

ASHLAND INC.
Form S-4/A
June 12, 2013
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As filed with the Securities and Exchange Commission on June 12, 2013

Registration No. 333-188418

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Ashland Inc.

(Exact Name of Registrant as Specified in Its Charter)

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Kentucky
(State or Other Jurisdiction of
Incorporation or Organization)

5160
(Primary Standard Industrial
Classification Code Number)
50 E. RiverCenter Boulevard P.O. Box 391

20-0865835
(IRS Employer
Identification Number)

Covington, Kentucky 41012-0391

(859) 815-3333

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Peter J. Ganz, Esq. Senior Vice President, General Counsel and Secretary P.O. Box 391

Covington, Kentucky 41012-0391

(859) 815-3048

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a Copy to:

Andrew J. Pitts, Esq.

Cravath, Swaine & Moore LLP

Worldwide Plaza

825 Eighth Avenue

New York, New York 10019

(212) 474-1000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 12, 2013

PROSPECTUS

Ashland Inc.

Offer to Exchange up to \$600,000,000 3.000% Senior Notes due 2016 for a Like Principal Amount of 3.000% Senior Notes due 2016 which have been registered under the Securities Act of 1933 (the 2016 Notes Exchange Offer);

Offer to Exchange up to \$700,000,000 3.875% Senior Notes due 2018 for a Like Principal Amount of 3.875% Senior Notes due 2018 which have been registered under the Securities Act of 1933 (the 2018 Notes Exchange Offer);

Offer to Exchange up to \$1,125,000,000 4.750% Senior Notes due 2022 for a Like Principal Amount of 4.750% Senior Notes due 2022 which have been registered under the Securities Act of 1933 (the 2022 Notes Exchange Offer); and

Offer to Exchange up to \$375,000,000 6.875% Senior Notes due 2043 for a Like Principal Amount of 6.875% Senior Notes due 2043 which have been registered under the Securities Act of 1933 (the 2043 Notes Exchange Offer and, together with the 2016 Notes Exchange Offer, the 2018 Notes Exchange Offer and the 2022 Notes Exchange Offer, the exchange offers and each an exchange offer).

We are offering to exchange \$600,000,000 aggregate principal amount of our outstanding, unregistered 3.000% Senior Notes due 2016 (the Original 2016 Notes) for an equivalent amount of registered 3.000% Senior Notes due 2016 (the Exchange 2016 Notes), \$700,000,000 aggregate principal amount of our outstanding, unregistered 3.875% Senior Notes due 2018 (the Original 2018 Notes) for an equivalent amount of registered 3.875% Senior Notes due 2018 (the Exchange 2018 Notes), \$1,125,000,000 aggregate principal amount of our outstanding, unregistered 4.750% Senior Notes due 2022 (the Original 2022 Notes) for an equivalent amount of registered 4.750% Senior Notes due 2022 (the Exchange 2022 Notes) and \$375,000,000 aggregate principal amount of our outstanding, unregistered 6.875% Senior Notes due 2043 (the Original 2043 Notes and, together with the Original 2016 Notes, the Original 2018 Notes and the Original 2022 Notes, the Original Notes and each an Original Note) for an equivalent amount of registered 6.875% Senior Notes due 2043 (the Exchange 2043 Notes and, together with the Exchange 2016 Notes, the Exchange 2018 Notes and the Exchange 2022 Notes, the Exchange Notes and each an Exchange Note). The Original Notes and the Exchange Notes are sometimes referred to in this prospectus together as the Notes. The terms of the Exchange Notes are substantially identical to the terms of the corresponding series of the Original Notes, except that the Exchange Notes are registered under the Securities Act of 1933, as amended (the Securities Act), and the transfer restrictions, registration rights and payment of additional interest in case of non-registration applicable to the Original Notes do not apply to the Exchange Notes. The Original Notes may only be tendered in an amount equal to \$2,000 in principal amount or in integral multiples of \$1,000 in excess thereof. **The exchange offers will expire at 5:00 p.m., New York City time, on , 2013, subject to our right to extend the expiration date for any exchange offer.** Upon expiration of the exchange offers, all outstanding Original Notes that are validly tendered and not withdrawn will be exchanged for a like principal amount of the applicable series of the Exchange Notes. You may withdraw tendered Original Notes at any time prior to the applicable expiration date.

The Exchange Notes will not be listed on any securities exchange or any automated dealer quotation system and there is currently no market for the Exchange Notes.

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For a more detailed description of the Exchange Notes, see Description of the 2016 Notes, the 2018 Notes and the 2043 Notes and Description of the 2022 Notes. Each broker-dealer that receives Exchange Notes for its own account pursuant to an exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Original Notes where such Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the effective date of the registration statement of which this prospectus forms a part, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Investing in the Exchange Notes involves risks. See Risk Factors beginning on page 10 for a discussion of certain factors you should consider in connection with the exchange offers and an investment in the Exchange Notes.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2013

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You should rely only on the information contained in this prospectus and the documents incorporated by reference herein. We have not authorized any person to provide you with any information or represent anything about us or the exchange offers that is not contained in this prospectus or incorporated by reference herein. If given or made, any such other information or representation should not be relied upon as having been authorized by us. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

We are not making the exchange offers to, nor will we accept surrenders for exchange from, holders of outstanding Original Notes in any jurisdiction in which the applicable exchange offer would not be in compliance with the securities or blue sky laws of such jurisdiction or where it is otherwise unlawful.

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This prospectus incorporates business and financial information about us that is not included in or delivered with this prospectus. You may request a copy of any document incorporated by reference in this prospectus, at no cost, by calling us at (859) 815-4454 or writing us at the following address:

Ashland Inc.

P.O. Box 391

Covington, Kentucky 41012-0391

Attention: Investor Relations

In order to ensure timely delivery of the requested documents, requests should be made no later than _____, 2013, which is five business days before the date the exchange offers expire.

See Where You can Find More Information and Incorporation of Certain Information By Reference.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-4 under the Securities Act with respect to the exchange offers. This prospectus does not contain all of the information contained in the registration statement and the exhibits to the registration statement. You should refer to the registration statement, including the exhibits, for further information about the Exchange Notes being offered hereby. Copies of our SEC filings, including the exhibits to the registration statement, are available through us or from the SEC through the SEC's website or at its facilities described below.

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public on the SEC's website (<http://www.sec.gov>). You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of any document we file at prescribed rates by writing to the Public Reference Section of the SEC at that address. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility. Our SEC filings are also available at the office of the New York Stock Exchange, or NYSE, the exchange on which our common stock is listed, at 20 Broad Street, New York, New York 10005. For further information on obtaining copies of our filings from the NYSE, you should call 212-656-5080.

You also may request a copy of any document incorporated by reference in this prospectus at no cost, by calling us at (859) 815-4454 or writing us at the following address:

Ashland Inc. P.O. Box 391 Covington, Kentucky 41012-0391 Attention: Investor Relations

Our Internet address is <http://www.ashland.com>. The information contained on or linked to or from our website is not incorporated by reference into this prospectus and should not be considered part of this prospectus.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We are incorporating by reference the information that we file with the SEC, which means that we are disclosing important information to you by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus and any information that we subsequently file with the SEC will automatically update and supersede information in this prospectus and in our other filings with the SEC. We incorporate by reference the documents listed below, which we have already filed with the SEC:

our annual report on Form 10-K for the fiscal year ended September 30, 2012;

our quarterly reports on Form 10-Q for the quarters ended December 31, 2012 and March 31, 2013;

our current reports on Form 8-K filed on November 27, 2012, February 1, 2013, February 20, 2013, February 22, 2013, February 27, 2013, March 15, 2013, March 18, 2013, March 26, 2013, May 15, 2013, May 21, 2013 and June 3, 2013;

those portions of our definitive proxy statement on Schedule 14A filed on December 6, 2012 incorporated by reference into our annual report on Form 10-K for the fiscal year ended September 30, 2012; and

all documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) between the date of this prospectus and the termination of the exchange offers.

Nothing in this prospectus shall be deemed to incorporate information furnished to, but not filed with, the SEC.

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Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus, or in any other subsequently filed document that also is or is deemed to be incorporated by reference into this prospectus conflicts with, negates, modifies or supersedes that statement. Any statement that is so modified or superseded will not constitute a part of this prospectus, except as modified or superseded.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this prospectus, including those relating to our strategies, concerning possible or assumed future results of our operations and other statements that are predictive in nature, are forward-looking statements. We have identified some of these forward-looking statements with words such as anticipates, believes, expects, estimates, may, will, should and intends and negative of these words or other comparable terminology.

These forward-looking statements are based on our expectations and assumptions, as of the date such statements are made, regarding our future operating performance and financial condition, the economy and other future events or circumstances. Our expectations and assumptions include, without limitation, those mentioned within the Management's Discussion and Analysis of Financial Condition and Results of Operations section in each of (i) our annual report on Form 10-K for the fiscal year ended September 30, 2012 (the 2012 10-K) and (ii) our subsequent quarterly reports on Form 10-Q, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials and the ability to recover raw material cost increases through price increases), and risks and uncertainties associated with the following: our substantial indebtedness (including the possibility that such debt and related restrictive covenants may adversely affect our future cash flows, results of operations, financial condition and our ability to repay debt), Ashland's ability to generate sufficient cash to finance its stock repurchase plans, severe weather, natural disasters and legal proceedings and claims (including environmental and asbestos matters).

Various risks and uncertainties may cause actual results to differ materially from those stated, projected or implied by any forward-looking statements, including, without limitation, risks and uncertainties affecting us that are discussed under the caption Risk Factors and in our filings with the SEC, some of which are incorporated by reference herein, including under the caption Item 1A. Risk Factors in the 2012 10-K and Use of estimates, risks and uncertainties in Note A of Notes to Consolidated Financial Statements in the 2012 10-K. We believe our expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. Any forward-looking statement should be considered in light of these factors and reflects our belief only at the time the statement is made. We undertake no obligation to update or revise any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting the forward-looking statements.

INDUSTRY AND MARKET DATA

Statements contained or incorporated by reference in this prospectus with respect to our positions in certain markets are based on our review of applicable literature, including industry publications, and our internal studies. Industry publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein.

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PROSPECTUS SUMMARY

This summary does not contain all of the information that may be important to you. You should read the entire prospectus carefully, including the matters discussed in the sections entitled Risk Factors in this prospectus and in the 2012 10-K, as well as the detailed information and financial statements included or incorporated by reference in this prospectus. In this prospectus, references to Ashland, the Company, we, us and our refer to the business of Ashland Inc. and its subsidiaries on a consolidated basis unless the context requires otherwise.

Overview

Our company, headquartered in Covington, Kentucky, was organized in 2004 as the successor to a Kentucky corporation of the same name organized in 1936. Ashland is a leading, global specialty chemical company that provides products, services and solutions that meet customers needs throughout a variety of industries in more than 100 countries. Our chemistry is used in a wide variety of markets and applications, including architectural coatings, automotive, construction, energy, food and beverage, personal care, pharmaceutical, tissue and towel, and water treatment. As of March 31, 2013, we had approximately 15,000 employees worldwide (excluding contract employees). Our business consists of four reportable segments: Ashland Specialty Ingredients, Ashland Water Technologies, Ashland Performance Materials and Ashland Consumer Markets.

Ashland Specialty Ingredients

Ashland Specialty Ingredients (Specialty Ingredients) offers industry-leading products, technologies and resources for solving formulation and product performance challenges. Using natural, synthetic and semisynthetic polymers derived from plant and seed extract, cellulose ethers and vinyl pyrrolidones, Specialty Ingredients offers comprehensive and innovative solutions for consumer and industrial applications. Specialty Ingredients areas of expertise include: organic and synthetic chemistry, polymer chemistry, surface and colloid science, rheology, structural analysis and microbiology. Specialty Ingredients solutions provide an array of properties, including: thickening and rheology control, water retention, adhesive strength, binding power, film formation, conditioning and deposition, colloid stabilization and suspension.

Ashland Water Technologies

Ashland Water Technologies (Water Technologies) is a leading specialty chemical supplier of process, utility and functional chemistries globally. Water Technologies offers products and equipment technologies designed to help customers improve operational efficiencies, enhance product quality, protect plant assets and minimize environmental impact. Water Technologies offers a range of services, including analytical and applications laboratories and customized program offerings. Water Technologies chemical product lines include biocides, cleaners, coagulants and flocculants, converting additives, corrosion inhibitors, defoamers, deposit and scale inhibitors, internal and surface size agents, membrane treatments, odor inhibitors and neutralizers, oxygen scavengers, pulp mill additives, retention, drainage and clarification aids, tissue-making additives, wet- and dry-strength additives and wood adhesives.

Ashland Performance Materials

Ashland Performance Materials (Performance Materials) is a global leader in unsaturated polyester resins and epoxy vinyl ester resins, gelcoats, pressure-sensitive and structural adhesives, specialty coatings and elastomers. It also provides metal casting consumables and design services for effective foundry management through its 50% ownership in the ASK Chemicals GmbH joint venture. Performance Materials composite resins; water-based and energy-curable coatings; pressure-sensitive adhesives; and elastomers are used in the construction, transportation, infrastructure, boatbuilding, and packaging and converting markets.

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Ashland Consumer Markets

Ashland Consumer Markets (Consumer Markets) is a leading, worldwide producer and distributor of premium-branded automotive, commercial and industrial lubricants and car-care products. It operates and franchises more than 860 Valvoline Instant Oil Change centers in the United States. It markets Valvoline lubricants and automotive chemicals; MaxLife lubricants for cars with higher mileage engines; NextGen motor oil, created with 50-percent recycled, re-refined oil; SynPower synthetic motor oil; Eagle One and Car Brite automotive appearance products; and Zerex antifreeze.

Corporate and Stockholder Information

We are a publicly traded Kentucky corporation. Our common stock is listed on the NYSE under the symbol ASH. Our headquarters and principal executive offices are located at 50 E. RiverCenter Boulevard, Covington, Kentucky 41011-1678. Our telephone number is (859) 815-3333, and our website address is <http://www.ashland.com>. Information contained in, linked to, or from our website is not incorporated by reference into this prospectus and is not a part of this prospectus.

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Summary of the Terms of the Exchange Offers

Background

On August 7, 2012, we completed a private placement of \$500 million aggregate principal amount of the Original 2022 Notes. On February 26, 2013, we completed a private placement of \$600 million aggregate principal amount of the Original 2016 Notes, \$700 million aggregate principal amount of the Original 2018 Notes, \$650 million aggregate principal amount of the Original 2022 Notes and \$350 million aggregate principal amount of the Original 2043 Notes. On March 14, 2013, we completed a private placement of \$25 million aggregate principal amount of the Original 2043 Notes and repurchased and retired \$25 million aggregate principal amount of the Original 2022 Notes. In connection with each of the private placements, we entered into a registration rights agreement in which we agreed, among other things, to complete the exchange offers. See The Exchange Offers Purpose of the Exchange Offers; Registration Rights.

The Exchange Offers

We are offering to exchange:

the unregistered Original 2016 Notes for an equivalent amount of the Exchange 2016 Notes, which have been registered under the Securities Act;

the unregistered Original 2018 Notes for an equivalent amount of the Exchange 2018 Notes, which have been registered under the Securities Act;

the unregistered Original 2022 Notes for an equivalent amount of the Exchange 2022 Notes, which have been registered under the Securities Act; and

the unregistered Original 2043 Notes for an equivalent amount of the Exchange 2043 Notes, which have been registered under the Securities Act.

The Original Notes may only be tendered in an amount equal to \$2,000 in principal amount or in integral multiples of \$1,000 in excess thereof. See The Exchange Offers Terms of the Exchange Offers.

In order to exchange an Original Note, you must follow the required procedures. We will exchange all Original Notes validly tendered and not validly withdrawn prior to the expiration date. See The Exchange Offers.

Resale of Exchange Notes

Based on interpretations of the SEC staff, as described in previous no-action letters issued to third parties, we believe that the Exchange Notes you receive pursuant to the exchange offers in exchange for the Original Notes may be offered for resale, resold and otherwise

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transferred without compliance with the registration and prospectus delivery provisions of the Securities Act, *provided* that:

you are acquiring the Exchange Notes issued in the exchange offers in the ordinary course of your business;

you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the Exchange Notes you will receive in the exchange offers; and

you are not an affiliate of ours, as defined in Rule 405 of the Securities Act.

By tendering your Original Notes as described in The Exchange Offers Procedures for Tendering, you will be making representations to this effect. If you fail to satisfy any of these conditions, you cannot rely on the position of the SEC set forth in the no-action letters referred to above and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the Exchange Notes.

We base our belief on interpretations by the SEC staff in no-action letters issued to other issuers in exchange offers like ours. We cannot guarantee that the SEC would make a similar decision about our exchange offers. If our belief is wrong, you could incur liability under the Securities Act. We will not protect you against any loss incurred as a result of this liability under the Securities Act.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Original Notes, where such Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the Exchange Notes. We have agreed that, for a period of up to 180 days after the effective date of the registration statement of which this prospectus forms a part, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Consequences if You Do Not Exchange Your Original Notes

Original Notes that are not tendered in the exchange offers or are not accepted for exchange will continue to be subject to transfer restrictions. You will not be able to offer or sell such Original Notes unless you are able to rely on an exemption from the requirements of the Securities Act or the Original Notes are registered under the Securities Act.

After the exchange offers are completed, we will no longer have an obligation to register the Original Notes, except under limited circumstances. To the extent that Original Notes are tendered and accepted in the exchange offers, the market for any remaining Original Notes will be adversely affected. See Risk Factors Risks Relating to the Exchange Offers If you fail to exchange your Original Notes, they will continue to be restricted securities and may become less liquid.

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Expiration Date	Each exchange offer expires at 5:00 p.m., New York City time, on _____, 2013, subject to our right to extend the expiration date for any exchange offer. See The Exchange Offers Expiration Date; Extensions; Amendments.
Issuance of Exchange Notes	We will issue Exchange Notes in exchange for Original Notes tendered and accepted in the exchange offers promptly following the expiration date (unless amended as described in this prospectus). See The Exchange Offers Terms of the Exchange Offers.
Conditions to the Exchange Offers	The exchange offers are subject to certain customary conditions, which we may amend or waive. The exchange offers are not conditioned upon any minimum principal amount of outstanding Original Notes being tendered. See The Exchange Offers Conditions to the Exchange Offers.
Special Procedures for Beneficial Holders	If you beneficially own Original Notes which are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the exchange offers, you should contact the registered holder promptly and instruct such person to tender on your behalf. If you wish to tender in the exchange offers on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your Original Notes, either arrange to have the Original Notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take a considerable amount of time. See The Exchange Offers Procedures for Tendering.
Withdrawal Rights	You may withdraw your tender of Original Notes at any time before the expiration date for the applicable exchange offer. See The Exchange Offers Withdrawal of Tenders.
Accounting Treatment	We will not recognize any gain or loss for accounting purposes upon the completion of the exchange offers. The expenses of the exchange offers that we pay will increase our deferred financing costs in accordance with generally accepted accounting principles. See The Exchange Offers Accounting Treatment.
Federal Income Tax Consequences	The exchange of Original Notes for Exchange Notes pursuant to the exchange offers generally will not be a taxable event for U.S. federal income tax purposes. See Material United States Federal Income Tax Considerations.
Use of Proceeds	We will not receive any proceeds from the issuance of Exchange Notes in connection with the exchange offers.
Exchange Agent	U.S. Bank National Association is serving as exchange agent in connection with the exchange offers. The address and telephone number of the exchange agent are set forth under The Exchange Offers Exchange Agent. U.S. Bank National Association is also the trustee under the indenture governing the Original Notes and the Exchange Notes.

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Summary of the Terms of the Notes

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the 2016 Notes, the 2018 Notes and the 2043 Notes and the Description of the 2022 Notes sections of this prospectus contain a more detailed description of the terms and conditions of the Notes. Other than the restrictions on transfer, registration rights and special interest provisions, the Exchange Notes will have the same financial terms and covenants as the Original Notes.

