



## **Third Quarter 2005 Results**

**Daragh Porter**  
**Vice President, Finance**  
**and Treasurer**

# Agenda

- Third Quarter 2005 Results
  - MAP Transaction
    - Near-Term Use of Proceeds
    - June 30 Balance Sheet
    - Pro Forma Third Quarter Performance
  - The New Ashland
    - Principles and Strategies
    - Transportation Construction Sector
    - Chemical Sector
    - Long-Term Use of MAP Proceeds
    - Closing Comments
  - Q&A
-

# Forward-Looking Statements

This presentation 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 presentation. 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 presentation to reflect events or circumstances after the date of this release.

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# Third Quarter 2005 Financial Results

**ASHLAND.**

\$, Millions

	On-going Businesses	Businesses Sold & Interest Eliminated	Impact of MAP Transaction & Debt Repayments	TOTAL
Operating Income	\$ 99	\$ 311	\$ -	\$ 410
Gain on MAP Transaction	-	-	1,295	1,295
Loss on early retirement of debt and leases	-	-	(143)	(143)
Interest, Net	(3)	(28)	-	(31)
Before Tax Income	96	283	1,152	1,531
Income Taxes	(38)	(110)	384	236
Net Income	\$ 58	\$ 173	\$ 1,536	\$ 1,767
EPS	\$ 0.78	\$ 2.31	\$ 20.56	\$ 23.65

# On-Going Businesses Operating Income

**ASHLAND**

\$, Millions

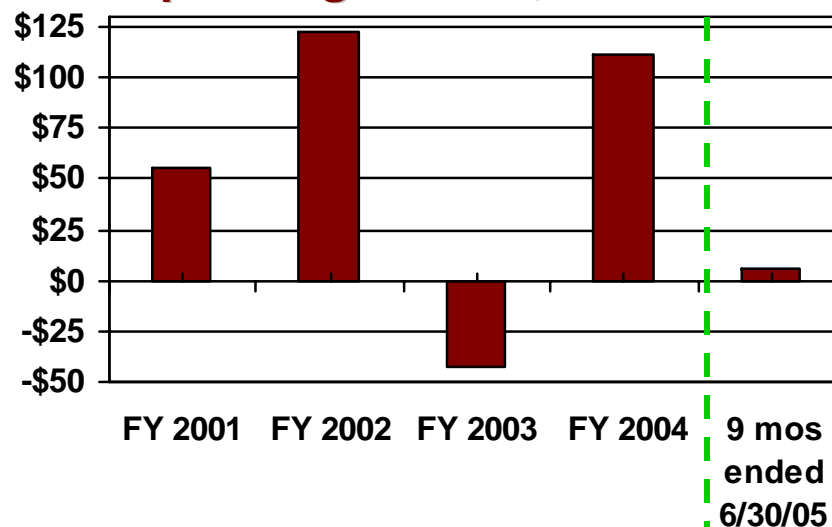
	Three Months Ended June 30				Nine Months Ended June 30
	2005		2004		2005
	On-going Businesses	Businesses Sold & Interest Eliminated	TOTAL	TOTAL	On-going Businesses
<b>Transportation</b>					
<b>Construction Sector</b>					
APAC	\$ 46		\$ 46	\$ 43	\$ 6
<b>Chemical Sector</b>					
Distribution	36		36	23	95
Specialty Chemical	41	2	43	22	101
Valvoline	26	-	26	30	68
Total Chemical Sector	103	-	105	75	264
<b>Refining &amp; Marketing</b>	(19)	309	290	205	(34)
<b>Corporate</b>	(31)	-	(31)	(31)	(85)
<b>TOTAL</b>	99	311	\$ 410	\$ 292	\$ 151

# Transportation Construction Sector - APAC

## Third Quarter Ended June 30, \$ millions

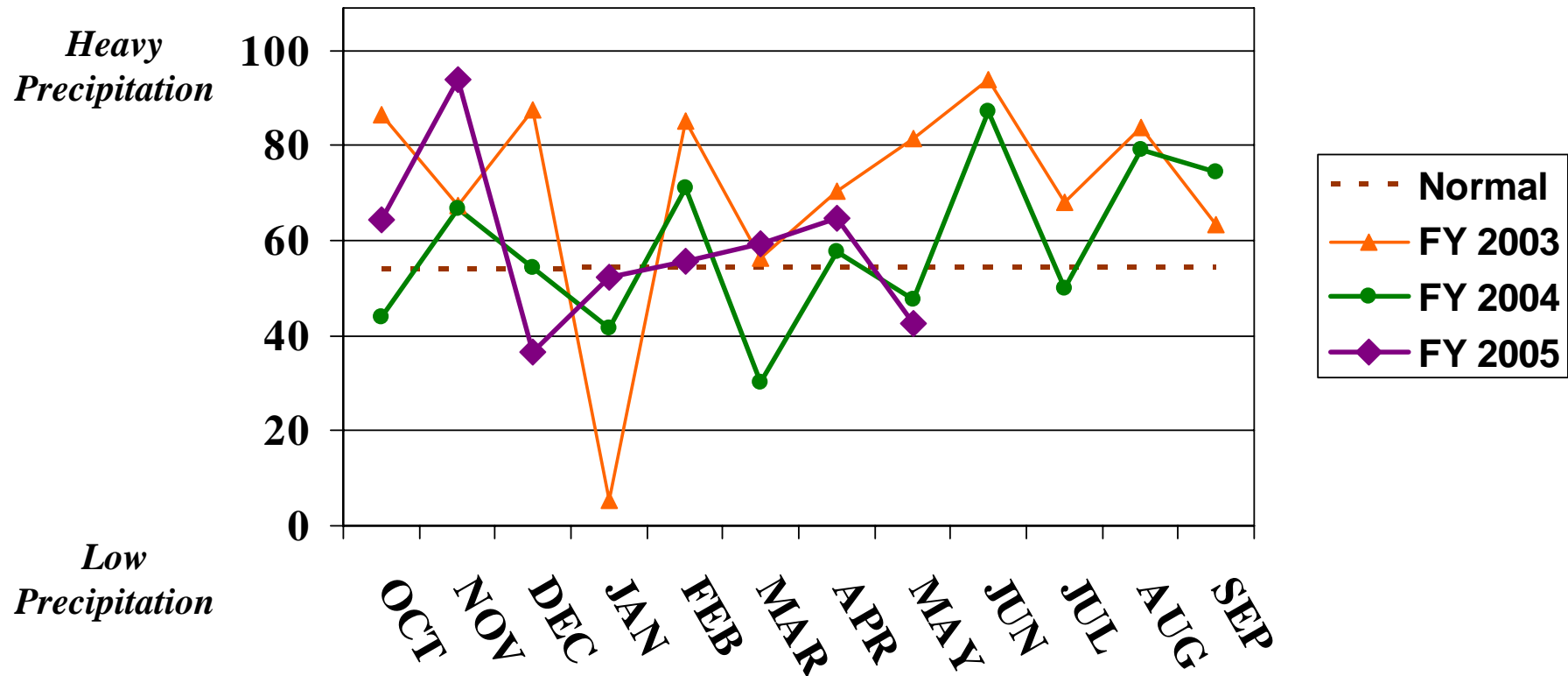
	2004	2005	% Change
Hot Mix Tons	9,877	9,496	(3.9)
Revenue	698	713	2.1
Operating Income	43	46	7.0

