

**STATEMENTS OF CONSOLIDATED INCOME**

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

	Three months ended September 30		Year ended September 30	
	2011	2010	2011	2010
<b>SALES</b>	\$ 1,846	\$ 1,516	\$ 6,502	\$ 5,741
<b>COSTS AND EXPENSES</b>				
Cost of sales	1,528	1,198	4,890	4,124
Selling, general and administrative expense	670	483	1,442	1,330
Research and development expense	25	23	89	86
	<u>2,223</u>	<u>1,704</u>	<u>6,421</u>	<u>5,540</u>
<b>EQUITY AND OTHER INCOME</b>	7	8	49	48
<b>OPERATING INCOME (LOSS)</b>	(370)	(180)	130	249
Net interest and other financing expense (a)	(33)	(27)	(121)	(197)
Net (loss) gain on acquisitions and divestitures	(26)	4	(5)	21
Other income (expense)	(1)	1	(1)	2
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	(430)	(202)	3	75
Income tax benefit	157	81	53	13
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	(273)	(121)	56	88
Income (loss) from discontinued operations (net of income taxes) (b)	10	(20)	358	53
<b>NET INCOME (LOSS)</b>	<u>\$ (263)</u>	<u>\$ (141)</u>	<u>\$ 414</u>	<u>\$ 141</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Income (loss) from continuing operations	\$ (3.50)	\$ (1.53)	\$ .70	\$ 1.11
Income (loss) from discontinued operations	.12	(.26)	4.47	.67
Net income (loss)	<u>\$ (3.38)</u>	<u>\$ (1.79)</u>	<u>\$ 5.17</u>	<u>\$ 1.78</u>
<b>AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS</b>	78	79	80	79
<b>SALES</b>				
Specialty Ingredients	\$ 467	\$ 239	\$ 1,256	\$ 915
Water Technologies	491	462	1,902	1,785
Performance Materials	371	353	1,373	1,286
Consumer Markets	517	462	1,971	1,755
	<u>\$ 1,846</u>	<u>\$ 1,516</u>	<u>\$ 6,502</u>	<u>\$ 5,741</u>
<b>OPERATING INCOME (LOSS)</b>				
Specialty Ingredients	\$ 56	\$ 21	\$ 171	\$ 125
Water Technologies	10	23	93	130
Performance Materials	12	-	37	32
Consumer Markets	29	54	213	270
Unallocated and other	(477)	(278)	(384)	(308)
	<u>\$ (370)</u>	<u>\$ (180)</u>	<u>\$ 130</u>	<u>\$ 249</u>

(a) The years ended September 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 \$6 million and income of \$62 million for the three months and year ended September 30, 2011, respectively, and expense of \$25 million and income of \$22 million for the three months and year ended September 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 three months and year ended September 30, 2011 includes a gain of \$15 million and \$271 million, respectively, 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

	September 30	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 737	\$ 417
Accounts receivable	1,482	1,115
Inventories	925	447
Deferred income taxes	163	112
Other assets	80	49
Held for sale (a)	-	693
	<u>3,387</u>	<u>2,833</u>
Noncurrent assets		
Goodwill	3,291	2,148
Intangibles	2,134	1,111
Asbestos insurance receivable	448	459
Deferred income taxes	11	335
Other assets	779	536
Held for sale (a)	2	270
	<u>6,665</u>	<u>4,859</u>
Property, plant and equipment		
Cost	4,306	3,109
Accumulated depreciation and amortization	(1,392)	(1,271)
	<u>2,914</u>	<u>1,838</u>
Total assets	<u>\$ 12,966</u>	<u>\$ 9,530</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term debt	\$ 83	\$ 71
Current portion of long-term debt	101	45
Trade and other payables	911	727
Accrued expenses and other liabilities	644	523
Held for sale (a)	-	321
	<u>1,739</u>	<u>1,687</u>
Noncurrent liabilities		
Long-term debt (noncurrent portion)	3,648	1,108
Employee benefit obligations	1,566	1,367
Asbestos litigation reserve (noncurrent portion)	783	841
Deferred income taxes	404	145
Other liabilities	691	575
	<u>7,092</u>	<u>4,036</u>
Stockholders' equity	<u>4,135</u>	<u>3,807</u>
Total liabilities and stockholders' equity	<u>\$ 12,966</u>	<u>\$ 9,530</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)

