



October 24, 2005

Ashland Inc. Reports Preliminary Results for September Quarter and Fiscal 2005

COVINGTON, Ky., Oct. 24 /PRNewswire-FirstCall/ -- Ashland Inc. (NYSE: ASH) today announced preliminary* results for the fiscal fourth quarter ended Sept. 30, 2005. Net income was \$93 million, or \$1.24 per share. As compared with the 2004 fourth quarter:

- * Total Chemical Sector operating income reached \$78 million for the quarter, up slightly
 - Ashland Distribution operating income increased to a record \$28 million, up 22 percent
 - Ashland Specialty Chemical operating income grew to a record \$29 million, up 21 percent
 - Valvoline recorded operating income of \$21 million for the quarter, down 30 percent
- * Transportation Construction Sector recorded operating income of \$43 million, down 39 percent

(Logo: <http://www.newscom.com/cgi-bin/prnh/20040113/ASHLANDLOGO>)

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding Ashland's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's Annual Report or Form 10-K for the most recently ended fiscal year.

Net income for Ashland's fiscal fourth quarter, ended Sept. 30, 2005, amounted to \$93 million as compared with \$200 million in the prior-year quarter. Earnings per share amounted to \$1.24 in the 2005 quarter versus \$2.76 per share in the September 2004 quarter. The prior-year quarter included operating income of \$146 million from Ashland's 38-percent interest in Marathon Ashland Petroleum LLC, our maleic anhydride business and 60 Valvoline Instant Oil Change units that were transferred to Marathon Oil Corp. in the June 2005 quarter (collectively referred to as the "MAP Transaction"). The September 2005 quarter benefited from a \$33 million decline in net interest and other financial costs, resulting from the retirement of debt and other financings and the investment of the remaining proceeds from the MAP Transaction.

During the September 2005 quarter, Ashland recorded a pretax charge of \$13 million for the estimated impact of hurricanes Katrina and Rita on future insurance premiums due Oil Insurance Limited (OIL), the energy-industry mutual insurance consortium in which Ashland participates. These estimates may change as additional information becomes available. Ashland has given notice to OIL that it will terminate its participation effective December 31, 2005. Also during the quarter, Ashland recorded \$39 million in tax benefits unrelated to current-period operations. These benefits resulted primarily from a favorable settlement with the Internal Revenue Service for the 1996 - 1998 audit period and the reevaluation of income tax reserves related to other years. Operating income from ongoing businesses was \$66 million in the September 2005 quarter as compared with \$122 million in the same quarter of 2004.

For its fiscal year ended Sept. 30, 2005, Ashland recorded net income of \$2.0 billion versus \$378 million in fiscal 2004. The results for fiscal 2005 included a gain of \$1.3 billion on the MAP Transaction and a loss of \$145 million on the early retirement of debt. Operating income from ongoing businesses was \$218 million in fiscal 2005 as compared with \$256 million in fiscal 2004.

A detailed analysis of Ashland's earnings for fiscal 2005 appears on page 5 of the attached financial statements.

"Fiscal 2005 was an extraordinary year with our exit from the petroleum refining and marketing industry," said James J. O'Brien, Ashland chairman and chief executive officer. "The quarter, however, was challenging. Disruptions caused by hurricanes and escalating energy prices put pressure on operations in our two industry sectors, Chemical and Transportation Construction, and our results were mixed. As expected, results from our Valvoline and APAC businesses declined. I am encouraged,

however, by the continued strong performances of our Specialty Chemical and Distribution businesses. We believe they are positioned to steer through changing economic conditions better than chemical industry norms."

For the fourth quarter, in the Chemical Sector, record performances by the Ashland Distribution and Ashland Specialty Chemical divisions were offset by weak results from Valvoline. As a result, operating income for the Chemical Sector amounted to \$78 million, a slight improvement over the \$77 million of operating income in the September 2004 quarter.

Ashland Specialty Chemical reported record operating income for the September 2005 quarter of \$29 million, up 21 percent over a record fourth quarter established last year. Sales and operating revenues grew to \$446 million for the quarter, a 21-percent increase over the fourth quarter last year. Revenue growth was driven by higher selling prices, as well as the contribution of sales from the DERA-KANE[®] resins business acquired in December 2004. The increase in operating income reflected a combination of revenue and margin growth.