## Operating Income, \$ millions



# APAC Precipitation Index

ASHLAND.

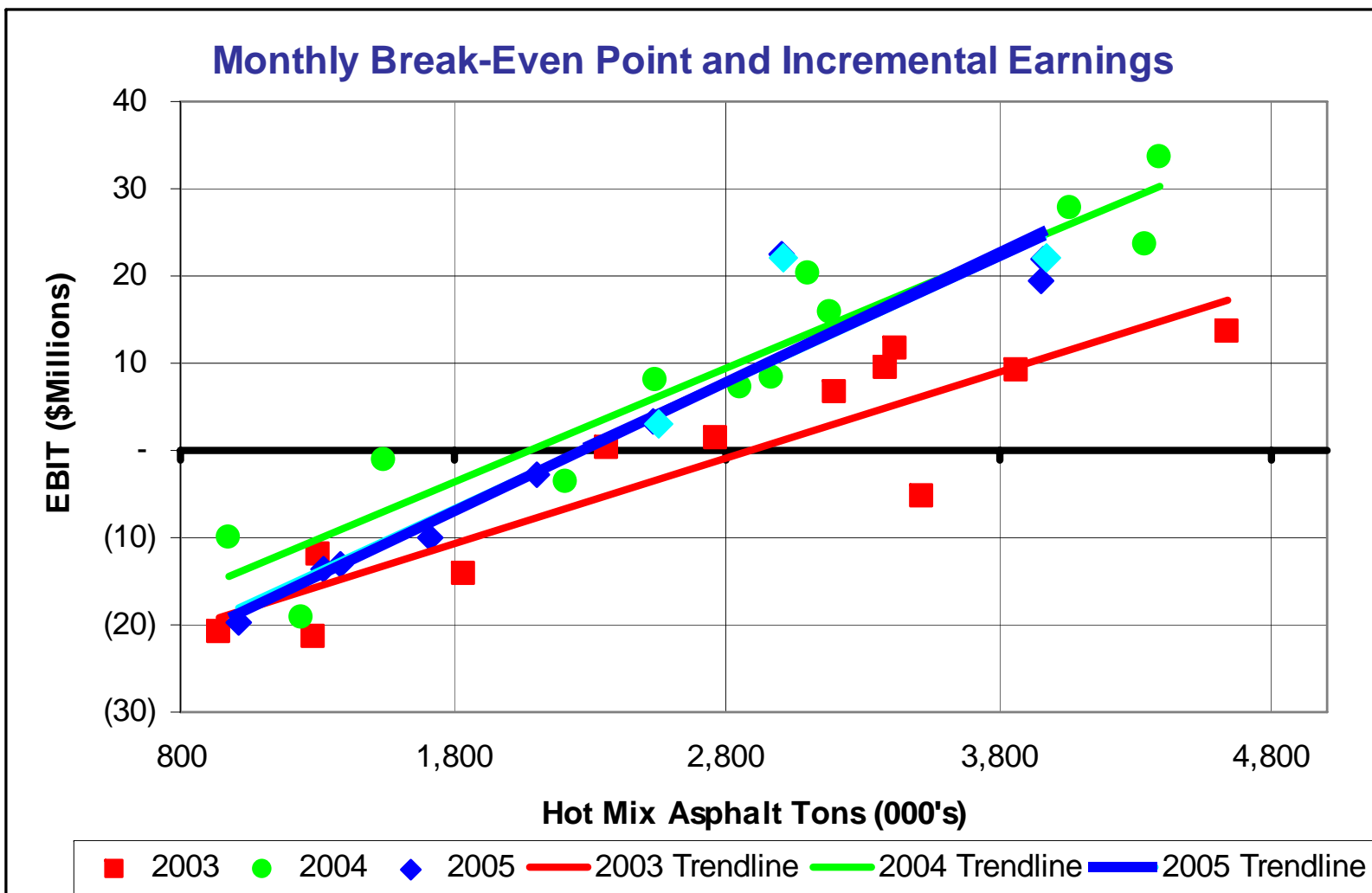


Index number represents the revenue-weighted average of individual state precipitation rankings for the states in which APAC does business compared with the same month for each of the past 107 to 109 years. An index of "1" would mean that all states in which APAC does business recorded the month as the driest for that month out of the past 109 years.