Issuer	Ashland Inc.
Notes Offered	<p>\$600 million aggregate principal amount of 3.000% Senior Notes due 2016</p> <p>\$700 million aggregate principal amount of 3.875% Senior Notes due 2018</p> <p>\$1,125 million aggregate principal amount of 4.750% Senior Notes due 2022</p> <p>\$375 million aggregate principal amount of 6.875% Senior Notes due 2043</p>
Maturity Dates	<p>Exchange 2016 Notes: March 15, 2016</p> <p>Exchange 2018 Notes: April 15, 2018</p> <p>Exchange 2022 Notes: August 15, 2022</p> <p>Exchange 2043 Notes: May 15, 2043</p>
Interest	<p>Interest on the Exchange 2016 Notes will accrue at a rate of 3.000% per year, payable semi-annually in cash in arrears on March 15 and September 15 of each year, commencing September 15, 2013.</p> <p>Interest on the Exchange 2018 Notes will accrue at a rate of 3.875% per year, payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing October 15, 2013.</p> <p>Interest on the Exchange 2022 Notes will accrue at a rate of 4.750% per year, payable semi-annually in cash in arrears on February 15 and August 15 of each year, commencing August 15, 2013.</p>

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Interest on the Exchange 2043 Notes will accrue at a rate of 6.875% per year, payable semi-annually in cash in arrears on May 15 and November 15 of each year, commencing November 15, 2013.

In each case, interest will accrue from the most recent date to which interest on the respective Original Notes has been paid, or, in the case of the Exchange 2016 Notes, the Exchange 2018 Notes and the Exchange 2043 Notes, if no interest has been paid, from February 26, 2013, or, in the case of the Exchange 2022 Notes, if no interest has been paid, from February 15, 2013.

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Ranking

The Notes will constitute unsecured unsubordinated debt. They will:

rank equally in right of payment with all of our existing and future unsecured unsubordinated debt;

rank senior in right of payment to all of our future subordinated debt;

be effectively subordinated to any of our existing and future secured debt, including our accounts receivable securitization facility and certain other indebtedness of our subsidiaries, to the extent of the value of the assets securing such debt; and

be structurally subordinated to all existing and future liabilities of our subsidiaries, including indebtedness of our subsidiaries, which includes our accounts receivable securitization facility, the 6.60% debentures due 2027 issued by our wholly-owned subsidiary, Hercules Incorporated (Hercules) (the 6.60% Hercules debentures due 2027), the 6.50% junior subordinated debentures due 2029 issued by Hercules (the 6.50% Hercules junior subordinated debentures due 2029) and other debt obligations.

As of March 31, 2013, total outstanding debt of the Company was \$3,509 million, of which amount \$360 million was secured. As of such date, our subsidiaries had \$529 million of debt (including \$331 million under our accounts receivable securitization facility but excluding guarantees of our then-outstanding 9.125% senior notes due 2017).

Optional Redemption

We may redeem some or all of the Original 2016 Notes or the Exchange 2016 Notes at any time prior to February 15, 2016 at a price equal to 100% of the principal amount of the 2016 notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2016 Notes), if any, to the date of redemption plus a make-whole amount. We may redeem some or all of the Original 2016 Notes or the Exchange 2016 Notes at any time on or after February 15, 2016 at a price equal to 100% of the principal amount of the Original 2016 Notes or the Exchange 2016 Notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2016 Notes), if any, to the date of redemption.

We may redeem some or all of the Original 2018 Notes or the Exchange 2018 Notes at any time prior to March 15, 2018 at a price equal to 100% of the principal amount of the Original 2018 Notes or the Exchange 2018 Notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2018 Notes), if any, to the date of redemption plus a make-whole amount. We may redeem some or all of the Original 2018 Notes or the Exchange 2018 Notes at any time on or after March 15, 2018 at a price equal to 100% of the principal amount of the Original 2018 Notes or the Exchange 2018 Notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2018 Notes), if any, to the date of redemption.

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We may redeem some or all of the Original 2022 Notes or the Exchange 2022 Notes at any time prior to May 15, 2022 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2022 Notes), if any, to the date of redemption plus a make-whole amount. We may redeem some or all of the Original 2022 Notes or the Exchange 2022 Notes at any time on or after May 15, 2022 at a price equal to 100% of the principal amount of the Original 2022 Notes or the Exchange 2022 Notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2022 Notes), if any, to the date of redemption.

We may redeem some or all of the Original 2043 Notes or the Exchange 2043 Notes at any time prior to February 15, 2043 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2043 Notes), if any, to the date of redemption plus a make-whole amount. We may redeem some or all of the Original 2043 Notes or the Exchange 2043 Notes at any time on or after February 15, 2043 at a price equal to 100% of the principal amount of the Original 2043 Notes or the Exchange 2043 Notes redeemed plus accrued and unpaid interest and additional interest (in the case of the Original 2043 Notes), if any, to the date of redemption.

See Description of the 2016 Notes, the 2018 Notes and the 2043 Notes Optional Redemption and Description of the 2022 Notes Optional Redemption.

**Offer to Purchase Upon Change of Control
Repurchase Event**

Upon the occurrence of a change of control repurchase event (as defined below under Description of the 2016 Notes, the 2018 Notes and the 2043 Notes Change of Control or Description of the 2022 Notes Change of Control) with respect to the series of notes described therein, unless we have exercised our right to redeem the Notes of such series, we will be required to make an offer to each holder of Notes of such series to repurchase all or any part (equal to \$2,000 and any integral multiples of \$1,000 in excess thereof) of that holder's Notes of such series at a repurchase price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of the 2016 Notes, the 2018 Notes and the 2043 Notes Change of Control and Description of the 2022 Notes Change of Control.

Certain Covenants

The indentures governing the Notes contain limited covenants that limit our ability, with certain exceptions, to:

incur certain debt secured by liens without equally and ratably securing the notes,

engage in sale-and-leaseback transactions,

permit certain of our subsidiaries to incur or guarantee certain debt without guaranteeing the notes, and

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merge or consolidate with another entity.

For more details, see Description of the 2016 Notes, the 2018 Notes and the 2043 Notes Certain Covenants and Description of the 2022 Notes Certain Covenants.

No Public Trading Market

The Exchange Notes will not be listed on any securities exchange or any automated dealer quotation system and there is currently no market for the Exchange Notes. Accordingly, there can be no assurance that a market for the Exchange Notes will develop upon the completion of the exchange offers or, if developed, that such market will be sustained or as to the liquidity of any market.

Trustee, Registrar and Paying Agent

U.S. Bank National Association

Governing Law

State of New York

Risk Factors

You should carefully consider the information in the section entitled Risk Factors and under the heading Risk Factors in our 2012 10-K, and all other information included or incorporated by reference in this prospectus for an explanation of certain risks associated with the exchange offers.

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RISK FACTORS

*An investment in the Notes is subject to risks and uncertainties. You should carefully consider the risks described below in addition to the other information contained or incorporated by reference in this prospectus, including under the heading **Risk Factors** in our 2012 10-K, before deciding whether to participate in the exchange offers. See **Where You Can Find More Information** for information about how to obtain a copy of these documents. Realization of any of these risks could have a material adverse effect on our business, financial condition, cash flows and results of operations or could materially affect the value or liquidity of the Notes and result in the loss of all or part of your investment in the Notes.*

Risks Relating to the Exchange Offers

If you fail to exchange your Original Notes, they will continue to be restricted securities and may become less liquid.

Original Notes that you do not tender or we do not accept will, following the exchange offers, continue to be restricted securities, and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. We will issue Exchange Notes in exchange for the Original Notes pursuant to the exchange offers only following the satisfaction of the procedures and conditions set forth in **The Exchange Offers Procedures for Tendering**. These procedures and conditions include timely receipt by the exchange agent of such Original Notes (or a confirmation of book-entry transfer) and of a properly completed and duly executed letter of transmittal (or an agent's message from The Depository Trust Company (**DTC**)).

Because we anticipate that most holders of Original Notes will elect to exchange their Original Notes, we expect that the liquidity of the market for any Original Notes remaining after the completion of the exchange offers will be substantially limited. Any Original Notes tendered and exchanged in the exchange offers will reduce the aggregate principal amount of the Original Notes outstanding. Following the exchange offers, if you do not tender your Original Notes you generally will not have any further registration rights, and your Original Notes will continue to be subject to certain transfer restrictions. Accordingly, the liquidity of the market for the Original Notes could be adversely affected.

If you are a broker-dealer, your ability to transfer the Exchange Notes may be restricted.

A broker-dealer that acquired the Original Notes for its own account as a result of market-making activities or other trading activities must comply with the prospectus delivery requirements of the Securities Act in connection with any resale of the Exchange Notes. Our obligation to make this prospectus available to broker-dealers is limited. Consequently, we cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their Exchange Notes.

If an active trading market does not develop for the Exchange Notes, you may be unable to sell the Exchange Notes or to sell them at a price you deem sufficient.

Each series of Exchange Notes is a new issue of securities for which there is currently no public trading market. We do not intend to list the Exchange Notes on any securities exchange or automated dealer quotation system. Accordingly, we cannot assure you that an active trading market will develop for the Exchange Notes upon completion of the exchange offers or, if such a market does develop, that such market will be maintained or as to the liquidity of any such market. If an active market does not develop or is not maintained, the market price and the liquidity of the Exchange Notes may be adversely affected. In addition, the liquidity of the trading market for the Exchange Notes, if it develops, and the market price quoted for the Exchange Notes, may be adversely affected by changes in prevailing interest rates and market conditions generally, as well as changes in our performance and negative changes in the ratings assigned to us or our debt securities.

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Risks Relating to the Notes

Our substantial indebtedness may adversely affect our business, results of operations and financial condition, and our restrictive debt covenants may affect our ability to successfully operate our businesses.

Primarily as a result of the acquisition of International Speciality Products Inc. (ISP), we incurred a substantial amount of debt. At March 31, 2013, our total debt was approximately \$3,509 million. Our substantial indebtedness could adversely affect our business, results of operations and financial condition by, among other things:

requiring us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on our debt, which would reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions, execution of our growth strategy and other general corporate purposes;

limiting our ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy and other purposes;

making us more vulnerable to adverse changes in general economic, industry and regulatory conditions in our business by limiting our flexibility in planning for, and making it more difficult for us to react quickly to, changing conditions;

placing us at a competitive disadvantage compared with those of our competitors that have less debt and lower debt service requirements;

making us more vulnerable to increases in interest rates since some of our indebtedness is subject to variable rates of interest; and

making it more difficult for us to satisfy our financial obligations, including with respect to the Notes.

In addition, we may not be able to generate sufficient cash flow from our operations to repay our indebtedness when it becomes due and to meet our other cash needs. If we are not able to pay our debts as they become due, we could be required to pursue one or more alternative strategies to repay indebtedness, such as selling assets, refinancing or restructuring our indebtedness or selling additional debt or equity securities. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, and if we must sell our assets, it may negatively affect our ability to generate revenues.

Our debt facilities contain various covenants that limit our ability to, among other things: grant liens; incur additional indebtedness; provide guarantees; engage in mergers and acquisitions; sell, transfer and otherwise dispose of property and assets; make loans; invest in joint ventures and other investments; declare dividends, make distributions or redeem or repurchase capital stock; change the nature of our business; and enter into transactions with our affiliates. In addition, we are required to maintain specified financial ratios and satisfy certain financial condition tests specified in our five-year senior unsecured revolving credit facility (senior credit facility). If we do not adhere to these covenants, the lenders may have the right to declare a default and could require immediate payment of all debts outstanding or seek other remedies available to them under the debt facilities.

There are limited financial covenants under the indentures.

We are not restricted under the indentures governing the Notes from incurring additional unsecured debt, and the limitation on our ability to incur additional secured debt without securing each series of the Notes equally and ratably with such additional secured debt is subject to significant exceptions. For example, as of March 31, 2013, we had \$1,024 million of availability under our senior credit facility. The Notes are unsecured and effectively subordinated to any secured debt that we have issued or that we may issue in the future. We expect that we will from time to time incur additional debt and other liabilities. All or a portion of such debt or other liabilities may be incurred by our subsidiaries. In addition, the indentures do not restrict us from paying dividends or issuing or repurchasing securities.

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Despite current indebtedness levels, we may incur more debt. The incurrence of additional debt could further exacerbate the risks associated with our substantial indebtedness.

The indentures governing the Notes permit, and the credit agreement governing our senior credit facility permits, us and our existing or future subsidiaries to incur additional debt, including additional notes, subject to certain limitations. If new debt is added to our or any such subsidiary's current debt levels, the related risks that we and they face could intensify.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

If we default under the agreements governing our indebtedness, including a default under our senior credit facility that is not waived by the required lenders, the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest and additional interest, if any, on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest and additional interest, if any, on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness, including our senior credit facility, our accounts receivable securitization facility, the indentures governing the Notes and the indenture governing the 6.60% Hercules debentures due 2027. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our senior credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines we may in the future need to obtain waivers from lenders under our senior credit facility to avoid breaching our covenants and being in default under our senior credit facility. We may not be able to obtain waivers from the required lenders, in which case we would be in default under our senior credit facility and the lenders could exercise their rights, as described above. See Description of the 2016 Notes, the 2018 Notes and the 2043 Notes and Description of the 2022 Notes.

The Notes are not secured by any of our assets. Some of our debt obligations, including our accounts receivable securitization facility and certain other subsidiary indebtedness, are secured, giving holders of such indebtedness a prior claim on a portion of our assets and a portion of the property, plant and equipment of our subsidiaries.

The Notes are not secured by any of our assets. However, some of our debt obligations, including our accounts receivable securitization facility and certain other subsidiary indebtedness, are secured by a portion of our assets. The indentures governing the Notes permit us, subject to certain restrictions, to issue additional secured debt in the future. If we become insolvent or are liquidated, or if payment under any of the instruments governing our secured debt is accelerated, the lenders and holders, as applicable, under those instruments will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to the instruments governing such debt. Accordingly, the holders of our other secured indebtedness will have a priority claim on our assets securing the debt owed to them. In that event, because the Notes are not secured by any of our assets, it is possible that our remaining assets might be insufficient to satisfy your claims in full. Additionally, the accounts receivable, related assets and certain rights to collection we sell under our accounts receivable securitization facility will not be available to our creditors should we become insolvent or be liquidated.

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The Notes are structurally subordinated to the indebtedness of our subsidiaries and the repayment of our debt, including the Notes, is partly dependent on cash flow generated by our subsidiaries.

The Notes are our obligations exclusively and not the obligation of any of our subsidiaries. A portion of our operations is conducted through our subsidiaries. Repayment of our indebtedness, including the Notes, is partly dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes. However, our subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or to make any funds available therefor, whether by dividends, loans or other payments. In addition, their ability to transfer funds or make any payments to us will depend on their earnings, the terms of their indebtedness, business and tax considerations and legal restrictions. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of our subsidiaries will have priority with respect to the assets of such subsidiaries over our claims (and therefore the claims of our creditors, including holders of the Notes). Consequently, the Notes are effectively subordinated to all liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish.

We may not be able to repurchase the Notes upon a change of control repurchase event.

Upon the occurrence of a change of control repurchase event with respect to a series of Notes, we will be required to offer to repurchase all outstanding Notes of such series at 101% of their principal amount. We may not be able to repurchase the Notes upon a change of control repurchase event because we may not have sufficient funds. Further, we may be contractually restricted under the terms of our other indebtedness from repurchasing all of the Notes tendered by holders upon a change of control repurchase event. Accordingly, we may not be able to satisfy our obligations to purchase the Notes unless we are able to refinance or obtain waivers under our indebtedness. Our failure to repurchase the Notes upon a change of control repurchase event would cause a default under the indentures and a cross-default under our senior credit facility. Our senior credit facility also provides that specific kinds of change of control events will be a default that permits lenders to accelerate the maturity of borrowings thereunder. Any of our future debt agreements may contain similar provisions.

In addition, the change of control provisions in the indentures may not protect you from certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness), reorganization, restructuring, merger or other similar transaction that does not result in a change of control repurchase event under the indentures. Therefore, if an event occurs that does not constitute a change of control repurchase event with respect to a series of Notes, we will not be required to make an offer to repurchase the Notes of such series. See

Description of the 2016 Notes, the 2018 Notes and the 2043 Notes Change of Control and Description of the 2022 Notes Change of Control.

Your ability to transfer the Notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Notes.

There is no established public market for the Notes. We do not intend to have the Notes listed on any securities exchange. The initial purchasers of the Original Notes have advised us that they intend to make a market in the Notes as permitted by applicable laws and regulations; however, the initial purchasers of the Original Notes are not obligated to make a market in the Notes, and they may discontinue their market making activities at any time without notice. Therefore, we cannot assure you that an active market for the Notes will develop or, if developed, that it will continue.

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Changes in the ratings of the Notes, our credit ratings or the debt markets could adversely affect the price of the Notes.

The trading prices for the Notes will depend on many factors, including:

our credit ratings with major credit rating agencies;

the prevailing interest rates being paid by, or the market price for debt securities issued by, other companies similar to us;

our financial condition, financial performance and future prospects; and

the overall condition of the financial markets.

The financial markets and prevailing interest rates are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the Notes. Credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate our industry as a whole and may change their credit rating for us based on their overall view of our industry. Rating organizations may lower their respective ratings of the Notes or decide not to continue to rate the Notes in their sole discretion. The reduction, suspension or withdrawal of the ratings of the Notes will not constitute an event of default under the indentures. However, any reduction, suspension or withdrawal of these ratings may adversely affect the market price or liquidity of the Notes.

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USE OF PROCEEDS

The exchange offers are intended to satisfy our obligations under the registration rights agreements entered into in connection with the issuance of the Original Notes. We will not receive any proceeds from the issuance of Exchange Notes in connection with the exchange offers. In consideration for issuing the Exchange Notes, we will receive the Original Notes from you in like principal amount. The Original Notes surrendered in exchange for the Exchange Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the Exchange Notes will not result in any change in our indebtedness other than to the extent that we incur any indebtedness in connection with the payment of expenses to be incurred in connection with the exchange offers, including the fees and expenses of the exchange agent and accounting and legal fees.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth information regarding our ratio of earnings to fixed charges for each of the periods shown. For purposes of calculating this ratio, (i) earnings are comprised income (loss) from continuing operations, income tax expense (benefit), interest expense, interest portion of rental expense, amortization of deferred debt expense and distributions (less than) in excess of earnings of unconsolidated affiliates and (ii) fixed charges consist of interest expense, interest portion of rental expense, amortization of deferred debt expense and capitalized interest.

	Fiscal Year Ended September 30,					Six Months Ended March 31,	
	2008	2009	2010	2011	2012	2012	2013
Ratio of Earnings to Fixed Charges	4.69x	(A)	1.31x	(B)	(C)	2.55x	1.95x

(A) Deficiency Ratio Due to the loss from continuing operations, the Ratio of Earnings to Fixed Charges was less than 1x. To achieve a ratio of 1x, additional total earnings of \$325 million would have been required for the year ended September 30, 2009.

(B) Deficiency Ratio The Ratio of Earnings to Fixed Charges was less than 1x. To achieve a ratio of 1x, additional total earnings of \$9 million would have been required for the year ended September 30, 2011.

(C) Deficiency Ratio The Ratio of Earnings to Fixed Charges was less than 1x. To achieve a ratio of 1x, additional total earnings of \$47 million would have been required for the year ended September 30, 2012.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

The following table sets forth summary historical consolidated financial information for us for the periods presented. The summary financial data as of and for the six months ended March 31, 2012 and 2013, has been derived from our unaudited condensed consolidated financial statements which include, in the opinion of our management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of our operations and financial position for the periods and dates presented. The results of operations for any interim period are not necessarily indicative of results for the full year or any other interim period. The summary financial information, as of and for each of the five fiscal years ended September 30, has been derived from our audited consolidated financial statements. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and the notes thereto in our 2012 10-K, incorporated by reference in this prospectus, Management's Discussion and Analysis of Financial Condition and Results of Operations and our unaudited consolidated financial statements and the notes thereto in our second quarter 10-Q, incorporated by reference in this prospectus, and other financial information included and incorporated by reference in this prospectus.

