

ASHLAND INC.  
Form 10-Q  
April 30, 2015

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

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FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

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.

(a Kentucky corporation)  
I.R.S. No. 20-0865835

50 E. RiverCenter Boulevard  
P.O. Box 391  
Covington, Kentucky 41012-0391  
Telephone Number (859) 815-3333

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 Web site, 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 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

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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 Exchange Act).

Yes  No

At March 31, 2015, there were 67,576,297 shares of Registrant’s Common Stock outstanding.

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(In millions except per share data - unaudited)	Three months ended		Six months ended		
	March 31		March 31		
	2015	2014	2015	2014	
Sales	\$1,350	\$1,545	\$2,741	\$2,977	
Cost of sales	925	1,168	1,906	2,216	
Gross profit	425	377	835	761	
Selling, general and administrative expense	203	370	429	605	
Research and development expense	25	36	50	63	
Equity and other income (loss)	(4	) (35	) 6	(14	)
Operating income (loss)	193	(64	) 362	79	
Net interest and other financing expense	40	41	81	83	
Net gain (loss) on divestitures	(33	) 1	(118	) 6	
Income (loss) from continuing operations before income taxes	120	(104	) 163	2	
Income tax expense (benefit) - Note I	25	(43	) 27	(25	)
Income (loss) from continuing operations	95	(61	) 136	27	
Income from discontinued operations (net of tax) - Note C	129	17	121	39	
Net income (loss)	\$224	\$(44	) \$257	\$66	
<b>PER SHARE DATA</b>					
Basic earnings per share - Note L					
Income (loss) from continuing operations	\$1.40	\$(0.78	) \$1.97	\$0.35	
Income from discontinued operations	1.90	0.21	1.76	0.50	
Net income (loss)	\$3.30	\$(0.57	) \$3.73	\$0.85	
Diluted earnings per share - Note L					
Income (loss) from continuing operations	\$1.39	\$(0.78	) \$1.95	\$0.35	
Income from discontinued operations	1.87	0.21	1.73	0.49	
Net income (loss)	\$3.26	\$(0.57	) \$3.68	\$0.84	
<b>DIVIDENDS PAID PER COMMON SHARE</b>	<b>\$0.34</b>	<b>\$0.34</b>	<b>\$0.68</b>	<b>\$0.68</b>	
<b>COMPREHENSIVE INCOME (LOSS)</b>					
Net income (loss)	\$224	\$(44	) \$257	\$66	
Other comprehensive income (loss), net of tax - Note M					
Unrealized translation gain (loss)	(255	) (25	) (382	) 14	
Pension and postretirement obligation adjustment	(6	) (5	) (11	) (9	)

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Other comprehensive income (loss)	(261	) (30	) (393	) 5
Comprehensive income (loss)	\$(37	) \$(74	) \$(136	) \$71

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions - unaudited)	March 31 2015	September 30 2014
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$911	\$1,393
Accounts receivable (a)	1,046	1,202
Inventories - Note F	714	765
Deferred income taxes	121	118
Other assets	110	83
Total current assets	2,902	3,561
Noncurrent assets		
Property, plant and equipment		
Cost	4,061	4,275
Accumulated depreciation	1,898	1,861
Net property, plant and equipment	2,163	2,414
Goodwill - Note G	2,480	2,643
Intangibles - Note G	1,188	1,309
Restricted investments - Note A	300	—
Asbestos insurance receivable - Note K	193	433
Equity and other unconsolidated investments	69	81
Other assets	501	510
Total noncurrent assets	6,894	7,390
Total assets	\$9,796	\$10,951
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term debt - Note H	\$233	\$329
Current portion of long-term debt - Note H	9	9
Trade and other payables	500	674
Accrued expenses and other liabilities	508	675
Total current liabilities	1,250	1,687
Noncurrent liabilities		
Long-term debt - Note H	2,943	2,942
Employee benefit obligations - Note J	1,415	1,468
Asbestos litigation reserve - Note K	677	701
Deferred income taxes	51	110
Other liabilities	441	460
Total noncurrent liabilities	5,527	5,681
Commitments and contingencies - Note K		
Stockholders' equity	3,019	3,583
Total liabilities and stockholders' equity	\$9,796	\$10,951

(a) Accounts receivable includes an allowance for doubtful accounts of \$13 million at March 31, 2015 and September 30, 2014, respectively.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES  
STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

(In millions - unaudited)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	(a) Total
BALANCE AT SEPTEMBER 30, 2014	\$1	\$—	\$3,475	\$107	\$3,583
Total comprehensive income (loss)			257	(393)	(136)
Regular dividends, \$.68 per common share			(46)		(46)
Common shares issued under stock incentive and other plans (b)		23	(8)		15
Repurchase of common shares (c)			(397)		(397)
BALANCE AT MARCH 31, 2015	\$1	\$23	\$3,281	\$(286)	\$3,019

(a) At March 31, 2015 and September 30, 2014, the after-tax accumulated other comprehensive loss of \$286 million and gain of \$107 million, respectively, was comprised of unrecognized prior service credits as a result of certain employee benefit plan amendments of \$48 million and \$59 million, respectively, and net unrealized translation loss of \$334 million and gain of \$48 million, respectively.

(b) Common shares issued were 359,086 for the six months ended March 31, 2015 and includes the impact of the modification of certain performance shares. See Note N of the Notes to Condensed Consolidated Financial Statements for further information.

(c) Common shares repurchased were 3,078,136 for the six months ended March 31, 2015. See Note M of the Notes to Condensed Consolidated Financial Statements.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES  
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS

(In millions - unaudited)	Six months ended	
	March 31 2015	2014
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Net income	\$257	\$66
Income from discontinued operations (net of tax)		