Precipitation data source: National Climatic Data Center/NESDIS/NOAA

# APAC Break-Even Data

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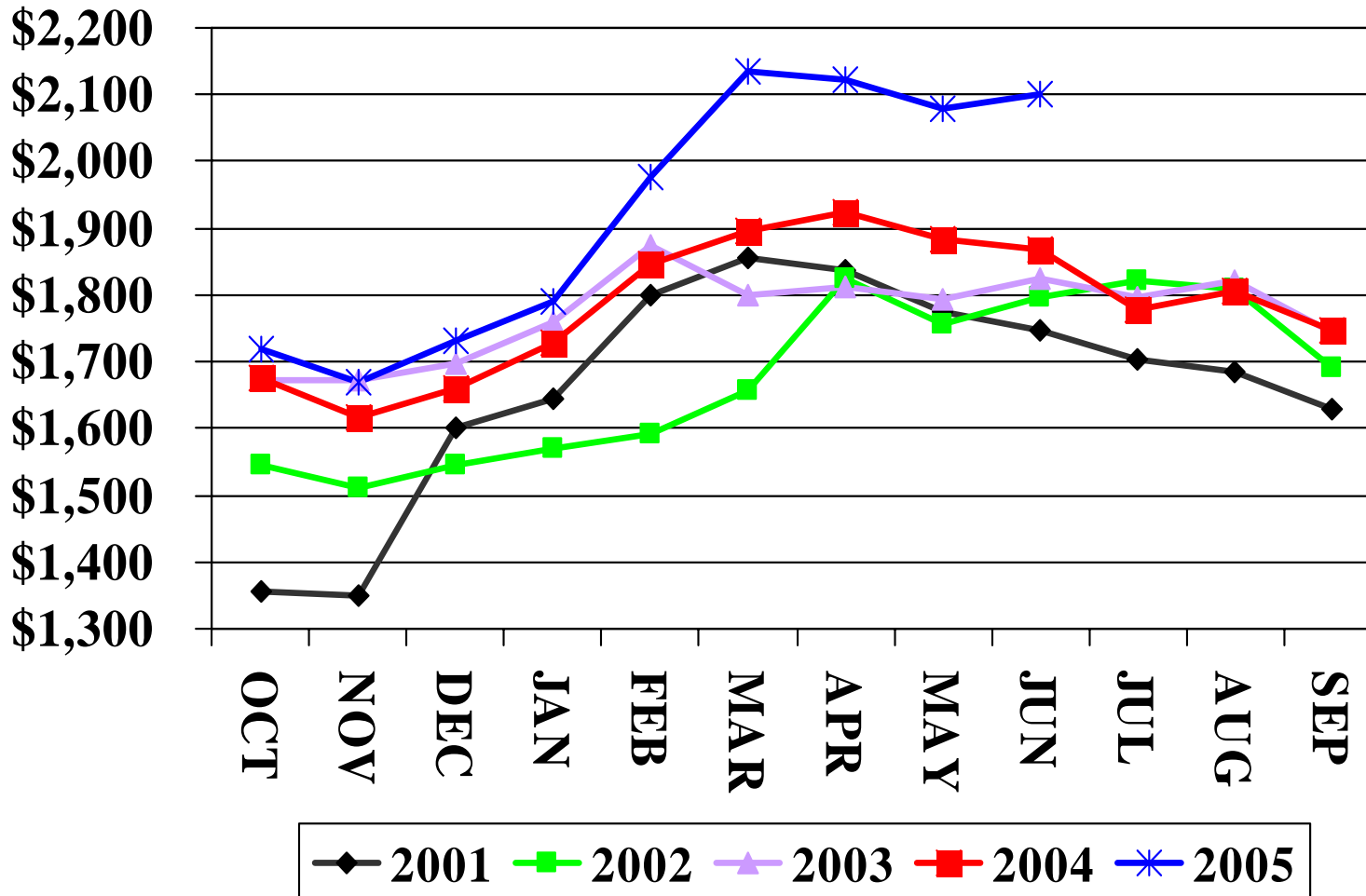




# APAC Construction Backlog

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\$ Millions



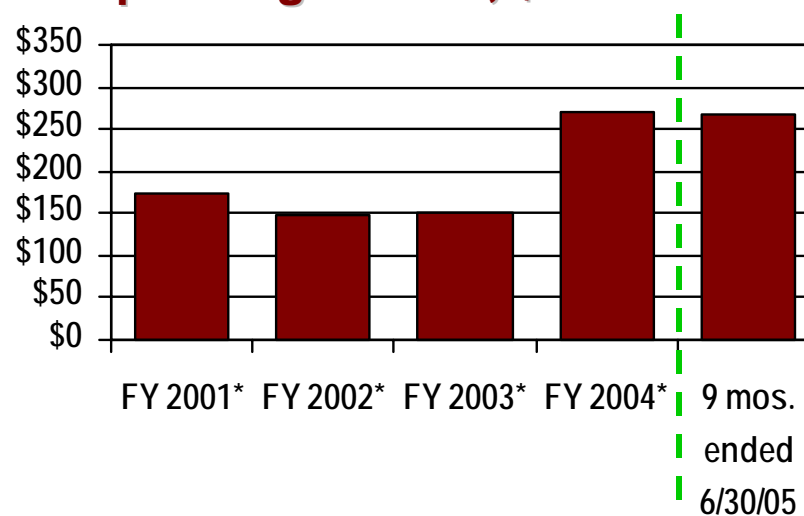
# Performance Chemical Sector

**ASHLAND.**

## Third Quarter Ended June 30, \$ millions

	2004*	2005	% Change
Revenue	1,508	1,765	17.0
Operating Income	75	103	37.3
Before Tax Margin %	5.0	5.8	16.0

## Operating Income, \$ millions



\* Prior-year data includes activity associated with the Maleic Anhydride business and 60 VIOC centers transferred to Marathon as part of the MAP Transaction.

# Performance

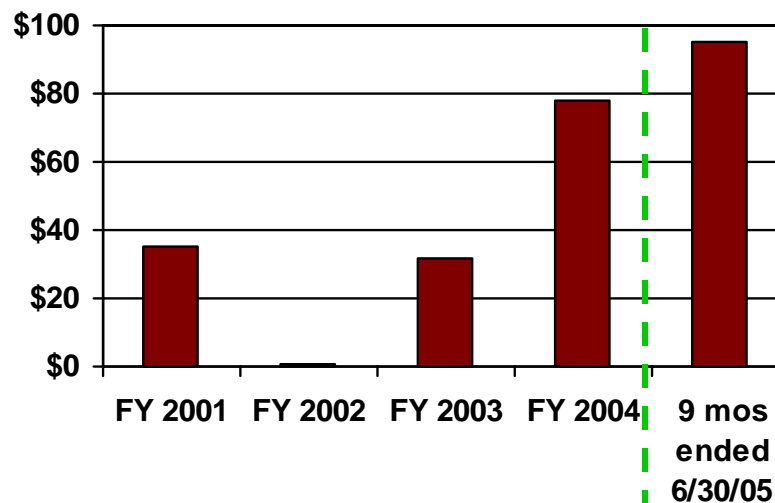
## Ashland Distribution

**ASHLAND.**

### Third Quarter Ended June 30, \$ millions

	2004	2005	% Change
Pounds/Day	20.1	19.1	(5.0)
Revenue	840	987	17.5
Operating Income	23	36	56.5

