (b)	—	52	—
ISP acquisition - change in control payment (a)	—	—	92
Premium paid for early redemption of 9.125% senior notes (b)	—	—	67
Free cash flows	\$332	\$441	\$106

(a) Since payment was generated from investing activity, this amount has been included within this calculation.

(b) Since payment was generated from financing activity, this amount has been included within this calculation.

M-20

At September 30, 2014, working capital (current assets minus current liabilities, excluding long-term debt due within one year) amounted to \$1,883 million, compared to \$1,158 million at the end of 2013. Ashland's working capital is affected by its use of the LIFO method of inventory valuation that valued inventories below their replacement costs by \$31 million at September 30, 2014 and \$21 million at September 30, 2013. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 154% of current liabilities at September 30, 2014 and 84% of current liabilities at September 30, 2013.

The following summary reflects Ashland's cash, investment securities and unused borrowing capacity as of September 30, 2014, 2013 and 2012.

(In millions)	September 30		
	2014	2013	2012
Cash and cash equivalents	\$ 1,393	\$ 346	\$ 523
Unused borrowing capacity			
Revolving credit facility	\$ 1,084	\$ 1,119	\$ 905
Accounts receivable securitization facility	\$ —	\$ 80	\$ 50

Total borrowing capacity remaining under the \$1.2 billion revolving credit facility was \$1,084 million, representing a reduction of \$71 million for letters of credit outstanding at September 30, 2014, as well as \$45 million in borrowed funds. In total, Ashland's available liquidity position, which includes cash, the revolving credit facility and accounts receivable securitization facility, was \$2,477 million at September 30, 2014 as compared to \$1,545 million at September 30, 2013 and \$1,478 million at September 30, 2012, which included \$80 million in 2013 and \$50 million in 2012 of available liquidity from Ashland's accounts receivable securitization facility. Total borrowing capacity was \$1.2 billion in 2013 and \$1.0 billion in 2012 for the revolving credit facility, the increase resulting from the revolving credit facility under the 2011 Senior Credit Facility being replaced in March 2013 with the revolving credit facility under the 2013 Senior Credit Facility. For further information, see Note I within Notes to Consolidated Financial Statements.

Capital resources

Debt

The following summary reflects Ashland's debt as of September 30, 2014 and 2013.

(In millions)	September 30	
	2014	2013
Short-term debt	\$ 329	\$ 308
Long-term debt (including current portion)	2,951	2,959
Total debt	\$ 3,280	\$ 3,267

The current portion of long-term debt was \$9 million at September 30, 2014 and \$12 million at September 30, 2013. Debt as a percent of capital employed was 48% at September 30, 2014 and 42% at September 30, 2013. At September 30, 2014, Ashland's total debt had an outstanding principal balance of \$3,433 million and discounts of \$153 million. The scheduled aggregate maturities of debt for the next five fiscal years are as follows: \$293 million in 2015, \$600 million in 2016, none in 2017, \$745 million in 2018 and \$5 million in 2019.

Debt activity during 2014

During 2014, the available funding for qualifying receivables under the account receivable securitization facility, entered into in 2012, was reduced from \$350 million to \$275 million due to the elimination of Water Technologies as a participant in the accounts receivable securitization. No other significant terms of the agreement were amended. Under the terms of the Transfer and Administration Agreement, CVG Capital III LLC, a wholly-owned "bankruptcy

remote” special purpose subsidiary of the Originators (CVG) may, from time to time, obtain up to now \$275 million (in the form of cash or letters of credit for the benefit of Ashland and its subsidiaries) from the Conduit Investors, the Uncommitted Investors and/or the Committed Investors through the sale of an undivided interest in such accounts receivable, related assets and collections. The Transfer and Administration Agreement has a term of three years, expiring in August 2015, but is extendable at the discretion of the Investors.

At September 30, 2014 and 2013, the outstanding amount of accounts receivable transferred by Ashland to CVG was \$493 million and \$549 million, respectively. Ashland had drawn \$255 million and \$270 million, respectively, under the facility as of

M-21

September 30, 2014 and 2013 in available funding from qualifying receivables. The weighted-average interest rate for this instrument was 1.1% for 2014 and 1.0% for 2013.

