### Ashland Inc. and Consolidated Subsidiaries

STATEMENTS OF CONSOLIDATED INCOME

(In millions except per share data - preliminary and unaudited)

Z010         Z010         Z009           SALES         \$ 2,362         \$ 2,037         \$ 6,630         \$ 5,993           COSTS AND EXPENSES Cost of sales (a)         1,838         1,544         5,110         4,716           Selling, general and administrative expenses (a)         23         23         63         73           Research and development expenses (b)         23         2,212         1,897         6,211         5,765           EOUTY AND OTHER INCOME         163         152         461         257         144         2         29           OPERATING INCOME         163         152         461         257         148         2         148         2           Net interst and other financing expense (c)         (26)         (62)         (72)         148         2           Income tax expense         160         91         308         29         183         186         1229         (20)           Income (loss) from discontinued operations (net of income taxes)         144         (11)         27         (2)         (22)         (20)         (22)         (20)         (20)         1.44         (11)         27         (2)         (22)         (20)         (21)         1.454	(in minions except per share data - preliminary and unaudited)		nths ended ie 30		ths ended e 30
COSTS AND EXPENSES         1,838         1,544         5,110         4,716           Selling, general and administrative expenses (a)         351         330         1,038         976           Research and development expenses (b)         23         23         62         73           EQUITY AND OTHER INCOME         13         12         42         29           OPERATING INCOME         163         152         461         2571           Net interest and other financing expense (c)         (26)         (62)         (172)         (144)           Net gain on acquisitions and divestitures (e)         -         -         1         (66)           INCOME FROM CONTINUING OPERATIONS         -         -         1         (66)           INCOME (LOSS) FROM CONTINUING OPERATIONS         134         51         229         (20)           Income (loss) from discontinued operations (net of income taxes)         144         (1)         27         (2)           NET INCOME (LOSS)         5         1.67         \$         .68         \$ 2.89         \$ (.27)           Income (loss) from discontinued operations         1.18         (.03)         \$ .30         .40         .33         .33         .4030           Net income (loss)		2010	2009	2010	2009
Cost of sales (a)       1,838       1,544       5,110       4,716         Selling, general and administrative expenses (b)       23       23       63       73         Research and development expenses (b)       23       23       63       73         EQUITY AND OTHER INCOME       13       12       42       29         OPERATING INCOME       163       152       461       257         Net interest and other financing expense (c)       (26)       (62)       (172)       (144)         Net gain on acquisitions and divestitures (a)       23       1       18       2         OTHER INCOME FROM CONTINUING OPERATIONS       26       40       79       49         Income (loss) From CONTINUING OPERATIONS       134       51       229       (20)         Income (loss) from discontinued operations (net of income taxes)       144       51       226       (22)         DILUTED EARNINGS PER SHARE       Income (loss) from discontinued operations       1.18       50       5265       5       (22)         DILUTED EARNINGS PER SHARE       Income (loss) from discontinued operations       1.18       5       66       3.23       \$       (30)         Net income (loss)       from discontinued operations       1.18       <	SALES	\$ 2,362	\$ 2,037	\$ 6,630	\$ 5,993
Selling, general and administrative expenses (a)         351         330         1,038         976           Research and development expenses (b)         23         23         63         73           EQUITY AND OTHER INCOME         13         12         42         29           OPERATING INCOME         163         152         461         257           Net interest and other financing expense (c)         (26)         (62)         (172)         (144)           Net gain on acquisitions and divestitures (d)         23         1         18         2           Other income and expenses (e)         -         -         1         (86)           INCOME FROM CONTINUING OPERATIONS         28         40         79         49           INCOME (LOSS) FROM CONTINUING OPERATIONS         28         40         79         49           Income (loss) from discontinued operations (net of income taxes)         14         (1)         27         (2)           Interme (loss) from discontinued operations         1.67         \$.68         \$ 2.89         \$ (.27)           Income (loss) from discontinued operations         1.18         (.02)         .34         (.03)           Net income (loss)         from discontinued operations         1.8         (.02)	COSTS AND EXPENSES				
Research and development expenses (b)         23         23         63         73           EQUITY AND OTHER INCOME         13         12         42         29           OPERATING INCOME         163         152         461         257           Net interest and other financing expense (c)         (26)         (62)         (172)         (144)           Net gain on acquisitions and divestitures (d)         23         1         18         2           Other income and expenses (e)         -         -         1         (86)           INCOME FROM CONTINUING OPERATIONS         5         40         79         49           Income (loss) FROM CONTINUING OPERATIONS         14         (11)         27         (2)           NET INCOME (LOSS)         5         148         5         5         (22)           DILUTED EARNINGS PER SHARE         100         91         344         5         5         (22)           DILUTED EARNINGS PER SHARE         1.85         .66         \$ 3.23         \$ (.30)         \$ 1.85         \$ .66         \$ 3.23         \$ (.30)           AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS         80         75         79         72           SALES         5         .66	Cost of sales (a)				
