SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

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Boulevard
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41012-0391

Telephone Number: (859) 815-3333

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by checkmark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). [X]

At July 31, 2004, there were 71,066,675 shares of Registrant's Common Stock outstanding. One Right to purchase one-thousandth of a share of Series A Participating Cumulative Preferred Stock accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

(In millions except per share data)	Three months ended June 30 2004	Three months ended June 30 2003	Nine months ended June 30 2004	Nine months ended June 30 2003
REVENUES				
Sales and operating revenues	$ 2,192	$ 2,006	$ 5,928	$ 5,388
Equity income	221	104	277	169
Other income	12	15	34	43
	2,425	2,125	6,239	5,600
COSTS AND EXPENSES				
Cost of sales and operating expenses	1,756	1,602	4,727	4,296
Selling, general and administrative expenses	330	336	974	1,004
Depreciation, depletion and amortization	47	49	144	153
	2,133	1,987	5,845	5,453

OPERATING INCOME	292	138	394	147
Net interest and other financial costs	(29)	(31)	(88)	(97)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	263	107	306	50
Income taxes	(96)	(36)	(111)	(17)
INCOME FROM CONTINUING OPERATIONS	167	71	195	33
Results from discontinued operations (net of income taxes) - Note B	(6)	(1)	(16)	(94)
NET INCOME (LOSS)	$ 161	$ 70	$ 179	$ (61)
BASIC EARNINGS (LOSS) PER SHARE - Note A				
Income from continuing operations	$ 2.38	$ 1.04	$ 2.80	$ .48
Results from discontinued operations	(.09)	(.02)	(.23)	(1.38)
Net income (loss)	$ 2.29	$ 1.02	$ 2.57	$ (.90)
DILUTED EARNINGS (LOSS) PER SHARE - Note A				
Income from continuing operations	$ 2.35	$ 1.03	$ 2.75	$ .48
Results from discontinued operations	(.09)	(.02)	(.22)	(1.37)
Net income (loss)	$ 2.26	$ 1.01	$ 2.53	$ (.89)
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275	$ .825	$ .825

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	June 30 2004	September 30 2003	June 30 2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 183	$ 223	$ 112
Accounts receivable	1,256	1,170	1,085
Allowance for doubtful accounts	(39)	(35)	(40)
Inventories - Note A	510	441	512
Deferred income taxes	115	142	98
Assets of discontinued operations held for sale	-	-	198
Other current assets	204	144	186
	2,229	2,085	2,151
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,568	2,448	2,401
Goodwill	513	523	519
Asbestos insurance receivable (noncurrent portion)	400	399	398
Other noncurrent assets	393	340	345
	3,874	3,710	3,663
PROPERTY, PLANT AND EQUIPMENT			
Cost	2,955	2,959	2,949
Accumulated depreciation, depletion and amortization	(1,791)	(1,748)	(1,725)
	1,164	1,211	1,224
	$ 7,267	$ 7,006	$ 7,038
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 204	$ 102	$ 296
Trade and other payables	1,384	1,371	1,235
Liabilities of discontinued operations held for sale	-	-	28
Income taxes	15	11	16
	1,603	1,484	1,575
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,338	1,512	1,564
Employee benefit obligations	394	385	493
Deferred income taxes	313	291	201
Reserves of captive insurance companies	196	168	184
Asbestos litigation reserve (noncurrent portion)	565	560	535
Other long-term liabilities and deferred credits	358	353	346
Commitments and contingencies - Notes D and F			
	3,164	3,269	3,323
COMMON STOCKHOLDERS' EQUITY	2,500	2,253	2,140
	$ 7,267	$ 7,006	$ 7,038

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY

(In millions)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT OCTOBER 1, 2002	$ 68	$ 338	$ 1,961	$ (194)	$ 2,173
Total comprehensive income (1)			(61)	76	15
Cash dividends			(56)		(56)
Issued 64,370 common shares under stock incentive and other plans		8			8
BALANCE AT JUNE 30, 2003	$ 68	$ 346	$ 1,844	$ (118)	$ 2,140
BALANCE AT OCTOBER 1, 2003	$ 68	$ 350	$ 1,961	$ (126)	$ 2,253
Total comprehensive income (1)			179	22	201
Cash dividends			(57)		(57)
Issued 2,698,722 common shares under stock incentive and other plans	3	100			103
BALANCE AT JUNE 30, 2004	$ 71	$ 450	$ 2,083	$ (104)	$ 2,500

(1) Reconciliations of net income (loss) to total comprehensive income follow.

