

**STATEMENTS OF CONSOLIDATED INCOME**

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

	Three months ended December 31	
	<u>2011</u>	<u>2010</u>
<b>SALES</b>	\$ 1,930	\$ 1,433
<b>COSTS AND EXPENSES</b>		
Cost of sales (a)	1,408	1,035
Selling, general and administrative expense (b)	362	276
Research and development expense	30	20
	<u>1,800</u>	<u>1,331</u>
<b>EQUITY AND OTHER INCOME</b>	14	12
<b>OPERATING INCOME</b>	144	114
Net interest and other financing expense	(57)	(27)
Net gain (loss) on acquisitions and divestitures (c)	(4)	21
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	83	108
Income tax expense	23	37
<b>INCOME FROM CONTINUING OPERATIONS</b>	60	71
Income from discontinued operations (net of income taxes) (d)	1	28
<b>NET INCOME</b>	<u>\$ 61</u>	<u>\$ 99</u>
<b>DILUTED EARNINGS PER SHARE</b>		
Income from continuing operations	\$ .76	\$ .91
Income from discontinued operations	.01	.34
Net income	<u>\$ .77</u>	<u>\$ 1.25</u>
<b>AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS</b>	79	80
<b>SALES</b>		
Specialty Ingredients	\$ 628	\$ 216
Water Technologies	449	451
Performance Materials	378	326
Consumer Markets	475	440
	<u>\$ 1,930</u>	<u>\$ 1,433</u>
<b>OPERATING INCOME (LOSS)</b>		
Specialty Ingredients	\$ 71	\$ 22
Water Technologies	21	28
Performance Materials	33	8
Consumer Markets	47	67
Unallocated and other	(28)	(11)
	<u>\$ 144</u>	<u>\$ 114</u>

(a) Includes a noncash charge of \$25 million for the three months ended December 31, 2011 related to the fair value assessment of inventory acquired from ISP at the date of acquisition.

(b) Includes a restructuring charge of \$28 million for the three months ended December 31, 2011 related to the ongoing efforts to reduce stranded costs resulting from the divestiture of Distribution, the contribution of the Casting Solutions business to the expanded global joint venture with Süd-Chemie AG and integration activities related to the acquisition of ISP.

(c) Includes a gain of \$19 million for the three months ended December 31, 2010 related to the formation of an expanded global joint venture with Süd-Chemie AG. The gain is primarily attributable to the fair value remeasurement of the net assets contributed to the joint venture exceeding the recorded values.

(d) Includes income of \$25 million for the three months ended December 31, 2010 related to direct results of the Distribution business that was divested on March 31, 2011. Due to the sale qualifying for discontinued operation treatment, the direct results of this business have been presented within this caption.

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

Table 2

	December 31 2011	September 30 2011
	<u>2011</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 466	\$ 737
Accounts receivable	1,369	1,482
Inventories	981	925
Deferred income taxes	163	163
Other assets	84	80
	<u>3,063</u>	<u>3,387</u>
Noncurrent assets		
Goodwill	3,294	3,291
Intangibles	2,088	2,134
Asbestos insurance receivable	440	448
Deferred income taxes	11	11
Other assets	759	781
	<u>6,592</u>	<u>6,665</u>
Property, plant and equipment		
Cost	4,308	4,306
Accumulated depreciation and amortization	(1,450)	(1,392)
	<u>2,858</u>	<u>2,914</u>
Total assets	<u>\$ 12,513</u>	<u>\$ 12,966</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term debt	\$ 76	\$ 83
Current portion of long-term debt	121	101
Trade and other payables	770	911
Accrued expenses and other liabilities	497	644
	<u>1,464</u>	<u>1,739</u>
Noncurrent liabilities		
Long-term debt (noncurrent portion)	3,607	3,648
Employee benefit obligations	1,546	1,566
Asbestos litigation reserve (noncurrent portion)	766	783
Deferred income taxes	403	404
Other liabilities	662	691
	<u>6,984</u>	<u>7,092</u>
Stockholders' equity	<u>4,065</u>	<u>4,135</u>
Total liabilities and stockholders' equity	<u>\$ 12,513</u>	<u>\$ 12,966</u>

