

# ASHLAND®



**Gary A. Cappeline**  
President and Chief Operating Officer,  
Chemical Sector

Lehman Brothers  
October 7, 2004

# Forward-Looking Statements

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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. These statements include those that refer to Ashland's operating performance, earnings and expectations about the MAP transaction. Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected herein will be achieved. These forward-looking statements are 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) and are subject to a number of risks, uncertainties, and assumptions that could cause actual results to differ materially from those we describe in the forward-looking statements.

The risks, uncertainties, and assumptions include the possibility that Ashland will be unable to fully realize the benefits anticipated from the MAP transaction; the possibility of failing to receive a favorable ruling from the Internal Revenue Service; the possibility that Ashland fails to obtain the approval of its shareholders; the possibility that the transaction may not close or that Ashland may be required to modify some aspect of the transaction to obtain regulatory approvals; and other risks that are described from time to time in the Securities and Exchange Commission reports of Ashland. Other factors and risks affecting Ashland are contained in Ashland's Form 10-K for the fiscal year ended Sept. 30, 2003, as amended, filed with the Securities and Exchange Commission (SEC) and available on Ashland's Investor Relations website at [www.ashland.com/investors](http://www.ashland.com/investors) or the SEC's website at [www.sec.gov](http://www.sec.gov). 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 presentation.

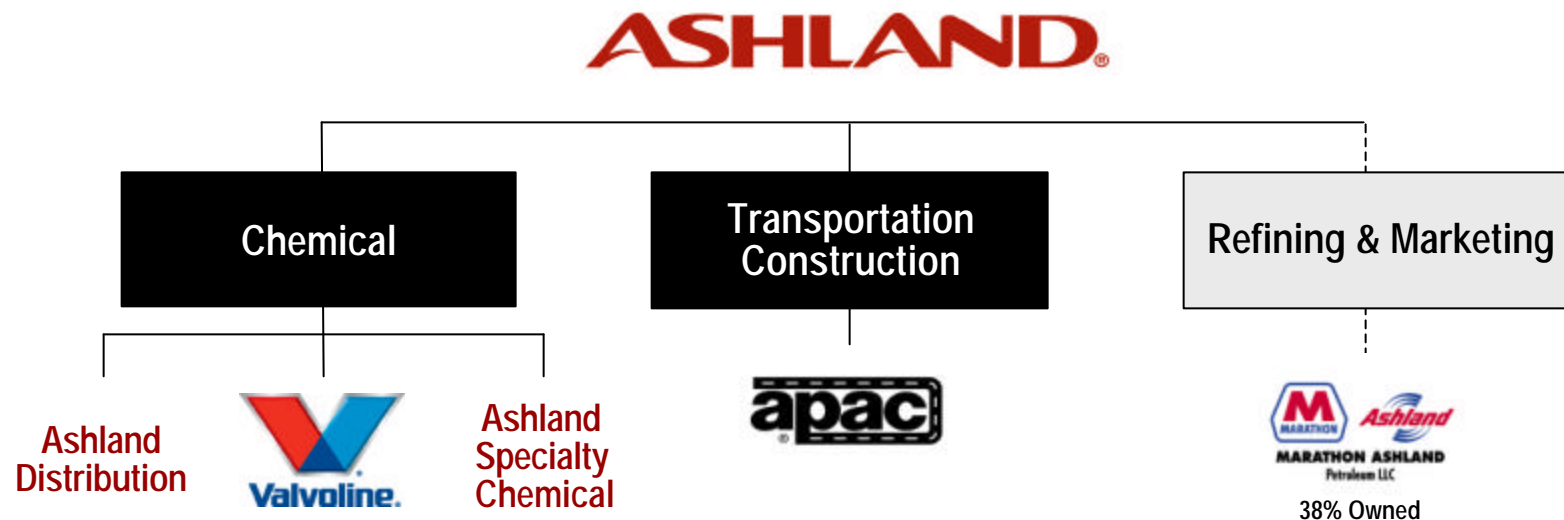
## **Additional Information about the MAP Transaction**

In connection with the proposed transaction, Ashland filed a preliminary proxy statement on Schedule 14A with the SEC on June 21, 2004 and an amended preliminary proxy statement on Schedule 14A on August 31, 2004. Investors and security holders are urged to read those documents and any other relevant documents filed or that will be filed with the SEC, including the definitive proxy statement/prospectus regarding the proposed transaction as they become available, because they contain, or will contain, important information. The definitive proxy statement/prospectus will be filed with the SEC by Ashland, and security holders may obtain a free copy of the definitive proxy statement/prospectus when it becomes available, and other documents filed with the SEC by Ashland, including the preliminary proxy statement at the SEC's website at [www.sec.gov](http://www.sec.gov). The definitive proxy statement/prospectus, and other documents filed with the SEC by Ashland, including the preliminary proxy statement, may also be obtained for free in the SEC filings section on Ashland's Investor Relations website at [www.ashland.com/investors](http://www.ashland.com/investors), or by directing a request to Ashland at 50 E. RiverCenter Blvd., Covington, KY 41012. The respective directors and executive officers of Ashland and other persons may be deemed to be participants in solicitation of proxies in respect of the proposed transaction. Information regarding Ashland's directors and executive officers is available in its proxy statement filed with the SEC by Ashland on December 8, 2003. Investors may obtain information regarding the interests of participants in the solicitation of proxies in connection with the transaction referenced in the foregoing information by reading the definitive proxy statement/prospectus when it becomes available.

# Ashland Inc.

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- ? Fortune 500 Company with Sales of \$7.5 Billion
- ? Listed on NYSE: Symbol ASH
- ? 71 Million Shares Outstanding
- ? Two Wholly-Owned Business Platforms in Five Business Segments



# Fiscal 2004 Year-to-Date Results



In millions except earnings per share	Nine months ended June 30		Year ended
	2004	2003	Sept 30 2003
Operating income	\$ 394	\$ 147	\$ 266
Income from continuing operations	195	33	94
Net income (loss)	179	(61)	75
Diluted earnings (loss) per share:			
Income from continuing operations	2.75	.48	1.37
Net income (loss)	2.53	(.89)	1.10

Nine Months Ended June 30, 2004



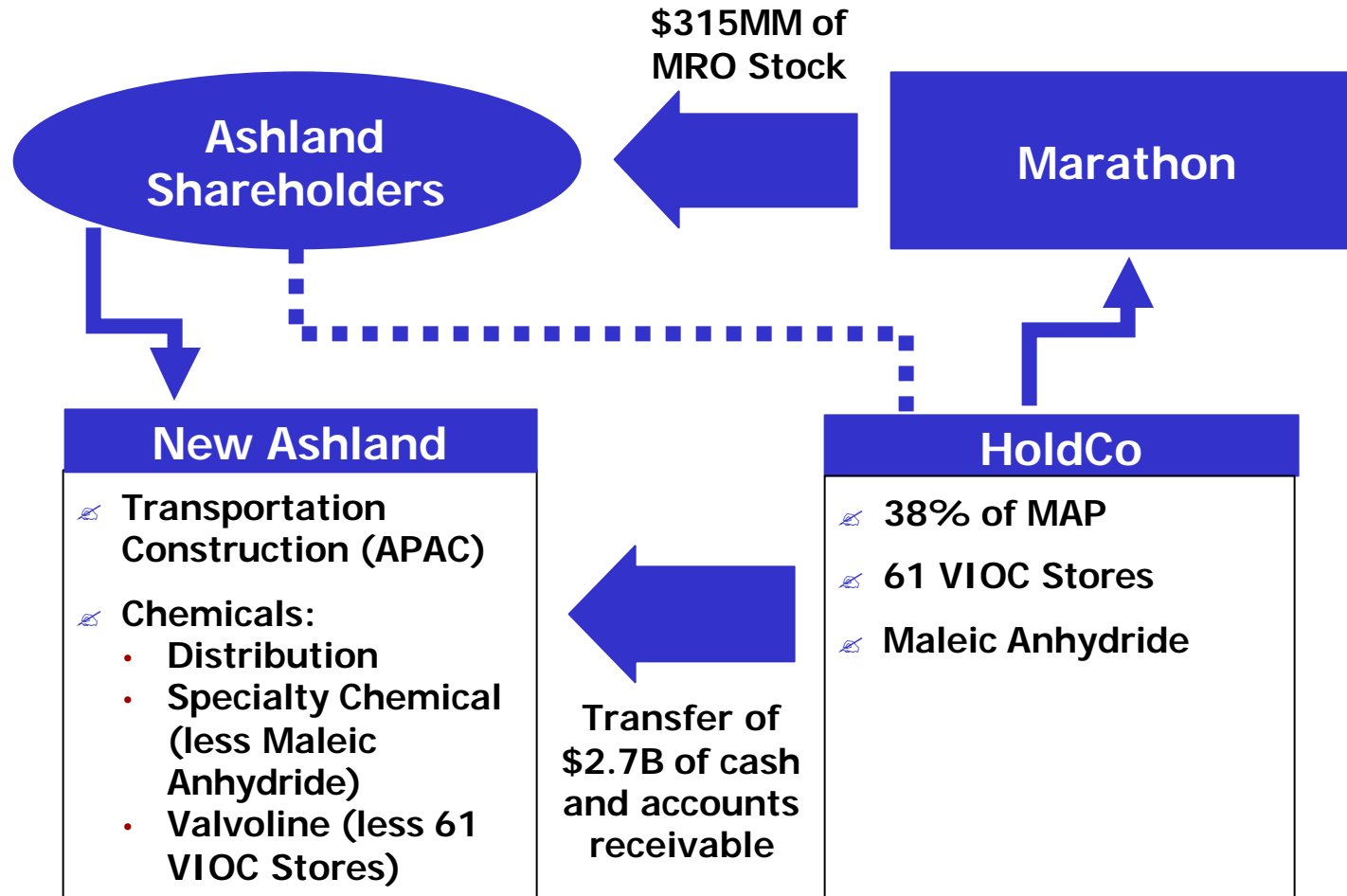
## Year-to-Date Performance by Segment (\$ Millions)