	2008	Year Ended September 30,			2012	Six Months Ended March 31,	
		2009	2010	2011		2012	2013
	(In millions, except per share amounts)						
Summary of operations							
Sales	\$ 4,176	\$ 5,220	\$ 5,741	\$ 6,502	\$ 8,206	\$ 4,009	\$ 3,843
Cost and expenses							
Cost of sales	3,209	3,850	4,124	4,890	6,025	2,912	2,738
Selling, general and administrative expense	900	1,406	1,338	1,451	1,800	743	685
Research and development expense	48	89	78	80	137	61	71
	4,157	5,345	5,540	6,421	7,962	3,716	3,494
Equity and other income	50	34	48	49	58	30	32
Operating income (loss)	69	(91)	249	130	302	323	381
Net interest and other financing income (expense)	28	(205)	(197)	(121)	(317)	(113)	(189)
Net gain (loss) on acquisition and divestitures	20	59	21	(5)	1	(3)	7
Other (expense) income		(86)	2	(1)			
Income (loss) from continuing operations before income taxes	117	(323)	75	3	(14)	207	199
Income tax expense (benefit)	30	(83)	(13)	(53)	(52)	57	42
Income (loss) from continuing operations	87	(240)	88	56	38	150	157
Income (loss) from discontinued operations	29	(21)	53	358	(12)	(1)	(3)
Net income (loss)	\$ 116	\$ (261)	\$ 141	\$ 414	\$ 26	\$ 149	\$ 154
Balance sheet information (period end)							
Current assets	\$ 3,026	\$ 2,478	\$ 2,833	\$ 3,387	\$ 3,209	\$ 3,283	\$ 3,045
Current liabilities	1,230	1,577	1,687	1,739	1,913	1,578	1,770
Working capital	\$ 1,796	\$ 901	\$ 1,146	\$ 1,648	\$ 1,296	\$ 1,705	\$ 1,275
Total assets	\$ 5,771	\$ 9,610	\$ 9,530	\$ 12,966	\$ 12,524	\$ 12,706	\$ 12,251
Short-term debt	\$	\$ 23	\$ 71	\$ 83	\$ 344	\$ 55	\$ 456
Long-term debt (including current portion)	66	1,590	1,153	3,749	3,246	3,697	3,053
Stockholders' equity	3,198	3,601	3,807	4,135	4,029	4,232	4,157

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	2008	Year Ended September 30,				Six Months Ended	
		2009	2010	2011	2012	2012	2013
		(In millions, except per share amounts)					
Cash flow information							
Cash flows from operating activities from continuing operations	\$ 298	\$ 735	\$ 551	\$ 243	\$ 385	\$ 28	\$ 239
Additions to property, plant and equipment	178	165	192	201	298	98	117
Cash dividends	69	22	35	51	63	27	36
Common stock information							
Basic earnings per share							
Income (loss) from continuing operations	\$ 1.39	\$ (3.31)	\$ 1.14	\$ 0.72	\$ 0.49	\$ 1.93	\$ 1.99
Net income (loss)	1.83	(3.60)	1.82	5.28	0.33	1.91	1.95
Diluted earnings per share							
Income (loss) from continuing operations	\$ 1.37	\$ (3.31)	\$ 1.11	\$ 0.70	\$ 0.48	\$ 1.89	\$ 1.95
Net income (loss)	1.82	(3.60)	1.78	5.17	0.33	1.87	1.92
Dividends							
Regular cash dividends per share	\$ 1.10	\$ 0.30	\$ 0.45	\$ 0.65	\$ 0.80	\$ 0.35	\$ 0.45

For a complete discussion of the comparability of the selected consolidated financial data, including, but not limited to, the acquisitions of ISP and Hercules as well as the divestiture of Ashland Distribution and change in method of recognizing actuarial gains and losses for defined benefit pension plans and other post-retirement benefit plans, see the 2012 10-K, incorporated by reference in this prospectus.

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THE EXCHANGE OFFERS

Purpose of the Exchange Offers; Registration Rights

In connection with the sale of the Original 2016 Notes, the Original 2018 Notes, the Original 2022 Notes and the Original 2043 Notes, we entered into registration rights agreements with the initial purchasers, under which we agreed to use our commercially reasonable efforts to cause to be filed and have declared effective an exchange offer registration statement under the Securities Act and to consummate the exchange offers for such Notes. The exchange offers are being made pursuant to the registration rights agreements to satisfy our obligations under those agreements.

We are making the exchange offers in reliance on the position of the SEC as described in previous no-action letters issued to third parties. However, we have not sought our own no-action letter. Based upon these interpretations by the SEC, we believe that a holder of Exchange Notes who exchanges Original Notes for Exchange Notes in the exchange offers generally may offer the Exchange Notes for resale, sell the Exchange Notes and otherwise transfer the Exchange Notes without further registration under the Securities Act and without delivery of a prospectus that satisfies the requirements of Section 10 of the Securities Act. The preceding sentence does not apply, however, to a holder who is our affiliate within the meaning of Rule 405 of the Securities Act. We also believe that a holder may offer, sell or transfer the Exchange Notes only if the holder acknowledges that the holder is acquiring the Exchange Notes in the ordinary course of its business and is not participating, does not intend to participate and has no arrangement or understanding with any person to participate in a distribution of the Exchange Notes.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Original Notes, where such Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Original Notes where such Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The letter of transmittal states that by acknowledging and delivering a prospectus, a broker-dealer will not be considered to admit that it is an underwriter within the meaning of the Securities Act. We have agreed that, for a period of up to 180 days after the effective date of the registration statement of which this prospectus forms a part, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Except as described above, this prospectus may not be used for an offer to resell, resale or other transfer of Exchange Notes.

The exchange offers are not being made to, nor will we accept tenders for exchange from, holders of Original Notes in any jurisdiction in which the exchange offers or the acceptance of it would not be in compliance with the securities or blue sky laws of such jurisdiction.

In the event that (1) any changes in law or the applicable interpretations of the staff of the SEC do not permit us to effect the exchange offers, (2) for any other reason the exchange offers are not consummated by the applicable exchange date (August 8, 2013 for the Original 2022 Notes and February 26, 2014 for the Original 2016 Notes, the Original 2018 Notes and the Original 2043 Notes) or (3) under certain circumstances, the initial purchasers shall so request, we will, at our expense, (a) cause to be filed with the SEC a shelf registration statement covering resales of the Original Notes of the applicable series within 30 days of the date the obligation to file a shelf registration statement arose, (b) use our commercially reasonable efforts to cause such shelf registration statement to be declared effective on or before the 60th day after the deadline for filing the shelf registration statement and (c) subject to our right to suspend use of the prospectus that forms a part thereof, use our commercially reasonable efforts to keep the shelf registration statement effective until the earlier of the first anniversary of the effective date of the shelf registration statement and the date all Original Notes covered by the

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shelf registration statement have been sold as contemplated in the shelf registration statement. We will, in the event of the filing of the shelf registration statement, provide to each holder of the Original Notes of the applicable series copies of the prospectus that is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the Original Notes of such series. A holder of Original Notes that sells its Original Notes pursuant to the shelf registration statement generally (1) will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, (2) will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and (3) will be bound by the provisions of the applicable registration rights agreement that are applicable to such a holder (including certain indemnification rights and obligations thereunder). In addition, each holder of the Original Notes will be required to deliver information to be used in connection with the shelf registration statement and to provide comments on the shelf registration statement within the time periods set forth in the applicable registration rights agreement to have their Original Notes included in the shelf registration statement and to benefit from the provisions regarding liquidated damages described in the following paragraph.

In the event that we do not consummate the exchange offer with respect to any series of the Original Notes as of the applicable exchange date, or that we fail to comply with our obligation to file a shelf registration statement, if required by the applicable registration rights agreement, the interest rate borne by the applicable series of Original Notes will be increased by 0.50% per annum for the first 90-day period and thereafter it will be increased by an additional 0.50% per annum for each 90-day period that elapses, *provided* that the aggregate increase in such annual interest rate may in no event exceed 1.00%, until (a) the exchange offer registration statement has been declared effective and consummated and (b) the shelf registration statement (if required) is declared effective. Upon the cure of all of the registration defaults set forth above, the interest rate borne by the Original Notes of such series will be reduced to the original interest rate if we are otherwise in compliance with this paragraph; *provided, however*, that if, after any such reduction in interest rate, certain events occur with respect to a different registration default, the interest rate on the applicable series of Original Notes may again be increased pursuant to the foregoing provisions.

This summary of certain provisions of the registration rights agreements does not purport to be complete and is subject to, and is qualified in its entirety by, the complete provisions of the registration rights agreements, each of which is incorporated by reference in this prospectus.

Terms of the Exchange Offers

We are offering to exchange the unregistered Original 2016 Notes for an equivalent amount of the Exchange 2016 Notes, which have been registered under the Securities Act, the unregistered Original 2018 Notes for an equivalent amount of the Exchange 2018 Notes, which have been registered under the Securities Act, the unregistered Original 2022 Notes for an equivalent amount of the Exchange 2022 Notes, which have been registered under the Securities Act and the unregistered Original 2043 Notes for an equivalent amount of the Exchange 2043 Notes, which have been registered under the Securities Act. As of the date of this prospectus \$600,000,000 aggregate principal amount of Original 2016 Notes, \$700,000,000 aggregate principal amount of Original 2018 Notes, \$1,125,000,000 aggregate principal amount of Original 2022 Notes and \$375,000,000 aggregate principal amount of Original 2043 Notes are outstanding.

Upon the terms and subject to the conditions of the exchange offers set forth in this prospectus and the accompanying letter of transmittal, we will accept any and all Original Notes validly tendered prior to 5:00 p.m., New York City time, on the expiration date. Promptly after the expiration date (unless extended as described in this prospectus), we will issue Exchange Notes for a like principal amount of outstanding Original Notes tendered and accepted in connection with the exchange offers. The Exchange Notes issued in connection with the exchange offers will be delivered promptly after the expiration date. Holders may tender some or all of their Original Notes in connection with the exchange offers, but only in principal amounts of \$2,000 or integral multiples of \$1,000 in excess thereof.

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The terms of the Exchange Notes are substantially identical to the terms of the corresponding series of the Original Notes, except that the Exchange Notes are registered under the Securities Act, and the transfer restrictions, registration rights and payment of additional interest in case of non-registration applicable to the Original Notes do not apply to the Exchange Notes. The Exchange Notes will evidence the same debt as the Original Notes and will be issued under the same respective indentures and be entitled to the same benefits under the respective indentures as the Original Notes being exchanged.

Except as described under Book-Entry, Delivery and Form, Exchange Notes will be issued in the form of a global note registered in the name of DTC or its nominee and each beneficial owner's interest in it will be transferable in book-entry form through DTC. See Book-Entry, Delivery and Form.

Holders of Original Notes do not have any appraisal or dissenters' rights in connection with the exchange offers. We intend to conduct the exchange offers in accordance with the applicable requirements of Regulation 14E under the Exchange Act. Original Notes that are not tendered for exchange or are tendered but not accepted in connection with the exchange offers will remain outstanding and be entitled to the benefits of the applicable indenture under which they were issued, but certain registration and other rights under the applicable registration rights agreement will terminate and holders of the Original Notes will generally not be entitled to any registration rights under the applicable registration rights agreement. See Consequences of Failure to Properly Tender Original Notes in the Exchange Offers.

We shall be considered to have accepted validly tendered Original Notes if and when we have given oral (to be followed by prompt written notice) or written notice to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the Exchange Notes from us.

If any tendered Original Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events described in this prospectus or otherwise, we will return the Original Notes, without expense, to the tendering holder promptly after the expiration date for the exchange offers.

Holders who tender Original Notes for exchange will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes on their exchange of Original Notes in connection with the exchange offers. We will pay all charges and expenses, other than certain applicable transfer taxes described below, in connection with the exchange offers. See Fees and Expenses.

Expiration Date; Extensions; Amendments

The expiration date for the exchange offers is 5:00 p.m., New York City time, on _____, 2013, unless we extend the expiration date for any exchange offer. We may extend this expiration date for any exchange offer in our sole discretion. If we so extend the expiration date for any exchange offer, the term expiration date for such exchange offer shall mean the latest date and time to which we extend such exchange offer.

We reserve the right in our sole discretion:

to extend any exchange offer and to delay acceptance of the relevant Original Notes in connection with any such extension;

to terminate any exchange offer if, in our reasonable judgment, any of the conditions described below under Conditions to the Exchange Offers shall not have been satisfied or waived; or

to amend the terms of the exchange offers in any way we determine.

We will give written notice of any delay, extension or termination to the exchange agent. In addition, we will give, as promptly as practicable, written notice regarding any delay in acceptance, extension or termination of the exchange offer to the registered holders of Original Notes. Our reservation of the right to delay acceptance

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of any Original Notes is limited by Rule 14e-1(c) under the Exchange Act, which requires payment of the consideration offered or return of the Original Notes promptly after termination or withdrawal of the applicable exchange offer. Other than an extension of the applicable exchange offer, we are not aware of any circumstance that would cause us to delay acceptance of any validly tendered Original Notes. If we amend any exchange offer in a manner that we determine to constitute a material change, or if we waive a material condition, we will promptly disclose the amendment or waiver in a manner reasonably calculated to inform the holders of Original Notes of the applicable series of the amendment or waiver, and extend the exchange offer if required by law. The length of any such extension will be governed by Rule 14e-1(b) under the Exchange Act. This rule and certain related releases and interpretations of the SEC provide that the minimum period during which a tender offer must remain open following a material change in the terms of the tender offer (other than a change in price or a change in percentage of Original Notes sought) will depend on the facts and circumstances, including the relative materiality of such changes. In accordance therewith, in the event of a material change in the terms of any exchange offer or the waiver of a material condition, we would extend the applicable exchange offer so that at least five business days remain in such exchange offer following notice of the material change.

We intend to make public announcements of any delay in acceptance, extension, termination, amendment or waiver regarding the exchange offers by making a timely release through an appropriate news agency.

If we delay accepting any Original Notes or terminate any exchange offer, we promptly will pay the consideration offered, or return any Original Notes deposited, pursuant to such exchange offer as required by Rule 14e-1(c).

Interest on the Exchange Notes

Interest on the Exchange 2016 Notes will accrue at a rate of 3.000% per year, payable semi-annually in cash in arrears on March 15 and September 15 of each year, commencing September 15, 2013. Interest on the Exchange 2018 Notes will accrue at a rate of 3.875% per year, payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing October 15, 2013. Interest on the Exchange 2022 Notes will accrue at a rate of 4.750% per year, payable semi-annually in cash in arrears on February 15 and August 15 of each year, commencing August 15, 2013. Interest on the 2043 notes will accrue at a rate of 6.875% per year, payable semi-annually in cash in arrears on May 15 and November 15 of each year, commencing November 15, 2013. In each case, interest will accrue from the most recent date to which interest on the respective Original Notes has been paid or, in the case of the Exchange 2016 Notes, the Exchange 2018 Notes and the Exchange 2043 Notes, if no interest has been paid, from February 26, 2013, or, in the case of the Exchange 2022 Notes, if no interest has been paid, from February 15, 2013.

Conditions to the Exchange Offers

Notwithstanding any other term of the exchange offers, we will not be required to accept for exchange, or to exchange any Exchange Notes for, any Original Notes and may terminate any or all of the exchange offers as provided in this prospectus before the acceptance of the Original Notes, if prior to the expiration date:

any law, statute, rule or regulation shall have been proposed, adopted or enacted, or interpreted in a manner, which, in our reasonable judgment, would impair our ability to proceed with the exchange offers;

any action or proceeding is instituted or threatened in any court or by or before the SEC or any other governmental agency with respect to the exchange offers which, in our reasonable judgment, would impair our ability to proceed with the exchange offers;

we have not obtained any governmental approval which we, in our reasonable judgment, consider necessary for the completion of the exchange offers as contemplated by this prospectus;

any change, or any condition, event or development involving a prospective change, shall have occurred or be threatened in the general economic, financial, currency exchange or market conditions

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in the United States or elsewhere that, in our reasonable judgment, would impair our ability to proceed with the exchange offers;

any other change or development, including a prospective change or development, that, in our reasonable judgment, has or may have a material adverse effect on us, the market price of the Exchange Notes or the Original Notes or the value of the exchange offers to us; or

there shall have occurred (i) any suspension or limitation of trading in securities generally on the any national securities exchange or the over-the-counter market; (ii) a declaration of a banking moratorium by United States Federal or New York authorities; or (iii) a commencement or escalation of a war or armed hostilities involving or relating to a country where we do business or other international or national emergency or crisis directly or indirectly involving the United States.

The conditions listed above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions. We may waive these conditions in our sole discretion in whole or in part at any time and from time to time. The failure by us at any time to exercise any of the above rights shall not constitute a waiver of such right, and such right shall be considered an ongoing right which we may assert at any time and from time to time.

If we determine in our reasonable judgment that any of the events listed above has occurred, we may, subject to applicable law:

refuse to accept any Original Notes and promptly return all tendered Original Notes to the tendering holders and terminate any or all of the exchange offers;

extend any or all of the exchange offers and retain all Original Notes tendered before the expiration of the exchange offers, subject, however, to the rights of holders to withdraw those Original Notes (see [Withdrawal of Tenders](#)); or

waive unsatisfied conditions relating to any or all of the exchange offers and accept all properly tendered Original Notes which have not been withdrawn. If this waiver constitutes a material change to any or all of the exchange offers, we will promptly disclose the waiver in a manner reasonably calculated to inform the holders of Original Notes of the waiver, and extend the applicable exchange offer if required by law. The length of any such extension will be governed by Rule 14e-1(b) under the Exchange Act. This rule and certain related releases and interpretations of the SEC provide that the minimum period during which a tender offer must remain open following a material change in the terms of the tender offer (other than a change in price or a change in percentage of Original Notes sought) will depend on the facts and circumstances, including the relative materiality of such changes. In accordance therewith, in the event of a material change in the terms of any exchange offer or the waiver of a material condition, we would extend the applicable exchange offer so that at least five business days remain in such exchange offer following notice of the material change.

Any determination by us concerning the above events will be final and binding.

Procedures for Tendering

The tender by a holder of Original Notes, as set forth below, and our acceptance of the Original Notes will constitute a binding agreement between us and the holder in accordance with the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal.

Unless the tender is being made in book-entry form, to tender in the exchange offers, a holder must:

complete, sign and date the letter of transmittal, or a facsimile of it;

have the signatures guaranteed if required by the letter of transmittal; and

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mail or otherwise deliver the signed letter of transmittal or the signed facsimile, the Original Notes and any other required documents to the exchange agent prior to 5:00 p.m., New York City time, on the expiration date.

Any financial institution that is a participant in DTC's system may make book-entry delivery of the Original Notes by causing DTC to transfer the Original Notes into the exchange agent's DTC account in accordance with DTC's electronic Automated Tender Offer Program procedures for such transfer. The confirmation of such book-entry transfer will include an agent's message stating that DTC has received an express acknowledgment from the participant in DTC tendering the Original Notes that the participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce the terms of the letter of transmittal against such participant. A tender of Original Notes through a book-entry transfer into the exchange agent's account will only be effective if an agent's message or the letter of transmittal with any required signature guarantees and any other required documents are transmitted to and received or confirmed by the exchange agent at the address set forth below under the caption "Exchange Agent," prior to 5:00 p.m., New York City time, on the expiration date. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent.

The method of delivery of Original Notes and the letter of transmittal and all other required documents to the exchange agent is at the election and risk of the holders. Instead of delivery by mail, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. No letter of transmittal or Original Notes should be sent to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the tenders for such holders.

Any beneficial owner whose Original Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct such registered holder to tender on behalf of the beneficial owner. If the beneficial owner wishes to tender on that owner's own behalf, the owner must, prior to completing and executing the letter of transmittal and delivery of such owner's Original Notes, either make appropriate arrangements to register ownership of the Original Notes in the owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signature on a letter of transmittal or a notice of withdrawal must be guaranteed, unless the Original Notes tendered pursuant thereto are tendered:

by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

for the account of an eligible institution (as defined below).

In the event that signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, such guarantee must be by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program (each such entity an "eligible institution").

If the letter of transmittal is signed by a person other than the registered holder of any Original Notes, the Original Notes must be endorsed by the registered holder or accompanied by a properly completed bond power, in each case signed or endorsed in blank by the registered holder.

If the letter of transmittal or any Original Notes or bond powers are signed or endorsed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and, unless waived by us, submit evidence satisfactory to us of their authority to act in that capacity with the letter of transmittal.

