



July 25, 2005

Ashland Inc. Reports Record Earnings from Operations for June Quarter

COVINGTON, Ky., July 25 /PRNewswire-FirstCall/ -- The following was issued today by Ashland Inc. (NYSE: ASH):

Fiscal 2005: June quarter highlights

- * Completion of MAP Transaction results in a \$1.5 billion net gain
- * Operating income up 40 percent to a record \$410 million
- * Chemical Sector operating income up 40 percent to \$105 million
- * Transportation Construction Sector operating income up 7 percent to a record \$46 million in spite of higher energy prices

Quarter ended June 30, 2005

In millions except earnings per share

	Ongoing Businesses	Businesses Sold and Interest Eliminated	MAP Transaction and Debt Repayments	TOTAL	Quarter ended June 30, 2004
Operating income	\$99	\$311	\$-	\$410	\$292
Net income	\$58	\$173	\$1,536	\$1,767	\$161
Diluted net income per share	\$.78	\$2.31	\$20.56	\$23.65	\$2.26

Ashland Inc. today reported net income of \$1.8 billion for the quarter ended June 30, the third quarter of the company's 2005 fiscal year. These results include a \$1.5 billion net gain on the sale of Ashland's 38-percent interest in Marathon Ashland Petroleum LLC, its maleic anhydride business and 60 Valvoline Instant Oil Change centers (collectively referred to as the "MAP Transaction") and the repayment of most of Ashland's debt with the proceeds. (See page 5 of the attached financial statements for an analysis of Ashland's earnings.) Excluding this gain, net income for the June 2005 quarter was \$231 million, or \$3.09 a share, compared to \$161 million, or \$2.26 a share, for the quarter last year.

"The completion of the MAP Transaction marked an extraordinary milestone in Ashland's history," said James J. O'Brien, Ashland Inc. chairman and chief executive officer. "After 81 years in the petroleum refining and marketing industry, Ashland is now focused on growth as a two-sector company with operations in chemicals and transportation construction."

O'Brien noted that the company is pleased with its June quarter performance. "Both the Chemical and Transportation Construction Sectors reported higher profits - up 40 percent and 7 percent, respectively - due mainly to improving margins."

Commenting on operations, O'Brien said operating income from refining and marketing was \$290 million for the June 2005 quarter. Strong margins throughout the quarter enabled the 41-percent improvement over the 2004 June quarter.

The Transportation Construction Sector, commercially known as Ashland Paving And Construction, Inc. (APAC), reported operating income of \$46 million for the June 2005 quarter, compared to \$43 million in the 2004 quarter. APAC achieved record third-quarter operating income despite rising hydrocarbon costs. At June 30, APAC's construction backlog, which consists of work awarded and funded but not yet performed, was \$2.1 billion, up 12 percent from the same period last year.

The Chemical Sector, which includes the Ashland Distribution, Valvoline and Ashland Specialty Chemical divisions, performed well during the quarter. Operating income amounted to \$105 million for the June 2005 quarter, a 40- percent improvement over the June 2004 quarter. Margins drove stronger earnings.

Ashland Distribution achieved record operating income for the June 2005 quarter of \$36 million, marking the sixth consecutive record quarter in operating income. The division has sustained its exceptional performance by maintaining margins in the face of rising raw material costs, managing expenses and aggressively expanding its sales reach. Margin improvement more than

offset a volume decline of 4 percent.

Valvoline's operating income for the June 2005 quarter was \$26 million, down 13 percent primarily due to the combination of a 4-percent decrease in lubricant sales volumes in a soft motor oil market and higher raw material costs. Valvoline International reported a record quarter, with operating income improving by 31 percent due mainly to better earnings from operations in Europe.

Ashland Specialty Chemical reported operating income for the June 2005 quarter of \$43 million, up 95 percent over the 2004 quarter. Strong performance resulted from better margins coupled with a 6-percent volume increase. Margin improvement reflects rising prices and partial abatement of rising raw material costs.

"Third quarter results were encouraging," said O'Brien. "Our solid financial performance is a testament to process improvement across Ashland's businesses. As we continue to make progress in both Sectors, we are confident about our ability to perform well during the remainder of fiscal 2005.

