

REFINITIV

DELTA REPORT

10-Q

ASH - ASHLAND INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1230
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 CHANGES	366
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 DELETIONS	321
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 ADDITIONS	543
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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 December March 31, 2023 2024

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 333-211719

ASHLAND INC.

(a Delaware corporation)

I.R.S. No. 81-2587835

8145 Blazer Drive

Wilmington, Delaware 19808

Telephone Number (302) 995-3000

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

Title of each class

Trading Symbol

Name of each exchange on which registered

Common Stock, par value \$0.01 per share

ASH

New York Stock Exchange

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

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

☒

Accelerated Filer

☐

Non-Accelerated Filer



Smaller Reporting Company



Emerging Growth Company



If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At **December 31, 2023** **March 31, 2024**, there were **50,094,986** **50,127,444** shares of Registrant's Common Stock outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)

	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
(In millions except per share data - unaudited)	2023	2022	2024	2023	2024	2023
Sales	\$ 473	\$ 525	\$ 575	\$ 603	\$ 1,048	\$ 1,128
Cost of sales	375	360	414	406	789	766
Gross profit	98	165	161	197	259	362
Selling, general and administrative expense	83	93	106	79	189	172
Research and development expense	12	13	14	12	26	25
Intangibles amortization expense - Note F	21	23	20	23	40	46
Equity and other income	2	1	—	—	2	1
Loss on acquisitions and divestitures, net	(2)	—	—	—	(2)	—
Operating income (loss)	(18)	37				
Operating income	21	83	4	120		
Net interest and other income	(24)	(14)				
Net interest and other expense (income)	2	(10)	(21)	(24)		
Other net periodic benefit loss - Note J	2	1	2	2	4	3
Income from continuing operations before income taxes	4	50	17	91	21	141
Income tax expense (benefit) - Note I	(24)	8	(104)	(1)	(128)	7
Income from continuing operations	28	42	121	92	149	134
Loss from discontinued operations, net of income taxes - Note B	(2)	(2)	(1)	(1)	(2)	(2)
Net income	\$ 26	\$ 40	\$ 120	\$ 91	\$ 147	\$ 132

PER SHARE DATA						
Basic earnings per share - Note L						
Income from continuing operations	\$ 0.54	\$ 0.77	\$ 2.43	\$ 1.71	\$ 2.95	\$ 2.47
Loss from discontinued operations	(0.03)	(0.03)	(0.01)	(0.01)	(0.04)	(0.04)
Net income	<u>\$ 0.51</u>	<u>\$ 0.74</u>	<u>\$ 2.42</u>	<u>\$ 1.70</u>	<u>\$ 2.91</u>	<u>\$ 2.43</u>
Diluted earnings per share - Note L						
Income from continuing operations	\$ 0.54	\$ 0.76	\$ 2.40	\$ 1.68	\$ 2.92	\$ 2.43
Loss from discontinued operations	(0.03)	(0.03)	(0.01)	(0.01)	(0.04)	(0.04)
Net income	<u>\$ 0.51</u>	<u>\$ 0.73</u>	<u>\$ 2.39</u>	<u>\$ 1.67</u>	<u>\$ 2.88</u>	<u>\$ 2.39</u>
COMPREHENSIVE INCOME						
Net income	\$ 26	\$ 40	\$ 120	\$ 91	\$ 147	\$ 132
Other comprehensive income (loss), net of tax						
Unrealized translation gain	54	82				
Unrealized loss on commodity hedges	(1)	(4)				
Other comprehensive income - Note M	<u>53</u>	<u>78</u>				
Unrealized translation gain (loss)	(27)	27	27	109		
Unrealized gain (loss) on commodity hedges	<u>1</u>	<u>(3)</u>	<u>—</u>	<u>(7)</u>		
Other comprehensive income (loss) - Note M	<u>(26)</u>	<u>24</u>	<u>27</u>	<u>102</u>		
Comprehensive income	<u>\$ 79</u>	<u>\$ 118</u>	<u>\$ 94</u>	<u>\$ 115</u>	<u>\$ 174</u>	<u>\$ 234</u>

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

2

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31	September 30	March 31	September 30
(In millions - unaudited)	2023	2023	2024	2023
ASSETS				
Current assets				
Cash and cash equivalents	\$ 440	\$ 417	\$ 439	\$ 417
Accounts receivable ^(a) - Note G	194	338	260	338
Inventories - Note E	588	626	550	626
Other assets	<u>143</u>	<u>125</u>	<u>178</u>	<u>125</u>
Total current assets	<u>1,365</u>	<u>1,506</u>	<u>1,427</u>	<u>1,506</u>

Noncurrent assets				
Property, plant and equipment				
Cost	3,277	3,211	3,299	3,211
Accumulated depreciation	1,910	1,838	1,959	1,838
Net property, plant and equipment	1,367	1,373	1,340	1,373
Goodwill - Note F	1,396	1,362	1,379	1,362
Intangibles - Note F	875	886	851	886
Operating lease assets, net - Note H	123	122	117	122
Restricted investments - Note D	315	290	306	290
Asbestos insurance receivable ^(b) - Note K	124	127	121	127
Deferred income taxes	45	22	150	22
Other assets	256	251	257	251
Total noncurrent assets	4,501	4,433	4,521	4,433
Total assets	\$ 5,866	\$ 5,939	\$ 5,948	\$ 5,939
LIABILITIES AND EQUITY				
Current liabilities				
Short-term debt - Note G	\$ —	\$ 16	\$ —	\$ 16
Trade and other payables	202	210	207	210
Accrued expenses and other liabilities	190	208	225	208
Current operating lease obligations - Note H	22	22	21	22
Total current liabilities	414	456	453	456
Noncurrent liabilities				
Long-term debt - Note G	1,341	1,314	1,328	1,314
Asbestos litigation reserve - Note K	412	427	399	427
Deferred income taxes	148	148	148	148
Employee benefit obligations - Note J	98	100	97	100
Operating lease obligations - Note H	107	106	101	106
Other liabilities	293	291	288	291
Total noncurrent liabilities	2,399	2,386	2,361	2,386
Commitments and contingencies - Note K				
Stockholders' equity - Note M	3,053	3,097	3,134	3,097
Total liabilities and stockholders' equity	\$ 5,866	\$ 5,939	\$ 5,948	\$ 5,939

(a) Accounts receivable includes an allowance for credit losses of \$3 million at both December 31, 2023 March 31, 2024 and September 30, 2023.

(b) Asbestos insurance receivable includes an allowance for credit losses of \$2 million \$2 million at both December 31, 2023 March 31, 2024 and September 30, 2023.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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

	Three months ended December 31		Six months ended March 31	
(In millions - unaudited)	2023	2022	2024	2023
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS				
Net income	\$ 26	\$ 40	\$ 147	\$ 132
Loss from discontinued operations, net of income taxes	2	2	2	2
Adjustments to reconcile income from continuing operations to cash flows from operating activities:				
Depreciation and amortization	77	59	160	120
Original issue discount and debt issuance costs amortization	1	1	3	3
Deferred income taxes	(30)	7	(136)	15
Stock based compensation expense	1	7	7	12
Excess tax benefit on stock-based compensation	—	1	—	2
Income from restricted investments	(35)	(26)	(47)	(48)
Asset impairments	—	4	—	4
Pension contributions	(8)	(1)	(11)	(3)
Change in operating assets and liabilities ^(a)	167	(123)	130	(212)
Total cash flows provided (used) by operating activities from continuing operations	201	(29)		
Total cash flows provided by operating activities from continuing operations	255	27		
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS				
Additions to property, plant and equipment	(36)	(23)	(70)	(58)
Proceeds from settlement of Company-owned life insurance contracts	—	2	—	3
Company-owned life insurance payments	(1)	(1)	(1)	(1)
Funds restricted for specific transactions	(5)	(5)	(5)	(5)
Other investing cash flows	(10)	—		
Reimbursements from restricted investments	16	—	37	16
Proceeds from sale of securities	9	—	20	15
Purchases of securities	(9)	—	(20)	(15)
Total cash flows used by investing activities from continuing operations	(26)	(27)	(49)	(45)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS				
CASH FLOWS USED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS				
Repurchase of Common Stock	(100)	—	(100)	(142)
Repayment of short-term debt	(16)	—	(16)	—
Cash dividends paid	(20)	(18)	(39)	(36)
Stock based compensation employee withholding taxes paid in cash	(3)	(9)	(4)	(10)
Total cash flows used by financing activities from continuing operations	(139)	(27)	(159)	(188)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	36	(83)	47	(206)
Cash used by discontinued operations				
Operating cash flows	(14)	(34)	(27)	(47)
Total cash used by discontinued operations	(14)	(34)	(27)	(47)

Effect of currency exchange rate changes on cash and cash equivalents

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS - END OF PERIOD

1	3	2	6
23	(114)	22	(247)
417	646	417	646
\$ 440	\$ 532	\$ 439	\$ 399

(a)

Excludes changes resulting from operations acquired, sold or held for sale.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

4

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting ("U.S. GAAP") and Securities and Exchange Commission ("SEC") regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. These statements omit certain information and footnote disclosures required for complete annual financial statements and, therefore, should be read in conjunction with the Ashland Inc. and consolidated subsidiaries ("Ashland" or the "Company") Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Results of operations for the period ended **December 31, 2023** **March 31, 2024** are not necessarily indicative of the expected results for the remainder of the fiscal year.

Ashland is comprised of the following reportable segments: Life Sciences, Personal Care, Specialty Additives and Intermediates. Unallocated and Other includes corporate governance activities and certain legacy matters. For additional information about Ashland's reportable segments, see Note P.

Use of estimates, risks and uncertainties

The preparation of Ashland's Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues 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, environmental remediation, asbestos litigation, the accounting for goodwill and other indefinite-lived intangible assets and income taxes. 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.

Ashland's results are affected by domestic and international economic, political, legislative, regulatory and legal actions. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, government fiscal policies and changes in the prices of certain key raw materials, can have a significant effect on operations. While Ashland maintains reserves for anticipated liabilities and carries various levels of insurance, Ashland could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings relating to asbestos, environmental remediation, income taxes or other matters.

New accounting pronouncements

A description of new U.S. GAAP accounting standards issued or adopted during the current year is required in interim financial reporting. A detailed listing of new accounting standards relevant to Ashland is included in the Annual Report on Form 10-K for the fiscal year ended September 30, 2023. There were no new standards that were either issued or adopted in the current fiscal year that will have a material impact on Ashland's Condensed Consolidated Financial Statements.

NOTE B – DISCONTINUED OPERATIONS

Ashland has divested certain businesses that have qualified as discontinued operations. The operating results from these divested businesses and subsequent adjustments related to ongoing assessments of certain retained liabilities and tax items have been recorded within the discontinued operations caption in the Statements of Consolidated Comprehensive Income (Loss) for all periods presented.

The following divested businesses represent disposal groups that qualified as discontinued operations in previous periods and impacted discontinued operations for the three and six months ended **December 31, 2023**, **March 31, 2024** and **2022**, **2023**:

- The Performance Adhesives business divested in 2022;
- The Composites business and Marl facility (Composites/Marl facility) divested in 2019;
- The separation of Valvoline Inc. (Valvoline) business divested in 2017; and
- The sale of the Ashland Distribution (Distribution) business divested in 2011.

Additionally, 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

5

Riley Stoker Corporation, a former subsidiary, which qualified as a discontinued operation and from the acquisition during 2009 of Hercules LLC (formerly Hercules Incorporated), an indirect wholly-owned subsidiary of Ashland. Adjustments to the recorded litigation reserves and related insurance receivables are recorded within the discontinued operations caption. See Note K for more information related to the adjustments on asbestos liabilities and receivables.

Components of amounts reflected in the Statements of Consolidated Comprehensive Income (Loss) related to discontinued operations are presented in the following table for the three and six months ended **December 31, 2023**, **March 31, 2024** and **2022**, **2023**.

	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
	2023	2022	2024	2023	2024	2023
(In millions)						
Loss from discontinued operations, net of income taxes						
Income (loss) from discontinued operations, net of income taxes						
Performance Adhesives	\$ (3)	\$ (1)	\$ —	\$ —	\$ (3)	\$ —
Asbestos-related litigation	1	—				
Composites/Marl facility	(2)	(1)	(1)	(1)		
Distribution	—	(1)	(1)	—	—	(1)
Valvoline	2	—	2	—		

\$	(2)	\$	(2)	\$	(1)	\$	(1)	\$	(2)	\$	(2)
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NOTE C – RESTRUCTURING ACTIVITIES

Ashland periodically implements restructuring programs related to acquisitions, divestitures and other cost reduction programs in order to enhance profitability through streamlined operations and an improved overall cost structure.

Fiscal 2024 and 2023 restructuring costs

During fiscal 2023, Ashland implemented targeted organizational restructuring actions to reduce costs. This program continued into fiscal 2024.

Severance costs

Ashland recorded severance expense of \$318 million and zero during the three months ended December 31, 2023 and March 31, 2024 and 2022, 2023 and \$21 million and zero during the six months ended March 31, 2024 and 2023, respectively, within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income (Loss). As of December 31, 2023 and September 30, 2023 and March 31, 2024, the severance reserve liability associated with this program was \$320 million and is recorded within accrued expenses and other liabilities in the Consolidated Balance Sheets.

The following table details at December 31, 2023, March 31, 2024 the amount of restructuring severance reserves related to this program.

(In millions)	Severance costs	Severance reserves
Balance at of September 30, 2023	\$ 3	\$ 3
Restructuring reserve	3	
Severance expense	21	
Utilization (cash paid)	(3)	(4)
Balance at December 31, 2023	\$ 3	
Balance at March 31, 2024	\$ 20	

Plant optimization actions

During the three and six months ended December 31, 2023 and March 31, 2024, Ashland incurred \$2127 million and \$49 million, respectively, of accelerated depreciation for product line optimization activities associated with a two Specialty Additives manufacturing facility, facilities, which was recorded within the cost of goods sold sales caption of the Statements of Consolidated Comprehensive Income (Loss). Ashland's portfolio optimization actions include the consolidation of Ashland's carboxymethylcellulose (CMC) and industrial methylcellulose (MC) capacity and rebalancing of the hydroxyethylcellulose (HEC) network.

Fiscal 2023 Life Sciences restructuring program

During the three months ended December 31, 2022, Ashland implemented a restructuring program within the Nutraceuticals business of the Life Sciences segment. Ashland recorded severance expense of \$1 million during the three months ended December 31, 2022, within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income (Loss). As of December 31, 2023 and September 30, 2023 and March 31, 2024, the severance reserve associated with this program was zero.

NOTE D – FAIR VALUE MEASUREMENTS

Ashland uses applicable guidance for defining fair value, the initial recording and periodic remeasurement of certain assets and liabilities measured at fair value and related disclosures for instruments measured at fair value. Fair value accounting guidance establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement.

For assets that are measured using quoted prices in active markets (Level 1), the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs (Level 2) are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability. For all other assets and liabilities for which unobservable inputs are used (Level 3), fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models that Ashland deems reasonable.

The following table summarizes financial instruments subject to recurring fair value measurements as of **December 31, 2023** **March 31, 2024**.

(In millions)	Quoted prices in active markets for identical assets					Significant other observable inputs					Significant unobservable inputs				
	Carrying value	Total fair value	Level 1	Level 2	Level 3	Carrying value	Total fair value	Level 1	Level 2	Level 3	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets															
Cash and cash equivalents	\$ 440	\$ 440	\$ 440	\$ —	\$ —	\$ 439	\$ 439	\$ 439	\$ —	\$ —	\$ 439	\$ 439	\$ 439	\$ —	\$ —
Restricted investments ^{(a)(b)}	392	392	392	—	—	383	383	383	—	—	383	383	383	—	—
Investment of captive insurance company ^(c)	7	7	7	—	—	8	8	8	—	—	8	8	8	—	—
Foreign currency derivatives ^(d)	1	1	—	1	—	—	—	—	—	—	—	—	—	—	—
Total assets at fair value	\$ 840	\$ 840	\$ 839	\$ 1	\$ —	\$ 830	\$ 830	\$ 830	\$ —	\$ —	\$ 830	\$ 830	\$ 830	\$ —	\$ —
Liabilities															
Commodity derivatives ^(e)	5	5	—	5	—	—	—	—	—	—	—	—	—	—	—
Foreign currency derivatives ^(d)	\$ 1	\$ 1	\$ —	\$ 1	\$ —	—	—	—	—	—	—	—	—	—	—
Commodity derivatives ^(d)	4	4	—	4	—	—	—	—	—	—	—	—	—	—	—
Total liabilities at fair value	\$ 5	\$ 5	\$ —	\$ 5	\$ —	\$ 5	\$ 5	\$ —	\$ 5	\$ —	\$ 5	\$ 5	\$ —	\$ 5	\$ —

(a) Included in Includes \$306 million within restricted investments and \$77 million within other current assets in the Condensed Consolidated Balance Sheets.

(b) Includes \$258 255 million related to the Asbestos trust and \$134 128 million related to the Environmental trust.

(c) Included in other noncurrent assets in the Condensed Consolidated Balance Sheets.

(d) Included in accounts receivable in the Condensed Consolidated Balance Sheets.

(e) Included in accrued expenses and other liabilities in the Condensed Consolidated Balance Sheets.

The following table summarizes financial asset instruments subject to recurring fair value measurements as of September 30, 2023.

(In millions)	Carrying value	Total fair value	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Assets					
Cash and cash equivalents	\$ 417	\$ 417	\$ 417	\$ —	\$ —
Restricted investments ^{(a)(b)}	367	367	367	—	—
Investment of captive insurance company ^(c)	6	6	6	—	—
Foreign currency derivatives ^(d)	1	1	—	1	—
Total assets at fair value	<u>\$ 791</u>	<u>\$ 791</u>	<u>\$ 790</u>	<u>\$ 1</u>	<u>\$ —</u>
Liabilities					
Foreign currency derivatives ^(e)	\$ 1	\$ 1	\$ —	\$ 1	\$ —
Commodity derivatives ^(e)	4	4	—	4	—
Total liabilities at fair value	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ —</u>

(a) Included in Includes \$290 million within restricted investments and \$77 million within other current assets in the Condensed Consolidated Balance Sheets.

(b) Includes \$243 million related to the Asbestos trust and \$124 million related to the Environmental trust.

(c) Included in other noncurrent assets in the Condensed Consolidated Balance Sheets.

(d) Included in accounts receivable in the Condensed Consolidated Balance Sheets.

(e) Included in accrued expenses and other liabilities in the Condensed Consolidated Balance Sheets.

Restricted investments

Ashland maintains certain investments in company restricted renewable annual trusts for the purpose of paying future asbestos indemnity and defense costs and future environmental remediation and related litigation costs. The financial instruments are designated as investment securities, classified as Level 1 measurements within the fair value hierarchy. These securities were classified primarily as noncurrent restricted investment assets, with \$77 million classified within other current assets, in the Condensed Consolidated Balance Sheets at both **December 31, 2023** **March 31, 2024** and September 30, 2023.

The following table presents gross unrealized gains and losses for the restricted securities as of **December 31, 2023** **March 31, 2024** and September 30, 2023:

(In millions)	Gross		Gross		Gross		Gross	
	Adjusted Cost	Unrealized Gain	Unrealized Loss	Fair Value	Adjusted Cost	Unrealized Gain	Unrealized Loss	Fair Value

As of December 31, 2023									
As of March 31, 2024									
Demand deposit	\$ 16	\$ —	\$ —	\$ 16	\$ 9	\$ —	\$ —	\$ 9	
Equity mutual fund	147	36	—	183	141	46	—	187	
Fixed income mutual fund	226	—	(33)	193	223	—	(36)	187	
Fair value	<u>\$ 389</u>	<u>\$ 36</u>	<u>\$ (33)</u>	<u>\$ 392</u>	<u>\$ 373</u>	<u>\$ 46</u>	<u>\$ (36)</u>	<u>\$ 383</u>	
As of September 30, 2023									
Demand deposit	\$ 12	\$ —	\$ —	\$ 12	\$ 12	\$ —	\$ —	\$ 12	
Equity mutual fund	155	24	(2)	177	155	24	(2)	177	
Fixed income mutual fund	226	—	(48)	178	226	—	(48)	178	
Fair value	<u>\$ 393</u>	<u>\$ 24</u>	<u>\$ (50)</u>	<u>\$ 367</u>	<u>\$ 393</u>	<u>\$ 24</u>	<u>\$ (50)</u>	<u>\$ 367</u>	

8

The following table presents the investment income, net gains and losses realized, funds restricted for specific transactions, and disbursements related to the investments within the restricted investments portfolio for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023	2022	2024	2023	2024	2023
Investment income ^(a)	\$ 5	\$ 4	\$ 3	\$ 3	\$ 9	\$ 6
Net gains ^(a)	31	21	9	19	39	41
Funds restricted for specific transactions	5	5	—	—	5	5
Disbursements	(16)	—	(21)	(16)	(37)	(16)

(a) Included in the net interest and other income expense (income) caption within the Statements of Consolidated Comprehensive Income (Loss).

