



KeyBanc Analyst Day
August 14, 2009

Formula for growth.

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Agenda

- Ashland Overview and Strategy
- Ashland Hercules Water Technologies
- Ashland Aqualon Functional Ingredients

List of Abbreviations Used in This Presentation

Ashland Vision for the Future

**To be a leading, global specialty chemicals company
that is a market leader in all major businesses**

- Built on three growth platforms
 - Ashland Aqualon Functional Ingredients
 - Ashland Hercules Water Technologies
 - Ashland Performance Materials
- Investing in two primary chemistries
 - Water-soluble polymers
 - Thermoset resins
- Sharing three common capabilities
 - Application expertise
 - Formulation expertise
 - Polymerization expertise
- Focused on five key markets
 - Paper and packaging
 - Personal care
 - Pharmaceutical
 - Construction
 - Transportation

Strong Leadership Positions in the Markets We Serve

Ashland

Ashland
Aqualon
Functional
Ingredients

*#2 global
producer
of cellulose
ethers*

Ashland
Hercules
Water
Technologies

*#1 global
producer
of
papermaking
chemicals*

Ashland
Performance
Materials

*#1 global leader
in unsaturated
polyester resins
and vinyl ester
resins*

Ashland
Consumer
Markets
(Valvoline)

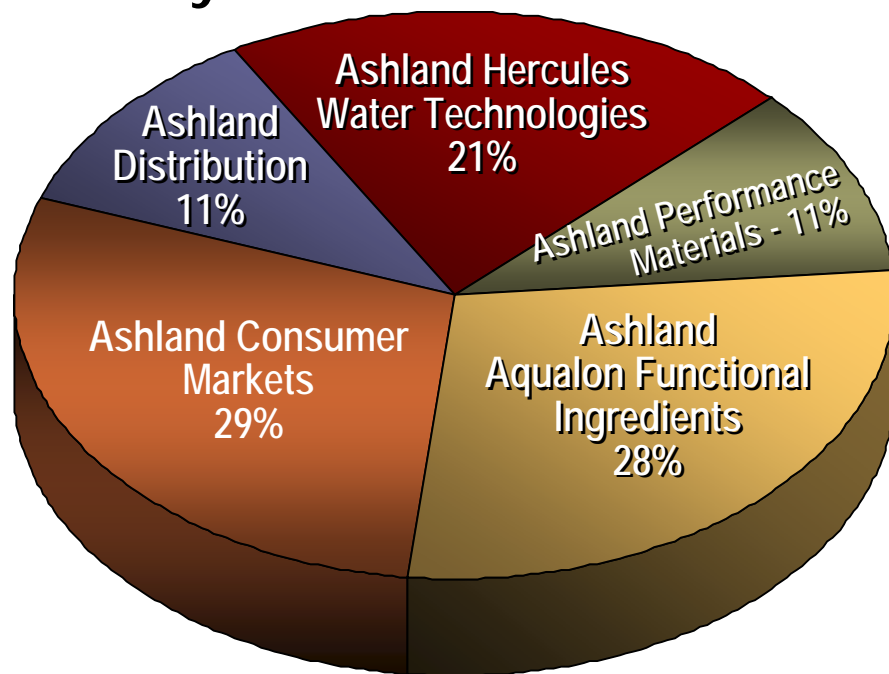
*#3 passenger-
car motor oil
and
#2 quick-lube
chain in the
United States*

Ashland
Distribution

*#2 plastics
and #3
chemicals
distributor
in North
America*

Corporate Profile

Pro Forma Ongoing EBITDA¹ by Commercial Unit



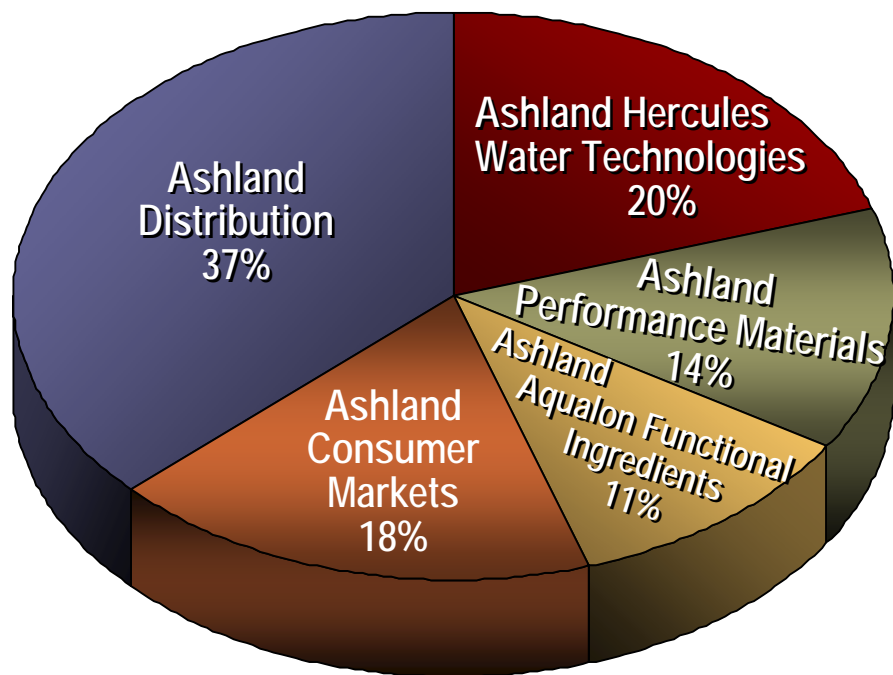
NYSE Ticker Symbol:	ASH
Employees:	~15,000
Number of countries in which Ashland has sales:	More than 100
Active patents in U.S.:	~650
Active patents worldwide:	~2,600

- 60 percent of EBITDA comes from specialty chemicals
 - More than 25 percent from renewable materials

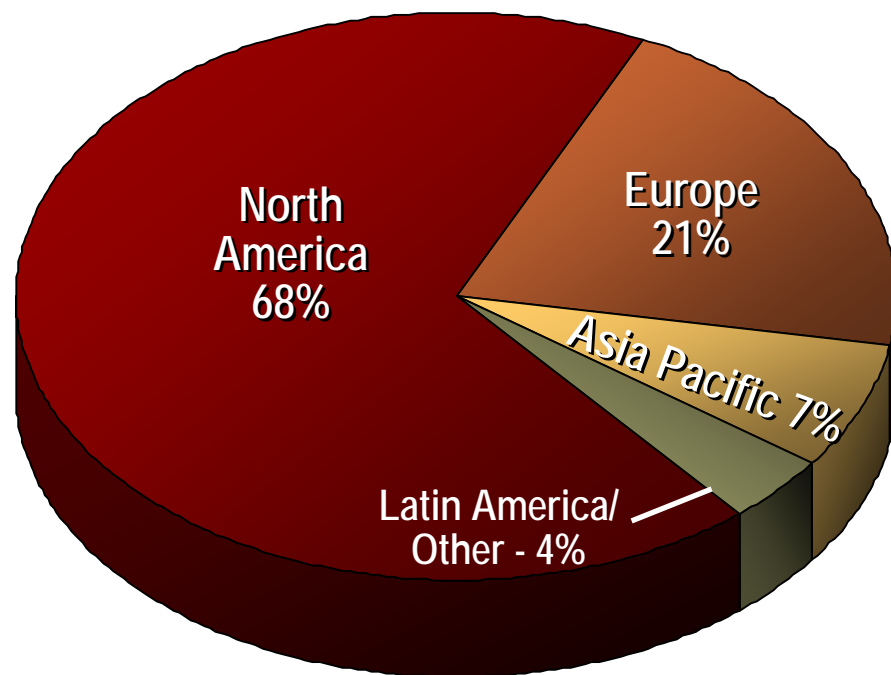
¹ For the 12 months ended June 30, 2009.

Trailing 12 Months' Pro Forma¹ Sales and Operating Revenue

By Commercial Unit



By Geography



- 32 percent of total revenue comes from outside North America

¹ For the 12 months ended June 30, 2009, including intersegment sales.

Ashland Aqualon Functional Ingredients

A global leader in managing rheology of water-based systems

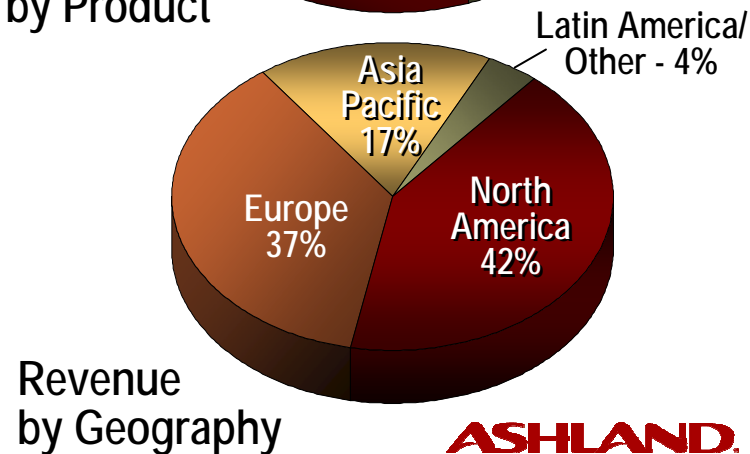
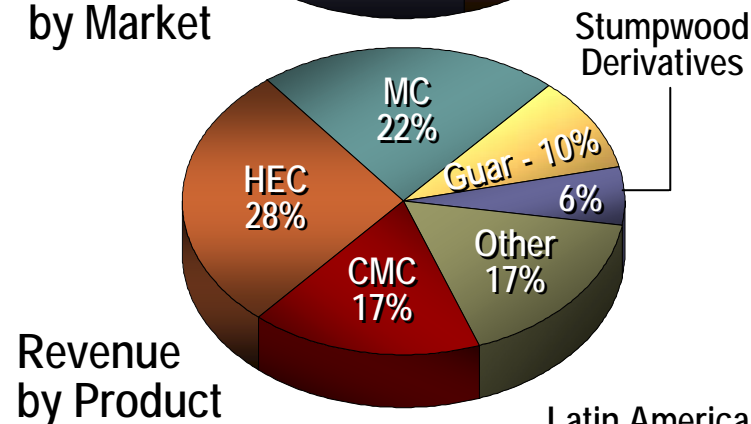
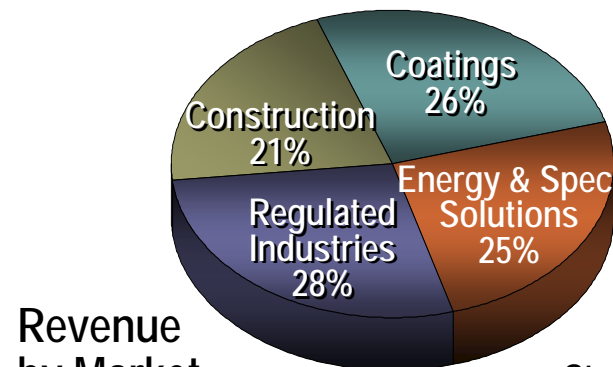
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.0 billion

Pro Forma Ongoing EBITDA: \$216 million

Pro Forma Ongoing EBITDA Margin: 21.6%

Business Overview	
Customers	<ul style="list-style-type: none"> Diversified, global customer base
Products	<ul style="list-style-type: none"> Broad product line based on renewable resources <ul style="list-style-type: none"> Water-soluble polymers (cellulose ethers and guar derivatives) Refined wood rosin and natural wood terpenes
Markets	<ul style="list-style-type: none"> Water-based paints Regulated markets <ul style="list-style-type: none"> Personal care Food Pharmaceuticals Construction Paper coatings Oilfield (chemicals and drilling muds)



ASHLAND

Ashland Aqualon Functional Ingredients Strategy

- Use leadership position in cellulose ethers to drive growth through product innovation and geographic expansion
- Invest in additional water-soluble polymers that can be leveraged across multiple growth platforms and markets
- Leverage deep customer relationships in core markets (coatings, construction, personal care and pharmaceutical) to introduce high-value complementary products

Ashland Hercules Water Technologies

A major global supplier of process and functional chemicals

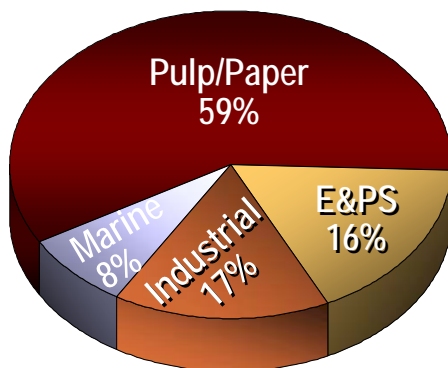
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.9 billion

