

**Statements of Consolidated Income**

Years Ended September 30

(In millions except per share data)	2005	2004	2003	2002	2001
<b>Revenues</b>					
Sales and operating revenues	\$ 9,270	\$ 8,301	\$ 7,566	\$ 7,390	\$ 7,544
Equity income	531	432	301	181	755
Other income	59	48	45	46	53
	<u>9,860</u>	<u>8,781</u>	<u>7,912</u>	<u>7,617</u>	<u>8,352</u>
<b>Costs and expenses</b>					
Cost of sales and operating expenses	7,823	6,948	6,390	6,115	6,358
Selling, general and administrative expenses	1,291	1,171	1,256	1,181	1,163
	<u>9,114</u>	<u>8,119</u>	<u>7,646</u>	<u>7,296</u>	<u>7,521</u>
<b>Operating income</b>	746	662	266	321	831
Gain on the MAP Transaction	1,284	-	-	-	-
Loss on early retirement of debt	(145)	-	-	-	-
Net interest and other financial costs	(82)	(114)	(128)	(138)	(175)
<b>Income from continuing operations</b>					
<b>before income taxes</b>	1,803	548	138	183	656
Income taxes	202	(150)	(44)	(68)	(266)
<b>Income from continuing operations</b>	<u>2,005</u>	<u>398</u>	<u>94</u>	<u>115</u>	<u>390</u>
Results from discontinued operations	(1)	(20)	(14)	13	32
<b>Income before cumulative effect</b>					
<b>of accounting changes</b>	2,004	378	80	128	422
Cumulative effect of accounting changes	-	-	(5)	(11)	(5)
<b>Net income</b>	<u>\$ 2,004</u>	<u>\$ 378</u>	<u>\$ 75</u>	<u>\$ 117</u>	<u>\$ 417</u>
<b>Earnings per share</b>					
Basic					
Income from continuing operations	\$ 27.50	\$ 5.69	\$ 1.37	\$ 1.67	\$ 5.60
Results from discontinued operations	(.01)	(.28)	(.19)	.19	.46
Cumulative effect of accounting changes	-	-	(.08)	(.17)	(.07)
Net income	<u>\$ 27.49</u>	<u>\$ 5.41</u>	<u>\$ 1.10</u>	<u>\$ 1.69</u>	<u>\$ 5.99</u>
Diluted					
Income from continuing operations	\$ 26.86	\$ 5.59	\$ 1.37	\$ 1.64	\$ 5.54
Results from discontinued operations	(.01)	(.28)	(.19)	.19	.45
Cumulative effect of accounting changes	-	-	(.08)	(.16)	(.06)
Net income	<u>\$ 26.85</u>	<u>\$ 5.31</u>	<u>\$ 1.10</u>	<u>\$ 1.67</u>	<u>\$ 5.93</u>