### Operating Income, \$ millions



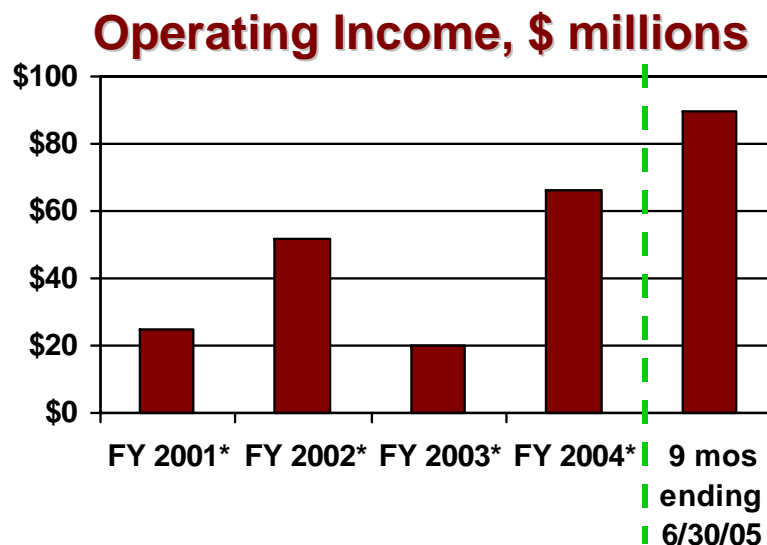
# Performance

## Ashland Specialty Chemical: Thermoset Resins

**ASHLAND.**

### Third Quarter Ended June 30, \$ millions

	2004*	2005	% Change
Pounds/Day	5,630	5,888	4.6
Revenue	275	376	36.7
Operating Income	15	37	146.7



\* Prior-year data includes activity associated with the Maleic Anhydride business transferred to Marathon as part of the MAP Transaction.

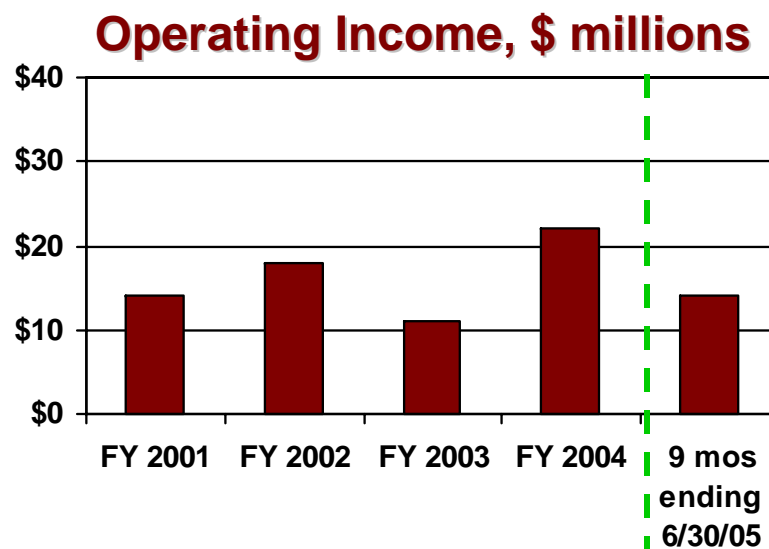
# Performance

**ASHLAND**

## Ashland Specialty Chemical: Water Technologies

### Third Quarter Ended June 30, \$ millions

	2004	2005	% Change
Revenue	91	101	11.0
Operating Income	6	4	(33.3)



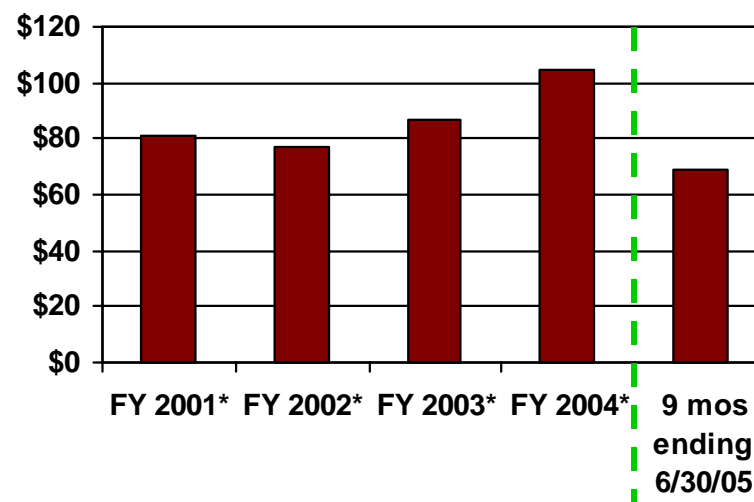
# Performance Valvoline

**ASHLAND**

## Third Quarter Ended June 30, \$ millions

	2004*	2005	% Change
Lubricant Gallons	50	48	(4.0)
Revenue	330	347	5.0
Operating Income	30	26	(13.3)