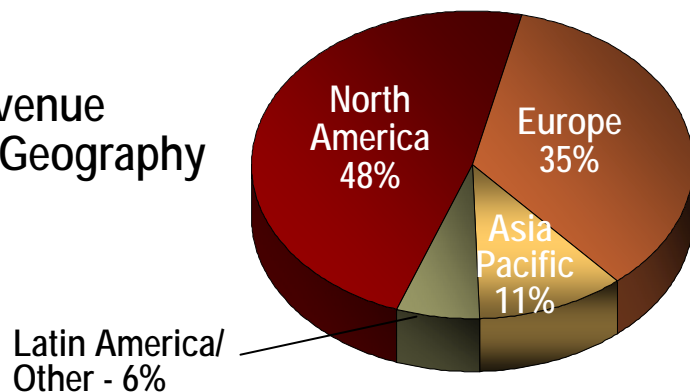
Pro Forma Ongoing EBITDA: \$165 million

Pro Forma Ongoing EBITDA Margin: 8.7%

Revenue
by Market



Revenue
by Geography



Business Overview

Customers/ Markets

- Pulp and paper processing
- Industrial and institutional
- Mining
- Municipal wastewater treatment

Products/ Services

- Process chemicals for microbial and contaminant control, pulping aids and retention aids
- Functional chemicals for sizing and wet strength
- Utility water treatments
- Process water treatments

Ashland Hercules Water Technologies **Strategy**

- Build on leadership position in specialty papermaking chemicals through product-line extension and geographic expansion
- Extend best-in-class, market-focused business model to additional water-intensive verticals, leveraging core process chemical technologies
- Continue to optimize operational efficiency of high-volume functional chemical assets

Ashland Performance Materials

A global leader in specialty chemicals

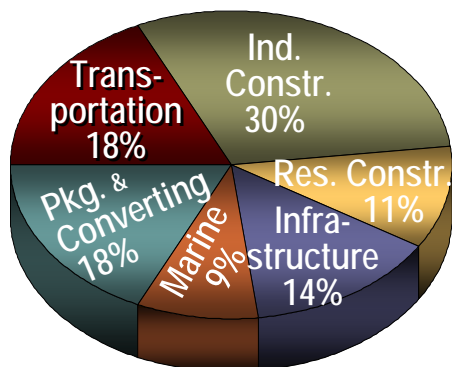
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.3 billion

Pro Forma Ongoing EBITDA: \$81 million

Pro Forma Ongoing EBITDA Margin: 6.3%

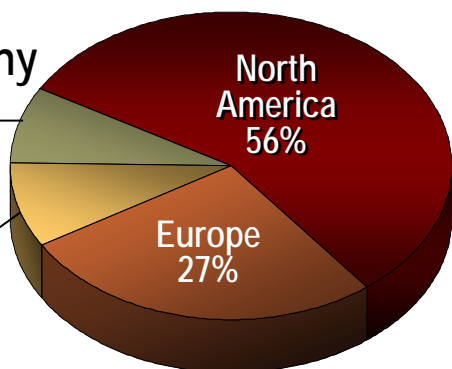
Revenue
by Market



Revenue
by Geography

Latin
America/
Other - 8%

Asia
Pacific - 9%



Business Overview

Customers

- Auto manufacturers; foundries; pipe and tank fabricators; packaging and converting; bathware, countertop and window lineal manufacturers; pipe relining contractors; boat builders; wide and narrow web printers

Products/ Services

- Adhesives and Composites
 - Unsaturated polyester resins
 - Vinyl ester resins
 - Gelcoats
 - Pressure-sensitive adhesives
 - Structural adhesives
 - Specialty resins
- Casting Solutions
 - Foundry binder resins
 - Chemicals
 - Sleeves and filters
 - Design services

Markets

- Construction, packaging and converting, transportation, and marine

Ashland Performance Materials

Strategy

- Use market insight and thermoset chemistry expertise to create innovative substitutes that are stronger, lighter and more resistant than traditional materials for core transportation, construction and infrastructure markets
- Use leadership position in unsaturated polyester resins and vinyl ester resins to catalyze growth in Brazil, Russia, India and China
- Further build position in packaging and converting market, capitalizing on strength in high-end, solvent-based systems to drive innovation from our new water-based and radiation-cured technologies

Ashland Consumer Markets: A leading worldwide marketer of premium-branded automotive lubricants and chemicals

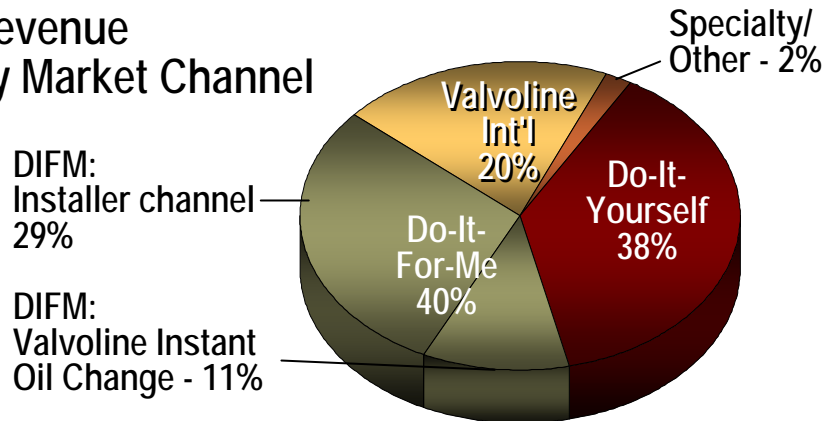
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$1.7 billion

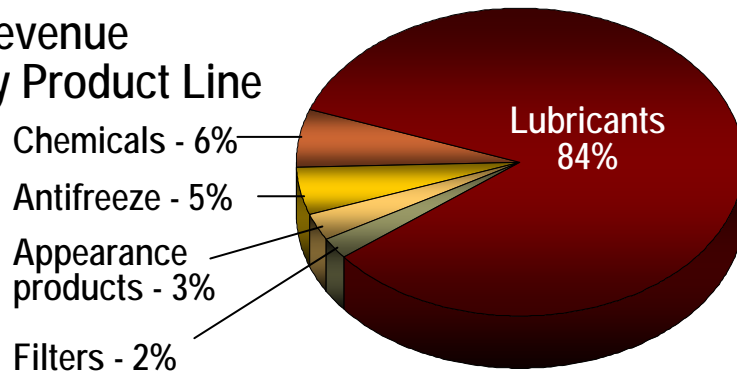
Pro Forma Ongoing EBITDA: \$227 million

Pro Forma Ongoing EBITDA Margin: 13.4%

Revenue
by Market Channel



Revenue
by Product Line



Business Overview

Customers

- Retail auto parts stores and mass merchandisers who sell to consumers; installers, such as car dealers and quick lubes; distributors

Products/Services

- Valvoline® lubricants and automotive chemicals
- MaxLife® lubricants for high-mileage vehicles
- SynPower® synthetic motor oil
- Eagle One® and Car Brite® appearance products
- Zerex® antifreeze
- Valvoline Instant Oil Change® service

Market Channels

- Do-It-Yourself (DIY)
- Do-It-For-Me (DIFM)
- Valvoline International

Ashland Consumer Markets Strategy

- Use superior consumer insight to create channel-focused solutions that leverage the Valvoline brand
- Build brand loyalty in key Do-It-Yourself (DIY) growth segments, such as youth and Hispanics, through highly targeted advertising, promotions and programs
- Continue to deliver preferred customer experience in oil-change business through superior employee training, store traffic optimization, point-of-sale enhancements and highly targeted service offerings

Ashland Distribution

A leading North American chemicals and plastics distributor

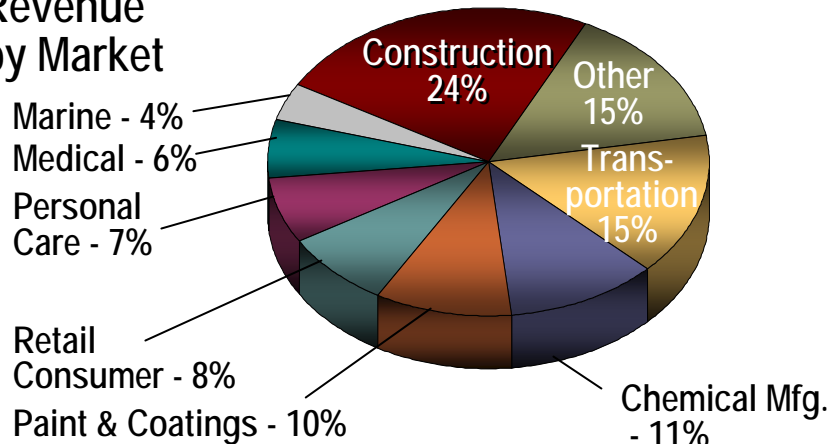
For the 12 Months Ended June 30, 2009

Pro Forma Revenue: \$3.4 billion

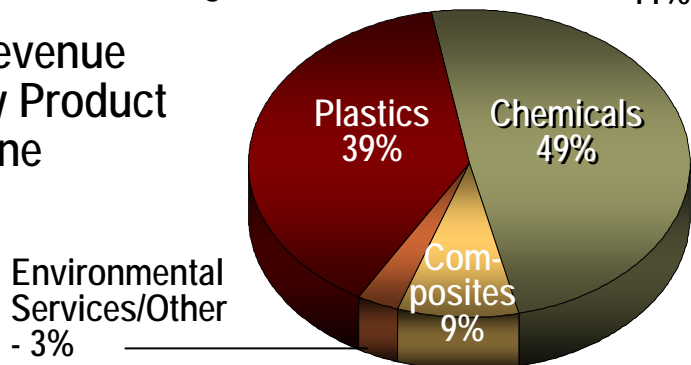
Pro Forma Ongoing EBITDA: \$88 million

Pro Forma Ongoing EBITDA Margin: 2.6%

Revenue
by Market



Revenue
by Product
Line



Business Overview

Customers

- Diversified customer base in North America and Europe

Products/Services

- More than 28,000 packaged and bulk chemicals, solvents, plastics and additives
- Comprehensive, hazardous and nonhazardous waste-management solutions in North America

Markets

- Construction
- Transportation
- Chemical manufacturing
- Paint and coatings
- Retail consumer
- Personal care
- Medical
- Marine

Ashland Distribution Strategy

- Continue focus on efficiency to create highest-value channel for customers and suppliers
- Build best-in-class product offering by aligning with globally leading suppliers that:
 - have low-cost production
 - can ensure continuity of supply
 - are investing in their business
 - are industry leaders in quality and reliability
- Leverage Ashland's technical resources and asset network to provide mass market penetration for specialty products

Ashland Recent Performance and Near-Term Outlook

- Repayment of debt through cash flow is a priority to achieve investment-grade credit statistics
 - Reduced gross debt to under \$2 billion at June 30
- Focus on generating and growing cash flow
 - Generated cash flows from operating activities of \$649 million for fiscal year-to-date at June 30
 - Can be supplemented with noncore assets sales
- Exceeded \$265 million cost-reduction target by \$22 million, three months ahead of plan
- Margin and price management mitigating significant volume declines
- Resizing business and cost structure to reflect 20-percent volume-reduction environment
- Ashland is well-positioned to outperform as the economy improves

Ashland's Strategy

- Focus on specialty chemicals supported by Hercules acquisition
- Generate cash flow for paying down debt
- Manage cost structure and leverage new scale
- Reduce volatility of earnings and cash flow and retain conservative financial position
- Invest in sustainable technologies to decrease reliance on petroleum-based raw materials
- Continue to grow in water-intensive industries to capitalize on increasing demand for clean, usable water
- Leverage formulation and application expertise into adjacent markets that value our customized-service model
- Accelerate investment in long-term high-growth nations such as Brazil, Russia, India and China
- Improve position in core specialty chemical businesses, while reducing investment in noncore businesses

ASHLAND®

Ashland Hercules Water Technologies

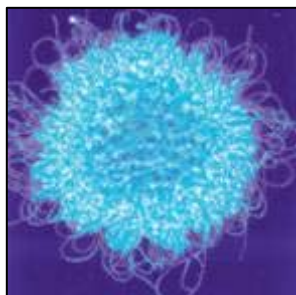
Formula for growth.

