



Ashland Inc. Reports Preliminary Net Income of \$0.91 Per Share for Fiscal First Quarter

COVINGTON, Ky., Jan. 25 /PRNewswire-FirstCall/ -- Ashland Inc. (NYSE: ASH) today announced preliminary* results for the fiscal first quarter ended Dec. 31, 2005. Net income was \$66 million, or \$0.91 per share. As compared with the December 2004 quarter:

- Chemical Sector operating income reached \$62 million, up 27 percent
 - Ashland Specialty Chemical operating income grew to \$27 million, up 69 percent
 - Ashland Distribution operating income increased to \$34 million, up 70 percent
 - Valvoline recorded operating income of \$1 million versus \$13 million in the prior-year period
- Transportation Construction Sector operating income rose to \$39 million versus \$4 million for the prior-year period.

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

Net income for Ashland's fiscal first quarter, ended Dec. 31, 2005, amounted to \$66 million, or \$0.91 per share, as compared with \$94 million, or \$1.28 per share, in the prior-year quarter. The 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 retirement of most of Ashland's debt and the investment of the remaining proceeds. Net income in the 2004 quarter included \$83 million of net income from MAP, as well as net, after-tax interest expense of \$18 million, for a net benefit of \$65 million, or \$.89 per share. The 2005 quarter included \$6 million, or \$.08 per share, of net, after- tax interest income.

"We are pleased with the strong start we've had to fiscal 2006," said James J. O'Brien, Ashland chairman and chief executive officer. "Three of our four businesses performed well. The continued excellent performances of Ashland Specialty Chemical and Ashland Distribution drove results in the Chemical Sector. These businesses increased revenues and expanded their profit margins in an environment of rising costs. The quarter was disappointing for Valvoline, however, as declining demand in the motor oil market, rising raw materials costs and competitive price discounting adversely affected results. The Transportation Construction Sector benefited from margin improvement due to our efforts to incorporate higher material values and energy costs into our bids, as well as more favorable weather conditions in the quarter."

Line of business results reflect new methodology for allocating substantially all corporate expenses to Ashland's four operating businesses, with the exception of certain legacy costs or items clearly not associated with the operating divisions. Accordingly, an additional \$21 million has been allocated to the divisions for the December 2005 quarter. The remaining \$6 million expense is classified as "Unallocated and other" in Ashland's segment reporting. Results for previously reported periods have been reclassified to conform with the new allocation methodology.

For the December 2005 quarter, in the Chemical Sector, robust results from Ashland Distribution and Ashland Specialty Chemical more than offset the weak performance from Valvoline. As a result, operating income for the Chemical Sector amounted to \$62 million, a 27-percent improvement over the \$49 million of operating income in the December 2004 quarter.

Ashland Specialty Chemical achieved record operating income for the December 2005 quarter of \$27 million, up 69 percent over the \$16 million of operating income in the prior-year quarter. The December 2004 quarter included approximately \$4 million in net nonrecurring gains, primarily from the termination of a product supply contract. Sales and operating revenues grew to \$449 million for the December 2005 quarter, a 12-percent increase over the December 2004 quarter. Sales from the DERAKANE[®] resins business acquired in December 2004 contributed approximately half of the growth, with the remainder mainly attributable to higher selling prices. The increase in operating income reflected a combination of revenue and margin growth.

Ashland Distribution earned \$34 million of operating income in the December 2005 quarter -- marking its eighth consecutive record quarter. Operating income increased by 70 percent compared with the prior-year quarter. Sales and operating revenues increased 8 percent versus the December 2004 quarter to \$967 million. The division's performance reflects its ability to expand margins despite rising costs of chemicals and plastics. Daily sales volume declined 4 percent, a result of the sale of the ingestibles business in the March 2005 quarter and supply disruptions from hurricanes Katrina and Rita.

Valvoline's performance for the December 2005 quarter reflected a 6-percent decrease in total lubricant volumes in a declining U.S. market for passenger-car lubricants, and continued high raw material costs. Sales and operating revenues were \$310

million for the quarter, essentially even with \$309 million of revenues in the December 2004 quarter.

The Transportation Construction Sector, commercially known as Ashland Paving And Construction, Inc. (APAC), reported operating income of \$39 million for the December 2005 quarter, compared to \$4 million in the December 2004 quarter. Results for the December 2005 quarter reflect APAC's continuing focus on incorporating increases in raw material and energy costs into its sales prices and more favorable weather conditions. Results for the December 2005 quarter also include a \$10-million gain from the transfer of property subject to eminent domain, as well as a \$4-million loss on fuel hedges. At Dec. 31, 2005, APAC's construction backlog, which consists of work awarded and funded but not yet performed, was \$1.9 billion, up 12 percent over the same period last year.