In other corporate developments, Ashland announced last week that its board of directors authorized the purchase of up to \$270 million of its common shares.

Today at 12:45 p.m. (ET), Ashland will provide a live audio 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.

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 - unaudited)

	Three months ended		Nine months ended	
	June 30		June 30	
	2005	2004	2005	2004
REVENUES				
Sales and operating revenues	\$2,492	\$2,206	\$6,731	\$5,967
Equity income	315	221	530	277
Other income	14	12	49	34
	2,821	2,439	7,310	6,278
COSTS AND EXPENSES				
Cost of sales and operating expenses	2,074	1,844	5,678	5,002
Selling, general and administrative expenses	337	303	957	882
	2,411	2,147	6,635	5,884
OPERATING INCOME	410	292	675	394
Gain on the MAP Transaction (a)	1,295	-	1,295	-
Loss on early retirement of debt	(143)	-	(145)	-
Net interest and other financial costs	(31)	(29)	(89)	(88)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,531	263	1,736	306

Income taxes	236	(96)	157	(111)
INCOME FROM CONTINUING OPERATIONS	1,767	167	1,893	195
Results from discontinued operations (net of income taxes)	-	(6)	-	(16)
NET INCOME	\$1,767	\$161	\$1,893	\$179
DILUTED EARNINGS PER SHARE				
Income from continuing operations	\$23.65	\$2.35	\$25.48	\$2.75
Results from discontinued operations	-	(.09)	-	(.22)
Net income	\$23.65	\$2.26	\$25.48	\$2.53
AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS	75	71	74	71
SALES AND OPERATING REVENUES				
APAC	\$713	\$698	\$1,713	\$1,755
Ashland Distribution	987	840	2,837	2,326
Ashland Specialty Chemical	484	366	1,318	1,017
Valvoline	354	330	987	945
Intersegment sales	(46)	(28)	(124)	(76)
	\$2,492	\$2,206	\$6,731	\$5,967
OPERATING INCOME				
APAC	\$46	\$43	\$6	\$41
Ashland Distribution	36	23	95	56
Ashland Specialty Chemical	43	22	104	63
Valvoline	26	30	69	75
Refining and Marketing (b)	290	205	486	232
Corporate	(31)	(31)	(85)	(73)
	\$410	\$292	\$675	\$394

(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 - unaudited)

		June 30	
2005	2004		
ASSETS			
Current assets			
Cash and cash equivalents		\$692	\$183
Accounts receivable proceeds from the MAP Transaction		913	-
Accounts receivable		1,520	1,217
Inventories		567	510
Deferred income taxes		113	115
Other current assets		125	204
		3,930	2,229
Investments and other assets			
Investment in MAP		-	2,568
Goodwill		576	513
Asbestos insurance receivable (noncurrent portion)		374	400
Deferred income taxes		160	-
Other noncurrent assets		501	339
1,611	3,820		
Property, plant and equipment			
Cost		3,219	3,043
Accumulated depreciation, depletion and amortization		(1,839)	(1,825)
1,380	1,218		

\$6,921	\$7,267		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
	Debt due within one year	\$78	\$204
	Trade and other payables	1,358	1,384
	Income taxes	71	15
		1,507	1,603
Noncurrent liabilities			
	Long-term debt (less current portion)	90	1,338
	Employee benefit obligations	444	394
	Deferred income taxes	-	313
	Reserves of captive insurance companies	190	196
	Asbestos litigation reserve (noncurrent portion)	534	565
	Other long-term liabilities and deferred credits	409	358
1,667	3,164		
	Common stockholders' equity	3,747	2,500
\$6,921	\$7,267		

Ashland Inc. and Consolidated Subsidiaries
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In millions - unaudited)