Debt activity during 2013

During 2013, Ashland completed its issuance of senior notes with an aggregate principal amount of \$2.3 billion. These senior notes are comprised of 3.000% senior notes due 2016 (\$600 million), 3.875% senior notes due 2018 (\$700 million), 4.750% senior notes due 2022 (\$625 million) and 6.875% senior notes due 2043 (\$375 million). The 2022 notes were issued as additional notes under the existing 2022 notes indenture entered into in August 2012, described further below, and have the same terms as the originally issued 2022 notes. The 2043 notes were issued at a \$1 million premium, while the new 2022 notes were issued at a \$6 million discount. In addition, Ashland redeemed the remaining \$78 million outstanding principal of the 9.125% senior notes.

During 2013, Ashland entered into the 2013 Senior Credit Facility, which replaced the \$1.0 billion senior secured revolving credit facility under the 2011 Senior Credit Facility.

Ashland used the net proceeds from its issuance of the senior notes, along with the initial \$85 million borrowing on the 2013 Senior Credit Facility and cash on hand, (i) to pay in full the 2011 Senior Credit Facility, including the \$1.41 billion outstanding principal of the term loan A facility and the \$1.03 billion outstanding principal of the term loan B facility, (ii) to pay \$52 million to terminate the interest rate swaps associated with the term loan A and term loan B facilities, (iii) to pay accrued interest, fees and expenses under the 2011 Senior Credit Facility and (iv) to pay \$38 million in fees and expenses with respect to the issuance of the senior notes and entry into the 2013 Senior Credit Facility.

Debt covenant restrictions

The 2013 Senior Credit Facility contains usual and customary representations, warranties and affirmative and negative covenants, including financial covenants for leverage and interest coverage ratios, limitations on liens, additional indebtedness, certain negative pledges, investments, mergers, sale of assets and restricted payments and other customary limitations. As of September 30, 2014, Ashland is in compliance with all debt agreement covenant restrictions.

The 2013 Senior Credit Facility defines the consolidated leverage ratio as the ratio of consolidated indebtedness minus cash and cash equivalents to consolidated EBITDA (Covenant Adjusted EBITDA) for any measurement period. In general, the 2013 Senior Credit Facility defines Covenant Adjusted EBITDA as net income plus consolidated interest charges, taxes, depreciation and amortization expense, fees and expenses related to capital market transactions, restructuring and integration charges, noncash stock and equity compensation expense, and any other nonrecurring expenses or losses that do not represent a cash item in such period or any future period; less any noncash gains or other items increasing net income. The computation of Covenant Adjusted EBITDA differs from the calculation of EBITDA and Adjusted EBITDA, which have been reconciled previously on page M-6. In general, consolidated indebtedness includes debt plus all purchase money indebtedness, banker's acceptances and bank guaranties, deferred purchase price of property or services, attributable indebtedness and guarantees. The maximum consolidated leverage ratio permitted under the 2013 Senior Credit Facility during its entire duration is 3.25.

The 2013 Senior Credit Facility defines the consolidated interest coverage ratio as the ratio of Covenant Adjusted EBITDA to consolidated interest charges for any measurement period. The minimum required consolidated interest coverage ratio under the 2013 Senior Credit Facility during its entire duration is 3.0.

At September 30, 2014, Ashland's calculation of the consolidated leverage ratio was 1.9 compared to the maximum consolidated leverage ratio permitted under the 2013 Senior Credit Facility of 3.25. At September 30, 2014, Ashland's calculation of the consolidated interest coverage ratio was 6.5 compared to the minimum required ratio of 3.0. Any change in Covenant Adjusted EBITDA of \$100 million would have an approximate 0.2x effect on the consolidated leverage ratio and a 0.7x effect on the consolidated interest coverage ratio. Any change in consolidated indebtedness of \$100 million would affect the consolidated leverage ratio by approximately 0.1x.

Cash projection

Ashland projects that cash flow from operations and other available financial resources such as cash on hand and revolving credit should be sufficient to meet investing and financing requirements to enable Ashland to comply with the covenants and other terms of its financing obligations. These projections are based on various assumptions that include, but are not limited to: operational results, working capital cash generation, capital expenditures, pension funding requirements and tax payment and receipts.

Based on Ashland's current debt structure, future annual interest expense is expected to range from approximately \$160 million to \$180 million based on applicable fixed and floating interest rates, assuming interest rates remain stable.