**STATEMENTS OF CONSOLIDATED CASH FLOWS**

(In millions - preliminary and unaudited)

	Three months ended December 31	
	2011	2010
<b>CASH FLOWS (USED) PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Net income	\$ 61	\$ 99
Income from discontinued operations (net of income taxes)	(1)	(28)
Adjustments to reconcile income from continuing operations to cash flows from operating activities		
Depreciation and amortization	104	73
Debt issuance cost amortization	6	4
Deferred income taxes	2	10
Equity income from affiliates	(7)	(3)
Distributions from equity affiliates	1	2
Gain from sale of property and equipment	-	(3)
Stock based compensation expense	6	4
Stock contributions to qualified savings plans	-	12
Net (gain) loss on acquisitions and divestitures	2	(21)
Inventory fair value adjustment related to ISP acquisition	25	-
Change in operating assets and liabilities (a)	(380)	(187)
	<u>(181)</u>	<u>(38)</u>
<b>CASH FLOWS (USED) PROVIDED BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Additions to property, plant and equipment	(44)	(22)
Proceeds from disposal of property, plant and equipment	1	4
Purchase of operations - net of cash acquired	-	(5)
Proceeds from sale of operations or equity investments	-	21
	<u>(43)</u>	<u>(2)</u>
<b>CASH FLOWS (USED) PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Proceeds from issuance of long-term debt	-	11
Repayment of long-term debt	(23)	(10)
(Repayment of)/proceeds from short-term debt	(7)	6
Cash dividends paid	(14)	(12)
Proceeds from exercise of stock options	1	1
Excess tax benefits related to share-based payments	-	1
	<u>(43)</u>	<u>(3)</u>
<b>CASH (USED) PROVIDED BY CONTINUING OPERATIONS</b>	<u>(267)</u>	<u>(43)</u>
Cash (used) provided by discontinued operations		
Operating cash flows	(3)	-
Investing cash flows	-	(1)
Effect of currency exchange rate changes on cash and cash equivalents	(1)	1
	<u>(7)</u>	<u>(1)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(271)</u>	<u>(43)</u>
Cash and cash equivalents - beginning of year	737	417
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u>\$ 466</u>	<u>\$ 374</u>
<b>DEPRECIATION AND AMORTIZATION</b>		
Specialty Ingredients	\$ 64	\$ 24
Water Technologies	19	21
Performance Materials	12	18
Consumer Markets	9	9
Unallocated and other	-	1
	<u>\$ 104</u>	<u>\$ 73</u>
<b>ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT</b>		
Specialty Ingredients	\$ 24	\$ 9
Water Technologies	9	6
Performance Materials	7	3
Consumer Markets	2	3
Unallocated and other	2	1
	<u>\$ 44</u>	<u>\$ 22</u>

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

Ashland Inc. and Consolidated Subsidiaries  
**INFORMATION BY INDUSTRY SEGMENT**  
(In millions - preliminary and unaudited)

Table 4

	Three months ended December 31	
	2011	2010
<b>SPECIALTY INGREDIENTS</b> (a) (b)		
Sales per shipping day	\$ 10.3	\$ 3.5
Metric tons sold (thousands)	98.2	38.5
Gross profit as a percent of sales (c)	29.6%	31.2%
<b>WATER TECHNOLOGIES</b> (a)		
Sales per shipping day	\$ 7.4	\$ 7.3
Gross profit as a percent of sales	30.8%	31.6%
<b>PERFORMANCE MATERIALS</b> (a) (b)		
Sales per shipping day	\$ 6.2	\$ 5.3
Metric tons sold (thousands)	137.4	124.4
Gross profit as a percent of sales	19.2%	14.6%
<b>CONSUMER MARKETS</b> (a)		
Lubricant sales (gallons)	36.7	40.4
Premium lubricants (percent of U.S. branded volumes)	29.3%	30.2%
Gross profit as a percent of sales	25.3%	30.9%

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

(b) Amounts for the three months ended December 31, 2010 exclude pre-acquisition results of ISP.

(c) Includes expense of \$25 million for the three months ended December 31, 2011 related to the fair value of inventory acquired from ISP. Excluding this expense, the gross profit percentage would have been 33.4%.