## Operating Income, \$ millions

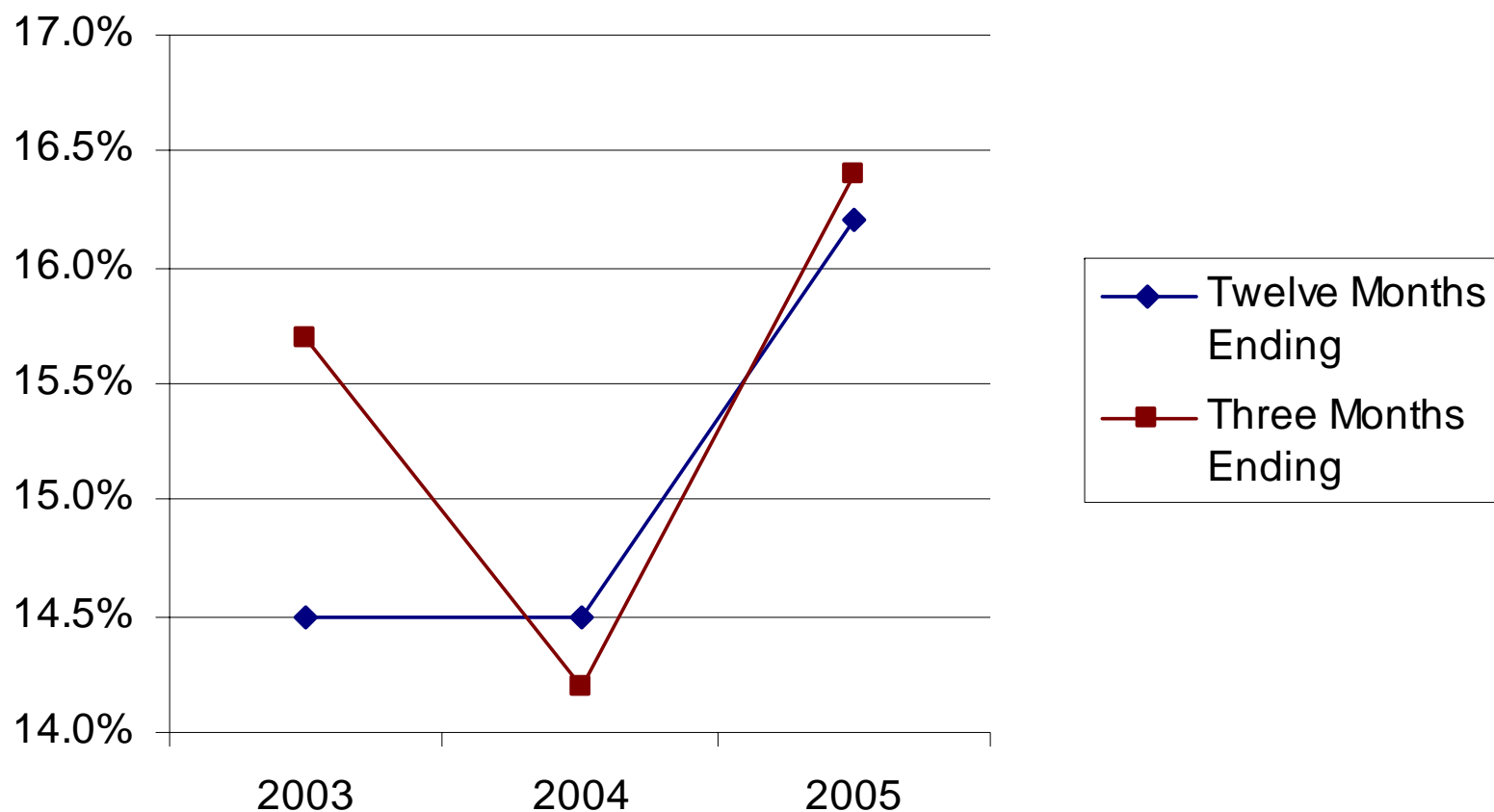


\* Prior-year data includes activity associated with the 60 VIOC centers transferred to Marathon as part of the MAP Transaction.

# Valvoline Market Share

**ASHLAND**

For periods ending March 31



Source: NPD Automotive Car Care Tracking Panel



## **MAP Transaction**

J. Marvin Quin

Sr. Vice President and  
Chief Financial Officer



# Third Quarter 2005 Financial Results

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# MAP Transaction Operating Income Impact

**ASHLAND.**

**Transaction Impact on Ashland's Operating Income, Other than MAP Income  
\$, Millions**

<b>Loss of Income</b>	<b>Nine Months Ended 6/30/05 Operating Income</b>
Maleic Anhydride	2.6
VIOC Region 3	<u>1.0</u>
<b>TOTAL</b>	<b>3.6</b>
 <b>Stranded Costs</b>	 <b>Future Annual Impact</b>
Cost allocated to R&M	9.0
Cost allocated to Maleic & VIOC Region 3	<u>3.4</u>
<b>TOTAL</b>	<b>12.4</b>
 <b>Impact of Lease Buyouts</b>	
Reduced lease expense	27
Increased depreciation	15

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# MAP Transaction Values Received

**ASHLAND.**

\$, Millions

	To Ashland	To Ashland Shareholders
Marathon Stock		\$ 936
Cash and Accounts Receivable	\$ 3,320	
Deferred Distributions Paid Prior to Transaction	272	
<b>TOTAL</b>	<b>\$ 3,592</b>	<b>\$ 936</b>
<b>GRAND TOTAL</b>	<b>\$ 4,528</b>	

# MAP Transaction

**ASHLAND.**

## Expected Near Term Use of Proceeds

\$, Millions	Through 6/30/05	Post 6/30/05	TOTAL
Repayment of Debt	\$ 1,544	\$ 151	\$ 1,695
Tender Premium & Accrued Interest	162	12	174
Repayment of A/R Financing	250	-	250
Repayment of Operating Leases	101	-	101
Extra Pension Contribution	-	100	100
Tax Deduction on Debt Premium & Pension Contribution	-	(107)	(107)
Tax Payment on MAP 2005 Income	-	160	160
Fees & Other	18	9	27
TOTAL	<u>\$ 2,075</u>	<u>\$ 325</u>	<u>\$ 2,400</u>
Cash & Accounts Receivable after Noted Payments	\$1,517	\$1,192	\$1,192

# Summary Balance Sheet

**ASHLAND**

\$, Millions

	<u>6/30/05</u>	<u>9/30/04</u>
Cash and Cash Equivalents	\$ 692	\$ 243
MAP Assigned Accounts Receivable	913	0
Other Current Assets	2,325	2,059
Investment in MAP	0	2,713
Other Noncurrent Assets	1,611	1,231
Net Property, Plant and Equipment	<u>1,380</u>	<u>1,256</u>
<b>TOTAL</b>	<b><u>\$ 6,921</u></b>	<b><u>\$ 7,502</u></b>
Debt Due Within One Year	\$ 78	\$ 439
Other Current Liabilities	1,429	1,376
Long-Term Debt	90	1,109
Other Noncurrent Liabilities	1,577	1,872
Equity	3,747	2,706
<b>TOTAL</b>	<b><u>\$ 6,921</u></b>	<b><u>\$ 7,502</u></b>