<u>Wholly-Owned</u>	<u>Sales</u>	<u>% Change vs. FY'03</u>	<u>Operating Income</u>	<u>% Change vs. FY'03</u>	<u>DD&amp;A</u>
APAC	1,755	9	41	NMF	71
Ashland Distribution	2,320	11	56	107	13
Ashland Specialty Chemical	983	13	63	200	31
Valvoline	945	6	75	34	20
Intersegment / Corporate	(75)	12	(73)	(16)	9
Subtotal	5,928	10	162	--	144
<u>Refining &amp; Marketing</u>					
38% Interest in MAP	11,314*	28	232**	60	113*
Total			394	168	

\* Not included in Ashland's consolidated results

\*\* Includes Ashland's equity income from MAP LLC, amortization related to Ashland's excess investment in MAP, and other activities associated with refining and marketing.

# Marathon Ashland Petroleum LLC (MAP) March 19, 2004 Announcement



## MAP Transaction Use of Proceeds

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- ? Repayment of debt, build liquidity
- ? Responsible growth
  - Primary focus on internal growth
  - Value-enhancing acquisitions to strengthen core
- ? No stock repurchases
- ? No extraordinary dividends

# Transportation Construction Sector

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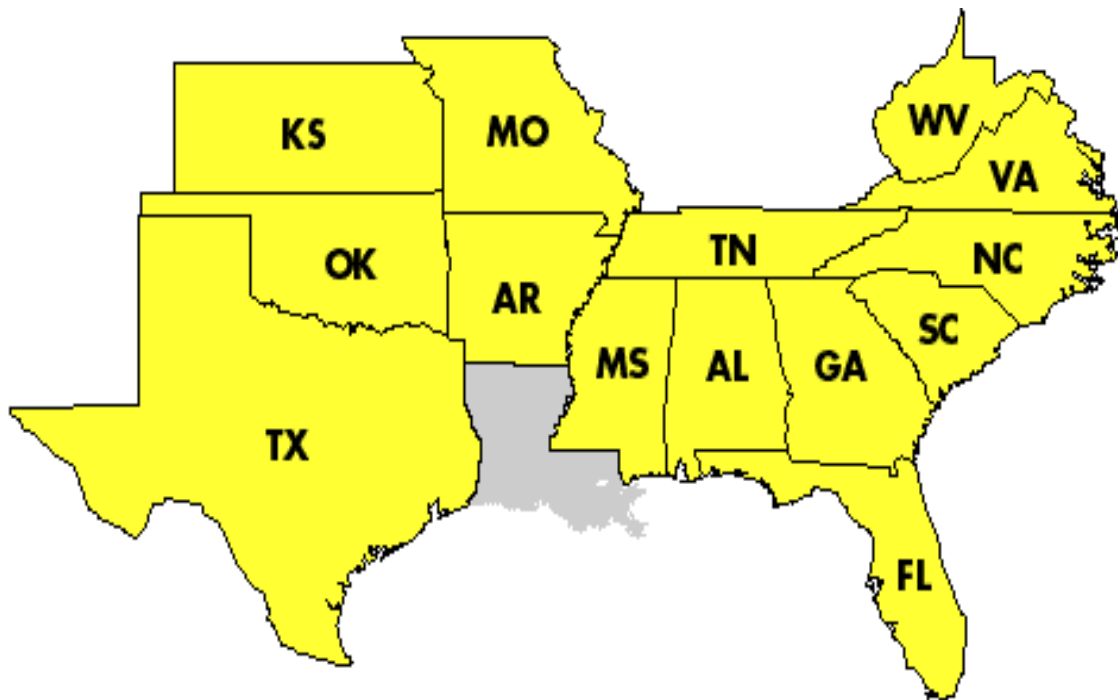




## Ashland Paving And Construction, Inc. (APAC®)

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- ? Nation's largest asphalt and concrete paving business
- ? Major supplier of construction materials, including crushed aggregates
- ? 24 business units operating in 14 Southern and Midwestern states\*

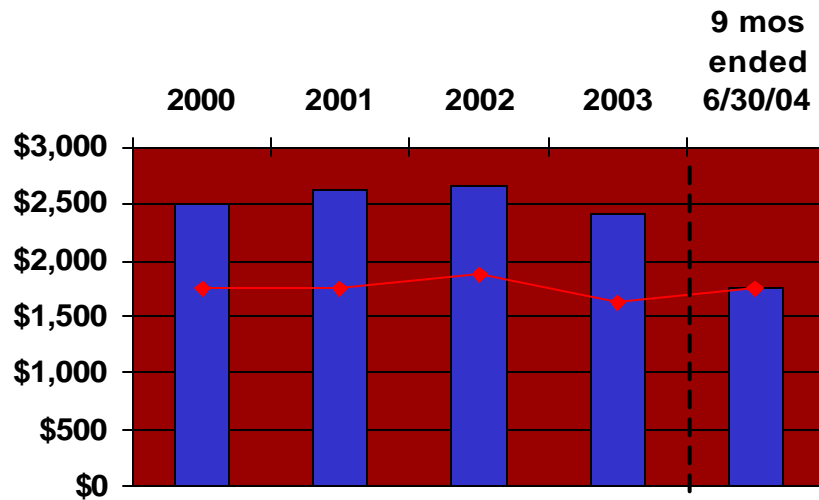


1. Florida
2. North Carolina
3. Missouri
4. Tennessee
5. Georgia
6. Alabama
7. Virginia
8. Texas
9. Kansas
10. Arkansas
11. South Carolina
12. Mississippi
13. Oklahoma
14. West Virginia

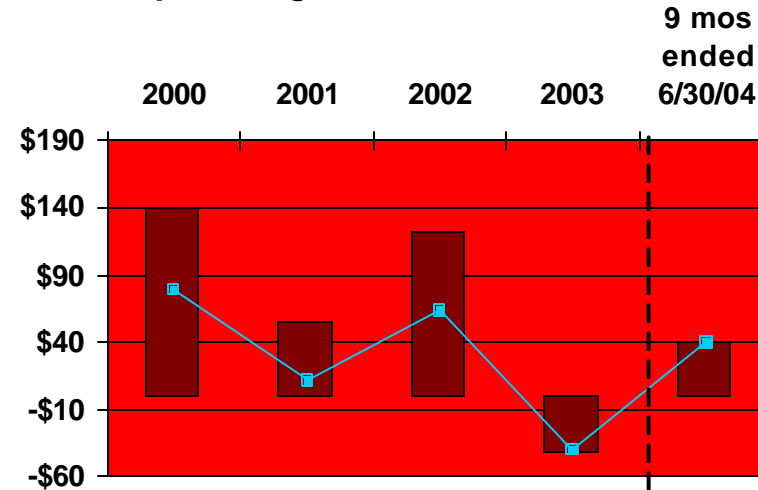
\* States listed in order of 2003 APAC revenue from highest to lowest