**RECONCILIATION OF NON-GAAP DATA - INCOME (LOSS) FROM CONTINUING OPERATIONS**

(In millions - preliminary and unaudited)

	Three Months Ended December 31, 2011					
	Specialty Ingredients	Water Technologies	Performance Materials	Consumer Markets	Unallocated & Other	Total
<b>OPERATING INCOME (LOSS)</b>						
Severance	\$ -	\$ -	\$ -	\$ -	\$ (28)	\$ (28)
Inventory fair value adjustment	(25)	-	-	-	-	(25)
All other operating income	96	21	33	47	-	197
Operating income	71	21	33	47	(28)	144
	<u>\$ 71</u>	<u>\$ 21</u>	<u>\$ 33</u>	<u>\$ 47</u>	<u>\$ (112)</u>	<u>\$ 60</u>
<b>NET INTEREST AND OTHER FINANCING EXPENSE</b>						
					(57)	(57)
<b>NET LOSS ON ACQUISITIONS AND DIVESTITURES</b>						
					(4)	(4)
<b>INCOME TAX (EXPENSE) BENEFIT</b>						
Key items					18	18
All other income tax expense					(41)	(41)
					(23)	(23)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>						
	<u>\$ 71</u>	<u>\$ 21</u>	<u>\$ 33</u>	<u>\$ 47</u>	<u>\$ (112)</u>	<u>\$ 60</u>
<b>OPERATING INCOME (LOSS)</b>						
Casting Solutions transaction and start up costs	\$ -	\$ -	\$ (2)	\$ -	\$ (1)	\$ (3)
Accelerated depreciation	-	-	(7)	-	-	(7)
All other operating income	22	28	17	67	(10)	124
Operating income	22	28	8	67	(11)	114
	<u>\$ 22</u>	<u>\$ 28</u>	<u>\$ 8</u>	<u>\$ 67</u>	<u>\$ (27)</u>	<u>\$ 71</u>
<b>NET INTEREST AND OTHER FINANCING EXPENSE</b>						
					(27)	(27)
<b>NET GAIN ON ACQUISITIONS AND DIVESTITURES</b>						
Casting Solutions market valuation of contribution					19	19
MAP Transaction					2	2
					21	21
<b>INCOME TAX (EXPENSE) BENEFIT</b>						
Research and development income tax credits					4	4
Casting Solutions market valuation of contribution					(16)	(16)
Other key items					3	3
All other income tax expense					(28)	(28)
					(37)	(37)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>						
	<u>\$ 22</u>	<u>\$ 28</u>	<u>\$ 8</u>	<u>\$ 67</u>	<u>\$ (54)</u>	<u>\$ 71</u>

**RECONCILIATION OF NON-GAAP DATA - FREE CASH FLOW**

(In millions - preliminary and unaudited)

	Three months ended December 31	
	<u>2011</u>	<u>2010</u>
Free cash flow		
<hr/> Total cash flows provided by operating activities		
from continuing operations	\$ (181)	\$ (38)
Adjustments:		
Additions to property, plant and equipment	(44)	(22)
Cash dividends paid	(14)	(12)
ISP acquisition - change in control payment (a)	92	-
Free cash flows	<u>\$ (147)</u>	<u>\$ (72)</u>

(a) Since payment was generated from investment activity, this amount has been included within this calculation.

**RECONCILIATION OF NON-GAAP DATA - ADJUSTED EBITDA**

(In millions - preliminary and unaudited)