EQUITY AND OTHER INCOME $2,212$ $1,897$ $6,211$ $5,765$ OPERATING INCOME         13         12         42         29           Net interest and other financing expense (c)         163         152         461         257           Net interest and other financing expense (c)         23         1         18         2           Other income and expenses (e)         23         1         18         2           INCOME FROM CONTINUING OPERATIONS         26         40         79         49           Income (LOSS) FROM CONTINUING OPERATIONS         134         51         229         (20)           Income (LOSS) from discontinued operations (net of income taxes)         14         (11)         27         (21)           NET INCOME (LOSS)         5         1.67         \$         6.88         \$         2.89         \$         (27)           Income (loss) from discontinued operations         .18 $(.02)$ .34 $(.03)$ $(.03)$ Net income (loss)         AD ASSUMED CONVERSIONS         80         75         79         72           SALES <td></td> <td></td> <td></td> <td></td> <td></td>					
EQUITY AND OTHER INCOME         13         12         42         29           OPERATING INCOME         163         152         461         257           Net interest and other financing expense (c)         (26)         (62)         (172)         (144)           Net gain on acquisitions and divestitures (d)         23         1         18         2           Other income and expenses (e)         -         -         1         (66)           INCOME FROM CONTINUING OPERATIONS         -         -         1         (66)           BEFORE INCOME LOSS)         134         51         229         (20)           Income (loss) from discontinued operations (net of income taxes)         14         (1)         27         (2)           Income (loss) from continuing operations         1.67         \$         6.8         \$ 2.89         \$ (.27)           Income (loss) from continuing operations         .18         (.02)         .34         (.03)           Net income (loss) from discontinued operations         .18         \$ (.62)         .137         \$ 5.75           VerAGE COMMON SHARES AND ASSUMED CONVERSIONS         80         75         79         72           SALES         -         -         .1041         .294         .23	Research and development expenses (b)				
OPERATING INCOME         163         152         461         257           Net interest and other financing expense (c)         (26)         (62)         (172)         (144)           Net gain on acquisitions and divestitures (d)         23         1         18         2           Other income and expenses (e)         -         -         1         (86)           INCOME FROM CONTINUING OPERATIONS         26         400         79         49           Income (Loss) FROM CONTINUING OPERATIONS         26         400         79         49           Income (loss) from discontinued operations (net of income taxes)         14         (11)         27         (2)           Income (loss) from discontinued operations (net of income taxes)         148         500         \$ 256         \$ (.27)           Income (loss) from discontinued operations         18         (.002)         .34         (.03)           Net income (loss)         from discontinued operations         18         (.02)         .34         \$ (.30)           AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS         80         75         79         72           SALES         Functional Ingredients         463         441         1.294         1.236           Distribution         923 <td></td> <td></td> <td>•</td> <td></td> <td>,</td>			•		,
Net interest and other financing expense (c)       (26)       (62)       (172)       (144)         Net gain on acquisitions and divestitures (d)       23       1       18       2         Other income and expenses (e)       -       -       1       (86)         INCOME FROM CONTINUING OPERATIONS       160       91       308       29         Income tax expense       26       40       79       49         INCOME (LOSS) FROM CONTINUING OPERATIONS       134       51       229       (20)         Income (loss) from discontinued operations (net of income taxes)       14       (11)       27       (2)         NET INCOME (LOSS)       FROM continuing operations       \$ 1.67       \$ .68       \$ 2.89       \$ (.27)         Income (loss) from discontinued operations $\frac{1.8}{1.85}$ \$ .66       \$ .3.23       \$ .(.03)         Net income (loss)       from discontinued operations $\frac{1.8}{1.85}$ \$ .66       \$ .2.32       \$ .(.30)         AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS       80       75       79       72         SALES	EQUITY AND OTHER INCOME	13	12	42	29
Net gain on acquisitions and divestitures (a)         23         1         18         2           Other income and expenses (e)         Income tax expenses (e)         -         -         1         (86)           INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES         160         91         308         29           Income tax expense         26         40         79         49           INCOME (LOSS) FROM CONTINUING OPERATIONS         134         51         229         (20)           Income (loss) from discontinued operations (net of income taxes)         14         (1)         27         (2)           NET INCOME (LOSS)         5         148         50         \$ 256         \$ (22)           DILUTED EARNINGS PER SHARE         Income (loss) from discontinued operations         \$ 1.67         \$ .68         \$ 2.89         \$ (.27)           Income (loss) from discontinued operations         \$ 1.85         \$ .66         \$ 3.23         \$ (.30)           AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS         80         75         79         72           SALES         -         -         (33)         (27)         (104)         (33)           Performance Materials         357         256         932         839 <t< td=""><td>OPERATING INCOME</td><td>163</td><td>152</td><td>461</td><td>257</td></t<>	OPERATING INCOME	163	152	461	257
