

STATEMENTS OF CONSOLIDATED INCOME

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

| | Three months ended June 30 | | Nine months ended June 30 | |
|--|-------------------------------|-----------------|------------------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| SALES AND OPERATING REVENUES | \$ 2,037 | \$ 2,201 | \$ 5,993 | \$ 6,166 |
| COSTS AND EXPENSES | | | | |
| Cost of sales and operating expenses (a) | 1,544 | 1,844 | 4,716 | 5,158 |
| Selling, general and administrative expenses (a) (b) | 353 | 283 | 1,049 | 856 |
| | 1,897 | 2,127 | 5,765 | 6,014 |
| EQUITY AND OTHER INCOME | 12 | 13 | 29 | 33 |
| OPERATING INCOME | 152 | 87 | 257 | 185 |
| Gain on the MAP Transaction (c) | 1 | 1 | 2 | 23 |
| Net interest and other financing (expense) income | (62) | 5 | (144) | 26 |
| Other expenses (d) | - | - | (86) | - |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 91 | 93 | 29 | 234 |
| Income tax expense | 40 | 27 | 49 | 58 |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | 51 | 66 | (20) | 176 |
| Income (loss) from discontinued operations (net of income taxes) | (1) | 6 | (2) | 1 |
| NET INCOME (LOSS) | <u>\$ 50</u> | <u>\$ 72</u> | <u>\$ (22)</u> | <u>\$ 177</u> |
| DILUTED EARNINGS PER SHARE | | | | |
| Income (loss) from continuing operations | \$.68 | \$ 1.03 | \$ (.27) | \$ 2.77 |
| Income (loss) from discontinued operations | (.02) | .10 | (.03) | .01 |
| Net income (loss) | <u>\$.66</u> | <u>\$ 1.13</u> | <u>\$ (.30)</u> | <u>\$ 2.78</u> |
| AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS | 75 | 64 | 72 | 63 |
| SALES AND OPERATING REVENUES | | | | |
| Functional Ingredients | \$ 233 | \$ - | \$ 575 | \$ - |
| Water Technologies | 436 | 244 | 1,187 | 667 |
| Performance Materials | 256 | 425 | 839 | 1,194 |
| Consumer Markets | 441 | 428 | 1,236 | 1,209 |
| Distribution | 698 | 1,151 | 2,249 | 3,223 |
| Intersegment sales | (27) | (47) | (93) | (127) |
| | <u>\$ 2,037</u> | <u>\$ 2,201</u> | <u>\$ 5,993</u> | <u>\$ 6,166</u> |
| OPERATING INCOME (LOSS) | | | | |
| Functional Ingredients | \$ 24 | \$ - | \$ 13 | \$ - |
| Water Technologies | 31 | 12 | 38 | 16 |
| Performance Materials | (5) | 19 | 6 | 50 |
| Consumer Markets | 95 | 26 | 180 | 70 |
| Distribution | 3 | 20 | 44 | 39 |
| Unallocated and other | 4 | 10 | (24) | 10 |
| | <u>\$ 152</u> | <u>\$ 87</u> | <u>\$ 257</u> | <u>\$ 185</u> |

(a) The three and nine months ended June 30, 2009 include \$9 million and \$13 million, respectively, within the cost of sales and operating expenses 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 acquisition and other cost reduction programs.

(b) The nine months ended June 30, 2009 includes a \$10 million charge related to the original valuation of the ongoing research and development projects at Hercules Incorporated (Hercules) as of the merger date. In accordance with applicable GAAP and SEC accounting regulations, these purchased in-process research and development costs should be expensed as recognized. In addition, a charge of \$37 million for the nine months ended June 30, 2009 was recorded for a one-time fair value assessment of Hercules inventory as of the date of the transaction.

(c) "MAP Transaction" refers to the June 30, 2005 transfer of Ashland's 38% interest in Marathon Ashland Petroleum LLC (MAP) and two other businesses to Marathon Oil Corporation. The income for the nine months ended June 30, 2008 is primarily due to a \$23 million gain associated with a tax settlement agreement entered into with Marathon Oil Corporation, relating to four specific tax areas, that supplement the original Tax Matters Agreement from the initial MAP Transaction. The gain (loss) in the remaining periods presented reflects adjustments in the recorded receivable for future estimated tax deductions related primarily to environmental and other postretirement reserves.