Nine months ended
June 30

2005	2004		
CASH FLOWS FROM OPERATIONS			
	Income from continuing operations	\$1,893	\$195
	Adjustments to reconcile to cash flows from operations		
	Depreciation, depletion and amortization (a)	141	144
	Deferred income taxes	(515)	70
	Equity income from affiliates	(530)	(277)
	Distributions from equity affiliates	277	156
	Gain on the MAP Transaction	(1,295)	-
	Loss on early retirement of debt	145	-
	Change in operating assets and liabilities (b)	(128)	(213)
	Other items	(5)	2
(17)	77		
CASH FLOWS FROM FINANCING			
	Proceeds from issuance of common stock	100	86
	Repayment of long-term debt	(1,477)	(75)
	Increase (decrease) in short-term debt	(40)	8
	Cash dividends paid	(60)	(57)
(1,477)	(38)		
CASH FLOWS FROM INVESTMENT			
	Additions to property, plant and equipment (a) (c)	(285)	(121)
	Purchase of operations - net of cash acquired	(152)	(5)
	Cash proceeds from sale of operations (d)	2,397	48
	Other - net	9	13
1,969	(65)		
CASH PROVIDED (USED) BY CONTINUING OPERATIONS			
	Cash used by discontinued operations	(26)	(14)
	INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$449	\$(40)
DEPRECIATION, DEPLETION AND AMORTIZATION			
	APAC	\$67	\$71

	Ashland Distribution	13	13
	Ashland Specialty Chemical	33	31
	Valvoline	20	20
	Corporate	8	9
\$141	\$144		
	ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
	APAC	\$155	\$29
	Ashland Distribution	16	5
	Ashland Specialty Chemical	41	33
	Valvoline	52	13
	Corporate	21	41
\$285	\$121		

- (a) Excludes amounts related to equity affiliates. Ashland's 38 percent share of MAP's DD&A was \$119 million in 2005 and \$113 million in 2004, and its share of MAP's capital expenditures was \$247 million in 2005 and \$209 million in 2004.
- (b) 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.
- (c) Amount for 2005 includes \$101 million for purchases of previously leased assets with proceeds from the MAP Transaction.
- (d) Amount for 2005 includes cash proceeds (net of expenses) of \$2,381 million from the MAP Transaction.

Ashland Inc. and Consolidated Subsidiaries
OPERATING INFORMATION BY INDUSTRY SEGMENT
(Unaudited)

	Three months ended		Nine months ended	
	June 30		June 30	
	2005	2004	2005	2004
APAC				
Construction backlog at June 30 (millions) (a)			\$2,100	\$1,869
Net construction job revenues (millions) (b)	\$424	\$409	\$966	\$982
Hot-mix asphalt production (million tons)	9.5	9.9	21.0	22.7
Aggregate production (million tons)	8.3	8.1	22.6	21.0
ASHLAND DISTRIBUTION (c)				
Sales per shipping day (millions)	\$15.4	\$13.3	\$15.1	\$12.3
Gross profit as a percent of sales	10.0%	9.8%	9.8%	9.7%
ASHLAND SPECIALTY CHEMICAL (c)				
Sales per shipping day (millions)	\$7.6	\$5.8	\$7.0	\$5.3
Gross profit as a percent of sales	27.6%	27.3%	26.3%	28.8%
VALVOLINE				
Lubricant sales (million gallons)	48.1	50.0	131.4	141.3
Premium lubricants (percent of U.S. branded volumes)	24.3%	22.0%	23.5%	21.0%
REFINING AND MARKETING (d)				
Refinery runs (thousand barrels per day)				
Crude oil refined	1,012	1,013	970	900
Other charge and blend stocks	175	142	182	174
Refined product yields (thousand barrels per day)				
Gasoline	636	623	619	596
Distillates	328	323	316	285
Asphalt	97	85	83	70
Other	140	138	150	136
Total	1,201	1,169	1,168	1,087
Refined product sales (thousand barrels per day) (e)	1,477	1,440	1,421	1,367
Refining and wholesale marketing				

margin (per barrel) (f)	\$6.69	\$5.27	\$4.58	\$2.87
Speedway SuperAmerica (SSA)				
Retail outlets at June 30			1,647	1,746
Gasoline and distillate sales (million gallons)	822	802	2,360	2,371
Gross margin - gasoline and distillates (per gallon)	\$.1211	\$.1192	\$.1165	\$.1161
Merchandise sales (millions)	\$645	\$600	\$1,786	\$1,668
Merchandise margin (as a percent of sales)	25.2%	23.4%	25.2%	24.4%

(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.