Other income and expenses (e)         -         -         1         (86)           INCOME FROM CONTINUING OPERATIONS         160         91         308         29           Income tax expense         26         40         79         49           INCOME (LOSS) FROM CONTINUING OPERATIONS         134         51         229         (20)           Income (loss) from discontinued operations (net of income taxes)         14         (1)         27         (2)           NET INCOME (LOSS)         From discontinuing operations         148         50         5         256         \$ (22)           DILUTED EARNINGS PER SHARE         Income (loss) from continuing operations         1.18 $(.02)$ 344 $(.03)$ Net income (loss)         from discontinued operations         1.185 $(.02)$ 344 $(.03)$ AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS         80         75         79         72           SALES         Functional Ingredients         \$ 227         \$ 233         \$ 677         \$ 575           Water Technologies         923         698         2.508         2.449         1.236           Distribution         923         698         2.508         \$ 5.993         6.630	Net interest and other financing expense (c)	(26)	(62)	(172)	(144)
INCOME FROM CONTINUING OPERATIONS       Image: model of the system of the		23	1	18	2
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Other income and expenses (e)			1	(86)
Income tax expense $26$ $40$ $79$ $49$ INCOME (LOSS) FROM CONTINUING OPERATIONS Income (loss) from discontinued operations (net of income taxes) $14$ $(1)$ $27$ $(2)$ NET INCOME (LOSS) $$148$ $$50$ $$256$ $$(22)$ DILUTED EARNINGS PER SHARE Income (loss) from discontinued operations Net income (loss) $118$ $(02)$ $.34$ $(.03)$ Net income (loss) $$1.67$ $$68$ $$2.89$ $$(.27)$ Net income (loss) $$1.85$ $$566$ $$3.23$ $$(.30)$ AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS $80$ $75$ $79$ $72$ SALES $$1.67$ $$227$ $$233$ $$677$ $$575$ Water Technologies Distribution $431$ $436$ $1.323$ $1.187$ Performance Materials Distribution $923$ $6682$ $$2,508$ $$2,249$ Intersegment sales $(39)$ $(27)$ $(104)$ $(93)$ Functional Ingredients Water Technologies $$2,362$ $$2,037$ $$6,630$ $$5,993$ OPERATING INCOME (LOSS) $$2,362$ $$2,037$ $$6,630$ $$5,993$ Functional Ingredients Distribution $$26$ $$34$ $$24$ $$96$ $$13$ Water Technologies $$2,362$ $$2,037$ $$6,630$ $$5,993$ OPERATING INCOME (LOSS) $$26$ $$13$ $$95$ $$209$ $$180$ Distribution $$17$ $$3$ $$39$ $$44$ Unallocated and other $$17$ $$4$ $$44$ $$44$ <td></td> <td></td> <td></td> <td></td> <td></td>					
INCOME (LOSS) FROM CONTINUING OPERATIONS13451229(20)Income (loss) from discontinued operations (net of income taxes)14(1)27(2)NET INCOME (LOSS) $$148$ $$50$ $$256$ $$(22)$ DILUTED EARNINGS PER SHAREIncome (loss) from discontinued operations $$1.67$ $$.68$ $$2.89$ $$(.27)$ Income (loss) from discontinued operations $$.18$ $(.02)$ $$.34$ $$(.03)$ Net income (loss) $$$1.85$ $$$.66$ $$$3.23$ $$$(.30)$ AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS $80$ 757972SALESFunctional Ingredients $$$227$ $$233$ $$$677$ $$575$ Water Technologies44314361.3231.187Performance Materials357256932839Consumer Markets9236982,5082,249Intersegment sales $(39)$ $(27)$ $(104)$ $(93)$ $$$2,362$ $$$2,037$ $$$6,630$ $$$5,993$ Performance Materials26319538Performance Materials12 $(5)$ 266Consumer Markets7395209180Distribution1733944Unallocated and other14(4)(24)					
Income (loss) from discontinued operations (net of income taxes) $14$ $(1)$ $27$ $(2)$ NET INCOME (LOSS) $$148$ $$50$ $$256$ $$(22)$ DILUTED EARNINGS PER SHARE Income (loss) from continuing operations Net income (loss) $$1.67$ $$.68$ $$2.89$ $$(.27)$ Net income (loss) $$1.67$ $$.68$ $$2.89$ $$(.27)$ AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS $80$ $75$ $79$ $72$ SALES Functional Ingredients Distribution $$227$ $$233$ $$677$ $$575$ Water Technologies Distribution $431$ $436$ $1,323$ $1,187$ Performance Materials Distribution $$227$ $$233$ $$677$ $$575$ Water Technologies Distribution $$4131$ $436$ $1,224$ $1,236$ Distribution Distribution $923$ $698$ $2,508$ $2,249$ Intersegment sales $(39)$ $2,362$ $$2,037$ $$6.630$ $$5.993$ $$5.993$ OPERATING INCOME (LOSS) Functional Ingredients Water Technologies Performance Materials $$34$ $$2,362$ $$2,037$ $$2,037$ $$6.630$ $$5.993$ $$5.993$ OPERATING INCOME (LOSS) Functional Ingredients Distribution $$34$ $$2,037$ $$24$ $$5.630$ $$5.993$ OPERATING INCOME (LOSS) Distribution $$12$ $$2,362$ $$2,037$ $$2,037$ $$6.630$ $$5.993$ $$5.993$ OPERATING INCOME (LOSS) Distribution $$12$ $$2,037$ $$34$ $$2,037$ $$26$ $$2,037$ $$6.630$ $$2,993$ $$2,9$	1				
NET INCOME (LOSS) $$$ 148$ $$$ 50$ $$$ 256$ $$$ (22)$ DILUTED EARNINGS PER SHARE       Income (loss) from continuing operations income (loss) from discontinued operations Net income (loss) $$$ 1.67$ $$$ .68$ $$$ 2.89$ $$$ (.27)$ Average Common SHARES AND ASSUMED CONVERSIONS $$$ 0$ $75$ $79$ $72$ SALES       Functional Ingredients $$$ 2.37$ $$$ 6.61$ $$$ 1.323$ $$$ 1.185$ Consumer Markets $$$ 431$ $436$ $$$ 1.323$ $$$ 1.185$ $$$ 2.69$ $$$ 2.27$ Distribution $$$ 227$ $$ 233$ $$$ 677$ $$$ 575$ Water Technologies $$$ 431$ $$$ 436$ $$$ 1.323$ $$$ 1.187$ Distribution $$$ 923$ $$$ 688$ $$$ 2.508$ $$$ 2.249$ Intersegment sales $$$ (34)$ $$$ 2.432$ $$$ 966$ $$$ 13$ OPERATING INCOME (LOSS) $$$ 34$ $$$ 24$ $$$ 96$ $$$ 13$ Functional Ingredients $$$ 26$ $$$ 13$ $$$ 34$ $$$ 24$ $$$ 96$ $$$ 13$ Water Technologies $$$ 2.037$ $$$ 6.630$ $$$ 5.993$ </td <td></td> <td></td> <td></td> <td></td> <td></td>					