**Consolidated Balance Sheets**

September 30

(In millions)	2005	2004	2003	2002	2001
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 985	\$ 243	\$ 223	\$ 90	\$ 236
Available-for-sale securities	403	-	-	-	-
Accounts receivable	1,599	1,290	1,135	1,056	1,165
Inventories	527	458	441	456	468
Deferred income taxes	122	103	142	119	131
Current assets of discontinued operations held for sale	-	-	-	211	64
Other current assets	121	208	144	139	169
	<u>3,757</u>	<u>2,302</u>	<u>2,085</u>	<u>2,071</u>	<u>2,233</u>
<b>Investments and other assets</b>					
Investment in Marathon Ashland Petroleum LLC (MAP)	-	2,713	2,448	2,350	2,387
Goodwill and other intangibles	650	529	538	531	538
Asbestos insurance receivable (noncurrent portion)	370	399	399	171	162
Deferred income taxes	175	-	-	-	-
Noncurrent assets of discontinued operations held for sale	-	-	-	-	145
Other noncurrent assets	441	303	264	240	278
	<u>1,636</u>	<u>3,944</u>	<u>3,649</u>	<u>3,292</u>	<u>3,510</u>
<b>Property, plant and equipment</b>					
Cost					
APAC	1,444	1,302	1,337	1,372	1,304
Ashland Distribution	378	356	357	383	382
Ashland Specialty Chemical	757	780	723	710	701
Valvoline	488	466	452	406	395
Corporate	207	200	178	135	143
	<u>3,274</u>	<u>3,104</u>	<u>3,047</u>	<u>3,006</u>	<u>2,925</u>
Accumulated depreciation, depletion and amortization	<u>(1,852)</u>	<u>(1,848)</u>	<u>(1,775)</u>	<u>(1,647)</u>	<u>(1,540)</u>
	<u>1,422</u>	<u>1,256</u>	<u>1,272</u>	<u>1,359</u>	<u>1,385</u>
	<u>\$ 6,815</u>	<u>\$ 7,502</u>	<u>\$ 7,006</u>	<u>\$ 6,722</u>	<u>\$ 7,128</u>
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities</b>					
Debt due within one year					
Short-term debt	\$ -	\$ 40	\$ -	\$ 10	\$ -
Current portion of long-term debt	12	399	102	191	85
Trade and other payables	1,520	1,362	1,371	1,256	1,399
Current liabilities of discontinued operations held for sale	-	-	-	39	26
Income taxes	13	14	11	24	20
	<u>1,545</u>	<u>1,815</u>	<u>1,484</u>	<u>1,520</u>	<u>1,530</u>
<b>Noncurrent liabilities</b>					
Long-term debt (less current portion)	82	1,109	1,512	1,606	1,786
Employee benefit obligations	358	428	385	509	412
Deferred income taxes	-	367	291	246	439
Reserves of captive insurance companies	182	179	168	166	173
Asbestos litigation reserve (noncurrent portion)	521	568	560	152	162
Noncurrent liabilities of discontinued operations held for sale	-	-	-	-	13
Other long-term liabilities and deferred credits	388	330	353	350	387
	<u>1,531</u>	<u>2,981</u>	<u>3,269</u>	<u>3,029</u>	<u>3,372</u>
<b>Stockholders' equity</b>					
Common stock	1	72	68	68	69
Paid-in capital	605	478	350	338	363
Retained earnings	3,251	2,262	1,961	1,961	1,920
Accumulated other comprehensive loss	(118)	(106)	(126)	(194)	(126)
	<u>3,739</u>	<u>2,706</u>	<u>2,253</u>	<u>2,173</u>	<u>2,226</u>
	<u>\$ 6,815</u>	<u>\$ 7,502</u>	<u>\$ 7,006</u>	<u>\$ 6,722</u>	<u>\$ 7,128</u>

**Statements of Consolidated Cash Flows**

Years Ended September 30

(In millions)	2005	2004	2003	2002	2001
<b>Cash flows from operations</b>					
Income from continuing operations	\$ 2,005	\$ 398	\$ 94	\$ 115	\$ 390
Adjustments to reconcile to cash flows from operations					
Depreciation, depletion and amortization	193	193	204	208	240
Deferred income taxes	(532)	125	49	(121)	151
Equity income from affiliates	(531)	(432)	(301)	(181)	(755)
Distributions from equity affiliates	281	169	203	201	664
Gain on the MAP transaction	(1,284)	-	-	-	-
Loss on early retirement of debt	145	-	-	-	-
Change in operating assets and liabilities (a)	(235)	(246)	(8)	(54)	119
Other items	(5)	2	1	-	5
	<u>37</u>	<u>209</u>	<u>242</u>	<u>168</u>	<u>814</u>
<b>Cash flows from financing</b>					
Proceeds from issuance of long-term debt	-	-	-	55	52
Proceeds from issuance of common stock	115	108	2	11	15
Repayment of long-term debt	(1,552)	(100)	(216)	(140)	(169)
Repurchase of common stock	(100)	-	-	(42)	(49)
Increase (decrease) in short-term debt	(40)	40	(10)	10	(245)
Cash dividends paid	(79)	(77)	(75)	(76)	(76)
	<u>(1,656)</u>	<u>(29)</u>	<u>(299)</u>	<u>(182)</u>	<u>(472)</u>
<b>Cash flows from investment</b>					
Additions to property, plant and equipment	(380)	(210)	(112)	(178)	(214)
Purchase of operations - net of cash acquired	(156)	(5)	(5)	(15)	(91)
Proceeds from sale of operations	3,306	48	7	-	9
Purchases of available-for-sale securities	(402)	-	-	-	-
Proceeds from sales and maturities of available-for-sale securities	1	-	-	-	-
Other - net	19	26	13	26	37
	<u>2,388</u>	<u>(141)</u>	<u>(97)</u>	<u>(167)</u>	<u>(259)</u>
<b>Cash provided (used) by continuing operations</b>	<u>769</u>	<u>39</u>	<u>(154)</u>	<u>(181)</u>	<u>83</u>
Cash provided (used) by discontinued operations	(27)	(19)	287	35	86
<b>Increase (decrease) in cash and cash equivalents</b>	<u>742</u>	<u>20</u>	<u>133</u>	<u>(146)</u>	<u>169</u>
Cash and cash equivalents - beginning of year	243	223	90	236	67
<b>Cash and cash equivalents - end of year</b>	<u>\$ 985</u>	<u>\$ 243</u>	<u>\$ 223</u>	<u>\$ 90</u>	<u>\$ 236</u>
<b>Decrease (increase) in operating assets (a)</b>					
Accounts receivable	\$ (312)	\$ (157)	\$ (79)	\$ 110	\$ 70
Inventories	(82)	(14)	15	12	5
Deferred income taxes	(3)	2	22	17	-
Other current assets	94	(64)	(5)	30	31
Investments and other assets	(245)	(15)	7	41	(168)
<b>Increase (decrease) in operating liabilities (a)</b>					
Trade and other payables	150	(15)	115	(132)	71
Income taxes	(3)	(19)	(50)	(18)	4
Noncurrent liabilities	166	36	(33)	(114)	106
<b>Change in operating assets and liabilities</b>	<u>\$ (235)</u>	<u>\$ (246)</u>	<u>\$ (8)</u>	<u>\$ (54)</u>	<u>\$ 119</u>

