

**STATEMENTS OF CONSOLIDATED INCOME**

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

	Three months ended June 30		Nine months ended June 30	
	2011	2010	2011	2010
<b>SALES</b>	\$ 1,667	\$ 1,478	\$ 4,656	\$ 4,226
<b>COSTS AND EXPENSES</b>				
Cost of sales	1,236	1,037	3,411	2,936
Selling, general and administrative expense	304	291	882	868
Research and development expense	22	23	64	63
	<u>1,562</u>	<u>1,351</u>	<u>4,357</u>	<u>3,867</u>
<b>EQUITY AND OTHER INCOME</b>	15	12	42	40
<b>OPERATING INCOME</b>	120	139	341	399
Net interest and other financing expense (a)	(22)	(26)	(88)	(172)
Net (loss) gain on acquisitions and divestitures	(1)	23	20	18
Other income	-	-	-	1
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	97	136	273	246
Income tax expense	28	19	46	59
<b>INCOME FROM CONTINUING OPERATIONS</b>	69	117	227	187
Income from discontinued operations (net of income taxes) (b)	18	31	300	69
<b>NET INCOME</b>	<u>\$ 87</u>	<u>\$ 148</u>	<u>\$ 527</u>	<u>\$ 256</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Income from continuing operations	\$ .86	\$ 1.46	\$ 2.83	\$ 2.36
Income from discontinued operations	.23	.39	3.74	.87
Net income	<u>\$ 1.09</u>	<u>\$ 1.85</u>	<u>\$ 6.57</u>	<u>\$ 3.23</u>
<b>AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS</b>	80	80	80	79
<b>SALES</b>				
Functional Ingredients	\$ 303	\$ 227	\$ 789	\$ 677
Water Technologies	490	431	1,411	1,323
Performance Materials	352	357	1,002	932
Consumer Markets	522	463	1,454	1,294
	<u>\$ 1,667</u>	<u>\$ 1,478</u>	<u>\$ 4,656</u>	<u>\$ 4,226</u>
<b>OPERATING INCOME (LOSS)</b>				
Functional Ingredients	\$ 50	\$ 34	\$ 109	\$ 96
Water Technologies	22	26	73	95
Performance Materials	12	12	21	26
Consumer Markets	51	73	178	209
Unallocated and other	(15)	(6)	(40)	(27)
	<u>\$ 120</u>	<u>\$ 139</u>	<u>\$ 341</u>	<u>\$ 399</u>

(a) The nine months ended June 30, 2011 and 2010 include a \$12 million and \$66 million charge, respectively, related to the refinancing and significant extinguishment of debt completed during these periods.

(b) Includes expense of \$2 million and income of \$44 million for the three and nine months ended June 30, 2011, respectively, and income of \$17 million and \$42 million for the three and nine months ended June 30, 2010, respectively, related to direct results of the Distribution business. Due to its sale, the direct results of this business have been presented as discontinued operations for each period presented in accordance with U.S. GAAP. In addition, the nine months ended June 30, 2011 includes a gain of \$231 million related to Ashland's sale of its Distribution business.

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

Table 2

	June 30 2011	September 30 2010
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,045	\$ 417
Accounts receivable	1,247	1,115
Inventories	557	447
Deferred income taxes	112	112
Other assets	55	49
Held for sale (a)	-	693
	<u>3,016</u>	<u>2,833</u>
Noncurrent assets		
Auction rate securities	22	22
Goodwill	2,178	2,148
Intangibles	1,077	1,111
Asbestos insurance receivable	452	459
Deferred income taxes	297	336
Other assets	664	514
Held for sale (a)	2	270
	<u>4,692</u>	<u>4,860</u>
Property, plant and equipment		
Cost	3,140	3,109
Accumulated depreciation and amortization	(1,366)	(1,271)
	<u>1,774</u>	<u>1,838</u>
Total assets	<u>\$ 9,482</u>	<u>\$ 9,531</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term debt	\$ 61	\$ 71
Current portion of long-term debt	12	45
Trade and other payables	750	727
Accrued expenses and other liabilities	506	523
Held for sale (a)	-	321
	<u>1,329</u>	<u>1,687</u>
Noncurrent liabilities		
Long-term debt (noncurrent portion)	848	1,108
Employee benefit obligations	1,181	1,372
Asbestos litigation reserve (noncurrent portion)	793	841
Deferred income taxes	145	145
Other liabilities	619	575
	<u>3,586</u>	<u>4,041</u>
Stockholders' equity	<u>4,567</u>	<u>3,803</u>
Total liabilities and stockholders' equity	<u>\$ 9,482</u>	<u>\$ 9,531</u>

(a) September 30, 2010 primarily relates to assets and liabilities of the Distribution business that qualified for held for sale classification in accordance with U.S. GAAP.