M-22

Stockholders' equity

Stockholders' equity decreased \$970 million since September 30, 2013 to \$3,583 million at September 30, 2014. This decrease was primarily due to \$954 million related to share repurchase programs, regular cash dividends of \$103 million, deferred translation losses of \$160 million, and adjustments to pension and other postretirement obligations of \$21 million. These decreases were partially offset by net income during the period of \$233 million and \$35 million in common shares issued under stock incentive and other plans.

Stock repurchase programs

During 2014, the Board of Directors of Ashland authorized a \$1.35 billion common stock repurchase program. This new authorization replaced Ashland's previous \$600 million share repurchase authorization, approved in May 2013, which had \$450 million remaining. Under the new program, Ashland's common shares may be repurchased in open market transactions, privately negotiated transactions or pursuant to one or more accelerated stock repurchase programs or Rule 10b5-1 plans. This new repurchase program will expire on December 31, 2015.

As part of the \$1.35 billion common stock repurchase program, Ashland announced that it has entered into accelerated share repurchase agreements (2014 ASR Agreements) with each of Deutsche Bank AG, London Branch (Deutsche Bank), and JPMorgan Chase Bank, N.A. (JPMorgan), to repurchase an aggregate of \$750 million of Ashland's common stock. Under the 2014 ASR Agreements, Ashland paid an initial purchase price of \$750 million, split evenly between the financial institutions. As of September 30, 2014, Ashland received an initial delivery of approximately 5.9 million shares of common stock under the 2014 ASR Agreements. The 2014 ASR Agreements have a variable maturity, at the financial institutions option, with a scheduled termination date of no later than June 30, 2015.

In addition, Ashland also announced that it had entered into an agreement with each of Deutsche Bank Securities and JPMorgan to repurchase an aggregate of \$250 million of Ashland's common stock. Under the terms of the agreement, the financial institutions will purchase a pre-determined number of shares on various trading days dependent upon Ashland's prevailing stock price on that date. The term of the agreements is through June 30, 2015. As of September 30, 2014, Ashland paid \$124 million and received 1.2 million shares of common stock under the agreements.

Under the \$1.35 billion common stock repurchase program, Ashland also entered into and completed a \$125 million prepaid variable share repurchase agreement during 2014. The settlement price, which represents the weighted average price of Ashland's common stock over the pricing period less a discount, was \$105.22 per share. Ashland received 0.8 million shares and \$45 million in cash for the unused portion of the \$125 million prepayment, for a net cash outlay of \$80 million.

During 2013, the Board of Directors of Ashland authorized a \$600 million common stock repurchase program, which replaced Ashland's previous \$400 million share repurchase authorization. As part of the \$600 million common stock repurchase program, Ashland announced and completed an accelerated share repurchase agreement (2013 ASR Agreement) with Citibank, N.A. (Citibank) during 2013. Under the 2013 ASR Agreement, Ashland paid an initial purchase price of \$150 million to Citibank and received an initial delivery of approximately 1.3 million shares of its common stock. The 2013 ASR Agreement had a variable maturity, at Citibank's option, with a maximum pricing period termination date of August 21, 2013. In June 2013, Citibank exercised its early termination option under the 2013 ASR Agreement and the pricing period was closed. The settlement price, which represents the weighted average price of Ashland's common stock over the pricing period less a discount, was \$86.32 per share. Based on this settlement price, the final number of shares repurchased by Ashland that were to be delivered by Citibank under the 2013 ASR Agreement was 1.7 million shares. Ashland received the additional 0.4 million shares from Citibank in June 2013 to settle the difference between the initial share delivery and the total number of shares repurchased.

Stockholder dividends

In May 2013, the Board of Directors of Ashland announced a quarterly cash dividend increase to 34 cents per share, \$1.36 per share on an annual basis, to eligible shareholders of record. This amount was paid for quarterly dividends in fiscal 2014, as well as, June and September 2013 and was an increase from the quarterly cash dividend of 22.5 cents

per share paid during the first and second quarters of fiscal 2013.

In May 2012, the Board of Directors of Ashland announced a quarterly cash dividend increase to 22.5 cents per share, 90 cents per share on an annual basis, to eligible shareholders of record. This amount was paid for quarterly dividends in June and September 2012 and was an increase from the quarterly cash dividend of 17.5 cents per share paid during the first and second quarters of fiscal 2012.

