



## Ashland Inc. Reports Preliminary Net Income of \$.67 Per Share for Fiscal Second Quarter

COVINGTON, Ky., April 26 /PRNewswire-FirstCall/ -- Ashland Inc. (NYSE: ASH) today announced preliminary\* results for the fiscal second quarter ended March 31, 2006. For the 2006 second quarter:

- Net income was \$49 million, or \$.67 per share, as compared with \$33 million, or \$.44 per share, in the March 2005 quarter.
- Chemical Sector operating income totaled \$58 million, down 25 percent versus the prior-year quarter, primarily due to continuing underperformance by Valvoline in the current year and gains on dispositions in the prior year.
- Transportation Construction Sector performance improved from an operating loss of \$51 million in the March 2005 quarter to a loss of \$11 million in the current quarter, which included gains of \$10 million on asset sales.

Ashland's net income comparison is affected by the June 2005 transfer of Ashland's former 38-percent interest in Marathon Ashland Petroleum LLC (MAP) to Marathon Oil Corp. (the MAP Transaction), the retirement of most of Ashland's debt and the temporary investment of the remaining proceeds. Net income in the 2005 quarter included \$37 million of net income from MAP, as well as net after-tax interest expense of \$18 million, for a net benefit of \$19 million, or \$.26 per share. The 2006 quarter included \$6 million, or \$.08 per share, of net after-tax interest income. The 2006 quarter also included tax benefits of \$8 million, or \$.11 per share, from R&D credits and favorable adjustments to tax contingency reserves.

"Our Transportation Construction Sector performed well for our second fiscal quarter, considering that it represents the winter months," said James J. O'Brien, Ashland chairman and chief executive officer. "Due to the seasonality of the construction business, results for the March quarter are typically negative in this sector. Ashland Distribution achieved its ninth consecutive record quarter for operating income. In addition, Ashland Specialty Chemical's operating income increased solidly excluding a one-time gain in 2005. Valvoline continued to experience difficult market conditions, resulting in a significant decline in operating income. Overall, with three of our four divisions performing well, we are pleased with Ashland's second- quarter results."

Ashland Specialty Chemical earned operating income for the March 2006 quarter of \$26 million, a 16-percent decline from \$31 million of operating income in the March 2005 quarter, which included a \$7 million gain on the sale of an idle plant in Plaquemine, La. Excluding that gain, operating income increased 8 percent. Sales and operating revenues grew to \$447 million during the March 2006 quarter, a 3-percent increase over the March 2005 quarter. Margin expansion drove operating income growth, while volume during the quarter was down slightly, when adjusted for the maleic anhydride business transferred to Marathon in the MAP Transaction.

Ashland Distribution earned a record \$30 million of operating income in the March 2006 quarter, 3 percent above the previous record of \$29 million for the March 2005 quarter. Sales and operating revenues increased 8 percent versus the March 2005 quarter to \$1,029 million. The division's performance for the second quarter reflects more typical margins as hurricane-related supply disruptions abated.

Valvoline's operating income for the March 2006 quarter was \$2 million, down 88 percent versus the March 2005 quarter, primarily due to rapid increases in raw material costs. Valvoline's sales and operating revenues were \$353 million for the quarter, a 9-percent increase over the March 2005 quarter, due to a combination of a 5-percent increase in lubricant volumes and higher selling prices. Valvoline has not been able to recoup through price increases the full impact of the rapidly rising cost of base lube stock. Consequently, branded lubricant margins declined 20 percent from last year's quarter. While Valvoline continued to implement price increases, margins thus far have not recovered.

The Transportation Construction Sector, known as Ashland Paving And Construction, Inc. (APAC), reported substantially improved results for the March 2006 quarter, with an operating loss of \$11 million as compared with a loss of \$51 million in the March 2005 quarter. Results for the March 2006 quarter included an \$8 million gain from the transfer of property subject to eminent domain and a \$2 million gain from the sale of assets in construction markets exited by APAC. The 2006 quarter also included a \$3 million gain on commodity hedges. APAC's improved performance primarily reflects enhanced bidding and estimating processes, resulting in higher pricing and better margins. In addition, performance was assisted by a significantly milder winter, which led to increased hot-mix asphalt and aggregate volumes. At March 31, 2006, APAC's construction backlog, which consists of work awarded and funded but not yet performed, was \$2.1 billion, equal to the prior year.