Foreign currency derivatives

Ashland conducts business in a variety of foreign currencies. Accordingly, Ashland regularly uses foreign currency derivative instruments to manage exposure on certain transactions denominated in foreign currencies to curtail potential earnings volatility effects of certain assets and liabilities, including short-term intercompany loans, denominated in currencies other than Ashland's functional currency of an entity. These derivative contracts generally require exchange of one foreign currency for another at a fixed rate at a future date and generally have maturities of less than twelve months. All contracts are valued at fair value with net changes in fair value recorded within the selling, general and administrative expense caption. The impacts of these contracts were largely offset by gains and losses resulting from the impact of changes in exchange rates on transactions denominated in non-functional currencies.

The following table summarizes the gains and losses recognized during the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 within the Statements of Consolidated Comprehensive Income (Loss).

(In millions)	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023	2022	2024	2023	2024	2023
Foreign currency derivative gains	\$ 3	\$ 8				
Foreign currency derivative gains (losses)	\$ (2)	\$ 1	\$ 1	\$ 9		

The following table summarizes the fair values of the outstanding foreign currency derivatives as of December 31, 2023 March 31, 2024 and September 30, 2023 included in accounts receivable and accrued expenses and other liabilities of the Condensed Consolidated Balance Sheets.

(In millions)	December 31		September 30		March 31		September 30	
	2023	2023	2023	2023	2024	2024	2023	2023
Foreign currency derivative assets	\$ 1	\$ 1	\$ —	\$ 1				
Notional contract values	173	147	40	147				
Foreign currency derivative liabilities	\$ —	\$ 1	\$ 1	\$ 1				
Notional contract values	17	103	198	103				

Commodity derivatives

To manage its exposure to the market price volatility of natural gas consumed by its U.S. plants during the manufacturing process, Ashland regularly enters into forward contracts that are designated as cash flow hedges.

The following table summarizes the net gains and losses recognized during the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 within the cost of sales caption of the Statements of Consolidated Comprehensive Income (Loss).

(In millions)	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023	2022	2024	2023	2024	2023
Commodity derivative gains (losses)	\$ (1)	\$ 1				
Commodity derivative losses	\$ (2)	\$ (1)	\$ (3)	\$ —		

The following table summarizes the fair values of the outstanding commodity derivatives as of December 31, 2023 March 31, 2024, and September 30, 2023 included in accounts receivable and accrued expenses and other liabilities of the Condensed Consolidated

Balance Sheets.

	December 31		September 30		March 31		September 30	
(In millions)	2023		2023		2024		2023	
Commodity derivative assets	\$	—	\$	—	\$	—	\$	—
Notional contract values				2		1		2
Commodity derivative liabilities	\$	5	\$	4	\$	4	\$	4
Notional contract values		14		16		14		16

Other financial instruments

At **December 31, 2023** **March 31, 2024** and September 30, 2023, Ashland's long-term debt (including the current portion and excluding debt issuance cost discounts) had a carrying value of **\$1,354** **1,340** million and \$1,327 million, respectively, compared to a fair value of **\$1,279** **1,266** million and \$1,160 million, respectively. The fair values of long-term debt are based on quoted market prices.

NOTE E – INVENTORIES

Inventories are carried at the lower of cost or net realizable value. Inventories are stated at cost using the weighted-average cost method. This method values inventories using average costs for raw materials and most recent production costs for labor and overhead.

The following table summarizes Ashland's inventories as of the reported Condensed Consolidated Balance Sheets dates.

	December 31		September 30		March 31		September 30	
(In millions)	2023		2023		2024		2023	
Finished products	\$	376	\$	390	\$	352	\$	390
Raw materials, supplies and work in process		212		236		198		236
	\$	588	\$	626	\$	550	\$	626

NOTE F – GOODWILL AND OTHER INTANGIBLES

Goodwill

Ashland tests goodwill and other indefinite-lived intangible assets for impairment annually as of July 1 and when events and circumstances indicate an impairment may have occurred.

No indicators of impairment were identified in the three **and six** months ended **December 31, 2023** **March 31, 2024**.

The following is a progression of goodwill by reportable segment for the **three six** months ended **December 31, 2023** **March 31, 2024**.

	Life					Life				
(In millions)	Sciences	Personal Care ^(a)	Specialty Additives ^(a)	Intermediates ^(a)	Total	Sciences	Personal Care ^(a)	Specialty Additives ^(a)	Intermediates ^(a)	Total
Balance at September 30, 2023	\$ 819	\$ 122	\$ 421	\$ —	\$ 1,362	\$ 819	\$ 122	\$ 421	\$ —	\$ 1,362
Currency translation	21	2	11	—	34	11	1	5	—	17
Balance at December 31, 2023	\$ 840	\$ 124	\$ 432	\$ —	\$ 1,396					
Balance at March 31, 2024	\$ 830	\$ 123	\$ 426	\$ —	\$ 1,379					

- (a) As of December 31, 2023 March 31, 2024 and September 30, 2023, there were accumulated impairments of \$356 million, \$174 million and \$90 million related to the Personal Care, Specialty Additives and Intermediates reportable segments, respectively.

10

Other intangible assets

Intangible assets principally consist of trademarks and trade names, intellectual property and customer and supplier relationships. Intangible assets classified as finite are amortized on a straight-line basis over their estimated useful lives. The cost of trademarks and trade names is amortized principally over 3 to 20 years, intellectual property over 3 to 20 years, and customer and supplier relationships over 10 to 24 years.

Ashland annually reviews, as of July 1, indefinite-lived intangible assets for possible impairment or whenever events or changes in circumstances indicate that carrying amounts may not be recoverable.

No indicators of impairment were identified in the three and six months ended December 31, 2023 March 31, 2024.

Other intangible assets were comprised of the following as of December 31, 2023 March 31, 2024 and September 30, 2023.

(In millions)	December 31, 2023			September 30, 2023			March 31, 2024			September 30, 2023		
	Gross		Net	Gross		Net	Gross		Net	Gross		Net
	carrying amount	Accumulated amortization	carrying amount	carrying amount	Accumulated amortization	carrying amount	carrying amount	Accumulated amortization	carrying amount	carrying amount	Accumulated amortization	carrying amount
Definite-lived intangibles												
Trademarks and trade names	\$ 99	\$ (44)	\$ 55	\$ 97	\$ (43)	\$ 54	\$ 98	\$ (45)	\$ 53	\$ 97	\$ (43)	\$ 54
Intellectual property	741	(598)	143	731	(581)	150	736	(602)	134	731	(581)	150
Customer and supplier relationships	835	(436)	399	821	(417)	404	827	(441)	386	821	(417)	404
Total definite-lived intangibles	1,675	(1,078)	597	1,649	(1,041)	608	1,661	(1,088)	573	1,649	(1,041)	608
Indefinite-lived intangibles												
Trademarks and trade names	278	—	278	278	—	278	278	—	278	278	—	278

Total intangible assets	\$ 1,953	\$ (1,078)	\$ 875	\$ 1,927	\$ (1,041)	\$ 886	\$ 1,939	\$ (1,088)	\$ 851	\$ 1,927	\$ (1,041)	\$ 886
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Amortization expense recognized on intangible assets was \$21 million and \$23 million for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and \$40 million and \$46 million for the six months ended March 31, 2024 and 2023, respectively, and is included in the intangibles amortization expense caption of the Statements of Consolidated Comprehensive Income (Loss). Estimated amortization expense for future periods is \$79 million in 2024 (includes three six months actual and nine six months estimated), \$77 million in 2025, \$75 million in 2026, \$53 million in 2027 and \$50 million in 2028. Actual amounts may change from such estimated amounts due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions and divestitures, potential impairment, accelerated amortization, or other events.

NOTE G – DEBT AND OTHER FINANCING ACTIVITIES

The following table summarizes Ashland's current and long-term debt as of the dates reported in the Condensed Consolidated Balance Sheets.

(In millions)	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
3.375% Senior Notes, due 2031	\$ 450	\$ 450	\$ 450	\$ 450
2.00% Senior Notes, due 2028 (Euro 500 million principal)	554	528	540	528
6.875% notes, due 2043	282	282		
6.50% junior subordinated notes, due 2029	64	64		
6.875% Notes, due 2043	282	282		
6.50% Junior Subordinated Notes, due 2029	65	64		
Other ^(a)	(9)	6	(9)	6
Total debt	1,341	1,330	1,328	1,330
Short-term debt	—	16	—	16
Long-term debt (less debt issuance costs)	\$ 1,341	\$ 1,314	\$ 1,328	\$ 1,314

(a) Other includes \$12 million and \$13 million of debt issuance costs as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively. The current portion of the long-term debt was zero for both December 31, 2023 March 31, 2024 and September 30, 2023.

The scheduled aggregate maturities to 2028 for long-term debt by year (including the current portion and excluding debt issuance costs) are as follows as of December 31, 2023 March 31, 2024: zero in the next 3 years, \$4 million in 2027, and \$554 540 million in 2028.

Accounts Receivable Facilities and Off-Balance Sheet Arrangements

U.S. Accounts Receivable Sales Program

Ashland continues to maintain its U.S. Accounts Receivable Sales Program, which was entered into during fiscal 2021. Ashland accounts for the receivables transferred to buyers as sales. Ashland recognizes any gains or losses based on the excess of proceeds received net of buyer's discounts and fees compared to the carrying value of the assets. Proceeds received, net of buyer's discounts and fees, are recorded within the operating activities of the Statements of Condensed Consolidated Cash Flows. Losses on sale of assets, including related transaction expenses are recorded within the net interest and other **income expense (income)** caption of the Statements of Consolidated Comprehensive Income (Loss). Ashland regularly assesses its servicing obligations and records them as assets or liabilities when appropriate. Ashland also monitors its obligation with regards to the limited guarantee and records the resulting guarantee liability when warranted. When applicable, Ashland discloses the amount of the receivable that serves as over-collateralization as a restricted asset.

Ashland recognized a loss of **\$1 million and less than \$1 million** within the Statements of Consolidated Comprehensive Income (Loss) for the three months ended **December 31, 2023** **March 31, 2024** and **2022** **2023**, respectively, and **\$2 million and \$1 million** for the **six months ended March 31, 2024 and 2023**, respectively, within the net interest and other **income expense (income)** caption associated with sales under the program. Ashland has recorded **\$78.4** million in sales at **December 31, 2023** **March 31, 2024** against the buyer's limit, which was \$100 million at **December 31, 2023** **March 31, 2024** compared to \$86 million of sales at September 30, 2023 against the buyer's limit, which was \$115 million at September 30, 2023. Ashland transferred **\$99.1** million and \$106 million in receivables to the special purpose entity as of **December 31, 2023** **March 31, 2024** and September 30, 2023, respectively. Ashland recorded liabilities related to its service obligations and limited guarantee as of **December 31, 2023** **March 31, 2024** and September 30, 2023 of less than \$1 million.

As of **December 31, 2023** **March 31, 2024** and **2022** **2023**, the year-to-date gross cash proceeds received for receivables transferred and derecognized were **\$85.174** million and **\$49.99** million, respectively, of which **\$77.159** million and **\$68.122** million were collected, which includes collections from sales in prior years transferred to the buyer. The difference between receivables transferred and derecognized versus collected of **\$8.15** million and **\$19.22** million for the periods ended **December 31, 2023** **March 31, 2024** and **2022** **2023**, respectively, represents the impact of a net increase and a net reduction in accounts receivable sales volume during each period, respectively.

2018 Foreign Accounts Receivable Securitization Facility

In October 2023, Ashland terminated its 2018 Foreign Accounts Receivable Securitization Facility. The program had no outstanding borrowings at its termination. This program did not meet criteria for sale accounting and was reported as secured borrowing under ASC 860. At September 30, 2023, the outstanding amount of accounts receivable transferred by Ashland to the purchaser was \$124 million.

Foreign Accounts Receivable Sales Program

On October 19, 2023, Ashland entered, through an Ireland based, wholly-owned, bankruptcy-remote consolidated special purpose entity (the "SPE"), into a three-year agreement with a group of entities (buyers) to sell certain trade receivables, without recourse beyond the pledged receivables, of certain wholly-owned Ashland subsidiaries (Foreign Accounts Receivable Sales **Programs**) **Program** primarily in Europe. Under the agreement, Ashland can transfer whole receivables up to a limit established by the buyer, which is currently set at €125 million. Ashland's continuing involvement is limited to servicing the receivables, including billing, collections and remittance of payments to the buyers as well as a limited guarantee on over-collateralization.

Ashland determined that any receivables transferred under this agreement are put presumptively beyond the reach of Ashland and its creditors, even in bankruptcy or other receivership. Ashland received true sale at law and non-consolidation opinions from independent qualified legal advisors in the jurisdiction of each originating subsidiary to support the legal isolation of these receivables. Consequently, Ashland accounts for receivables transferred to buyers as part of this agreement as sales.

Through December 31, 2023 March 31, 2024, Ashland has sold \$102 122 million in receivables under this agreement. Accordingly, Ashland recognized \$1 million and \$2 million in losses within the net interest and other income expense (income) caption of the Statements of Consolidated Income (Loss) for the three and six months ended December 31, 2023 March 31, 2024, respectively. Ashland recorded \$102 122 million in sales and gross proceeds received against the buyer's limit, which was \$102 122 million at December 31, 2023 March 31, 2024. Ashland transferred \$147 168 million in receivables to the SPE as of December 31, 2023 March 31, 2024. Ashland recorded less than \$1 million in liabilities related to its service obligations and limited guarantee as of December 31, 2023 March 31, 2024.

12

Available borrowing capacity and liquidity

The borrowing capacity remaining under the 2022 Credit Agreement was \$596 million, which reflects the full \$600 million Revolving Credit Facility less a reduction of \$4 million for letters of credit outstanding as of December 31, 2023 March 31, 2024. Ashland's total borrowing capacity at December 31, 2023 March 31, 2024 was \$596 million.

Ashland had no zero of available liquidity under its current U.S. and Foreign Accounts Receivable Sales Programs as of December 31, 2023 March 31, 2024.

Covenants related to current Ashland debt agreements

Ashland's debt contains usual and customary representations, warranties and affirmative and negative covenants, including financial covenants for leverage and interest coverage ratios, limitations on liens, additional subsidiary indebtedness, restrictions on subsidiary distributions, investments, mergers, sale of assets and restricted payments and other customary limitations. As of December 31, 2023 March 31, 2024, Ashland is in compliance with all debt agreement covenant restrictions.

The maximum consolidated net leverage ratio permitted under Ashland's current credit agreement (the 2022 Credit Agreement) is 4.0. At December 31, 2023 March 31, 2024, Ashland's calculation of the consolidated net leverage ratio was 2.1.

The minimum required consolidated interest coverage ratio under the 2022 Credit Agreement during its entire duration is 3.0. At December 31, 2023 March 31, 2024, Ashland's calculation of the interest coverage ratio was 7.6 7.3.

NOTE H – LEASING ARRANGEMENTS

The components of lease cost recognized within the Statements of Consolidated Comprehensive Income (Loss) were as follows:

	Three months ended December 31				Three months ended March 31		Six months ended March 31	
(In millions)	Location	2023	2022	Location	2024	2023	2024	2023
Lease cost:								
Operating lease cost	Selling, General & Administrative ^(a)	\$ 4	\$ 3	Selling, General & Administrative ^(a)	\$ 3	\$ 3	\$ 7	\$ 6
Operating lease cost	Cost of Sales	3	3	Cost of Sales	4	4	7	8
Variable lease cost	Selling, General & Administrative	1	1	Selling, General & Administrative	2	1	3	2
Variable lease cost	Cost of Sales	1	2	Cost of Sales	1	1	2	2
Short-term leases	Cost of Sales	1	1	Cost of Sales	—	1	1	1
Total lease cost		<u>\$ 10</u>	<u>\$ 10</u>		<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 20</u>	<u>\$ 19</u>

- (a) Includes a zero and \$1 million charge charges for the impairment of an abandoned right of use office building asset for the three and six months ended December 31, 2023, March 31, 2024, respectively.

13

Right-of-use assets exchanged for new operating lease obligations were \$12 million and \$220 million for the three months ended December 31, 2023, March 31, 2024 and 2022, 2023, respectively, and \$3 million and \$23 million for the six months ended March 31, 2024 and 2023, respectively. During the second quarter of fiscal 2024, Ashland acquired a favorable lease asset for \$10 million, which was recorded in the property, plant and equipment caption of the Condensed Consolidated Balance Sheets as of March 31, 2024.

The following table provides cash paid for amounts included in the measurement of operating lease liabilities:

	Three months ended December 31		Three months ended March 31		Six months ended March 31	
(In millions)	2023	2022	2024	2023	2024	2023
Operating cash flows from operating leases	\$ 7	\$ 7	\$ 7	\$ 6	\$ 14	\$ 13
Investing cash flows from finance leases	10	—	10	—		

NOTE I – INCOME TAXES

Current fiscal year

Ashland's effective tax rate in any interim period is subject to adjustments related to discrete items and the mix of domestic and foreign operating results. The overall effective tax rate was a benefit of 600 612% and 610% for the three and six months ended December 31, 2023, March 31, 2024.

The current quarter's tax rate was impacted by jurisdictional income mix, as well as a net \$24102 million from favorable tax discrete items primarily related to changes in foreign tax reform related activity.

13

Prior fiscal year

The overall effective tax rate was 16% for the three months ended December 31, 2022. The prior year quarter's current six month tax rate was impacted by jurisdictional income mix, as well as net \$1126 million from favorable tax discrete items, items primarily related to changes in foreign tax activity.

Prior fiscal year

The overall effective tax rate was a benefit of 1% and 5% for the three and six months ended March 31, 2023. The quarter tax rate was impacted by jurisdictional income mix, as well as net \$20 million from favorable tax discrete items primarily related to changes in uncertain tax positions. The six months tax rate was impacted by jurisdictional income mix, as well as net \$23 million from favorable tax discrete items primarily related to changes in uncertain tax positions resulting primarily from a combination of state expirations and audit settlements.

Unrecognized tax benefits

Changes in unrecognized tax benefits are summarized as follows for the **three six** months ended **December 31, 2023** **March 31, 2024**.

(In millions)		
Balance at October 1, 2023	\$ 59	\$ 59
Increases related to positions taken in prior years	3	2
Decreases related to positions taken in prior years	(1)	
Increases related to positions taken in current year	3	
Lapse of statute of limitations	(1)	(1)
Balance at December 31, 2023	<u>\$ 61</u>	
Balance at March 31, 2024	<u>\$ 62</u>	

From a combination of statute expirations and audit settlements in the next twelve months, Ashland expects a decrease in the amount of accrual for uncertain tax positions of between \$4 million and \$5 million for continuing operations. For the remaining balance as of **December 31, 2023** **March 31, 2024**, it is reasonably possible that there could be material changes to the amount of uncertain tax positions due to activities of the taxing authorities, settlement of audit issues, reassessment of existing uncertain tax positions or the expiration of applicable statute of limitations; however, Ashland is not able to estimate the impact of these items at this time.

14

NOTE J - EMPLOYEE BENEFIT PLANS

Plan contributions

For the **three six** months ended **December 31, 2023** **March 31, 2024**, Ashland contributed **\$46** million to its non-U.S. pension plans and **\$45** million to its U.S. pension plans. Ashland expects to make additional contributions of **\$21** million to its U.S. pension plans and **\$42** million to its non-U.S. pension plans during the remainder of fiscal 2024.

Components of net periodic benefit costs (income)

The following table details the components of pension and other postretirement benefit costs for continuing operations.

(In millions)	Pension benefits		Other postretirement benefits		Pension benefits		Other postretirement benefits	
	2023	2022	2023	2022	2024	2023	2024	2023
Three months ended December 31								
Three months ended March 31								
Service cost	\$ 1	\$ 1	\$ —	\$ —				
Interest cost	2	3	1	1				
Expected return on plan assets	(1)	(2)	—	—				
Total net periodic benefit costs	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 1</u>				
Six months ended March 31								
Service cost	\$ 1	\$ 1	\$ —	\$ —	\$ 1	\$ 2	\$ —	\$ —
Interest cost	3	3	1	—	7	6	1	1

Expected return on plan assets	(2)	(2)	—	—	(4)	(4)	—	—
Total net periodic benefit costs	\$ 2	\$ 2	\$ 1	\$ —	\$ 4	\$ 4	\$ 1	\$ 1

For segment reporting purposes, service cost is proportionately allocated to each segment, excluding the Unallocated and other segment, and is recorded within the selling, general and administrative expense and cost of sales captions on the Statements of Consolidated Comprehensive Income (Loss). All other components are recorded within the other net periodic benefit loss caption on the Statements of Consolidated Comprehensive Income (Loss), which netted to expense of \$2 million and \$14 million for the three and six months ended December 31, 2023 March 31, 2024, respectively, and 2022, expense of \$2 million and \$3 million for the three and six months ended March 31, 2023, respectively.