(In millions)	Three months ended June 30 2004	Three months ended June 30 2003	Nine months ended June 30 2004	Nine months ended June 30 2003
Net income (loss)	$ 161	$ 70	$ 179	$ (61)
Minimum pension liability adjustment	-	-	-	19
Related tax expense	-	-	-	(7)
Unrealized translation adjustments	(12)	32	22	64
Related tax benefits	-	-	-	-
Total comprehensive income	$ 149	$ 102	$ 201	$ 15

At June 30, 2004, the accumulated other comprehensive loss of $104 million (after tax) was comprised of net unrealized translation gains of $12 million and a minimum pension liability of $116 million.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Nine months ended June 30 2004	Nine months ended June 30 2003
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	$ 195	$ 33
Expense (income) not affecting cash		
Depreciation, depletion and amortization	144	153
Deferred income taxes	70	43
Equity income from affiliates	(277)	(169)
Distributions from equity affiliates	156	114
Other items	2	(1)
Change in operating assets and liabilities (1)	(213)	(62)
	77	111
CASH FLOWS FROM FINANCING		
Proceeds from issuance of common stock	86	1
Repayment of long-term debt	(75)	(191)
Increase in short-term debt	8	243
Dividends paid	(57)	(56)
	(38)	(3)
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(121)	(84)
Purchase of operations - net of cash acquired	(5)	(5)
Proceeds from sale of operations	48	5
Other - net	13	(6)
	(65)	(90)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	(26)	18
Cash provided (used) by discontinued operations	(14)	4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40)	22
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	223	90
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 183	$ 112

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

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. All adjustments (consisting of normal recurring accruals) considered necessary by management for a fair presentation have been included, although such statements are subject to any year-end audit adjustments which may be necessary. These financial statements should be read in conjunction with Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (as amended to include the audited financial statements of Marathon Ashland Petroleum LLC for the year ended December 31, 2003). Results of operations for the periods ended June 30, 2004, are not necessarily indicative of results to be expected for Ashland's fiscal year ending September 30, 2004.

INVENTORIES

(In millions)	June 30 2004	September 30 2003	June 30 2003
Chemicals and plastics	$ 390	$ 333	$ 364
Construction materials	76	67	82
Petroleum products	73	66	75
Other products	50	48	60
Supplies	6	5	5
Excess of replacement costs over LIFO carrying values	(85)	(78)	(74)
	$ 510	$ 441	$ 512

EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (EPS) from continuing operations.

	Three months ended June 30		Nine months ended June 30	
(In millions except per share data)	2004	2003	2004	2003
NUMERATOR				
Numerator for basic and diluted EPS - Income from continuing operations	$ 167	$ 71	$ 195	$ 33
DENOMINATOR				
Denominator for basic EPS - Weighted average common shares outstanding	70	68	70	68
Common shares issuable upon exercise of stock options	1	1	1	1
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	71	69	71	69
EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
Basic	$ 2.38	$ 1.04	$ 2.80	$ .48
Diluted	$ 2.35	$ 1.03	$ 2.75	$ .48

NOTE B - DISCONTINUED OPERATIONS

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation, a former subsidiary. During the quarter ended December 31, 2002, Ashland increased its reserve for asbestos claims by $390 million to cover litigation defense and claim settlement costs expected to be paid through December 2012. Because insurance provides reimbursements for most of these costs and coverage-in-place agreements exist with the insurance companies that provide substantially all of the coverage being accessed, the increase in the asbestos reserve was offset in part by probable insurance recoveries valued at $235 million. The resulting $155 million pretax charge to income, net of deferred income tax benefits of $60 million, was reflected as an after-tax loss from discontinued operations of $95 million in the Statement of Consolidated Income for the three months ended December 31, 2002. Additional reserves have been provided since then to reflect updates in the estimate of potential payments for litigation defense and claim settlement costs during the next ten years. See Note F for further discussion of Ashland's asbestos-related litigation.