Commenting on the outlook for the year, O'Brien concluded, "Valvoline continues to experience a market environment more difficult than we've seen in over a decade. However, I am pleased with the continuing strong performance of our Ashland Distribution and Ashland Specialty Chemical divisions and the sharp improvement in APAC's performance."

Today at 11 a.m. (EDT), Ashland will provide a live webcast of its quarterly conference call with securities analysts. The webcast will be accessible through Ashland's website, [www.ashland.com](http://www.ashland.com). Following the live event, an archived version of the webcast will be available for 12 months at [www.ashland.com/investors](http://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](http://www.ashland.com).

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#### \* Preliminary Results

Financial results are preliminary until the Company's Quarterly Report on Form 10-Q is filed with the U.S. Securities and Exchange Commission. This filing is expected to be made on or before May 10, 2006.

#### 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, 2005. 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		Six months ended	
	March 31		March 31	
	2006	2005	2006	2005
<b>REVENUES</b>				
Sales and operating revenues	\$2,275	\$2,062	\$4,687	\$4,239
Equity income	2	69	4	215
Other income	22	18	37	35
	2,299	2,149	4,728	4,489
<b>COSTS AND EXPENSES</b>				
Cost of sales and operating expenses	1,936	1,754	3,965	3,603
Selling, general and administrative expenses	314	309	619	620
	2,250	2,063	4,584	4,223
<b>OPERATING INCOME</b>				
Gain (loss) on the MAP Transaction(a)	49	86	144	266
Loss on early retirement of debt	(3)	-	(2)	-
Loss on early retirement of debt	-	-	-	(2)
Net interest and other financing income (costs)	9	(29)	20	(59)
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>				
	55	57	162	205
Income taxes	(6)	(24)	(47)	(79)
<b>INCOME FROM CONTINUING OPERATIONS</b>				
	49	33	115	126
Results from discontinued operations (net of income taxes)	-	-	(1)	-
<b>NET INCOME</b>				
	\$49	\$33	\$114	\$126
<b>DILUTED EARNINGS PER SHARE</b>				
Income from continuing operations	\$.67	\$.44	\$1.59	\$1.72

Results from discontinued operations	-	-	(.02)	-
Net income	\$ .67	\$ .44	\$ 1.57	\$ 1.72
AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS	72	74	73	73
SALES AND OPERATING REVENUES				
APAC	\$489	\$388	\$1,215	\$1,000
Ashland Distribution	1,029	956	1,996	1,851
Ashland Specialty Chemical	447	434	895	833
Valvoline	353	323	663	633
Intersegment sales	(43)	(39)	(82)	(78)
	\$2,275	\$2,062	\$4,687	\$4,239
OPERATING INCOME(b)				
APAC	\$(11)	\$(51)	\$28	\$(47)
Ashland Distribution	30	29	65	49
Ashland Specialty Chemical	26	31	53	47
Valvoline	2	17	3	30
Refining and Marketing(c)	-	61	-	197
Unallocated and other	2	(1)	(5)	(10)
	\$49	\$86	\$144	\$266

(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) In October 2005, Ashland refined its segment reporting to allocate substantially all corporate expenses to Ashland's four operating divisions, with the exception of certain legacy costs or items clearly not associated with the operating divisions. Prior periods have been conformed to the current period presentation.

(c) Includes Ashland's equity income from MAP, amortization related to Ashland's excess investment in MAP and other activities associated with refining and marketing through June 30, 2005.