Paul C. Raymond III, President

HERCULES

How Our Products Are Used

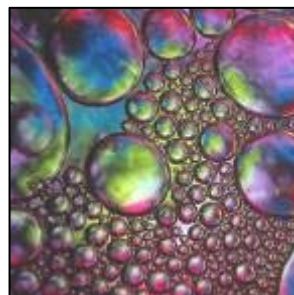
Process Additives



Microbial Control



Contaminant Control



Foam Control



Retention Aids

Water Treatment Chemicals



Boiler Water



Cooling Water



Wastewater



Influent Water

Functional Additives



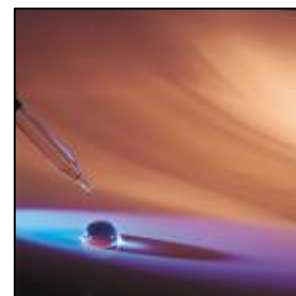
Softness



Strength

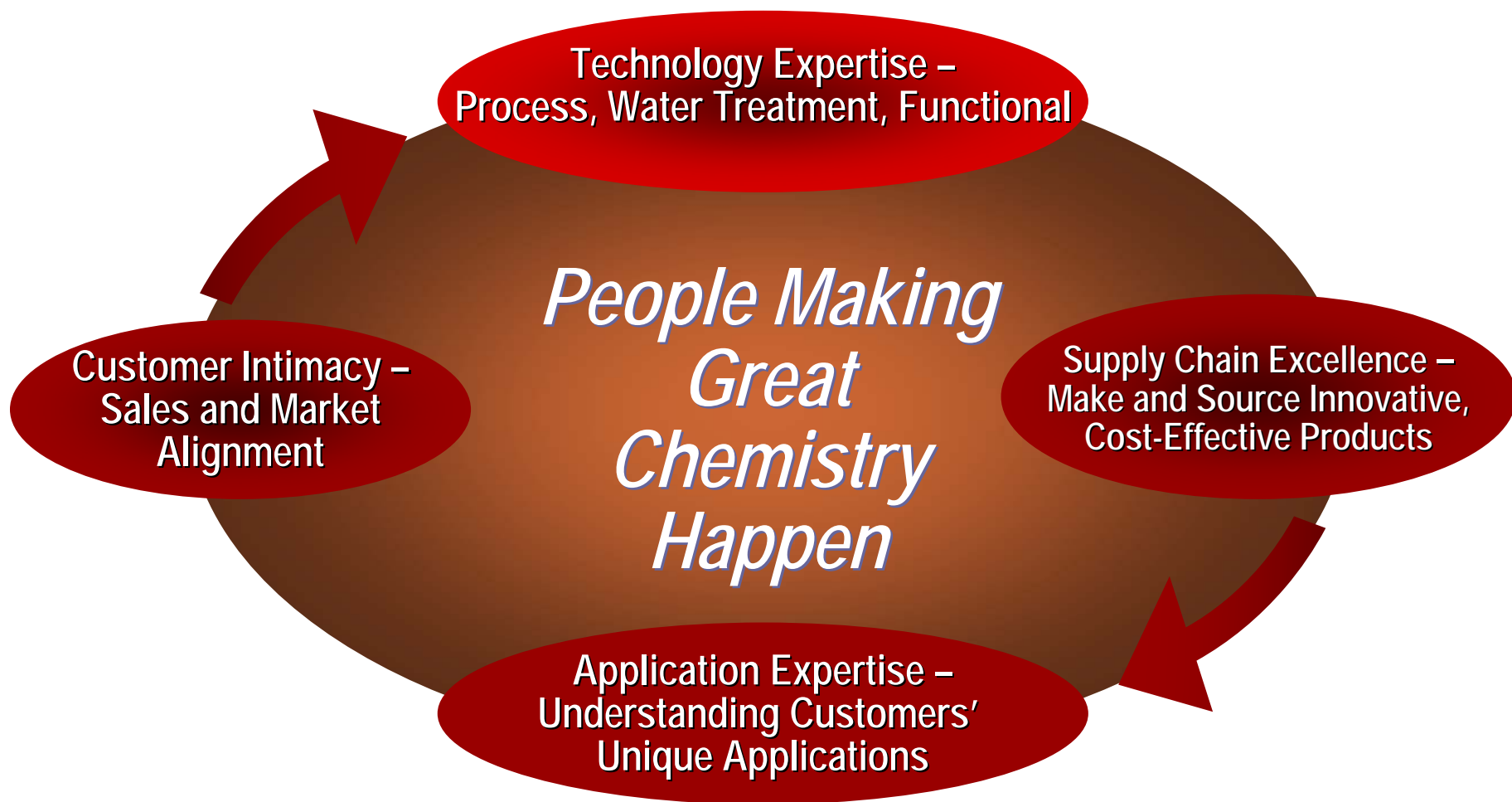


Printability



Sizing

Core of the Business ... How We Make Money



Platform Launch

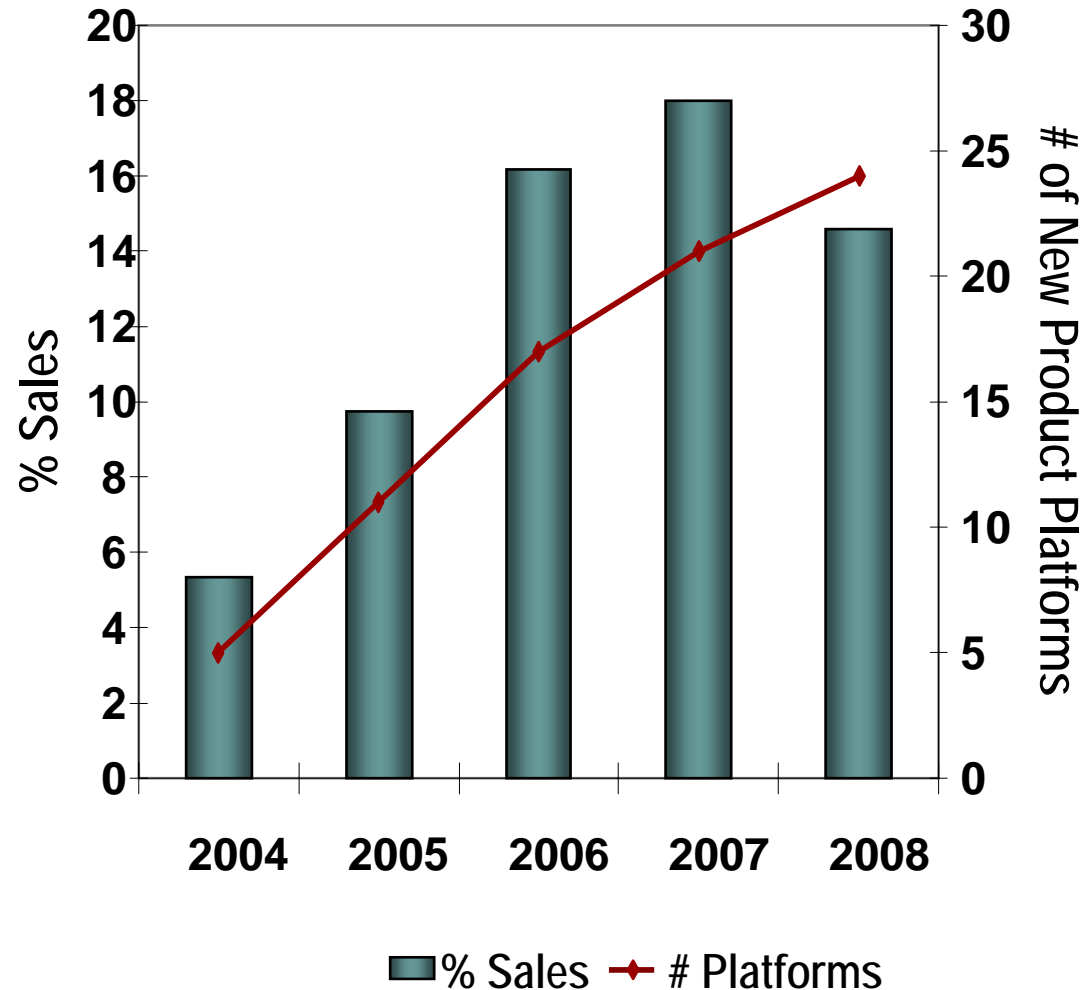
AHWT Platform Launch

- Reflects strategic priorities
- Emphasizes high-margin products
- Showcases platforms that build competitive advantage

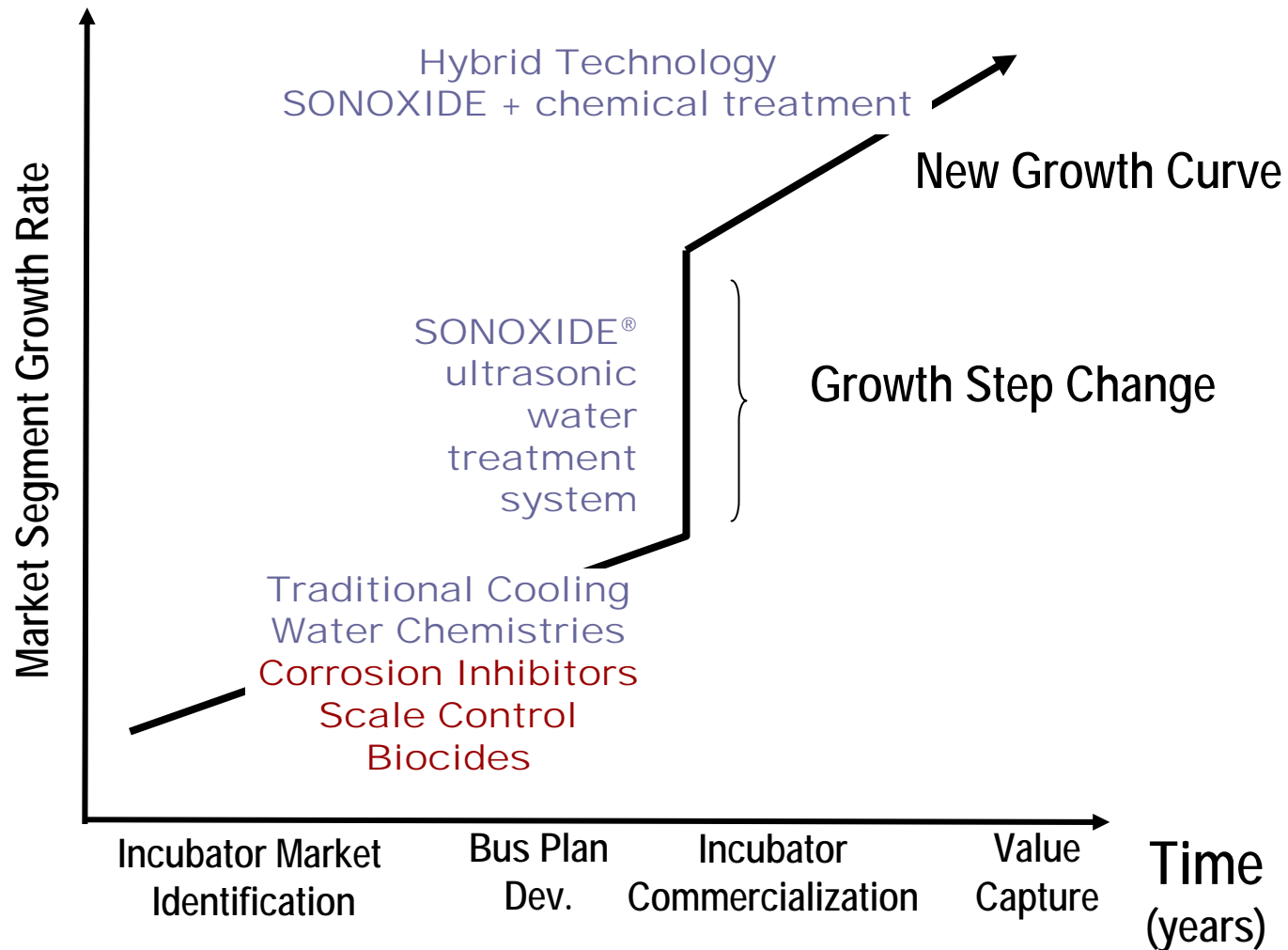


Organizational Alignment

- Dedicated team in each region
- Specific accountabilities



Incubator Businesses



Sonoxide Ultrasonic Water Treatment System

- Nonchemical, microbiological control for cooling water systems
- Market: \$800 million in cooling water
- Improved environmental profile
- Energy optimization
- Reduced chemical use
- Improved worker safety