Capital expenditures

Ashland is currently forecasting approximately \$285 million of capital expenditures for 2015, funded primarily from operating cash flows. Capital expenditures were \$248 million for 2014 and averaged \$251 million during the last three years. A summary of capital expenditures by reportable segment during 2014, 2013 and 2012 follow.

M-23

(In millions)	2014	2013	2012
Specialty Ingredients	\$159	\$144	\$121
Performance Materials	38	43	58
Valvoline	36	41	40
Unallocated and other	15	36	23
Total capital expenditures	\$248	\$264	\$242

A summary of the capital employed in Ashland's current operations, which is calculated by adding equity to capital investment, as of the end of the last three years follows.

(In millions)	2014	2013	2012
Capital employed (a)			
Specialty Ingredients	\$5,413	\$5,646	\$5,813
Performance Materials	1,121	1,280	1,349
Valvoline	746	702	688

Excludes the assets and liabilities classified within unallocated and other which primarily includes debt and other (a) long-term liabilities such as asbestos and pension. The net liability in unallocated and other was \$3,697 million, \$3,075 million and \$3,821 million as of September 30, 2014, 2013 and 2012, respectively.

Contractual obligations and other commitments

The following table aggregates Ashland's obligations and commitments to make future payments under existing contracts at September 30, 2014. Contractual obligations for which the ultimate settlement of quantities or prices are not fixed and determinable have been excluded.

(In millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations					
Raw material and service contract purchase obligations (a)	\$556	\$146	\$239	\$75	\$96
Employee benefit obligations (b)	404	119	70	66	149
Operating lease obligations (c)	169	36	54	28	51
Debt (d)	3,433	293	600	750	1,790
Interest payments (e)	1,613	152	270	226	965
Unrecognized tax benefits (f)	155	—	—	—	155
Total contractual obligations	\$6,330	\$746	\$1,233	\$1,145	\$3,206
Other commitments					
Letters of credit (g)	\$71	\$71	\$—	\$—	\$—

(a) Includes raw material and service contracts where minimal committed quantities and prices are fixed.

(b) Includes estimated funding of Ashland's qualified U.S. and non-U.S. pension plans for 2015, as well as projected benefit payments through 2024 under Ashland's unfunded pension and other postretirement benefit plans. Excludes the benefit payments from the pension plan trust funds. See Note M of Notes to Consolidated Financial Statements for additional information.

(c) Includes leases for office buildings, retail outlets, transportation equipment, warehouses and storage facilities and other equipment. For further information, see Note K of Notes to Consolidated Financial Statements.

(d)

Capitalized lease obligations are not significant and are included within this caption. For further information, see Note I of Notes to Consolidated Financial Statements.

- (e) Includes interest expense on both variable and fixed rate debt assuming no prepayments. Variable interest rates have been assumed to remain constant through the end of the term at rates that existed as of September 30, 2014. Due to uncertainties in the timing of the effective settlement of tax positions with respect to taxing authorities,
- (f) Ashland is unable to determine the timing of payments related to noncurrent unrecognized tax benefits, including interest and penalties. Therefore, these amounts were included in the "More than 5 years" column.
- (g) Ashland issues various types of letters of credit as part of its normal course of business. For further information, see Note I of Notes to Consolidated Financial Statements.

M-24

OFF-BALANCE SHEET ARRANGEMENTS

As part of its normal course of business, Ashland is a party to various financial guarantees and other commitments. These arrangements involve elements of performance and credit risk that are not included in the Consolidated Balance Sheets. The possibility that Ashland would have to make actual cash expenditures in connection with these obligations is largely dependent on the performance of the guaranteed party, or the occurrence of future events that Ashland is unable to predict. Ashland has reserved the approximate fair value of these guarantees in accordance with U.S. GAAP.

NEW ACCOUNTING PRONOUNCEMENTS

For a discussion and analysis of recently issued accounting pronouncements and its impact on Ashland, see Note A of Notes to Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

The preparation of Ashland's Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses, and the disclosures of contingent assets and liabilities. Significant items that are subject to such estimates and assumptions include, but are not limited to, long-lived assets (including goodwill and other intangible assets), employee benefit obligations, income taxes, liabilities and receivables associated with asbestos litigation and environmental remediation. Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ significantly from the estimates under different assumptions or conditions. Management has reviewed the estimates affecting these items with the Audit Committee of Ashland's Board of Directors.