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

Ashland Inc. and Consolidated Subsidiaries  
**Information by Industry Segment**  
Years Ended September 30

(In millions)	2005	2004	2003	2002	2001
<b>Revenues</b>					
Sales and operating revenues					
APAC	\$ 2,539	\$ 2,525	\$ 2,400	\$ 2,652	\$ 2,624
Ashland Distribution	3,810	3,199	2,811	2,541	2,858
Ashland Specialty Chemical	1,763	1,386	1,212	1,130	1,091
Valvoline	1,326	1,297	1,235	1,152	1,064
Intersegment sales (a)					
Ashland Distribution	(22)	(19)	(21)	(20)	(27)
Ashland Specialty Chemical	(144)	(86)	(69)	(63)	(64)
Valvoline	(2)	(1)	(2)	(2)	(2)
	<u>9,270</u>	<u>8,301</u>	<u>7,566</u>	<u>7,390</u>	<u>7,544</u>
Equity income					
APAC	6	19	9	-	-
Ashland Specialty Chemical	8	8	7	4	5
Valvoline	-	-	-	1	1
Refining and Marketing	517	405	285	176	749
	<u>531</u>	<u>432</u>	<u>301</u>	<u>181</u>	<u>755</u>
Other income					
APAC	20	22	-	12	13
Ashland Distribution	7	9	18	17	15
Ashland Specialty Chemical	21	16	10	4	6
Valvoline	6	4	5	6	6
Refining and Marketing	3	(6)	2	2	7
Unallocated and other	2	3	10	5	6
	<u>59</u>	<u>48</u>	<u>45</u>	<u>46</u>	<u>53</u>
	<u>\$ 9,860</u>	<u>\$ 8,781</u>	<u>\$ 7,912</u>	<u>\$ 7,617</u>	<u>\$ 8,352</u>
<b>Operating income</b>					
APAC	\$ 30	\$ 94	\$ (57)	\$ 111	\$ 42
Ashland Distribution	99	56	12	(15)	17
Ashland Specialty Chemical	99	56	2	46	12
Valvoline	59	77	61	56	58
Refining and Marketing (b)	486	383	263	143	707
Unallocated and other	(27)	(4)	(15)	(20)	(5)
	<u>\$ 746</u>	<u>\$ 662</u>	<u>\$ 266</u>	<u>\$ 321</u>	<u>\$ 831</u>
<b>Depreciation, depletion and amortization</b>					
APAC	\$ 93	\$ 95	\$ 108	\$ 114	\$ 133
Ashland Distribution	18	18	19	21	27
Ashland Specialty Chemical	44	41	40	38	46
Valvoline	27	27	26	24	23
Unallocated and other	11	12	11	11	11
	<u>\$ 193</u>	<u>\$ 193</u>	<u>\$ 204</u>	<u>\$ 208</u>	<u>\$ 240</u>

(a) Intersegment sales are accounted for at prices that approximate market value.