# APAC Financial History

Sales, \$ millions



Operating Income, \$ millions



## Highlights

### ? FY2003 Results

- Persistent poor weather created inefficiencies throughout construction season, leading to fiscal year loss

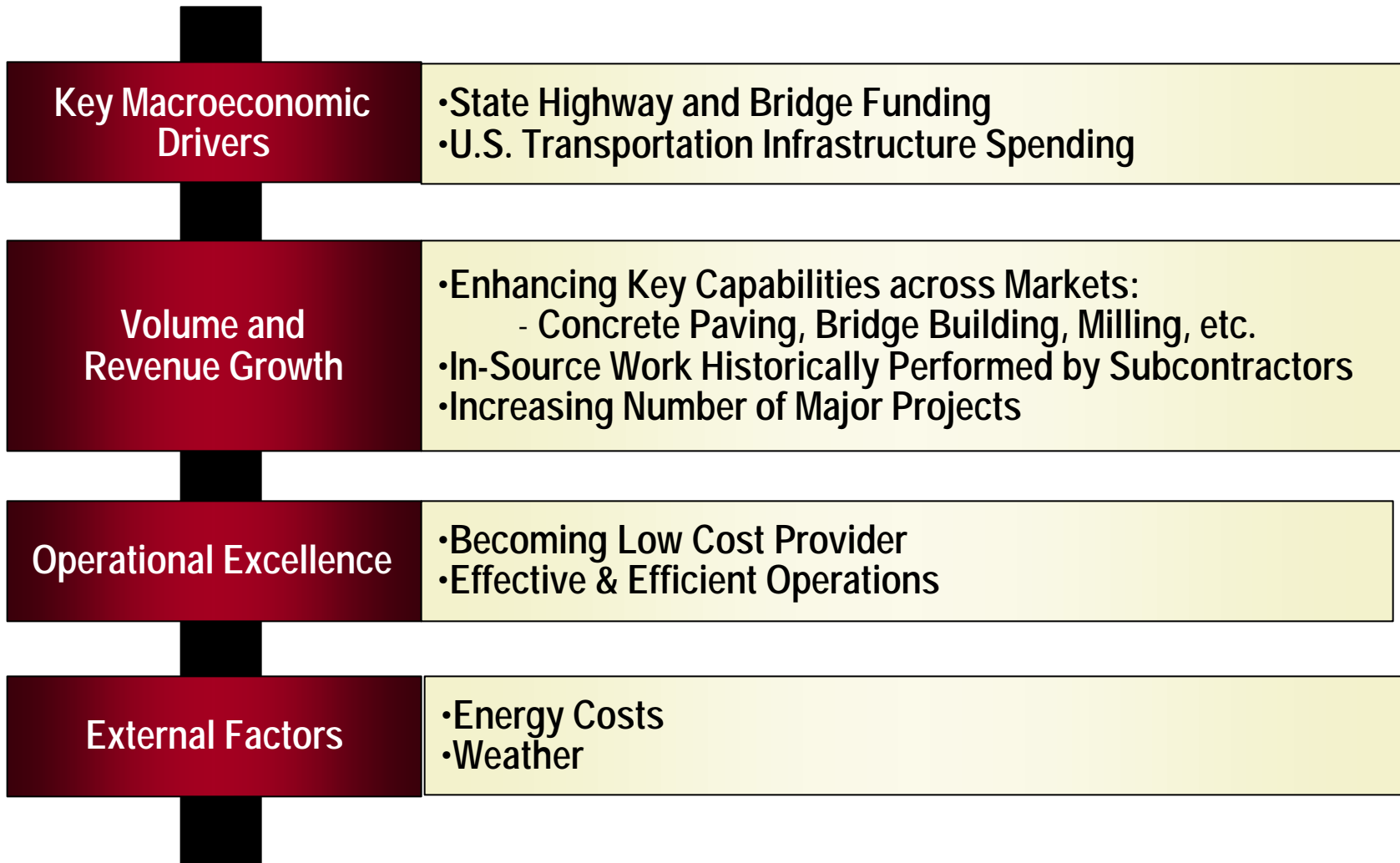
### ? FY2004 Improvements

- Improved Q3 operating income to \$43 million, including \$9 million gain on sale of certain ready-mix operations, compared to \$17 million in 2003
- Lower cost structure has contributed significantly to division's turnaround
- Construction backlog remains strong at \$1.80 billion, as of August 31
- Summer quarter usually our strongest.

Note: Trendline in both graphs = results for nine months ended June 30

APAC  
**Performance Indicators**

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APAC

# Active Improvements

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- ? Further reducing costs
- ? Selling underperforming assets
- ? Completing Project PASS
  - Business organization design
  - Financial process standardization
  - Performance management
  - Strategic sourcing and
  - Equipment management
- ? Increasing margin/contingency rates
- ? Improving Shared Service Center
- ? Sharpening Estimating/scheduling skills



# Chemical Sector

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**Ashland Distribution**



**Valvoline**



**Ashland Specialty  
Chemical**

# Overview of Chemical Sector Businesses

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## **Ashland Distribution**

Distributes chemicals, plastics, reinforcements and resins, fine ingredients, and environmental services in North America and plastics in Europe to industrial markets.

## **Valvoline**

Markets premium-branded automotive and commercial lubricants, chemicals, appearance products and automotive services to retailers and consumers.

## **Ashland Specialty Chemical**

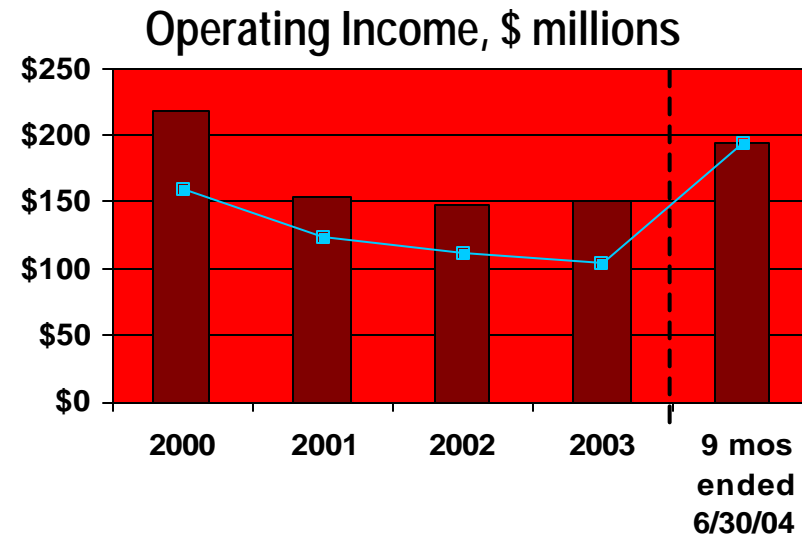
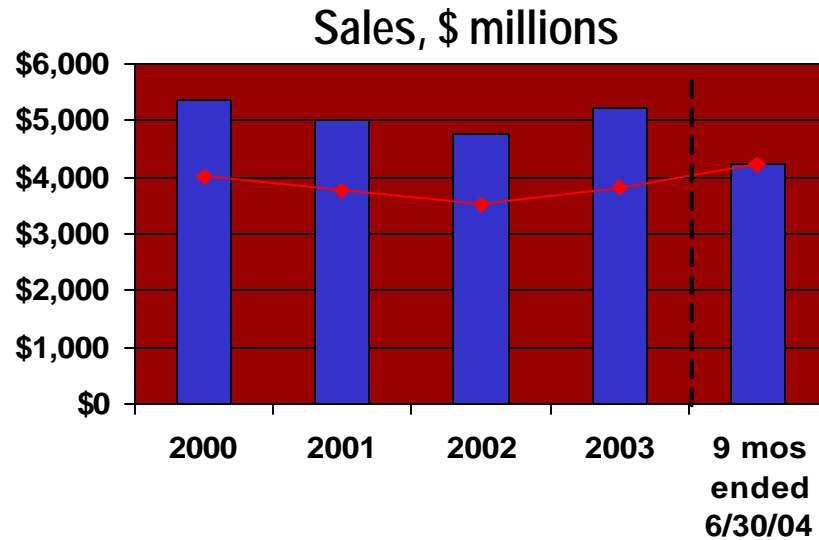
### **Thermoset Resins**

Manufactures and sells metal casting chemicals, adhesives, polyester resins, vinyl ester resins and gelcoats, primarily to the automotive and construction industries.