DILUTED EARNINGS PER SHARE Income (loss) from continuing operations Income (loss) from discontinued operations Net income (loss) $$ 1.67$ $$ 1.85$ $$ .68$ $$ (.02)$ $$ 3.23$ $$ (.27)$ $$ (.03)$ AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS80757972SALESFunctional Ingredients Water Technologies $$ 227$ $$ 233$ $$ 677$ $$ 575$ $$ 575$ $$ 344$ Operations Distribution Water Technologies $$ 227$ $$ 233$ $$ 677$ $$ 575$ 575$ 344OPERATING INCOME (LOSS)Functional IngredientsWater Technologies$ 34$ 2.362$ 24$ 2.037$ 96$ 6.630$ 13$ 5.993OPERATING INCOME (LOSS)Functional IngredientsWater Technologies$ 34$ 26$ 31$ 24$ 96$ 13$ 388Performance Materials$ 26$ 31$ 34$ 24$ 96$ 313$ 95$ 388$ 2609$ 31$ 95$ 389$ 2099$ 130OPERATING INCOME (LOSS)Functional IngredientsWater TechnologiesDistribution$ 34$ 24$ 96$ 13$ 96$ 13$ 913Operational IngredientsWater TechnologiesDistributionDistribution$ 17$ 3$ 99$ 44$ 1000000000000000000000000000000000000$					
Income (loss) from continuing operations Income (loss) from discontinued operations Net income (loss)\$ 1.67 .18 \$ $(.02)$ \$ $(.02)$ \$ $(.02)$ \$ $(.03)$ \$ $(.03)$ \$ $(.03)$ \$ $(.03)$ AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS80757972SALES Functional Ingredients Water Technologies Distribution\$ 227 431\$ 233 436\$ 677 575 431\$ 575 436Performance Materials Distribution $(39)$ (27) $(27)$ (104) $(03)$ (93)OPERATING INCOME (LOSS) Functional Ingredients Mater Technologies $(34)$ 2 $(27)$ (104) $(27)$ (104) $(104)$ (93)Performance Materials Distribution Intersegment sales $(39)$ 2 $(27)$ (104) $(27)$ 2 $(104)(93)2 (5)Performance MaterialsDistributionIntersegment sales(39)2 (27)2 (104)2 (27)<$		φ 140	φ <u>50</u>	φ 230	φ (22)
Income (loss) from discontinued operations Net income (loss) $.18$ \$ $(.02)$ \$ $.34$ \$ $(.03)$ \$AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS $80$ $75$ $79$ $72$ SALES Functional Ingredients Water Technologies $80$ $75$ $79$ $72$ SALES Functional Ingredients Unstribution $80$ $75$ $79$ $72$ SALES Functional Ingredients Water Technologies $431$ $436$ $1,323$ $1,187$ Performance Materials Distribution $357$ $256$ $932$ $839$ Consumer Markets Distribution $463$ $441$ $1,294$ $1,236$ Distribution Water Technologies $923$ $698$ $2,508$ $2,249$ Intersegment sales $(39)$ $2,362$ $(27)$ $2,307$ $(104)$ $3,6630$ $(93)$ $3,5933$ OPERATING INCOME (LOSS) Functional Ingredients Water Technologies $34$ $24$ $96$ $13$ $95$ Performance Materials Consumer Markets $12$ $(5)$ $26$ $6$ $6$ Consumer Markets Distribution $73$ $95$ $209$ $180$ Distribution Distribution $17$ $3$ $39$ $44$	DILUTED EARNINGS PER SHARE				
Net income (loss)         \$ 1.85         \$ .66         \$ 3.23         \$ (.30)           AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS         80         75         79         72           SALES         Functional Ingredients         \$ 227         \$ 233         \$ 677         \$ 575           Water Technologies         431         436         1,323         1,187           Performance Materials         357         256         932         839           Consumer Markets         463         441         1,294         1,236           Distribution         923         698         2,508         2,249           Intersegment sales         (39)         (27)         (104)         (93)           \$ 2,362         \$ 2,037         \$ 6,630         \$ 5,993           OPERATING INCOME (LOSS)         \$ 34         \$ 24         \$ 96         \$ 13           Water Technologies         26         31         95         38           Performance Materials         73         95         209         180           Consumer Markets         73         95         209         180           Distribution         17         3         39         44	Income (loss) from continuing operations	\$ 1.67	\$.68	\$ 2.89	\$ (.27)
AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS       80       75       79       72         SALES       Functional Ingredients       \$ 227       \$ 233       \$ 677       \$ 575         Water Technologies       431       436       1,323       1,187         Performance Materials       357       256       932       839         Consumer Markets       463       441       1,294       1,236         Distribution       923       698       2,508       2,249         Intersegment sales       (39)       (27)       (104)       (93)         Source Technologies       26       31       95       38         Performance Materials       26       31       95       38         OPERATING INCOME (LOSS)       26       31       95       38         Performance Materials       26       31       95       38         Performance Materials       12       (5)       26       6         Consumer Markets       73       95       209       180         Distribution       17       3       39       44         Unallocated and other       1       4       (4)       (24)					
SALES         Functional Ingredients       \$ 227       \$ 233       \$ 677       \$ 575         Water Technologies       431       436       1,323       1,187         Performance Materials       357       256       932       839         Consumer Markets       463       441       1,294       1,236         Distribution       923       698       2,508       2,249         Intersegment sales       (39)       (27)       (104)       (93)         Source Materials       26       31       95       38         Performance Materials       26       31       95       38         Performance Materials       12       (5)       26       6         Consumer Markets       73       95       209       180         Distribution       17       3       39       44         Unallocated and other       1       4       (4)       (24)	Net income (loss)	<u>\$ 1.85</u>	\$.66	\$ 3.23	\$ (.30)