14

NOTE K – LITIGATION, CLAIMS AND CONTINGENCIES

Asbestos litigation

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims result from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley) and the acquisition of Hercules in November 2008. Although Riley, a former subsidiary, was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies. Hercules, an indirect wholly-owned subsidiary of Ashland, has liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims typically arise from alleged exposure to asbestos fibers from resin encapsulated pipe and tank products sold by one of Hercules' former subsidiaries to a limited industrial market.

To assist in developing and annually updating independent reserve estimates for future asbestos claims and related costs given various assumptions for Ashland and Hercules asbestos claims, Ashland retained third party actuarial experts Gnarus. The methodology used by Gnarus to project future asbestos costs is based largely on recent experience, including claim-filing and settlement rates, disease mix, open claims and litigation defense. The claim experience of Ashland and Hercules are separately compared to the results of previously conducted third party epidemiological studies estimating the number of people likely to develop asbestos-related diseases. Those studies were undertaken in connection with national analyses of the population expected to have been exposed to asbestos. Using that information, Gnarus estimates a range of the number of future claims that may be filed, as well as the related costs that may be incurred in resolving those claims. Changes in asbestos-related liabilities and receivables are recorded on an after-tax basis within the discontinued operations caption in the Statements of Consolidated Comprehensive Income (Loss).

15

Ashland asbestos-related litigation

The claims alleging personal injury caused by exposure to asbestos asserted against Ashland result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley. The amount and timing of settlements and number of open claims can fluctuate from period to period. A summary of Ashland asbestos claims activity, excluding Hercules claims, follows.

(In thousands)	Three months ended					Six months ended				
	December 31		Years ended September 30			March 31		Years ended September 30		
	2023	2022	2023	2022	2021	2024	2023	2023	2022	2021
Open claims - beginning of year	42	44	44	46	49	42	44	44	46	49
New claims filed	1	1	2	2	2	1	1	2	2	2
Claims settled	—	—	(1)	(1)	(1)	—	—	(1)	(1)	(1)
Claims dismissed	(1)	(1)	(3)	(3)	(4)	(1)	(2)	(3)	(3)	(4)
Open claims - end of period	42	44	42	44	46	42	43	42	44	46

Ashland asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs. Ashland reviews this estimate and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 40-year model developed with the assistance of Gnarus.

During the most recent update completed in fiscal 2023, it was determined that the liability for Ashland asbestos-related claims should be increased by \$9 million. Total reserves for asbestos claims were \$271,263 million at December 31, 2023 March 31, 2024 compared to \$281 million at September 30, 2023.

15

A progression of activity in the asbestos reserve is presented in the following table.

(In millions)	Three months ended					Six months ended				
	December 31		Years ended September 30			March 31		Years ended September 30		
	2023	2022	2023	2022	2021	2024	2023	2023	2022	2021
Asbestos reserve - beginning of year	\$ 281	\$ 305	\$ 305	\$ 320	\$ 335	\$ 281	\$ 305	\$ 305	\$ 320	\$ 335
Reserve adjustment	—	—	9	16	12	—	—	9	16	12
Amounts paid	(10)	(13)	(33)	(31)	(27)	(18)	(20)	(33)	(31)	(27)
Asbestos reserve - end of period ^(a)	\$ 271	\$ 292	\$ 281	\$ 305	\$ 320	\$ 263	\$ 285	\$ 281	\$ 305	\$ 320

(a) Included \$28 million classified in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets as of December 31, 2023 March 31, 2024 and September 30, 2023.

Ashland asbestos-related receivables

Ashland has insurance coverage for certain litigation defense and claim settlement costs incurred in connection with its asbestos claims, and coverage-in-place agreements exist with the insurance companies that provide substantially all of the coverage that will be accessed.

For the Ashland asbestos-related obligations, Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent. Substantially all of the estimated receivables from insurance companies are expected to be due from domestic insurers, all of which are solvent.

At December 31, 2023 March 31, 2024, Ashland's receivable for recoveries of litigation defense and claim settlement costs from insurers amounted to \$93,91 million (excluding the Hercules receivable for asbestos claims discussed below) compared to \$95 million

at September 30, 2023. In fiscal 2023, the annual update of the model used for purposes of valuing the asbestos reserve and its impact on valuation of future recoveries from insurers was completed. This model update resulted in a \$3 million increase in the receivable for probable insurance recoveries.

16

A progression of activity in the Ashland insurance receivable is presented in the following table.

(In millions)	Three months ended					Six months ended				
	December 31		Years ended September 30			March 31		Years ended September 30		
	2023	2022	2023	2022	2021	2024	2023	2023	2022	2021
Insurance receivable - beginning of year	\$ 95	\$ 101	\$ 101	\$ 100	\$ 103	\$ 95	\$ 101	\$ 101	\$ 100	\$ 103
Receivable adjustment ^(a)	—	—	3	7	6	—	—	3	7	6
Amounts collected	(2)	(2)	(9)	(6)	(9)	(4)	(5)	(9)	(6)	(9)
Insurance receivable - end of period ^(b)	<u>\$ 93</u>	<u>\$ 99</u>	<u>\$ 95</u>	<u>\$ 101</u>	<u>\$ 100</u>	<u>\$ 91</u>	<u>\$ 96</u>	<u>\$ 95</u>	<u>\$ 101</u>	<u>\$ 100</u>

(a) 2021 includes a \$2 million reserve adjustment related to allowances for credit losses as a result of Ashland's adoption of the credit measurement standard. The total allowance for credit losses was \$1 million as of December 31, 2023, March 31, 2024 and September 30, 2023.

(b) Includes \$11 million classified in accounts receivable on the Condensed Consolidated Balance Sheets as of December 31, 2023, March 31, 2024 and September 30, 2023.

Hercules asbestos-related litigation

Hercules has liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims 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. The amount and timing of settlements and number of open claims can fluctuate from period to period. A summary of Hercules' asbestos claims activity follows.

(In thousands)	Three months ended					Six months ended				
	December 31		Years ended September 30			March 31		Years ended September 30		
	2023	2022	2023	2022	2021	2024	2023	2023	2022	2021
Open claims - beginning of year	12	11	11	12	12	12	11	11	12	12
New claims filed	—	—	1	1	1	1	1	1	1	1
Claims dismissed	—	—	—	(2)	(1)	(1)	—	—	(2)	(1)
Open claims - end of period	<u>12</u>	<u>11</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>11</u>	<u>12</u>

16

Hercules asbestos-related liability

From the range of estimates, Ashland records the amount it believes to be the best estimate of future payments for litigation defense and claim settlement costs. Ashland reviews this estimate, and related assumptions quarterly and annually updates the results of a non-inflated, non-discounted approximate 40-year model developed with the assistance of Gnarus. During the most recent update completed in fiscal 2023, it was determined that the liability for Hercules asbestos-related claims should be decreased by \$2 million. Total reserves for asbestos claims were \$186 million at December 31, 2023 March 31, 2024 compared to \$191 million at September 30, 2023.

A progression of activity in the asbestos reserve is presented in the following table.

(In millions)	Three months ended					Six months ended				
	December 31		Years ended September 30			March 31		Years ended September 30		
	2023	2022	2023	2022	2021	2024	2023	2023	2022	2021
Asbestos reserve - beginning of year	\$ 191	\$ 213	\$ 213	\$ 217	\$ 229	\$ 191	\$ 213	\$ 213	\$ 217	\$ 229
Reserve adjustments	—	—	(2)	15	8	—	—	(2)	15	8
Amounts paid	(5)	(4)	(20)	(19)	(20)	(11)	(8)	(20)	(19)	(20)
Asbestos reserve - end of period ^(a)	<u>\$ 186</u>	<u>\$ 209</u>	<u>\$ 191</u>	<u>\$ 213</u>	<u>\$ 217</u>	<u>\$ 180</u>	<u>\$ 205</u>	<u>\$ 191</u>	<u>\$ 213</u>	<u>\$ 217</u>

(a) Included \$16 million and \$17 million classified in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

Hercules asbestos-related receivables

For the Hercules asbestos-related obligations, certain reimbursement obligations pursuant to coverage-in-place agreements with insurance carriers exist. As a result, any increases in the asbestos reserve have been partially offset by probable insurance recoveries. Ashland has estimated the value of probable insurance recoveries associated with its asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage, including an assumption that all solvent insurance carriers remain solvent. The estimated receivable consists exclusively of solvent domestic insurers.

17

As of December 31, 2023 March 31, 2024, Ashland's receivable for recoveries of litigation defense and claims costs from insurers with respect to Hercules amounted to \$46 million compared to \$47 million at September 30, 2023. In fiscal 2023, the annual update of the model used for purposes of valuing the asbestos reserve and its impact on valuation of future recoveries from insurers was completed. This model update resulted in a decrease of \$3 million in the receivable for probable insurance recoveries.

A progression of activity in the Hercules insurance receivable is presented in the following table.

(In millions)	Three months ended					Six months ended				
	December 31		Years ended September 30			March 31		Years ended September 30		
	2023	2022	2023	2022	2021	2024	2023	2023	2022	2021
Insurance receivable - beginning of year	\$ 47	\$ 52	\$ 52	\$ 47	\$ 47	\$ 47	\$ 52	\$ 52	\$ 47	\$ 47
Receivable adjustment ^(a)	—	—	(3)	7	1	—	—	(3)	7	1
Amounts collected	(1)	(1)	(2)	(2)	(1)	(2)	(1)	(2)	(2)	(1)
Insurance receivable - end of period ^(b)	<u>\$ 46</u>	<u>\$ 51</u>	<u>\$ 47</u>	<u>\$ 52</u>	<u>\$ 47</u>	<u>\$ 45</u>	<u>\$ 51</u>	<u>\$ 47</u>	<u>\$ 52</u>	<u>\$ 47</u>

- (a) 2021 includes a \$1 million reserve adjustment related to allowances for credit losses as a result of Ashland's adoption of the credit measurement standard. The total allowance for credit losses was \$1 million as of December 31, 2023 March 31, 2024 and September 30, 2023.
- (b) Includes \$4 million classified in accounts receivable on the Condensed Consolidated Balance Sheets as of December 31, 2023 March 31, 2024 and September 30, 2023.

Asbestos litigation cost projection

Projecting future asbestos costs is subject to numerous variables that are difficult to predict. In addition to the uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant and the related costs incurred in resolving those claims, mortality rates, dismissal rates, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case. 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 the asbestos reserves for Ashland and Hercules 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. Ashland has currently estimated in various models ranging from approximately 40 year periods that it is reasonably possible that total future litigation defense and claim settlement costs on an inflated and undiscounted basis could range as high as approximately \$422 million for the Ashland asbestos-related litigation (current reserve of \$271.263 million) and approximately \$288 million for the Hercules asbestos-related litigation (current reserve of \$186.180 million), depending on the combination of assumptions selected in the various models. While the timeframe used in Ashland's models for projecting asbestos liabilities generally decreases over time based on the expected lifetime of the liabilities, these models have been consistently applied between all periods presented. If actual experience is worse than projected, relative to the number of claims filed, the severity of alleged disease associated with those claims or costs incurred to resolve those claims, or actuarial refinement or improvements to the assumptions used within these models are initiated, Ashland may need to further increase the estimates of the costs associated with asbestos claims and these increases could be material over time.

Environmental remediation and asset retirement obligations

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations. At December 31, 2023 March 31, 2024, such locations included 55.53 sites where Ashland has been identified as a potentially responsible party under Superfund or similar state laws, 108.107 current and former operating facilities and about 1,225 service station properties, of which 14 are being actively remediated.

Ashland's reserves for environmental remediation and related environmental litigation amounted to \$207.198 million at December 31, 2023 March 31, 2024 compared to \$214 million at September 30, 2023, of which \$158.149 million at December 31, 2023 March 31, 2024 and \$165 million at September 30, 2023 were classified in other noncurrent liabilities on the Condensed Consolidated Balance Sheets. The remaining reserves were classified in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets.

The following table provides a reconciliation of the changes in the environmental remediation reserves during the **three** **six** months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**.

(In millions)	Three months ended		Six months ended	
	December 31		March 31	
	2023	2022	2024	2023
Reserve - beginning of period	\$ 214	\$ 211	\$ 214	\$ 211
Disbursements	(11)	(13)	(23)	(29)
Revised obligation estimates and accretion	4	8	7	11
Reserve - end of period	<u>\$ 207</u>	<u>\$ 206</u>	<u>\$ 198</u>	<u>\$ 193</u>

The total reserves for environmental remediation reflect 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 studies, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation. Ashland regularly adjusts its reserves as environmental remediation continues. Ashland has estimated the value of its probable insurance recoveries associated with its environmental reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage. At **December 31, 2023** **March 31, 2024** and September 30, 2023, Ashland's recorded **receivable** **receivables** for these probable insurance recoveries

18

were **\$16** **15** million and \$17 million, respectively, of which \$12 million and \$15 million at **December 31, 2023** **March 31, 2024** and September 30, 2023 were classified in other noncurrent assets on the Condensed Consolidated Balance Sheets.

Components of environmental remediation expense included within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income (Loss) are presented in the following table for the three **and six** months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**.

(In millions)	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
	2023	2022	2024	2023	2024	2023
Environmental expense	\$ 4	\$ 8	\$ 3	\$ 3	\$ 7	\$ 11
Legal expense	1	1	—	1	2	2
Total expense	<u>5</u>	<u>9</u>	<u>3</u>	<u>4</u>	<u>9</u>	<u>13</u>
Insurance receivable	(1)	—	—	—	(1)	—
Total expense, net of receivable activity ^(a)	<u>\$ 4</u>	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 8</u>	<u>\$ 13</u>

- (a) Net expense of **zero** and \$1 million for the three **and six** months ended **December 31, 2022** **March 31, 2024**, respectively, and zero and \$1 million for the three and six months ended **March 31, 2023**, respectively, relates to divested businesses which qualified for treatment as discontinued operations for which certain environmental liabilities were retained by Ashland. These amounts are classified within the loss from discontinued operations, **net of income taxes** caption of the Statements of Consolidated Comprehensive Income (Loss).

Environmental remediation reserves are subject to 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 and the extent of required cleanup efforts under existing environmental regulations. 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 could be as high as approximately \$455.450 million. The largest reserve for any site is 22.23% of the remediation reserve as of December 31, 2023 March 31, 2024.

Other legal proceedings and claims

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 December 31, 2023 March 31, 2024. 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 December 31, 2023 March 31, 2024.

19

NOTE L – EARNINGS PER SHARE

The following is the computation of basic and diluted earnings per share ("EPS") from continuing operations attributable to Ashland. Stock appreciation rights and warrants available to purchase shares outstanding for each reporting period whose exercise price was greater than the average market price of Ashland Common Stock for each applicable period were not included in the computation of income from continuing operations per diluted share because the effect of these instruments would be antidilutive. The total number of these shares outstanding was

19

approximately 1 million at December 31, 2023 March 31, 2024 and 2022, 2023, respectively. The majority of these shares are for warrants with a strike price of \$128.66. Earnings per share is reported under the treasury stock method.

	Three months ended December 31		Three months ended March 31		Six months ended March 31	
(In millions, except per share data)	2023	2022	2024	2023	2024	2023
Numerator						
Numerator for basic and diluted EPS - Income from continuing operations, net of tax	\$ 28	\$ 42	\$ 121	\$ 92	\$ 149	\$ 134
Denominator						
Denominator for basic EPS - Weighted-average common shares outstanding	51	54	50	54	50	54
Share based awards convertible to common shares	—	1	1	1	1	1
Denominator for diluted EPS - Adjusted weighted-average shares and assumed conversions	51	55	51	55	51	55
EPS from continuing operations						

Basic	\$ 0.54	\$ 0.77	\$ 2.43	\$ 1.71	\$ 2.95	\$ 2.47
Diluted	0.54	0.76	2.40	1.68	2.92	2.43

NOTE M – EQUITY ITEMS

2023 Stock repurchase program

On June 28, 2023, Ashland's board of directors authorized a new evergreen \$1 billion common share repurchase program ("2023 Stock Repurchase Program"). The new authorization terminated and replaced the 2022 Stock Repurchase Program, which had \$200 million outstanding at the date of termination. As of **December 31, 2023** **March 31, 2024**, \$900 million remained available for repurchase under this authorization.

Stock repurchase program agreements

During November 2023, under the 2023 Stock Repurchase Program, Ashland initiated a Rule 10b5-1 trading plan agreement to repurchase up to \$100 million of its outstanding shares. The program was completed during December 2023, when Ashland paid a total of \$100 million and received a delivery of 1.2 million shares of common stock.

During March 2023, under the 2022 Stock Repurchase Program, Ashland initiated a Rule 10b5-1 trading plan agreement to repurchase up to \$100 million of its outstanding shares. The program was completed during April 2023, when Ashland paid a total of \$100 million and received a delivery of 1.0 million shares of common stock. As of March 31, 2023, Ashland purchased a total of \$52 million (of which \$42 million was cash settled and \$10 million was accrued within the accrued expenses and other liabilities caption for authorized and executed share repurchases pending settlement as of period end) and received a delivery of 0.5 million shares of common stock.

During February 2023, under the 2022 Stock Repurchase Program, Ashland initiated a Rule 10b5-1 trading plan agreement to repurchase up to \$100 million of its outstanding shares. The program was completed during February 2023, when Ashland paid a total of \$100 million and received a delivery of 1.0 million shares of common stock.

Stockholder dividends

Dividends of 38.5 cents per share were paid in the first and second quarters of fiscal 2024 and 33.5 cents per share were paid in the first and second quarters of fiscal **2024 and 2023, respectively, 2023.**

Accumulated other comprehensive income (loss)

Components of other comprehensive income (loss) recorded in the Statements of Consolidated Comprehensive Income (Loss) are presented below, before tax and net of tax effects.

	2023			2022		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
(In millions)						
Three months ended December 31						
Other comprehensive income (loss)						
Unrealized translation gain (loss)	\$ 54	\$ —	\$ 54	\$ 83	\$ (1)	\$ 82
Unrealized gain (loss) on commodity hedges	(1)	—	(1)	(5)	1	(4)
Total other comprehensive income	<u>\$ 53</u>	<u>\$ —</u>	<u>\$ 53</u>	<u>\$ 78</u>	<u>\$ —</u>	<u>\$ 78</u>

(In millions)	2024			2023		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Three months ended March 31						
Other comprehensive income (loss)						
Unrealized translation gain (loss)	\$ (27)	\$ —	\$ (27)	\$ 27	\$ —	\$ 27
Unrealized gain (loss) on commodity hedges	1	—	1	(4)	1	(3)
Total other comprehensive income	<u>\$ (26)</u>	<u>\$ —</u>	<u>\$ (26)</u>	<u>\$ 23</u>	<u>\$ 1</u>	<u>\$ 24</u>
Six months ended March 31						
Other comprehensive income (loss)						
Unrealized translation gain (loss)	\$ 27	\$ —	\$ 27	\$ 110	\$ (1)	\$ 109
Unrealized gain (loss) on commodity hedges	—	—	—	(9)	2	(7)
Total other comprehensive income (loss)	<u>\$ 27</u>	<u>\$ —</u>	<u>\$ 27</u>	<u>\$ 101</u>	<u>\$ 1</u>	<u>\$ 102</u>

Summary of stockholders' equity

A reconciliation of changes in stockholders' equity are as follows:

(In millions)	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023	2022	2024	2023	2024	2023
Common stock and paid in capital						
Balance, beginning of period	\$ 5	\$ 136	\$ 1	\$ 134	\$ 5	\$ 136
Common shares issued under stock incentive and other plans ^(a)	(2)	(2)	5	4	3	2
Common shares purchased under repurchase program ^{(b)(c)}	(2)	—	—	(138)	(2)	(138)
Balance, end of period	<u>1</u>	<u>134</u>	<u>6</u>	<u>—</u>	<u>6</u>	<u>—</u>
Retained earnings						
Balance, beginning of period	3,595	3,653	3,502	3,675	3,595	3,653
Common shares purchased under repurchase program ^{(b)(c)}	(99)	—				
Net income	26	40	120	91	147	132
Regular dividends	(20)	(18)	(19)	(18)	(39)	(36)
Common shares purchased under repurchase program ^{(b)(c)}	—	(15)	(99)	(15)		
Other	1	1	—	—		
Balance, end of period	<u>3,502</u>	<u>3,675</u>	<u>3,604</u>	<u>3,734</u>	<u>3,604</u>	<u>3,734</u>
Accumulated other comprehensive income (loss)						
Balance, beginning of period	(503)	(569)	(450)	(491)	(503)	(569)
Unrealized translation gain	54	82				
Unrealized loss on commodity hedges	(1)	(4)				
Unrealized translation gain (loss)	<u>(27)</u>	<u>27</u>	<u>27</u>	<u>109</u>		

Unrealized gain (loss) on commodity hedges	1	(3)	—	(7)		
Balance, end of period	(450)	(491)	(476)	(467)	(476)	(467)
Total stockholders' equity	\$ 3,053	\$ 3,318	\$ 3,134	\$ 3,267	\$ 3,134	\$ 3,267
Cash dividends declared per common share	\$ 0.385	\$ 0.335	\$ 0.385	\$ 0.335	\$ 0.770	\$ 0.670

- (a) Common shares issued were 78,349 32,458 and 127,577 16,935 for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and 110,807 and 144,514 for the six months ended March 31, 2024 and 2023, respectively. Includes \$1 million for the three months ended March 31, 2024 and 2023, respectively, and \$4 million and \$9 10 million for the six months ended March 31, 2024 and 2023, respectively, associated with stock-based compensation employee withholding taxes for the three months ended December 31, 2023 and 2022, respectively, taxes.
- (b) Common shares repurchased were zero and 1,238,212 for the three and six months ended December 31, 2023 March 31, 2024, and 1,488,251 for the three and six months ended March 31, 2023.
- (c) Includes zero and \$1 million in excise tax on stock repurchases for the three and six months ended December 31, 2023. Ashland paid a total of March 31, 2024, respectively, and \$100 1 million for both the three and six months ended December 31, 2023 for common stock repurchases, March 31, 2023.