## **Water Technologies**

Supplies specialized chemicals and consulting services for water and waste water streams within industrial and commercial facilities.

# Chemical Sector Financial History



## Highlights

### ? FY2003 Results

- Revenue grew 9% compared to FY2002, driven by strong volume in all three divisions
- Operating income essentially flat as improvements in Distribution and Valvoline were offset by decline in Specialty, reflecting higher raw material costs

### ? FY2004 Improvements

- Broad-based growth in revenue (11%) and operating income (87%) compared to first nine months of fiscal 2003.
- Volume growth and cost control more than offsetting a slight loss in margin

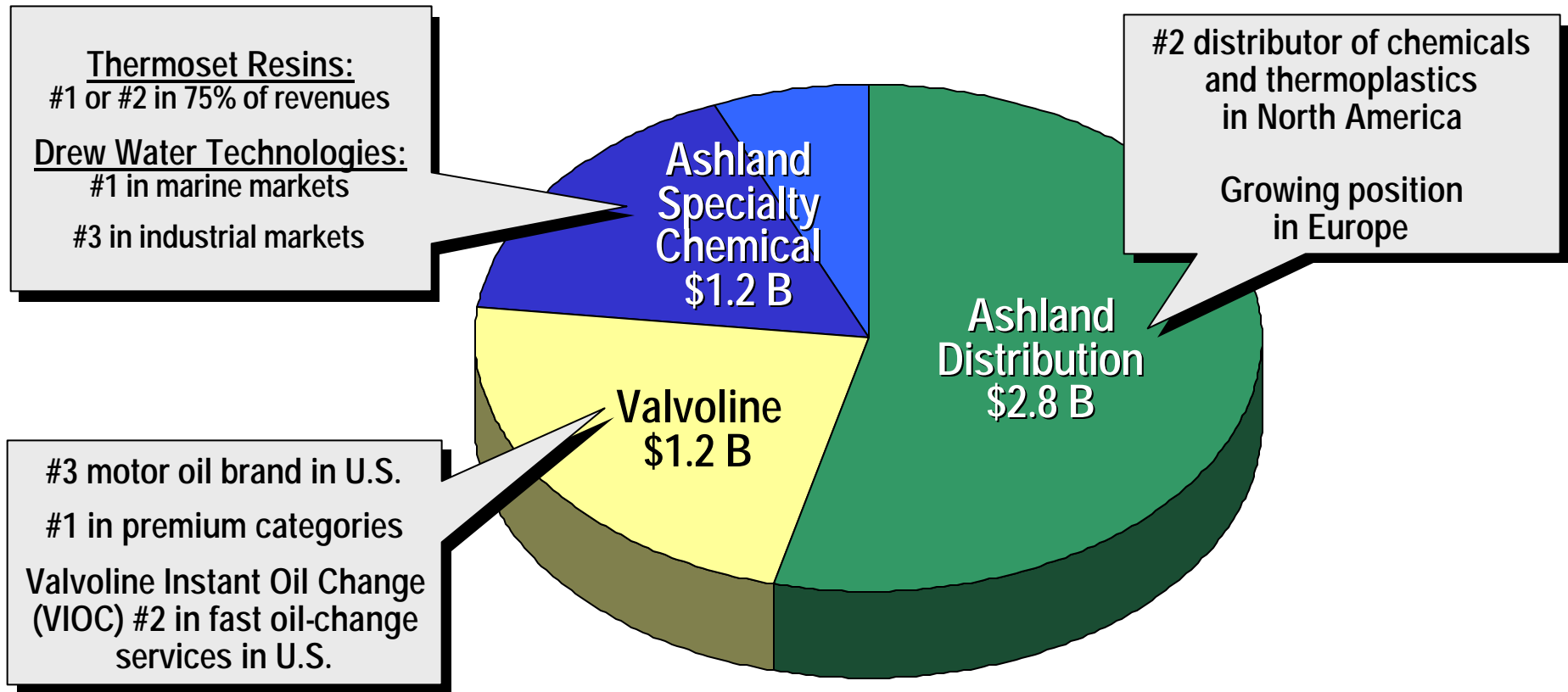
Note: Trendline in both graphs = results for nine months ended June 30

FY 2003

# Chemical Sector Revenues



Combined Sales & Operating Revenues: \$5.2 Billion



22% of Total Revenues Generated from Outside U.S.



Chemical Sector  
**Performance Indicators**

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Raw Materials Costs	Oil	61 %
	Natural Gas	34 %

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Market Growth Rate	3-5 %
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Key Economic Indicators	Industrial Production Durable Goods Manufacturing, Housing Starts and Disposable Income
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Operating Income Margins	FY 2002	3.1 %
	FY 2003	2.9 %
	Nine Months Ended June 30, 2004	4.6%

# Chemical Sector Strategic Intent

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The “go-to-market” strategy will be unique to each business linked by common processes and systems

**Consolidating  
Businesses  
into an  
Integrated  
Sector to ...**

Share Best Practices

Improve Utilization of Assets and Reduce Unit Costs

Create a Common Chemical ERP Platform

Strengthen Responsible Care<sup>?</sup> Initiative

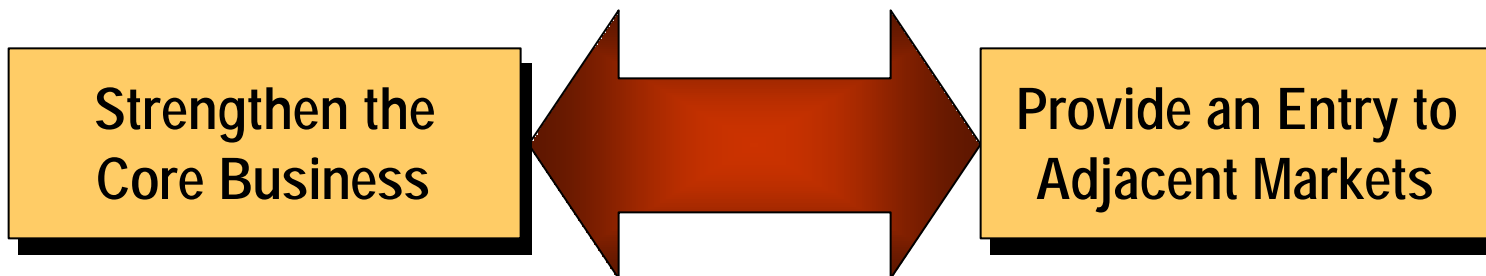
**Significant Value Creation Can Be Extracted from an Integration Strategy**

? Registered service mark of the American Chemistry Council, the Canadian Chemical Producers' Association and other entities in other countries.

# Chemical Sector Growth Strategy



Economic Value-Adding Acquisitions Considered if They . . .