Functional Ingredients       \$ 227       \$ 233       \$ 677       \$ 575         Water Technologies       431       436       1,323       1,187         Performance Materials       357       256       932       839         Consumer Markets       463       441       1,294       1,236         Distribution       923       698       2,508       2,249         Intersegment sales       (39)       (27)       (104)       (93)         Source       \$ 2,362       \$ 2,037       \$ 6,630       \$ 5,993         OPERATING INCOME (LOSS)       \$ 34       \$ 244       \$ 96       \$ 13         Functional Ingredients       \$ 34       \$ 24       \$ 96       \$ 13         Water Technologies       26       31       95       38         Performance Materials       12       (5)       26       6         Consumer Markets       73       95       209       180         Distribution       17       3       39       44         Unallocated and other       1       4       (4)       (24)	AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS	80	75	79	72
Functional Ingredients       \$ 227       \$ 233       \$ 677       \$ 575         Water Technologies       431       436       1,323       1,187         Performance Materials       357       256       932       839         Consumer Markets       463       441       1,294       1,236         Distribution       923       698       2,508       2,249         Intersegment sales       (39)       (27)       (104)       (93)         Source       \$ 2,362       \$ 2,037       \$ 6,630       \$ 5,993         OPERATING INCOME (LOSS)       \$ 34       \$ 244       \$ 96       \$ 13         Functional Ingredients       \$ 34       \$ 24       \$ 96       \$ 13         Water Technologies       26       31       95       38         Performance Materials       12       (5)       26       6         Consumer Markets       73       95       209       180         Distribution       17       3       39       44         Unallocated and other       1       4       (4)       (24)	SALES				
Water Technologies4314361,3231,187Performance Materials $357$ $256$ $932$ $839$ Consumer Markets463441 $1,294$ $1,236$ Distribution $923$ $698$ $2,508$ $2,249$ Intersegment sales $(39)$ $(27)$ $(104)$ $(93)$ <b>Source Consumer MarketsOPERATING INCOME (LOSS)</b> Functional Ingredients $$ 34$ $$ 24$ $$ 96$ $$ 13$ Water Technologies $26$ $31$ $95$ $38$ Performance Materials $12$ $(5)$ $26$ $6$ Consumer Markets $73$ $95$ $209$ $180$ Distribution $17$ $3$ $39$ $44$ Unallocated and other $1$ $4$ $(4)$ $(24)$		\$ 227	\$ 233	\$ 677	\$ 575
Consumer Markets       463       441       1,294       1,236         Distribution       923       698       2,508       2,249         Intersegment sales       (39)       (27)       (104)       (93)         Some consumer Markets       34       \$ 2,362       \$ 2,037       \$ 6,630       \$ 5,993         OPERATING INCOME (LOSS)       Functional Ingredients       \$ 34       \$ 24       \$ 96       \$ 13         Water Technologies       26       31       95       38         Performance Materials       12       (5)       26       6         Consumer Markets       73       95       209       180         Distribution       17       3       39       44         Unallocated and other       1       4       (4)       (24)		431		1,323	1,187
Distribution9236982,5082,249Intersegment sales $(39)$ $(27)$ $(104)$ $(93)$ Some constraints $34$ $2,362$ $2,037$ $36,630$ $35,993$ Functional Ingredients $34$ $24$ $96$ $31$ $95$ $38$ Performance Materials $12$ $(5)$ $26$ $6$ $6$ Consumer Markets $73$ $95$ $209$ $180$ Distribution $17$ $3$ $39$ $44$ Unallocated and other $1$ $4$ $(4)$ $(24)$	Performance Materials	357	256	932	839
Intersegment sales $(39)$ \$ 2,362 $(27)$ \$ 2,037 $(104)$ \$ 6,630 $(93)$ \$ 5,993OPERATING INCOME (LOSS)Functional Ingredients\$ 34\$ 24\$ 96\$ 13Water Technologies26319538Performance Materials12(5)266Consumer Markets7395209180Distribution1733944Unallocated and other14(4)(24)	Consumer Markets	463	441		
Solution       Solution <th< td=""><td></td><td></td><td></td><td>2,508</td><td></td></th<>				2,508	
OPERATING INCOME (LOSS)         \$ 34         \$ 24         \$ 96         \$ 13           Functional Ingredients         26         31         95         38           Water Technologies         26         31         95         38           Performance Materials         12         (5)         26         6           Consumer Markets         73         95         209         180           Distribution         17         3         39         44           Unallocated and other         1         4         (4)         (24)	Intersegment sales				
Functional Ingredients       \$ 34       \$ 24       \$ 96       \$ 13         Water Technologies       26       31       95       38         Performance Materials       12       (5)       26       6         Consumer Markets       73       95       209       180         Distribution       17       3       39       44         Unallocated and other       1       4       (4)       (24)		\$ 2,362	\$ 2,037	\$ 6,630	\$ 5,993
Water Technologies       26       31       95       38         Performance Materials       12       (5)       26       6         Consumer Markets       73       95       209       180         Distribution       17       3       39       44         Unallocated and other       1       4       (4)       (24)		<b>•</b> • • •	<b>^ •</b> • • •	<b>^ 00</b>	<b>•</b> 10
Performance Materials         12         (5)         26         6           Consumer Markets         73         95         209         180           Distribution         17         3         39         44           Unallocated and other         1         4         (4)         (24)		-	•		
Consumer Markets         73         95         209         180           Distribution         17         3         39         44           Unallocated and other         1         4         (4)         (24)		-	-		
Distribution         17         3         39         44           Unallocated and other         1         4         (4)         (24)				-	-
Unallocated and other         1         4         (4)         (24)					
		\$ 163	\$ 152		