Long-lived assets

Tangible assets

The cost of property, plant and equipment is depreciated by the straight-line method over the estimated useful lives of the assets. Buildings are depreciated principally over 25 to 35 years and machinery and equipment principally over 4 to 25 years. Ashland reviews property, plant and equipment asset groups for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Ashland monitors these changes and events on at least a quarterly basis. Examples of events or changes in circumstances could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset group, or a current expectation that an asset group will be sold or disposed of before the end of its previously estimated useful life. Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the property, plant and equipment asset groups, as well as specific appraisals in certain instances. Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other property, plant and equipment asset groups. If the future undiscounted cash flows result in a value that is less than the carrying value, then the long-lived asset is considered impaired and a loss is recognized based on the amount by which the carrying amount exceeds the estimated fair value. Various factors that Ashland uses in determining the impact of these assessments include the expected useful lives of long-lived assets and the ability to realize any undiscounted cash flows in excess of the carrying amounts of such asset groups, and are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows. Because judgment is involved in determining the fair value of property, plant and equipment asset groups, there is risk that the carrying value of these assets may require adjustment in future periods.

Total depreciation expense on property, plant and equipment for 2014, 2013 and 2012 was \$304 million, \$268 million and \$270 million, respectively. Depreciation expense for 2014, 2013 and 2012 included \$36 million, \$2 million and

\$4 million, respectively, in asset impairments and accelerated depreciation. Capitalized interest for 2014, 2013 and 2012 was \$1 million.

Finite-lived intangible assets

Finite-lived intangible assets principally consist of certain trademarks and trade names, intellectual property, customer relationships and sales contracts. These intangible assets are amortized on a straight-line basis over their estimated useful lives. The cost of trademarks and trade names is amortized principally over 4 to 25 years, intellectual property over 5 to 20 years, customer relationships over 3 to 24 years and other intangibles over 2 to 50 years. Ashland reviews finite-lived intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Ashland monitors these changes and events on at least a quarterly basis.

M-25

Amortization expense recognized on finite-lived intangible assets was \$89 million for 2014, \$88 million for 2013 and \$89 million for 2012, and is primarily included in the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income.

Goodwill

In accordance with U.S. GAAP, Ashland reviews goodwill and indefinite-lived intangible assets for impairment annually or when events and circumstances indicate an impairment may have occurred. This annual assessment is performed as of July 1 and consists of Ashland determining each reporting unit's current fair value compared to its current carrying value. Subsequent to the business realignment during 2014, Ashland has determined that its reporting units for allocation of goodwill include the Specialty Ingredients and Valvoline reportable segments, and the Composites, Intermediates/Solvents, and Elastomers reporting units within the Performance Materials reportable segment. Prior to this business realignment in 2014, the reporting units consisted of the Specialty Ingredients and Valvoline reportable segments, and the Composites and Adhesives and Elastomers reporting units within the Performance Materials reportable segment. In addition, prior to its sale during 2014, Water Technologies was treated as a separate reporting unit for allocation of goodwill.

In accordance with U.S. GAAP, as a result of the business realignment in 2014, goodwill was reallocated using a relative fair value approach and Ashland performed an assessment to determine if an impairment existed. Upon completion of this assessment, Ashland concluded that no impairment existed.

Ashland's annual assessment is performed as of July 1 and consists of Ashland determining each reporting unit's current fair value compared to its current carrying value. Goodwill associated with each of these reporting units as of September 30, 2014 was \$2,129 million for Specialty Ingredients, \$168 million for Valvoline, \$164 million for Composites, \$172 million for Intermediates/Solvents, and \$10 million for Elastomers.

When externally quoted market prices of Ashland's reporting units are not readily available, Ashland makes various estimates and assumptions in determining the estimated fair values of those units through the use of a combination of discounted cash flow models and valuations based on earnings multiples for guideline public companies in each reporting unit's industry peer group. Discounted cash flow models are highly reliant on various assumptions. Significant assumptions Ashland utilized in these models for the current year included: projected business results and future industry direction, long-term growth factors (ranging from 3% to 5%) and weighted-average cost of capital (ranging from 10.25% to 11%). Ashland uses assumptions that it deems to be reasonable estimates of likely future events and compares the total fair values of each reporting unit to Ashland's market capitalization, and implied control premium, to determine if the fair values are reasonable compared to external market indicators. Subsequent changes in these key assumptions could affect the results of future goodwill impairment reviews.