	Three months ended December 31	
	2011	2010
<b>Adjusted EBITDA - Ashland Inc.</b>		
Operating income	\$ 144	\$ 114
Add:		
Depreciation and amortization (a)	104	66
Key items (see Table 5)	53	10
Results of the ISP business prior to acquisition (b)	-	76
Adjusted EBITDA	<u>\$ 301</u>	<u>\$ 266</u>
<b>Adjusted EBITDA - Specialty Ingredients</b>		
Operating income	\$ 71	\$ 22
Add:		
Depreciation and amortization	64	24
Key items (see Table 5)	25	-
Results of the ISP business prior to acquisition (b)	-	69
Adjusted EBITDA	<u>\$ 160</u>	<u>\$ 115</u>
<b>Adjusted EBITDA - Water Technologies</b>		
Operating income	\$ 21	\$ 28
Add:		
Depreciation and amortization	19	21
Key items (see Table 5)	-	-
Adjusted EBITDA	<u>\$ 40</u>	<u>\$ 49</u>
<b>Adjusted EBITDA - Performance Materials</b>		
Operating income	\$ 33	\$ 8
Add:		
Depreciation and amortization (a)	12	11
Key items (see Table 5)	-	9
Results of the ISP business prior to acquisition (b)	-	12
Adjusted EBITDA	<u>\$ 45</u>	<u>\$ 40</u>
<b>Adjusted EBITDA - Consumer Markets</b>		
Operating income	\$ 47	\$ 67
Add:		
Depreciation and amortization	9	9
Key items (see Table 5)	-	-
Adjusted EBITDA	<u>\$ 56</u>	<u>\$ 76</u>

(a) Depreciation and amortization for the three months ended December 31, 2010 excludes \$7 million of accelerated depreciation which is displayed as a key item within this table.

(b) The ISP business results during 2010 relate to the operating income and depreciation and amortization recognized for the period in which Ashland did not yet own this business.

**SUPPLEMENTAL RECONCILIATION OF NON-GAAP DATA - ADJUSTED EBITDA**

(In millions - preliminary and unaudited)

RECONCILIATION OF SEPTEMBER 2011 QUARTER ADJUSTED PRO FORMA RESULTS					
(\$ millions, except percentages)	Pro Forma Adjustments				
	Ashland GAAP Results	ISP Pro Forma Results	Additional Purchase Accounting D&A	Key Items	Adjusted Pro Forma Results
<b>ASHLAND SPECIALTY INGREDIENTS</b>					
Three Months Ended September 30, 2011					
Sales	\$ 467	\$ 205	\$ -	\$ -	\$ 672
Cost of sales	334	139	9	(16)	466
Gross profit as a percent of sales	28.5%	32.2%			30.7%
SG&A expenses (includes research and development)	78	34	7	-	119
Equity and other income	1	-	-	-	1
Operating income	56	32	(16)	16	88
Operating income as a percent of sales	12.0%	15.6%			13.1%
Depreciation and amortization	42	9	16	-	67
Earnings before interest, taxes, depreciation and amortization	\$ 98	\$ 41	\$ -	\$ 16	\$ 155
EBITDA as a percent of sales	21.0%	20.0%			23.1%

RECONCILIATION OF SEPTEMBER 2011 QUARTER ADJUSTED PRO FORMA RESULTS					
(\$ millions, except percentages)	Pro Forma Adjustments				
	Ashland GAAP Results	ISP Pro Forma Results	Additional Purchase Accounting D&A	Key Items	Adjusted Pro Forma Results
<b>ASHLAND PERFORMANCE MATERIALS</b>					
Three Months Ended September 30, 2011					
Sales and operating revenue	\$ 371	\$ 65	\$ -	\$ -	\$ 436
Cost of sales and operating expenses	323	56	-	(1)	378
Gross profit as a percent of sales	12.9%	13.8%			13.3%
SG&A expenses (includes research and development)	37	3	-	-	40
Equity and other income	1	-	-	-	1
Operating income	12	6	-	1	19
Operating income as a percent of sales	3.2%	9.2%			4.4%
Depreciation and amortization	11	1	-	-	12
Earnings before interest, taxes, depreciation and amortization	\$ 23	\$ 7	\$ -	\$ 1	\$ 31
EBITDA as a percent of sales	6.2%	10.8%			7.1%