21

NOTE N – STOCK INCENTIVE PLANS

The components of Ashland's pre-tax stock-based compensation expense included in continuing operations are as follows:

(In millions)	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023(a)	2022(b)	2024(a)	2023(b)	2024(a)	2023(b)
Nonvested stock awards	\$ 4	\$ 3	\$ 3	\$ 4	\$ 7	\$ 7
Performance share awards	(3)	5	4	2	1	7
	\$ 1	\$ 8	\$ 7	\$ 6	\$ 8	\$ 14

- (a) Included less than zero and \$1 million of expense related to cash-settled nonvested restricted stock awards during the three and six months ended December 31, 2023 March 31, 2024, respectively, and \$1 million of income expense and zero related to cash-settled performance units during the three and six months ended December 31, 2023, March 31, 2024, respectively.
- (b) Included \$1 million and \$2 million of expense related to cash-settled nonvested restricted stock awards during the three and six months ended December 31, 2022 March 31, 2023.

21 22

NOTE O – REVENUE

Disaggregation of revenue

Ashland disaggregates its revenue by segment and geographical region as Ashland believes these categories best depict how management reviews the financial performance of its operations. Ashland includes only U.S. and Canada in its North America designation and includes Europe, the Middle East and Africa in its Europe designation. See the following tables for details. See Note P for additional information.

Sales by geography	Sales by geography		Sales by geography			
	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
(In millions)	2023	2022	2024	2023	2024	2023
Life Sciences	Life Sciences		Life Sciences			
North America	\$ 67	\$ 47	\$ 73	\$ 61	\$ 140	\$ 109
Europe	63	74	72	87	136	160
Asia Pacific	51	60	57	62	107	122
Latin America & other	19	26	20	30	39	56
	<u>\$ 200</u>	<u>\$ 207</u>	<u>\$ 222</u>	<u>\$ 240</u>	<u>\$ 422</u>	<u>\$ 447</u>
(In millions)	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
	2023	2022	2024	2023	2024	2023
Personal Care	Personal Care		Personal Care			
North America	\$ 40	\$ 42	\$ 45	\$ 48	\$ 85	\$ 90
Europe	47	51	69	69	116	120
Asia Pacific	25	28	31	28	57	56
Latin America & other	17	17	24	22	40	39
	<u>\$ 129</u>	<u>\$ 138</u>	<u>\$ 169</u>	<u>\$ 167</u>	<u>\$ 298</u>	<u>\$ 305</u>
(In millions)	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
	2023	2022	2024	2023	2024	2023
Specialty Additives	Specialty Additives		Specialty Additives			
North America	\$ 42	\$ 53	\$ 46	\$ 52	\$ 88	\$ 105
Europe	40	48	63	61	103	109
Asia Pacific	34	35	40	39	74	74
Latin America & other	6	7	8	9	14	16
	<u>\$ 122</u>	<u>\$ 143</u>	<u>\$ 157</u>	<u>\$ 161</u>	<u>\$ 279</u>	<u>\$ 304</u>
(In millions)	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
	2023	2022	2024	2023	2024	2023
Intermediates	Intermediates		Intermediates			
North America	\$ 25	\$ 34	\$ 27	\$ 36	\$ 52	\$ 70
Europe	4	9	6	7	10	16
Asia Pacific	3	8	6	6	9	14
Latin America & other	1	3	1	2	2	5

\$	33	\$	54	\$	40	\$	51	\$	73	\$	105
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For the six months ending March 31, 2024, Ashland had two product categories that represented 10% or greater of Ashland's total consolidated sales which were celluloseics representing 37% of total consolidated sales and polyvinylpyrrolidones (PVP) representing 23% of total consolidated sales.

Trade receivables

Trade receivables are defined as receivables arising from contracts with customers and are recorded within the accounts receivable caption within the Condensed Consolidated Balance Sheets. Ashland's trade receivables were \$161.225 million and \$288 million as of December 31, 2023, March 31, 2024 and September 30, 2023, respectively. See Note G for additional information on Ashland's programs to sell certain receivables on a revolving basis to third party banks up to an aggregate purchase limit (U.S and Foreign Accounts Receivable Sales Programs).

22 23

NOTE P – REPORTABLE SEGMENT INFORMATION

Ashland determines its reportable segments based on how operations are managed internally for the products and services sold to customers, including how the results are reviewed by the chief operating decision maker, which includes determining resource allocation methodologies used for reportable segments. Operating income and EBITDA are the primary measures of performance that are reviewed by the chief operating decision maker in assessing each reportable segment's financial performance. Ashland does not aggregate operating segments to arrive at these reportable segments.

Reportable segment business descriptions

Life Sciences is comprised of pharmaceuticals, nutrition, nutraceuticals, agricultural chemicals, diagnostic films (formerly known as advanced materials) and fine chemicals. Pharmaceutical solutions include controlled release polymers, disintegrants, film coatings, solubilizers, and tablet binders. Nutrition solutions include thickeners, stabilizers, emulsifiers and additives for enhancing mouthfeel, controlling moisture migration, reducing oil uptake and controlling color. Nutraceutical solutions include products for weight management, joint comfort, stomach and intestinal health, sports nutrition and general wellness, and provide custom formulation, toll processing and particle engineering solutions. Customers include pharmaceutical, food, beverage, nutraceuticals and supplements manufacturers, hospitals and radiologists and industrial manufacturers.

Personal Care is comprised of biofunctionals, microbial protectants (preservatives), skin care, sun care, oral care, hair care and household. These businesses have a broad range of natural, nature-derived, biodegradable, and high-performance ingredients for customer-driven solutions to help protect, renew, moisturize and revitalize skin and hair, and provide solutions for toothpastes, mouth washes and rinses, denture cleaning and care for teeth. Household supplies nature-derived rheology ingredients, biodegradable surface wetting agents, performance encapsulates, and specialty polymers for household, industrial and institutional cleaning products. Customers include formulators at large multinational branded consumer products companies and smaller, independent boutique companies.

Specialty Additives is comprised of rheology and performance-enhancing additives serving the architectural coatings, construction, energy, automotive and various industrial markets. Solutions include coatings additives for architectural paints, finishes and lacquers, cement and gypsum based dry mortars, ready-mixed joint compounds, synthetic plasters for commercial and residential construction,

and specialty materials for industrial applications. Products include rheology modifiers (cellulosic and associative thickeners), foam control agents, surfactants and wetting agents, pH neutralizers, advanced ceramics used in catalytic converters, and environmental filters, ingredients that aid the manufacturing process of ceramic capacitors, plasma display panels and solar cells, ingredients for textile printing, thermoplastic metals and alloys for welding. Products help improve desired functional outcomes through rheology modification and control, water retention, workability, adhesive strength, binding power, film formation, deposition and suspension and emulsification. Customers include global paint manufacturers, electronics and automotive manufacturers, textile mills, the construction industry, and welders.

Intermediates is comprised of the production of 1,4 butanediol (BDO) and related derivatives, including 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, pharmaceuticals, water filtration membranes and more. BDO is also supplied to Life Sciences, Personal Care, and Specialty Additives for use as a raw material.

Unallocated and Other generally includes items such as certain significant company-wide restructuring activities, corporate governance costs and legacy costs or activities that relate to divested businesses that are no longer operated by Ashland.

23 24

Reportable segment results

Results of Ashland's reportable segments are presented based on its management and internal accounting structure. The structure is 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 significant costs to its reportable segments except for certain significant company-wide restructuring activities, certain corporate governance costs and other costs or activities 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 within the other net periodic benefit loss caption on the Statements of Consolidated Comprehensive Income (Loss). 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. Significant revisions to Ashland's methodologies are adjusted for all segments on a retrospective basis.

24 25

The following table presents various financial information for each reportable segment for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023	2022	2024	2023	2024	2023
(In millions - unaudited)						
SALES						

<i>Life Sciences</i>	\$ 200	\$ 207	\$ 222	\$ 240	\$ 422	\$ 447
<i>Personal Care</i>	129	138	169	167	298	305
<i>Specialty Additives</i>	122	143	157	161	279	304
<i>Intermediates</i>	33	54	40	51	73	105
<i>Intersegment sales^(a)</i>	(11)	(17)	(13)	(16)	(24)	(33)
	<u>\$ 473</u>	<u>\$ 525</u>	<u>\$ 575</u>	<u>\$ 603</u>	<u>\$ 1,048</u>	<u>\$ 1,128</u>
OPERATING INCOME (LOSS)						
<i>Life Sciences</i>	\$ 32	\$ 34	\$ 50	\$ 58	\$ 82	\$ 92
<i>Personal Care</i>	2	11	25	14	28	25
<i>Specialty Additives</i>	(32)	1	(18)	15	(50)	16
<i>Intermediates</i>	7	20	9	17	16	37
<i>Unallocated and other</i>	(27)	(29)	(45)	(21)	(72)	(50)
	<u>\$ (18)</u>	<u>\$ 37</u>	<u>\$ 21</u>	<u>\$ 83</u>	<u>\$ 4</u>	<u>\$ 120</u>
DEPRECIATION EXPENSE						
<i>Life Sciences</i>	\$ 9	\$ 10	\$ 11	\$ 10	\$ 20	\$ 20
<i>Personal Care</i>	9	9	9	10	17	20
<i>Specialty Additives^(b)</i>	35	14	40	14	77	28
<i>Intermediates</i>	3	3	3	3	6	6
<i>Unallocated and other</i>	—	—	—	—	—	—
	<u>\$ 56</u>	<u>\$ 36</u>	<u>\$ 63</u>	<u>\$ 37</u>	<u>\$ 120</u>	<u>\$ 74</u>
AMORTIZATION EXPENSE						
<i>Life Sciences</i>	\$ 7	\$ 7	\$ 5	\$ 7	\$ 12	\$ 14
<i>Personal Care</i>	11	12	11	11	22	22
<i>Specialty Additives</i>	3	4	4	5	6	9
<i>Intermediates</i>	—	—	—	—	—	1
	<u>\$ 21</u>	<u>\$ 23</u>	<u>\$ 20</u>	<u>\$ 23</u>	<u>\$ 40</u>	<u>\$ 46</u>
EBITDA^(c)						
<i>Life Sciences</i>	\$ 48	\$ 51	\$ 66	\$ 75	\$ 114	\$ 126
<i>Personal Care</i>	22	32	45	35	67	67
<i>Specialty Additives</i>	6	19	26	34	33	53
<i>Intermediates</i>	10	23	12	20	22	44
<i>Unallocated and other</i>	(27)	(29)	(45)	(21)	(72)	(50)
	<u>\$ 59</u>	<u>\$ 96</u>	<u>\$ 104</u>	<u>\$ 143</u>	<u>\$ 164</u>	<u>\$ 240</u>

	December 31		September 30		March 31	September 30
(In millions - unaudited)	2023		2023		2024	2023
TOTAL ASSETS						
<i>Life Sciences</i>	\$ 1,908	\$ 1,904	\$ 1,915	\$ 1,904		
<i>Personal Care</i>	985	1,004	982	1,004		
<i>Specialty Additives</i>	1,556	1,580	1,526	1,580		
<i>Intermediates</i>	132	136	135	136		
<i>Unallocated and other</i>	1,285	1,315	1,390	1,315		

\$	5,866	\$	5,939	\$	5,948	\$	5,939
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- (a) Intersegment sales from Intermediates are accounted for at prices that approximate fair value. All other intersegment sales are accounted for at cost.
- (b) Depreciation includes accelerated depreciation of \$21.27 million and \$49 million for Specialty Additives for the three and six months ended December 31, 2023, March 31, 2024, respectively.
- (c) Excludes loss from discontinued operations and other net periodic benefit loss. See the Statements of Consolidated Comprehensive Income (Loss) for applicable amounts excluded.

26

25

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements including, without limitation, statements made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" (MD&A), 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. Ashland has identified some of these forward-looking statements with words such as "anticipates," "believes," "expects," "estimates," "is likely," "predicts," "projects," "forecasts," "objectives," "may," "will," "should," "plans" and "intends" and the negative of these words or other comparable terminology. Ashland may from time to time make forward-looking statements in its Annual Report to Stockholders, quarterly reports and other filings with the Securities and Exchange Commission (SEC), news releases and other written and oral communications. These forward-looking statements are based on Ashland's expectations and assumptions, as of the date such statements are made, regarding Ashland's future operating performance and financial condition, as well as the economy and other future events or circumstances. Ashland's expectations and assumptions include, without limitation, those mentioned within the MD&A, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies, cost savings and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw-material cost increases through price increases), and risks and uncertainties associated with the following: the impact of acquisitions and/or divestitures Ashland has made or may make (including the possibility that Ashland may not realize the anticipated benefits from such transactions); Ashland's substantial indebtedness (including the possibility that such indebtedness and related restrictive covenants may adversely affect Ashland's future cash flows, results of operations, financial condition and its ability to repay debt); execution risks associated with our growth strategies; the competitive nature of our business; severe weather, natural disasters, public health crises, cyber events and legal proceedings and claims (including product recalls, environmental and asbestos matters); the effects of the ongoing Ukraine/Russia and Israel/Hamas conflicts on the geographies in which Ashland operates, the end markets Ashland serves and on Ashland's supply chain and customers; and without limitation, risks and uncertainties affecting Ashland that are contained in "Use of estimates, risks and uncertainties" in Note A of Notes to Consolidated Financial Statements and in Item 1A of its most recent Form 10-K filed with SEC. Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements. Ashland believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Unless legally required, Ashland undertakes no obligation to update any forward-looking statements made in this Form 10-Q whether as a result of new information, future events or otherwise. Information on Ashland's website is not incorporated into or a part of this Form 10-Q.

26 27

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements herein.

BUSINESS OVERVIEW

Ashland profile

Ashland is a global additives and specialty ingredients company with a conscious and proactive mindset for environmental, social and governance ("ESG"). The Company serves customers in a wide range of consumer and industrial markets, including architectural coatings, construction, energy, food and beverage, nutraceuticals, personal care and pharmaceutical. With approximately 3,800 employees worldwide, Ashland serves customers in more than 100 countries.

Ashland's sales generated outside of North America were ~~66%~~ 69% and 68% for the three and six months ended March 31, 2024 and 70% for the three ~~and six~~ months ended ~~December 31, 2023 and 2022, respectively.~~ March 31, 2023. Sales by region expressed as a percentage of total consolidated sales for the three ~~and six~~ months ended ~~December~~ March 31 were as follows:

Sales by Geography	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
	2023	2022	2024	2023	2024	2023
North America ^(a)	34 %	30 %	31 %	30 %	32 %	30 %
Europe ^(a)	33 %	35 %	37 %	37 %	35 %	36 %
Asia Pacific	24 %	25 %	23 %	23 %	24 %	24 %
Latin America & other	9 %	10 %	9 %	10 %	9 %	10 %
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(a) Ashland includes only U.S. and Canada in its North America designation and includes Europe, the Middle East and Africa in its Europe designation.

Reportable segments

Ashland's reportable segments include Life Sciences, Personal Care, Specialty Additives and Intermediates. Unallocated and Other includes corporate governance activities and certain legacy matters. The contribution to sales by each reportable segment expressed as a percentage of total consolidated sales for the three ~~and six~~ months ended ~~December~~ March 31 was as follows:

Sales by Reportable Segment	Three months ended		Three months ended		Six months ended	
	December 31		March 31		March 31	
	2023	2022	2024	2023	2024	2023
Life Sciences	42 %	40 %	39 %	40 %	40 %	40 %
Personal Care	27 %	26 %	29 %	28 %	28 %	27 %
Specialty Additives	26 %	27 %	27 %	27 %	27 %	27 %

Intermediates	5 %	7 %	5 %	5 %	5 %	6 %
	100 %	100 %	100 %	100 %	100 %	100 %

27 28

KEY DEVELOPMENTS

Uncertainty relating to the ongoing Ukraine/Russia and Israel/Hamas conflicts

Business disruptions, including those related to the ongoing conflicts between Ukraine/Russia and Israel/Hamas continue to impact businesses around the globe. While it is impossible to predict the effects of these conflicts such as possible escalating geopolitical tensions (including the imposition of existing and additional sanctions by the U.S. and the European Union on Russia), worsening macroeconomic and general business conditions, supply chain and shipping interruptions and unfavorable energy markets, the impact could be material. Ashland is closely monitoring these situations and maintains business continuity plans that are intended to continue operations or mitigate the effects of events that could disrupt its business.

Ashland does not have manufacturing operations in Russia, Ukraine, or Belarus. Ashland sells (or previously sold) additives and specialty ingredients to manufacturers in these countries for their use in pharmaceuticals, personal care, and coatings applications. Sales to Russia and Belarus were previously limited and our products were primarily used in products and applications that are essential to the population's wellbeing and currently support our customers' humanitarian efforts. We have sales controls in place to ensure that future potential sales into the region are only to support critical pharmaceutical or personal hygiene products which are essential for the general population and in accordance with any applicable sanctions. Sales to Ukraine, Russia, and Belarus represent less than 1% of total consolidated sales and less than 1% of total consolidated assets (related to accounts receivable).

Ashland does not have manufacturing operations in Israel. Sales to Israel represent approximately 1% of total consolidated sales and less than 1% of total consolidated assets (related to accounts receivable).

Other items

2023 Stock Repurchase Program

On June 28, 2023, Ashland's board of directors authorized a new evergreen \$1 billion common share repurchase program (the 2023 Stock Repurchase Program). The new authorization terminated and replaced the 2022 Stock Repurchase Program, which had \$200 million outstanding at the date of termination. As of December 31, 2023, \$900 million remained available for repurchase under this authorization.

Stock Repurchase program agreements

During November 2023, under the 2023 Stock Repurchase Program, Ashland initiated a Rule 10b5-1 trading plan agreement to repurchase up to \$100 million of its outstanding shares. The program was completed during December 2023, when Ashland paid a total of \$100 million and received a delivery of 1.2 million shares of common stock.

Restructuring programs

As previously disclosed, in November 2023, Ashland is taking portfolio-optimization portfolio optimization actions to further strengthen Ashland's resilience and improve margins and returns. When completed, these portfolio actions are expected to result in improved

Adjusted adjusted EBITDA margins of approximately 200 to 250 basis-points and returns on net assets of 150 to 200 basis-points. These actions are expected to reduce volatility, improve focus and decrease working capital and maintenance capital expenditures.

Ashland continues to make progress on these portfolio optimization actions which include optimizing and consolidating CMC and MC production as well as rebalancing the global HEC production network. During the fiscal second quarter, Ashland continued to wrap-up CMC production at Hopewell, Virginia. CMC levels will be drawn down while Ashland migrates select production volumes into Alizay, France. In addition, Ashland advanced actions to optimize MC by consolidating production capacity in Doel, Belgium. Other actions to improve Ashland's HEC business continue to be assessed.

The impact of these portfolio actions for the three and six months ended December 31, 2023 March 31, 2024, resulted in accelerated depreciation charges of \$21 million \$27 million and \$49 million and other plant optimization costs of \$1 million and \$1 million, respectively, recorded within the cost of sales caption of the Statements of Consolidated Comprehensive Income (Loss) and. In addition, severance of \$3 million \$18 million and an impairment \$21 million and other restructuring costs of a leased office building of \$1 million \$2 million and \$3 million, respectively, were recorded for the three and six months ended March 31, 2024 within the selling, general and administrative caption of the Statements of Consolidated Comprehensive Income (Loss). See Note C for additional information.