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We will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance and withdrawal of tendered Original Notes in our sole discretion and our determination shall be final and binding on all parties. We reserve the absolute right to reject any and all Original Notes not properly tendered or any Original Notes whose acceptance by us would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to any particular Original Notes either before or after the expiration date. Our interpretation of the terms and conditions of the exchange offers (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Original Notes must be cured within a time period we will determine. Although we intend to request the exchange agent to notify holders of defects or irregularities relating to tenders of Original Notes, neither we, the exchange agent nor any other person will have any duty or incur any liability for failure to give such notification. Tendere of Original Notes will not be considered to have been made until such defects or irregularities have been cured or waived. Any Original Notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, promptly following the expiration date.

In addition, we reserve the right, as set forth above under the caption **Conditions to the Exchange Offers**, to terminate any or all of the exchange offers. By tendering, each holder represents and acknowledges to us, among other things, that:

it has full power and authority to tender, exchange, sell, assign and transfer the Original Notes it is tendering and that we will acquire good, marketable and unencumbered title to the Original Notes, free and clear of all security interests, liens, restrictions, charges and encumbrances or other obligations relating to their sale or transfer and not subject to any adverse claim when the Original Notes are accepted by us;

the Exchange Notes acquired in connection with the exchange offers are being obtained in the ordinary course of business of the person receiving the Exchange Notes;

it has not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the Exchange Notes it will receive in the exchange offers;

it is not an affiliate (as defined in Rule 405 under the Securities Act) of ours; and

if the holder is a broker-dealer, that it is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes, and that it will receive Exchange Notes for its own account in exchange for Original Notes that were acquired by such broker-dealer as a result of market-making activities or other trading activities and that it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See **Plan of Distribution**.

Withdrawal of Tenders

Except as otherwise provided herein, tenders of Original Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.

To withdraw a tender of Original Notes in connection with the exchange offers, a written notice of withdrawal must be received by the exchange agent at its address set forth herein prior to 5:00 p.m., New York City time, on the expiration date. Any such notice of withdrawal must:

specify the name of the person who deposited the Original Notes to be withdrawn;

identify the Original Notes to be withdrawn (including the certificate number(s), if any, and principal amount of such Original Notes);

be signed by the depositor in the same manner as the original signature on the letter of transmittal by which such Original Notes were tendered (including any required signature guarantees) or be

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accompanied by documents of transfer sufficient to have the trustee register the transfer of such Original Notes into the name of the person withdrawing the tender; and

specify the name in which any such Original Notes are to be registered, if different from that of the depositor.

If Original Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Original Notes or otherwise comply with DTC's procedures.

We will determine in our sole discretion all questions as to the validity, form and eligibility (including time of receipt) of such withdrawal notices and our determination shall be final and binding on all parties. Any Original Notes so withdrawn will be considered not to have been validly tendered for purposes of the exchange offers, and no Exchange Notes will be issued unless the Original Notes withdrawn are validly re-tendered. Any Original Notes which have been tendered but which are not accepted for exchange or which are withdrawn will be returned to the holder without cost to such holder promptly after withdrawal, rejection of tender or termination of the exchange offers. Properly withdrawn Original Notes may be re-tendered by following one of the procedures described above under "Procedures for Tendering" at any time prior to the expiration date.

Exchange Agent

We have appointed U.S. Bank National Association as exchange agent in connection with the exchange offers. Questions and requests for assistance, as well as requests for additional copies of this prospectus or of the letter of transmittal, should be directed to the exchange agent at its offices at U.S. Bank West Side Flats Operations Center, 60 Livingston Ave., St. Paul, MN 55107, Attention: Specialized Finance, Reference: Ashland Inc. The exchange agent's telephone number is (800) 934-6802 and its facsimile number is (651) 466-7372, Attention: Specialized Finance, Reference: Ashland Inc.

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF SUCH LETTER OF TRANSMITTAL VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF THE LETTER OF TRANSMITTAL.

Fees and Expenses

We have not retained any dealer-manager in connection with the exchange offers and we will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offers. We will pay certain other expenses to be incurred in connection with the exchange offers, including the fees and expenses of the exchange agent and certain accounting and legal fees.

Except as provided immediately below, holders who tender their Original Notes for exchange will not be obligated to pay any transfer taxes. Exchange Notes are to be delivered to, or issued in the name of, any person other than the registered holder of the Original Notes tendered; tendered Original Notes are registered in the name of any person other than the person signing the letter of transmittal; or a transfer tax is imposed for any reason other than the exchange of Original Notes in connection with the exchange offers, then in each case the tendering holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the tendering holder does not submit satisfactory evidence of payment of these taxes or exemption from them with the letter of transmittal, the amount of these transfer taxes will be billed directly to the tendering holder.

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Accounting Treatment

The Exchange Notes will be recorded at the same carrying value as the Original Notes as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes upon the completion of the exchange offers. The expenses of the exchange offers that we pay will increase our deferred financing costs in accordance with generally accepted accounting principles.

Consequences of Failure to Properly Tender Original Notes in the Exchange Offers

Issuance of the Exchange Notes in exchange for the Original Notes under the exchange offers will be made only after timely receipt by the exchange agent of a properly completed and duly executed letter of transmittal (or an agent's message from DTC) and the certificate(s) representing such Original Notes (or confirmation of book-entry transfer), and all other required documents. Therefore, holders of the Original Notes desiring to tender such Original Notes in exchange for Exchange Notes should allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities of tenders of Original Notes for exchange or waive any such defects or irregularities. Original Notes that are not tendered or that are tendered but not accepted by us will, following completion of the exchange offers, continue to be subject to the existing restrictions upon transfer thereof under the Securities Act, and, upon completion of the exchange offers, certain registration rights under the registration rights agreements will terminate.

In the event the exchange offers are completed, we generally will not be required to register the remaining Original Notes, subject to limited exceptions. Remaining Original Notes will continue to be subject to the following restrictions on transfer:

the remaining Original Notes may be resold only if registered pursuant to the Securities Act, if any exemption from registration is available, or if such registration is not required by law; and

the remaining Original Notes will bear a legend restricting transfer in the absence of registration or an exemption.

We do not currently anticipate that we will register the remaining Original Notes under the Securities Act. To the extent that Original Notes are tendered and accepted in connection with the exchange offers, any trading market for remaining Original Notes could be adversely affected. See Risk Factors Risks Related to the Exchange Offers If you fail to exchange your Original Notes, they will continue to be restricted securities and may become less liquid.

Neither we nor our board of directors make any recommendation to holders of Original Notes as to whether to tender or refrain from tendering all or any portion of their Original Notes pursuant to the exchange offers. Moreover, no one has been authorized to make any such recommendation. Holders of Original Notes must make their own decision whether to tender pursuant to the exchange offers and, if so, the aggregate amount of Original Notes to tender, after reading this prospectus and the letter of transmittal and consulting with their advisors, if any, based on their own analysis and circumstances.

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DESCRIPTION OF THE 2016 NOTES, THE 2018 NOTES AND THE 2043 NOTES

We issued the Original 2016 Notes, the Original 2018 Notes and the Original 2043 Notes and will issue the Exchange 2016 Notes, the Exchange 2018 Notes and the Exchange 2043 Notes under an indenture, dated as of February 26, 2013, between the Company and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by a first supplemental indenture, dated as of February 26, 2013, and by a second supplemental indenture, dated as of March 14, 2013 (such indenture, as so supplemented, the "2016/2018/2043 Indenture"). The notes were issued under the same indenture, but each is a separate series of securities under the indenture. We refer to the Original 2016 Notes and the Exchange 2016 Notes together as the "2016 notes", the Original 2018 Notes and the Exchange 2018 Notes together as the "2018 notes" and the Original 2043 Notes and the Exchange 2043 Notes together as the "2043 notes". Unless context provides otherwise, as used below in this "Description of the 2016 Notes, the 2018 Notes and the 2043 Notes" references to the "notes" refer to the 2016 notes, the 2018 notes, and the 2043 notes, and references to the "indenture" refer to the 2016/2018/2043 Indenture.

In connection with the issuance and sale of the Original 2016 Notes, the Original 2018 Notes and the Original 2043 Notes, we entered into two registration rights agreements (collectively, the "2016/2018/2043 Registration Rights Agreements") with the initial purchasers, under which we agreed to use our commercially reasonable efforts to cause to be filed and have declared effective an exchange offer registration statement under the Securities Act and to consummate the exchange offers for such notes. The exchange offers are being made pursuant to the registration rights agreements to satisfy our obligations under those agreements. As used below in this "Description of the 2016 Notes, the 2018 Notes and the 2043 Notes," references to the "Registration Rights Agreement" refer to the 2016/2018/2043 Registration Rights Agreements.

The following description is a summary of the material provisions of the indenture and the notes. It does not restate those agreements in their entirety. We urge you to read the indenture and the notes because they contain additional information that may be of importance to you. The indenture contains provisions that define your rights under the notes. In addition, the indenture governs the obligations of the Company under the notes. The terms of the notes include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). The notes are subject to all such terms, and prospective purchasers of the notes are referred to the indenture and the TIA for a statement of such terms.

As of March 31, 2013, there were \$600 million aggregate principal amount of the 2016 notes, \$700 million aggregate principal amount of the 2018 notes and \$375 million aggregate principal amount of the 2043 notes issued and outstanding. We may issue additional notes of any series in an unlimited aggregate principal amount at any time and from time to time under the indenture. For example, we may, from time to time, without notice to or consent of the holders of notes of any series, create additional notes of such series under the indenture. These additional notes will have substantially the same terms as the notes of such series offered hereby in all respects (except in some cases for the payment of interest accruing prior to the issue date of the additional notes of such series or except for the first payment of interest following the issue date of the additional notes of such series) so that the additional notes of such series may be consolidated and form a single series with the notes of such series offered hereby.

We will issue the notes only in fully registered form without coupons, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The Trustee will initially act as paying agent and registrar for the notes. The notes may be presented for registration of transfer and exchange at the offices of the registrar, which initially will be the paying agent's corporate trust office. We may change any paying agent and registrar without notice to holders of the notes and we may act as paying agent or registrar. We will pay principal (and premium, if any) on the notes at the principal corporate trust office of the Trustee, as paying agent. At our option, interest may be paid at the paying agent's corporate trust office or by check mailed to the registered address of the holders.

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You can find the definitions of certain terms used in this description under **Certain Definitions**. Defined terms used in this description but not defined below under **Certain Definitions** or elsewhere in this description have the meanings assigned to them in the indenture. In this description, the **Company**, **us**, **we** and **our** refer only to Ashland Inc.

Principal, Maturity and Interest

The 2016 notes will mature on March 15, 2016. Interest on the 2016 notes will accrue at a rate of 3.000% per year and will be payable semi-annually in arrears on March 15 and September 15, beginning on September 15, 2013. We will pay interest to those persons who were holders of record of the 2016 notes on the March 1 and September 1, as the case may be, immediately preceding each applicable interest payment date.

The 2018 notes will mature on April 15, 2018. Interest on the 2018 notes will accrue at a rate of 3.875% per year and will be payable semi-annually in arrears on April 15 and October 15, beginning on October 15, 2013. We will pay interest to those persons who were holders of record of the 2018 notes on the April 1 and October 1, as the case may be, immediately preceding each applicable interest payment date.

The 2043 notes will mature on May 15, 2043. Interest on the 2043 notes will accrue at a rate of 6.875% per year and will be payable semi-annually in arrears on May 15 and November 15, beginning on November 15, 2013. We will pay interest to those persons who were holders of record of the 2043 notes on the May 1 and November 1, as the case may be, immediately preceding each applicable interest payment date.

Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If an interest payment date for the notes falls on a date that is not a Business Day, then interest will be paid on the next day that is a Business Day, and no interest on such payment will accrue for the period from and after such interest payment date. If a redemption date, repurchase date or the maturity date for any note falls on a date that is not a Business Day, the related payments of principal, premium, if any, and interest may be made on the next succeeding Business Day, and no additional interest will accumulate on the amount payable for the period from and after such redemption date, repurchase date or maturity date.

Methods of Receiving Payments on the Notes

As described under **Book-entry, Delivery and Form**, for so long as the notes are represented by global notes registered in the name of DTC or its nominee, all payments on the notes will be made to DTC or its nominee as the registered holder thereof in accordance with applicable DTC procedures. If the global notes are exchanged for definitive notes and a holder of notes has given us wire transfer instructions, we will pay, or cause to be paid by the paying agent, all principal, premium, if any, and interest on such holder's notes in accordance with those instructions. All other payments on the notes will be made at the office or agency of the paying agent and registrar unless we elect to make interest payments by check mailed to the holders at their address set forth in the register of holders.

Ranking

The notes will be unsecured unsubordinated obligations of the Company and will rank equally in right of payment with all existing and future unsecured unsubordinated obligations of the Company and senior in right of payment to all existing and future subordinated obligations of the Company. The notes will be effectively subordinated to any of our existing and future secured debt, including our accounts receivable securitization facility and certain other indebtedness of our subsidiaries, to the extent of the value of the assets securing such

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debt. The notes will be structurally subordinated to all existing and future liabilities of our subsidiaries, including indebtedness of our subsidiaries, which includes our accounts receivable securitization facility, the 6.60% Hercules debentures due 2027, the 6.50% Hercules junior subordinated debentures due 2029 and other debt obligations.

As of March 31, 2013, total outstanding debt of the Company was \$3,509 million, of which amount \$360 million was secured. As of such date, our subsidiaries had \$529 million of debt (including \$331 million under our accounts receivable securitization facility but excluding guarantees of our then-outstanding 9.125% senior notes due 2017).

Optional Redemption

At our option upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each holder's registered address, we may redeem notes of any series, in whole at any time or in part from time to time, as set forth below.

We may, prior to February 15, 2016, redeem the 2016 notes (including any additional notes of such series) at a redemption price equal to the greater of:

100% of the principal amount of the 2016 notes to be redeemed; and

the sum of the present values of the remaining scheduled payments of principal and interest on the 2016 notes to be redeemed (exclusive of interest accrued to the redemption date) from the redemption date through the scheduled maturity date of the 2016 notes to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined) plus 50 basis points.

At any time on or after February 15, 2016, we may redeem the 2016 notes (including any additional notes of such series) at a redemption price equal to 100% of the principal amount thereof.

We may, prior to March 15, 2018, redeem the 2018 notes (including any additional notes of such series) at a redemption price equal to the greater of:

100% of the principal amount of the 2018 notes to be redeemed; and

the sum of the present values of the remaining scheduled payments of principal and interest on the 2018 notes to be redeemed (exclusive of interest accrued to the redemption date) from the redemption date through the scheduled maturity date of the 2018 notes to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined) plus 50 basis points.

At any time on or after March 15, 2018, we may redeem the 2018 notes (including any additional notes of such series) at a redemption price equal to 100% of the principal amount thereof.

We may, prior to February 15, 2043, redeem the 2043 notes (including any additional notes of such series) at a redemption price equal to the greater of:

100% of the principal amount of the 2043 notes to be redeemed; and

the sum of the present values of the remaining scheduled payments of principal and interest on the 2043 notes to be redeemed (exclusive of interest accrued to the redemption date) from the redemption date through the scheduled maturity date of the 2043 notes to be redeemed, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve

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30-day months) at the Treasury Rate (as defined) plus 50 basis points.

At any time on or after February 15, 2043, we may redeem the 2043 notes (including any additional notes of such series) at a redemption price equal to 100% of the principal amount thereof.

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In the case of any redemption, we also will pay accrued and unpaid interest and additional interest, if any, to, but not including, the applicable redemption date (subject to the right of holders of record of such notes on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice of Redemption

If we redeem less than all the notes of a series at any time and the notes of such series are in global form held by DTC, DTC will select the notes of such series to be redeemed in accordance with its procedures. If the notes of such series are not in global form held by DTC, the Trustee will select notes of such series either pro rata, by lot or by such other method as the Trustee shall deem appropriate in accordance with industry standards at the time of such redemption.

We will redeem notes of \$2,000 or less in whole and not in part. We will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. We may provide in the notice that payment of the redemption price and performance of our obligations with respect to the redemption or purchase may be performed by another Person. Any notice of redemption may be given prior to the completion of any event or transaction related to such redemption, and any such redemption or notice may, at our discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in our discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

If the notes of a series are to be redeemed in part only, the notice of redemption that relates to the notes of such series will state the portion of the principal amount thereof to be redeemed. We will issue a new note of such series in a principal amount equal to the unredeemed portion of the original note in the name of the holder upon cancellation of the original note. Subject to the satisfaction or waiver of any condition to such redemption, notes called for redemption become due on the date fixed for redemption. On and after such date, unless we default in payment of the redemption price on such date, interest ceases to accrue on the notes or portions thereof called for such redemption.

Mandatory Redemption; Sinking Fund

We are not required to make mandatory redemption or sinking fund payments with respect to the notes.

Change of Control

Upon the occurrence of a Change of Control Repurchase Event with respect to a series of the notes, each holder of notes of such series will have the right to require us to repurchase all or any part of such holder's notes of such series at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent we have previously or concurrently elected to redeem the notes of such series as described under Optional Redemption.

Within 30 days following any Change of Control Repurchase Event with respect to a series of notes, except to the extent that we have exercised our right to redeem the notes of such series by delivery of a notice of redemption as described under Optional Redemption, we shall mail a notice (a Change of Control Offer) to each holder of notes of the applicable series with a copy to the Trustee stating:

- (1) that a Change of Control Repurchase Event has occurred with respect to such series of notes and that such holder has the right to require us to repurchase such holder's notes of such series at a repurchase

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price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date);

(2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(3) the instructions determined by us, consistent with this covenant, that a holder must follow in order to have its notes purchased.

A Change of Control Offer may be made in advance of a Change of Control Repurchase Event, and conditioned upon such Change of Control Repurchase Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

In addition, we will not be required to make a Change of Control Offer with respect to the notes of any series upon the consummation of a Change of Control Repurchase Event if a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by us and purchases all notes of such series properly tendered and not withdrawn under such Change of Control Offer.

Notes repurchased by us pursuant to a Change of Control Offer will have the status of notes issued but not outstanding or will be retired and canceled at the option of the Company. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under this covenant by virtue thereof.

This Change of Control repurchase provision is a result of negotiations between us and the initial purchasers. We have no present intention to engage in a transaction involving a Change of Control Repurchase Event, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control Repurchase Event under the indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit rating.

The occurrence of events that would constitute a Change of Control Repurchase Event may also constitute an event of default under or require repurchase of our existing Indebtedness. Future Indebtedness of the Company or its Subsidiaries may contain prohibitions on certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of notes of their right to require us to repurchase the notes could cause a default under our existing senior credit facility, even if the Change of Control itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the holders upon a repurchase may be limited by our then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See Risk Factors Risks Related to the Notes We may not be able to repurchase the notes upon a change of control repurchase event.

The definition of Change of Control includes a phrase relating to the sale, lease or transfer of all or substantially all the assets of the Company and its Subsidiaries taken as a whole. Although there is a developing body of caselaw interpreting the phrase substantially all under New York law, which governs the indenture, there is no precise established definition of the phrase. Accordingly, the ability of a holder of notes to require us

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to repurchase such notes as a result of a sale, lease or transfer of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the indenture relating to our obligation to make an offer to repurchase the notes as a result of a Change of Control Repurchase Event may be waived or modified with the written consent of the holders of a majority in aggregate principal amount of the notes of the applicable series.