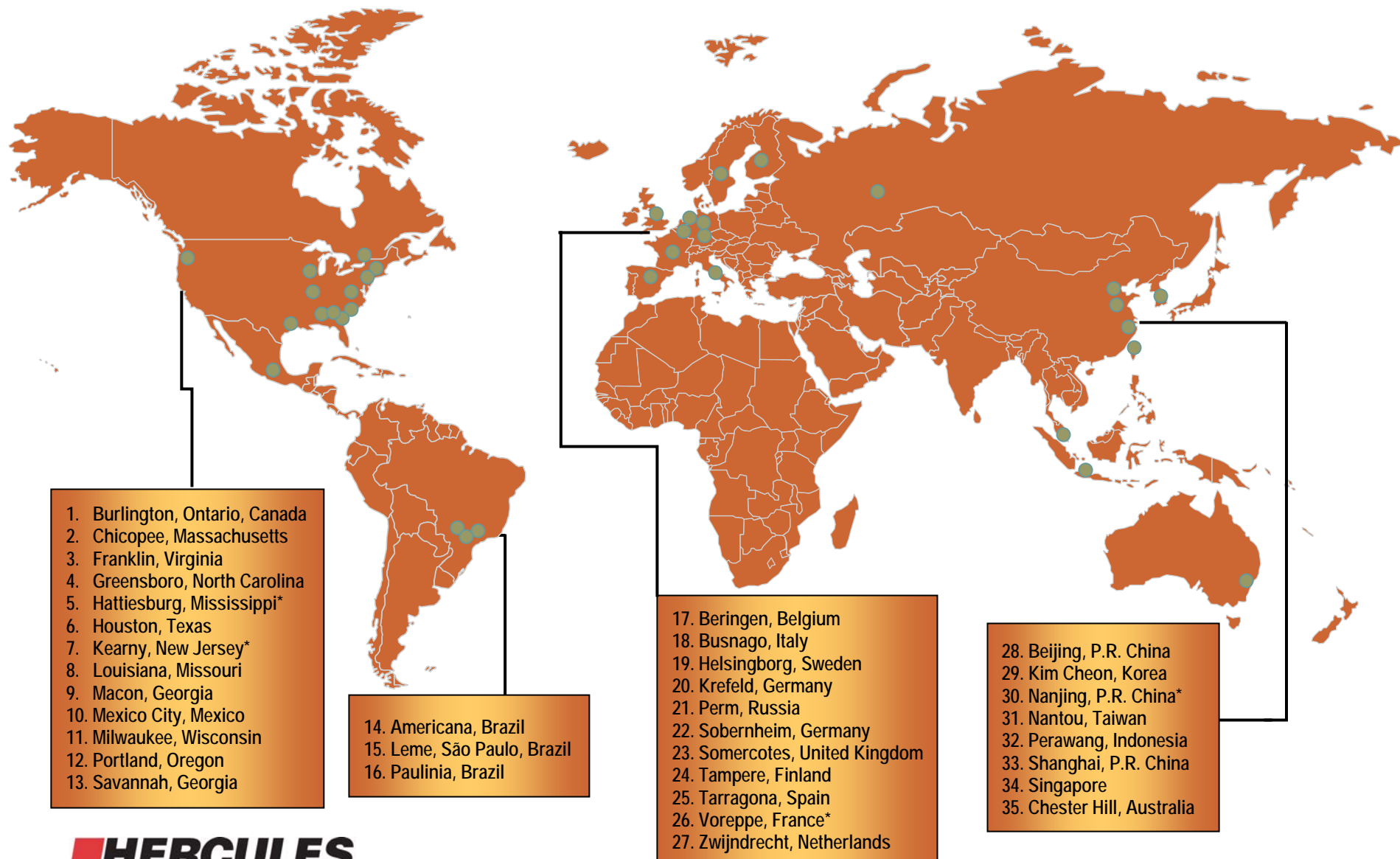


Global Technology Footprint

- Research & Development
 - Wilmington, Delaware, U.S.A.
 - Krefeld, Germany
- Customer Applications Laboratories
 - Wilmington, Delaware, U.S.A.
 - Krefeld, Germany
 - Shanghai, P.R. China
 - Paulinia, Brazil (2010)



Global Manufacturing Footprint

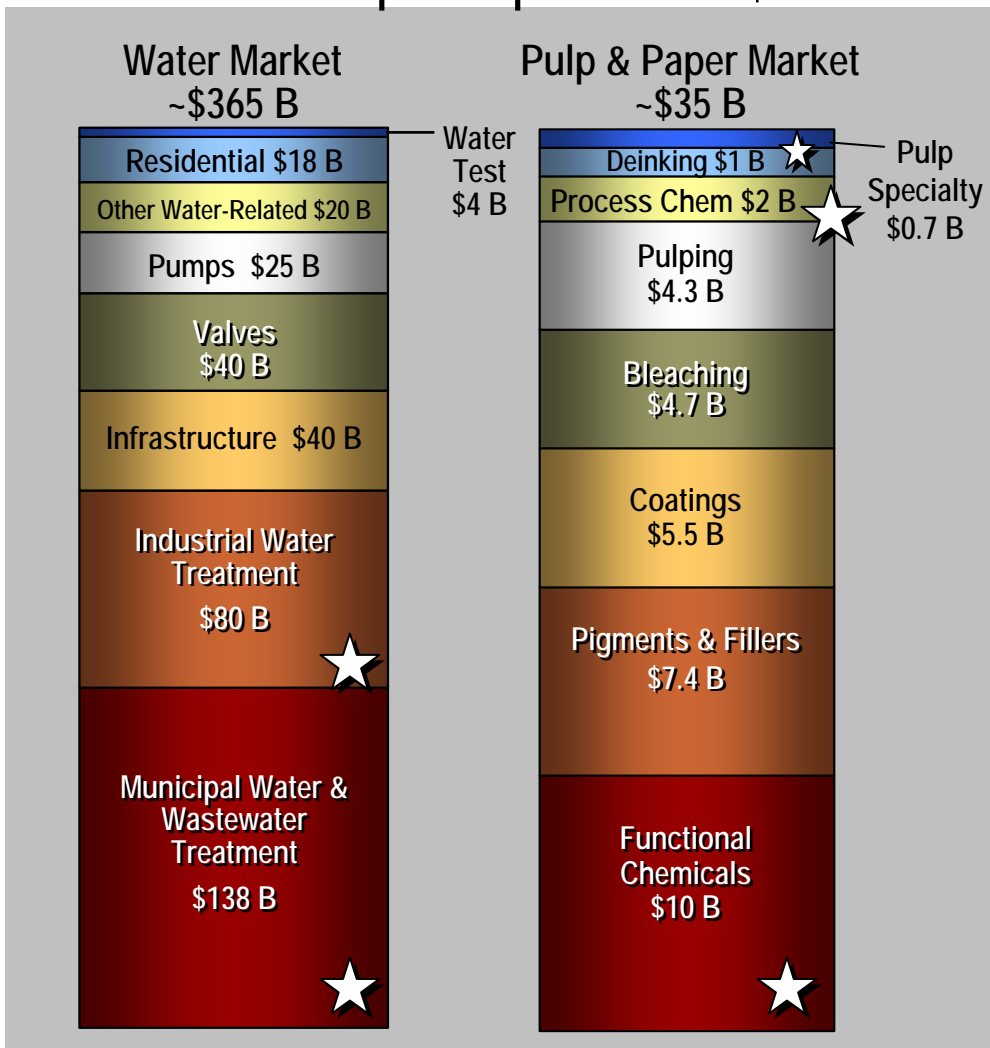


Business Strategy

- Follow Responsible Care* principles to ensure that safety and environmental excellence are core values
- Achieve leadership positions in all of our growth and base markets
- Improve sales mix through new product introduction
- Grow top line in adjacent markets and emerging geographies
- Leverage external technology to augment internal efforts
- Balance service delivery investment to maximize profitable growth
- Maintain reliable and efficient global supply chain

Defining AHWT's Markets

Global Water/Pulp & Paper Market \$400 Billion



Non-Focus Water Segments

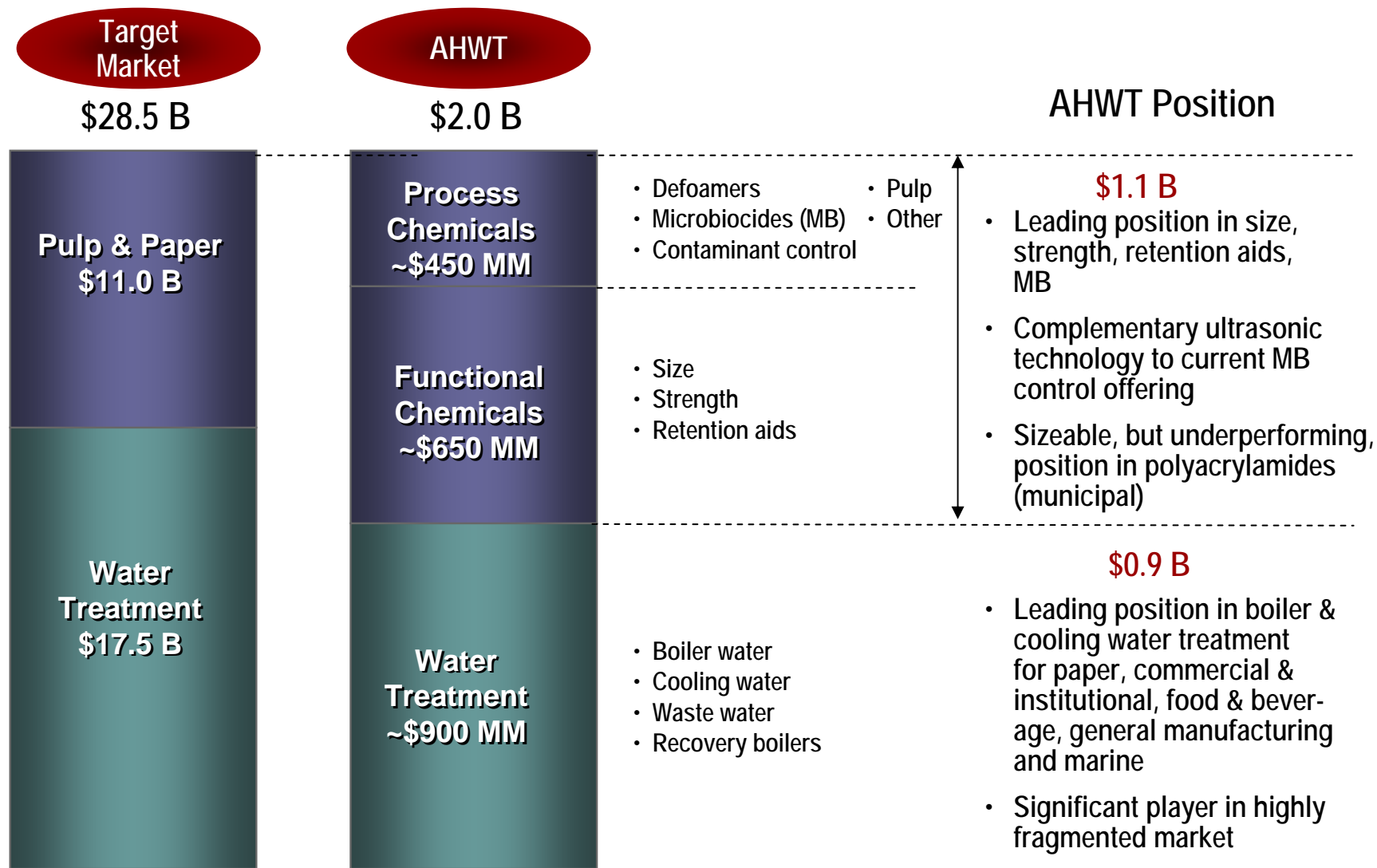
- Equipment and hardware
- Infrastructure
- Residential
- Water test