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# ASHLAND®

## **The New Ashland**

James J. O'Brien  
Chairman and  
Chief Executive Officer

# **Stock Repurchase Program**

- **Board authorization to purchase up to \$270 million of Ashland shares**
  - **Designed to comply with contractual and IRS restrictions**
-

# Principles and Strategies

## **Principle**

**Building Value for Shareholders**

## **Strategies**

- **MAP Transaction**
  - **Stock Repurchase**
  - **Build Chemical Sector**
  - **Improve Transportation Construction Sector Performance**
-



## **Transportation Construction Sector**

- **Improve Performance**

## **Chemical Sector**

- **Focus on Growth**
  - **Integrate Supply Chain**
  - **Value-Adding Acquisitions**
-

# Impact on Results

## Results Affected by:

### Near-Term

- Energy Prices
- Competitive Environment
- Weather
- Project Management Skills

### Long-Term

- Skills and Competencies of Organization
  - Hot Mix Asphalt and Aggregate Production
  - Highway Budgets
  - Competitive Environment
-

## Key Strategic Themes

- **Disciplined bidding process supported by improved analytical tools**
  - Improve winter financial performance
    - Manage winter costs
    - Drive increased revenue -- work “above the ground”
  - Hydrocarbon cost management program
  - Increase focus on third-party sales of hot mix asphalt, aggregate and other materials
  - Turnaround or exit from underperforming markets
  - Build skills and capabilities of organization
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# Hydrocarbon Cost Management

## Fuel Cost Management

- 32 million gallons of diesel fuel and 7 million gallons of gasoline purchased annually
- Hedge a minimum of 50% of anticipated demand
- As of June 30, gain of \$1.9 million

## Asphalt Cost Management

- 9.3 million barrels purchased annually
  - About 40% of asphalt purchased under fixed-price contract
  - Roughly 40% of asphalt protected by price index clauses
-

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-

# Chemical Sector Strategy

**ASHLAND.**

**Create a Unified Operating Sector  
with Both Size and Scale to:**

**Accelerate Organic  
Growth**

- Build marketing capability
- New Solutions Development
- Invest aggressively in BRIC nations

**Improve Profit  
Generation**

- Increase sales efficiency
- Maximize value capture

**Integrate  
Supply Chain**

- Leverage purchasing
- Consolidate facilities
- Operate responsibly
- Unify services

**Built on Common Processes, Shared Assets  
and an "Ashland-First" Culture**

# Chemical Sector Leveraging Ashland's Strengths

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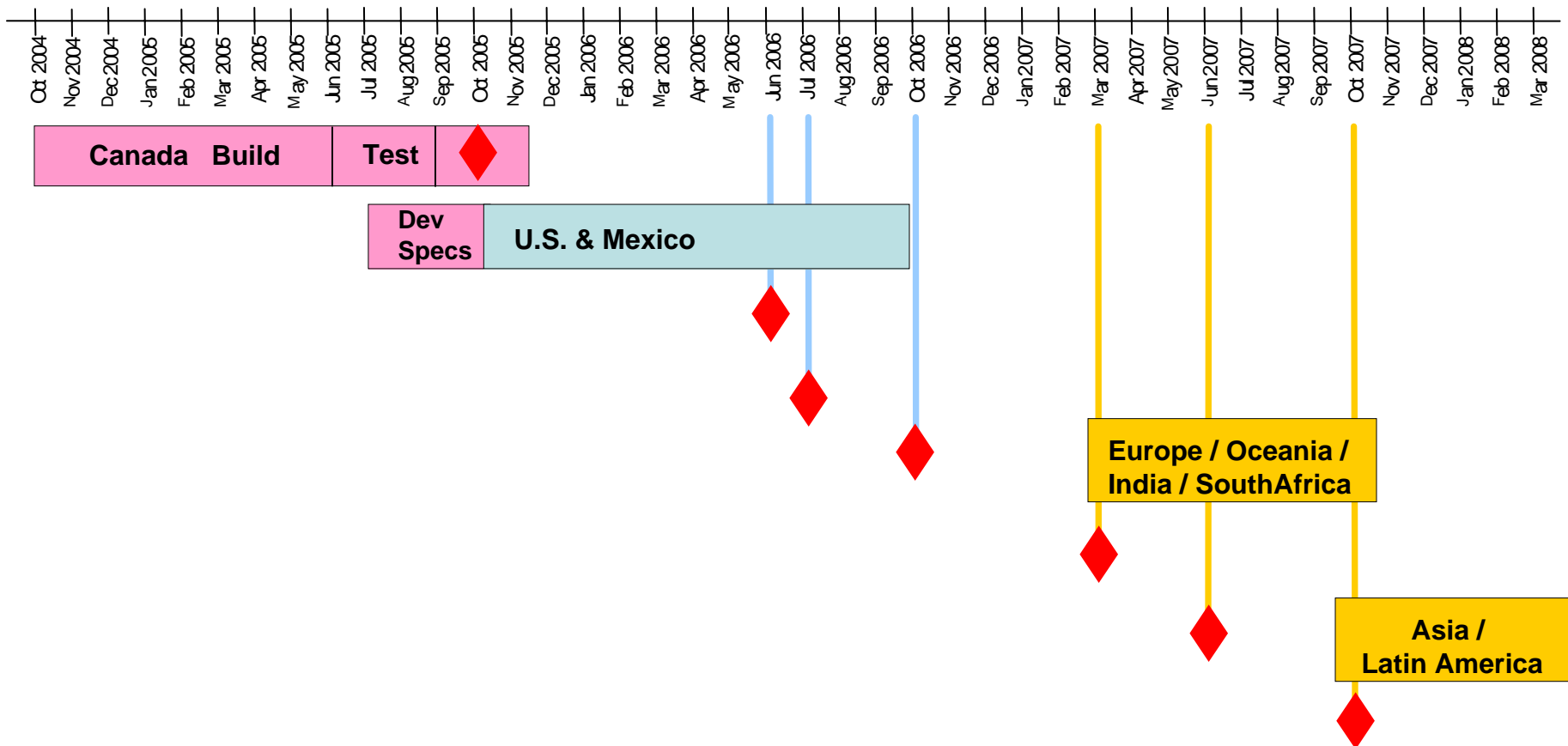


GlobalOne is Ashland's Enterprise Resource Planning (ERP) software implementation.