Certain Covenants

Restrictions on Secured Debt

The indenture provides that, after the Issue Date, neither the Company nor any Subsidiary (other than an Excluded Subsidiary) will create, incur, issue, assume or guarantee any Indebtedness secured by a mortgage, security interest, pledge or lien (which we refer to herein, collectively, as a Mortgage) on or upon any of their property or assets (which we refer to herein, collectively, as Property), whether owned at the date of the indenture or acquired after the date of the indenture, without ensuring that each series of the notes (together with, if we choose, any other Indebtedness created, issued, assumed or guaranteed by the Company or any Subsidiary then existing or thereafter created) will be secured by such Mortgage equally and ratably with (or, at our option, prior to) such Indebtedness. This restriction will not apply to Indebtedness secured by any of the following:

- (1) Mortgages on any Property acquired, leased, constructed or improved by, or on any shares of Capital Stock or Indebtedness acquired by, us or any Subsidiary after the date of the indenture to secure Indebtedness incurred for the purpose of financing or refinancing all or any part of the purchase price of such Property, shares of Capital Stock or Indebtedness or of the cost of any construction or improvements on such Property, including Mortgages created as a result of an acquisition by way of Capital Lease, in each case, to the extent that the Indebtedness is incurred prior to or within one year after the applicable acquisition, lease, completion of construction or improvement or beginning of commercial operation of such Property, as the case may be, *provided, however*, for the avoidance of doubt, that any improvements that become subject to any pre-existing Mortgage on the Property to which such improvements are made need not be completed within one year after the incurrence of the Indebtedness giving rise to such Mortgage;
- (2) Mortgages on any Property, shares of Capital Stock or Indebtedness existing at the time we or any Subsidiary acquire any of the same and on any subsequent improvements to such Property, *provided, however*, that any such Mortgage in respect of Indebtedness existing at the time of acquisition of any such Property may apply to any subsequent improvements to such Property;
- (3) Mortgages on Property of a Person existing at the time we or any Subsidiary merge or consolidate with such Person or at the time we or any Subsidiary acquire all or substantially all of the Properties or Capital Stock of such Person;
- (4) Mortgages on (a) any Property of, or shares of Capital Stock or Indebtedness of, a Person existing at the time such Person becomes a Subsidiary or (b) any shares of Capital Stock or Indebtedness of a Joint Venture;
- (5) Mortgages in favor of us or any Subsidiary;
- (6) Mortgages in favor of the United States or any state thereof, or political subdivision of the United States or any state thereof, or any department, agency or instrumentality of the United States or any state thereof or any such political subdivision, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure Indebtedness incurred or guaranteed to finance or refinance all or any part of the purchase price of the Property, shares of Capital Stock or Indebtedness subject to any such Mortgage, or the cost of constructing or improving the Property subject to such Mortgage;

(7) Mortgages to secure the Credit Agreement;

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- (8) Mortgages on accounts receivables and related assets of the Company and its Subsidiaries pursuant to Qualified Receivables Financing;
- (9) Mortgages securing industrial revenue, pollution control or similar bonds issued or guaranteed by the United States or any state thereof, or political subdivision of the United States or any state thereof, or any department, agency or instrumentality of the United States or any state thereof or any such political subdivision;
- (10) Mortgages securing obligations owed in respect of any overdraft and related liabilities arising from treasury, depository and cash management services or any automated clearinghouse transfers of funds; and
- (11) extensions, renewals or replacements of any Mortgage existing on the date of the indenture (excluding Indebtedness under the Credit Agreement) or any Mortgage referred to above; *provided, however*, that the principal amount of Indebtedness secured thereby may not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement (other than any increases attributable to (a) any premium required to be paid in connection with such refinancing pursuant to the terms of the Indebtedness so refinanced, (b) the amount of any premium reasonably determined by the Board of Directors of the Company as necessary to accomplish such refinancing by means of a tender offer or privately negotiated repurchase and (c) any expenses incurred in connection with such refinancing), and such extension, renewal or replacement will be limited to all or a part of the Property (plus improvements and construction on such Property), shares of Capital Stock or Indebtedness which was subject to the Mortgage so extended, renewed or replaced.

Notwithstanding the restrictions described above, we and any of our Subsidiaries may, without having to equally and ratably secure the notes of any series, issue, assume or guarantee Indebtedness secured by a Mortgage not excepted from the foregoing restriction, if at the time of such issuance, assumption or guarantee, after giving effect thereto and to the retirement of any Indebtedness which is concurrently being retired, the aggregate principal amount of all such Indebtedness secured by Mortgages which would otherwise be subject to such restriction (other than any Indebtedness secured by Mortgages permitted as described in clauses (1) through (11) of the immediately preceding paragraph) plus the aggregate amount (without duplication) of all Attributable Debt of the Company and any of its Subsidiaries (other than Excluded Subsidiaries) in respect of Sale and Lease-Back Transactions (with the exception of such transactions which are permitted under clauses (1) and (2) of the first sentence of the first paragraph under **Restrictions on Sale and Lease-Back Transactions** below) does not exceed 15% of Consolidated Net Tangible Assets of the Company.

Restrictions on Sale and Lease-Back Transactions

The indenture provides that neither the Company nor any of its Subsidiaries (other than Excluded Subsidiaries) will enter into any Sale and Lease-Back Transaction with respect to any of their Property unless:

- (1) the Company or such Subsidiary is entitled under the provisions described in clause (1) or clause (6) in the first paragraph under **Restrictions on Secured Debt** to create, issue, assume or guarantee Indebtedness secured by a Mortgage on the Property to be leased without having to equally and ratably secure the notes of any series;
- (2) the Company or such Subsidiary applies an amount (equaling at least the greater of the net proceeds of the sale of Property or the Attributable Debt in respect of such Sale and Lease-Back Transaction) within a period commencing one year prior to the consummation of such Sale and Lease-Back Transaction and ending one year after the consummation thereof, to make non-mandatory prepayments on Long-Term Indebtedness, retire Long-Term Indebtedness or acquire, construct or improve long-term assets; or
- (3) the Attributable Debt of the Company or such Subsidiary in respect of such Sale and Lease-Back Transaction and all other Sale and Lease-Back Transactions entered into after the Issue Date (other

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than any such Sale and Lease-Back Transaction as would be permitted as described in clauses (1) and (2) of this sentence), plus the aggregate principal amount (without duplication) of Indebtedness secured by Mortgages then outstanding (not including any such Indebtedness secured by Mortgages described in clauses (1) through (11) of the first paragraph under the heading Restrictions on Secured Debt) which do not equally and ratably secure the notes of any series (or secure the notes of any series on a basis that is prior to other Indebtedness secured thereby), would not exceed 15% of Consolidated Net Tangible Assets of the Company.

Consolidation, Merger and Sale of Assets

The indenture provides that we may consolidate or merge with or into any other corporation, or lease, sell or transfer all or substantially all of our property and assets if:

- (1) the corporation formed by such consolidation or into which we are merged, or the party which acquires by lease, sale or transfer all or substantially all of our property and assets is a corporation organized and existing under the laws of the United States, any state in the United States or the District of Columbia;
- (2) the corporation formed by such consolidation or into which we are merged, or the party which acquires by lease, sale or transfer all or substantially all of our property and assets, agrees to pay the principal of, and any premium and interest on, each series of the notes, perform and observe all covenants and conditions of the indenture by executing and delivering to the Trustee a supplemental indenture and assumes all of the Company's obligations under the Registration Rights Agreement; and
- (3) immediately after giving effect to such transaction and treating Indebtedness which becomes our obligation or an obligation of a Subsidiary (other than an Excluded Subsidiary) as a result of such transaction as having been incurred by us or such Subsidiary at the time of such transaction, no Default or Event of Default has happened and is continuing.

This covenant will not prevent any consolidation, merger, lease, sale, transfer or other disposition of property solely between or among us and our Subsidiaries (other than an Excluded Subsidiary).

In the event that we consolidate with or merge with or into another corporation or sell substantially all of our assets to any other corporation in compliance with the foregoing limitations, the surviving entity (if other than us) will be substituted for us under the indenture, and we will be discharged from all of our obligations under the indenture.

Reports

The indenture provides that, notwithstanding that we may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and regulations promulgated by the SEC, we will file with the SEC (and provide the Trustee and holders with copies thereof, without cost to each holder, within 15 days after we file them with the SEC),

- (1) within the time period specified in the SEC's rules and regulations for non-accelerated filers, annual reports on Form 10-K (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form);
- (2) within the time period specified in the SEC's rules and regulations for non-accelerated filers, reports on Form 10-Q (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form);
- (3) promptly from time to time after the occurrence of an event required to be therein reported (and in any event within the time period specified in the SEC's rules and regulations), such other reports on Form 8-K (or any successor or comparable form); and

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(4) any other information, documents and other reports which we would be required to file with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act; *provided, however*, that (1) if we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, we may complete any such reports as though our only registered securities are non-convertible debt securities and (2) we shall not be so obligated to file such reports with the SEC if the SEC does not permit such filing, in which event, we will make available such information to prospective purchasers of notes in addition to providing such information to the Trustee and the holders, in each case within 15 days after the time we would be required to file such information with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act.

Notwithstanding the foregoing, (a) we will be deemed to have furnished such reports referred to above to the Trustee and holders if we have filed such reports with the SEC via the EDGAR filing system (or any successor system) or, if we are not subject to reporting under Section 13 or 15(d) of the Exchange Act and are not permitted to file such reports with the SEC, if we post such reports on our publicly available website and (b) at any time when we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will not be deemed to have failed to comply with any of its obligations under this section until 30 days after the date any report hereunder is due.

Future Guarantors

The indenture provides that the Company will cause each Wholly Owned Domestic Subsidiary of the Company other than, at the election of the Company, an Excluded Subsidiary, that incurs, as an issuer, co-issuer, borrower or guarantor of, any Capital Markets Debt after the Issue Date, in an amount that, together with any other such Indebtedness (excluding any Indebtedness incurred as permitted pursuant to the definition of Credit Agreement) issued, co-issued or guaranteed by such Wholly Owned Domestic Subsidiary and then outstanding, exceeds at the time of such incurrence, 15% of Consolidated Net Tangible Assets of the Company, to execute and deliver to the Trustee a supplemental indenture joining such Subsidiary to the indenture, pursuant to which such Subsidiary will guarantee payment of each series of the notes (each such guarantee of the notes, a Subsidiary Guarantee) for so long as such Indebtedness giving rise to such guarantee obligation remains an obligation of such Subsidiary. In addition, the Company may cause other Subsidiaries to guarantee the notes of any series at its option. The Subsidiary Guarantee of any such Subsidiary will be released upon:

- (A) the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of a Subsidiary guarantor (or all or substantially all its assets or its Capital Stock) to a person which is not (after giving effect to such transaction) a Subsidiary or the Company;
- (B) any Subsidiary becoming an Excluded Subsidiary;
- (C) discharge of the indenture or legal defeasance or covenant defeasance; or
- (D) any Subsidiary guarantor ceasing to guarantee or be the issuer or borrower of all Capital Markets Debt in excess of the dollar threshold specified above;

and in each such case such Subsidiary shall be deemed automatically and unconditionally released and discharged from all the Subsidiary's obligations under the guarantee with respect to each series of the notes without any further action required on the part of the Subsidiary, the Company, the Trustee or any holder of the notes. In the event of the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of a Subsidiary (or all or substantially all its assets or its Capital Stock) to a person which is not (after giving effect to such transaction) a Subsidiary or the Company, such person shall not be subject to the Subsidiary's obligations under the guarantee.

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Events of Default

With respect to each series of the notes, an Event of Default is defined in the indenture as being:

- (1) a failure to pay interest upon the notes of such series that continues for a period of 30 days after payment is due;
- (2) a failure to pay the principal or premium, if any, on the notes of such series when due upon maturity, redemption, acceleration or otherwise;
- (3) a failure by us or any Subsidiary to comply with any agreements contained in the indenture applicable to the notes of such series for a period of 90 days after written notice to us of such failure from the Trustee (or to us and the Trustee from the holders of at least 25% of the principal amount of the notes of such series to which such agreements relate);
- (4) the failure by us or any Subsidiary to pay any Indebtedness (other than Indebtedness owing to the Company or a Subsidiary) within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default, in each case, if the total amount of such Indebtedness unpaid or accelerated exceeds \$100.0 million or its foreign currency equivalent; or
- (5) certain events of bankruptcy, insolvency or reorganization relating to us.

The indenture provides that if there is a continuing Event of Default with respect to any series of the notes, either the Trustee or the holders of at least 25% of the outstanding principal amount of the notes of such series affected thereby may declare the principal amount of all of the notes of such series to be due and payable immediately. However, at any time after the Trustee or the holders, as the case may be, declare an acceleration with respect to notes of any series, but before the applicable person has obtained a judgment or decree based on such acceleration, the holders of a majority in principal amount of the outstanding notes of such series affected thereby may, under certain conditions, cancel such acceleration if we have cured all Events of Default (other than the nonpayment of accelerated principal) with respect to such notes of such series or all such Events of Default have been waived as provided in the indenture. For information as to waiver of defaults, see Modification and Waiver.

The indenture provides that, subject to the duties of the Trustee to act with the required standard of care, if there is a continuing Event of Default with respect to any series of the notes, the Trustee need not exercise any of its rights or powers under the indenture at the request or direction of any of the holders of notes of such series unless such holders have offered to the Trustee security or indemnity reasonably satisfactory to it. Subject to such provisions for security or indemnification of the Trustee and certain other conditions, the holders of a majority in principal amount of the notes of such series affected thereby will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power the Trustee holds with respect to the notes of such series.

A default under one series of the notes is not automatically a default under another series of the notes.

No holder of any note of any series will have any right to institute any proceeding with respect to the indenture or for any remedy under the indenture unless:

- (1) the Trustee has failed to institute such proceeding for 60 days after the holder has previously given to the Trustee written notice of a continuing Event of Default with respect to the notes;
- (2) the holders of at least 25% in principal amount of the outstanding notes of such series affected thereby have made a written request and offered security or indemnity reasonably satisfactory to the Trustee to institute such proceeding as Trustee; and

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- (3) the Trustee has not received from the holders of a majority in principal amount of the outstanding notes of such series affected thereby a direction inconsistent with such request.

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	7,918
	396,471
	5.6
	6.89
	2,363
\$ 10.01 to \$13.00	
	1,759,894
	7.6
	11.86
	1,749
	204,436
	3.9
	10.96
	386
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\$ 13.01 and above

399,500

2.9

14.98

292,000

2.8

15.62

5,666,818

4.7

\$

8.39

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58

\$	26,107
	2,341,186
\$	6.75
\$	15,081

The intrinsic values above are based on the Company's closing stock price of \$12.85 on June 30, 2008. The weighted-average grant-date fair value of options granted during the six months ended June 30, 2008 was \$12.09. Unrecognized pretax expense of \$20.4 million related to stock options is expected to be recognized over the weighted average remaining service period of 3.8 years for awards outstanding at June 30, 2008.

6. Fair Value of Financial Instruments

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157), which is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 157 as of January 1, 2008. As permitted by FASB Staff Position (FSP) No. SFAS 157-2, *Effective Date of FASB Statement No. 157* (FSP No. SFAS 157-2), the Company elected to defer the adoption of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis until January 1, 2009. There was no cumulative effect of adoption related to SFAS No. 157 and the adoption did not have an impact on the Company's financial position, results of operations, or cash flows. The Company is studying SFAS No. 157 with respect to non-financial assets and non-financial liabilities falling under the scope of FSP No. SFAS 157-2 and has not yet determined the expected impact on the Company's financial position, results of operations, or cash flows.

SFAS No. 157 establishes a three-level valuation hierarchy for measuring fair value and expands financial statement disclosures about fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company measures the following financial assets at fair value on a recurring basis. The fair value of these financial assets was determined using the following inputs at June 30, 2008 (in thousands):

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	Quoted Prices in			
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets:				
Cash and cash equivalents	\$ 125,399	\$ 125,399	\$	\$
Short term investments and restricted cash	6,391	6,391		
Interest rate swaps	875		875	
Total assets recorded at fair value	\$ 132,665	\$ 131,790	\$ 875	\$
Liabilities:				
Interest rate swaps	\$ 77	\$	\$ 77	\$
Total liabilities recorded at fair value	\$ 77	\$	\$ 77	\$

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value and is effective for fiscal years beginning after November 15, 2007. The Company has elected not to apply the fair value option to any of its assets and liabilities.

7. Inventories

Inventories consisted of the following as of June 30, 2008 and December 31, 2007 (in thousands):

	June 30, 2008	December 31, 2007
Raw materials	\$ 132,222	\$ 116,883
Work-in process	170,707	137,959
Demonstration units	40,552	37,195
Finished goods	144,022	155,651
Total inventories	\$ 487,503	\$ 447,688

8. Goodwill and Other Intangible Assets

The following is a summary of other intangible assets subject to amortization as of June 30, 2008 and December 31, 2007 (in thousands):

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	Useful Lives in Years	Gross Carrying Amount	June 30, 2008		December 31, 2007		
			Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Existing technology and related patents	3 to 10	\$ 14,582	\$ (9,153)	\$ 5,429	\$ 13,292	\$ (7,937)	\$ 5,355
Customer relationships	5	1,115	(573)	542	1,115	(477)	638
Trade names	5 to 10	439	(206)	233	439	(176)	263
Total amortizable intangible assets		\$ 16,136	\$ (9,932)	\$ 6,204	\$ 14,846	\$ (8,590)	\$ 6,256

For the three months ended June 30, 2008 and 2007, the Company recorded amortization expense of \$0.3 million and \$0.7 million, respectively, related to other amortizable intangible assets. For the six months ended June 30, 2008 and 2007, the Company recorded amortization expense of \$1.3 million and \$1.4 million, respectively, related to other amortizable intangible assets.

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The estimated future amortization expense related to other amortizable intangible assets is as follows (in thousands):

For the year ending December 31,		
2008 (a)	\$	828
2009		1,734
2010		1,470
2011		920
2012		386
Thereafter		866
Total	\$	6,204

(a) Amount represents estimated amortization expense for the remaining six months ended December 31, 2008.

The carrying amount of goodwill was \$43.0 million and \$40.8 million as of June 30, 2008 and December 31, 2007, respectively, and is included in the BioScience segment. The Company performs its annual test for indications of impairment as of December 31st each year. The Company completed its annual test for impairment as of December 31, 2007 and determined that goodwill was not impaired at that time. The Company has not identified any indicators of impairment as of June 30, 2008.

9. Warranty Costs

The Company typically provides a one to two year parts and labor warranty with the purchase of equipment. The anticipated cost for this warranty is accrued upon recognition of the sale and is included as a current liability on the balance sheet. The Company also offers to its customers warranty and service agreements extending beyond the initial year of warranty for a fee. These fees are recorded as deferred revenue and amortized into income over the life of the extended warranty contract.

Changes in the Company's accrued warranty liability during the six months ended June 30, 2008 were as follows (in thousands):

Warranty accrual at December 31, 2007	\$	27,181
Accruals for warranties issued during the period		15,392
Settlements of warranty claims		(16,035)
Foreign currency impact		2,520
Warranty accrual at June 30, 2008	\$	29,058

10. Debt

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In connection with the acquisition of Bruker BioSpin, the Company entered into a credit agreement with a syndication of lenders, which is referred to as the Credit Agreement, and provides for a revolving credit line with a maximum commitment of \$230.0 million and a term facility of \$150.0 million. The outstanding principal under the term loan is payable in quarterly installments through December 2012. Borrowings under the Credit Agreement bear interest, at the Company's option, at either (i) the higher of the prime rate or the federal funds rate plus 0.50%, or (ii) adjusted LIBOR, plus margins ranging from 0.40% to 1.25% and a facility fee ranging from 0.10% to 0.20%. As of June 30, 2008, the weighted average interest rate of borrowings under the Credit Agreement was approximately 4.0%.

Borrowings under the Credit Agreement are secured by the pledge to the banks of 100% of the capital stock of each of the Company's wholly-owned domestic subsidiaries and 65% of the capital stock of certain of the Company's direct or indirect wholly-owned foreign subsidiaries. The Credit Agreement also requires the Company to maintain certain financial ratios related to leverage and interest coverage as defined in the Credit Agreement. In addition to the

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financial ratios, the Credit Agreement restricts, among other things, the Company's ability to do the following: make certain payments; incur additional debt; incur certain liens; make certain investments, including derivative agreements; merge, consolidate, sell or transfer all or substantially all of the Company's assets; and enter into certain transactions with affiliates.

At June 30, 2008, the Company had outstanding debt totaling \$242.2 million consisting of \$194.3 million outstanding under the Credit Agreement, \$33.6 million outstanding under other long-term debt arrangements, \$11.2 million outstanding under revolving lines of credit and \$3.1 million under capital lease obligations. At December 31, 2007, the Company had outstanding debt totaling \$44.2 million consisting of \$28.0 million outstanding under other long-term debt arrangements, \$13.2 million outstanding under other revolving lines of credit and \$3.0 million under capital lease obligations.