(d) Amounts represent 100% of MAP's operations, in which Ashland owned a 38% interest until June 30, 2005.

(e) Total average daily volume of all refined product sales to MAP's wholesale, branded and retail (SSA) customers.

(f) Sales revenue less cost of refinery inputs, purchased products and manufacturing expenses, including depreciation.

Ashland Inc. and Consolidated Subsidiaries

COMPONENTS OF INCOME FROM CONTINUING OPERATIONS

(In millions except per share data - unaudited)

	Three months ended June 30, 2005			
	Ongoing Businesses	Sold and Interest Eliminated	Impact of MAP Transaction and Debt Repayments	Total
OPERATING INCOME				
APAC	\$46	\$	\$	\$46
Ashland Distribution	36			36
Ashland Specialty Chemical	41	2		43
Valvoline	26	-		26
Refining and Marketing	(19)	309		290
Corporate	(31)			(31)
OPERATING INCOME	99	311	-	410
Gain on the MAP Transaction	-		1,295	1,295
Loss on early retirement of debt	-		(143)	(143)
Net interest and other financial costs	(3)	(28)		(31)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	96	283	1,152	1,531
Income taxes	(38)	(110)	384	236
INCOME FROM CONTINUING OPERATIONS	58	173	1,536	1,767
Results from discontinued operations	-			-
NET INCOME	\$58	\$173	\$1,536	\$1,767
DILUTED EARNINGS PER SHARE				
Income from continuing operations	\$.78	\$2.31	\$20.56	\$23.65
Results from discontinued operations	-			-
Net income	\$.78	\$2.31	\$20.56	\$23.65

Nine months ended June 30, 2005

	Businesses Impact of MAP			
	Ongoing Businesses	Sold and Interest Eliminated	Transaction and Debt Repayments	Total
OPERATING INCOME				
APAC	\$6	\$	\$	\$6
Ashland Distribution	95			95

Ashland Specialty Chemical	101	3		104
Valvoline	68	1		69
Refining and Marketing	(34)	520		486
Corporate	(85)			(85)
OPERATING INCOME	151	524	-	675
Gain on the MAP Transaction	-		1,295	1,295
Loss on early retirement of debt	-		(145)	(145)
Net interest and other financial costs	(7)	(82)		(89)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	144	442	1,150	1,736
Income taxes	(55)	(173)	385	157
INCOME FROM CONTINUING OPERATIONS	89	269	1,535	1,893
Results from discontinued operations	-			-
NET INCOME	\$89	\$269	\$1,535	\$1,893
DILUTED EARNINGS PER SHARE				
Income from continuing operations	\$1.20	\$3.62	\$20.66	\$25.48
Results from discontinued operations	-			-
Net income	\$1.20	\$3.62	\$20.66	\$25.48
Media Relations:	Investor Relations:			
Jim Vitak	Daragh Porter			
(614) 790-3715	(859) 815-3825			
jevitak@ashland.com	dlporter@ashland.com			

SOURCE Ashland Inc.

-0-

07/25/2005

/CONTACT: Jim Vitak, +1-614-790-3715, jevitak@ashland.com, or Daragh Porter, or +1-859-815-3825, or dlporter@ashland.com, both of Ashland Inc./
 /Photo: NewsCom: <http://www.newscom.com/cgi-bin/prnh/20040113/ASHLANDLOGO>
 AP Archive: <http://photoarchive.ap.org>
 PRN Photo Desk [photodesk@prnewswire.com/](mailto:photodesk@prnewswire.com)
 /Company News On-Call: <http://www.prnewswire.com/comp/065263.html> /
 /Web site: <http://www.ashland.com> /
 (ASH)

CO: Ashland Inc.

ST: Kentucky

IN: OIL

SU: ERN

MM-WB

-- CLM012 --

6715 07/25/2005 08:00 EDT <http://www.prnewswire.com>

"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.