Non-Focus Paper Segments

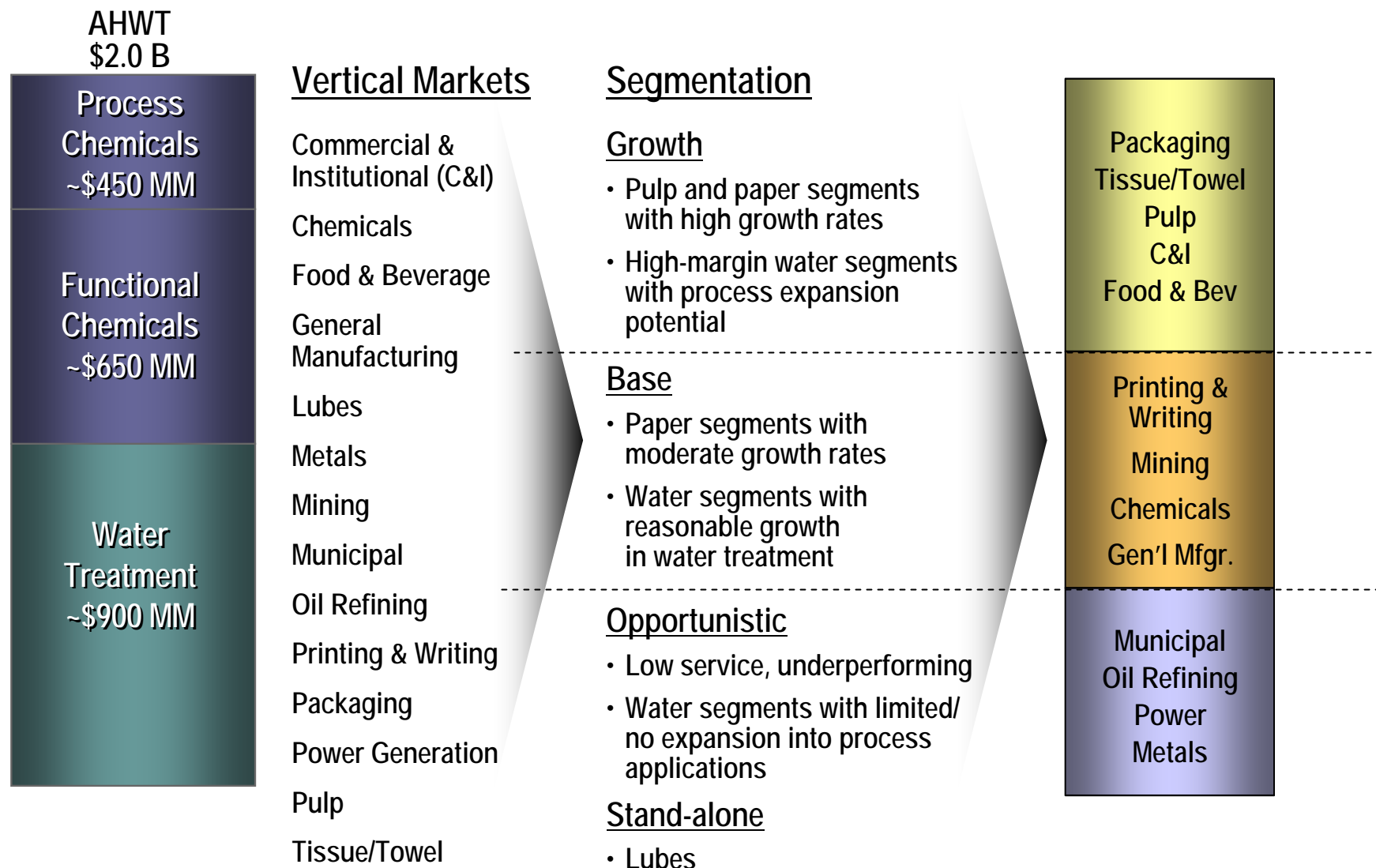
- Pigments and fillers
- Coatings
- Deinking
- Bleaching



AHWT Business Overview













AHWT Strategic Market Segmentation



Growth Market Segments

Focus on markets with inherently higher growth

	Demand	Customer Profitability	Key Drivers
Tissue			<ul style="list-style-type: none"> • Fiber types/recycle – Biocides/contaminant control • Emerging markets growing • Absorbency and strength
Packaging			<ul style="list-style-type: none"> • Machine productivity – Dry strength • China expansion
Commercial & Institutional (C&I)			<ul style="list-style-type: none"> • Urbanization driving market growth • Purchasing consolidation driving demand for global suppliers • Geographic expansion in industrialized markets • Energy-reduction requirements driving treatment demand
Food & Beverage			<ul style="list-style-type: none"> • Industrialization driving demand for processed foods • Increased water and food regulation driving chemical demand • Emerging markets growing rapidly
Pulp			<ul style="list-style-type: none"> • Changing paper, board, tissue grade needs and fiber source • Emerging market growth (Brazil, Chile, Russia, Indonesia, China and India) • New technologies for new fiber sources

2009 Strategy for Growth Verticals

Actions

Align Resources

- Dedicated marketing leader for each growth vertical
- Develop and staff R&D pipeline
- Align platform-launch teams and programs on high-margin, high-growth applications

Seed Key Industry Verticals

- Build knowledge and credibility in key verticals for future expansion
- Use “incubator” model across high-potential segments

Expand via Core Technologies









- Paper: MB, retention, contaminant control, dry strength
- Water: Scale inhibitors, defoamers, cooling/boiler water treatment applications
- Rapid deployment in growing geographies (Latin America and Asia Pacific)

Seek Sustainable Critical Mass

- Carve off verticals that have achieved critical mass into market-focused virtual teams
- Established market-specific product lines and service offerings

Base Market Segments

Protect and maintain the business base

	Demand	Customer Profitability	Key Drivers
Printing & Writing			<ul style="list-style-type: none"> • Reduce costs – Increase filler loading, reduce overall chemical costs • Resume significant expansion in Asia, mainly China • Building larger machines and shutting the smaller ones
Mining			<ul style="list-style-type: none"> • Global slowdown has led to high reserves of aluminum, copper, nickel, zinc; prices flat in 2009, down from 2008 • Precious metals and coal demand increasing • Increased need for process chemicals to improve metals yield and water removal
Chemicals			<ul style="list-style-type: none"> • Process-focused, performance-driven and seeking more sophisticated programs and service expertise • Accommodate volatility in supply and demand • Typically engage in long-term corporate and/or global agreements • Energy conservation
General Manufacturing			<ul style="list-style-type: none"> • Optimize efficiencies and reduce total cost of operation • Cost – Economic slowdown has significantly reduced production in most sectors • Need for restructuring will open door for innovation in water treatment

Strategy for Base Verticals

Actions

Protect Profit Engine

- Maintain product differentiation in base printing & writing and chemicals via healthy R&D pipeline
- Rationalize manufacturing assets to lower unit costs
- Commercialize new technologies in emerging geographies

Grow Water Treatment

- Expand geographical coverage in underdeveloped markets
- Develop products to fill gaps (e.g., equipment for dosing and monitoring)

Standardization

- Identify supply chain synergies to remove costs
- Rationalize water treatment product lines across geographies
- All regions reporting via SAP* platform

Channel to Market

- Cross-train field sales team to cover multiple markets
- Improve sales and applications expertise in Latin America and Asia Pacific
- Develop R&D relationships with early-adopter customers to develop game-changing products

Alternate Business Model

Business Trends

- Low/declining margins in sizing/wet strength
- Lack of vertical integration in polyacrylamides (PAM) drives uncompetitive cost position in municipal segment
- Overall trend toward product commoditization
- Inability to monetize service offering
- Low value of innovation to customers
- Some competitors have moved to low-cost model



Product Lines and Verticals Impacted

- Municipal market
- PAM distributors/contract service companies
- Paper sizing
- Paper wet strength

Implement Alternate Business Model

Targeted Outcomes

SG&A Savings

Consolidate
FTEs

Cost Leverage via
Lower Complexity

Lower Raw Material
and Freight Costs

Summary

- **AHWT Business Overview**
 - \$2.0 billion business
 - Provides process, water treatment and functional chemistries to paper, pulp, commercial and institutional, food and beverage, chemical, marine and municipal industries
 - Products are used to improve operational efficiencies, enhance product quality, protect plant assets and ensure environmental compliance
- **Business Strategy**
 - Leverage platform-launch and incubator processes to accelerate growth through delivery of innovative, low-cost products to current and adjacent markets
- **Use segmented approach to AHWT vertical markets**
 - Resource growth verticals with dedicated sales, marketing and R&D teams
 - Manage base verticals primarily by sales to maximize profitable growth
 - Alternate business model enables cost-effective approach to volume growth with enhanced profitability in segments that do not require high service levels