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

	March 31	
	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents	\$476	\$74
Available-for-sale securities	621	-
Accounts receivable	1,566	1,310
Inventories	595	546
Deferred income taxes	88	95
Refundable income taxes	50	125
Other current assets	73	83
	3,469	2,233
Investments and other assets		
Investment in Marathon Ashland Petroleum LLC (MAP)	-	2,926
Goodwill and other intangibles	641	622
Asbestos insurance receivable (noncurrent portion)	345	381
Deferred income taxes	169	-
Other noncurrent assets	491	351
	1,646	4,280
Property, plant and equipment		
Cost	3,349	3,196
Accumulated depreciation, depletion and amortization	(1,912)	(1,894)
	1,437	1,302
	\$6,552	\$7,815
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Debt due within one year	\$12	\$726
Trade and other payables	1,294	1,254

Income taxes	6	30
	1,312	2,010
Noncurrent liabilities		
Long-term debt (less current portion)	77	1,086
Employee benefit obligations	404	436
Deferred income taxes	-	264
Reserves of captive insurance companies	179	201
Asbestos litigation reserve (noncurrent portion)	500	545
Other long-term liabilities and deferred credits	386	374
	1,546	2,906
Stockholders' equity	3,694	2,899
	\$6,552	\$7,815

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

	Six months ended	
	March 31	
	2006	2005
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	\$115	\$126
Adjustments to reconcile to cash flows from operations		
Depreciation, depletion and amortization	103	93
Deferred income taxes	39	(11)
Equity income from affiliates	(4)	(215)
Distributions from equity affiliates	3	4
Change in operating assets and liabilities (a)	(279)	(242)
Other items	(1)	1
	(24)	(244)
CASH FLOWS FROM FINANCING		
Proceeds from issuance of common stock	14	51
Excess tax benefits related to share-based payments	4	6
Repayment of long-term debt	(5)	(174)
Repurchase of common stock	(138)	-
Increase in short-term debt	-	438
Cash dividends paid	(40)	(40)
	(165)	281
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(126)	(127)
Purchase of operations - net of cash acquired	(3)	(101)
Proceeds from sale of operations	12	16
Purchases of available-for-sale securities	(549)	-
Proceeds from sales and maturities of available-for-sale securities	337	-
Other - net	5	6
	(324)	(206)
CASH USED BY CONTINUING OPERATIONS	(513)	(169)
Cash provided by discontinued operations		
Operating cash flows	4	-
DECREASE IN CASH AND CASH EQUIVALENTS	\$(509)	\$(169)
DEPRECIATION, DEPLETION AND AMORTIZATION		
APAC	\$52	\$44
Ashland Distribution	10	9
Ashland Specialty Chemical	21	22
Valvoline	13	13
Unallocated and other	7	5
	\$103	\$93
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
APAC	\$51	\$62
Ashland Distribution	19	8

Ashland Specialty Chemical	31	31
Valvoline	14	14
Unallocated and other	11	12
	\$126	\$127

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

Ashland Inc. and Consolidated Subsidiaries

OPERATING INFORMATION BY INDUSTRY SEGMENT

(In millions - preliminary and unaudited)

	Three months ended		Six months ended	
	March 31		March 31	
	2006	2005	2006	2005
APAC				
Construction backlog at March 31(a)			\$2,107	\$2,135
Net construction job revenues(b)	\$257	\$198	\$681	\$542
Hot-mix asphalt production (tons)	4.2	3.7	11.9	11.5
Aggregate production (tons)	7.0	6.5	15.1	14.3
ASHLAND DISTRIBUTION(c)				
Sales per shipping day	\$16.1	\$15.4	\$16.0	\$14.9
Gross profit as a percent of sales	9.6%	9.8%	9.9%	9.7%
ASHLAND SPECIALTY CHEMICAL(c)				
Sales per shipping day	\$7.0	\$7.0	\$7.2	\$6.7
Gross profit as a percent of sales	28.4%	26.7%	27.9%	25.5%
VALVOLINE				
Lubricant sales (gallons)	44.2	42.2	82.7	83.3
Premium lubricants (percent of U.S. branded volumes)	24.3%	24.1%	23.7%	23.0%

(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.

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