

STATEMENTS OF CONSOLIDATED INCOME

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

	Three months ended March 31		Six months ended March 31	
	2009	2008	2009	2008
SALES AND OPERATING REVENUES	\$ 1,990	\$ 2,059	\$ 3,956	\$ 3,964
COSTS AND EXPENSES				
Cost of sales and operating expenses	1,531	1,725	3,172	3,314
Selling, general and administrative expenses (a)	352	292	696	573
	1,883	2,017	3,868	3,887
EQUITY AND OTHER INCOME	5	10	17	21
OPERATING INCOME	112	52	105	98
(Loss) gain on the MAP Transaction (b)	(1)	22	-	22
Net interest and other financing (expense) income	(54)	8	(82)	21
Other expenses (c)	-	-	(86)	-
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	57	82	(63)	141
Income tax expense	9	10	8	31
INCOME (LOSS) FROM CONTINUING OPERATIONS	48	72	(71)	110
Loss from discontinued operations (net of income taxes)	-	-	-	(5)
NET INCOME (LOSS)	\$ 48	\$ 72	\$ (71)	\$ 105
DILUTED EARNINGS PER SHARE				
Income (loss) from continuing operations	\$.65	\$ 1.13	\$ (1.00)	\$ 1.74
Loss from discontinued operations	-	-	-	(.09)
Net income (loss)	\$.65	\$ 1.13	\$ (1.00)	\$ 1.65
AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS	74	63	71	63
SALES AND OPERATING REVENUES				
Functional Ingredients	\$ 223	\$ -	\$ 342	\$ -
Water Technologies	433	217	751	423
Performance Materials	259	398	583	769
Consumer Markets	407	401	795	781
Distribution	698	1,082	1,551	2,072
Intersegment sales	(30)	(39)	(66)	(81)
	\$ 1,990	\$ 2,059	\$ 3,956	\$ 3,964
OPERATING INCOME				
Functional Ingredients	\$ (3)	\$ -	\$ (10)	\$ -
Water Technologies	13	(2)	7	3
Performance Materials	5	20	11	31
Consumer Markets	66	24	85	44
Distribution	31	13	40	19
Unallocated and other	-	(3)	(28)	1
	\$ 112	\$ 52	\$ 105	\$ 98

(a) The six months ended March 31, 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. The three and six months ended March 31, 2009 include \$5 million and \$31 million, respectively, for severance charges for the ongoing integration and reorganization from the Hercules acquisition and other cost reduction programs. In addition, a charge of \$16 million and \$37 million for the three and six months ended March 31, 2009 was recorded for a one-time fair value assessment of Hercules inventory as of the date of the transaction.

(b) "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.

(c) The six months ended March 31, 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 \$4 million relates to securities sold.

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

Table 2

	March 31	
	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 203	\$ 847
Available-for-sale securities	-	74
Accounts receivable	1,400	1,498
Inventories	628	545
Deferred income taxes	93	68
Other current assets	100	83
	<u>2,424</u>	<u>3,115</u>
Investments and other noncurrent assets		
Auction rate securities	214	254
Goodwill	2,088	279
Intangibles	1,293	106
Asbestos insurance receivable (noncurrent portion)	440	443
Deferred income taxes	-	145
Other noncurrent assets	590	421
	<u>4,625</u>	<u>1,648</u>
Property, plant and equipment		
Cost	3,462	2,178
Accumulated depreciation and amortization	(1,274)	(1,163)
	<u>2,188</u>	<u>1,015</u>
	<u>\$ 9,237</u>	<u>\$ 5,778</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt	\$ 84	\$ -
Current portion of long-term debt	94	3
Trade payables	752	861
Accrued expenses and other liabilities	459	272
	<u>1,389</u>	<u>1,136</u>
Noncurrent liabilities		
Long-term debt (noncurrent portion)	2,084	64
Employee benefit obligations	667	259
Asbestos litigation reserve (noncurrent portion)	796	539
Deferred income taxes	218	-
Other noncurrent liabilities	540	484
	<u>4,305</u>	<u>1,346</u>
Stockholders' equity		
	<u>3,543</u>	<u>3,296</u>
	<u>\$ 9,237</u>	<u>\$ 5,778</u>