ASHLAND®

Ashland Aqualon Functional Ingredients **Formula for growth.**

John E. Panichella, President



How Customers Use Our Products



Flow and Leveling



Stabilizing



Flow Properties



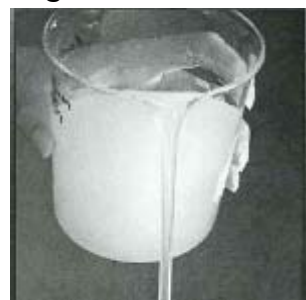
Conditioning



Drilling & Fracturing



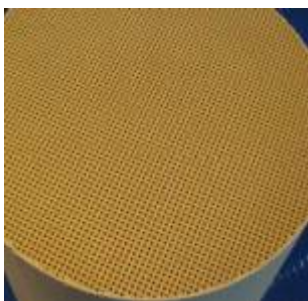
Thickening



Binding



Suspending



Extrusion



Protective Coating



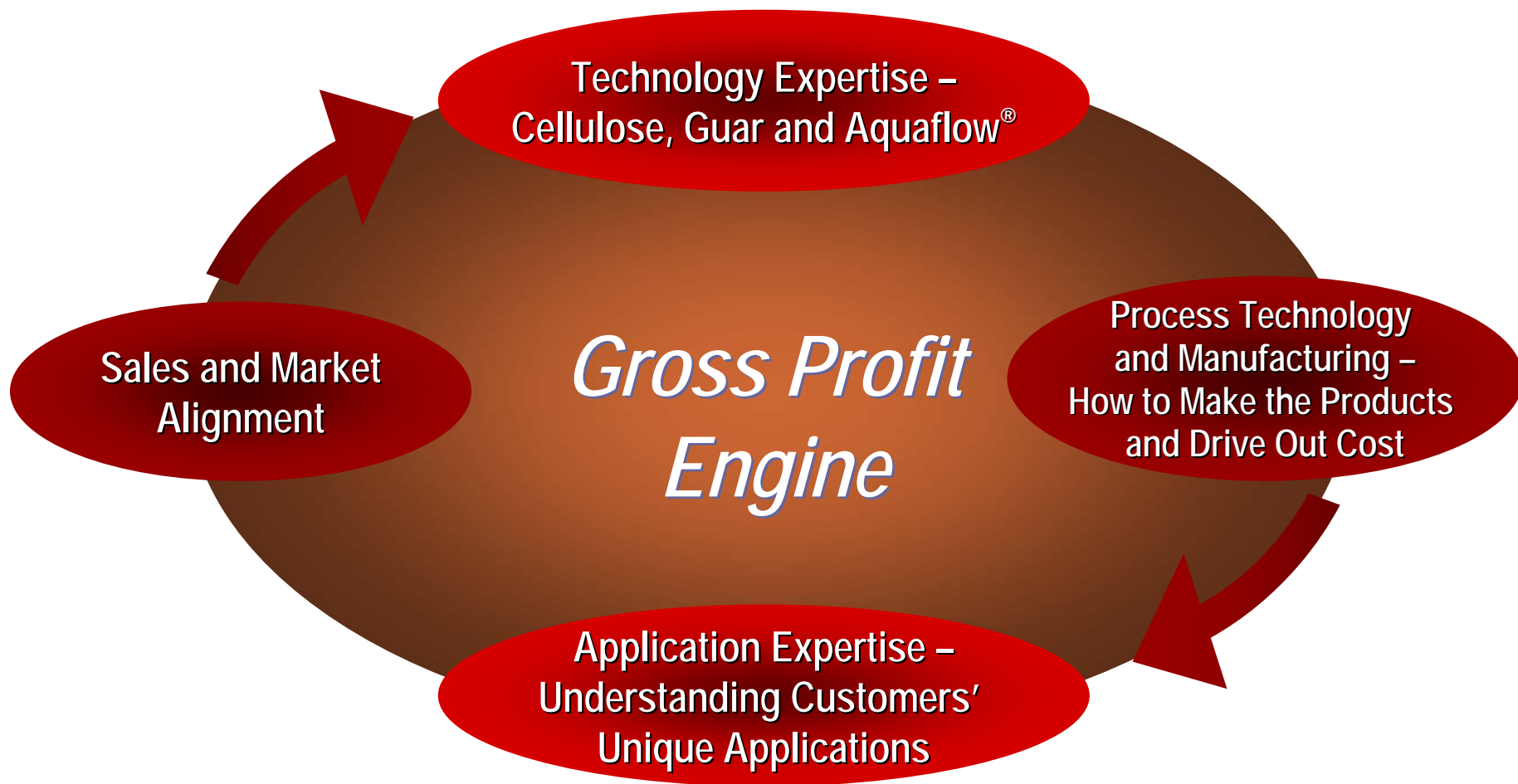
Gel Formation



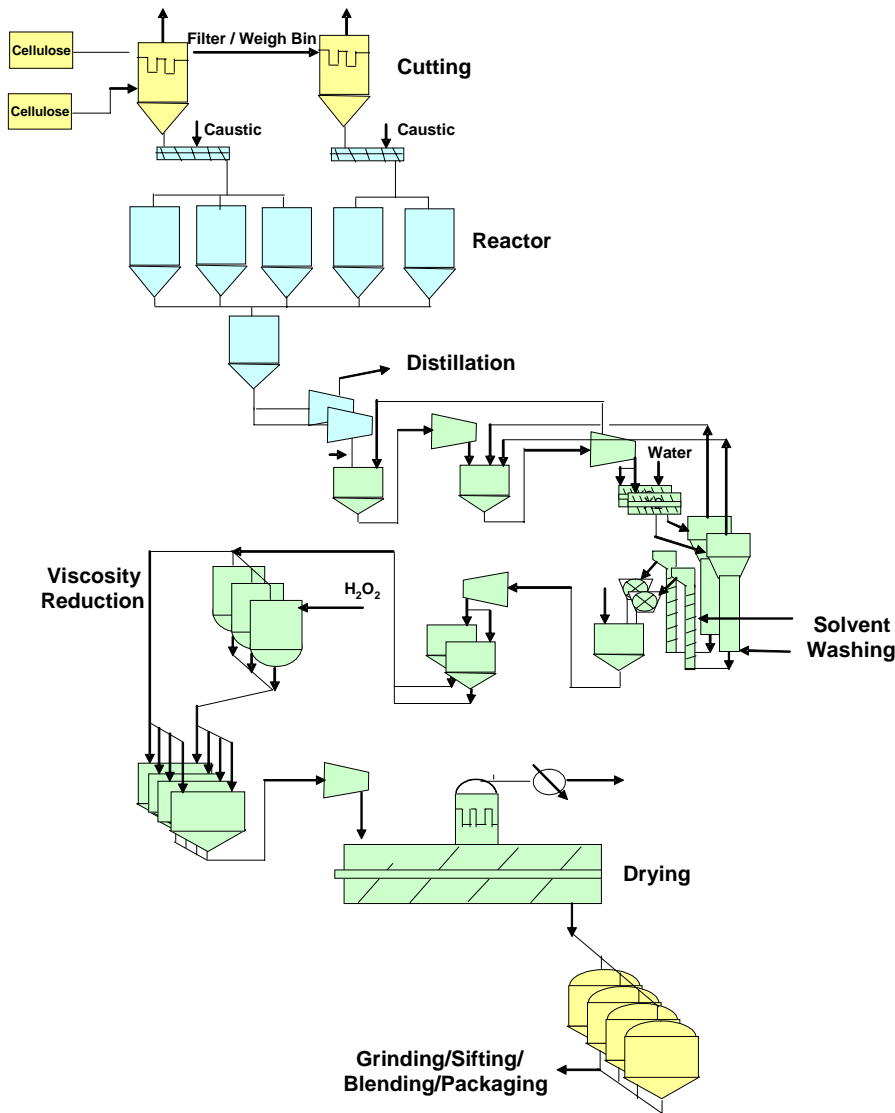
Water Retention



Core of the Business ... How We Make Money

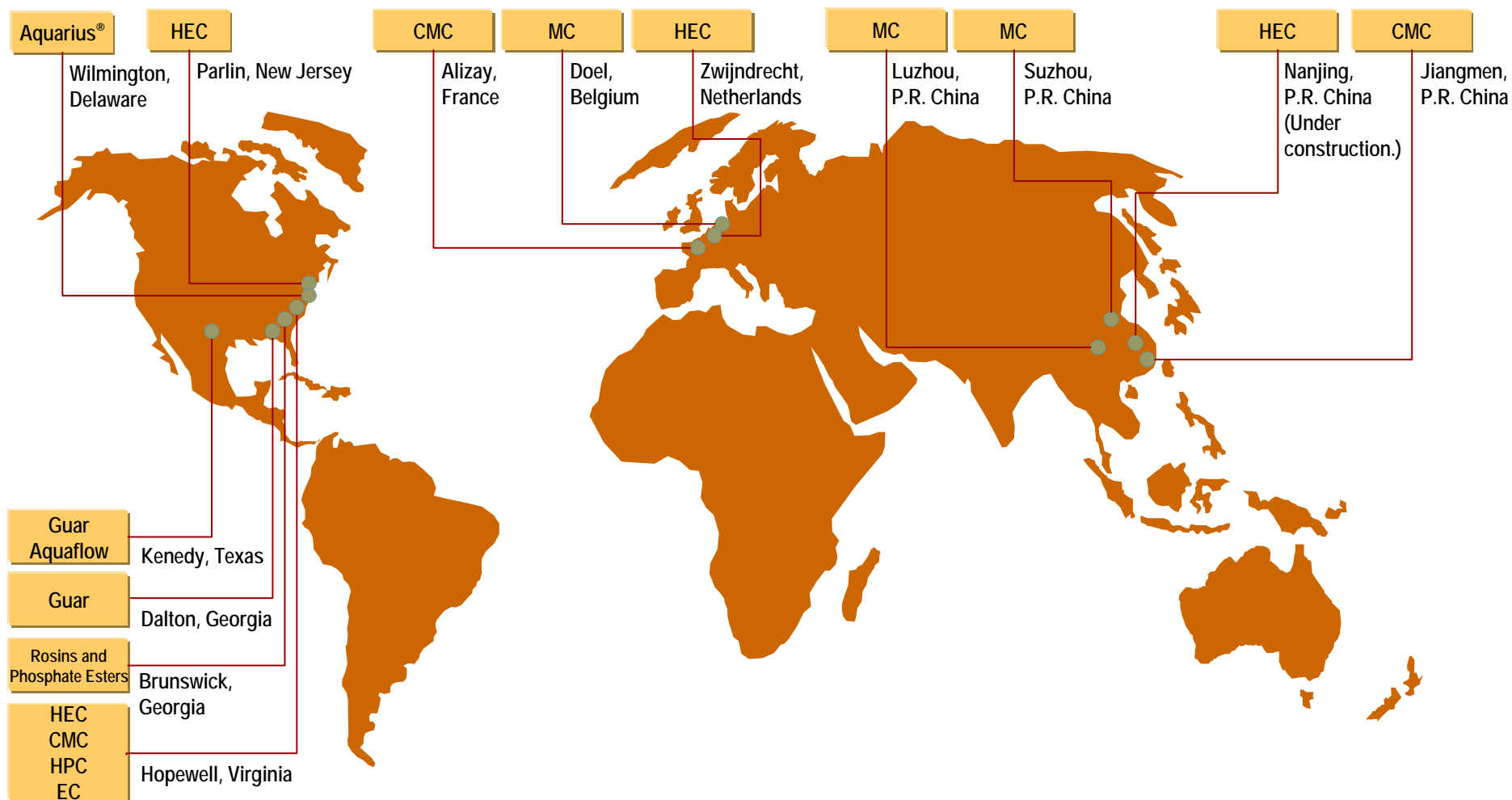


How We Make Our Products



- Cellulose is cut from sheets/rolls into fine particles
- Cellulose is air-conveyed to reactor and swollen with caustic
- Ethylene oxide, propylene oxide or other reactants impart water-solubility
- Solvent recycled via distillation
- Viscosity reduction and purification
- Hot-air drying
- Grinding to control dissolution rate, dry blending, packing into bags/sacks

Global Manufacturing Footprint



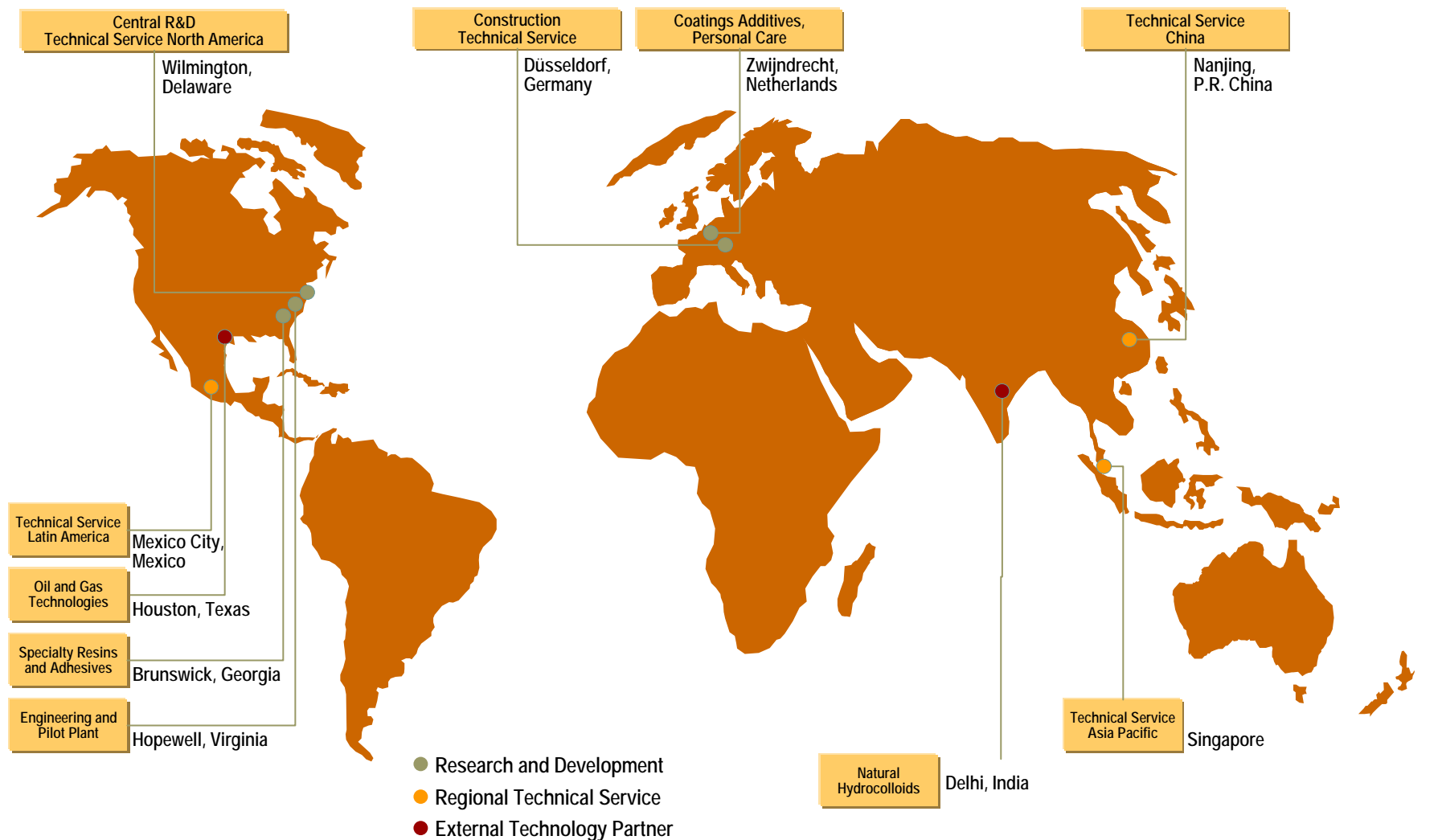
Facilities and Processes

- Eleven world-class manufacturing facilities including one joint venture
- New 10,000MT HEC facility under construction
- Low-cost facilities
- Combination of batch and continuous processes – 24/7 operations
- All facilities ISO-certified, well-maintained and in compliance with stringent EH&S guidelines
- Capital intensive



Zwinjdrecht, Netherlands

Global Technology Footprint



Growth Strategy

- Follow Responsible Care* principles to ensure that safety and environmental excellence are core values
- Expand Ashland Aqualon Functional Ingredients' portfolio of water-soluble polymers while adding complementary adjacent technologies that enable us to provide broader solutions to meet our customers' formulation needs globally

Ashland Aqualon Functional Ingredients Strategies

Core Organic

- ▶ Geographic expansion
 - China, Russia, India, Japan and South America
- ▶ Accelerate new product introductions
- ▶ Productivity ... cost/unit reduction
- ▶ Pricing leadership
- ▶ Capital investment consistent with growth

Adjacent Organic

- ▶ Commercialize existing programs ... film coatings, phosphate esters and redispersible powders
- ▶ Launch adjacent technologies consistent with strategic direction
- ▶ Align resources (capital and work force) to deliver this growth

Acquisition

- ▶ Accelerate growth via bolt-on acquisitions ... good opportunities and consistent with the strategy

Solutions Offering ... How We Win!