On August 29, 2003, Ashland sold the net assets of its Electronic Chemicals business and certain related subsidiaries in a transaction valued at approximately $300 million before tax. Electronic Chemicals was a part of Ashland Specialty Chemical, providing ultra pure chemicals and other products and services to the worldwide semiconductor industry, with revenues of $215 million in 2003, $217 million in 2002 and $212 million in 2001. The sale reflects Ashland's strategy to optimize its business mix and focus greater attention on the remaining chemical and transportation construction operations where it can achieve strategic advantage. Ashland's after-tax proceeds were used primarily to reduce debt. All assets and liabilities of Electronic Chemicals are classified as current in the June 30, 2003 balance sheet. Assets of $198 million were composed of current assets of $52 million, investments and other assets of $26 million, and property, plant and equipment of $120 million. Liabilities of $28 million were composed of current liabilities of $15 million and noncurrent liabilities of $13 million.

Components of amounts reflected in the income statements related to discontinued operations are presented in the following table.

	Three months ended June 30		Nine months ended June 30	
(In millions)	2004	2003	2004	2003
PRETAX INCOME (LOSS) FROM DISCONTINUED OPERATIONS				
Reserves for asbestos-related litigation	$ (7)	$ (8)	$ (22)	$ (171)
Electronic Chemicals				
Results of operations	-	5	-	12
Loss on disposal	(2)	-	(3)	-
INCOME TAXES				
Reserves for asbestos-related litigation	3	3	9	67
Electronic Chemicals				
Results of operations	-	(1)	-	(2)
Loss on disposal	-	-	-	-
RESULTS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)	$ (6)	$ (1)	$ (16)	$ (94)

NOTE C - UNCONSOLIDATED AFFILIATES

Under Rule 3-09 of Regulation S-X, Ashland filed audited financial statements for Marathon Ashland Petroleum LLC (MAP) for the year ended December 31, 2003, on a Form 10-K/A on March 19, 2004. Unaudited income statement information for MAP is shown below.

MAP is organized as a limited liability company that has elected to be taxed as a partnership. Therefore, the parents are responsible for income taxes applicable to their share of MAP's taxable income. The net income reflected below for MAP does not include any provision for income taxes that will be incurred by its parents.

	Three months ended June 30		Nine months ended June 30	
(In millions)	2004	2003	2004	2003
Sales and operating revenues	$ 11,155	$ 8,005	$ 29,773	$ 23,338
Income from operations	585	281	734	457
Net income	583	276	725	446
Ashland's equity income	216	101	261	157

On March 19, 2004, Ashland announced the signing of an agreement under which it would transfer its 38% interest in MAP and two wholly-owned businesses to Marathon in a transaction structured to be generally tax free and valued at approximately $3.0 billion. The two other businesses are Ashland's maleic anhydride business and 61 Valvoline Instant Oil Change (VIOC) centers. The transaction is subject to several previously disclosed conditions, including approval by Ashland's shareholders, consent from public debt holders and receipt of a favorable private letter ruling from the Internal Revenue Service with respect to the tax treatment. While there is meaningful risk that the transaction will not receive the favorable ruling from the IRS, in which case the transaction would not close, Ashland believes it is more likely than not that this transaction will receive a favorable ruling. If the conditions are met, the transaction is expected to close by the end of the 2004 calendar year.