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

Ashland Inc. and Consolidated Subsidiaries  
**Information by Industry Segment**  
Years Ended September 30

(In millions)	2005	2004	2003	2002	2001
<b>Assets</b>					
APAC	\$ 1,569	\$ 1,428	\$ 1,481	\$ 1,498	\$ 1,574
Ashland Distribution	1,057	922	856	884	961
Ashland Specialty Chemical	997	842	749	941	941
Valvoline	723	658	667	611	642
Refining and Marketing	85	2,742	2,484	2,409	2,452
Unallocated and other (a)	2,384	910	769	379	558
	<u>\$ 6,815</u>	<u>\$ 7,502</u>	<u>\$ 7,006</u>	<u>\$ 6,722</u>	<u>\$ 7,128</u>
<b>Capital employed</b>					
APAC	\$ 1,133	\$ 959	\$ 1,014	\$ 1,039	\$ 1,047
Ashland Distribution	513	449	418	459	470
Ashland Specialty Chemical	612	490	438	610	612
Valvoline	483	388	399	343	389
Refining and Marketing	(107)	2,053	1,866	1,818	1,654
Unallocated and other	1,199	(85)	(268)	(289)	(75)
	<u>\$ 3,833</u>	<u>\$ 4,254</u>	<u>\$ 3,867</u>	<u>\$ 3,980</u>	<u>\$ 4,097</u>
<b>Return on investment (b)</b>					
APAC	1.9%	6.3%	(3.3)%	6.7 %	1.8%
Ashland Distribution	12.0%	7.7%	1.4 %	(2.6)%	0.7%
Ashland Specialty Chemical	10.0% (c)	8.3%	0.8 %	6.6 %	1.8%
Valvoline	9.0% (c)	11.5%	9.9 %	9.2 %	8.7%
Refining and Marketing	23.2% (c)	12.4%	8.7 %	4.9 %	25.3%
Ashland Inc. consolidated	12.4% (c)	11.7%	4.4 %	5.0 %	12.3%
<b>Additions to property, plant and equipment</b>					
APAC	\$ 200	\$ 73	\$ 47	\$ 107	\$ 92
Ashland Distribution	26	10	5	15	25
Ashland Specialty Chemical	64	62	34	27	39
Valvoline	66	26	18	22	37
Unallocated and other	24	39	8	7	21
	<u>\$ 380</u>	<u>\$ 210</u>	<u>\$ 112</u>	<u>\$ 178</u>	<u>\$ 214</u>

(a) Includes cash, cash equivalents and other unallocated assets.

(b) Calculated as income from continuing operations before interest expense on debt (net of related tax benefits) divided by average quarterly capital employed (excluding capital employed in discontinued operations).

(c) On June 30, 2005, Ashland transferred its 38-percent interest in Marathon Ashland Petroleum LLC and two other businesses to Marathon Oil Corp. (the "MAP Transaction"). Amounts for 2005 exclude the net gain on the MAP transaction and the loss on the early retirement of debt of \$1,531 million. For further information, see Note D of Notes to Consolidated Financial Statements in Ashland's annual report of Form 10-K for the year ended September 30, 2005. Including these amounts, the return on investment would have been the following: Ashland Specialty Chemical 17.2%, Valvoline 14.4%, Refining and Marketing 148.8% and Ashland Inc. consolidated 48.5%.

**Information by Industry Segment**

Years Ended September 30

(In millions)	2005	2004	2003	2002	2001
<b>Operating information</b>					
<b>APAC</b>					
Construction backlog at September 30 (a)	\$ 2,038	\$ 1,746	\$ 1,745	\$ 1,691	\$ 1,629
Net construction job revenues (b)	\$ 1,458	\$ 1,433	\$ 1,361	\$ 1,527	\$ 1,547
Hot-mix asphalt production (tons)	31.3	33.4	32.5	36.7	36.7
Aggregate production (tons)	31.4	29.6	28.7	31.0	28.7
<b>Ashland Distribution (c)</b>					
Sales per shipping day	\$ 15.1	\$ 12.6	\$ 11.2	\$ 10.1	\$ 11.2
Gross profit as a percent of sales	9.7%	9.6%	9.9%	9.7%	8.9%
<b>Ashland Specialty Chemical (c)</b>					
Sales per shipping day	\$ 7.0	\$ 5.4	\$ 4.8	\$ 4.5	\$ 4.3
Gross profit as a percent of sales	26.6%	27.9%	29.9%	32.9%	29.7%
<b>Valvoline</b>					
Lubricant sales (gallons)	175.4	191.6	193.5	199.0	187.4
Premium lubricants (percent of U.S. branded volumes)	23.4%	21.5%	18.5%	16.1%	11.7%

(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.