28

29

RESULTS OF OPERATIONS – CONSOLIDATED REVIEW

Consolidated review

Overview

Key financial results for the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 included the following:

(In millions except per share data)	Three months ended			Six months ended					
	Three months ended December 31			March 31			March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Net income	\$ 26	\$ 40	\$ (14)	\$ 120	\$ 91	\$ 29	\$ 147	\$ 132	\$ 15
Diluted earnings per share net income	0.51	0.73	(0.22)	2.39	1.67	0.72	2.88	2.39	0.49
Income from continuing operations	28	42	(14)	121	92	29	149	134	15
Diluted earnings per share income from continuing operations	0.54	0.76	(0.22)	2.40	1.68	0.72	2.92	2.43	0.49
Operating income (loss)	(18)	37	(55)						
Operating income	21	83	(62)	4	120	(116)			
EBITDA ^(a)	34	93	(59)	74	140	(66)	109	235	(126)
Adjusted EBITDA ^(a)	70	108	(38)	126	145	(19)	197	254	(57)
Adjusted diluted EPS from continuing operations									
excluding intangibles amortization expense ^(a)	0.45	0.97	(0.52)	1.27	1.43	(0.16)	1.71	2.40	(0.69)

(a) These are non-GAAP financial measures. See "Use of Non-GAAP Financial Measures" section below for reconciliations to U.S. GAAP.

Business results current quarter

Ashland's net income of \$26 million \$120 million (\$0.51 2.39 diluted earnings per share) and \$40 million \$91 million (\$0.73 1.67 diluted earnings per share) included a loss from discontinued operations of \$2 million \$1 million (\$0.03 0.01 diluted earnings per share) and a loss of \$1 million (\$0.01 diluted earnings per share) in the current and prior year quarters, each respectively.

Results for Ashland's continuing operations, diluted earnings per share from continuing operations and operating income for the current and prior year quarters included certain key items that were excluded to arrive at Adjusted adjusted EBITDA and are quantified in the "Use of Non-GAAP Financial Measures" section below. These pre-tax key items totaled expense of \$3 million \$42 million and income of \$8 million \$16 million for the three months ended December 31, 2023 March 31, 2024 and 2022 2023 impacting continuing operations. Continuing operations was also impacted by favorable tax specific key items for discrete tax items totaling \$24 million \$105 million and zero \$20 million for the three months ended December 31, 2023 March 31, 2024 and 2022 2023.

The pre-tax key items impacting operating income totaled expense of \$34 million and expense of \$13 million for the three months ended December 31, 2023 and 2022. Excluding these key items, the decrease in continuing operations, diluted earnings per share from continuing operations and operating income was primarily driven by lower sales unfavorable pricing primarily within Intermediates, and production volumes, partially offset by improved price versus raw material cost and lower higher selling, general and administrative expense, due to higher variable compensation expense. In addition, diluted earnings per share from continuing operations was also impacted by common share reductions from repurchases of Ashland common stock over the last twelve months. These common stock repurchases reduced the number of weighted average shares from 55 million diluted shares in the first second quarter of fiscal 2023 to 51 million diluted shares in the first second quarter of fiscal 2024.

Ashland's Adjusted adjusted EBITDA was \$70 million \$126 million for the current quarter compared to \$108 million \$145 million in the prior year quarter (see U.S. GAAP reconciliation under "Use of Non-GAAP Financial Measures" below). The \$38 million \$19 million decrease in Adjusted adjusted EBITDA was primarily driven by lower sales unfavorable pricing primarily within Intermediates and production volumes, partially offset by improved price versus raw material cost and lower higher selling, general and administrative expense, due to higher variable compensation expense. Adjusted diluted EPS from continuing operations (non-GAAP) excluding intangibles amortization expense was also impacted by these key factors along with the impact of common share repurchases noted above.

For further information on the items reported above, see the discussion in the comparative Statements of Consolidated Comprehensive Income (Loss) caption review analysis.

29 30

Statements of Consolidated Comprehensive Income (Loss) – caption review

A comparative analysis of the Statements of Consolidated Comprehensive Income (Loss) by caption is provided as follows for the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023.

(In millions)	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Sales	\$ 473	\$ 525	\$ (52)	\$ 575	\$ 603	\$ (28)	\$ 1,048	\$ 1,128	\$ (80)

The following table provides a reconciliation of the change in sales for the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023.

(In millions)	Three months ended December 31, 2023	Three months ended March 31, 2024	Six months ended March 31, 2024
Volume	\$ (51)	\$ 5	\$ (46)
Pricing	(6)	(31)	(36)
Divestiture	(1)	(1)	(2)
Foreign currency exchange	6	(1)	4
Change in sales	\$ (52)	\$ (28)	\$ (80)

Current Quarter - Sales for the current quarter decreased \$52 million \$28 million compared to the prior year quarter. Lower sales volume Unfavorable product pricing was the primary factor.

(In millions)	Three months ended December 31		
	2023	2022	Change
Cost of sales	\$ 375	\$ 360	\$ 15
Gross profit as a percent of sales	20.7 %	31.4 %	

Year-to-date - Sales for the current year decreased \$80 million compared to the prior year period. Lower sales volumes and unfavorable pricing were the primary factors.

(In millions)	Three months ended March 31			Six months ended March 31		
	2024	2023	Change	2024	2023	Change
Cost of sales	\$ 414	\$ 406	\$ 8	\$ 789	\$ 766	\$ 23
Gross profit as a percent of sales	28.0 %	32.7 %		24.7 %	32.1 %	

The following table provides a reconciliation of the change in cost of sales between the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023.

(In millions)	Three months ended December 31, 2023	Three months ended March 31, 2024	Six months ended March 31, 2024
Changes in:			
Operating Costs	\$ 54	\$ 20	\$ 71
Volume	6	(29)	
Foreign currency exchange	4	1	4
Volume	(30)		
Price/mix	(13)	(18)	(22)
Divestiture	(1)	(1)	
Change in cost of sales	\$ 15	\$ 8	\$ 23

Current Quarter - Cost of sales for the current quarter increased \$15 million \$8 million compared to the prior year quarter. Higher operating costs driven by \$27 million accelerated depreciation for product line optimization activities associated with two Specialty Additives manufacturing facilities was the primary factor. This increase was partially offset by favorable product price/mix. Gross profit as a percentage of sales decreased 4.7% primarily as a result of higher operating costs and lower sales.

Year-to-date - Cost of sales for the current year increased \$23 million compared to the prior year period. Higher operating costs driven by higher unit manufacturing cost costs associated with decreased plant loading to produce to demand (including \$21 million due to and \$49 million of accelerated depreciation for product line optimization activities associated with a two Specialty Additives manufacturing facility) was facilities were the primary factor. This increase was These increases were partially offset by lower volume and product price/mix. Gross profit as a percentage of sales decreased 10.7% 7.4% primarily as a result of lower sales volume and higher operating costs.

Three months ended December 31

(In millions)	2023		2022		Change
Selling, general and administrative expense	\$	83	\$	93	\$ (10)
As a percent of sales		17.5 %		17.7 %	

31

(In millions)	Three months ended March 31			Six months ended March 31		
	2024	2023	Change	2024	2023	Change
Selling, general and administrative expense	\$ 106	\$ 79	\$ 27	\$ 189	\$ 172	\$ 17
As a percent of sales	18.4 %	13.1 %		18.0 %	15.2 %	

Current Quarter - Selling, general and administrative expense for the current quarter decreased \$10 million increased \$27 million compared to the prior year quarter with expenses as a percent of sales decreasing 0.2 increasing 5.3 percentage points. Key drivers of the fluctuation in selling, general and administrative expense compared to the prior year quarter were:

- \$43 million and \$8 million \$4 million in net environmental-related expenses during the current and prior year quarter, respectively (see Note K for more information);
- Expense of \$4 million \$20 million and zero comprised of key items for severance, lease abandonment and other restructuring costs during the current and prior year quarter, respectively; and
- Higher variable compensation expenses (including stock-based compensation) between quarters.

Year-to-date - Selling, general and administrative expense for the current period increased \$17 million compared to the prior year period with expenses as a percent of sales increasing 2.8 percentage points. Key drivers of the fluctuation in selling, general and administrative expense compared to the prior year quarter were:

- \$7 million and \$12 million in net environmental-related expenses during the current and prior year period, respectively (see Note K for more information);
- Expense of \$24 million and \$1 million comprised of key items for severance, lease abandonment and other restructuring costs during the current and prior year quarter, period, respectively;

30

- \$4 million impairment charge in the prior year quarter period associated with the sale of a Specialty Additives manufacturing facility;
- A \$5 million charge associated with the impact of a currency devaluation in Argentina in the current period; and
- Lower Higher variable compensation expenses, (including stock-based compensation) partially offset by lower stock based compensation between periods.

(In millions)	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Research and development expense	\$ 12	\$ 13	\$ (1)	\$ 14	\$ 12	\$ 2	\$ 26	\$ 25	\$ 1

Current Quarter - Research and development expense is generally consistent with the prior year quarter.

(In millions)	Three months ended December 31		
	2023	2022	Change

Intangibles amortization expense	\$	21	\$	23	\$	(2)
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Intangibles amortization Year-to-date - Research and development expense is generally consistent with the prior year period.

(In millions)	Three months ended March 31			Six months ended March 31		
	2024	2023	Change	2024	2023	Change
Intangibles amortization expense	\$ 20	\$ 23	\$ (3)	\$ 40	\$ 46	\$ (6)

Current Quarter - The lower intangibles amortization expense in the current quarter is driven by the impact of certain fully amortized intangibles in prior periods.

Year-to-date - The lower intangibles amortization expense in the current period is driven by the impact of certain fully amortized intangibles in prior periods.

(In millions)	Three months ended March 31			Six months ended March 31		
	2024	2023	Change	2024	2023	Change
Equity and other income	\$ —	\$ —	\$ —	\$ 2	\$ 1	\$ 1

Current Quarter - Equity and other income was zero for the current and prior year quarter.

(In millions)	Three months ended December 31		
	2023	2022	Change
Equity and other income	\$ 2	\$ 1	\$ 1

Year-to-date - Equity and other income is generally consistent with the prior year period.

32

(In millions)	Three months ended March 31			Six months ended March 31		
	2024	2023	Change	2024	2023	Change
Loss on acquisitions and divestitures, net	\$ —	\$ —	\$ —	\$ (2)	\$ —	\$ (2)

Current Quarter - Loss on acquisitions and divestitures, net was zero for the current and prior year quarter.

(In millions)	Three months ended December 31		
	2023	2022	Change
Loss on acquisitions and divestitures, net	\$ (2)	\$ —	\$ (2)

Year-to-date - The activity in the current quarter period primarily related to legal fees associated with ongoing divestiture activity.

(In millions)	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Net interest and other income									
Net interest and other expense (income)									
Interest expense	\$ 13	\$ 14	\$ (1)	\$ 13	\$ 14	\$ (1)	\$ 26	\$ 27	\$ (1)
Interest income	(3)	(4)	1	(2)	(3)	1	(5)	(7)	2
Income from restricted investments	(36)	(25)	(11)	(12)	(22)	10	(48)	(47)	(1)
Other financing costs	2	1	1	3	1	2	6	3	3
	\$ (24)	\$ (14)	\$ (10)	\$ 2	\$ (10)	\$ 12	\$ (21)	\$ (24)	\$ 3

Current Quarter - Net interest and other income expense (income) increased by \$10 million \$12 million during the current quarter compared to the prior year quarter. Interest expense and interest income remained primarily consistent during the current quarter compared to the prior year quarter. Restricted investments income of \$36 million \$12 million and \$25 million \$22 million included realized gains of \$31 million \$9 million compared to gains of \$21 million \$20 million for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. See Note D for more information on the restricted investments.

(In millions)	Three months ended December 31		
	2023	2022	Change
Other net periodic benefit loss	\$ 2	\$ 1	\$ 1

Year-to-date - Net interest and other expense (income) increased by \$3 million during the current period compared to the prior year period. Interest expense and interest income remained primarily consistent during the current quarter compared to the prior year period. Restricted investments income of \$48 million and \$47 million included realized gains of \$39 million compared to gains of \$41 million for the six months ended March 31, 2024 and 2023, respectively. See Note D for more information on the restricted investments.

(In millions)	Three months ended March 31			Six months ended March 31		
	2024	2023	Change	2024	2023	Change
Other net periodic benefit loss	\$ 2	\$ 2	\$ —	\$ 4	\$ 3	\$ 1

Current Quarter - Other net periodic benefit loss for the three months ended December 31, 2023 March 31, 2024 primarily included interest cost of \$3 million which was partially offset by expected return on plan assets of \$1 million. Other net periodic benefit loss for the three months ended March 31, 2023 primarily included interest cost of \$4 million which was partially offset by expected return on plan assets of \$2 million. See Note J for more information.

Year-to-date - Other net periodic benefit loss for the three six months ended December 31, 2022 March 31, 2024 primarily included interest cost of \$3 million \$8 million which was partially offset by expected return on plan assets of \$2 million \$4 million. Other net periodic benefit loss for the six months ended March 31, 2023 primarily included interest cost of \$7 million which was partially offset by expected return on plan assets of \$4 million. See Note J for more information.

(In millions)	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Income tax expense (benefit)	\$ (24)	\$ 8	\$ (32)	\$ (104)	\$ (1)	\$ (103)	\$ (128)	\$ 7	\$ (135)
Effective tax rate	-600%	16%		-612%	-1%		-610%	5%	

Current Quarter - Ashland's effective tax rate in any interim period is subject to adjustments related to discrete items and the mix of domestic and foreign operating results. The overall effective tax rate was a benefit of 600% 612% for the three months ended December 31, 2023 March 31, 2024 and was primarily impacted by jurisdictional income mix, as well as net favorable discrete items of \$24 million \$102 million primarily related to changes in foreign tax reform related activity.

31

The overall effective tax rate was 16% a benefit 1% for the three months ended December 31, 2022 March 31, 2023 and was primarily impacted by jurisdictional income mix, as well as net favorable discrete items of \$1 million. \$20 million primarily related to changes in uncertain tax positions.

Year-to-date - Ashland's effective tax rate in any interim period is subject to adjustments related to discrete items and the mix of domestic and foreign operating results. The overall effective tax rate was a benefit of 610% for the

33

six months ended March 31, 2024 and was primarily impacted by jurisdictional income mix, as well as net favorable discrete items of \$126 million primarily related to changes in foreign tax activity.

The overall effective tax rate was 5% for the six months ended March 31, 2023 and was primarily impacted by jurisdictional income mix, as well as net favorable discrete items of \$23 million primarily related to changes in uncertain tax positions primarily from a combination of state expirations and audit settlements.

Adjusted income tax expense (benefit)

Key items are defined as the financial effects from significant transactions that may have caused short-term fluctuations in net income and/or operating income (loss) which Ashland believes do not accurately reflect Ashland's underlying business performance and trends. Tax specific key items are defined as the financial effects from tax specific financial transactions, tax law changes or other matters that fall within the definition of key items as previously described. The effective tax rate, excluding key items, which is a non-GAAP financial measure, has been prepared to illustrate the ongoing tax effects of Ashland's operations. Management believes investors and analysts use this financial measure in assessing Ashland's business performance and that presenting this non-GAAP financial measure on a consolidated basis assists investors in better understanding Ashland's ongoing business performance enhancing their ability to compare period-to-period financial results.

The effective tax rate during the three and six months ended December 31, 2023 March 31, 2024 and 2023 was significantly impacted by foreign tax reform related activity. The effective activity and uncertain tax rate during the three months ended December 31, 2022 was not impacted by tax specific key items, positions.

The following table is a calculation of the effective tax rate, excluding these key items.

(In millions)	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023	2022	2024	2023	2024	2023
Income from continuing operations before income taxes	\$ 4	\$ 50	\$ 17	\$ 91	\$ 21	\$ 141
Key items (pre-tax) ^(a)	3	(8)	42	(16)	47	(24)
Adjusted income from continuing operations before income taxes	\$ 7	\$ 42	\$ 59	\$ 75	\$ 68	\$ 117
Income tax expense (benefit)	\$ (24)	\$ 8	\$ (104)	\$ (1)	\$ (128)	\$ 7
Income tax rate adjustments:						
Tax effect of key items ^(b)	1	(2)	10	(3)	12	(5)
Tax specific key items ^(c)						
Uncertain tax positions	—	20	—	20		
Other and tax reform related activity	24	—	105	—	129	—
Total income tax rate adjustments	25	(2)	115	17	141	15
Adjusted income tax expense	\$ 1	\$ 6	\$ 11	\$ 16	\$ 13	\$ 22
Effective tax rate	600 %	16 %	-612 %	-1 %	-610 %	5 %
Effective tax rate, excluding key items (Non-GAAP)^(d)	13 %	15 %	19 %	21 %	19 %	19 %

(a) See Adjusted adjusted EBITDA reconciliation table disclosed in this Management, Discussion and Analysis for a summary of the key items, before tax.

(b) The tax rate specific to the jurisdiction in which the key item originates is used to calculate the tax effect of key items.

(c) For additional information on the effect that these tax specific key items had on EPS, see the Adjusted Diluted adjusted diluted EPS table disclosed in this Management, Discussion and Analysis.

(d) Due to rounding conventions, the effective tax rate presented may not recalculate precisely based on the numbers disclosed within this table.

(In millions)	Three months ended			Three months ended			Six months ended		
	December 31			March 31			March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Loss from discontinued operations, net of income taxes									
Income (loss) from discontinued operations, net of income taxes									
Performance Adhesives	\$ (3)	\$ (1)	\$ (2)	\$ —	\$ —	\$ —	\$ (3)	\$ —	\$ (3)
Asbestos-related litigation	1	—	1						
Composites/Marl facility	(2)	(1)	(1)	(1)	(1)	—			
Distribution	—	(1)	1	(1)	—	(1)	—	(1)	1
Valvoline	2	—	2	2	—	2			
	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ —</u>
	34								

Current Quarter - The activity for the Performance Adhesives segment Valvoline represents subsequent adjustments that were made in conjunction with post-closing tax items and disputes during the current and prior year quarters. The activity for Distribution Composites/Marl facility was related to post-closing adjustments in the current and prior year quarter.

Year-to-date - The activity for environmental expenses. Asbestos-related activity included after-tax net the Performance Adhesives represents subsequent adjustments to the asbestos reserves that were made in conjunction with post-closing tax items and receivables disputes during the current quarter.

32

year period. The activity for Composites/Marl facility, Distribution and Valvoline was related to post-closing adjustments.

Other comprehensive income (loss)

A comparative analysis of the components of other comprehensive income is provided below for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	December 31			March 31			March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Other comprehensive income (loss), net of tax									
Unrealized translation gain	\$ 54	\$ 82	\$ (28)						
Unrealized loss on commodity hedges	(1)	(4)	3						
Unrealized translation gain (loss)	\$ (27)	\$ 27	\$ (54)	\$ 27	\$ 109	\$ (82)			
Unrealized gain (loss) on commodity hedges	1	(3)	4	—	(7)	7			
	<u>\$ 53</u>	<u>\$ 78</u>	<u>\$ (25)</u>	<u>\$ (26)</u>	<u>\$ 24</u>	<u>\$ (50)</u>	<u>\$ 27</u>	<u>\$ 102</u>	<u>\$ (75)</u>

Current Quarter - Total other comprehensive income (loss), net of tax, for the current quarter decreased \$25 million \$50 million compared to the prior year quarter primarily as a result of the following:

- For the three months ended December 31, 2023, March 31, 2024 and 2022, 2023, the change in unrealized gain (loss) from foreign currency translation adjustments resulted in gains a loss of \$54 million \$27 million and \$82 million a gain of \$27 million, respectively. The fluctuations in unrealized translation gains and losses are primarily due to translating foreign subsidiary financial statements from local currencies to U.S. Dollars.
- For the three months ended December 31, 2023, March 31, 2024 and 2022, 2023, the change in commodity hedges is primarily due to the fluctuations of the market prices of the underlying commodities. Commodity hedges resulted in unrealized gains of \$1 million and losses of \$3 million for the three months ended March 31, 2024 and 2023, respectively.

Year-to-date - Total other comprehensive income (loss), net of tax, for the current year decreased \$75 million compared to the prior year period primarily as a result of the following:

- For the six months ended March 31, 2024 and 2023, the change in unrealized gain (loss) from foreign currency translation adjustments resulted in gains of \$27 million and \$109 million, respectively. The fluctuations in unrealized translation gains and losses are primarily due to translating foreign subsidiary financial statements from local currencies to U.S. Dollars.
- For the six months ended March 31, 2024 and 2023, the change in commodity hedges is primarily due to the fluctuations of the market prices of the underlying commodities. Commodity hedges resulted in unrealized losses of \$1 million and \$4 million \$7 million for the three six months ended December 31, 2023 and 2022, respectively. March 31, 2023.