(a) The three and nine months ended June 30, 2009 include \$9 million and \$13 million, respectively, within the cost of sales caption and \$4 million and \$39 million, respectively, within the selling, general and administrative expenses caption for restructuring charges related to the ongoing integration and reorganization from the Hercules Incorporated (Hercules) acquisition and other cost reduction programs. In addition, a charge of \$37 million for the nine months ended June 30, 2009 was recorded within the cost of sales caption for a one-time fair value assessment of Hercules inventory as of the date of the transaction.

(b) The nine months ended June 30, 2009 includes a \$10 million charge related to the valuation of the ongoing research and development projects at Hercules as of the merger date. In accordance with GAAP and SEC accounting regulations applicable at the date of acquisition, these purchased inprocess research and development costs were expensed upon acquisition.

(c) The nine months ended June 30, 2010 includes a \$66 million charge related to the refinancing of the Senior Credit Facility and related extinguishment of debt during the March quarter.

(d) Includes a gain of \$23 million for the three and nine months ended June 30, 2010 related to Ashland's acquisition of the additional 50% interest in Ara Quimica S.A. (Ara Quimica).

(e) The nine months ended June 30, 2009 includes a \$54 million loss on currency swaps related to the Hercules acquisition and a \$32 million loss on auction rate securities.

# Ashland Inc. and Consolidated Subsidiaries CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions - preliminary and unaudited)

	Jun	e 30
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 484	\$ 256
Accounts receivable	1,569	1,405
Inventories	611	517
Deferred income taxes	102	95
Other current assets	50	57
Current assets held for sale	2	89
	2,818	2,419
Noncurrent assets		
Auction rate securities	54	188
Goodwill	2,131	2,150
Intangibles	1,103	1,178
Asbestos insurance receivable	463	464
Deferred income taxes	99	-
Other noncurrent assets	545	564
Noncurrent assets held for sale	20	88
	4,415	4,632
Property, plant and equipment		
Cost	3,370	3,448
Accumulated depreciation and amortization	(1,458)	(1,334)
	1,912	2,114
Total assets	\$ 9,145	\$ 9,165
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt	\$ 287	\$ 44
Current portion of long-term debt	32	71
Trade and other payables	1,020	783
Accrued expenses and other liabilities	474	455
Current liabilities held for sale	-	17
	1,813	1,370
Noncurrent liabilities		
Long-term debt	1,102	1,878
Employee benefit obligations	1,129	657
Asbestos litigation reserve	855	828
Deferred income taxes	-	147
Other noncurrent liabilities	590	578
	3,676	4,088
Stockholders' equity	3,656	3,707
Total liabilities and stockholders' equity	<u>\$ 9,145</u>	\$ 9,165