# China Initiative Scope

## China Centers of Excellence

**Changzhou  
Manufacturing  
(Tripling Capacity)**



- ? Casting Solutions
- ? Composite Polymers
- ? Water Technologies (Future)
- ? SP&A (Future)

**Shanghai  
Shared Services**



- ? Accounting, Tax, & Treasury
- ? IT
- ? EH&S
- ? HR
- ? Sourcing
- ? Communications

**Shanghai  
Sales & Marketing**



- ? Thermoset Resins
- ? Valvoline
- ? Water Technologies

**Significant Role in a Unified Ashland Approach  
to Drive and Support Growth**

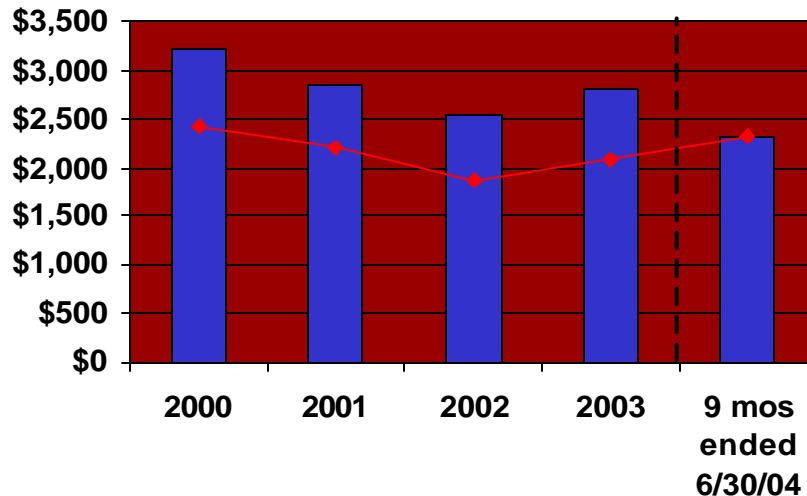
# Ashland Distribution

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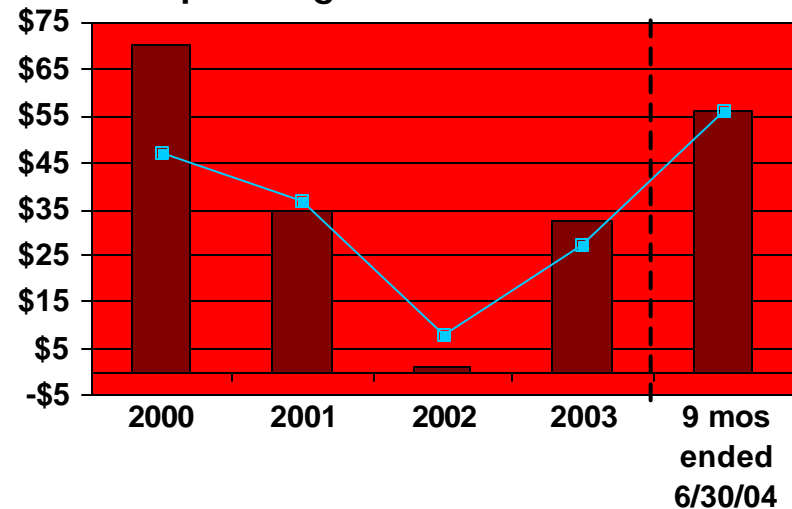


# Ashland Distribution Financial History

Sales, \$ millions



Operating Income, \$ millions



## Highlights

### ? FY2003 Results

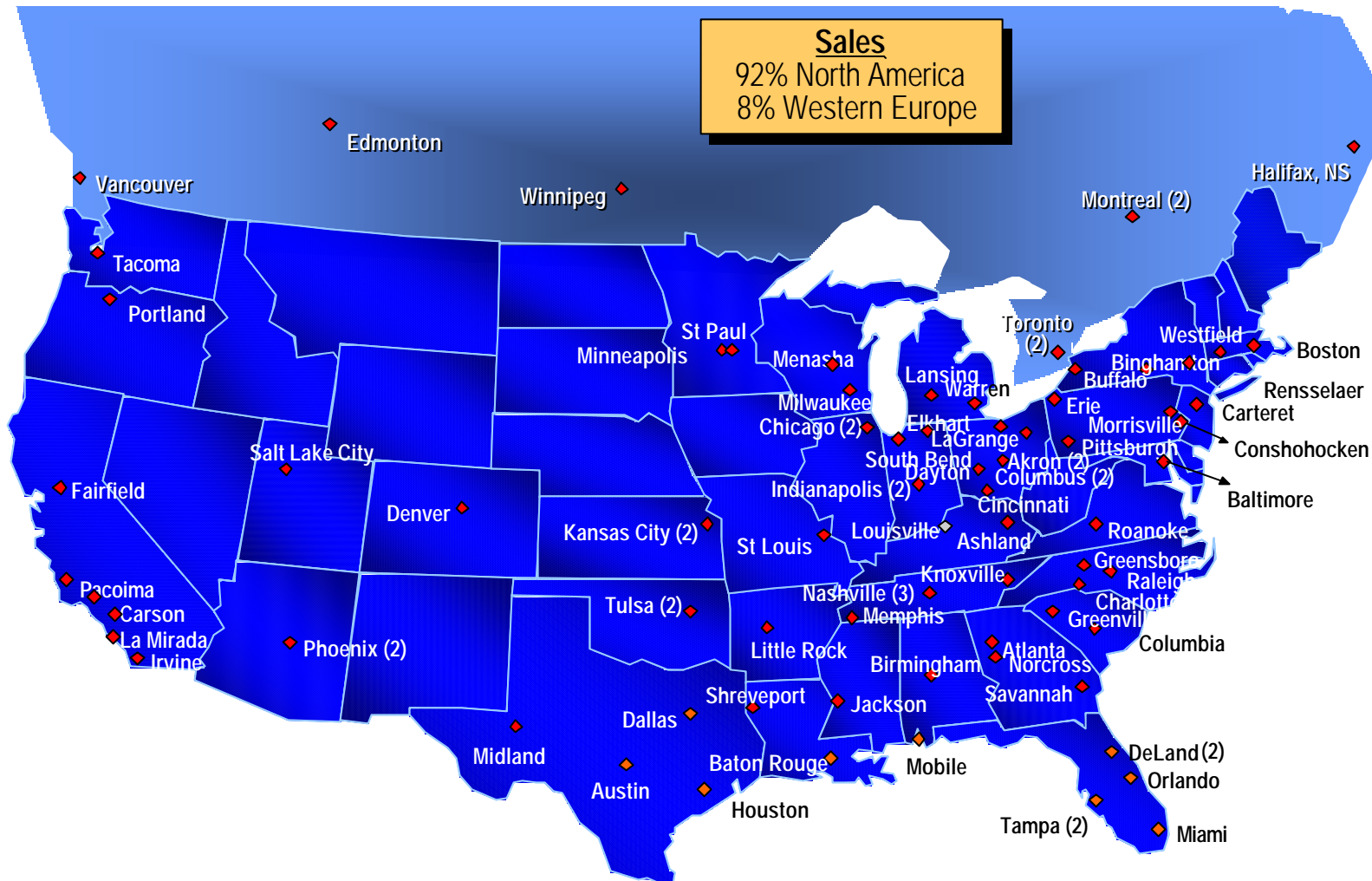
- 11% revenue growth, including 5% from volume, in relatively flat market
- Improved operating income by \$31 million
- Reduced working capital by \$45 million (12.8% to 11.2% of sales)

### ? FY2004 Improvements

- June quarter operating income was all-time record; Q3 sales dollars up 14%, volumes up 10%
- Increased sales and low-cost provider strategies continue to fuel division's income.