Use of Non-GAAP Financial Measures

Ashland has included within this document the following non-GAAP financial measures, on both a consolidated and reportable segment basis, which are not defined within U.S. GAAP and do not purport to be alternatives to net income or cash flows from operating activities as a measure of operating performance or cash flows:

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

EBITDA is defined as net income, plus income tax expense (benefit), net interest and other income, expense (income), and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for discontinued operations and key items. Adjusted EBITDA margin is Adjusted adjusted EBITDA divided by sales.

Management believes the use of EBITDA and Adjusted adjusted EBITDA measures on a consolidated and reportable segment basis assists investors in understanding the ongoing operating performance by presenting comparable financial results between periods. Ashland believes that by removing the impact of depreciation and amortization and excluding certain non-cash charges, amounts spent on interest and taxes and certain other charges that are highly variable from year to year, EBITDA and Adjusted adjusted EBITDA provide Ashland's investors with performance measures that reflect the impact to operations from trends in changes in sales, margin and operating expenses, providing a

35

perspective not immediately apparent from net income and operating income. income (loss). The adjustments Ashland makes to derive the non-GAAP financial measures of EBITDA and Adjusted adjusted EBITDA exclude items which may cause short-term fluctuations in net income and operating income (loss) and which Ashland does not consider to be the fundamental attributes or primary drivers of its business. EBITDA and Adjusted adjusted EBITDA provide disclosure on the same basis as that used by Ashland's management to evaluate financial performance on a consolidated and reportable segment basis and provide consistency in our financial reporting, facilitate internal and external comparisons of Ashland's historical operating performance and its segments and provide continuity to investors for comparability purposes.

33

Adjusted Diluted Earnings Per Share (EPS)

Adjusted diluted EPS is defined as income from continuing operations, adjusted for key items, net of tax, divided by the average outstanding diluted shares for the applicable period. The Adjusted adjusted diluted EPS metric enables Ashland to demonstrate what effect key items have on an earnings per diluted share basis by taking income from continuing operations, adjusted for key items after tax that have been identified in the Adjusted adjusted EBITDA table, and dividing by the average outstanding diluted shares for the applicable period. Ashland's management believes this presentation is helpful to illustrate how the key items have impacted this metric during the applicable period.

Adjusted Diluted Earnings Per Share (EPS) Excluding Intangibles Amortization Expense

The Adjusted adjusted diluted EPS excluding intangible amortization expense is adjusted earnings per share adjusted for intangibles amortization expense net of tax, divided by the average outstanding diluted shares for the applicable period. The Adjusted adjusted diluted EPS, excluding intangibles amortization expense metric enables Ashland to demonstrate the impact of non-cash intangibles amortization expense on EPS, in addition to the key items previously mentioned. Ashland's management believes this presentation is helpful to illustrate how previous acquisitions impact applicable period results.

Free Cash Flow, Ongoing Free Cash Flow and Ongoing Free Cash Flow Conversion

Free cash flow is defined as operating cash flows less capital expenditures while ongoing free cash flow is operating cash flows less capital expenditures and certain other adjustments as applicable. Ongoing free cash flow conversion is ongoing free cash flow divided by adjusted EBITDA. These free cash flow metrics enable Ashland 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. Unlike cash flow provided by operating activities, free cash flow and ongoing free cash flow include the impact of capital expenditures from continuing operations and other significant items impacting cash flow, providing a more complete picture of current and future cash generation. Free cash flow, ongoing free cash flow, and free cash flow conversion are non-GAAP liquidity measures that Ashland believes provide useful information to management and investors about Ashland's ability to convert Adjusted adjusted EBITDA to ongoing free cash flow. These liquidity measures are used regularly by Ashland's stakeholders and industry peers to measure the efficiency at providing cash from regular business activity. Free cash flow, ongoing free cash flow, and free cash flow conversion have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash flows such as mandatory debt repayments. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

Other disclosures on non-GAAP financial measures

Although Ashland may provide forward-looking guidance for Adjusted adjusted EBITDA, Adjusted adjusted diluted EPS and ongoing free cash flow, Ashland is not reaffirming or providing forward-looking guidance for U.S. GAAP-reported financial measures or a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP measure because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items that affect these metrics such as domestic and international economic, political, legislative, regulatory and legal actions. In addition, certain economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, government fiscal policies and changes in the prices of certain key raw materials, can have a significant effect on operations and are difficult to predict with certainty.

These non-GAAP financial measures should be considered supplemental in nature and should not be construed as more significant than comparable measures defined by U.S. GAAP. Limitations associated with the use of these non-GAAP financial measures include that these measures do not present all of the amounts associated with our results as determined in accordance with U.S. GAAP. The non-GAAP financial measures provided are used by

Ashland management and may not be determined in a manner consistent with the methodologies used by other companies. EBITDA and Adjusted adjusted EBITDA provide a supplemental presentation of Ashland's operating performance on a consolidated and

reportable segment basis. Adjusted EBITDA generally includes adjustments for items that impact comparability between periods. In addition, certain financial covenants related to Ashland's 2022 Credit Agreement are based on similar non-GAAP financial measures and are defined further in the sections that reference this metric.

34

EBITDA and Adjusted EBITDA

EBITDA totaled income of \$34 million \$74 million and \$93 million \$140 million for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and income of \$109 million and \$235 million for the six months ended March 31, 2024 and 2023, respectively. EBITDA and Adjusted adjusted EBITDA results in the table below have been prepared to illustrate the ongoing effects of Ashland's operations, which exclude certain key items previously described. 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.

These operating key items for the applicable periods are summarized as follows:

- Restructuring, separation and other costs – Ashland periodically implements company-wide and targeted cost reduction programs related to acquisitions, divestitures and other cost reduction programs in order to enhance profitability through streamlined operations and an improved overall cost structure. Ashland often incurs severance, facility and integration costs associated with these programs. See Note C in the Notes to Consolidated Financial Statements for further information on the restructuring activities activities;
- Environmental reserve adjustments – Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations. As a result of these activities, Ashland recorded adjustments during each year to its environmental liabilities and receivables primarily related to previously divested businesses or non-operational sites. See Note K of the Notes to Consolidated Financial Statements for more information. information;
- Accelerated depreciation – As a result of product line optimization activities at a two Specialty Additives manufacturing plant, plants, Ashland recorded accelerated depreciation due to changes in the expected useful life of certain property, plant and equipment during the three six months ended December 31, 2023 March 31, 2024. See Note C of the Notes to Consolidated Financial Statements for more information. information;
- Argentina foreign currency devaluation – following the enactment by the Argentina government of a 50% peso devaluation against the dollar, Ashland recorded a currency devaluation charge within the selling, general and administrative expense caption of the Statements of Consolidated Comprehensive Income (Loss) for the three six months ended December 31, 2023 March 31, 2024;
- Asset impairments – Ashland recognized impairment charges to certain assets during 2023. fiscal 2023; and
- Other plant optimization costs – During the second quarter of fiscal 2024, Ashland incurred inventory adjustment and production costs associated with product line optimization actions.

37

Three months ended
December 31

(In millions)	2023	2022
Net income	\$ 26	\$ 40
Income tax expense (benefit)	(24)	8
Net interest and other income	(24)	(14)
Depreciation and amortization ^(a)	56	59
EBITDA	34	93
Loss from discontinued operations, net of income taxes	2	2
Key items included in EBITDA:		
Restructuring, separation and other costs	4	1
Environmental reserve adjustments	4	8
Accelerated depreciation	21	—
Argentina currency devaluation impact	5	—
Asset impairments	—	4
Total key items included in EBITDA	34	13
Adjusted EBITDA	\$ 70	\$ 108
Total key items included in EBITDA	\$ 34	\$ 13
Unrealized gain on securities	(31)	(21)
Total key items, before tax	\$ 3	\$ (8)

(In millions)	Three months ended		Six months ended	
	March 31		March 31	
	2024	2023	2024	2023
Net income	\$ 120	\$ 91	\$ 147	\$ 132
Income tax expense (benefit)	(104)	(1)	(128)	7
Net interest and other expense (income)	2	(10)	(21)	(24)
Depreciation and amortization ^(a)	56	60	111	120
EBITDA	74	140	109	235
Loss from discontinued operations, net of income taxes	1	1	2	2
Key items included in EBITDA:				
Restructuring, separation and other costs	20	—	24	1
Environmental reserve adjustments	3	4	7	12
Accelerated depreciation	27	—	49	—
Argentina currency devaluation impact	—	—	5	—
Asset impairments	—	—	—	4
Other plant optimization costs	1	—	1	—
Total key items included in EBITDA	51	4	86	17
Adjusted EBITDA	\$ 126	\$ 145	\$ 197	\$ 254
Total key items included in EBITDA	\$ 51	\$ 4	\$ 86	\$ 17
Unrealized gain on securities	(9)	(20)	(39)	(41)
Total key items, before tax	\$ 42	\$ (16)	\$ 47	\$ (24)

(a) Depreciation and amortization excludes accelerated depreciation of \$21 million \$27 million and \$49 million for Specialty Additives for the three and six months ended December 31, 2023 March 31, 2024, respectively, which is included as a key item within this table as a component of Adjusted adjusted EBITDA.

Diluted EPS and Adjusted Diluted EPS

The following table reflects the U.S. GAAP calculation for the income from continuing operations adjusted for the cumulative diluted EPS effect for key items after tax that have been identified in the Adjusted adjusted EBITDA table in the previous section. Key items are defined as the financial effects from significant transactions that may have caused short-term fluctuations in net income and/or operating income (loss) which Ashland believes do not accurately reflect Ashland's underlying business performance and trends. The Adjusted adjusted diluted EPS for the income from continuing operations in the following table has been prepared to illustrate the ongoing effects of Ashland's operations. Management believes investors and analysts use this financial measure in assessing Ashland's business performance and that presenting this non-GAAP financial measure on a consolidated basis assists investors in better understanding Ashland's ongoing business performance and enhances their ability to compare period-to-period financial results.

In addition to the operating key items previously described, additional non-operating key items for the applicable periods are summarized as follows:

- Unrealized gain on securities – represents gains recognized on restricted investments related to the Asbestos trust and Environmental trust for each period. See Note D of the Notes to Consolidated Financial Statements for more information.
- Other and tax reform related activity – represents tax specific key items associated with foreign tax reform related activity for the three and six months ended December 31, 2023 March 31, 2024; and
- Uncertain tax positions – represents the impact from the settlement of uncertain tax positions with various tax authorities for the three and six months ended March 31, 2023.

38

	Three months ended December 31		Three months ended March 31		Six months ended March 31	
	2023	2022	2024	2023	2024	2023
Diluted EPS from continuing operations (as reported)	\$ 0.54	\$ 0.76	\$ 2.40	\$ 1.68	\$ 2.92	\$ 2.43
Key items, before tax:						
Restructuring, separation and other costs	0.08	0.02	0.39	—	0.47	0.02
Environmental reserve adjustments	0.08	0.14	0.06	0.07	0.14	0.22
Accelerated depreciation	0.41	—	0.55	—	0.96	—
Argentina currency devaluation impact	0.10	—	—	—	0.10	—
Asset impairments	—	0.07	—	—	—	0.07
Other plant optimization costs	0.02	—	0.02	—		
Unrealized gain on securities	(0.60)	(0.38)	(0.18)	(0.35)	(0.76)	(0.74)
Key items, before tax	0.07	(0.15)	0.84	(0.28)	0.93	(0.43)
Tax effect of key items ^(a)	(0.02)	0.03	(0.20)	0.05	(0.23)	0.09
Key items, after tax	0.05	(0.12)	0.64	(0.23)	0.70	(0.34)
Tax specific key items:						
Other and tax reform related activity	(0.47)	—	(2.07)	—	(2.54)	—

Uncertain tax positions	—	(0.36)	—	(0.36)		
Tax specific key items ^(b)	(0.47)	—	(2.07)	(0.36)	(2.54)	(0.36)
Total key items	(0.42)	(0.12)	(1.43)	(0.59)	(1.84)	(0.70)
Adjusted diluted EPS from continuing operations (non-GAAP)	\$ 0.12	\$ 0.64	\$ 0.97	\$ 1.09	\$ 1.08	\$ 1.73
Amortization expense adjustment (net of tax) ^(c)	\$ 0.33	\$ 0.33	\$ 0.30	\$ 0.34	\$ 0.63	\$ 0.67
Adjusted diluted EPS from continuing operations (non-GAAP) excluding intangibles amortization expense	\$ 0.45	\$ 0.97	\$ 1.27	\$ 1.43	\$ 1.71	\$ 2.40

(a) Represents the diluted EPS impact from the tax effect of the key items that are identified above.

(b) Represents the diluted EPS impact from tax specific financial transactions, tax law changes or other matters that fall within the definition of tax specific key items. For additional explanation of these tax specific key items, see the income tax expense (benefit) discussion within the Statements of Consolidated Comprehensive Income (Loss) caption review section above.

(c) Amortization expense adjustment (net of tax) tax rates were 20% for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

36

RESULTS OF OPERATIONS – REPORTABLE SEGMENT REVIEW

Ashland's reportable segments include Life Sciences, Personal Care, Specialty Additives, and Intermediates. Unallocated and Other includes corporate governance activities and certain legacy matters.

Results of Ashland's reportable segments are presented based on its management and internal accounting structure. The structure is specific to Ashland; therefore, the financial results of Ashland's reportable segments are not necessarily comparable with similar information for other companies. Ashland allocates all significant costs to its reportable segments except for certain significant company-wide restructuring activities, certain corporate governance costs and other costs or activities 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 within the other net periodic benefit loss caption on the Statements of Consolidated Comprehensive Income (Loss). 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. Significant revisions to Ashland's methodologies are adjusted for all segments on a retrospective basis.

39

The following table discloses sales, operating income (loss), depreciation and amortization and EBITDA by reportable segment for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions - unaudited)	Three months ended			Six months ended					
	Three months ended December 31			March 31			March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
SALES									
<i>Life Sciences</i>	\$ 200	\$ 207	\$ (7)	\$ 222	\$ 240	\$ (18)	\$ 422	\$ 447	\$ (25)
<i>Personal Care</i>	129	138	(9)	169	167	2	298	305	(7)
<i>Specialty Additives</i>	122	143	(21)	157	161	(4)	279	304	(25)

<i>Intermediates</i>	33	54	(21)	40	51	(11)	73	105	(32)
<i>Intersegment sales^(a)</i>	(11)	(17)	6	(13)	(16)	3	(24)	(33)	9
	<u>\$ 473</u>	<u>\$ 525</u>	<u>\$ (52)</u>	<u>\$ 575</u>	<u>\$ 603</u>	<u>\$ (28)</u>	<u>\$ 1,048</u>	<u>\$ 1,128</u>	<u>\$ (80)</u>
OPERATING INCOME (LOSS)									
<i>Life Sciences</i>	\$ 32	\$ 34	\$ (2)	\$ 50	\$ 58	\$ (8)	\$ 82	\$ 92	\$ (10)
<i>Personal Care</i>	2	11	(9)	25	14	11	28	25	3
<i>Specialty Additives</i>	(32)	1	(33)	(18)	15	(33)	(50)	16	(66)
<i>Intermediates</i>	7	20	(13)	9	17	(8)	16	37	(21)
<i>Unallocated and other</i>	(27)	(29)	2	(45)	(21)	(24)	(72)	(50)	(22)
	<u>\$ (18)</u>	<u>\$ 37</u>	<u>\$ (55)</u>	<u>\$ 21</u>	<u>\$ 83</u>	<u>\$ (62)</u>	<u>\$ 4</u>	<u>\$ 120</u>	<u>\$ (116)</u>
DEPRECIATION EXPENSE									
<i>Life Sciences</i>	\$ 9	\$ 10	\$ (1)	\$ 11	\$ 10	\$ 1	\$ 20	\$ 20	\$ —
<i>Personal Care</i>	9	9	—	9	10	(1)	17	20	(3)
<i>Specialty Additives^(b)</i>	35	14	21	40	14	26	77	28	49
<i>Intermediates</i>	3	3	—	3	3	—	6	6	—
<i>Unallocated and other</i>	—	—	—	—	—	—	—	—	—
	<u>\$ 56</u>	<u>\$ 36</u>	<u>\$ 20</u>	<u>\$ 63</u>	<u>\$ 37</u>	<u>\$ 26</u>	<u>\$ 120</u>	<u>\$ 74</u>	<u>\$ 46</u>
AMORTIZATION EXPENSE									
<i>Life Sciences</i>	\$ 7	\$ 7	\$ —	\$ 5	\$ 7	\$ (2)	\$ 12	\$ 14	\$ (2)
<i>Personal Care</i>	11	12	(1)	11	11	—	22	22	—
<i>Specialty Additives</i>	3	4	(1)	4	5	(1)	6	9	(3)
<i>Intermediates</i>	—	—	—	—	—	—	—	1	(1)
	<u>\$ 21</u>	<u>\$ 23</u>	<u>\$ (2)</u>	<u>\$ 20</u>	<u>\$ 23</u>	<u>\$ (3)</u>	<u>\$ 40</u>	<u>\$ 46</u>	<u>\$ (6)</u>
EBITDA^(c)									
<i>Life Sciences</i>	\$ 48	\$ 51	\$ (3)	\$ 66	\$ 75	\$ (9)	\$ 114	\$ 126	\$ (12)
<i>Personal Care</i>	22	32	(10)	45	35	10	67	67	—
<i>Specialty Additives</i>	6	19	(13)	26	34	(8)	33	53	(20)
<i>Intermediates</i>	10	23	(13)	12	20	(8)	22	44	(22)
<i>Unallocated and other</i>	(27)	(29)	2	(45)	(21)	(24)	(72)	(50)	(22)
	<u>\$ 59</u>	<u>\$ 96</u>	<u>\$ (37)</u>	<u>\$ 104</u>	<u>\$ 143</u>	<u>\$ (39)</u>	<u>\$ 164</u>	<u>\$ 240</u>	<u>\$ (76)</u>

(a) Intersegment sales from Intermediates are accounted for at prices that approximate fair value. All other intersegment sales are accounted for at cost.

(b) Depreciation includes accelerated depreciation of \$21 million \$27 million and \$49 million for Specialty Additives for the three and six months ended December 31, 2023, March 31, 2024, respectively.

37

(c) Excludes loss from discontinued operations and other net periodic benefit loss. See the Statements of Consolidated Comprehensive Income (Loss) for applicable amounts excluded.

40

Life Sciences

Life Sciences is comprised of pharmaceuticals, nutrition, nutraceuticals, agricultural chemicals, diagnostic films (formerly known as advanced materials) and fine chemicals. Pharmaceutical solutions include controlled release polymers, disintegrants, tablet coating, thickeners, solubilizers, and tablet binders. Nutrition solutions include thickeners, stabilizers, emulsifiers and additives for enhancing mouthfeel, controlling moisture migration, reducing oil uptake and binding structured foods. Nutraceutical solutions include products for weight management, joint comfort, stomach and intestinal health, sports nutrition and general wellness. The nutraceutical business also provides custom formulation, toll processing and particle engineering solutions. Customers include pharmaceutical, food, beverage, nutraceuticals and supplements manufacturers, hospitals and radiologists and industrial manufacturers.

The following table provides a reconciliation of the change in sales for the Life Sciences operating segment for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31	Three months ended March 31, 2024	Six months ended March 31, 2024
Sales change			
Volume	\$ (13)	\$ (15)	\$ (29)
Price/mix	4	(3)	2
Foreign Currency	2	—	2
	<u>\$ (7)</u>	<u>\$ (18)</u>	<u>\$ (25)</u>

The following table provides a reconciliation of the change in operating income (loss) for the Life Sciences operating segment for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31	Three months ended March 31, 2024	Six months ended March 31, 2024
Operating income change			
Volume	\$ (9)	\$ (6)	\$ (10)
Cost	(3)	(1)	(4)
Price/mix	8	(1)	2
Foreign Currency	2	—	2
	<u>\$ (2)</u>	<u>\$ (8)</u>	<u>\$ (10)</u>

EBITDA and Adjusted EBITDA reconciliation

The EBITDA and Adjusted 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 segment. Each of these non-GAAP financial measures are defined as follows: EBITDA (operating income (loss) plus depreciation and amortization), Adjusted adjusted EBITDA (EBITDA adjusted for key items as applicable), and Adjusted adjusted EBITDA margin (Adjusted (adjusted EBITDA divided by sales). Ashland does not allocate items to each reportable segment below operating income (loss), such as interest expense and income taxes. As a result, reportable segment EBITDA and Adjusted adjusted EBITDA are reconciled directly to operating income (loss) since it is the most directly comparable Statements of Consolidated Comprehensive Income (Loss) caption.