(d) The nine months ended June 30, 2009 includes a \$54 million loss on currency swaps related to the Hercules acquisition and a \$32 million realized loss on auction rate securities, of which \$7 million relates to securities sold.

Ashland Inc. and Consolidated Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions - preliminary and unaudited)

Table 2

| | June 30 | |
|--|-----------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 256 | \$ 853 |
| Accounts receivable | 1,420 | 1,520 |
| Inventories | 546 | 521 |
| Deferred income taxes | 95 | 74 |
| Other current assets | 64 | 79 |
| Current assets held for sale | 45 | 46 |
| | <u>2,426</u> | <u>3,093</u> |
| Investments and other noncurrent assets | | |
| Auction rate securities | 188 | 267 |
| Goodwill | 2,150 | 291 |
| Intangibles | 1,178 | 114 |
| Asbestos insurance receivable (noncurrent portion) | 464 | 438 |
| Deferred income taxes | - | 131 |
| Other noncurrent assets | 565 | 397 |
| Noncurrent assets held for sale | 41 | 49 |
| | <u>4,586</u> | <u>1,687</u> |
| Property, plant and equipment | | |
| Cost | 3,492 | 2,243 |
| Accumulated depreciation and amortization | (1,339) | (1,179) |
| | <u>2,153</u> | <u>1,064</u> |
| | <u>\$ 9,165</u> | <u>\$ 5,844</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Short-term debt | \$ 44 | \$ - |
| Current portion of long-term debt | 71 | 20 |
| Trade payables | 790 | 910 |
| Accrued expenses and other liabilities | 455 | 264 |
| Current liabilities held for sale | 10 | 10 |
| | <u>1,370</u> | <u>1,204</u> |
| Noncurrent liabilities | | |
| Long-term debt (noncurrent portion) | 1,878 | 45 |
| Employee benefit obligations | 657 | 262 |
| Asbestos litigation reserve (noncurrent portion) | 828 | 530 |
| Deferred income taxes | 147 | - |
| Other noncurrent liabilities | 578 | 445 |
| | <u>4,088</u> | <u>1,282</u> |
| Stockholders' equity | | |
| | <u>3,707</u> | <u>3,358</u> |
| | <u>\$ 9,165</u> | <u>\$ 5,844</u> |

Ashland Inc. and Consolidated Subsidiaries
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions - preliminary and unaudited)

Table 3

| | Nine months ended June 30 | |
|--|------------------------------|---------------|
| | 2009 | 2008 |
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS | | |
| Net (loss) income | \$ (22) | \$ 177 |
| Loss (income) from discontinued operations (net of income taxes) | 2 | (1) |
| Adjustments to reconcile income from continuing operations to cash flows from operating activities | | |
| Depreciation and amortization | 244 | 105 |
| Debt issuance cost amortization | 35 | - |
| Purchased in-process research and development amortization | 10 | - |
| Deferred income taxes | 33 | 20 |
| Equity income from affiliates | (9) | (17) |
| Distributions from equity affiliates | 13 | 7 |
| Gain from the sale of property and equipment | - | (2) |
| Stock based compensation expense | 6 | 8 |
| Stock contributions to qualified savings plans | 8 | - |
| Gain on the MAP Transaction | (2) | (23) |
| Inventory fair value adjustment | 37 | - |
| Loss on currency swaps related to Hercules acquisition | 54 | - |
| Loss on auction rate securities | 32 | - |
| Change in operating assets and liabilities (a) | 208 | 55 |
| | <u>649</u> | <u>329</u> |
| CASH FLOWS USED BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS | | |
| Additions to property, plant and equipment | (107) | (118) |
| Proceeds from the disposal of property, plant and equipment | 5 | 10 |
| Purchase of operations - net of cash acquired | (2,080) | (128) |
| Proceeds from sale of operations | 7 | 35 |
| Settlement of currency swaps related to Hercules acquisition | (95) | - |
| Purchases of available-for-sale securities | - | (435) |
| Proceeds from sales and maturities of available-for-sale securities | 55 | 314 |
| | <u>(2,215)</u> | <u>(322)</u> |
| CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS | | |
| Proceeds from issuance of long-term debt | 2,628 | - |
| Repayment of long-term debt | (1,489) | (4) |
| Proceeds from/repayments of issuance of short-term debt | 3 | - |
| Debt issuance costs | (161) | - |
| Premium on long-term debt repayment | (13) | - |
| Cash dividends paid | (17) | (52) |
| Proceeds from the exercise of stock options | 2 | 3 |
| Excess tax benefits related to share-based payments | - | 1 |
| | <u>953</u> | <u>(52)</u> |
| | <u>(613)</u> | <u>(45)</u> |
| CASH USED BY CONTINUING OPERATIONS | | |
| Cash provided (used) by discontinued operations | | |
| Operating cash flows | (1) | (2) |
| Effect of currency exchange rate changes on cash and cash equivalents | (16) | 3 |
| | <u>(630)</u> | <u>(44)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents - beginning of year | 886 | 897 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | <u>\$ 256</u> | <u>\$ 853</u> |
| DEPRECIATION AND AMORTIZATION | | |
| Functional Ingredients | \$ 77 | \$ - |
| Water Technologies | 66 | 19 |
| Performance Materials | 48 | 29 |
| Consumer Markets | 26 | 24 |
| Distribution | 21 | 18 |
| Unallocated and other | 6 | 15 |
| | <u>\$ 244</u> | <u>\$ 105</u> |
| ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT | | |
| Functional Ingredients | \$ 42 | \$ - |
| Water Technologies | 13 | 11 |
| Performance Materials | 16 | 33 |
| Consumer Markets | 19 | 20 |
| Distribution | 2 | 20 |
| Unallocated and other | 15 | 34 |
| | <u>\$ 107</u> | <u>\$ 118</u> |