(In millions - preliminary and unaudited)				
	Ν	line mon Jun	iths ei e 30	nded
	2	2010		2009
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	¢	050	¢	(00)
Net income (loss) (Income) loss from discontinued operations (net of income taxes)	\$	256 (27)	\$	(22) 2
Adjustments to reconcile income (loss) from continuing operations to		(=- )		-
cash flows from operating activities		000		044
Depreciation and amortization Debt issuance cost amortization		226 77		244 35
Purchased in-process research and development amortization		-		10
Deferred income taxes		45		33
Equity income from affiliates Distributions from equity affiliates		(16) 11		(9) 13
Gain from sale of property and equipment		(5)		-
Stock based compensation expense		10		6
Stock contributions to qualified savings plans Net gain on acquisitions and divestitures		18 (18)		8 (2)
Loss on early retirement of debt		5		-
Inventory fair value adjustment related to Hercules acquisition		-		37
Loss on currency swaps related to Hercules acquisition (Gain) loss on auction rate securities		- (1)		54 32
Change in operating assets and liabilities (a)		(283)		208
		298		649
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		(4.0.0)		(407)
Additions to property, plant and equipment Proceeds from disposal of property, plant and equipment		(100) 13		(107) 5
Purchase of operations - net of cash acquired		(24)	(	(2,080)
Proceeds from sale of operations		60		7
Settlement of currency swaps related to Hercules acquisition		-		(95)
Proceeds from sales and maturities of available-for-sale securities		<u>118</u> 67		55 (2,215)
CASH FLOWS (USED) PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		01	```	2,210)
Proceeds from issuance of long-term debt		313		2,628
Repayment of long-term debt		(776)	(	(1,502)
Proceeds from/repayments of issuance of short-term debt Debt issuance costs		264 (13)		3 (161)
Cash dividends paid		(23)		(17)
Proceeds from exercise of stock options		6		2
Excess tax benefits related to share-based payments		2 (227)		- 953
CASH PROVIDED (USED) BY CONTINUING OPERATIONS		138		(613)
Cash provided (used) by discontinued operations				(0.0)
Operating cash flows		-		(1)
Effect of currency exchange rate changes on cash and cash equivalents		(6)		(16)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS Cash and cash equivalents - beginning of year		132 352		(630) 886
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$	484	\$	256
DEPRECIATION AND AMORTIZATION				
Functional Ingredients	\$	75	\$	77
Water Technologies		67		66
Performance Materials Consumer Markets		36		48
Distribution		27 21		26 21
Unallocated and other		-		6
	\$	226	\$	244
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT	ድ	40	¢	40
Functional Ingredients Water Technologies	\$	42 17	\$	42 13
Performance Materials		13		16
Consumer Markets		16		19
Distribution Unallocated and other		2 10		2 15
	\$	100	\$	107
(a) Excludes changes resulting from operations acquired or sold.	<u> </u>		<u> </u>	

# Ashland Inc. and Consolidated Subsidiaries INFORMATION BY INDUSTRY SEGMENT

(In millions - preliminary and unaudited)

(in minorio prominiary and anadated)	Three months ended June 30				 Nine months ended June 30				
		2010	2009		2010		2009		
FUNCTIONAL INGREDIENTS (a) (b)									
Sales per shipping day	\$	3.6	\$	3.7	\$ 3.6	\$	3.7		
Metric tons sold (thousands)		41.5		41.2	120.8		112.0		
Gross profit as a percent of sales		37.6%		27.6%	35.5%		23.1%		
WATER TECHNOLOGIES (a) (b)									
Sales per shipping day	\$	6.8	\$	6.9	\$ 7.0	\$	6.3		
Gross profit as a percent of sales		33.7%		34.7%	34.9%		32.8%		
PERFORMANCE MATERIALS (a)									
Sales per shipping day	\$	5.7	\$	4.1	\$ 5.0	\$	4.5		
Pounds sold per shipping day		5.0		3.8	4.5		3.9		
Gross profit as a percent of sales		16.7%		16.9%	17.2%		17.3%		
CONSUMER MARKETS (a)									
Lubricant sales (gallons)		46.2		45.7	130.1		116.4		
Premium lubricants (percent of U.S. branded volumes)		30.1%		29.0%	29.4%		28.5%		
Gross profit as a percent of sales		32.4%		37.5%	33.1%		30.8%		
DISTRIBUTION (a)									
Sales per shipping day	\$	14.6	\$	11.1	\$ 13.3	\$	12.0		
Pounds sold per shipping day		15.4		14.1	15.0		14.6		
Gross profit as a percent of sales (c)		9.0%		10.1%	9.2%		10.4%		

(a) Sales are defined as net sales. Gross profit as a percent of sales is defined as sales, less cost of sales divided by sales.