The following EBITDA presentation for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023 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 Life Sciences. The key items during the three six months ended December 31, 2022 March 31, 2023 related to \$1 million for restructuring program within the Nutraceuticals business of the Life Sciences segment.

(In millions)	Life Sciences					
	Three months ended March 31			Six months ended March 31		
	2024	2023	Change	2024	2023	Change
Operating income	\$ 50	\$ 58	\$ (8)	\$ 82	\$ 92	\$ (10)
Depreciation and amortization	16	17	(1)	32	34	(2)
EBITDA	\$ 66	\$ 75	(9)	\$ 114	\$ 126	(12)
Restructuring and other costs	—	—	—	—	1	(1)
Adjusted EBITDA	\$ 66	\$ 75	(9)	\$ 114	\$ 127	(13)
As a percent of sales	29.7 %	31.3 %	-160 bps	27.0 %	28.4 %	-140 bps

(In millions)	Life Sciences		
	Three months ended December 31		
	2023	2022	Change
Operating income	\$ 32	\$ 34	\$ (2)
Depreciation and amortization	16	17	(1)
EBITDA	\$ 48	\$ 51	(3)
Restructuring and other costs	—	1	(1)
Adjusted EBITDA	\$ 48	\$ 52	(4)
As a percent of sales	24.0 %	25.1 %	-110 bps

41

Three months ended **December 31, 2023** **March 31, 2024** compared to three months ended **December 31, 2022** **March 31, 2023**

Life Sciences' sales, operating income and **Adjusted** adjusted EBITDA primarily decreased in the current quarter due to lower volume.

Fiscal 2024 year-to-date compared to fiscal 2023 year-to-date

Life Sciences' sales, operating income and adjusted EBITDA decreased in the current **quarter period** due to lower volume and higher costs, partially offset by favorable price/mix actions and favorable foreign currency exchange.

Personal Care

Personal Care is comprised of biofunctionals, microbial protectants (preservatives), skin care, sun care, oral care, hair care and household solutions. These businesses have a broad range of natural, nature-derived, biodegradable, and high-performance ingredients for customer driven solutions to help protect, renew, moisturize and revitalize skin and hair, and provide solutions for toothpastes, mouth washes and rinses, denture cleaning and care for teeth. Household supplies nature-derived rheology ingredients, biodegradable surface wetting agents, performance encapsulates, and specialty polymers for household, industrial and institutional cleaning products. Customers include formulators at large multinational branded consumer products companies and smaller, independent boutique companies.

The following table provides a reconciliation of the change in sales for the Personal Care operating segment for the three **and six** months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**.

Three months ended	Three months ended	Six months ended
--------------------	--------------------	------------------

(In millions)	December 31	March 31, 2024	March 31, 2024
Sales change			
Volume	\$ (12)	\$ 7	\$ (4)
Price/mix	(4)	(4)	
Foreign Currency	2	(1)	1
Price/mix	1		
	<u>\$ (9)</u>	<u>\$ 2</u>	<u>\$ (7)</u>

The following table provides a reconciliation of the change in operating income (loss) for the Personal Care operating segment for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31	Three months ended March 31, 2024	Six months ended March 31, 2024
Operating income change			
Cost	\$ (8)	\$ 7	\$ (1)
Volume	(4)	2	(2)
Price/mix	3	2	6
	<u>\$ (9)</u>	<u>\$ 11</u>	<u>\$ 3</u>

39 42

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA presentation for the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 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 Personal Care. Personal Care had no key items for the three and six months ended December 31, 2023 March 31, 2024 or 2022, 2023.

(In millions)	Personal Care			Personal Care					
	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Operating income	\$ 2	\$ 11	\$ (9)	\$ 25	\$ 14	\$ 11	\$ 28	\$ 25	\$ 3
Depreciation and amortization	20	21	(1)	20	21	(1)	39	42	(3)
EBITDA	<u>\$ 22</u>	<u>\$ 32</u>	<u>(10)</u>	<u>\$ 45</u>	<u>\$ 35</u>	<u>10</u>	<u>\$ 67</u>	<u>\$ 67</u>	<u>—</u>
As a percent of sales	17.1%	23.2%	-610 bps	26.6%	21.0%	560 bps	22.5%	22.0%	50 bps

Three months ended December 31, 2023 March 31, 2024 compared to three months ended December 31, 2022 March 31, 2023

Personal Care's sales increased primarily due to higher volume, partially offset by unfavorable price/mix and foreign currency exchange, while operating income and EBITDA increased in the current period primarily due to higher volume, lower costs and favorable price/mix.

Fiscal 2024 year-to-date compared to fiscal 2023 year-to-date

Personal Care's sales decreased in the current quarter period primarily due to higher costs, lower volume and lower volume, unfavorable price/mix. Operating income increased primarily due to favorable price/mix, partially offset by favorable price/mix, lower volume and EBITDA remained generally consistent compared to the prior year period.

Specialty Additives

Specialty Additives is comprised of rheology- and performance-enhancing additives serving the architectural coatings, construction, energy, automotive and various industrial markets. Solutions include coatings additives for architectural paints, finishes and lacquers, cement- and gypsum- based dry mortars, ready-mixed joint compounds, synthetic plasters for commercial and residential construction, and specialty materials for industrial applications. Products include rheology modifiers (cellulosic and associative thickeners), foam control agents, surfactants and wetting agents, pH neutralizers, advanced ceramics used in catalytic converters, and environmental filters, ingredients that aid the manufacturing process of ceramic capacitors, plasma display panels and solar cells, ingredients for textile printing, thermoplastic metals and alloys for welding. Products help improve desired functional outcomes through rheology modification and control, water retention, workability, adhesive strength, binding power, film formation, deposition and suspension and emulsification. Customers include global paint manufacturers, electronics and automotive manufacturers, textile mills, the construction industry, and welders.

The following table provides a reconciliation of the change in sales for the Specialty Additives operating segment for the three and six months ended December 31, 2023, March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31	Three months ended March 31, 2024	Six months ended March 31, 2024
Sales change			
Volume	\$ (18)	\$ 9	\$ (9)
Price/mix	(4)	(12)	(15)
Divestiture	(1)	(1)	(2)
Foreign Currency	2	—	1
	<u>\$ (21)</u>	<u>\$ (4)</u>	<u>\$ (25)</u>

43

The following table provides a reconciliation of the change in operating income (loss) for the Specialty Additives operating segment for the three and six months ended December 31, 2023, March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31
Operating income change	
Costs (including accelerated depreciation)	\$ (29)
Volume	(3)
Foreign Currency	(1)
	<u>\$ (33)</u>

40

Three months ended

Six months ended

	Three months ended		Six months ended	
(In millions)	March 31, 2024		March 31, 2024	
Operating income (loss) change				
Costs (including accelerated depreciation)	\$	(31)	\$	(60)
Price/mix		(3)		(3)
Divestiture		(1)		(1)
Volume		2		(1)
Foreign Currency		—		(1)
	\$	(33)	\$	(66)

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA presentation for the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 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 Additives. The key items during the three months ended December 31, 2023 and 2022 March 31, 2024 related to \$21 million \$27 million of accelerated depreciation and \$1 million of other plant optimization costs. The key items during the six months ended March 31, 2024 and 2023 related to \$49 million accelerated depreciation and \$1 million of other plant optimization costs in 2023 fiscal 2024 and an asset impairment charge of \$4 million in 2022 both fiscal 2023 all of which were associated with manufacturing facilities.

(In millions)	Specialty Additives			Specialty Additives					
	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Operating income	\$ (32)	\$ 1	\$ (33)						
Operating income (loss)	\$ (18)	\$ 15	\$ (33)	\$ (50)	\$ 16	\$ (66)			
Depreciation and amortization ^(a)	17	18	(1)	17	19	(2)	34	37	(3)
EBITDA	(15)	19	(34)	(1)	34	(35)	(16)	53	(69)
Accelerated depreciation	21	—	21	27	—	27	49	—	49
Impairments	—	4	(4)						
Asset Impairments	—	—	—	—	4	(4)			
Other plant optimization costs	1	—	1	1	—	1			
Adjusted EBITDA	\$ 6	\$ 23	\$ (17)	\$ 27	\$ 34	\$ (7)	\$ 34	\$ 57	\$ (23)
As a percent of sales	4.9%	16.1%	-1120 bps	17.2%	21.1%	-390 bps	12.2%	18.8%	-660 bps

(a) Depreciation and amortization excludes accelerated depreciation of \$21 million \$27 million and \$49 million for Specialty Additives for the three and six months ended December 31, 2023 March 31, 2024, respectively, which is included as a key item within this table as a component of Adjusted adjusted EBITDA.

Three months ended December 31, 2023 March 31, 2024 compared to three months ended December 31, 2022 March 31, 2023

Specialty Additives sales for the quarter decreased primarily as a result of unfavorable price/mix partially offset by higher volume, while operating income and Adjusted EBITDA for the current quarter (loss) decreased primarily due to higher costs, including \$21 million \$27 million of accelerated depreciation for product line optimization activities associated with a two Specialty Additives manufacturing facility facilities and unfavorable price/mix. Adjusted EBITDA decreased primarily due to higher costs and unfavorable price/mix, partially offset by higher volume.

Fiscal 2024 year-to-date compared to fiscal 2023 year-to-date

Specialty Additives sales and operating income (loss) for the current period decreased primarily due to higher costs, including \$49 million of accelerated depreciation for product line optimization activities associated with two Specialty Additives manufacturing facilities, unfavorable price/mix, and lower volume. Adjusted EBITDA's decrease was driven primarily by increased costs and price/mix.

Intermediates

Intermediates is comprised of the production of 1,4 butanediol (BDO) and related derivatives, including 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, pharmaceuticals, water filtration membranes and more. BDO is also supplied to Life Sciences, Personal Care, and Specialty Additives for use as a raw material.

The following table provides a reconciliation of the change in sales for the Intermediates operating segment for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31	Three months ended March 31, 2024	Six months ended Current Year End
Sales change			
Price/mix	\$ (13)	\$ (23)	
Volume	\$ (11)	2	(9)
Price/mix	(10)		
	<u>\$ (21)</u>	<u>\$ (11)</u>	<u>\$ (32)</u>

The following table provides a reconciliation of the change in operating income (loss) for the Intermediates operating segment for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31
Operating income change	
Volume	\$ (5)
Price/mix	(4)
Cost	(4)
	<u>\$ (13)</u>

41

(In millions)	Three months ended March 31, 2024	Six months ended March 31, 2024
Operating income change		
Price/mix	\$ (11)	\$ (19)
Volume	1	(3)
Cost	2	1
	<u>\$ (8)</u>	<u>\$ (21)</u>

EBITDA and Adjusted EBITDA reconciliation

The following EBITDA presentation (as defined and described in the section above) for the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023 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 Intermediates. Intermediates had no key items for the three and six months ended **December 31, 2023** March 31, 2024 or **2022, 2023**.

(In millions)	Intermediates			Intermediates					
	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Operating income	\$ 7	\$ 20	\$ (13)	\$ 9	\$ 17	\$ (8)	\$ 16	\$ 37	\$ (21)
Depreciation and amortization	3	3	—	3	3	—	6	7	(1)
EBITDA	\$ 10	\$ 23	\$ (13)	\$ 12	\$ 20	\$ (8)	\$ 22	\$ 44	\$ (22)
As a percent of sales	30.3%	42.6%	-1230 bps	30.0%	39.2%	-920 bps	30.1%	41.9%	-1180 bps

Three months ended **December 31, 2023** March 31, 2024 compared to three months ended **December 31, 2022** March 31, 2023

Intermediates' sales, operating income and EBITDA for the current quarter decreased primarily due to **lower volume**, **unfavorable price/mix**, partially offset by higher volume.

Fiscal 2024 year-to-date compared to fiscal 2023 year-to-date

Intermediates' sales, operating income and EBITDA for the current period decreased primarily due to unfavorable price/mix and **higher costs**, lower volume.

45

Unallocated and other

The following table summarizes the key components of the Unallocated and other segment's operating income (loss) for the three and six months ended **December 31, 2023** March 31, 2024 and **2022, 2023**.

(In millions)	Unallocated and Other			Unallocated and Other					
	Three months ended December 31			Three months ended March 31			Six months ended March 31		
	2023	2022	Change	2024	2023	Change	2024	2023	Change
Restructuring activities	\$ (4)	\$ (1)	\$ (3)	\$ (20)	\$ (1)	\$ (19)	\$ (24)	\$ (2)	\$ (22)
Environmental expenses	(4)	(8)	4	(3)	(4)	1	(7)	(12)	5
Loss on acquisitions and divestitures, net	—	—	—	(2)	—	(2)	—	—	—
Argentina currency devaluation impact	(5)	—	(5)	—	—	—	(5)	—	(5)
Loss on acquisitions and divestitures, net	(2)	—	(2)	—	—	—	—	—	—
Other expenses (primarily governance and legacy expenses)	(12)	(20)	8	(22)	(16)	(6)	(34)	(36)	2
Total expense	\$ (27)	\$ (29)	\$ 2	\$ (45)	\$ (21)	\$ (24)	\$ (72)	\$ (50)	\$ (22)

Three months ended **December 31, 2023** March 31, 2024 compared to three months ended **December 31, 2022** March 31, 2023

Unallocated and other recorded expense of **\$27 million** \$45 million and **\$29 million** \$21 million for the three months ended **December 31, 2023** March 31, 2024 and **2022, 2023**, respectively. The current and prior year quarter included expense of **\$4 million** \$20 million and \$1 million, respectively, for restructuring activities mainly comprised of severance, lease abandonment and other restructuring costs related to company-wide cost reduction programs during the current and prior year quarter, respectively.

The current quarter and prior year quarter included **\$3 million** and \$4 million for environmental expenses, respectively.

Other expenses between periods were driven by increases in governance and \$8 million legacy expenses primarily associated with fluctuations in foreign currency, deferred compensation and variable incentive compensation.

Fiscal 2024 year-to-date compared to fiscal 2023 year-to-date

Unallocated and other recorded expense of \$72 million and \$50 million for the six months ended March 31, 2024 and 2023, respectively. The current and prior year period included expense of \$24 million and \$2 million, respectively, for restructuring activities mainly comprised of severance, lease abandonment and other restructuring costs related to company-wide cost reduction programs during the current and prior year period, respectively.

The current and prior year period included \$7 million and \$12 million for environmental expenses, respectively.

The remaining items primarily included expense of \$5 million related to the devaluation of the currency in Argentina and a loss of \$2 million from acquisitions and divestitures during the current quarter. Argentina.

Other expenses between periods were driven by decreases in governance and legacy expenses primarily associated with fluctuations in foreign currency, deferred compensation and variable incentive compensation, mainly driven by lower stock compensation expense.

42 expense in the current period.

46

FINANCIAL POSITION

Liquidity

Ashland believes that cash flow from operations, availability under existing credit facilities and arrangements, current cash and investment balances and the ability to obtain other financing, if necessary, will provide adequate cash funds for Ashland's foreseeable working capital needs, capital expenditures at existing facilities, dividend payments and debt service obligations. Ashland's cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that the Company may complete may also impact its cash requirements.

On October 19, 2023, Ashland entered, through an Ireland based, wholly-owned, bankruptcy-remote consolidated special purpose entity (SPE), into a three-year agreement with a group of entities (buyers) to sell certain trade receivables, without recourse beyond the pledged receivables, of certain wholly-owned Ashland subsidiaries (Foreign Accounts Receivable Sales Program) primarily in Europe. Under the agreement, Ashland can transfer whole receivables up to a limit established by the buyer, which is currently set at €125 million. Ashland accounts for receivables transferred to buyers as part of this agreement as sales. See note Note G for more information on the Foreign Accounts Receivables Sale Program.

Cash flows

Ashland's cash flows from operating, investing and financing activities, as reflected in the Statements of Condensed Consolidated Cash Flows, are summarized as follows for the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023.

(In millions)	Three months ended December 31		Six months ended March 31	
	2023	2022	2024	2023
Cash provided (used) by:				
Operating activities from continuing operations	\$ 201	\$ (29)	\$ 255	\$ 27
Investing activities from continuing operations	(26)	(27)	(49)	(45)

Financing activities from continuing operations	(139)	(27)	(159)	(188)
Discontinued operations	(14)	(34)	(27)	(47)
Effect of currency exchange rate changes on cash and cash equivalents	1	3	2	6
Net increase (decrease) in cash and cash equivalents	\$ 23	\$ (114)	\$ 22	\$ (247)

Cash and cash equivalents increased \$23 million \$22 million for the three six months ended December 31, 2023 March 31, 2024 compared to a \$114 million \$247 million decrease for the three six months ended December 31, 2022 March 31, 2023.

The \$23 million \$22 million increase for the three six months ended December 31, 2023 March 31, 2024 was primarily driven by operating cash inflows from continuing operations of \$255 million partially offset by payment of cash dividends, additions to property, plant and equipment, and stock repurchase activity of \$20 million \$39 million, \$36 million \$70 million, and \$100 million, respectively. Operating cash flows from continuing operations were inflows of \$201 million, while discontinued Discontinued operations cash flows were outflows of \$14 million \$27 million.

The \$114 million \$247 million decrease for the three six months ended December 31, 2022 March 31, 2023 was primarily driven by payment of cash dividends, additions to property, plant and equipment, and taxes paid on stock based compensation repurchase activity of \$18 million \$36 million, \$23 million \$58 million, and \$9 million \$142 million, respectively. Operating cash flows from continuing operations were outflows inflows of \$29 million \$27 million, while discontinued operations cash flows were outflows of \$34 million \$47 million.

See the Statements of Condensed Consolidated Cash Flows for additional details.

Free cash flow and other liquidity resources

The following represents Ashland's calculation of free cash flow and ongoing free cash flows for the disclosed periods. Free cash flow does not reflect adjustments for certain non-discretionary cash flows such as mandatory debt repayments.

47

43

(In millions)	Three months ended December 31		Six months ended March 31	
	2023	2022	2024	2023
Total cash flows provided (used) by operating activities from continuing operations	\$ 201	\$ (29)		
Total cash flows provided by operating activities from continuing operations	\$ 255	\$ 27		
less:				
Additions to property, plant and equipment	(36)	(23)	(70)	(58)
Free cash flows	165	(52)	185	(31)
Cash (inflows) outflows from U.S. Accounts Receivable Sales Program ^(a)	(8)	19	(15)	22
Cash (inflows) outflows from Foreign Accounts Receivable Sales Program ^(b)	(102)	—	(122)	—
Restructuring-related payments ^(c)	3	1	7	1
Environmental and related litigation payments ^(d)	8	11	15	24

Ongoing free cash flow	\$ 66	\$ (21)	\$ 70	\$ 16
Net Income	26	40		
Net income	147	132		
Adjusted EBITDA ^(e)	70	108	197	254
Operating cash flow conversion ^(f)	773 %	-73 %	173 %	20 %
Ongoing free cash flow conversion ^(g)	94 %	-19 %	36 %	6 %

- (a) Represents activity associated with the U.S. Accounts Receivable Sales Program impacting each period presented.
- (b) Represents activity associated with the Foreign Accounts Receivable Sales Program impacting each period presented.
- (c) Restructuring payments incurred during each period.
- (d) Represents cash outflows associated with environmental and related litigation payments which will be reimbursed by the environmental trust.
- (e) See adjusted EBITDA reconciliation.
- (f) Operating cash flow conversion is defined as Cash cash flows provided by operating activities from continuing operations divided by Net net income.
- (g) Ongoing free cash flow conversion is defined as Ongoing ongoing free cash flow divided by Adjusted adjusted EBITDA.

Working capital (current assets minus current liabilities, excluding long-term debt due within one year) amounted to \$951 million \$974 million and \$1,050 million as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively. The \$99 million \$76 million decrease in working capital was driven by a reduction in cash and cash equivalents, primarily associated with repurchases of common stock, and lower trade working capital (accounts receivable and inventories minus trade and other payables and accrued expenses and other liabilities) including sales of foreign accounts receivables under the new Foreign Accounts Receivable Sales Programs. Programs, partially offset by higher cash and cash equivalents as well as an increase in refundable income taxes. See Note G for additional information. information on the Foreign Accounts Receivables Sales Programs. The \$87 million \$54 million increase in ongoing free cash flows between periods was primarily a result of reduced trade working capital additions reflecting a reduction in inventory balances as well as reduced incentive compensation payout compared to the prior year offset by \$13 million \$12 million in higher additions to property, plant and equipment. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 153% 154% and 166% of current liabilities as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

The following summary reflects Ashland's cash, unused borrowing capacity and liquidity as of December 31, 2023 March 31, 2024 and September 30, 2023.