Voice of Customer

Solutions Mode

Broad portfolio of functional ingredients

Specialty Blends

A product customized to individual customer needs

Innovation

New products to solve clients' needs

Regulatory

Products that help customers solve their regulatory issues

Total Costs

Products and solutions to drive down the total cost of ownership

Current State

Core products in a narrow technology area ... rheology control, water retention, etc.

Future State ... Solutions Platform

Core products, plus additional functionality

- Broaden the rheology portfolio
- Adjacent functionality ... redispersible powders, antifoam, color, etc.
- Specialty blends
- Synthetic functionality
- Expand hydrocolloid functionality

Market Segmentation

Industry	Redefined Markets (estimated market size)	Targeted Markets (estimated market size)
Coatings Additives	\$2.3 billion	\$1.7 billion
Construction	\$6.2 billion	\$2.1 billion
Energy	\$1.0 billion	\$0.5 billion
Specialties Solutions	\$3.0 billion	\$1.9 billion
Regulated Industries		
Pharmaceutical	\$2.0 billion	\$1.0 billion
Personal Care	\$3.5 billion	\$1.4 billion
Food	\$5.8 billion	\$2.2 billion

Segmenting Our Markets to Develop Our Growth Strategy

Ashland Aqualon Functional Ingredients

Targeted Segments

Industry	Targeted Markets (estimated market size)	Targeted Segment
Coatings Additives	\$1.7 billion	Water-Based Architectural
Construction	\$2.1 billion	Dry Mortar and Gypsum
Energy	\$0.5 billion	Cementing and Stimulation
Specialties Solutions	\$1.9 billion	Civil Engineering and Ceramics
Regulated Industries		
Pharmaceutical	\$1.0 billion	Oral Dosage Binders and Coatings
Personal Care	\$1.4 billion	Hair Care Rheology and Conditioning
Food	\$2.2 billion	Bakery, Process Foods and Beverage

Targeting Segments to Focus and Align Resources

Targeted Segments

Industry

Coatings Additives

Construction

Energy

Specialties Solutions

Regulated Industries

Pharmaceutical

Personal Care

Food

Primary Target

Water-Based
(rheology, surfactants)

Dry Mortar and Gypsum

Cementing and
Stimulation

Civil Engineering
and Ceramics

Oral Dosage
(binders, coatings)

Hair Care
(rheology, conditioning)

Bakery, Process Foods
and Beverage

Future Target

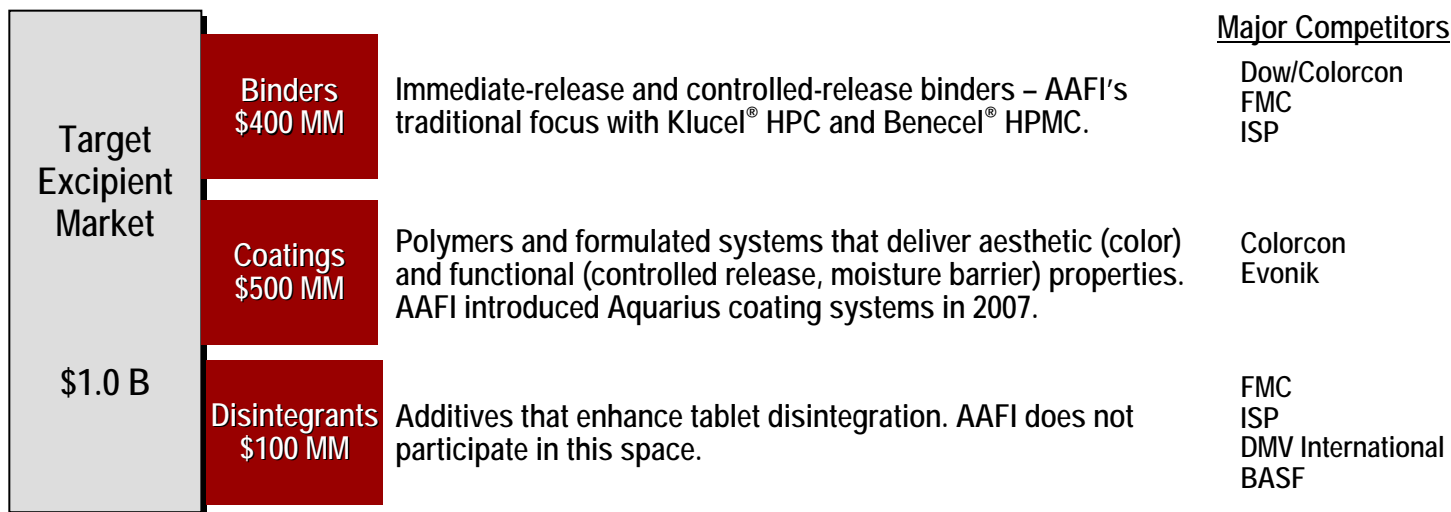
Industrial Coatings
Emulsion Polymerization

Concrete

Oral Dosage
(disintegrants)

Skin Care

Targeting Segments to Focus and Align Resources



Key Chemistries

- EC
- HEC
- HPC
- MC
- Film coatings

Key Challenges

- Long approval cycles for new formulations
- Pending patent expirations for key drugs
- Fragmented market

Health of Industry

- AAFI's highest-margin segment and relatively recession-resistant
- The growth of generics offers opportunity and threat

Buying Behavior

- The formulator is traditionally the decision maker
- Highly risk averse – compelling value proposition required to dislodge incumbents

Sources of Differentiation

- Products have a long history of effective performance
- Strong brand recognition with Klucel HPC
- Vertical integration strategy with Aquarius coating systems
- Strong position in the nutritional supplement industry

Economic Model and Path to Win

- Large industrial base needed for cost-effective excipient manufacturing
 - *Excipients are low-volume, high-value*
- Continue to optimize the customer mix: branded, generic, OTC and nutritional
- Continue to build mind-share with application studies, publications and frequent customer seminars
- Need to improve positioning in the emerging markets



Source: Internal estimates.

Coatings

The \$2.3 billion business of producing and marketing specialty additives for water-based architectural coatings.

Target
Additives
Market

\$1.7 B

Rheology
\$700 MM

Chemicals used to improve flow, leveling, water retention and anti-spatter.

Surfactants
\$300 MM

Chemicals used for surface wetting, dispersion of pigments, improved gloss and color stability.

Foam & pH
Control
\$400 MM

Chemicals used to neutralize and stabilize paint.

Preservatives
\$300 MM

Chemicals used to ensure long-term stability.

Major Competitors

Dow/Rohm & Haas
Akzo Nobel
SE Tylose

Dow/Rohm & Haas
Rhodia
Air Products

Cognis
BYK
Rhodia

Dow/Rohm & Haas
Arch

Key Chemistries

- HEC
- Synthetic (Aquaflow)
- Phosphate esters
- Antifoams

Key Challenges

- Weak global economy and paint demand
- Mature product lines contribute a lot of profit today
- Rate of growth of new product sales

Health of Industry

- Although current crisis hurts industry profitability, long-term prospects for growth are solid, especially as housing standards improve in developing world

Buying Behavior

- Most customers value technical excellence in products and technical service
- Customers prefer to align with strategic suppliers that are innovators and have broad portfolios

Sources of Differentiation

- Technical leadership and product performance
- Brand recognition
- Technical support and collaboration, including regional labs
- Global channel to market and depth of relationships with key commercial and technical decision makers

Economic Model and Path to Win

- Requires new products and strong regional technical service
- Must maintain premium/price leader status in key products, e.g., HEC
- Grow emerging markets via continued investment in people
- Grow via adjacencies that allow us to leverage our strong channel and bring more value with the "total solutions" approach
- Maintain HEC market leadership with technology and manufacturing capacity



Source: Internal estimates.

Personal Care

The \$3.5 billion business of producing and marketing specialty additives for the personal-care and cosmetics consumer markets.

Target
Specialty
Chemicals
Market

\$1.4 B

Conditioning
\$300 MM

Chemicals that are substantive to hair and skin and provide conditioning performance such as softness, smoothness and de-tangling.

Rheology
Control
\$300 MM

Chemicals used to provide flow control, formulation stabilization, syneresis-control and suspension of active ingredients in a wide variety of personal care compositions, including toothpaste, shampoos, shower gels, shaving gels and conditioners

Other
Specialty
Polymers
\$800 MM

Silicones, proteins and fixative polymers. AAFI does not participate in this space today.

Major Competitors

Rhodia
BASF
ISP

Dow
Noveon

Momentive
Dow Corning
BASF
ISP
Akzo

Key Chemistries

- CMC
- HEC
- Guar

Key Challenges

- 3- to 5-year development timeline
- Replacement of cationic chemistry with less eco-toxic molecules
- Competition from small, lower-priced suppliers in China and India

Sources of Differentiation

- Technical depth in focus areas
- Global account management
- Chemistry based on naturally occurring raw materials

Economic Model and Path to Win

- Must maintain premium/price leader status in key products, e.g., Natrosol HEC and Klucel HPC
- Follow multinational corporations into emerging regions and source the demand from local plants at price points required to win in these geographies
- Engage with multinational corporations at R&D level and focus R&D programs on a key few opportunities where AAFI is competitively positioned to win

Health of Industry

- Recession is hitting even P&G and Unilever hard as retailers manage to lower inventories and consumers switch to generics

Buying Behavior

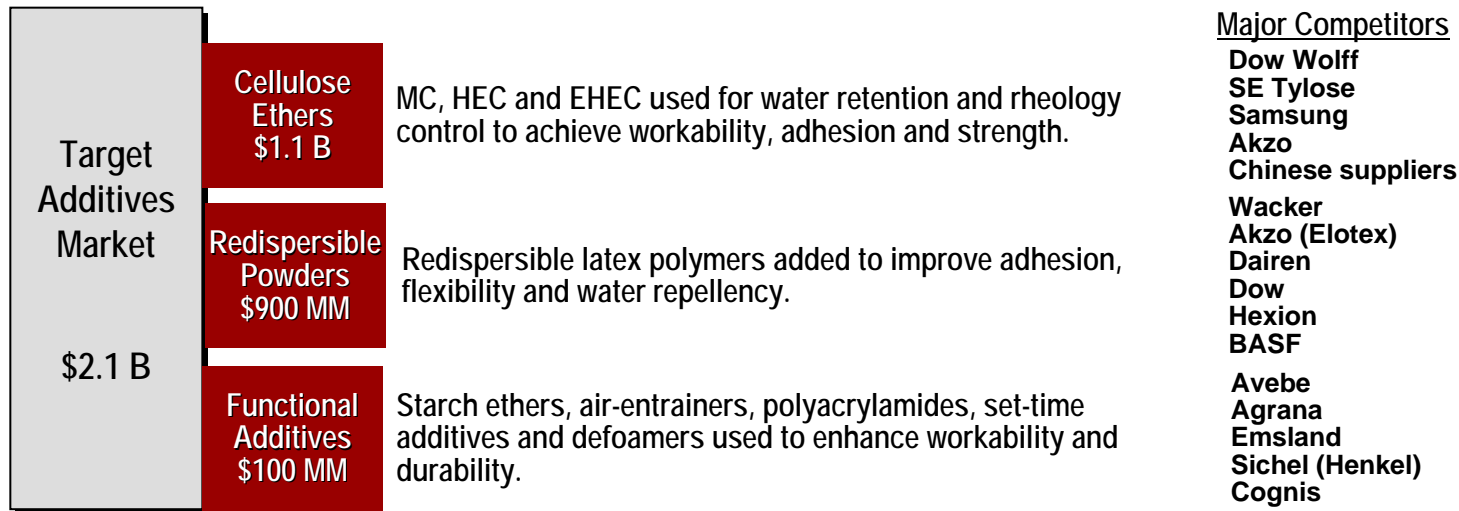
- Customers value technical excellence in products and product support
- Customers value interaction and input to their R&D processes



Source: Internal estimates.

Construction

The \$6.2 billion business of producing and marketing additives for the tile cement, gypsum and exterior insulation markets.