In conjunction with the July 1 annual assessment of goodwill, Ashland's valuation techniques did not indicate any impairment. Each reporting unit's fair value was significantly over its carrying values, except for the Intermediates/Solvents reporting unit, whose calculated fair value exceeded its carrying value by approximately 10%. Based on the sensitivity analysis performed on two key assumptions in the discounted cash flow model of the Intermediates/Solvents reporting unit, a negative 1% change in the long-term growth factor or the weighted-average cost of capital assumption would have resulted in a fair value slightly above the current carrying value.

Ashland compared and assessed the total fair values of the reporting units to Ashland's market capitalization at the annual assessment date, including the implied control premium, to determine if the fair values are reasonable compared to external market indicators. The calculated fair value for each reporting unit summed together exceeded Ashland's market value as of the annual impairment testing date for 2014 by approximately 6%, which Ashland considers reasonable. Because the fair value results for each reporting unit did not indicate a potential impairment existed, Ashland did not recognize any goodwill impairment during 2014, 2013 and 2012. Subsequent to this annual impairment test, no indications of an impairment were identified.

Other indefinite-lived intangible assets

Other indefinite-lived intangible assets include in-process research and development (IPR&D) and certain trademarks and trade names. These assets had a carrying value of \$322 million as of September 30, 2014. Ashland reviews these intangible assets for possible impairment annually or whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. Ashland tests these assets using a “relief-from-royalty” valuation method compared to the carrying value, except for IPR&D assets, which are described within its section. Significant assumptions inherent in the valuation methodologies for these intangibles include, but are not limited to, such estimates as projected business results, growth rates, weighted-average cost of capital, which ranged from 11.25% to 11.75%, and royalty rates (ranging from 1% to 4%). In conjunction with the July 1 annual assessment of indefinite-lived intangible assets, Ashland’s models did not indicate any impairment, as each indefinite-lived intangible asset’s fair value exceeded their carrying values.

Ashland’s assessment of an impairment charge on any of these assets classified currently as having indefinite lives, including goodwill, could change in future periods if any or all of the following events were to occur with respect to a particular reporting unit: a significant change in projected business results, a divestiture decision, increase in Ashland’s weighted-average cost of

M-26

capital rates, decrease in growth rates or other assumptions, economic deterioration that is more severe or of a longer duration than anticipated, or another significant economic event. For further information, see Note H of Notes to Consolidated Financial Statements.

IPR&D

Ashland identified in-process research and development (IPR&D) projects within the acquired ISP business during 2011 that, as of the date of acquisition, had not been established in the marketplace. These projects consist of various enhancements of existing products or new potential applications for products. Ashland used various valuation models based on discounted probability weighted future cash flows on a project-by-project basis in identifying projects as distinct assets. During 2012, Ashland finalized its strategic assessment and evaluation of these projects. As of September 30, 2011, Ashland recorded the value of these projects as \$135 million. Since Ashland had not been given the opportunity to fully investigate each IPR&D project before the acquisition was completed, the newly appointed management team completed its assessment of each ongoing IPR&D project from ISP during the fourth quarter of 2012. This resulted in an adjustment to the initially recorded value, reducing the fair value assigned to IPR&D projects to \$86 million, with a corresponding increase to goodwill. Additionally as a part of this assessment, Ashland identified several projects that were abandoned during 2012 due to ongoing research and development activities that occurred subsequent to the acquisition of ISP. Ashland's abandonment of these projects based on post-acquisition events resulted in a \$13 million impairment charge during 2012, classified within the research and development expense caption of the Statement of Consolidated Comprehensive Income. The completion of this strategic assessment resulted in 11 projects identified as distinct assets that totaled \$73 million as of September 30, 2012.