**International Operations**

Years Ended September 30

(In millions)	2005	2004	2003	2002	2001
<b>International assets</b>					
Ashland Distribution	\$ 216	\$ 184	\$ 152	\$ 125	\$ 126
Ashland Specialty Chemical	484	416	352	319	295
Valvoline	146	132	121	101	92
	<u>846</u>	<u>732</u>	<u>625</u>	<u>545</u>	<u>513</u>
<b>International liabilities</b>					
Ashland Distribution	94	88	59	49	50
Ashland Specialty Chemical	133	128	104	99	99
Valvoline	42	54	45	37	36
	<u>269</u>	<u>270</u>	<u>208</u>	<u>185</u>	<u>185</u>
<b>Net international investment</b>					
Ashland Distribution	122	96	93	76	76
Ashland Specialty Chemical	351	288	248	220	196
Valvoline	104	78	76	64	56
	<u>\$ 577</u>	<u>\$ 462</u>	<u>\$ 417</u>	<u>\$ 360</u>	<u>\$ 328</u>
<b>International income before income taxes (a)</b>					
Ashland Distribution	\$ 17	\$ 14	\$ 8	\$ 6	\$ 12
Ashland Specialty Chemical	101	73	54	54	48
Valvoline	26	20	16	9	2
	<u>\$ 144</u>	<u>\$ 107</u>	<u>\$ 78</u>	<u>\$ 69</u>	<u>\$ 62</u>
<b>International revenues</b>					
Ashland Distribution	\$ 663	\$ 537	\$ 432	\$ 360	\$ 417
Ashland Specialty Chemical	830	589	485	418	371
Valvoline	287	249	208	177	168
	<u>\$ 1,780</u>	<u>\$ 1,375</u>	<u>\$ 1,125</u>	<u>\$ 955</u>	<u>\$ 956</u>

(a) Amounts represent income recorded by international subsidiaries, equity and dividend income from international affiliates, and international source royalty and other income recorded by U.S. subsidiaries. Amounts do not reflect any allocation of expenses incurred in the U.S. (e.g., research and development, advertising or administrative expenses) for the benefit of both U.S. and international operations.

**International Operations**

Years Ended September 30

(In millions)	2005	2004	2003	2002	2001
<b>International assets</b>					
Europe	\$ 496	\$ 432	\$ 368	\$ 325	\$ 295
Canada	189	164	141	124	126
Asia	72	58	47	40	38
Australia and New Zealand	49	48	43	34	27
Other	40	30	26	22	27
	<u>846</u>	<u>732</u>	<u>625</u>	<u>545</u>	<u>513</u>
<b>International liabilities</b>					
Europe	180	180	137	129	119
Canada	48	52	40	32	42
Asia	10	11	11	8	8
Australia and New Zealand	17	17	11	10	9
Other	14	10	9	6	7
	<u>269</u>	<u>270</u>	<u>208</u>	<u>185</u>	<u>185</u>
<b>Net international investment</b>					
Europe	316	252	231	196	176
Canada	141	112	101	92	84
Asia	62	47	36	32	30
Australia and New Zealand	32	31	32	24	18
Other	26	20	17	16	20
	<u>\$ 577</u>	<u>\$ 462</u>	<u>\$ 417</u>	<u>\$ 360</u>	<u>\$ 328</u>
<b>International income before income taxes (a)</b>					
Europe	\$ 61	\$ 41	\$ 23	\$ 30	\$ 25
Canada	40	32	25	25	26
Asia	14	14	14	11	10
Australia and New Zealand	11	11	8	3	1
Other	18	9	8	-	-
	<u>\$ 144</u>	<u>\$ 107</u>	<u>\$ 78</u>	<u>\$ 69</u>	<u>\$ 62</u>
<b>International revenues</b>					
Europe	\$ 994	\$ 757	\$ 618	\$ 510	\$ 475
Canada	422	344	292	265	288
Asia	114	87	76	63	55
Australia and New Zealand	110	95	75	61	61
Other	140	92	64	56	77
	<u>\$ 1,780</u>	<u>\$ 1,375</u>	<u>\$ 1,125</u>	<u>\$ 955</u>	<u>\$ 956</u>

(a) Amounts represent income recorded by international subsidiaries, equity and dividend income from international affiliates, and international source royalty and other income recorded by U.S. subsidiaries. Amounts do not reflect any allocation of expenses incurred in the U.S. (e.g., research and development, advertising or administrative expenses) for the benefit of both U.S. and international operations.