Today at 4:30 p.m. (EST), 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. 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 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 February 9, 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 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 December 31	
	2005	2004
REVENUES		
Sales and operating revenues	\$2,412	\$2,177
Equity income	2	146
Other income	15	17
	2,429	2,340
COSTS AND EXPENSES		
Cost of sales and operating expenses	2,029	1,849
Selling, general and administrative expenses	305	311
	2,334	2,160
OPERATING INCOME	95	180
Gain on the MAP Transaction (a)	2	-
Loss on early retirement of debt	-	(2)
Net interest and other financial costs	10	(29)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	107	149
Income taxes	(40)	(55)

INCOME FROM CONTINUING OPERATIONS	67	94
Results from discontinued operations (net of income taxes)	(1)	-
NET INCOME	\$66	\$94
DILUTED EARNINGS PER SHARE		
Income from continuing operations	\$.91	\$1.28
Results from discontinued operations	-	-
Net Income	\$.91	\$1.28
AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS	73	73
SALES AND OPERATING REVENUES		
APAC	\$726	\$611
Ashland Distribution	967	895
Ashland Specialty Chemical	449	400
Valvoline	310	309
Intersegment sales	(40)	(38)
	\$2,412	\$2,177
OPERATING INCOME (b)		
APAC	\$39	\$4
Ashland Distribution	34	20
Ashland Specialty Chemical	27	16
Valvoline	1	13
Refining and Marketing (c)	-	136
Unallocated and other	(6)	(9)
	\$95	\$180

(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)

	December 31	
	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	\$601	\$146
Available-for-sale securities	479	-
Accounts receivable	1,514	1,212
Inventories	584	538
Deferred income taxes	78	95
Other current assets	132	106
	3,388	2,097
Investments and other assets		
Investment in Marathon Ashland Petroleum LLC (MAP)	-	2,856
Goodwill and other intangibles	645	624
Asbestos insurance receivable (noncurrent portion)	363	396
Deferred income taxes	164	-
Other noncurrent assets	499	313
	1,671	4,189
Property, plant and equipment		

Cost	3,310	3,166
Accumulated depreciation, depletion and amortization	(1,887)	(1,889)
	1,423	1,277
	\$6,482	\$7,563
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Debt due within one year	\$12	\$575
Trade and other payables	1,228	1,197
Income taxes	2	69
	1,242	1,841
Noncurrent liabilities		
Long-term debt (less current portion)	77	1,087
Employee benefit obligations	394	438
Deferred income taxes	-	248
Reserves of captive insurance companies	183	177
Asbestos litigation reserve (noncurrent portion)	512	553
Other long-term liabilities and deferred credits	388	375
	1,554	2,878
Stockholders' equity	3,686	2,844
	\$6,482	\$7,563

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

	Three months ended December 31	
	2005	2004
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	\$67	\$94
Adjustments to reconcile to cash flows from operations		
Depreciation, depletion and amortization	51	46
Deferred income taxes	54	17
Equity income from affiliates	(2)	(146)
Distributions from equity affiliates	1	1
Change in operating assets and liabilities (a)	(312)	(70)
Other items	(3)	2
	(144)	(56)
CASH FLOWS FROM FINANCING		
Proceeds from issuance of common stock	4	20
Excess tax benefits related to share-based payments	1	2
Repayment of long-term debt	(5)	(98)
Repurchase of common stock	(96)	-
Increase in short-term debt	-	211
Cash dividends paid	(20)	(20)
	(116)	115
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(50)	(55)
Purchase of operations - net of cash acquired	-	(95)
Purchases of available-for-sale securities	(227)	-
Proceeds from sales and maturities of available-for-sale securities	152	-
Other - net	3	2

	(122)	(148)
CASH USED BY CONTINUING OPERATIONS	(382)	(89)
Cash used by discontinued operations	(2)	(8)
DECREASE IN CASH AND CASH EQUIVALENTS	\$(384)	\$(97)
DEPRECIATION, DEPLETION AND AMORTIZATION		
APAC	\$26	\$22
Ashland Distribution	5	4
Ashland Specialty Chemical	10	11
Valvoline	6	6
Unallocated and other	4	3
	\$51	\$46
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
APAC	\$25	\$33
Ashland Distribution	3	5
Ashland Specialty Chemical	12	11
Valvoline	5	5
Unallocated and other	5	1
	\$50	\$55

(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	
	December 31	
	2005	2004
APAC		
Construction backlog at December 31 (a)	\$1,941	\$1,730
Net construction job revenues (b)	\$423	\$344
Hot-mix asphalt production (tons)	7.8	7.8
Aggregate production (tons)	8.1	7.8
ASHLAND DISTRIBUTION (c)		
Sales per shipping day	\$15.9	\$14.4
Gross profit as a percent of sales	10.2%	9.6%
ASHLAND SPECIALTY CHEMICAL (c)		
Sales per shipping day	\$7.4	\$6.4
Gross profit as a percent of sales	27.4%	24.2%
VALVOLINE		
Lubricant sales (gallons)	38.5	41.1
Premium lubricants (percent of U.S. branded volumes)	22.9%	21.8%

(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.

SOURCE Ashland Inc.

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/CONTACT: Media Relations, Jim Vitak, +1-614-790-3715, or jevitak@ashland.com, or Investor Relations, Daragh Porter, +1-859-815-3825, or dlporter@ashland.com, both of Ashland Inc./

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(ASH)

CO: Ashland Inc.; Ashland Paving And Construction, Inc.; APAC

ST: Kentucky

IN: OIL CHM TRN CST

SU: ERN

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