Amounts outstanding under other long-term debt arrangements include both collateralized and uncollateralized arrangements with various financial institutions in France, Germany, Japan and a government agency in the United States. The Company's long-term debt arrangements also consist of fixed and variable interest rates ranging from 1.8% to 8.0% at June 30, 2008 and December 31, 2007. In connection with certain of these agreements the Company is required to maintain certain financial ratios as defined in the agreements. At June 30, 2008, the Company was not in compliance with one of the covenants required by its arrangement with a government agency in the United States. The failure to meet this covenant did not trigger any cross-default provisions in other borrowing arrangements, including the Credit Agreement. On July 28, 2008, the Company received a limited waiver from the holder of this debt for the quarterly period ended June 30, 2008 and agreement from the holder of the debt to modify the covenant for the remainder of 2008.

The Company's revolving lines of credit are with various financial institutions in Germany, Switzerland, Japan and France and have aggregate maximum borrowing amounts of approximately \$90.0 million and \$145.5 million at June 30, 2008 and December 31, 2007, respectively. Effective February 26, 2008, the Company terminated a \$75.0 million line of credit in the United States and replaced it with the revolving credit available under the Credit Agreement. With consideration to outstanding letters of credit, the Company had availability of approximately \$65.5 million and \$119.0 million under other revolving lines of credit at June 30, 2008 and December 31, 2007, respectively. The Company's revolving lines of credit are generally uncollateralized and bear interest at variable rates ranging from 1.5% to 9.8% at June 30, 2008 and December 31, 2007.

11. Derivative Instruments and Hedging Activities

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, (SFAS No. 133), as amended. In April 2008, the Company entered into an interest rate swap arrangement to manage its exposure to interest rate movements and the related effect on its variable rate debt. Under this interest rate swap arrangement, the Company will pay a fixed rate of 3.8% and receive a variable rate based on three month LIBOR. The initial notional amount of this interest rate swap is \$90.0 million and will amortize in proportion to the term debt component of the Credit Agreement through December 2012. At June 30, 2008, the notional amount of this interest rate swap was \$88.9 million. The Company has concluded that this swap has met the criteria to qualify as an effective hedge of the variability of cash flows of the interest payments and will account for the hedge as a cash flow hedge under SFAS No. 133. Accordingly, the Company has reflected all changes in the fair value of this interest rate swap in accumulated other comprehensive income, a component of shareholders' equity. As of June 30, 2008, the Company has recorded a gain of \$0.2 million, net of tax, related to the fair value of the interest rate swap.

12. Employee Benefit Plans

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The Company has defined benefit retirement plans that cover substantially all employees of a BioScience subsidiary in Germany who were employed as of September 30, 1997, as well as all employees of the BioSpin subsidiaries located in Switzerland, France, and Japan and certain employees of a BioSpin subsidiary in Germany. The plans provide pension benefits based upon final average salary and years of service.

The net periodic pension benefit cost includes the following components during the three and six months ended June 30, 2008 and 2007 (in thousands):

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Components of net periodic benefit cost	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service cost	\$ 1,159	\$ 932	\$ 2,095	\$ 1,761
Interest cost	1,168	749	2,121	1,497
Expected return on plan assets	(1,034)	(705)	(2,034)	(1,417)
Amortization and actuarial gains and losses	(6)		(8)	
Net periodic benefit cost	\$ 1,287	\$ 976	\$ 2,174	\$ 1,841

The Company made contributions of \$1.3 million to its defined benefit plans during the six months ended June 30, 2008 and estimates contributions of \$1.1 million during the remainder of 2008.

13. Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted-average number of common shares outstanding during the period. Restricted stock is not included in the calculation of basic EPS until the time-based restriction has lapsed. Except where the result would be anti-dilutive, the diluted earnings per share computation includes the effect of potential shares, shares which would be issuable upon the exercise of outstanding stock options or outstanding restricted stock issuable when the restrictions lapse, reduced by the number of shares which are assumed to be purchased by the Company from the resulting proceeds at the average market price during the period.

The following table sets forth the computation of basic and diluted average shares outstanding for the three and six months ended June 30, 2008 and 2007 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income, as reported	\$ 21,686	\$ 17,657	\$ 21,001	\$ 32,007
Weighted average shares outstanding:				
Weighted average shares outstanding - basic	162,440	161,728	162,371	161,050
Effect of dilutive securities:				
Stock options and restricted stock	2,998	2,615	2,937	2,681
Weighted average shares outstanding - diluted	165,438	164,343	165,308	163,731
Net income per share - basic and diluted	\$ 0.13	\$ 0.11	\$ 0.13	\$ 0.20

Stock options to purchase approximately 360,000 shares and 530,000 shares were excluded from the computation of diluted earnings per share in the three months ended June 30, 2008 and 2007 respectively, and approximately 330,000 shares and 530,000 shares were excluded from the computation of diluted earnings per share in the six months ended June 30, 2008 and 2007, respectively, because the exercise price of the stock options exceeded the average market price of the Company's common stock and, as a result, would have had an anti-dilutive effect.

14. Interest and Other Income (Expense), Net

The components of interest and other income (expense), net, were as follows for the three and six months ended June 30, 2008 and 2007 (in thousands):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income	\$ 1,930	\$ 2,620	\$ 3,617	\$ 4,488
Interest expense	(3,817)	(830)	(5,676)	(1,450)
Exchange gains (losses) on foreign currency transactions	3,263	1,164	(8,956)	453
Other	2,151	(740)	2,353	(527)
Interest and other income (expense), net	\$ 3,527	\$ 2,214	\$ (8,662)	\$ 2,964

15. Comprehensive Income

Comprehensive income refers to revenues, expenses, gains and losses that under GAAP are included in other comprehensive income, but excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. The following is a summary of comprehensive income for the three and six months ended June 30, 2008 and 2007 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 21,686	\$ 17,657	\$ 21,001	\$ 32,007
Foreign currency translation adjustments	(3,841)	2,360	35,182	7,426
Unrealized gains on interest rate swap	222		222	
Unrealized gains (losses) on available for sales securities:				
Unrealized holding gains (losses) arising during the period	(234)	53	(71)	698
Less reclassification adjustments for gains included in the determination of net income	(1,335)		(1,335)	
Pension liability adjustments	115	69	(393)	21
Total comprehensive income	\$ 16,613	\$ 20,139	\$ 54,606	\$ 40,152

16. Commitments and Contingencies

Lawsuits, claims and proceedings of a nature considered normal to its businesses may be pending from time to time against the Company. The Company believes the outcome of these proceedings, if any, will not have a material impact on the Company's financial position or results of operations.

17. Letters of Credit and Guarantees

As of June 30, 2008 and December 31, 2007, the Company had letters of credit and bank guarantees of \$55.8 million and \$67.7 million, respectively, for its customer advances. Certain of these letters of credit and bank guarantees affect the availability of the Company's lines of credit.

18. Business Segment Information

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments in annual financial statements of public business enterprises. It also establishes standards for related disclosures about products and service, geographic areas and major customers. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker for the purpose of allocating resources and assessing performance.

In February 2008, the Company completed its acquisition of Bruker BioSpin and, as a result, management reevaluated the way the Company is managed and its internal reporting structure. The Company determined that it had four operating segments, representing each of its four divisions; Bruker AXS, Bruker Daltonics, Bruker Optics and

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Bruker BioSpin. Bruker AXS is in the business of manufacturing and distributing advanced X-ray and OES-spark instrumentation used in non-destructive molecular and elemental analysis. Bruker Daltonics is in the business of manufacturing and distributing mass spectrometry instruments that can be integrated and used along with other analytical instruments. Bruker Optics is in the business of manufacturing and distributing research, analytical and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies. Bruker BioSpin is in the business of manufacturing and distributing enabling life science tools based on magnetic resonance technology, as well as the development and manufacturing of low temperature superconductor and high temperature superconductor wires for use in advanced magnet technology and energy applications.

The Company has combined the Bruker AXS, Bruker Daltonics and Bruker Optics operating segments into the BioScience reporting segment because each has similar economic characteristics, product processes and services, types and classes of customers, methods of distribution and regulatory environments. All historical segment numbers have been restated to conform to this change in reportable segments.

Selected business segment information for the three and six months ended June 30, 2008 and 2007 is presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
BioScience	\$ 160,593	\$ 124,203	\$ 303,222	\$ 236,956
BioSpin	163,770	125,764	275,888	233,411
Corporate, eliminations and other (a)	(12,898)	(11,625)	(29,209)	(24,489)
Total	\$ 311,465	\$ 238,342	\$ 549,901	\$ 445,878
Operating income:				
BioScience	\$ 6,727	\$ 8,124	\$ 18,476	\$ 17,067
BioSpin	26,471	15,965	36,532	31,196
Corporate, eliminations and other (a)	(4,763)	(2,302)	(10,639)	(6,767)
Total	\$ 28,435	\$ 21,787	\$ 44,369	\$ 41,496

(a) Represents revenue transactions between segments which are eliminated in consolidation and corporate costs not allocated to the reportable segments.

Total assets by segment as of June 30, 2008 and December 31, 2007 are as follows (in thousands):

	June 30,	December 31,
	2008	2007
BioScience	\$ 650,009	\$ 584,902
BioSpin	912,389	782,627
Corporate	383,733	314,988
Eliminations	(774,689)	(370,886)
Total	\$ 1,171,442	\$ 1,311,631

19. Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)). This statement will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all of the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with certain limited exceptions. In addition, SFAS No. 141(R) will change the accounting treatment for acquisition costs, in-process research and development, restructuring costs associated with business combinations and

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changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date. SFAS No. 141(R) also includes a significant number of new disclosure requirements. Early adoption of SFAS No. 141(R) is prohibited and the Company will be required to apply SFAS No. 141(R) to acquisitions that occur on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51* (SFAS No. 160). This statement establishes new accounting and reporting standards for the minority interest in a subsidiary and the deconsolidation of a subsidiary. SFAS No. 160 is effective as of the beginning of fiscal 2009 and early adoption is prohibited. The Company has not yet assessed the effect, if any, that adoption of SFAS No. 160 will have on its results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and, thereby, improves the transparency of financial reporting. SFAS No. 161 is effective for fiscal years beginning on or after November 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS No. 161 will have on its financial position, results of operations and cash flows.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and the notes to those statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q, and in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2007.

Statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations which express that we believe, anticipate, plan, expect, seek, estimate, or should, as well as other statements which are not historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. Actual events or results may differ materially from those set forth in forward-looking statements. Certain factors that might cause such a difference are discussed in Factors Affecting Our Business, Operating Results and Financial Condition set forth in our Annual Report on Form 10-K for the year ended December 31, 2007.

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, describes the principal factors affecting the results of our operations, financial condition and changes in financial condition, as well as our critical accounting policies and estimates. Our MD&A is organized as follows:

- *Executive overview.* This section provides a general description and history of our business, a brief discussion of our reportable segments, significant recent developments in our business and other opportunities, challenges and risks that may impact our business in the future.
- *Critical accounting policies.* This section discusses the accounting estimates that are considered important to our financial condition and results of operations and require us to exercise subjective or complex judgments in their application.
- *Results of operations.* This section provides our analysis of the significant line items on our consolidated statement of operations for the three and six months ended June 30, 2008 compared to the three and six months ended June 30, 2007.
- *Liquidity and capital resources.* This section provides an analysis of our liquidity and cash flow and a discussion of our outstanding debt and commitments.
- *Recent accounting pronouncements.* This section provides information about new accounting standards that have been issued but for which adoption is not yet required.

EXECUTIVE OVERVIEW

Business

Bruker Corporation and its wholly-owned subsidiaries design, manufacture, market and service proprietary life science and materials research systems based on our core technology platforms, including X-ray technologies, magnetic resonance technologies, mass spectrometry technologies, optical emission spectroscopy and infrared and Raman molecular spectroscopy technologies. We also manufacture and distribute a broad range of field analytical systems for chemical, biological, radiological and nuclear, or CBRN, detection. We maintain major technical and manufacturing centers in Europe, North America and Japan and we have sales offices located throughout the world. Our corporate headquarters are located in Billerica, Massachusetts.

Our business strategy is to capitalize on our ability to innovate and generate rapid revenue growth, both organically and through acquisitions. Our revenue growth strategy, combined with anticipated improvements to our

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gross profit margins and increased leverage on our research and development, sales and marketing and distribution investments and general and administrative expenses, are expected to enhance our operating margins and improve our earnings in the future.

On February 26, 2008, the Company completed its acquisition of Bruker BioSpin. Both the Company and Bruker BioSpin were majority owned by six affiliated stockholders prior to the acquisition. As a result, the acquisition of Bruker BioSpin by the Company is considered a combination of companies under common control, and has been accounted for at historical carrying values. Historical consolidated balance sheets, statements of operations, statements of cash flows and notes to the consolidated financial statements have been restated by combining the historical consolidated financial statements of Bruker Corporation with those of Bruker BioSpin. In addition, because the transaction is accounted for as an acquisition of businesses under common control, all one-time transaction costs have been expensed as incurred.

With the addition of Bruker BioSpin, we enhanced our position as a leading supplier of life science and materials research systems. The technologies of Bruker BioSpin are particularly complementary to our accurate-mass electrospray time-of-flight mass spectrometers and our single-crystal diffraction X-ray spectrometers and are expected to create revenue synergies and provide opportunities to supply customers with equipment packages that have a broader range of applications and value. We believe the addition of Bruker BioSpin will also enhance our distribution in the Americas, Europe and Asia and our sales and service infrastructure, all of which should provide us with revenue growth opportunities and accelerate our drive to improve our margins, net income and operating cash flows.

Following the acquisition of Bruker BioSpin, management reevaluated the way the Company is managed and the internal reporting structure and, as a result of that evaluation, determined that it has four operating segments, representing each of its four divisions; Bruker AXS, Bruker Daltonics, Bruker Optics and Bruker BioSpin. Bruker AXS is in the business of manufacturing and distributing advanced X-ray and OES-spark instrumentation used in non-destructive molecular and elemental analysis. Bruker Daltonics is in the business of manufacturing and distributing mass spectrometry instruments that can be integrated and used along with other analytical instruments. Bruker Optics is in the business of manufacturing and distributing research, analytical and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies. Bruker BioSpin is in the business of manufacturing and distributing enabling life science tools based on magnetic resonance technology, as well as the development and manufacturing of low temperature superconductor and high temperature superconductor wires for use in advanced magnet technology and energy applications.

We have combined the Bruker AXS, Bruker Daltonics and Bruker Optics operating segments into the BioScience reporting segment because each has similar economic characteristics, product processes and services, types and classes of customers, methods of distribution and regulatory environments. Management reports its results based on the following reportable segments:

- *BioScience.* The operations of this segment include the design, manufacture and distribution of advanced instrumentation and automated solutions based on X-ray technology, OES-spark technology, mass spectrometry technology and infrared and Raman molecular spectroscopy technology. Typical customers of the BioScience segment include pharmaceutical, biotechnology, proteomics and molecular diagnostic companies, academic institutions, government agencies, semiconductor companies, chemical, cement, metals and petroleum companies, raw material manufacturers and food, beverage and agricultural companies.
- *BioSpin.* The operations of this segment include the design, manufacture and distribution of enabling life science tools based on its core technology, magnetic resonance, as well as the manufacturing and development of low temperature superconductor (LTS) and high temperature superconductor (HTS) wires for use in advanced magnet technology and in energy applications. Typical customers of the BioSpin segment include pharmaceutical and biotechnology companies, academic institutions and government agencies.

Financial Overview

For the three months ended June 30, 2008, our revenue increased by \$73.1 million, or 30.7%, to \$311.5 million, compared to \$238.3 million for the comparable period in 2007. Included in this change in revenue is approximately

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\$26.9 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by \$46.2 million, or 19.4%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

For the six months ended June 30, 2008, our revenue increased by \$104.0 million, or 23.3%, to \$549.9 million, compared to \$445.9 million for the comparable period in 2007. Included in this change in revenue is approximately \$47.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by \$56.5 million, or 12.7%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

Income from operations for the three months ended June 30, 2008 was \$28.4 million, resulting in an operating margin of 9.1%, compared to income from operations of \$21.8 million, resulting in an operating margin of 9.1%, for the comparable period of 2007. The increase in income from operations was driven by the increase in revenue described above offset, in part, by lower gross profit margins and increases in operating expenses. The decrease in gross profit margins and increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, material costs and other operating expenses also contributed to the increase in expenses for the three months ended June 30, 2008.

Income from operations for the six months ended June 30, 2008 was \$44.4 million, resulting in an operating margin of 8.1%, compared to income from operations of \$41.5 million, resulting in an operating margin of 9.3%, for the comparable period of 2007. Income from operations for the six months ended June 30, 2008 includes \$6.2 million of charges related to the acquisition of Bruker BioSpin. The increase in income from operations was driven by the increase in revenue described above offset, in part, by increases in operating expenses. The increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, material costs and other operating expenses also contributed to the increase in expenses for the six months ended June 30, 2008. In the second half of 2008 we intend to refocus efforts on gross margin improvement programs and implement various cost saving programs, including a partial hiring freeze, with the goal of improving operating margins.

During the six months ended June 30, 2008, we recorded net losses on foreign currency transactions of \$(9.0) million compared to net gains of \$0.5 million for the comparable period of 2007. Foreign exchange losses of \$12.2 million were incurred in the first three months of 2008 and were driven by the re-measurement of certain foreign currency denominated assets, principally cash, inter-company receivables and a short-term inter-company loan into the functional currency of the affected entities. The losses in the first quarter of 2008 resulted from the continued weakening of the U.S. Dollar and the Euro by approximately 11% and 3%, respectively, during the five weeks between the closing of the Bruker BioSpin acquisition and the end of the first quarter of 2008. In the second quarter of 2008 we recorded gains on foreign currency transactions of \$3.2 million that were the result of more timely settlement of inter-company balances and a reduction of certain foreign currency denominated assets, principally cash. We believe that the actions we took in the second quarter of 2008 will reduce the impact that foreign currency gains and losses will have on our results in the second half of 2008.

We incurred approximately \$4.5 million of interest expense on acquisition-related debt during the six months ended June 30, 2008, of which approximately \$3.1 million was incurred in the second quarter of 2008. There was no acquisition-related debt outstanding during three and six months ended June 30, 2007. In an effort to reduce interest expense in future periods, we repaid approximately \$158.4 million of acquisition-related debt in April and May 2008. Additionally, in April 2008, we entered into an interest rate swap with an initial notional amount of \$90.0 million that will hedge a portion of our \$150.0 million variable-rate term loan and fix the interest rate on the hedged portion of the debt at a rate of 3.8%.

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Our net income for the three months ended June 30, 2008, was \$21.7 million, or \$0.13 per diluted share, compared to net income of \$17.7 million, or \$0.11 per diluted share, for the comparable period of 2007.

Our net income for the six months ended June 30, 2008, was \$21.0 million, or \$0.13 per diluted share, compared to net income of \$32.0 million, or \$0.20 per diluted share, for the comparable period of 2007.

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CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, allowance for doubtful accounts, inventories, goodwill, long-lived assets, warranty costs and income taxes. We base our estimates and judgments on historical experience, current market and economic conditions, industry trends and other assumptions that we believe are reasonable and form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

We believe the following critical accounting policies to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment.

Revenue recognition. We recognize revenue from system sales when persuasive evidence of an arrangement exists, the price is fixed or determinable, title and risk of loss has been transferred to the customer and collectibility of the resulting receivable is reasonably assured. Title and risk of loss is generally transferred to the customer upon receipt of a signed customer acceptance form for a system that has been shipped, installed, and for which the customer has been trained. As a result, the timing of customer acceptance or readiness could cause our reported revenues to differ materially from expectations. When products are sold through an independent distributor or a strategic distribution partner, which assumes responsibility for installation, we recognize the system sale when the product has been shipped and title and risk of loss have been transferred. Our distributors do not have price protection rights or rights of return; however, our products are typically warranted to be free from defect for a period of one to two-years. Revenue is deferred until cash is received when a significant portion of the fee is due over one year after delivery, installation and acceptance of a system. For arrangements with multiple elements, we recognize revenue for each element based on the fair value of the element, provided all other criteria for revenue recognition have been met. The fair value for each element provided in multiple element arrangements is typically determined by referencing historical pricing policies when the element is sold separately. Changes in our ability to establish the fair value for each element in multiple element arrangements could affect the timing of revenue recognition. Revenue from accessories and parts is recognized upon shipment and service revenue is recognized as the services are performed. Grant revenue is recognized when we complete the services required under the grant.