	Year ended	
	September 30	
	2011	2010
<b>CASH FLOWS (USED) PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Net income	\$ 414	\$ 141
Income from discontinued operations (net of income taxes)	(358)	(53)
Adjustments to reconcile income from continuing operations to cash flows from operating activities		
Depreciation and amortization	299	280
Debt issuance cost amortization	26	81
Deferred income taxes	(57)	(67)
Equity income from affiliates	(17)	(19)
Distributions from equity affiliates	5	17
Gain from sale of property and equipment	(2)	(4)
Stock based compensation expense	16	14
Stock contributions to qualified savings plans	13	22
Net (gain) loss on acquisitions and divestitures	5	(21)
Loss on early retirement of debt	-	5
Loss (gain) on auction rate securities	1	(2)
Actuarial loss on pension and postretirement plans	318	268
Inventory fair value adjustment related to ISP acquisition	16	-
Change in operating assets and liabilities (a)	(436)	(111)
	<u>243</u>	<u>551</u>
<b>CASH FLOWS (USED) PROVIDED BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Additions to property, plant and equipment	(201)	(192)
Proceeds from disposal of property, plant and equipment	14	21
Purchase of operations - net of cash acquired	(2,002)	(23)
Proceeds from sale of operations or equity investments	76	64
Proceeds from sales and maturities of available-for-sale securities	11	150
	<u>(2,102)</u>	<u>20</u>
<b>CASH FLOWS (USED) PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS</b>		
Proceeds from issuance of long-term debt	2,910	334
Repayment of long-term debt	(1,513)	(780)
(Repayment of)/proceeds from short-term debt	12	48
Repurchase of common stock	(71)	-
Debt issuance costs	(82)	(13)
Cash dividends paid	(51)	(35)
Proceeds from exercise of stock options	3	6
Excess tax benefits related to share-based payments	4	5
	<u>1,212</u>	<u>(435)</u>
<b>CASH (USED) PROVIDED BY CONTINUING OPERATIONS</b>	<u>(647)</u>	<u>136</u>
Cash (used) provided by discontinued operations		
Operating cash flows	2	(45)
Investing cash flows	955	(16)
Effect of currency exchange rate changes on cash and cash equivalents	10	(10)
	<u>320</u>	<u>65</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>417</u>	<u>352</u>
Cash and cash equivalents - beginning of year	417	352
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u>\$ 737</u>	<u>\$ 417</u>
<b>DEPRECIATION AND AMORTIZATION</b>		
Specialty Ingredients	\$ 113	\$ 99
Water Technologies	85	88
Performance Materials	59	53
Consumer Markets	38	36
Unallocated and other	4	4
	<u>\$ 299</u>	<u>\$ 280</u>
<b>ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT</b>		
Specialty Ingredients	\$ 74	\$ 75
Water Technologies	49	32
Performance Materials	32	29
Consumer Markets	34	39
Unallocated and other	12	17
	<u>\$ 201</u>	<u>\$ 192</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 September 30		Year ended September 30	
	2011	2010	2011	2010
<b>SPECIALTY INGREDIENTS</b> (a) (b)				
Sales per shipping day	\$ 4.8	\$ 3.7	\$ 4.3	\$ 3.6
Metric tons sold (thousands)	46.9	42.8	174.6	163.6
Gross profit as a percent of sales	32.5%	28.7%	32.9%	33.7%
<b>WATER TECHNOLOGIES</b> (a)				
Sales per shipping day	\$ 7.7	\$ 7.2	\$ 7.5	\$ 7.1
Gross profit as a percent of sales	30.5%	31.7%	30.8%	34.1%
<b>PERFORMANCE MATERIALS</b> (a) (b)				
Sales per shipping day	\$ 5.1	\$ 5.5	\$ 5.2	\$ 5.1
Pounds sold per shipping day	4.0	4.8	4.3	4.5
Gross profit as a percent of sales	12.4%	12.8%	13.1%	16.0%
<b>CONSUMER MARKETS</b> (a)				
Lubricant sales (gallons)	41.5	44.2	171.3	174.3
Premium lubricants (percent of U.S. branded volumes)	30.1%	30.2%	31.3%	29.6%
Gross profit as a percent of sales	23.0%	28.9%	27.3%	32.0%

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

(b) All information presented excludes activity related to ISP, which was acquired on August 23, 2011.



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

(In millions - preliminary and unaudited)

	Three months ended September 30		Year ended September 30	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Free cash flow				
<hr/> Total cash flows provided by operating activities				
from continuing operations	\$ 154	\$ 208	\$ 243	\$ 551
Less:				
Additions to property, plant and equipment	105	94	201	192
Cash dividends paid	14	12	51	35
Free cash flows	<u>\$ 35</u>	<u>\$ 102</u>	<u>\$ (9)</u>	<u>\$ 324</u>

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

(In millions - preliminary and unaudited)

	Three months ended September 30	
	2011	2010
<b>Adjusted EBITDA - Ashland Inc.</b>		
Operating loss	\$ (370)	\$ (180)
Add:		
Depreciation and amortization (a)	84	65
Key items (see Table 5)	507	285
Adjusted EBITDA	<u>\$ 221</u>	<u>\$ 170</u>
<b>Adjusted EBITDA - Specialty Ingredients</b>		
Operating income	\$ 56	\$ 21
Add:		
Depreciation and amortization	42	24
Key items (see Table 5)	16	-
Adjusted EBITDA	<u>\$ 114</u>	<u>\$ 45</u>
<b>Adjusted EBITDA - Water Technologies</b>		
Operating income	\$ 10	\$ 23
Add:		
Depreciation and amortization (a)	20	21
Key items (see Table 5)	20	-
Adjusted EBITDA	<u>\$ 50</u>	<u>\$ 44</u>
<b>Adjusted EBITDA - Performance Materials</b>		
Operating income	\$ 12	\$ -
Add:		
Depreciation and amortization (a)	11	11
Key items (see Table 5)	1	17
Adjusted EBITDA	<u>\$ 24</u>	<u>\$ 28</u>
<b>Adjusted EBITDA - Consumer Markets</b>		
Operating income	\$ 29	\$ 54
Add:		
Depreciation and amortization	10	9
Key items (see Table 5)	-	-
Adjusted EBITDA	<u>\$ 39</u>	<u>\$ 63</u>

(a) Depreciation and amortization for the three months ended September 30, 2011 and 2010 excludes \$4 million (Water Technologies) and \$6 million (Performance Materials) of accelerated depreciation, respectively, which is displayed as a key item within this table.