(In millions)	December 31 2023	September 30 2023	March 31 2024	September 30 2023
Cash and investment securities				
Cash and cash equivalents	\$ 440	\$ 417	\$ 439	\$ 417
Restricted investments ^(a)	392	367	383	367
Unused borrowing capacity and liquidity				
Revolving credit facility	596	594	596	594
2018 accounts receivable securitization (foreign)	—	104	NA	104
U.S. Accounts Receivable Sales Program	—	—	—	—
Foreign Accounts Receivable Sales Program	—	NA		

- (a) Includes \$258 million \$255 million and \$243 million related to the Asbestos trust and \$134 million \$128 million and \$124 million related to the Environmental trust as of December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

The borrowing capacity remaining under the 2022 Credit Agreement was \$596 million, which reflects the full \$600 million Revolving Credit Facility less a reduction of \$4 million for letters of credit outstanding at **December 31, 2023** **March 31, 2024**. In total, Ashland's available liquidity position, which includes cash and the revolving credit facility, was **\$1,036 million** **\$1,035 million** at **December 31, 2023** **March 31, 2024**, compared to \$1,115 million at September 30, 2023. Ashland had zero of available liquidity under the U.S. and Foreign Accounts Receivable Sales Programs, respectively, as of **December 31, 2023** **March 31, 2024**. Ashland also maintained **\$392 million** **\$383 million** of restricted investments to pay for future asbestos claims and environmental remediation and related litigation.

Capital resources

Debt

The following summary reflects Ashland's debt as of **December 31, 2023** **March 31, 2024** and September 30, 2023.

(In millions)	December 31 2023	September 30 2023	March 31 2024	September 30 2023
Short-term debt (includes current portion of long-term debt)	\$ —	\$ 16	\$ —	\$ 16
Long-term debt (less current portion and debt issuance cost discounts) ^(a)	1,341	1,314	1,328	1,314
Total debt	<u>\$ 1,341</u>	<u>\$ 1,330</u>	<u>\$ 1,328</u>	<u>\$ 1,330</u>

(a) Includes **\$12 million** and \$13 million of debt issuance cost discounts as of **December 31, 2023** **March 31, 2024** and September 30, 2023, respectively.

Debt as a percent of capital employed was **31%** and **30%** at **December 31, 2023** **March 31, 2024** and at September 30, 2023, respectively. At **December 31, 2023** **March 31, 2024**, Ashland's total debt had an outstanding principal balance of **\$1,386 million** **\$1,372 million**, discounts of \$32 million, and debt issuance costs of **\$13 million** **\$12 million**. Ashland had no long-term debt (excluding debt issuance costs) maturing within the next 3 years, \$4 million due in fiscal 2027 and **\$554 million** **\$540 million** due in 2028.

Ashland credit ratings

Ashland's corporate credit ratings remained unchanged at BB+ by Standard & Poor's and Ba1 by Moody's Investor Services. As of **December 31, 2023** **March 31, 2024**, both Moody's Investor Services and Standard & Poor's outlook remained at stable. Subsequent changes to these ratings or outlook may have an effect on Ashland's borrowing rate or ability to access capital markets in the future.

Ashland debt covenant restrictions

Ashland's current credit agreement (the "2022 Credit Agreement") contains usual and customary representations, warranties and affirmative and negative covenants, including financial covenants for leverage and interest coverage ratios, limitations on liens, additional subsidiary indebtedness, restrictions on subsidiary distributions, investments, mergers, sale of assets and restricted payments and other customary limitations. As of **December 31, 2023** **March 31, 2024**, Ashland is in compliance with all debt agreement covenant restrictions under the 2022 Credit Agreement.

The maximum consolidated net leverage ratio permitted under the 2022 Credit Agreement is 4.0. The 2022 Credit Agreement defines the consolidated net leverage ratio as the ratio of consolidated indebtedness minus unrestricted cash and cash equivalents to consolidated EBITDA (Covenant Adjusted EBITDA) for any measurement period. In general, the 2022 Credit Agreement defines Covenant Adjusted EBITDA as net income plus consolidated interest charges, taxes, depreciation and amortization expense, fees and expenses related to capital market transactions and proposed or actual acquisitions and divestitures, 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 adjusted EBITDA, which have been reconciled above in the "consolidated review" section. 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 guaranties. At December 31, 2023 March 31, 2024, Ashland's calculation of the consolidated net leverage ratio was 2.1.

The minimum required consolidated interest coverage ratio under the 2022 Credit Agreement is 3.0. The 2022 Credit Agreement defines the consolidated interest coverage ratio as the ratio of Covenant Adjusted EBITDA to consolidated interest charges for any measurement period. At December 31, 2023 March 31, 2024, Ashland's calculation of the consolidated interest coverage ratio was 7.6.

45 7.3.

49

Any change in Covenant Adjusted EBITDA of \$100 million would have an approximate 0.4x effect on the consolidated net leverage ratio and a 1.8x 1.7x effect on the consolidated interest coverage ratio. The change in consolidated indebtedness of \$100 million would affect the consolidated leverage ratio by approximately 0.2x.

Additional capital resources

Total equity

Total equity decreased increased by \$44 million \$37 million since September 30, 2023 to \$3,053 million \$3,134 million at December 31, 2023 March 31, 2024. The decrease increase of \$44 million \$37 million was due to net income of \$26 million and \$54 million \$147 million, \$27 million of deferred translation gains, offset by and \$3 million in compensation expense and common shares issued, of \$2 million, offset by stock repurchase activity of \$101 million (includes \$1 million in excise tax), and dividends of \$20 million, and losses on commodity hedges of \$1 million \$39 million.

2023 Stock Repurchase program

On June 28, 2023, Ashland's board of directors authorized a new evergreen \$1 billion common share repurchase program (the "2023 Stock Repurchase Program"). The new authorization terminated and replaced the 2022 Stock Repurchase Program, which had \$200 million outstanding at the date of termination. As of December 31, 2023 March 31, 2024, \$900 million remained available for repurchase under this authorization.

Stock repurchase program agreements

During November 2023, under the 2023 Stock Repurchase Program, Ashland initiated a Rule 10b5-1 trading plan agreement to repurchase up to \$100 million of its outstanding shares. The program was completed during December 2023, when Ashland paid a total of \$100 million and received a delivery of 1.2 million shares of common stock.

During March 2023, under the 2022 stock repurchase program, Ashland initiated a Rule 10b5-1 trading plan agreement to repurchase up to \$100 million of its outstanding shares. The program was completed during April 2023, when Ashland paid a total of \$100 million and received a delivery of 1.0 million shares of common stock. As of March 31, 2023, Ashland repurchased a total of \$52 million (of which \$42 million was cash settled and \$10 million was accrued within the accrued expenses and other liabilities caption for authorized and executed share repurchases pending settlement as of period end) and received a delivery of 0.5 million shares of common stock.

During February 2023, under the existing 2022 stock repurchase program, Ashland initiated a Rule 10b5-1 trading plan agreement to repurchase up to \$100 million of its outstanding shares. The program was completed during February 2023 when Ashland paid a total of \$100 million and received a delivery of 1.0 million shares of common stock.

Stockholder dividends

Ashland paid a dividend of 38.5 cents per share for the first quarter and second quarters of fiscal 2024 and 33.5 cents per share in the first quarter and second quarters of fiscal 2023.

Capital expenditures

Capital expenditures were \$36 million \$70 million for the three six months ended December 31, 2023 March 31, 2024 compared to \$23 million \$58 million for the three six months ended December 31, 2022 March 31, 2023.

50

CRITICAL ACCOUNTING POLICIES

The preparation of Ashland's Condensed 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), income taxes, other liabilities and receivables associated with asbestos litigation and environmental remediation. These accounting policies are discussed in detail in "Management's Discussion and Analysis – Critical Accounting Policies" in Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2023. 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. No material changes have been made to the valuation techniques during the three six months ended December 31, 2023 March 31, 2024.

OUTLOOK

There Overall end market demand growth is growing evidence of expected to be flat-to-low single digits this year with Ashland's full-year results driven primarily through a convergence between Ashland's of our sales volume and customer end-market demand. While traditionally end market demand with a seasonally slower period, demand commensurate increase in January demonstrated production at our manufacturing plants. Versus the prior year, Ashland expects higher full-year volume and mix to approximately offset the revenue impact of portfolio optimization actions and softer pricing.

As part of its portfolio optimization initiative, Ashland recently announced the closure of one of its production units at its plant in Doel, Belgium. As a result, Ashland will be reducing its volume exposure to several lower value, more cyclical industrial segments, including the construction end market. Ashland will continue to operate its remaining methylcellulose (MC) production unit to grow in higher value segments. Ashland continues to advance its work to improve the productivity of its hydroxyethylcellulose (HEC) business.

Ashland expects a sequential improvement with similar trends into February order build.

Current demand patterns suggest a potential recovery with continued momentum into in margins during the second half of the fiscal year. Demand evolution in the subsequent months will further narrow the range of recovery scenarios.

Ashland's portfolio optimization actions continue to make progress and include the consolidation of Ashland's carboxymethylcellulose (CMC) production capacity into Alizay, France resulting in a closure of CMC production

46

capacity in Hopewell, Virginia during the fiscal second quarter of 2024. Other actions to improve Ashland's industrial methylcellulose (MC) and hydroxyethylcellulose (HEC) businesses continue to be assessed.

Ashland expects to realize a partial return to more typical margins during the second quarter, year, primarily a result of reflecting a forecasted increase in sales and production volumes with continued as well as portfolio optimization mix benefits. Year-over-year second-half margin improvement throughout the is expected to be significant when compared against inventory corrective actions taken in fiscal year, year 2023.

Overall, for the fiscal-second fiscal-third quarter the company expects sales in the range of \$565 million \$560 million to \$585 million \$580 million and adjusted EBITDA in the range of \$115 million \$138 million to \$125 million \$148 million. For the full fiscal year, Ashland now expects sales in the range of \$2.15 billion \$2.150 billion to \$2.25 billion \$2.225 billion and adjusted EBITDA in the range of \$460 million \$470 million to \$500 million.

47 51

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Ashland's market risk exposure at December 31, 2023 March 31, 2024 is generally consistent with the types of market risk exposures presented in Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures - As of the end of the period covered by this quarterly report, Ashland, under the supervision and with the participation of its management, including Ashland's Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of Ashland's disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) promulgated under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2023 March 31, 2024.

Changes in Internal Control over Financial Reporting - During the three and six months ended December 31, 2023 March 31, 2024, there were no significant changes in Ashland's internal control over financial reporting, or in other factors, that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, Ashland's internal control over financial reporting.

48 52

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following is a description of Ashland's material legal proceedings. Ashland's threshold for disclosing material environmental legal proceedings involving a governmental authority where potential monetary sanctions are involved is \$1 million.

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 LLC (formerly Hercules Incorporated), an indirect 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 Note K of Notes to Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

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 December 31, 2023 March 31, 2024, 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 5553 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 types of relief sought include 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) *Lower Passaic River, New Jersey Matters* - Ashland, through two formerly owned facilities, and ISP, through a now-closed facility, have been identified as PRPs, along with approximately 70 other companies (the Cooperating Parties Group or the CPG), in a May 2007 Administrative Order of Consent (AOOC) 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 USEPA separately commenced a Focused Feasibility Study (FFS) as an interim measure. In accordance with the 2007 AOOC, in June 2012 the CPG voluntarily entered into another AOOC for an interim removal action focused solely at mile 10.9 of the Passaic River. The allocations for the 2007 AOOC and the 2012 removal action are based on interim allocations, are immaterial and have been accrued. In April 2014, the USEPA released the FFS. The CPG submitted the Draft RI/FS Report on April 30, 2015. The USEPA has released the FFS Record of Decision for the lower 8 miles and reached an agreement with another chemical company to conduct and pay for the remedial design. This chemical company has sued Ashland, ISP and numerous other defendants to recover past and future costs pursuant to the CERCLA. Ashland and ISP participated in an USEPA allocation process that resulted in a partial settlement with the EPA. Possible future allocation proceedings are not expected to have a significant impact to Ashland.

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

4953

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 as of December 31, 2023 March 31, 2024. 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 December 31, 2023 March 31, 2024.

50 54

ITEM 1A. RISK FACTORS

During the period covered by this report, there were no material changes from the risk factors previously disclosed in Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share repurchase activity during the three months ended December 31, 2023 March 31, 2024 was as follow:

Issuer Purchases of Equity Securities				
Q1 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 Be Purchased Under the Plans or Programs (in millions) _{(a)(b)}
October 1, 2023 to October 31, 2023	—	\$ —	—	\$ 1,000
November 1, 2023 to November 30, 2023	666,315	78.09	666,315	948
December 1, 2023 to December 31, 2023	571,897	83.87	571,897	900
Total	1,238,212		1,238,212	\$ 900

Issuer Purchases of Equity Securities				

Q2 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 Be Purchased Under the Plans or Programs (in millions) ^{(a)(b)}
January 1, 2024 to January 31, 2024	—	\$ —	—	\$ 900
February 1, 2024 to February 29, 2024	—	—	—	900
March 1, 2024 to March 31, 2024	—	—	—	900
Total	—	—	—	\$ 900

(a) On June 28, 2023, Ashland's board of directors authorized a new evergreen \$1 billion common share repurchase program (2023 Stock Repurchase Program). The new authorization terminated and replaced the 2022 Stock Repurchase Program, which had \$200 million outstanding at the date of termination. As of December 31, 2023 March 31, 2024, \$900 million remained available for repurchase under this authorization.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

On November 17, 2023 February 16, 2024, Robin E. Lampkin Eric N. Boni, Ashland's Senior Vice President, General Counsel Finance and Corporate Secretary Principal Accounting Officer, entered into a Rule Rule 10b5-1 trading arrangement, that provides for the sale of to exercise up to 844 2,730 shares of Ashland Common Stock. The trading arrangement is intended stock appreciation rights related to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. Ashland's common stock. The duration of the trading arrangement is until the earlier of (1) February 29, December 5, 2024, (2) the date on which all transactions under the trading arrangement are completed, or (3) at such time as the trading arrangement is otherwise terminated or expires according to its terms.

Ashland Securities Trading Plans

During November 2023, Ashland entered into a Rule 10b5-1 trading arrangement to repurchase Ashland Common Stock under its 2023 Stock Repurchase Program, in the aggregate dollar amount of \$100 million. The trading arrangement was intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The trading arrangement terminated in December 2023, upon the completion of the purchase of 1,238,212 shares of Ashland Common Stock. None.

51 55

ITEM 6. EXHIBITS

(a) Exhibits

- 3.1 [Amended and Restated Articles of Incorporation of Ashland Global Holdings Inc. \(filed as Exhibit 3.1 to Ashland's Form 8-K filed on September 20, 2016 \(SEC File No. 001-32532\)\) and incorporated by reference herein\).](#)

3.2	<u>Certificate of Ownership & Merger, amending the Company's Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to Ashland's Form 8-K filed on August 1, 2022 (SEC File No. 001-32532) and incorporated by reference herein).</u>
3.3	<u>By-laws of Ashland Inc. (Amended and Restated as of September 20, 2022) (filed as Exhibit 3.1 to Ashland's Form 8-K filed on September 20, 2022 (SEC File No. 333-211719) and incorporated by reference herein).</u>
10.1	<u>Receivables Purchase Agreement, dated October 19, 2023 (filed as Exhibit 10.1 to Ashland's Form 8-K filed on October 24, 2023 (SEC File No. 333-211719), and incorporated herein by reference).</u>
10.2	<u>Master Framework Agreement, dated October 19, 2023 (filed as Exhibit 10.2 to Ashland's Form 8-K filed on October 24, 2023 (SEC File No. 333-211719), and incorporated herein by reference).</u>
10.3*	<u>Letter Agreement between the Ashland and Guillermo Novo, dated November 15, 2023.</u>
31.1*	<u>Certificate of Guillermo Novo, Chief Executive Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certificate of J. Kevin Willis, Chief Financial Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32*	<u>Certificate of Guillermo Novo, 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.</u>
101.INS**	Inline XBRL Instance Document.
101.SCH**	Inline XBRL Taxonomy Extension Schema With Embedded Linkbases Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Statements of Consolidated Comprehensive Income (Loss) for the three and six months ended **December 31, 2023** **March 31, 2024** and **December 31, 2022** **March 31, 2023**; (ii) Condensed Consolidated Balance Sheets at **December 31, 2023** **March 31, 2024** and September 30, 2023; (iii) Statements of Condensed Consolidated Cash Flows for the **three six** months ended **December 31, 2023** **March 31, 2024** and **December 31, 2022** **March 31, 2023**; and (iv) Notes to Condensed Consolidated Financial Statements.

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

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

52 56

SIGNATURE

Pursuant to the requirements 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)

January 31, May 1, 2024

/s/ J. Kevin Willis

J. Kevin Willis

Senior Vice President and Chief Financial Officer

(on behalf of the Registrant and as Principal

Financial Officer)

53 57

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EXHIBIT 10.3

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November 15, 2023

Mr. Guillermo Novo

8145 Blazer Drive

Wilmington, DE, 19808

Dear Guillermo,

In recognition of your many contributions to Ashland Inc. (the "Company"), the Board of Directors (the "Board") would like to encourage your continued employment as Chair and Chief Executive Officer through at least December 31, 2026.

In this regard, at its meeting on November 14, 2023 (the "Grant Date"), the Board intends to approve a one-time grant to you of stock units (the "One-Time Award") with an award value of \$1MM (the "Award Value"). The Award Value shall be converted to a number of units using the closing per-share price of the Company's common stock on the Grant Date and shall be allocated as follows:

- (i) 60% to performance units, the payout of which shall depend on the extent to which the Company achieves certain pre-established performance goals during the three-year performance period ending September 30, 2026, with any earned units vesting on December 31, 2026, and
- (ii) 40% to time-based restricted stock units that cliff-vest on December 31, 2026, in each case subject to your continued employment with the Company through the vesting date.

Except as otherwise provided herein, the One-Time Award shall be granted on the terms, and subject to the conditions, of the 2021 Omnibus Incentive Compensation Plan and the standard forms of award agreement used for other equity grants under the Company's 2023 long-term incentive program (including, with respect to the performance units, the same performance goals, targets and payout schedules). Notwithstanding anything contained in the offer letter between you and the Company dated as of October 8, 2019 (the "Offer Letter"), the One-Time Award shall not be eligible for early vesting upon your Retirement, as such term is defined in the Offer Letter or other provisions as defined in the grant agreement, and by signing below, you specifically waive accelerated vesting of the One-Time Award upon your Retirement prior to December 31, 2026. However, in the event that the Company terminates your employment other than for "Cause" (as defined in the Ashland Inc. Senior

Ashland 5200 Blazer Parkway, Dublin, OH 43017

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Leadership Severance Plan) on or after May 14, 2025, then (i) the time-based restricted stock units that comprise 40% of the One-Time Award will be pro-rated and vest on an accelerated basis upon the date of such termination (and the shares delivered upon or as soon as practicable following the date of termination), and (ii) the performance units that comprise the other 60% of the One-Time Award will be pro-rated and settled on or as soon as practicable after the end of the applicable performance period based on actual performance results for the entire performance period.

The Company is excited about your continuing role as Chief Executive Officer and looks forward to a beneficial and productive relationship. Nevertheless, please note that this letter agreement is not a contract of employment for any specific or minimum term and you may resign your employment, and the Company likewise may terminate your employment, at any time for any reason. That said, in exchange for the One-Time Award, you agree to provide the Company with at least 180 days' advance notice if you intend to resign your employment without Good Reason (including due to your Retirement), and the Company likewise agrees to provide you with 180 days' advance notice if it intends to terminate your employment without Cause; provided that this advance notice obligation shall cease to apply on and after a Change in Control, at which time the notice provisions of your Change in Control Agreement shall apply. Any capitalized terms used, but not otherwise defined, in this letter agreement shall have the meanings given to such terms in the Ashland Inc. Senior Leadership Severance Plan.

Please confirm your agreement with these terms by signing below and return a copy for our files. If you have any questions, or need additional information, please give me a call.

Sincerely,

ASHLAND INC.

By: _____

Jay V. Ihlenfeld

Lead Independent Director

AGREED AND ACCEPTED BY:

Guillermo Novo Date

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EXHIBIT 31.1

CERTIFICATION

I, Guillermo Novo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ashland Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 31, 2024 May 1, 2024

/s/ Guillermo Novo

Guillermo Novo

Chair and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, J. Kevin Willis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ashland Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us in a timely manner;

us by others within those entities, particularly during the period in which this report is being prepared;

- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 31, 2024 May 1, 2024

/s/ J. Kevin Willis

J. Kevin Willis

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32

ASHLAND INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ashland Inc. (the "Company") on Form 10-Q for the period ended December 31, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Guillermo Novo, Chief Executive Officer of the Company, and J. Kevin Willis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of

Company.

/s/ Guillermo Novo

Guillermo Novo

Chief Executive Officer

January 31, May 1, 2024

/s/ J. Kevin Willis

J. Kevin Willis

Chief Financial Officer

January 31, May 1, 2024

DISCLAIMER

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