Warranty costs. We normally provide a one to two-year parts and labor warranty with the purchase of equipment. The anticipated cost for this warranty is accrued upon recognition of the sale and is included as a current liability on the balance sheet. Although our facilities undergo quality assurance and testing procedures throughout the production process, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Although our actual warranty costs have historically been consistent with expectations, to the extent warranty claim activity or costs associated with servicing those claims differ from our estimates, revisions to the warranty accrual may be required.

Inventories. Inventories are stated at the lower of cost or market, with costs determined by the first-in, first-out method for a majority of subsidiaries and by average cost for one international location. We maintain an allowance for excess and obsolete inventory to reflect the expected non-saleable or non-refundable inventory based on an evaluation of slow moving products. If ultimate usage or demand varies significantly from expected usage or demand, additional write-downs may be required, resulting in a charge to operations.

Goodwill, other intangible assets and other long-lived assets. We evaluate whether goodwill is impaired annually and when events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Fair value is determined using market comparables for similar businesses or forecasts of discounted future cash flows. We also review other intangible assets and other long-lived assets when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. Should the fair value of our long-lived assets decline because of reduced operating performance, market declines, or other indicators of impairment, a charge to operations for impairment may be necessary.

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Allowance for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to pay amounts due. If the financial condition of our customers were to deteriorate, reducing their ability to make payments, additional allowances would be required, resulting in a charge to operations.

Income taxes. We estimate the degree to which tax assets and loss carryforwards will result in a benefit based on expected profitability by tax jurisdiction, and provide a valuation allowance for tax assets and loss carryforwards that we believe will more likely than not go unused. If it becomes more likely than not that a tax asset or loss carryforward will be used for which a reserve has been provided, we reverse the related valuation allowance. If our actual future taxable income by tax jurisdiction differs from estimates, additional allowances or reversals of reserves may be necessary.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007

Consolidated Results

The following table presents our results for the three months ended June 30, 2008 and 2007 (dollars in thousands):

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	Three Months Ended June 30,	
	2008	2007
(In thousands, except per share data)		
Product revenue	\$ 278,849	\$ 210,177
Service revenue	31,733	27,570
Other revenue	883	595
Total revenue	311,465	238,342
Cost of product revenue	161,931	120,810
Cost of service revenue	20,896	17,617
Total cost of revenue	182,827	138,427
Gross profit	128,638	99,915
Operating expenses:		
Sales and marketing	46,151	37,029
General and administrative	17,178	13,442
Research and development	36,514	27,657
Acquisition related charges	360	
Total operating expenses	100,203	78,128
Operating income	28,435	21,787
Interest and other income (expense), net	3,527	2,214
Income before income tax provision and minority interest in consolidated subsidiaries	31,962	24,001
Income tax provision	10,196	6,284
Income before minority interest in consolidated subsidiaries	21,766	17,717
Minority interest in consolidated subsidiaries	80	60
Net income	\$ 21,686	\$ 17,657
Net income per common share - basic and diluted	\$ 0.13	\$ 0.11
Weighted average common shares outstanding:		
Basic	162,440	161,728
Diluted	165,438	164,343

Revenue

Our revenue increased by \$73.1 million, or 30.7%, to \$311.5 million for the three months ended June 30, 2008, compared to \$238.3 million for the comparable period in 2007. Included in this change in revenue is approximately \$26.9 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 19.4%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

Cost of Revenue

Our cost of product and service revenue for the three months ended June 30, 2008, was \$182.8 million, resulting in a gross profit margin of 41.3%, compared to cost of product and service revenue of \$138.4 million, resulting in a gross profit margin of 41.9% for the comparable period of 2007. Cost of revenue for the three months ended June 30, 2008 and 2007 includes charges of approximately \$2.1 million and \$1.5 million, respectively, to write down certain inventories to the lower of cost or market. The decrease in gross profit margins is

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attributable primarily to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production is performed in Europe. Additionally, the mix of products sold and pricing pressure in certain markets and certain product lines contributed to the decrease in gross profit margins.

Sales and Marketing

Our sales and marketing expense for the three months ended June 30, 2008 increased to \$46.2 million, or 14.9% of product and service revenue, from \$37.0 million, or 15.6% of product and service revenue, for the comparable period of 2007. The increase in sales and marketing expense is attributable to higher commissions and other selling expenses associated with the increase in revenue. Additionally, increases in headcount resulting from our continued investment in direct sales, inside sales, product specialists and application resources have contributed to an increase in sales and marketing expense.

General and Administrative

Our general and administrative expense for the three months ended June 30, 2008 increased to \$17.2 million, or 5.5% of product and service revenue, from \$13.4 million, or 5.7% of product and service revenue, for the comparable period of 2007. The increase is attributable to additional headcount, primarily in the BioSpin segment, and was related to Bruker BioSpin becoming part of a publicly-traded company.

Research and Development

Our research and development expense for the three months ended June 30, 2008 increased to \$36.5 million, or 11.8% of product and service revenue, from \$27.7 million, or 11.6% of product and service revenue, for the comparable period of 2007. The increase in research and development expenses is attributable primarily to changes in foreign currency exchange rates, primarily the Euro, as a majority of our research and development is performed in Europe. We also incurred higher material costs associated with new product development.

Acquisition-Related Charges

On December 3, 2007, we announced that we had entered into a definitive agreement to acquire all of the stock of Bruker BioSpin. The acquisition of Bruker BioSpin was approved by our shareholders on February 25, 2008 and was completed on February 26, 2008. The acquisition represented a combination of companies under common control due to a majority of ownership of both Bruker Corporation and Bruker BioSpin by the same individuals and, as a result, transaction costs are expensed as incurred. During the three months ended June 30, 2008, the Company incurred and expensed acquisition-related charges totaling \$0.4 million, which consisted primarily of legal fees.

Interest and Other Income (Expense), Net

Interest and other income (expense), net during the three months ended June 30, 2008, was \$3.5 million, compared to \$2.2 million during the three months ended June 30, 2007.

During the three months ended June 30, 2008, the major component within interest and other income (expense), net, was gains on foreign currency transactions of \$3.3 million. These gains offset some of the foreign exchange losses recorded in the first quarter of 2007 and were partially the result of more timely settlement of inter-company balances and a reduction of foreign currency denominated assets, principally cash.

During the three months ended June 30, 2007, the major components within interest and other income (expense), net, were net interest income of \$1.8 million and gains on foreign currency transactions of \$1.2 million.

Provision for Income Taxes

Our effective tax rate reflects our tax provision for non-U.S. entities only, since no benefit was recognized for losses incurred in the U.S. We will maintain a full valuation allowance for our U.S. net operating losses until evidence exists that it is more likely than not that the loss carryforward amounts will be utilized to offset U.S. taxable income.

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Our tax rate may change over time as the amount and mix of income and taxes outside the U.S. changes. The effective tax rate is calculated using our projected annual pre-tax income or loss and is affected by research and development tax credits, the expected level of other tax benefits, and the impact of changes to the valuation allowance, as well as changes in the mix of our pre-tax income and losses among jurisdictions with varying statutory tax rates and credits.

The income tax provision for the three months ended June 30, 2008, was \$10.2 million compared to an income tax provision of \$6.3 million for the three months ended June 30, 2007, representing effective tax rates of 31.9% and 26.2%, respectively.

Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries for the three months ended June 30, 2008 and 2007 was \$0.1 million. The minority interest in subsidiaries represents the minority shareholders' proportionate share of net income of those subsidiaries for the three months ended June 30, 2008 and 2007. The minority interest relates to our two majority-owned indirect subsidiaries, InCoaTec GmbH and Bruker Baltic Ltd.

Net Income

Our net income for the three months ended June 30, 2008, was \$21.7 million, or \$0.13 per diluted share, compared to net income of \$17.7 million, or \$0.11 per diluted share, for the comparable period of 2007.

Segment Results***Revenue***

The following table presents revenue, change in revenue and revenue growth by reportable segment for the three months ended June 30, 2008 and 2007 (dollars in thousands):

	2008	2007	\$ Change	Percentage Change
BioScience	\$ 160,593	\$ 124,203	36,390	29.3%
BioSpin	163,770	125,764	38,006	30.2%
Eliminations (a)	(12,898)	(11,625)	(1,273)	
Total Revenue	\$ 311,465	\$ 238,342	73,123	30.7%

(a) Represents product and service revenue between reportable segments.

BioScience Segment Revenues

BioScience segment revenue increased by \$36.4 million, or 29.3%, to \$160.6 million for the three months ended June 30, 2008, compared to \$124.2 million for the comparable period in 2007. Included in this change in revenue is approximately \$11.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 20.0%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system revenues across several of the product lines, in particular X-ray systems, molecular spectroscopy systems and chemical detections systems, as well as higher aftermarket revenue. Revenue in the three months ended June 30, 2007 includes \$2.6 million of molecular spectroscopy revenue that was recognized from our order with the Chinese State Food and Drug Administration. The order from the Chinese State Food and Drug Administration was completed during 2007 and we did not recognize any system revenue from this order during the three months ended June 30, 2008.

System revenue, other system revenue and aftermarket revenue as a percentage of total BioScience segment revenue were as follows during the three months ended June 30, 2008 and 2007 (dollars in thousands):

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	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System Revenue	\$ 117,720	73.3%	\$ 93,564	75.3%
Other System Revenue	12,487	7.8%	9,223	7.4%
Aftermarket Revenue	30,386	18.9%	21,416	17.3%
Total Revenue	\$ 160,593	100.0%	\$ 124,203	100.0%

System revenues in the BioScience segment include X-ray systems, mass spectrometry systems, CBRN detection systems and molecular spectroscopy systems. Other system revenues in the BioScience segment relate primarily to the distribution of products not manufactured by the BioScience segment. Aftermarket revenues in the BioScience segment include accessory sales, consumables, training and services.

BioSpin Segment Revenues

BioSpin segment revenue increased by \$38.0 million, or 30.2%, to \$163.8 million for the three months ended June 30, 2008, compared to \$125.8 million for the comparable period in 2007. Included in this change in revenue is approximately \$15.4 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 18.0%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in magnetic resonance system revenues, offset partially by lower aftermarket revenue.

System and wire revenue, other system revenue and aftermarket revenue as a percentage of total BioSpin segment revenue were as follows during the three months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System and Wire Revenue	\$ 134,227	82.0%	\$ 94,653	75.3%
Other System Revenue	7,135	4.3%	2,534	2.0%
Aftermarket Revenue	22,408	13.7%	28,577	22.7%
Total Revenue	\$ 163,770	100.0%	\$ 125,764	100.0%

System and wire revenues in the BioSpin segment include nuclear magnetic resonance systems, magnetic resonance imaging systems, electron paramagnetic resonance systems, Minispec systems, power supplies and our LTS and HTS wire business. Other system revenues in the BioSpin segment relate primarily to the distribution of products not manufactured by the BioSpin segment. Aftermarket revenues in the BioSpin segment include accessory sales, consumables, training and services.

Income from Operations

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The following table presents income from operations and operating margins on revenue by reportable segment for the three months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Operating Income	Operating Margin	Operating Income	Operating Margin
BioScience	\$ 6,727	4.2%	\$ 8,124	6.5%
BioSpin	26,471	16.2%	15,965	12.7%
Corporate, Eliminations and Other (a)	(4,763)		(2,302)	
Total Operating Income	\$ 28,435	9.1%	\$ 21,787	9.1%

(a) Represents corporate costs not allocated to the reportable segments.

BioScience segment income from operations for the three months ended June 30, 2008, was \$6.7 million,

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resulting in an operating margin of 4.2%, compared to income from operations of \$8.1 million, resulting in an operating margin of 6.5%, for the comparable period of 2007. The decrease in income from operations was driven by lower gross profit margins and increases in operating expenses offset partially by an increase in revenue. The increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, primarily in sales and marketing, and research and development material costs also contributed to the increase in expenses for the three months ended June 30, 2008.

BioSpin segment income from operations for the three months ended June 30, 2008, was \$26.5 million, resulting in an operating margin of 16.2%, compared to income from operations of \$16.0 million, resulting in an operating margin of 12.7%, for the comparable period of 2007. The increase in income from operations was attributable primarily to an increase in revenue and higher gross profit margins offset partially by higher operating expenses. The increase in gross profit margins is the result of improved utilization driven by higher revenues. The increase in costs relates primarily to research and development expenses and is associated with changes in foreign currency exchange rates and higher material costs and salaries associated with new product development.

Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007

Consolidated Results

The following table presents our results for the six months ended June 30, 2008 and 2007 (dollars in thousands):

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	Six Months Ended June 30,	
	2008	2007
	(In thousands, except per share data)	
Product revenue	\$ 485,884	\$ 391,786
Service revenue	61,690	52,757
Other revenue	2,327	1,335
Total revenue	549,901	445,878
Cost of product revenue	266,832	217,459
Cost of service revenue	41,302	33,956
Total cost of revenue	308,134	251,415
Gross profit	241,767	194,463
Operating expenses:		
Sales and marketing	89,544	72,491
General and administrative	33,982	26,855
Research and development	67,719	53,621
Acquisition related charges	6,153	
Total operating expenses	197,398	152,967
Operating income	44,369	41,496
Interest and other income (expense), net	(8,662)	2,964
Income before income tax provision and minority interest in consolidated subsidiaries	35,707	44,460
Income tax provision	14,466	12,307
Income before minority interest in consolidated subsidiaries	21,241	32,153
Minority interest in consolidated subsidiaries	240	146
Net income	\$ 21,001	\$ 32,007
Net income per common share - basic and diluted	\$ 0.13	\$ 0.20
Weighted average common shares outstanding:		
Basic	162,371	161,050
Diluted	165,308	163,731

Revenue

Our revenue increased by \$104.0 million, or 23.3%, to \$549.9 million for the six months ended June 30, 2008, compared to \$445.9 million for the comparable period in 2007. Included in this change in revenue is approximately \$47.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 12.7%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system and aftermarket revenues in the BioScience segment and system and wire revenues in the BioSpin segment.

Cost of Revenue

Our cost of product and service revenue for the six months ended June 30, 2008, was \$308.1 million, resulting in a gross profit margin of 44.0%, compared to cost of product and service revenue of \$251.4 million, resulting in a gross profit margin of 43.6% for the comparable period of 2007. The increase in gross profit margins as a percentage of revenue is attributable primarily to product mix and improved utilization resulting from higher revenues. The increase in gross profit margins was partially offset by the continued weakening of the U.S. Dollar coupled with the

fact that most of our manufacturing is done in Europe.

Sales and Marketing

Our sales and marketing expense for the six months ended June 30, 2008 increased to \$89.5 million, or 16.4% of

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product and service revenue, from \$72.5 million, or 16.3% of product and service revenue, for the comparable period of 2007. The increase in sales and marketing expense is attributable to higher commission expenses associated with the increase in revenue. Additionally, increases in headcount resulting from our continued investment in direct sales, inside sales, product specialists and application resources have contributed to an increase in sales and marketing expense.

General and Administrative

Our general and administrative expense for the six months ended June 30, 2008 increased to \$34.0 million, or 6.2% of product and service revenue, from \$26.9 million, or 6.0% of product and service revenue, for the comparable period of 2007. The increase is attributable to additional headcount, primarily in the BioSpin segment, and was related to Bruker BioSpin becoming part of a publicly-traded company.

Research and Development

Our research and development expense for the six months ended June 30, 2008 increased to \$67.7 million, or 12.4% of product and service revenue, from \$53.6 million, or 12.1% of product and service revenue, for the comparable period of 2007. The increase in research and development expenses is attributable primarily to changes in foreign currency exchange rates, primarily the Euro, as a majority of our research and development is performed in Europe. We also incurred higher material costs associated with new product development.

Acquisition Related Charges

On December 3, 2007, we announced that we had entered into a definitive agreement to acquire all of the stock of Bruker BioSpin. The acquisition of Bruker BioSpin was approved by our shareholders on February 25, 2008 and was completed on February 26, 2008. The acquisition represented a business combination of companies under common control due to a majority of ownership of both Bruker Corporation and Bruker BioSpin by the same individuals and, as a result, transaction costs are expensed as incurred. During the six months ended June 30, 2008, the Company incurred and expensed acquisition-related charges totaling \$6.2 million, which consisted of investment banking fees, legal fees and accounting fees.

Interest and Other Income (Expense), Net

Interest and other income (expense), net during the six months ended June 30, 2008, was \$(8.7) million, compared to \$3.0 million during the six months ended June 30, 2007.

During the six months ended June 30, 2008, the major component within interest and other income (expense), net, was losses on foreign currency transactions of \$9.0 million. Foreign exchange losses of \$12.2 million were incurred in the first three months of 2008 and were driven

primarily by the re-measurement of certain foreign currency denominated assets, principally cash, inter-company receivables and a short-term inter-company loan, into the functional currency of the affected entities. The losses resulted from the continued weakening of the U.S. Dollar and the Euro by approximately 11% and 3%, respectively, during the five weeks between the closing of the Bruker BioSpin acquisition and the end of the first quarter of 2008.

During the six months ended June 30, 2007, the major components within interest and other income (expense), net, were net interest income of \$3.0 million and gains on foreign currency transactions of \$0.5 million.

Provision for Income Taxes

Our effective tax rate reflects our tax provision for non-U.S. entities only, since no benefit was recognized for losses incurred in the U.S. We will maintain a full valuation allowance for our U.S. net operating losses until evidence exists that it is more likely than not that the loss carryforward amounts will be utilized to offset U.S. taxable income. Our tax rate may change over time as the amount and mix of income and taxes outside the U.S. changes. The effective tax rate is calculated using our projected annual pre-tax income or loss and is affected by research and development tax credits, the expected level of other tax benefits, and the impact of changes to the valuation allowance, as well as changes in the mix of our pre-tax income and losses among jurisdictions with varying statutory tax rates and credits.

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The income tax provision for the six months ended June 30, 2008, was \$14.5 million compared to an income tax provision of \$12.3 million for the six months ended June 30, 2007, representing effective tax rates of 40.5% and 27.7%, respectively. The effective tax rate for the six months ended June 30, 2008 is a result of the acquisition-related charges and the foreign exchange losses that resulted in only modest tax benefits. The acquisition-related costs did not generate tax significant benefits for us because they were incurred primarily in the U.S. and the foreign exchange losses did not generate tax significant benefits for us because they occurred in foreign locations with relatively low tax rates.

Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries for the six months ended June 30, 2008, was \$0.2 million compared to \$0.1 million for the comparable period of 2007. The minority interest in subsidiaries represents the minority shareholders' proportionate share of net income of those subsidiaries for the six months ended June 30, 2008 and 2007. The minority interest relates to our two majority-owned indirect subsidiaries, InCoaTec GmbH and Bruker Baltic Ltd.

Net Income

Our net income for the six months ended June 30, 2008, was \$21.0 million, or \$0.13 per diluted share, compared to \$32.0 million, or \$0.20 per diluted share, for the comparable period of 2007.

Segment Results**Revenue**

The following table presents revenue, change in revenue and revenue growth by reportable segment for the six months ended June 30, 2008 and 2007 (dollars in thousands):

	2008	2007	\$ Change	Percentage Change
BioScience	\$ 303,222	\$ 236,956	\$ 66,266	28.0%
BioSpin	275,888	233,411	42,477	18.2%
Eliminations (a)	(29,209)	(24,489)	(4,720)	
Total Revenue	\$ 549,901	\$ 445,878	\$ 104,023	23.3%

(a) Represents product and service revenue between reportable segments.