Note: Trendline in both graphs = results for nine months ended June 30

# Ashland Distribution North American Distribution Network



◇ Puerto Rico

**On-time, Accurate and Complete (OTAC) Currently at 94%**

## Major Competitors by Segment

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### Chemicals

- ? Univar
- ? Brenntag (Bain)
- ? ChemCentral

### Plastics

- ? PolyOne
- ? PolymerLand (GE)
- ? Biesterfeld
- ? CompositesOne  
(Total Chemie)

These Markets Remain Fragmented, but Only a Few Large, Cross-Continental Distributors Are Available



## Market Trends

# Distribution Industry

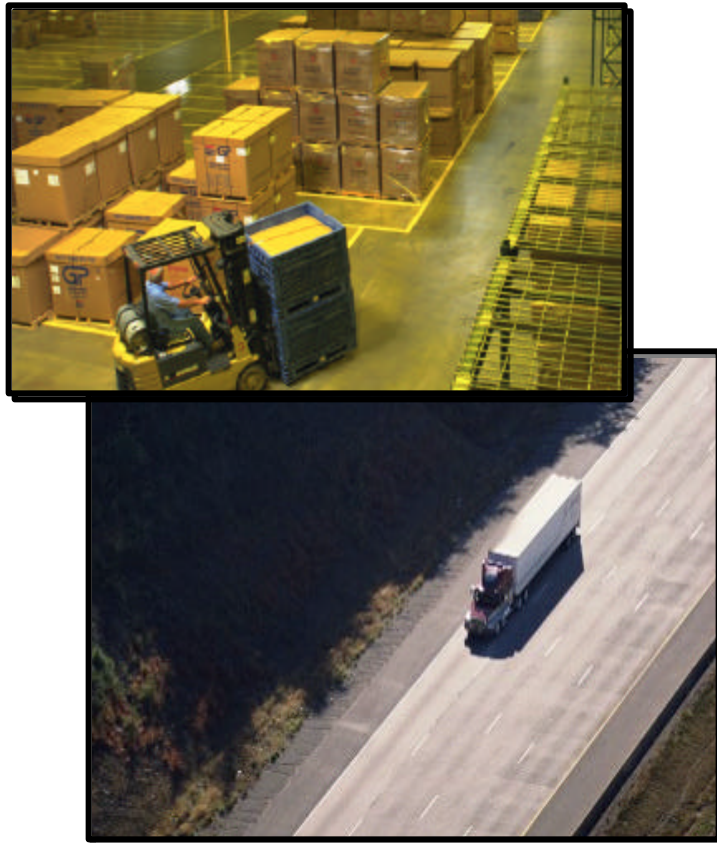
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- ? Industrial manufacturing is recovering
- ? Customers are focusing on supply chain optimization
- ? Suppliers will be outsourcing more of their products through distributors (annual growth of 5%)
- ? Suppliers will be aligning themselves with specific distributors based on breadth of coverage, customer service capability and environmental responsibility

**Chemical Industry Has Passed Through the Cyclical Trough  
and Headed Towards a Peak in 2006 – 2007**

## Ashland Distribution Growth Initiatives

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### Successful Execution = Competitive Advantage

- "Fast" – Local Presence
- "Right" – OTAC
- "Cheap" – Low Cost Provider
- "Easy" – Hassle-Free
- "Responsible" – EH&S Leadership



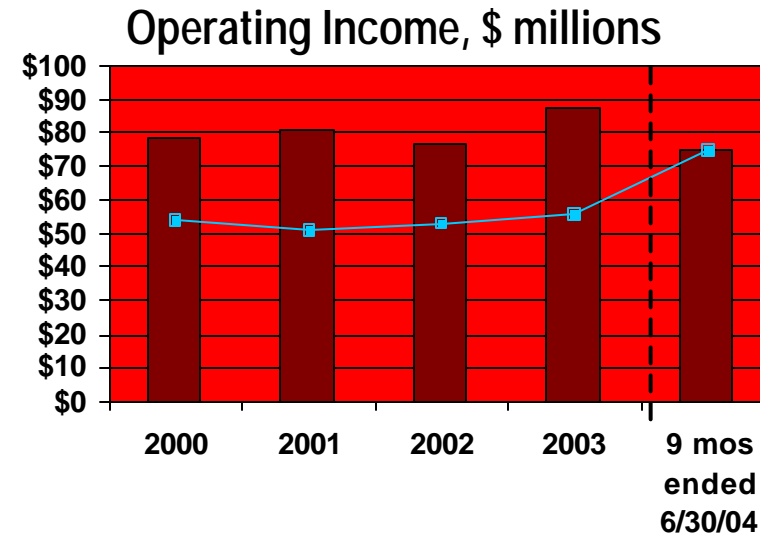
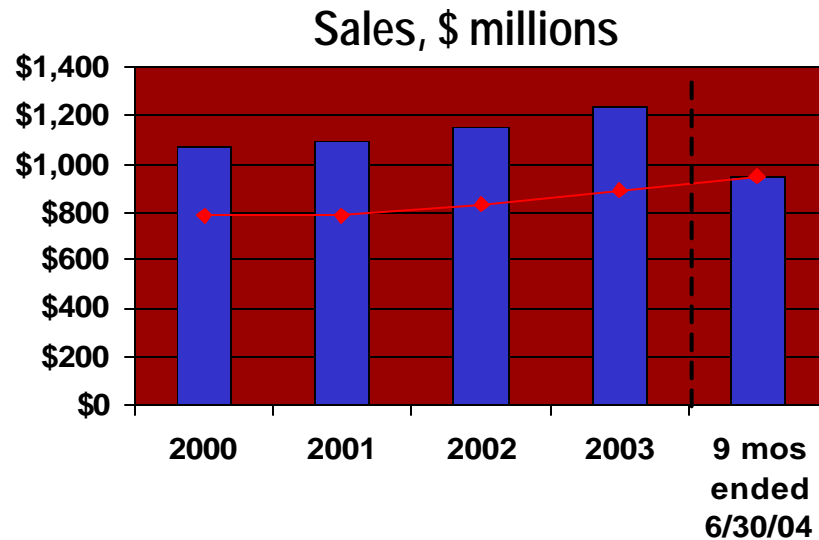
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**Valvoline**®

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# Valvoline Financial History



## Highlights

### ? FY2003 Results

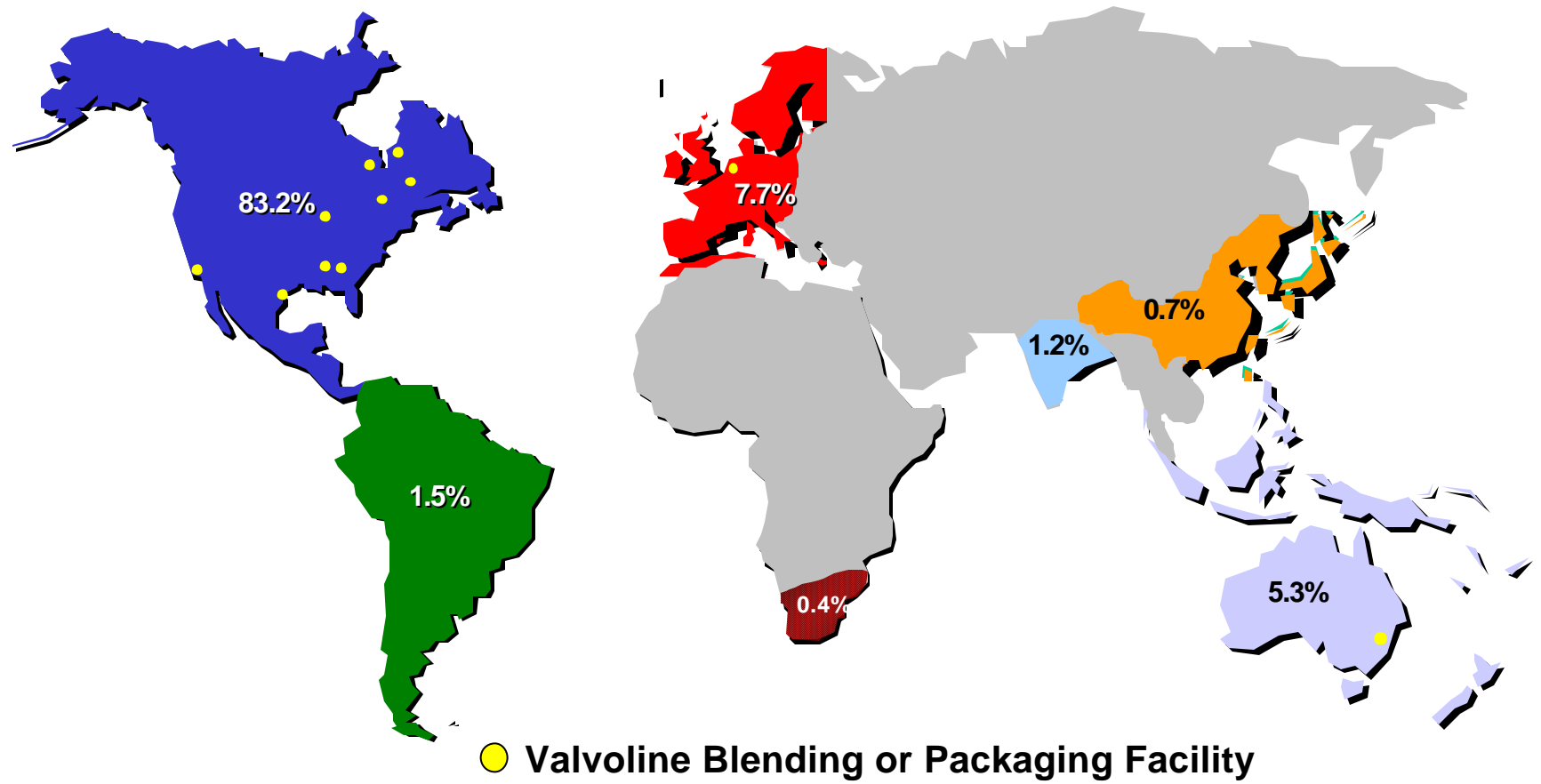
- Revenue growth of 7% from premium lubricants, new products, higher ticket at VIOC, and increased volumes in all international regions
- Operating income increase of \$10 million, or 13%