Ashland Distribution earned \$28 million of operating income in the September 2005 quarter -- its seventh consecutive record quarter. Operating income increased by 22 percent compared with the previous quarter a year ago. Sales and operating revenues increased 11 percent versus the year-ago quarter to \$972 million. The division has maintained operating margins by passing through rising raw material costs and by aggressively managing expenses. Volume declined by 3 percent compared to the prior-year quarter, primarily reflecting the disposition of the ingestible ingredients business (2 percent).

Valvoline's operating income for the September 2005 quarter was \$21 million, down 30 percent from the September quarter a year ago, primarily due to the combination of a 13-percent decrease in lubricant sales volumes, including a 17-percent decline in North American branded volume, and higher raw material costs. Sales and operating revenues were \$339 million for the quarter, 4 percent below the September 2004 quarter. Valvoline International reported a record quarter, mostly due to better earnings from operations in Europe and Latin America.

The Transportation Construction Sector, commercially known as Ashland Paving And Construction, Inc. (APAC), reported operating income of \$43 million for the September 2005 quarter, compared to \$70 million in the 2004 quarter. Results for the September 2005 quarter reflect work disruptions and rapid increases in raw material and energy costs due to the active hurricane and tropical storm season in the quarter. These increases in raw material and energy costs resulted in additional loss provisions for certain construction jobs awarded in prior periods. In total, the provision for job loss reserves was \$6.4 million higher than that recorded in the September 2004 quarter. At Sept. 30, APAC's construction backlog, which consists of work awarded and funded but not yet performed, was \$2.0 billion, up 17 percent from the same period last year.

Today at 5 p.m. (EDT), Ashland will provide a live webcast of its quarterly presentation to securities analysts. The webcast will be accessible through Ashland's website, www.ashland.com. Following the live event, an archived version of the webcast will be available for 12 months at www.ashland.com/investors.

Ashland Inc. (NYSE: ASH) is a Fortune 500 chemical and transportation construction company providing products, services and customer solutions throughout the world. To learn more about Ashland, visit www.ashland.com.

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* Preliminary Results

Financial results are preliminary until the Company's 2005 Annual Report on Form 10-K is filed with the U.S. Securities and Exchange Commission.

This filing is expected to be made in December 2005.

Forward-Looking Statements

This news release contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to Ashland's operating performance. These estimates are based upon a number of assumptions, including those mentioned within this news release. Such estimates are also based upon internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, weather, operating efficiencies and economic conditions, such as prices, supply and demand, cost of raw materials, and legal proceedings and claims (including environmental and asbestos matters). Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected herein will be achieved. This forward-looking information may prove to be inaccurate and actual results may differ significantly from those anticipated if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized or if other unexpected conditions or events occur. Other factors and risks affecting Ashland are contained in Ashland's Form 10-K, as amended, for the fiscal year ended Sept. 30, 2004. Ashland undertakes no obligation to subsequently update or revise the forward-looking statements made in this news release to reflect events or circumstances after the date of this release.