RECONCILIATION OF SEPTEMBER 2011 QUARTER ADJUSTED PRO FORMA RESULTS					
(\$ millions, except percentages)	Pro Forma Adjustments				
	Ashland GAAP Results	ISP Pro Forma Results	Additional Purchase Accounting D&A	Key Items	Adjusted Pro Forma Results
<b>ASHLAND INC.</b>					
Three Months Ended September 30, 2011					
Sales and operating revenue	\$ 1,846	\$ 270	\$ -	\$ -	\$ 2,116
Cost of sales and operating expenses	1,528	195	9	(152)	1,580
Gross profit as a percent of sales	17.2%	27.8%			25.3%
SG&A expenses (includes research and development)	695	42	7	(355)	389
Equity and other income	7	-	-	-	7
Operating income	(370)	33	(16)	507	154
Operating income as a percent of sales	-20.0%	12.2%			7.3%
Depreciation and amortization	88	10	16	(4)	110
Earnings before interest, taxes, depreciation and amortization	\$ (282)	\$ 43	\$ -	\$ 503	\$ 264
EBITDA as a percent of sales	-15.3%	15.9%			12.5%



**SUPPLEMENTAL RECONCILIATION OF NON-GAAP DATA - ADJUSTED EBITDA**

(In millions - preliminary and unaudited)

RECONCILIATION OF DECEMBER 2010 QUARTER ADJUSTED PRO FORMA RESULTS						
ASHLAND SPECIALTY INGREDIENTS Three Months Ended December 31, 2010	Pro Forma Adjustments					Adjusted Pro Forma Results
	Ashland GAAP Results	ISP Pro Forma Results	Additional		Key Items	
			Purchase Accounting D&A			
Sales	\$ 216	\$ 311	\$ -	\$ -	\$ -	\$ 527
Cost of sales	148	206	15	-	-	369
Gross profit as a percent of sales	31.2%	33.8%				30.0%
SG&A expenses (includes research and development)	45	51	12	-	-	108
Equity and other income	(1)	-	-	-	-	(1)
Operating income	22	54	(27)	-	-	49
Operating income as a percent of sales	10.2%	17.4%				9.3%
Depreciation and amortization	24	15	27	-	-	66
Earnings before interest, taxes, depreciation and amortization	\$ 46	\$ 69	\$ -	\$ -	\$ -	\$ 115
EBITDA as a percent of sales	21.3%	22.2%				21.8%

RECONCILIATION OF DECEMBER 2010 QUARTER ADJUSTED PRO FORMA RESULTS						
ASHLAND PERFORMANCE MATERIALS Three Months Ended December 31, 2010	Pro Forma Adjustments					Adjusted Pro Forma Results
	Ashland GAAP Results	ISP Pro Forma Results	Additional		Key Items	
			Purchase Accounting D&A			
Sales and operating revenue	\$ 326	\$ 75	\$ -	\$ -	\$ -	\$ 401
Cost of sales and operating expenses	277	62	-	(7)	-	332
Gross profit as a percent of sales	14.6%	17.3%				17.2%
SG&A expenses (includes research and development)	42	3	1	-	-	46
Equity and other income	1	-	-	2	-	3
Operating income	8	10	(1)	9	-	26
Operating income as a percent of sales	2.5%	13.3%				6.5%
Depreciation and amortization	18	2	1	(7)	-	14
Earnings before interest, taxes, depreciation and amortization	\$ 26	\$ 12	\$ -	\$ 2	\$ -	\$ 40
EBITDA as a percent of sales	8.0%	16.0%				10.0%

RECONCILIATION OF DECEMBER 2010 QUARTER ADJUSTED PRO FORMA RESULTS						
ASHLAND INC. Three Months Ended December 31, 2010	Pro Forma Adjustments					Adjusted Pro Forma Results
	Ashland GAAP Results	ISP Pro Forma Results	Additional		Key Items	
			Purchase Accounting D&A			
Sales and operating revenue	\$ 1,433	\$ 386	\$ -	\$ -	\$ -	\$ 1,819
Cost of sales and operating expenses	1,035	268	15	(7)	-	1,311
Gross profit as a percent of sales	27.8%	30.6%				27.9%
SG&A expenses (includes research and development)	296	59	13	(1)	-	367
Equity and other income	12	-	-	2	-	14
Operating income	114	59	(28)	10	-	155
Operating income as a percent of sales	8.0%	15.3%				8.5%
Depreciation and amortization	73	17	28	(7)	-	111
Earnings before interest, taxes, depreciation and amortization	\$ 187	\$ 76	\$ -	\$ 3	\$ -	\$ 266
EBITDA as a percent of sales	13.0%	19.7%				14.6%