**STATEMENTS OF CONSOLIDATED CASH FLOWS**

(In millions - preliminary and unaudited)

	Nine months ended June 30	
	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS (USED) PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Net income	\$ 527	\$ 256
Income from discontinued operations (net of income taxes)	(300)	(69)
Adjustments to reconcile income from continuing operations to cash flows from operating activities		
Depreciation and amortization	211	209
Debt issuance cost amortization	22	77
Deferred income taxes	(43)	45
Equity income from affiliates	(15)	(16)
Distributions from equity affiliates	4	11
Gain from sale of property and equipment	(3)	(5)
Stock based compensation expense	13	10
Stock contributions to qualified savings plans	13	18
Net (gain) loss on acquisitions and divestitures	(20)	(18)
Loss on early retirement of debt	-	5
Gain on auction rate securities	-	(1)
Change in operating assets and liabilities (a)	(320)	(178)
	<u>89</u>	<u>344</u>
<b>CASH FLOWS (USED) PROVIDED BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Additions to property, plant and equipment	(96)	(97)
Proceeds from disposal of property, plant and equipment	10	16
Purchase of operations - net of cash acquired	(7)	(24)
Proceeds from sale of operations or equity investments	44	60
Proceeds from sales and maturities of available-for-sale securities	-	117
	<u>(49)</u>	<u>72</u>
<b>CASH FLOWS (USED) PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Proceeds from issuance of long-term debt	11	313
Repayment of long-term debt	(306)	(776)
(Repayment of)/proceeds from short-term debt	(10)	264
Repurchase of common stock	(71)	-
Debt issuance costs	-	(13)
Cash dividends paid	(37)	(23)
Proceeds from exercise of stock options	3	6
Excess tax benefits related to share-based payments	3	2
	<u>(407)</u>	<u>(227)</u>
<b>CASH (USED) PROVIDED BY CONTINUING OPERATIONS</b>	<u>(367)</u>	<u>189</u>
Cash (used) provided by discontinued operations		
Operating cash flows	7	(46)
Investing cash flows	979	(5)
Effect of currency exchange rate changes on cash and cash equivalents	9	(6)
	<u>628</u>	<u>132</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>417</u>	<u>352</u>
Cash and cash equivalents - beginning of year	<u>\$ 1,045</u>	<u>\$ 484</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>		
<b>DEPRECIATION AND AMORTIZATION</b>		
Functional Ingredients	\$ 71	\$ 75
Water Technologies	61	67
Performance Materials	48	36
Consumer Markets	28	27
Unallocated and other	3	4
	<u>\$ 211</u>	<u>\$ 209</u>
<b>ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT</b>		
Functional Ingredients	\$ 37	\$ 42
Water Technologies	24	17
Performance Materials	11	13
Consumer Markets	16	16
Unallocated and other	8	9
	<u>\$ 96</u>	<u>\$ 97</u>

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

	Three months ended June 30		Nine months ended June 30	
	2011	2010	2011	2010
<b>FUNCTIONAL INGREDIENTS</b> (a)				
Sales per shipping day	\$ 4.7	\$ 3.6	\$ 4.2	\$ 3.6
Metric tons sold (thousands)	46.4	41.5	127.7	120.8
Gross profit as a percent of sales	33.1%	37.6%	32.8%	35.5%
<b>WATER TECHNOLOGIES</b> (a)				
Sales per shipping day	\$ 7.7	\$ 6.8	\$ 7.5	\$ 7.0
Gross profit as a percent of sales	29.7%	33.7%	30.9%	34.9%
<b>PERFORMANCE MATERIALS</b> (a)				
Sales per shipping day	\$ 5.5	\$ 5.7	\$ 5.3	\$ 5.0
Pounds sold per shipping day	4.4	5.0	4.4	4.5
Gross profit as a percent of sales	13.0%	16.7%	13.2%	17.2%
<b>CONSUMER MARKETS</b> (a)				
Lubricant sales (gallons)	44.5	46.2	129.8	130.1
Premium lubricants (percent of U.S. branded volumes)	32.3%	30.1%	31.7%	29.4%
Gross profit as a percent of sales	26.6%	32.4%	28.8%	33.1%

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

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

(In millions - preliminary and unaudited)