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

| | Three months ended June 30 | | Nine months ended June 30 | |
|--|-------------------------------|---------|------------------------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| FUNCTIONAL INGREDIENTS (a) (b) | | | | |
| Sales per shipping day | \$ 3.7 | \$ - | \$ 3.7 | \$ - |
| Metric tons sold | 41.2 | - | 112.0 | - |
| Gross profit as a percent of sales | 27.6% | - | 23.1% | - |
| WATER TECHNOLOGIES (a) (b) | | | | |
| Sales per shipping day | \$ 6.9 | \$ 3.8 | \$ 6.3 | \$ 3.5 |
| Gross profit as a percent of sales | 34.7% | 37.2% | 32.8% | 37.9% |
| PERFORMANCE MATERIALS (a) | | | | |
| Sales per shipping day | \$ 4.1 | \$ 6.6 | \$ 4.5 | \$ 6.3 |
| Pounds sold per shipping day | 3.8 | 4.9 | 3.9 | 4.7 |
| Gross profit as a percent of sales | 16.9% | 17.5% | 17.3% | 17.9% |
| CONSUMER MARKETS (a) | | | | |
| Lubricant sales (gallons) | 45.7 | 43.8 | 116.4 | 125.7 |
| Premium lubricants (percent of U.S. branded volumes) | 29.0% | 24.9% | 28.5% | 24.6% |
| Gross profit as a percent of sales | 37.5% | 23.9% | 30.8% | 24.4% |
| DISTRIBUTION (a) | | | | |
| Sales per shipping day | \$ 11.1 | \$ 18.0 | \$ 12.0 | \$ 17.1 |
| Pounds sold per shipping day | 14.1 | 19.0 | 14.6 | 18.9 |
| Gross profit as a percent of sales (c) | 10.1% | 7.8% | 10.4% | 7.6% |

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

(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 months ended June 30, 2009 and 2008 include a LIFO quantity credit of \$3 million and \$1 million, respectively, and \$14 million and \$5 million for the nine months ended June 30, 2009 and 2008, respectively.

Three Months Ended June 30, 2009

| | Functional Ingredients | Water Technologies | Performance Materials | Consumer Markets (Valvoline) | Distribution | Unallocated & Other | Total |
|-----------------------------------|---------------------------|-----------------------|--------------------------|------------------------------------|--------------|------------------------|---------------|
| OPERATING INCOME | | | | | | | |
| Severance | \$ - | \$ - | \$ (1) | \$ - | \$ (3) | \$ - | \$ (4) |
| Accelerated depreciation | - | - | (9) | - | - | - | (9) |
| Joint venture plant closing costs | - | - | (3) | - | - | - | (3) |
| All other operating income | 24 | 31 | 8 | 95 | 6 | 4 | 168 |
| | <u>\$ 24</u> | <u>\$ 31</u> | <u>\$ (5)</u> | <u>\$ 95</u> | <u>\$ 3</u> | <u>\$ 4</u> | <u>\$ 152</u> |