Ashland Inc. and Consolidated Subsidiaries

STATEMENTS OF CONSOLIDATED INCOME

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

	Three months ended		Year ended	
	September 30		September 30	
	2005	2004	2005	2004
REVENUES				
Sales and operating revenues	\$2,538	\$2,334	\$9,270	\$8,301
Equity income	1	155	531	432
Other income	10	14	59	48
	2,549	2,503	9,860	8,781
COSTS AND EXPENSES				
Cost of sales and operating expenses	2,145	1,946	7,823	6,948
Selling, general and administrative expenses	338	289	1,296	1,171
	2,483	2,235	9,119	8,119
OPERATING INCOME				
	66	268	741	662
Gain on the MAP Transaction (a)	(8)	-	1,287	-
Loss on early retirement of debt	-	-	(145)	-
Net interest and other financial costs	7	(26)	(82)	(114)
INCOME FROM CONTINUING OPERATIONS				
BEFORE INCOME TAXES	65	242	1,801	548
Income taxes	29	(39)	186	(150)
INCOME FROM CONTINUING OPERATIONS				
	94	203	1,987	398
Results from discontinued operations (net of income taxes)	(1)	(3)	(1)	(20)
NET INCOME				
	\$ 93	\$ 200	\$1,986	\$ 378
DILUTED EARNINGS PER SHARE				
Income from continuing operations	\$ 1.25	\$ 2.81	\$26.62	\$ 5.59
Results from discontinued operations	(.01)	(.05)	(.01)	(.28)
Net income	\$ 1.24	\$ 2.76	\$26.61	\$ 5.31
AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS				
	75	72	75	71
SALES AND OPERATING REVENUES				
APAC	\$ 826	\$ 770	\$2,539	\$2,525
Ashland Distribution	972	873	3,810	3,199
Ashland Specialty Chemical	446	369	1,763	1,386
Valvoline	339	352	1,326	1,297
Intersegment sales	(45)	(30)	(168)	(106)
	\$2,538	\$2,334	\$9,270	\$8,301
OPERATING INCOME				
APAC	\$ 43	\$ 70	\$ 48	\$ 111
Ashland Distribution	28	23	123	78
Ashland Specialty Chemical	29	24	134	87
Valvoline	21	30	90	105
Refining and Marketing (b)	(2)	151	484	383
Corporate	(53)	(30)	(138)	(102)
	\$ 66	\$ 268	\$ 741	\$ 662

(a) "MAP Transaction" refers to the June 30, 2005 transfer of Ashland's 38% interest in Marathon Ashland Petroleum LLC (MAP), Ashland's maleic anhydride business and 60 Valvoline Instant Oil Change centers in Michigan and northwest Ohio to Marathon Oil Corporation in a transaction valued at approximately \$3.7 billion.

(b) Includes Ashland's equity income from MAP, amortization related to Ashland's excess investment in MAP, and other activities associated with refining and marketing.

Ashland Inc. and Consolidated Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions - preliminary and unaudited)

September 30

	2005	2004		
ASSETS				
Current assets				
Cash and cash equivalents			\$ 987	\$ 243

Available-for-sale securities	403	-
Accounts receivable	1,603	1,290
Inventories	527	458
Deferred income taxes	127	103
Other current assets	148	208
	3,795	2,302
Investments and other assets		
Investment in Marathon Ashland Petroleum LLC (MAP)	-	2,713
Goodwill	577	513
Asbestos insurance receivable (noncurrent portion)	370	399
Deferred income taxes	154	-
Other noncurrent assets	480	319
	1,581	3,944
Property, plant and equipment		
Cost	3,274	3,104
Accumulated depreciation, depletion and amortization	(1,852)	(1,848)
	1,422	1,256
	\$ 6,798	\$ 7,502
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Debt due within one year	\$ 12	\$ 439
Trade and other payables	1,523	1,362
Income taxes	9	14
	1,544	1,815
Noncurrent liabilities		
Long-term debt (less current portion)	82	1,109
Employee benefit obligations	358	428
Deferred income taxes	-	367
Reserves of captive insurance companies	182	179
Asbestos litigation reserve (noncurrent portion)	521	568
Other long-term liabilities and deferred credits	390	330
	1,533	2,981
Stockholders' equity	3,721	2,706
	\$ 6,798	\$ 7,502

Ashland Inc. and Consolidated Subsidiaries

STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions - preliminary and unaudited)

	Year ended	
September 30	2005	2004
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	\$ 1,987	\$ 398
Adjustments to reconcile to cash flows from operations		
Depreciation, depletion and amortization	193	193
Deferred income taxes	(515)	125
Equity income from affiliates	(531)	(432)
Distributions from equity affiliates	281	169
Gain on the MAP Transaction	(1,287)	-
Loss on early retirement of debt	145	-
Change in operating assets and liabilities (a)	(228)	(246)
Other items	(5)	2