Key Chemistries

- MC
- Redispersible powders

Key Challenges

- Cellulose supply and costs
- Commoditization
- Mature vs. emerging markets
- Changing construction practice
- Cost vs. performance
- Regional needs

Health of Industry

- MC global demand has grown steadily over the past 10 years. Continued growth expected, but economic crisis has impacted this market
- Redispersible powders will continue to grow as more formulated products are developed and job-site mixing is reduced in emerging regions

Buying Behavior

- Customers value technical excellence in products and product support
- Customers expect just-in-time supply and formulation support

Sources of Differentiation

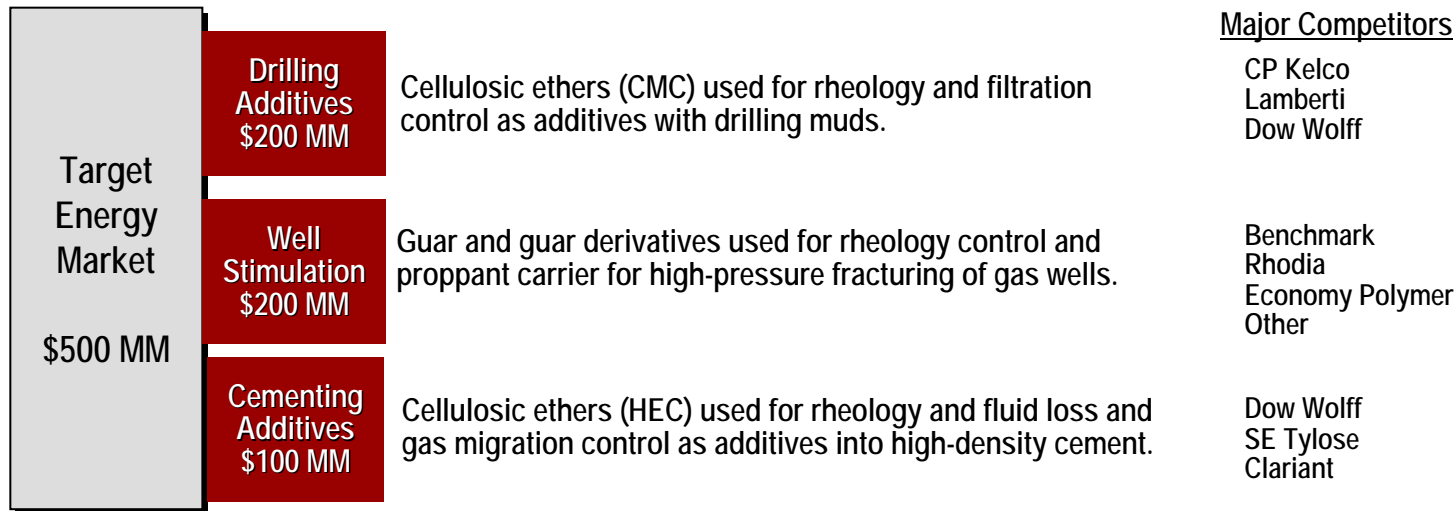
- Technical leadership and product performance
- Product portfolio scope
- Brand recognition
- Large-scale Chinese operations with high quality ... Tianpu joint venture
- First-mover abilities in establishing JDAs with key clients
- Global channel
- Sustainability



Source: Internal estimates.

Economic Model and Path to Win

- Tianpu joint venture to serve low-end and price-sensitive markets
- Must maintain premium/price leader status
- Grow in emerging markets via investment in plants/people to seed the market as technology advances
- Technology differentiation via formulation expertise
- Grow mature markets via adjacencies; however, need continuous product evolution to offer alternatives to lower-priced products



Key Chemistries

- CMC
- Guar

Key Challenges

- Current downturn in global oilfield market
- Global applications expertise
- Geographical expansion
- Emerging market competitors

Health of Industry

- Current downturn in market due to lower global price/demand for oil and natural gas. N. A. rig count down to levels last seen in 2004
- Industry turnaround expected 2010

Buying Behavior

- Customers value technical excellence in products and product support
- Customers expect to buy a full range of products from a single supplier
- Customers value suppliers with global reach both commercial and technical

Sources of Differentiation

- Innovative manufacturer of novel products
- Industry application expertise
- Broad portfolio of additives for drilling, stimulation and cementing
- Global manufacturing footprint

Economic Model and Path to Win

- Requires supply chain efficiency and ability to maintain local inventory near well sites
- Must maintain premium/price leader status in key products, e.g., cementing, synthetics
- Grow emerging markets via investment in plants/people
- Expand global applications expertise to support regional requirements by service companies

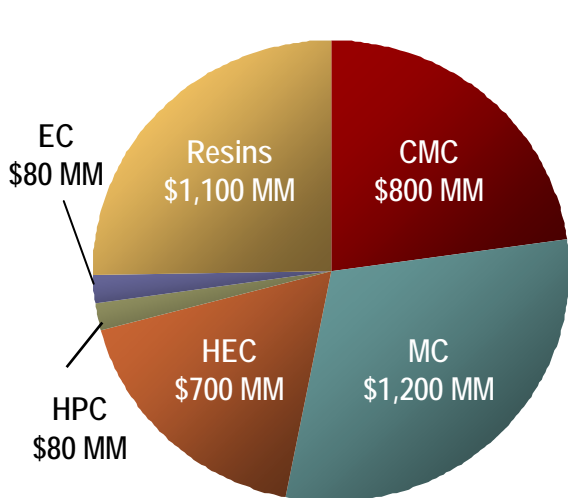


Source: Internal estimates.

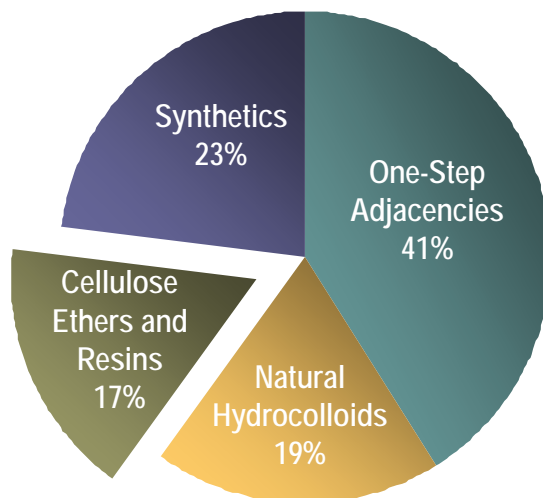
Grow the Core First ... Then Adjacencies

Core

(Water-Soluble Polymers)

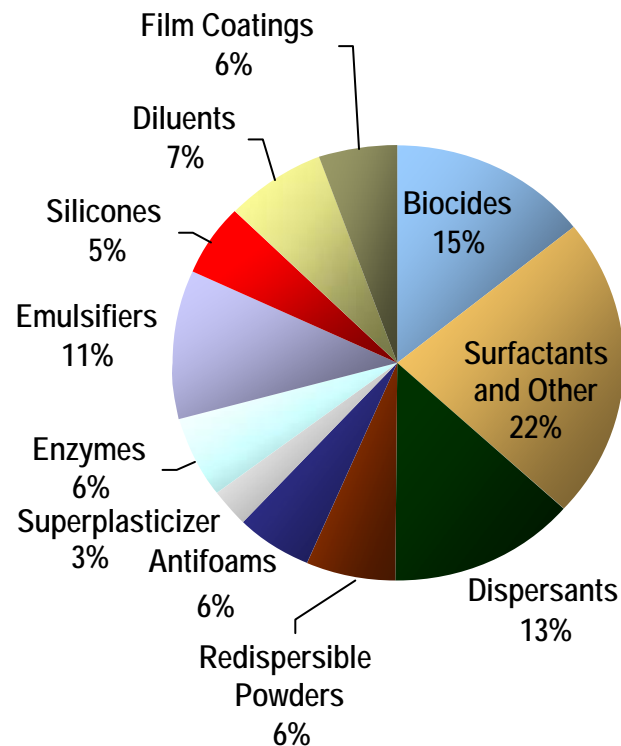


Total = \$4 Billion



Total = \$23 Billion

One-Step Adjacencies



Total = \$9 Billion

Significant Potential for Growth

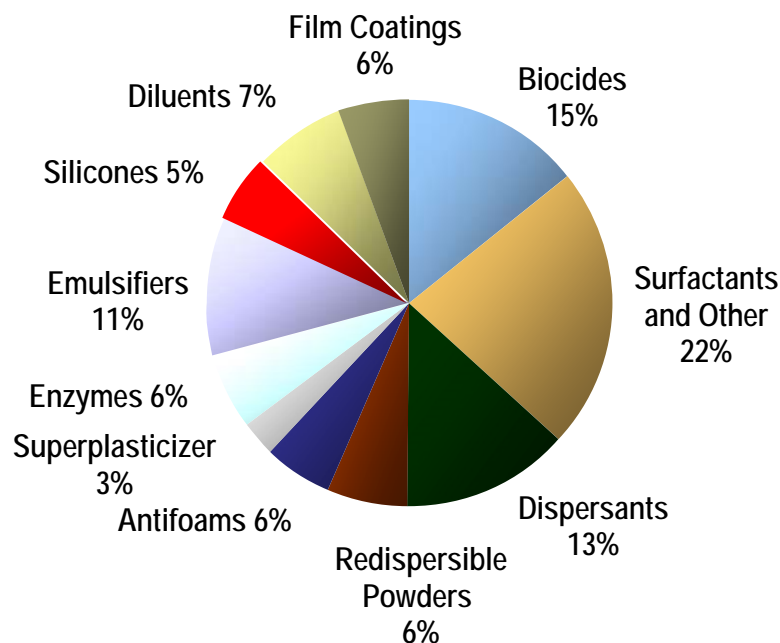
Products by Industry Segment

	AAFI 2008 (MT)	Food	Pharma	Personal Care	Energy	Construction	Specialties Solutions	Coatings Additives
HEC	42,000		L	L	M	L	L	H
CMC	55,000	H		M	H		M	L
MC	39,000	M	L			H	M	
EC	900		L				H	
HPC	1,900		H				L	
Guar	53,900	M		M	H	L		
Polyterpene Resin	31,500			L			H	
Film Coatings	100		H					
Redispersible Powders	300					H		
Synthetic (Aquaflow)	600				L			H
Phosphate Esters	1,000							H
Antifoams	200					L	M	H

Relative Consumption: H = High, M = Medium, L= Low

Adjacent Products Selection Criteria

One-Step Adjacencies



Total = \$9 Billion

- ✓ Market size and growth rate
- ✓ Channel strategy
- ✓ Target existing customer base
- ✓ Competitive landscape
- ✓ Intellectual-property landscape
- ✓ Technical capability requirements
- ✓ Relative cost position vs. market leader
- ✓ Value chain analysis
- ✓ Regulatory environment and trends
- ✓ Formulation expertise
- ✓ Voice-of-customer interviews

Ashland Aqualon Functional Ingredients Strategies

Core Organic

- ▶ Geographic expansion
 - China, Russia, India, Japan and South America
- ▶ Accelerate new product introductions
- ▶ Productivity ... cost/unit reduction
- ▶ Pricing leadership
- ▶ Capital investment consistent with growth

Adjacent Organic

- ▶ Commercialize existing programs ... film coatings, phosphate esters and redispersible powders
- ▶ Launch adjacent technologies consistent with strategic direction
- ▶ Align resources (capital and work force) to deliver this growth

Acquisition

- ▶ Accelerate growth via bolt-on acquisitions ... good opportunities and consistent with the strategy



KeyBanc Analyst Day
August 14, 2009

Formula for growth.



Investment Highlights

- Among top 10 specialty chemicals companies worldwide
 - Diversified business portfolio serving wide range of end markets
 - Leading market positions across platform
- Strong emphasis on cash flow generation and debt pay-down
 - Reduced debt by \$616 million in eight months since Hercules acquisition
- Over-delivering on cost-reduction program
 - Achieved \$287 million in total Ashland run-rate savings at June 30, three months ahead of plan
 - Total Hercules run-rate synergies of \$130 million by fiscal year-end 2010
- Additional sources of cash available
 - Working capital, auction rate securities, divestitures
- Management committed to conservative financing structure
 - Total leverage of 2.4x
 - Aim to achieve investment-grade credit statistics within 12 months
- Equity market capitalization of approximately \$2.0 billion
- Experienced management team



Abbreviations

AAFI = Ashland Aqualon Functional Ingredients

AHWT = Ashland Hercules Water Technologies

BWT = Boiler Water Treatment(s)

C&I = Commercial & Institutional

CMC = Carboxymethylcellulose

CWT = Cooling Water Treatment(s)

EC = Ethylcellulose

EH&S = Environmental, Health & Safety

EMEA = Europe, Middle East, Africa

FTEs = Full-time employees

HEC = Hydroxyethylcellulose

HPC = Hydroxypropylcellulose

MB = Microbiocide(s)

MC = Methylcellulose

PAM = Polyacrylamide(s)

RDP = Redispersible powders

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