Identified IPR&D acquired in a business combination is capitalized and tested for impairment annually and when events and circumstances indicate an impairment may have occurred. As a result, the remaining projects were assessed throughout 2014 and 2013, resulting in decreases of \$13 million and \$41 million, respectively, for projects abandoned or impaired during each year. As of September 30, 2014, three IPR&D projects remain as assets for \$19 million. These assets will continue to be subjected to future impairment or amortization as the individual projects continue through the various stages of the feasibility assessment process. The future feasibility of these assets will be evaluated on a quarterly basis by Ashland or when a significant event has been deemed to have occurred. For further information on IPR&D assets, see Note H of Notes to Consolidated Financial Statements.

Employee benefit obligations

Pension plans

Ashland and its subsidiaries sponsor contributory and noncontributory qualified defined benefit pension plans that cover certain employees in the United States and in a number of other countries. In addition, Ashland has non-qualified unfunded pension plans which provide supplemental defined benefits to those employees whose benefits under the qualified pension plans are limited by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. Ashland funds the costs of the non-qualified plans as the benefits are paid. Pension obligations for applicable employees of non-U.S. consolidated subsidiaries are provided for in accordance with local practices and regulations of the respective countries. For further information, see Note M of Notes to Consolidated Financial Statements.

Other postretirement benefit plans

Ashland and its subsidiaries sponsor health care and life insurance plans for eligible employees in the U.S. and Canada who retire or are disabled. Ashland's retiree life insurance plans are noncontributory, while Ashland shares the costs of providing health care coverage with its retired employees through premiums, deductibles and coinsurance provisions. Ashland funds its share of the costs of the postretirement benefit plans as the benefits are paid. For further information, see Note M of Notes to Consolidated Financial Statements.

Pension and other postretirement benefits costs methodology

Ashland recognizes the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement. The remaining

components of pension and other postretirement benefits expense are recorded ratably on a quarterly basis. Pension and other postretirement benefits adjustments charged directly to cost of sales that are applicable to inactive participants are excluded from inventoriable costs. The service cost component of pension and other postretirement benefits costs is allocated to each reportable segment on a ratable basis; while the remaining components of pension and other postretirement benefits costs are recorded to Unallocated and other.

The following table discloses the components of the gain or loss on pension and other postretirement plan remeasurements for each of the last three years.

M-27

(In millions)	2014	2013	2012
Loss (gain) on pension and other postretirement plan remeasurement:			
Change in discount rate and other actuarial assumptions (a)	\$369	\$(575)	) \$624
Change in mortality table (a)	149	—	—
Actual return on plan assets (a)	(309)	) (161)	) (357)
Expected return on plan assets (a)	237	238	226
Total actuarial (gain) loss on pension and other postretirement plan remeasurement	446	(498)	) 493
Curtailment, settlement and other loss	11	—	—
Total loss (gain) on pension and other postretirement plan remeasurement	457	(498)	) 493
Less: Actuarial (gain) loss recognized in discontinued operations	44	(81)	) 87
Less: Curtailment, settlement and other gain in discontinued operations	(25)) —	—
Total loss (gain) on pension and other postretirement plan remeasurement from continuing operations	\$438	\$(417)	) \$406

(a) For additional information on key assumptions and actual plan asset performance in each year, see the “Actuarial assumptions” discussion within this section.

Actuarial assumptions

Ashland’s pension and other postretirement obligations and annual expense calculations are based on a number of key assumptions including the discount rate at which obligations can be effectively settled, the anticipated rate of compensation increase, the expected long-term rate of return on plan assets and certain employee-related factors, such as turnover, retirement age and mortality. Because Ashland’s retiree health care plans contain various caps that limit Ashland’s contributions and because medical inflation is expected to continue at a rate in excess of these caps, the health care cost trend rate has no significant impact on Ashland’s postretirement health care benefit costs.

Ashland developed the discount rate used to determine the present value of its obligations under the U.S. pension and postretirement health and life plans by matching the stream of benefit payments from the plans to spot rates determined from an actuarial-developed yield curve, the above mean yield curve, based on high-quality corporate bonds. Ashland uses this approach to reflect the specific cash flows of these plans when determining the discount rate. Non-U.S. pension plans followed a similar process based on financial markets in those countries where Ashland provides a defined benefit pension plan.