### ? FY2004 Improvements

- Q3 operating income up 25% to \$30 million
- Sales dollars and branded lubricant sales volumes both up 7%
- Record June quarter for international operations, due mostly to 9% increase in lubricant sales volumes and stronger foreign currencies
- Realized higher margins from premium product sales

Note: Trendline in both graphs = results for nine months ended June 30

# Valvoline Sales by Region



Note: Includes Sales from Unconsolidated Subsidiaries

Valvoline

## Major Competitors by Segment

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### DIY

- ? Armor All (Clorox)
- ? Black magic, Blue Coral (Shell)
- ? Castrol (British Petroleum)
- ? Lucas
- ? Mequiars
- ? Mobil (Exxon Mobil)
- ? Pennzoil, Quaker State (Shell)
- ? Prestone (Honeywell)
- ? Slick 50, Gumout (Shell)
- ? STP (Clorox)
- ? Turtle Wax

### DIFM

- ? BG Products
- ? Castrol (British Petroleum)
- ? Jiffy Lube, Penn 10, Rapid Lube (Shell)
- ? Kwik Kar
- ? Mobil (Exxon Mobil)
- ? MOC Products
- ? Pennzoil, Quaker State (Shell)
- ? Texaco Express Lube
- ? Wynn's (Parker Hannifin)

Competitors' Strength Is in Their Brand Equity

## Market Trends

## Car Care Products

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- ? Continued shift from Do-It-Yourself (DIY) to Do-It-For-Me (DIFM)
- ? Number of vehicles growing; more cars per household
- ? Motor oil specifications becoming more sophisticated
- ? Automotive chemical market fragmented with modest, but steady growth

**High Brand Equity Allows a  
Premium Strategy and Above-Average Growth**

# Valvoline Growth Initiatives



## Grow DIFM Service Outlets

- ? VIOC
  - 355 company-owned stores
  - 83 new franchise stores in last 3 years, totaling 394 as of August 2004
- ? Express Care
  - 348 stores as of August 2004 for independent quick lube operators

## New Premium Products

- ? MaxLife<sup>®</sup> Lubricants and Chemicals for High-Mileage Vehicles
  - Revenue growth in first 9 months of fiscal 2004
- ? Eagle One<sup>®</sup>
  - Wax-As-U-Dry<sup>®</sup>
  - NanoWax<sup>™</sup>

## New Venture Strategy

- ? Introducing air care products and services



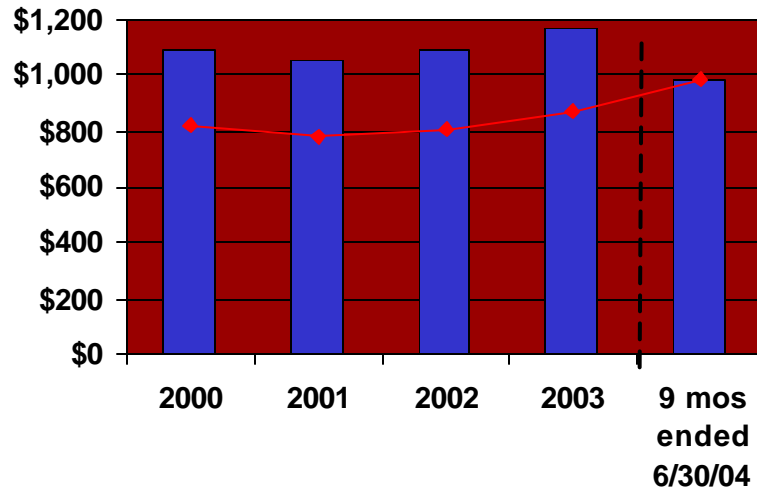
# Ashland Specialty Chemical

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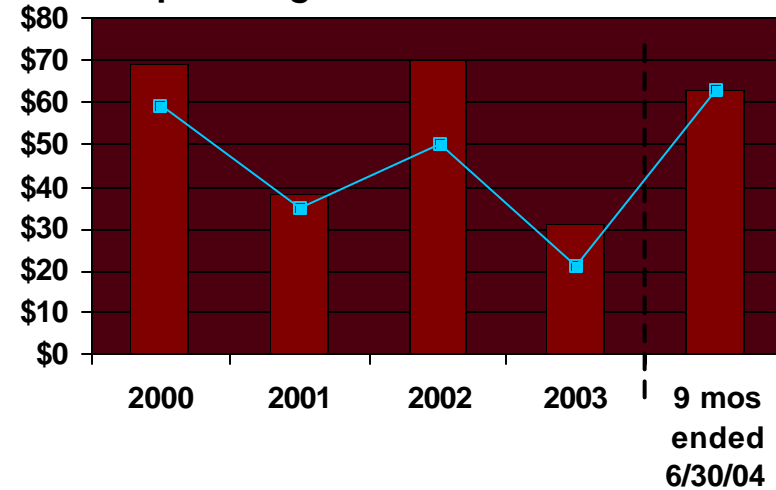