(b) Industry segment results from November 14, 2008 forward include operations acquired from Hercules Incorporated.

(c) Distribution's gross profit as a percentage of sales for the three and nine months ended June 30, 2009 includes a LIFO quantity credit of \$3 million and \$14 million, respectively.

#### Ashland Inc. and Consolidated Subsidiaries **RECONCILIATION OF NON-GAAP DATA - INCOME (LOSS) FROM CONTINUING OPERATIONS** (In millions - preliminary and unaudited)

	Three Months Ended June 30, 2010												
		ctional dients		ater iologies	Ma	ormance aterials		sumer rkets	Distr	bution	&	allocated Other	 Total
OPERATING INCOME	\$	34	\$	26	\$	12	\$	73	\$	17	\$	1	\$ 163
NET INTEREST AND OTHER FINANCING EXPENSE												(26)	(26)
NET GAIN ON ACQUISITIONS AND DIVESTITURES Gain on Ara Quimica acquisition												23	23
INCOME TAX (EXPENSE) BENEFIT Hercules research and development deduction European legal entity restructuring Ara Quimica acquisition All other income tax expense												22 (6) (3) (39) (26)	 22 (6) (3) (39) (26)
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$	34	\$	26	\$	12	\$	73	\$	17	\$	(28)	\$ 134

Three Months	Ended	June 3	30, 2009

	Functional Water Ingredients Technologie			rformance ⁄Iaterials	Consumer Markets		Distribution		allocated & Other	Total	
OPERATING INCOME (LOSS)					 						
Severance Accelerated depreciation Joint venture plant closing costs All other operating income	\$	- - - 24	\$	- - - 31	\$ (1) (9) (3) 8	\$	- - - 95	\$	(3) - - 6	\$ - - - 4	\$ (4) (9) (3) 168
NET INTEREST AND OTHER FINANCING EXPENSE Accelerated debt amortization due to retirement All other net interest and other financing expense		24		31	 (5)		95		3	 (10) (52) (62)	 (10) (52) (62)
NET GAIN ON ACQUISITIONS AND DIVESTITURES										1	1
<b>INCOME TAX EXPENSE</b> Unfavorable tax judgment in a foreign jurisdiction All other income tax expense										 (8) (32) (40)	 (8) (32) (40)
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$	24	\$	31	\$ (5)	\$	95	\$	3	\$ (97)	\$ 51

### Ashland Inc. and Consolidated Subsidiaries RECONCILIATION OF NON-GAAP DATA - FREE CASH FLOW

(In millions - preliminary and unaudited)

	Th	iree moi Jun	Nine months ended June 30					
Free cash flow	2010			2009		2010	2009	
Total cash flows provided by operating activities								
from continuing operations	\$	80	\$	355	\$	298	\$	649
Less:								
Additions to property, plant and equipment		(40)		(27)		(100)		(107)
Cash dividends paid		(12)		(6)		(23)		(17)
Free cash flows	\$	28	\$	322	\$	175	\$	525

## Ashland Inc. and Consolidated Subsidiaries **RECONCILIATION OF NON-GAAP DATA - ADJUSTED EBITDA**

(In millions - preliminary and unaudited)

(in millions - preliminary and unaudited)	Th	nree moi Jun	nths e e 30	ended
Adjusted EBITDA - Ashland Inc.	2	2010		2009
Operating income	\$	163	\$	152
Add:				
Depreciation and amortization (a)		74		80
Key items (see Table 5)		-		16
Adjusted EBITDA	\$	237	\$	248
	-		-	
Adjusted EBITDA - Ashland Aqualon Functional Ingredients				
Operating income	\$	34	\$	24
Add:				
Depreciation and amortization		24		26
Key items (see Table 5)		-		-
Adjusted EBITDA	\$	58	\$	50
			-	
Adjusted EBITDA - Water Technologies				
Operating income	\$	26	\$	31
Add:				
Depreciation and amortization		22		25
Key items (see Table 5)		-		-
Adjusted EBITDA	\$	48	\$	56
Adjusted EBITDA - Performance Materials	¢	40	¢	(5)
Operating income	\$	12	\$	(5)
Add:		40		40
Depreciation and amortization (a)		12		12
Key items (see Table 5)	<u>_</u>	-	<u>_</u>	13
Adjusted EBITDA	\$	24	\$	20
Adjusted EPITDA Consumer Markets				
Adjusted EBITDA - Consumer Markets Operating income	\$	73	\$	95
Add:	Ψ	75	Ψ	35
Depreciation and amortization		9		8
Key items (see Table 5)		9		0
Adjusted EBITDA	\$	82	¢	103
	Ψ	02	\$	103
Adjusted EBITDA - Distribution				
Operating income	\$	17	\$	3
Add:	Ŧ		*	÷
Depreciation and amortization		7		7
Key items (see Table 5)		-		3
Adjusted EBITDA	\$	24	\$	13
· · · · · · · · · · · · · · · · · · ·	<b>—</b>		-	

(a) Depreciation and amortization for the three months ended June 30, 2009 excludes \$8 million of accelerated depreciation, which is displayed as a key item within this table.