	<b>Three Months Ended June 30, 2011</b>					
	<u>Functional Ingredients</u>	<u>Water Technologies</u>	<u>Performance Materials</u>	<u>Consumer Markets</u>	<u>Unallocated &amp; Other</u>	<u>Total</u>
<b>OPERATING INCOME (LOSS)</b>						
Accelerated depreciation	\$ -	\$ -	\$ (2)	\$ -	\$ -	\$ (2)
Environmental reserve adjustment	-	-	-	-	(6)	(6)
All other operating income	50	22	14	51	(9)	128
Operating income	50	22	12	51	(15)	120
<b>NET INTEREST AND OTHER FINANCING EXPENSE</b>					(22)	(22)
<b>NET LOSS ON ACQUISITIONS AND DIVESTITURES</b>					(1)	(1)
<b>INCOME TAX (EXPENSE) BENEFIT</b>						
Key items					3	3
All other income tax expense					(31)	(31)
					(28)	(28)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<u>\$ 50</u>	<u>\$ 22</u>	<u>\$ 12</u>	<u>\$ 51</u>	<u>\$ (66)</u>	<u>\$ 69</u>
	<b>Three Months Ended June 30, 2010</b>					
	<u>Functional Ingredients</u>	<u>Water Technologies</u>	<u>Performance Materials</u>	<u>Consumer Markets</u>	<u>Unallocated &amp; Other</u>	<u>Total</u>
<b>OPERATING INCOME (LOSS)</b>						
	\$ 34	\$ 26	\$ 12	\$ 73	\$ (6)	\$ 139
<b>NET INTEREST AND OTHER FINANCING EXPENSE</b>					(26)	(26)
<b>NET GAIN ON ACQUISITIONS AND DIVESTITURES</b>						
Gain on Ara Quimica acquisition					23	23
<b>INCOME TAX (EXPENSE) BENEFIT</b>						
Hercules research and development deduction					22	22
European legal entity restructuring					(6)	(6)
Ara Quimica acquisition					(3)	(3)
All other income tax expense					(32)	(32)
					(19)	(19)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<u>\$ 34</u>	<u>\$ 26</u>	<u>\$ 12</u>	<u>\$ 73</u>	<u>\$ (28)</u>	<u>\$ 117</u>

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

(In millions - preliminary and unaudited)

	Three months ended June 30		Nine months ended June 30	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Free cash flow				
<u>Total cash flows provided by operating activities</u> from continuing operations	\$ 12	\$ 96	\$ 89	\$ 344
Less:				
Additions to property, plant and equipment	(44)	(39)	(96)	(97)
Cash dividends paid	(14)	(12)	(37)	(23)
Free cash flows	<u>\$ (46)</u>	<u>\$ 45</u>	<u>\$ (44)</u>	<u>\$ 224</u>

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

(In millions - preliminary and unaudited)

	Three months ended June 30	
	2011	2010
<b>Adjusted EBITDA - Ashland Inc.</b>		
Operating income	\$ 120	\$ 139
Add:		
Depreciation and amortization (a)	66	68
Key items (see Table 5)	8	-
Adjusted EBITDA	<u>\$ 194</u>	<u>\$ 207</u>
<b>Adjusted EBITDA - Ashland Aqualon Functional Ingredients</b>		
Operating income	\$ 50	\$ 34
Add:		
Depreciation and amortization	24	24
Key items (see Table 5)	-	-
Adjusted EBITDA	<u>\$ 74</u>	<u>\$ 58</u>
<b>Adjusted EBITDA - Water Technologies</b>		
Operating income	\$ 22	\$ 26
Add:		
Depreciation and amortization	21	22
Key items (see Table 5)	-	-
Adjusted EBITDA	<u>\$ 43</u>	<u>\$ 48</u>
<b>Adjusted EBITDA - Performance Materials</b>		
Operating income	\$ 12	\$ 12
Add:		
Depreciation and amortization (a)	10	12
Key items (see Table 5)	2	-
Adjusted EBITDA	<u>\$ 24</u>	<u>\$ 24</u>
<b>Adjusted EBITDA - Consumer Markets</b>		
Operating income	\$ 51	\$ 73
Add:		
Depreciation and amortization	10	9
Key items (see Table 5)	-	-
Adjusted EBITDA	<u>\$ 61</u>	<u>\$ 82</u>

(a) Depreciation and amortization for the three months ended June 30, 2011 excludes \$2 million of accelerated depreciation, which is displayed as a key item within this table.