BioScience Segment Revenues

BioScience segment revenue increased by \$66.3 million, or 28.0%, to \$303.2 million for the six months ended June 30, 2008, compared to \$237.0 million for the comparable period in 2007. Included in this change in revenue is approximately \$21.0 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 19.1%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in system revenues across several of the product lines, in particular X-ray systems, molecular spectroscopy systems and chemical detections systems, as well as higher aftermarket revenue. Revenues in the six months ended June 30, 2007 include \$4.1 million of molecular spectroscopy revenue that was recognized from our order with the Chinese State Food and Drug Administration. The order from the Chinese State Food and Drug Administration was completed during 2007 and we did not recognize any system revenue from this order during the six months ended June 30, 2008.

System revenue, other system revenue and aftermarket revenue as a percentage of total BioScience segment revenue were as follows during the six months ended June 30, 2008 and 2007 (dollars in thousands):

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	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System Revenue	\$ 221,794	73.1%	\$ 174,382	73.6%
Other System Revenue	21,979	7.3%	15,449	6.5%
Aftermarket Revenue	59,449	19.6%	47,125	19.9%
Total Revenue	\$ 303,222	100.0%	\$ 236,956	100.0%

System revenues in the BioScience segment include X-ray systems, mass spectrometry systems, CBRN detection systems and molecular spectroscopy systems. Other system revenues in the BioScience segment relate primarily to the distribution of products not manufactured by the BioScience segment. Aftermarket revenues in the BioScience segment include accessory sales, consumables, training and services.

BioSpin Segment Revenues

BioSpin segment revenue increased by \$42.5 million, or 18.2%, to \$275.9 million for the six months ended June 30, 2008, compared to \$233.4 million for the comparable period in 2007. Included in this change in revenue is approximately \$26.5 million from the impact of foreign exchange. Excluding the effect of foreign exchange, revenue increased by 6.8%. The increase in revenue, excluding the effect of foreign exchange, is attributable to increases in magnetic resonance system revenues.

System and wire revenue, other system revenue and aftermarket revenue as a percentage of total BioSpin segment revenue were as follows during the six months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Revenue	Percentage of Segment Revenue	Revenue	Percentage of Segment Revenue
System and Wire Revenue	\$ 213,045	77.2%	\$ 176,600	75.7%
Other System Revenue	12,135	4.4%	4,434	1.9%
Aftermarket Revenue	50,708	18.4%	52,377	22.4%
Total Revenue	\$ 275,888	100.0%	\$ 233,411	100.0%

System and wire revenues in the BioSpin segment include nuclear magnetic resonance systems, magnetic resonance imaging systems, electron paramagnetic resonance systems, Minispec systems, power supplies and our LTS and HTS wire business. Other system revenues in the BioSpin segment relate primarily to the distribution of products not manufactured by the BioSpin segment. Aftermarket revenues in the BioSpin segment include accessory sales, consumables, training and services.

Income from Operations

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The following table presents income from operations and operating margins on revenue by reportable segment for the six months ended June 30, 2008 and 2007 (dollars in thousands):

	2008		2007	
	Operating Income	Operating Margin	Operating Income	Operating Margin
BioScience	\$ 18,476	6.1%	\$ 17,067	7.2%
BioSpin	36,532	13.2%	31,196	13.4%
Corporate, Eliminations and Other (a)	(10,639)		(6,767)	
Total Operating Income	\$ 44,369	8.1%	\$ 41,496	9.3%

(a) Represents corporate costs not allocated to the reportable segments.

BioScience segment income from operations for the six months ended June 30, 2008, was \$18.5 million, resulting

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in an operating margin of 6.1%, compared to income from operations of \$17.1 million, resulting in an operating margin of 7.2%, for the comparable period of 2007. The increase in income from operations was driven by an increase in revenues offset partially by lower gross profit margins and increases in operating expenses. The increase in costs is, in part, attributable to changes in foreign currency exchange rates, primarily the Euro, as a majority of our production and research and development is performed in Europe. However, increases in headcount, primarily in sales and marketing, and research and development material costs also contributed to the increase in expenses for the six months ended June 30, 2008.

BioSpin segment income from operations for the six months ended June 30, 2008, was \$36.5 million, resulting in an operating margin of 13.2%, compared to income from operations of \$31.2 million, resulting in an operating margin of 13.4%, for the comparable period of 2007. The increase in income from operations was attributable primarily to an increase in revenue and higher gross profit margins offset partially by higher operating expenses. The increase in gross profit margins is the result of improved utilization driven by higher revenues. The increase in costs relates primarily to research and development expenses and is associated with changes in foreign currency exchange rates and higher material costs associated with new product development.

LIQUIDITY AND CAPITAL RESOURCES

We currently anticipate that our existing cash and credit facilities will be sufficient to support our operating and investing needs for at least the next twelve months, but this depends on our profitability and our ability to manage working capital requirements. Our future cash requirements will also be affected by acquisitions that we may consider. Historically, we have financed our growth through a combination of debt financings and issuances of common stock. In the future, there can be no assurances that additional financing alternatives will be available to us if required, or if available, will be obtained on terms favorable to us.

During the six months ended June 30, 2008, net cash provided by operating activities was \$18.1 million compared to net cash provided by operating activities of \$16.6 million during the six months ended June 30, 2007. Cash provided by operating activities in the six months ended June 30, 2008 was attributable to the results of operations offset partially by changes in the components of working capital. Cash provided by operating activities in the six months ended June 30, 2007 was also attributable to the results of operations offset partially by changes in the components of working capital.

During the six months ended June 30, 2008, net cash used by investing activities was \$(28.0) million, compared to net cash used by investing activities of \$(15.6) million during the six months ended June 30, 2007. Cash used by investing activities during the six months ended June 30, 2008 was attributable to \$27.1 million of capital expenditures and \$7.3 million used for acquisition related costs and acquisitions. These uses were offset partially by \$9.8 million of proceeds from the sale of short-term investments. Cash used by investing activities during the six months ended June 30, 2007 was attributable to \$13.0 million of capital expenditures and \$2.5 million for acquisitions.

During the six months ended June 30, 2008, net cash used by financing activities was \$(217.5) million, compared to net cash used by financing activities of \$(34.5) million during the six months ended June 30, 2007. Cash used by financing activities during the six months ended June 30, 2008 was attributable to \$386.0 million paid to certain shareholders in connection with the acquisition of Bruker BioSpin and \$23.4 million of withholding taxes paid by the Company in connection with a dividend declared by Bruker BioSpin prior to the acquisition. These uses were offset, in part, by \$193.4 million of net borrowings under long-term and short-term investments. Cash used by financing activities during the six months ended June 30, 2007 was attributable to a \$37.6 million dividend payment to the shareholders of Bruker BioSpin and \$15.2 million in net repayments of short-term and long-term debt offset partially by \$18.4 million in net proceeds from the offering of common stock.

On February 26, 2008, the Company completed its acquisition of Bruker BioSpin for \$914.0 million. The acquisition of Bruker BioSpin was financed with 57,544,872 shares of unregistered common stock valued at \$526.0 million based on the trailing 10 day trading average closing price of \$9.14 per share as of two days prior to the signing of the transaction agreements, \$351.0 million of cash obtained under new credit facilities and the balance with cash on hand. The Credit Agreement with a syndication of lenders provides for a revolving credit line with a maximum commitment of \$230.0 million and a term loan facility of \$150.0 million. The outstanding principal under the term loan is payable in quarterly installments through December 2012. Borrowings under the Credit Agreement bear interest, at the Company's option, at either (i) the higher of the prime rate or the federal funds rate plus 0.50%, or (ii) adjusted LIBOR, plus margins ranging from 0.40% to 1.25% and a facility fee ranging from 0.10% to 0.20%. As

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of June 30, 2008, the weighted-average interest rate of borrowings under the Credit Agreement was approximately 4.0%.

Borrowings under the Credit Agreement are secured by the pledge to the banks of 100% of the capital stock of each of the Company's wholly-owned domestic subsidiaries and 65% of the capital stock of certain of the Company's wholly-owned direct or indirect foreign subsidiaries. The Credit Agreement also requires the Company to maintain certain financial ratios related to maximum leverage and minimum interest coverage, as defined in the Credit Agreement. In addition to the financial ratios, the Credit Agreement restricts, among other things, the Company's ability to do the following: make certain payments; incur additional debt; incur certain liens; make certain investments, including derivative agreements; merge, consolidate, sell or transfer all or substantially all of the Company's assets; and enter into certain transactions with affiliates.

At June 30, 2008, we had outstanding debt totaling \$242.2 million consisting of \$194.3 million outstanding under the Credit Agreement, including \$148.1 million drawn on a term loan and \$46.2 million under revolving loans, \$33.6 million outstanding under other long-term debt arrangements, \$11.2 million outstanding under other revolving lines of credit and \$3.1 million under capital lease obligations. At December 31, 2007, we had outstanding debt totaling \$44.2 million consisting of \$28.0 million outstanding under other long-term debt arrangements, \$13.2 million outstanding under other revolving lines of credit and \$3.0 million under capital lease obligations.

Amounts outstanding under other long-term debt arrangements include both collateralized and uncollateralized arrangements with various financial institutions in Germany, Japan and a government agency in the United States. These debt arrangements consist of fixed and variable interest rates ranging from 1.8% to 8.0% at June 30, 2008. In connection with certain of these agreements, we are required to maintain certain financial ratios as defined in the agreements. At June 30, 2008, we were not in compliance with one of the covenants required by our arrangement with the government agency in the United States. The failure to meet this covenant did not trigger any cross-default provisions in other borrowing arrangements, including the Credit Agreement. On July 28, 2008, we received a limited waiver from the holder of the debt for the quarterly period ended June 30, 2008 and agreement from the holder of the debt to modify the covenant for the remainder of 2008.

Amounts outstanding under other revolving lines of credit are with various financial institutions in Germany, Switzerland, Japan and France and have aggregate maximum borrowing amounts of approximately \$90.0 million at June 30, 2008. With consideration to outstanding letters of credit, we had availability of approximately \$65.5 million under other revolving lines of credit at June 30, 2008. Our revolving lines of credit are generally uncollateralized and bear interest at variable rates ranging from 1.5% to 9.8% at June 30, 2008. Effective February 26, 2008, we terminated a \$75.0 million line of credit in the United States and replaced it with the revolving credit available under the Credit Agreement.

As of June 30, 2008, we have approximately \$26.0 million of net operating loss carryforwards available to reduce future U.S. taxable income. These losses have various expiration dates through 2027. The Company also has U.S. tax credits of approximately \$11.1 million available to offset future tax liabilities that expire at various dates. These credits include foreign tax credits of \$8.0 million expiring in various years through 2017 and research and development tax credits of \$3.1 million expiring through 2025. These operating losses and tax credit carryforwards may be subject to limitations under provisions of the Internal Revenue Code.

The following table summarizes maturities for our significant financial obligations as of June 30, 2008 (in thousands):

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Contractual Obligations	Total	Less than 1 year	1-3 Years	4-5 Years	More than 5 years
Short-term borrowings	\$ 11,153	\$ 11,153	\$	\$	\$
Long-term debt, including current portion	227,845	54,467	68,537	104,561	280
Capital lease obligations	3,152	811	1,188	595	558
Uncertain tax contingencies	19,418		19,418		
Total contractual obligations	\$ 261,568	\$ 66,431	\$ 89,143	\$ 105,156	\$ 838

Uncertain tax contingencies are positions taken or expected to be taken on an income tax return that may result in additional payments to tax authorities. The amount in the preceding table includes interest and penalties accrued related to these positions as of June 30, 2008. The total amount of uncertain tax contingencies is included in the 1-3 Years column as we are not able to reasonably estimate the timing of potential future payments. If a tax authority agrees with the tax position taken or expected to be taken or the applicable statute of limitations expires, then additional payments will not be necessary.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), *Business Combinations* (SFAS No. 141(R)). This statement will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all of the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with certain limited exceptions. In addition, SFAS No. 141(R) will change the accounting treatment for acquisition costs, in-process research and development, restructuring costs associated with business combinations and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date. SFAS No. 141(R) also includes a significant number of new disclosure requirements. Early adoption of SFAS No. 141(R) is prohibited and we will be required to apply SFAS No. 141(R) to acquisitions that occur on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51* (SFAS No. 160). This statement establishes new accounting and reporting standards for the minority interest in a subsidiary and the deconsolidation of a subsidiary. SFAS No. 160 is effective as of the beginning of fiscal 2009 and early adoption is prohibited. We have not yet assessed the effect, if any, that adoption of SFAS No. 160 will have on our results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and, thereby, improves the transparency of financial reporting. SFAS No. 161 is effective for fiscal years beginning on or after November 15, 2008. We are currently evaluating the impact that the adoption of SFAS No. 161 will have on our financial position, results of operations and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are potentially exposed to market risks associated with changes in foreign exchange rates and interest rates. We selectively use financial instruments to reduce these risks. All transactions related to risk management techniques are authorized and executed pursuant to our policies

and procedures. Analytical techniques used to manage and monitor foreign exchange and interest rate risk include market valuations and sensitivity analysis.

Impact of Foreign Currencies

We generate a substantial portion of our revenues in international markets, principally Europe and Japan, which subjects our operations to the exposure of exchange rate fluctuations. The impact of currency exchange rate movement can be positive or negative in any period. Our costs related to sales in foreign currencies are largely denominated in the same respective currencies, limiting our transaction risk exposure. However, for sales not

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denominated in U.S. Dollars, if there is an increase in the rate at which a foreign currency is exchanged for U.S. Dollars, it will require more of the foreign currency to equal a specified amount of U.S. Dollars than before the rate increase. In such cases, if we price our products in the foreign currency, we will receive less in U.S. Dollars than we did before the rate increase went into effect. If we price our products in U.S. Dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. Dollar could result in our prices not being competitive in a market where business is transacted in the local currency.

Our foreign exchange gains (losses), net, were \$(9.0) million and \$0.5 million for the six months ended June 30, 2008 and 2007, respectively. As we continue to expand internationally, we will continue to evaluate our currency risks and may utilize foreign exchange contracts more frequently in order to mitigate our foreign currency exposures. From time to time, we have entered into foreign currency contracts in order to minimize the volatility that fluctuations in exchange rates will have on the Company's cash flows related to purchases and sales denominated in foreign currencies. There were no outstanding forward currency contracts at June 30, 2008.

Impact of Interest Rates

We regularly invest excess cash in short-term investments that are subject to changes in short-term interest rates. We believe that the market risk arising from holding these financial instruments is minimal.

Our exposure related to adverse movements in interest rates is derived primarily from outstanding floating rate debt instruments that are indexed to short-term market rates. Our objective in managing our exposure to interest rates is to decrease the volatility that changes in interest rates might have on our earnings and cash flows. To achieve this objective we entered into interest rate swaps and cross currency rate swaps in order to minimize the volatility that changes in interest rates might have on earnings and cash flows.

In April 2008, we entered into an interest rate swap arrangement to pay a fixed rate of approximately 3.8% and receive a variable rate based on three month LIBOR through December 31, 2012. The initial notional amount of this interest rate swap is \$90.0 million and will amortize in proportion to the term debt component of the Credit Agreement. We have determined that this swap is an effective hedge of the variability of cash flows of the interest payments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133).

In addition, in 2002 we entered into a cross currency interest rate swap arrangement under which the Company receives semiannual interest payments in Euros based on a variable interest rate equal to the six-month EURIBOR rate in exchange for semiannual payments in Swiss francs at a fixed rate of 4.97% through December 2011. The notional amount of this interest rate swap arrangement was \$5.0 million at June 30, 2008. In 1999, the Company entered into an interest rate swap arrangement to pay a 4.60% fixed rate of interest and receive a variable rate of interest based on the Securities Industry and Financial Markets Municipal Swap Index through December 2013. The notional amount of this interest rate swap arrangement was \$1.5 million at June 30, 2008. We have determined that these swaps are not effective in offsetting the change in interest rates on the cash flows being hedged as defined by SFAS No. 133.

A 10% increase or decrease in the average cost of our variable rate debt would not result in a material change in pre-tax interest expense.

Inflation

We do not believe inflation had a material impact on our business or operating results during any of the periods presented.

ITEM 4. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures that are designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) by others within our organization. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of

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June 30, 2008. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of June 30, 2008, to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2008 that materially affected, or are reasonably likely to affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except as set forth below, there have been no material changes to the legal proceedings disclosed in Part I, Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

Our subsidiary Bruker Daltonics is party to an Agreement with Isis Pharmaceuticals, Inc. regarding the manufacture and sale of certain systems sold by Isis which incorporate mass spectrometers from Bruker Daltonics. A dispute previously arose regarding the performance of each party under the Agreement. Pursuant to the Agreement's dispute resolution mechanism, the parties had a series of executive level meetings and engaged in mediation with a third party mediator. These efforts did not resolve the dispute, and in May 2008 Bruker Daltonics filed suit against Isis and its wholly owned subsidiary Ibis Biosciences, Inc. Isis and Ibis have answered this complaint and asserted counterclaims that Bruker Daltonics breached the Agreement. Bruker Daltonics believes that the counterclaims of Ibis and Isis are without merit and intends to pursue this litigation vigorously.

As previously disclosed in Part I, Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2007, on October 10, 2007, Brian Lamy, a former employee of Bruker BioSpin Corporation, filed a complaint with the United States Department of Labor's Occupational Health and Safety Administration (OSHA) alleging discriminatory employment practices in violation of Section 806 of the Sarbanes-Oxley Act arising from Bruker BioSpin Corporation's termination of his employment in July 2007. At the time of the complaint, Bruker BioSpin Corporation was an affiliate of the Company under common control of the Company. As a result of the Company's acquisition of the Bruker BioSpin group of companies, Bruker BioSpin Corporation is now a wholly-owned subsidiary of the Company.

Mr. Lamy also contacted the Securities and Exchange Commission regarding his complaint. The SEC contacted counsel for the Company in February 2008 regarding this matter. Counsel for the Company at that time provided the SEC various materials relating to the matter, and the Company intends to cooperate fully with any additional requests that may be made by the SEC for information or documents.

On July 17, 2008, Mr. Lamy withdrew his action from OSHA and filed in federal court in the District of Massachusetts a substantially similar complaint against Bruker BioSpin Corporation, Bruker Corporation and Dirk Laukien, entitled *Brian Lamy v. Bruker BioSpin Corporation, Bruker Corporation f/k/a Bruker BioSciences Corporation and Dirk Laukien*, alleging termination in violation of the Sarbanes-Oxley Act.

The Audit Committee of the Company has conducted an internal review with regard to Mr. Lamy's claims and has found no evidence of any improper activity. The Company believes the allegations of Mr. Lamy's complaint to be without merit and intends to defend this matter vigorously.

ITEM 1A. RISK FACTORS

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In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007 and in Part II, Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the three months ended March 31, 2008, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) The Annual Meeting of Stockholders of the Company was held on May 8, 2008.
- (c) Proxies representing 160,382,927 shares were received. Total shares outstanding as of the record date were 163,368,791. The matters voted upon and the results of the voting at the Annual Meeting are set forth below:

- (i) To elect Collin J. D. Silva, Stephen W. Fesik Ph.D., Dirk D. Laukien, Ph.D., Richard M. Stein and Bernhard Wangler as a Class II director to hold office until the 2011 Annual Meeting:

(i)	Collin J. D. Silva as Class II director		
	Votes for		159,762,613
	Votes withheld		620,314
(ii)	Stephen W. Fesik Ph.D. as Class II director		
	Votes for		159,566,905
	Votes withheld		816,022
(iii)	Dirk D. Laukien, Ph.D. as Class II director		
	Votes for		145,521,436
	Votes withheld		14,861,491
(iv)	Richard M. Stein as Class II director		
	Votes for		144,374,888
	Votes withheld		16,008,039
(v)	Bernhard Wangler as Class II director		
	Votes for		144,303,358
	Votes withheld		16,079,569

- (ii) To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2008:

Votes for	160,136,736
Votes against	222,858
Votes abstaining	23,333

Except as set forth above, there were no shares abstaining and no broker non-voting shares cast.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
32.1	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (2)

(1) Filed herewith.

(2) Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRUKER CORPORATION

Date: August 11, 2008

By: /s/ FRANK H. LAUKIEN, PH.D.
Frank H. Laukien, Ph.D.

President, Chief Executive Officer and Chairman

(Principal Executive Officer)

Date: August 11, 2008

By: /s/ WILLIAM J. KNIGHT
William J. Knight

Chief Financial Officer

(Principal Financial and Accounting Officer)