NOTE D - LEASES AND OTHER COMMITMENTS

LEASES

Under various operating leases, Ashland has made guarantees with respect to the residual value of the underlying property. If Ashland had cancelled those leases at June 30, 2004, its maximum obligations under the residual value guarantees would have amounted to $102 million. Ashland does not expect to incur any significant charge to earnings under these guarantees, $24 million of which relates to real estate. These lease agreements are with unrelated third party lessors and Ashland has no additional contractual or other commitments to any party to the leases.

OTHER COMMITMENTS

Ashland has guaranteed 38% of MAP's payments for certain crude oil purchases, up to a maximum guarantee of $95 million. At June 30, 2004, Ashland's contingent liability under this guarantee amounted to $83 million. Although Ashland has not made and does not expect to make any payments under this guarantee, it has recorded the fair value of the guarantee obligation, which is not significant.

NOTE E - EMPLOYEE BENEFIT PLANS

In May 2004, the Financial Accounting Standards Board issued Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act)." Among other things, the Act will expand Medicare to include an outpatient prescription drug benefit beginning in 2006, as well as provide a subsidy for sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to the new Medicare drug benefit. The Staff Position is effective July 1, 2004. Ashland is currently evaluating the impact of the Act on its postretirement benefit plans and has not determined the effect of the Act on its financial statements.

Presently, Ashland anticipates contributing $128 million to its pension plans during fiscal 2004. As of June 30, 2004, $89 million of contributions have been made.

The following tables detail the components of pension and other postretirement benefit costs.

	Pension benefits		Other postretirement benefits	
(In millions)	2004	2003	2004	2003
THREE MONTHS ENDED JUNE 30				
Service cost	$ 12	$ 13	$ 1	$ 3
Interest cost	19	19	4	5
Expected return on plan assets	(18)	(15)	-	-
Other amortization and deferral	9	9	(2)	(2)
	$ 22	$ 26	$ 3	$ 6
NINE MONTHS ENDED JUNE 30				
Service cost	$ 35	$ 33	$ 8	$ 8
Interest cost	53	50	15	18
Expected return on plan assets	(48)	(39)	-	-
Other amortization and deferral	24	23	(10)	(5)
	$ 64	$ 67	$ 13	$ 21

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES

ASBESTOS-RELATED LITIGATION

Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation (Riley), a former subsidiary. Although Riley was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies.

A summary of asbestos claims activity follows. Because claims are frequently filed and settled in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period.

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

	Nine months ended June 30		Years ended September 30		
(In thousands)	2004	2003	2003	2002	2001
Open claims - beginning of period	198	160	160	167	118
New claims filed	24	58	66	45	52
Claims settled	(6)	(5)	(7)	(15)	(2)
Claims dismissed	(17)	(17)	(21)	(37)	(1)
Open claims - end of period	199	196	198	160	167

Since October 1, 2000, Riley has been dismissed as a defendant in 72% of the resolved claims. For the nine months ended June 30, 2004, amounts spent on litigation defense and claim settlements amounted to $1,736 per claim resolved, compared to $1,593 for the nine months ended June 30, 2003, and annual costs of $1,610 in 2003, $723 in 2002 and $4,445 in 2001. A progression of activity in the asbestos reserve is presented in the following table.

	Nine months ended June 30		Years ended September 30		
(In millions)	2004	2003	2003	2002	2001
Asbestos reserve - beginning of period	$ 610	$ 202	$ 202	$ 199	$ 57
Expense incurred	44	419	453	41	157
Amounts paid	(39)	(36)	(45)	(38)	(15)
Asbestos reserve - end of period	$ 615	$ 585	$ 610	$ 202	$ 199