	40	209
CASH FLOWS FROM FINANCING		
Proceeds from issuance of common stock	115	108
Repayment of long-term debt	(1,552)	(100)
Repurchase of common stock	(100)	-
Increase (decrease) in short-term debt	(40)	40
Cash dividends paid	(79)	(77)
(1,656) (29)		
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment (b)	(380)	(210)
Purchase of operations - net of cash acquired	(156)	(5)
Cash proceeds from sale of operations (c)	3,306	48
Purchases of available-for-sale securities	(402)	-
Proceeds from sales and maturities of available-for-sale securities	1	-
Other - net	19	26
2,388 (141)		
CASH PROVIDED BY CONTINUING OPERATIONS		
Cash used by discontinued operations	(28)	(19)
INCREASE IN CASH AND CASH EQUIVALENTS	\$ 744	\$ 20
DEPRECIATION, DEPLETION AND AMORTIZATION		
APAC	\$ 93	\$ 95
Ashland Distribution	18	18
Ashland Specialty Chemical	44	41
Valvoline	27	27
Corporate	11	12
	\$ 193	\$ 193
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
APAC	\$ 200	\$ 73
Ashland Distribution	26	10
Ashland Specialty Chemical	64	62
Valvoline	66	26
Corporate	24	39
	\$ 380	\$ 210

(a) Excludes changes resulting from operations acquired or sold. Amount for 2005 includes a \$150 million reduction in accounts receivable sold under a sale of receivables financing program.

(b) Amount for 2005 includes \$101 million for purchases of previously leased assets with proceeds from the MAP Transaction.

(c) Amount for 2005 includes cash proceeds (net of expenses) of \$3,290 million from the MAP Transaction.

Ashland Inc. and Consolidated Subsidiaries

OPERATING INFORMATION BY INDUSTRY SEGMENT

(In millions - preliminary and unaudited)

	Three months ended		Year ended	
	September 30 2005	September 30 2004	September 30 2005	September 30 2004
APAC				
Construction backlog at September 30 (a)			\$ 2,038	\$ 1,746
Net construction job revenues (b)	\$ 492	\$ 451	\$ 1,458	\$ 1,433

Hot-mix asphalt production (tons)	10.3	10.7	31.3	33.4
Aggregate production (tons)	8.8	8.7	31.4	29.6
ASHLAND DISTRIBUTION (c)				
Sales per shipping day	\$ 15.2	\$ 13.6	\$ 15.1	\$ 12.6
Gross profit as a percent of sales	9.3%	9.5%	9.7%	9.6%
ASHLAND SPECIALTY CHEMICAL (c)				
Sales per shipping day	\$ 7.0	\$ 5.8	\$ 7.0	\$ 5.4
Gross profit as a percent of sales	27.4%	25.5%	26.6%	27.9%

VALVOLINE

Lubricant sales (gallons)	44.0	50.3	175.4	191.6
Premium lubricants (percent of U.S. branded volumes)	23.1%	22.9%	23.4%	21.5%

(a) Includes APAC's proportionate share of the backlog of unconsolidated joint ventures.

(b) Total construction job revenues, less subcontract costs.

(c) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses.

Ashland Inc. and Consolidated Subsidiaries

COMPONENTS OF NET INCOME

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

	Year ended September 30, 2005			
	Ongoing	Businesses	Impact of	
	Businesses	Sold and	MAP	
		Interest	Transaction	
		Eliminated	and Debt	Total
OPERATING INCOME				
APAC	\$ 48	\$	\$	\$ 48
Ashland Distribution	123			123
Ashland Specialty Chemical	131	3		134
Valvoline	89	1		90
Refining and Marketing	(35)	519		484
Corporate	(138)			(138)
OPERATING INCOME	218	523		741
Gain on the MAP Transaction	-		1,287	1,287
Loss on early retirement of debt	-		(145)	(145)
Net interest and other financial costs	4	(86)		(82)
INCOME FROM CONTINUING OPERATIONS				
BEFORE INCOME TAXES	222	437	1,142	1,801
Income taxes	(25)	(171)	382	186
INCOME FROM CONTINUING OPERATIONS	197	266	1,524	1,987
Results from discontinued operations	(1)			(1)
NET INCOME	\$ 196	\$ 266	\$ 1,524	\$ 1,986
DILUTED EARNINGS PER SHARE				
Income from continuing operations	\$ 2.64	\$ 3.57	\$ 20.41	\$ 26.62
Results from discontinued operations	(0.01)			(0.01)
Net income	\$ 2.63	\$ 3.57	\$ 20.41	\$ 26.61

SOURCE Ashland Inc.

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