During 2013, Ashland elected to use the above mean yield curve for its U.S. pension and other postretirement health and life plans, a change from the yield curve used in prior years. The above mean yield curve is constructed in the same manner as the prior yield curve, however, it uses only bonds in the population that had above average yields for their maturity. The discount rates determined as of September 30, 2013 ranged from 4.37% - 4.93% for the U.S. pension plans and 3.89% - 4.75% for the postretirement health and life plans. Under the prior yield curve, the September 30, 2013 discount rates would have ranged from 4.04% - 4.60% for the U.S. pension plans and 3.57% - 4.43% for the postretirement health and life plans. The use of the above mean yield curve resulted in Ashland recognizing an actuarial gain in 2013 that was approximately \$146 million greater than the actuarial gain which would have been recognized using the prior yield curve, or 29% of the 2013 actuarial gain. Of this impact, \$140 million related to U.S. pension plans and \$6 million relates to U.S. postretirement plans.

Ashland’s expense, excluding actuarial gains and losses, for both U.S. and non-U.S. pension plans is determined using the weighted-average discount rate as of the beginning of the fiscal year, which were 4.68%, 3.70%, and 4.76% measured at September 30, 2014, 2013, and 2012, respectively. The weighted-average discount rates used for the postretirement health and life plans were 4.28%, 3.23%, and 4.39% measured at September 30, 2014, 2013, and 2012,

respectively. The actuarial gains and losses recognized within the Statements of Consolidated Comprehensive Income are calculated using updated actuarial assumptions (including discount rates) as of the measurement date, which for Ashland is the end of the fiscal year, unless a plan qualifies for a remeasurement during the year. The weighted-average discount rate at the end of fiscal 2014 was 4.18% for the pension plans and 3.85% for the postretirement health and life plans. These rates will also be used to determine the fiscal 2015 pension and other postretirement plans expense that is recognized quarterly during the fiscal year.

The weighted-average rate of compensation increase assumptions were 3.59% for 2014, 3.66% for 2013 and 3.69% for 2012. The compensation increase assumptions for the U.S. plans were 3.75% for 2014, 2013 and 2012. The rate of the compensation increase assumption for the U.S. plans will decrease to 3.20% in determining Ashland's pension costs for 2015.

During 2014, Ashland elected to update the mortality table assumption used to develop the U.S. pension and other postretirement health and life plans obligations. The prior and updated mortality table are both actuarially determined assumptions that represent the best available estimate at the end of the fiscal year. Ashland believes the updated mortality table assumption

M-28

provides a more accurate assessment of current mortality trends, which have improved compared to those in the prior table, and a reasonable estimate of future mortality projections. During 2015, Ashland expects to adopt the mortality table issued by the Society of Actuaries in October 2014 for the U.S. pension and other postretirement health and life plans, which is expected to result in additional actuarial expense and an increase in the projected benefit obligation and accumulated postretirement benefit obligation.

The weighted-average long-term expected rate of return on assets was assumed to be 7.67% for 2014, 7.26% for 2013 and 7.67% for 2012. The long-term expected rate of return on assets for the U.S. plans was assumed to be 8.00% for 2014 and 2013 and 8.25% for 2012. For 2014, the pension plan assets generated an actual weighted-average return of 10.62%, compared to 5.15% in 2013 and 12.44% in 2012. For 2014, the U.S. pension plan assets generated an actual return of 10.33%, compared to 5.24% in 2013 and 12.15% in 2012. The long-term expected rate of return on assets for the U.S. plans will be 7.65% for 2015. However, the expected return on plan assets is designed to be a long-term assumption, and actual returns will be subject to considerable year-to-year variances. Ashland estimates total fiscal 2015 pension income for U.S. and non-U.S. pension plans to be approximately \$18 million, which excludes the impact of actuarial gains or losses.

The following table discloses the estimated increases in pension and postretirement expense that would have resulted from a one percentage point change in each of the assumptions for each of the last three years.

(In millions)	2014	2013	2012
Increase in pension costs from			
Decrease in the discount rate	\$591	\$557	\$707
Increase in the salary adjustment rate	32	44	54
Decrease in expected return on plan assets	31	33	29
Increase in other postretirement costs from			
Decrease in the discount rate	20	20	26

U.S. pension legislation and future funding requirements

In July 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) was enacted in the U.S. and, in part, provides temporary relief for employers who sponsor defined benefit pension plans related to funding contributions under the Employee Retirement Income Security Act of 1974. Specifically, MAP-21 allows for the use of a 25-year average interest rate within an upper and lower ran