# Chemical Sector SAP Implementation Timeline

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## GlobalOne: Key Project Dates



◆ Indicates key launch dates.  
Timeline based on information as of 5/24/05

# Chemical Sector Integration Activities

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- **Global Supply Chain**
  - Purchasing/Sourcing Synergy
  - Logistics Optimization
  - Chemical Sector Customer Service
  - Responsible Care Management Systems
- **Customer Information Management**
- **Sector-wide Marketing Capabilities**

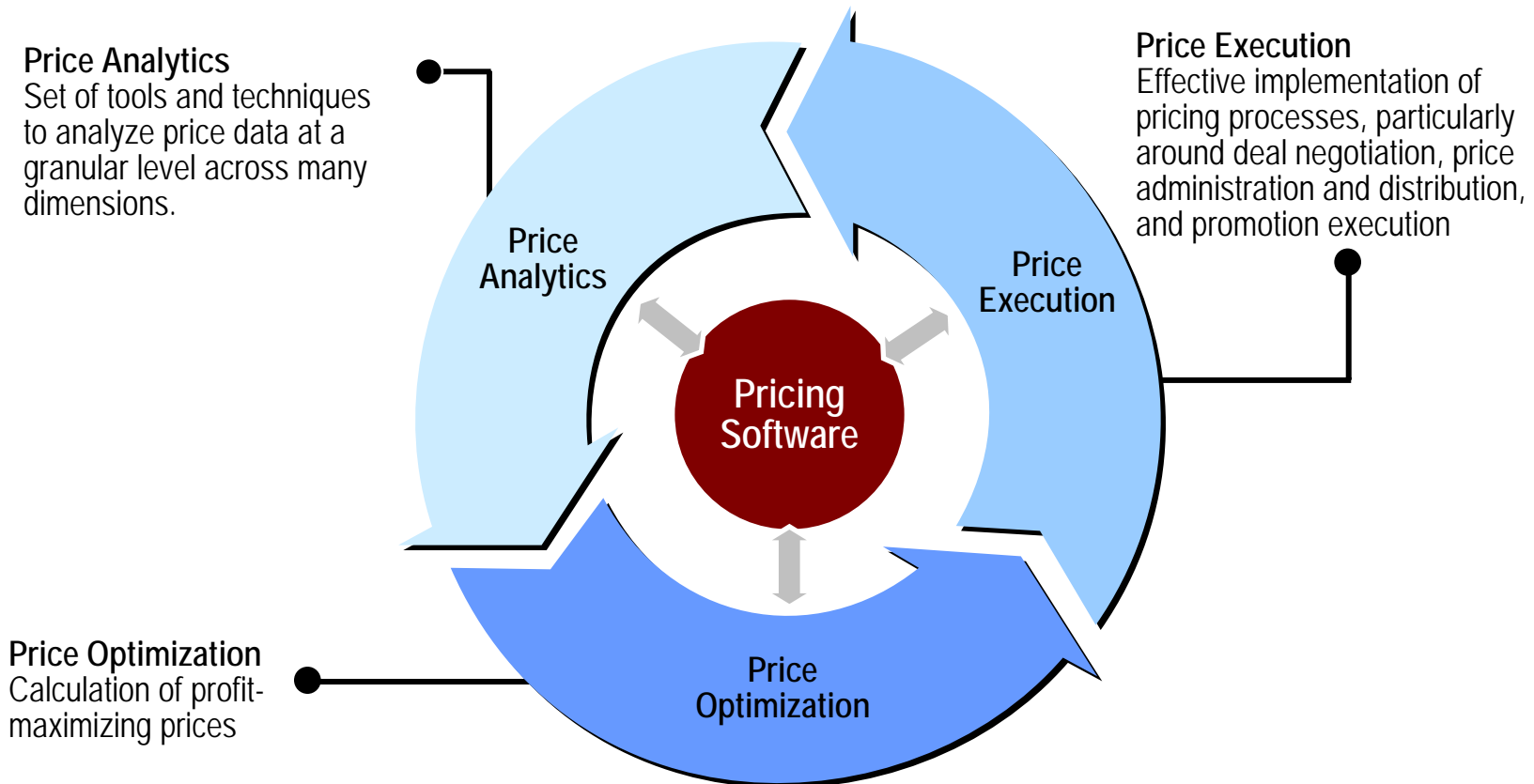


# Chemical Sector Pricing Optimization

**ASHLAND.**

## Goal:

Develop a world-class pricing optimization capability that is repeatable and sustainable.



# Building Marketing Capabilities

## **Create a Sector Marketing Capability to:**

- Facilitate and coordinate exploitation of market overlaps within the Sector
- Develop and oversee a Sector market research group
- Develop a Marketing Learning Program for the Sector
- Uncover and define new business and technology platforms based on end-user insights
- Corporate Accounts capability