	Six months ended March 31	
	<u>2009</u>	<u>2008</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		
Net (loss) income	\$ (71)	\$ 105
Loss from discontinued operations (net of income taxes)	-	5
Adjustments to reconcile income from continuing operations to cash flows from operating activities		
Depreciation and amortization	156	71
Purchased in-process research and development amortization	10	-
Debt issuance cost amortization	16	-
Deferred income taxes	2	13
Equity income from affiliates	(7)	(11)
Distributions from equity affiliates	4	5
Gain from the sale of property and equipment	-	(1)
Stock based compensation expense	3	5
Gain on the MAP Transaction	-	(22)
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)	58	52
	<u>294</u>	<u>222</u>
CASH FLOWS USED BY INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		
Additions to property, plant and equipment	(80)	(85)
Proceeds from the disposal of property, plant and equipment	4	8
Purchase of operations - net of cash acquired	(2,078)	(4)
Proceeds from sale of operations	7	26
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	29	255
	<u>(2,213)</u>	<u>(235)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		
Proceeds from issuance of long-term debt	2,000	-
Repayment of long-term debt	(632)	(3)
Proceeds from/repayments of issuance of short-term debt	43	-
Debt issuance costs	(137)	-
Premium on long-term debt repayment	(13)	-
Cash dividends paid	(11)	(35)
Proceeds from the exercise of stock options	-	2
Excess tax benefits related to share-based payments	-	1
	<u>1,250</u>	<u>(35)</u>
	<u>(669)</u>	<u>(48)</u>
CASH USED BY CONTINUING OPERATIONS		
Cash provided (used) by discontinued operations		
Operating cash flows	3	(5)
Effect of currency exchange rate changes on cash and cash equivalents	(17)	3
	<u>(683)</u>	<u>(50)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents - beginning of year	886	897
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 203</u>	<u>\$ 847</u>
DEPRECIATION AND AMORTIZATION		
Functional Ingredients	\$ 50	\$ -
Water Technologies	41	13
Performance Materials	27	21
Consumer Markets	18	18
Distribution	15	14
Unallocated and other	5	5
	<u>\$ 156</u>	<u>\$ 71</u>
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Functional Ingredients	\$ 27	\$ -
Water Technologies	9	9
Performance Materials	18	30
Consumer Markets	15	12
Distribution	1	15
Unallocated and other	10	19
	<u>\$ 80</u>	<u>\$ 85</u>

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

	Three months ended March 31		Six months ended March 31	
	2009	2008	2009	2008
FUNCTIONAL INGREDIENTS (a) (b)				
Sales per shipping day	\$ 3.5	\$ -	\$ 3.7	\$ -
Pounds sold per shipping day	1.6	-	1.6	-
Gross profit as a percent of sales	22.4%	-	20.0%	-
WATER TECHNOLOGIES (a) (b)				
Sales per shipping day	\$ 6.9	\$ 3.5	\$ 6.0	\$ 3.4
Gross profit as a percent of sales	32.6%	37.3%	31.6%	38.3%
PERFORMANCE MATERIALS (a)				
Sales per shipping day	\$ 4.1	\$ 6.3	\$ 4.7	\$ 6.2
Pounds sold per shipping day	3.7	4.8	4.0	4.7
Gross profit as a percent of sales	19.5%	18.1%	17.5%	18.1%
CONSUMER MARKETS (a)				
Lubricant sales (gallons)	37.7	42.1	70.7	81.9
Premium lubricants (percent of U.S. branded volumes)	29.1%	25.7%	28.2%	24.4%
Gross profit as a percent of sales	32.2%	24.4%	27.1%	24.6%
DISTRIBUTION (a)				
Sales per shipping day	\$ 11.1	\$ 17.2	\$ 12.4	\$ 16.6
Pounds sold per shipping day	14.3	18.9	14.9	18.8
Gross profit as a percent of sales (c)	12.8%	7.7%	10.5%	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 and six months ended March 31, 2009 and 2008 include a LIFO quantity credit of \$11 million and \$4 million, respectively.

Three Months Ended March 31, 2009

	Functional Ingredients	Water Technologies	Performance Materials	Consumer Markets (Valvoline)	Distribution	Unallocated & Other	Total
OPERATING INCOME							
Severance	\$ (1)	-	(3)	-	-	(1)	\$ (5)
Inventory fair value adjustment	(16)	-	-	-	-	-	(16)
Asset impairments and accelerated depreciation	-	-	(2)	-	-	(4)	(6)
Currency gain on intracompany loan	-	-	-	-	-	5	5
All other operating income	14	13	10	66	31	-	134
	<u>\$ (3)</u>	<u>\$ 13</u>	<u>\$ 5</u>	<u>\$ 66</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 112</u>

Three Months Ended March 31, 2008

	Functional Ingredients	Water Technologies	Performance Materials	Consumer Markets (Valvoline)	Distribution	Unallocated & Other	Total
OPERATING INCOME							
Joint venture impairment	\$ -	-	-	-	-	(5)	\$ (5)
All other operating income	-	(2)	20	24	13	2	57
	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 20</u>	<u>\$ 24</u>	<u>\$ 13</u>	<u>\$ (3)</u>	<u>\$ 52</u>