# Ashland Specialty Chemical Financial History

### Sales, \$ millions



### Operating Income, \$ millions



## Highlights

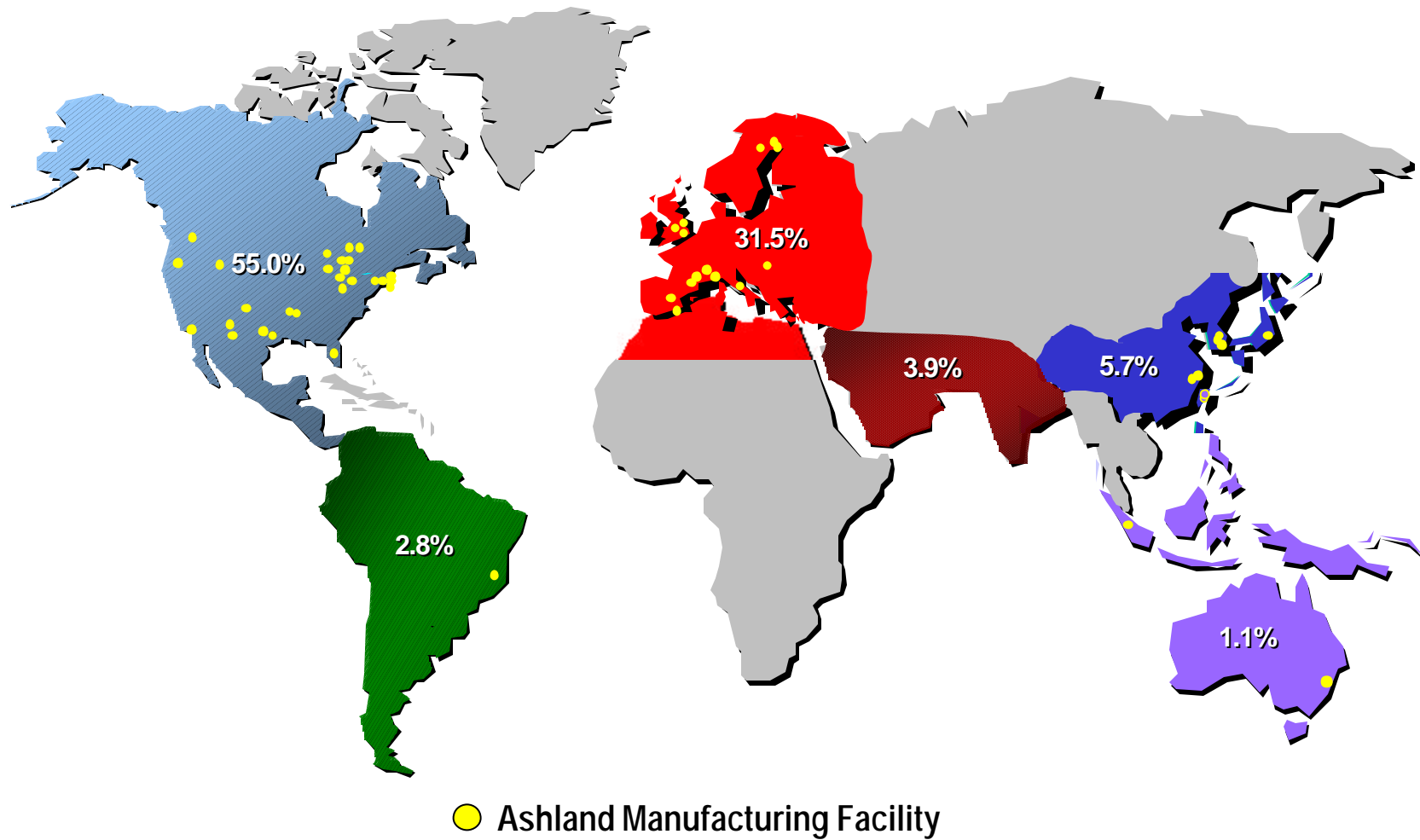
### ? FY2003 Results

- Revenue growth of 7%
- Weak demand in industrial sector and higher raw material costs resulted in lower earnings

### ? FY2004 Improvements

- Year-to-date sales and operating income up 13% and 200%, respectively, compared to fiscal 2003
- Improved sales revenues in thermosets (up 15%) and water (up 7%)
- Strong volume and a reduced cost structure more than compensating for higher raw materials costs

# Ashland Specialty Chemical Sales By Region



Note: Includes Sales From Unconsolidated Subsidiaries  
Updated 7-12-04

# Ashland Specialty Chemical Major Competitors by Segment

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## Thermoset Resins

## Water Technologies

Adhesives {  
 ? HB Fuller  
 ? National Starch (ICI)  
 ? Rohm & Haas

? GE-BetzDearborn  
 ? Nalco (Blackstone et. al.)  
 ? Unitor

Casting Solutions {  
 ? Hüettnes-Albertus  
 ? Foseco (Cinven)

Composites {  
 ? Reichhold (Dainippon)  
 ? Total Chemie (Cook, Cray Valley)  
 ? DSM  
 ? AOC

**These Markets Are Fairly Consolidated**

Market Trends

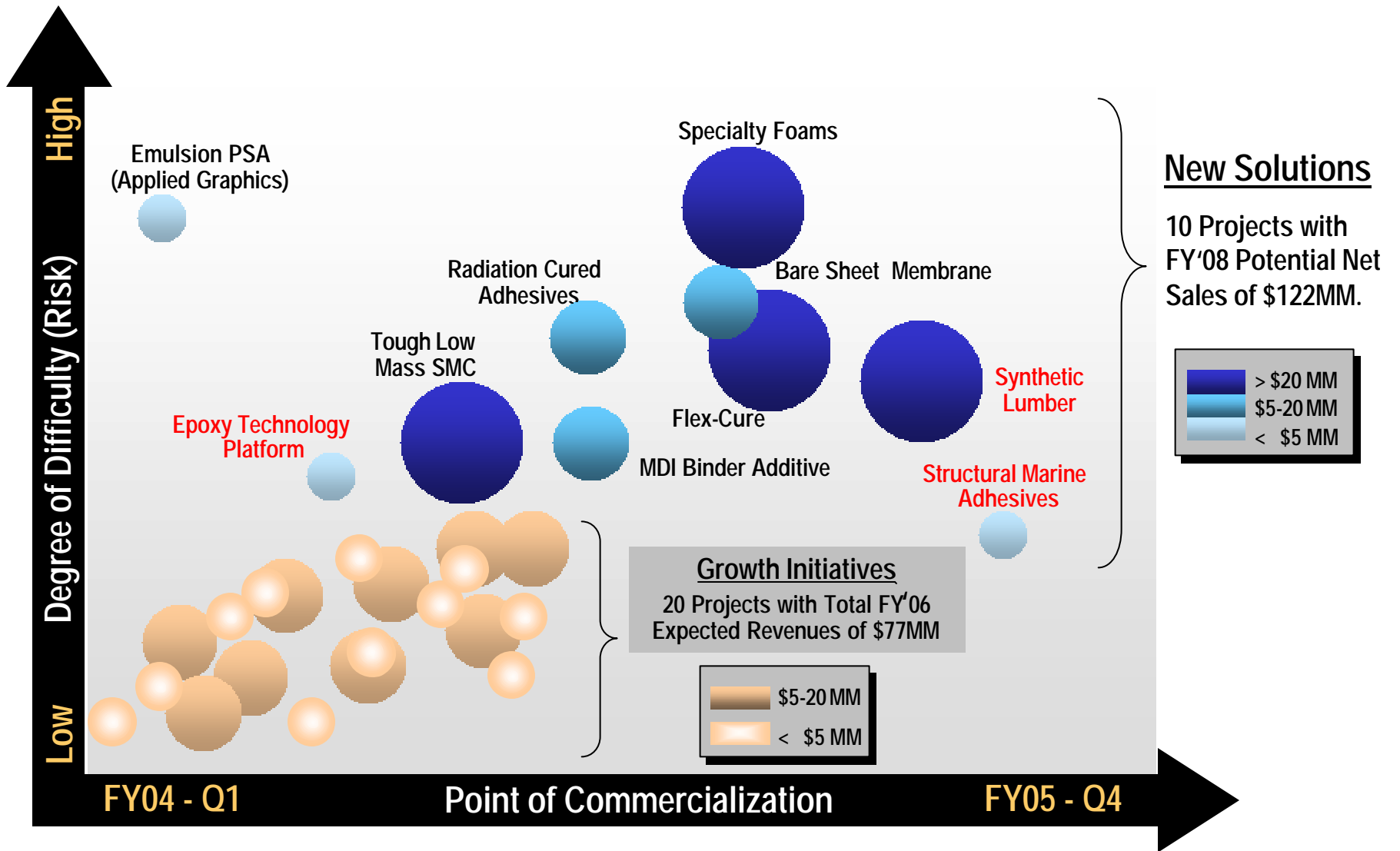
## Specialty Chemical Industry

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- ? Manufacturing migration to emerging geographies will continue
- ? Higher crude and natural gas prices resulting in short-term margin squeeze
- ? Capacity utilization improving
- ? Creative process efficiency solutions will be in demand

**Markets Returning to the Need for a  
Specialty Chemical Value Proposition**

# Ashland Specialty Chemical Balancing the R&D Portfolio



Note: Size of Bubble Represents Potential Revenue

# Ashland Specialty Chemical Growth Initiatives



## Thermoset Resins

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### ? Emulsion Pressure Sensitive Adhesives (PSAs)

- High-efficiency, cost-effective alternative to solvent-based PSAs for the growing clear label market

### ? EXACTCAST® Sleeves

- Patented guides for metal pour to enhance foundry efficiency

## Water Technologies

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### ? SONOXIDE™

- Patented and proprietary ultrasonic technology for bacterial control versus traditional approaches

### ? Pathogen Control

- Disinfection know-how transferred to water-borne bacterial contamination prevention (eg., salmonella control in poultry processing)

## Ashland Inc. Summary

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- ? Using process centering to create top-quartile cost structures – enhancing our ability to compete
- ? Efforts continue to reduce SG&A by rate of \$100 million in fiscal 2004
- ? Wholly-owned businesses achieved improved results through the first three quarters of fiscal 2004 based on improving economic conditions and top-quartile cost structure initiatives
- ? Near-term growth will be primarily organic, but will be augmented by core, value-enhancing acquisitions
- ? Objective is to achieve top-quartile return on investment compared to our peers