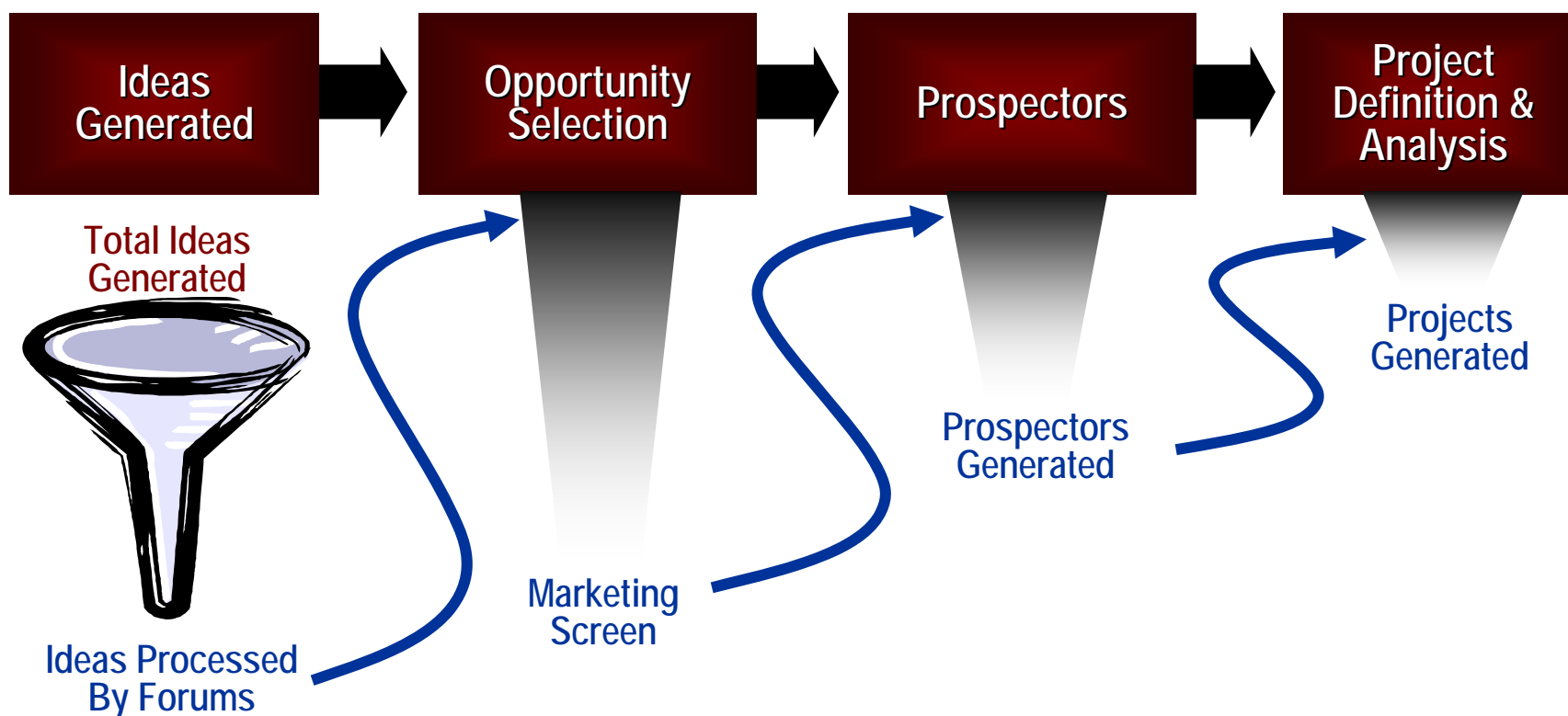
## **Strengthen Divisional Marketing Capabilities by:**

- Optimizing marketing processes
  - Creating greater focus on end-user insights
  - Shifting sales and technical support work from Marketing to Product Managers, Sales Managers and Technical Service
  - Providing direct accountability for innovation, including the New Solutions Process
-

# Chemical Sector New Solutions Development

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The Front-End Ideation Process Feeds  
the Chemical Sector Technology Portfolio





# Chemical Sector Growth Initiatives

**ASHLAND.**

## Valvoline

- Onsite – Fleet Maintenance
- Arometrics™
- Microdistribution (CarBrite™)
- Service Chemicals (DIFM)

## Water Technologies

- PathGuard™ Pathogen Control System For Poultry
- Sonoxide™ – Non-Chemical Microbial Control System
- Flexcure™
- Fuel Management Systems (Drew Marine)

## Thermoset

- Full-Line Collision Repair
  - Marine Anti-Fouling Coating
  - Low Volatile Organic Compound Marine Gelcoat
  - Pressure Sensitive Adhesive Growth in Europe
-

# Chemical Sector International Growth Activities

**ASHLAND.**

## Brazil

- Shared Service Center development is underway  
Castings Solutions aggressively pursuing “Floating Castings”

## Russia

- Leverage Composites’ existing presence and substantial market share to accelerate the entry of Casting Solutions business

## India

- Build off Valvoline and Drew presence
- Leverage increased business resulting from DERAKANE acquisition

## China

- Double capacity in our Changzhou plant
- Execute an adhesives entry strategy
- Create a larger scale plan for Valvoline consumer markets
- Create a sales and sourcing presence for Distribution

# Chemical Sector – Valvoline Growth Initiatives

**ASHLAND**

- New Products
  - AroMetrics™
- Complementary Acquisitions
  - CarBrite™
- “Do-It-For-Me” Expansion
  - MaxLife Service Centers®
  - Valvoline Instant Oil Change®
- Global Reach
  - China
  - Europe
  - Latin America



## **SONOXIDE™ Customer Benefits**

### Improved Results

Reduces

Employee safety  
risks related to  
handling toxics

Risks regarding  
discharge of toxic  
chemicals

Administration and  
expertise concerning  
permits

The need to store,  
ship and handle  
toxic biocides

Combined with our other treatment  
programs, leaves the “smallest  
environmental footprint” in the industry



# Chemical Sector – Thermoset Resins

## Premium Resins

**ASHLAND**



### **MAXGUARD® LE series gelcoat**

- Complies with EPA's most stringent standards
- Meets appearance demands of consumers
- Meets design demands of the marine industry

### **ENVIREZ®**

- First commercial unsaturated polyester that uses a significant amount of soybean oil and ethanol in its production
- Used to produce body panels for combines and hoods for tractors for the agricultural equipment market.



## Pathogen Control Customer Benefits

- Improved food safety
- Improved water reuse
- Increased reliability through automation
- Precise feed and control for reduced process variation
- Improved compliance with government regulations
- No adverse effects on the waste treatment plant



# M&A Principles

## Vision

- Strengthen core businesses
- Leverage/enhance capabilities
- Pay reasonable multiples on earnings or cash flow

## Execution

- Determine strategic fit
  - Disciplined and rigorous economic review
  - Create comprehensive integration plans
  - Validated by “contra team”
-

**Financial Objectives (Across Economic Cycle)**

Revenue Growth	4 – 6 %
Operating Income Growth	8 – 10 %
ROI	9 – 12 %

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# Long Term Use of Proceeds

- Will make decisions that drive shareholder value
  - Will be patient and thorough in review of opportunities
  - Focus on Chemical Sector
-

# Closing Comments

- New Era for Ashland Inc.
  - Focus on growth
    - Organic
    - M&A strategy
  - Disciplined integration
  - Future as diversified chemicals company

**With the will to succeed,  
Ashland's future is promising!**

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**ASHLAND®**