During the December 2002 quarter, Ashland increased its reserve for asbestos claims by $390 million to cover the litigation defense and claim settlement costs for probable and reasonably estimable future payments related to existing open claims, as well as an estimate of those that may be filed in the future. Prior to December 31, 2002, the asbestos reserve was based on the estimated costs that would be incurred to settle existing open claims. A range of estimates of future asbestos claims and related costs using various assumptions was developed with the assistance of Hamilton, Rabinovitz & Alschuler, Inc. (HR&A), nationally recognized experts in that field. The methodology used by HR&A to project future asbestos costs was based largely on Ashland's recent experience, including claim-filing and settlement rates, disease mix, open claims, and litigation defense and claim settlement costs. Ashland's claim experience was compared to the results of previously conducted epidemiological studies estimating the number of people likely to develop asbestos-related diseases. Those studies were undertaken in connection with national analyses of the population expected to have been exposed to asbestos. Using that information, HR&A estimated a range of the number of future claims that may be filed, as well as the related costs that may be incurred in resolving those claims.

From the range of estimates, Ashland recorded the amount it believed to be the best estimate, which represented the expected payments for litigation defense and claim settlement costs during the next ten years. Subsequent updates to this estimate have been made based on a combination of a number of factors including the actual volume of new claims, recent settlement costs, changes in the mix of alleged disease, enacted legislative changes and other developments impacting Ashland's estimate of potential payments during the next ten years. In addition, at least annually, more formal estimates are developed with the assistance of HR&A. Ashland's reserve for asbestos claims on an undiscounted basis amounted to $615 million at June 30, 2004, compared to $585 million at June 30, 2003.

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict. In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, Ashland believes its asbestos reserve represents the best estimate within a range of possible outcomes, and even though it is reasonably possible that additional costs might be incurred, they are not reasonably estimable at this time. If actual experience is worse than projected relative to the number of claims filed, the severity of alleged disease associated with those claims or costs incurred to resolve those claims, Ashland may need to increase further the estimates of the costs associated with asbestos claims and these increases could potentially be material over time.

Ashland has insurance coverage for most of the litigation defense and claim settlement costs incurred in connection with its asbestos claims, and coverage-in-place agreements exist with the insurance companies that provide substantially all of the coverage currently being accessed. As a result, increases in the asbestos reserve have been largely offset by probable insurance recoveries. The amounts not recoverable are generally due from insurers that are insolvent, rather than as a result of uninsured claims or the exhaustion of Ashland's insurance coverage.

Ashland retained the services of Tillinghast-Towers Perrin to assist management in the estimation of probable insurance recoveries. Such recoveries are based on assumptions and estimates surrounding the available insurance coverage; one assumption of which is that all solvent insurance carriers remain solvent. Although coverage limits are resolved in the coverage-in-place agreement with Equitas Limited (Equitas) and other London companies, which collectively provide a significant portion of Ashland's insurance coverage for asbestos claims, there is a disagreement with these companies over the timing of recoveries. The resolution of this disagreement could have a material effect on the value of insurance recoveries from those companies. In estimating the value of future recoveries, Ashland has used the least favorable interpretation of this agreement under which the ultimate recoveries are extended for many years, resulting in a significant discount being applied to value those recoveries. Ashland will continue to apply this methodology until such time as the disagreement is resolved. On July 21, 2004, Ashland filed a demand for arbitration to resolve the dispute concerning the interpretation of this agreement.

At June 30, 2004, Ashland's receivable for recoveries of litigation defense and claim settlement costs from its insurers amounted to $430 million, of which $39 million relates to costs previously paid. Receivables from insurance companies amounted to $423 million at June 30, 2003. About 35% of the estimated receivables from insurance companies at June 30, 2004, are expected to be due from Equitas and other London companies. Of the remainder, over 90% is expected to come from companies or groups that are rated A or higher by A. M. Best.

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES (CONTINUED)

ENVIRONMENTAL PROCEEDINGS

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations. At June 30, 2004, such locations included 95 waste treatment or disposal sites where Ashland has been identified as a potentially responsible party under Superfund or similar state laws, approximately 130 current and former operating facilities (including certain operating facilities conveyed to MAP) and about 1,220 service station properties. Ashland's reserves for environmental remediation amounted to $169 million at June 30, 2004, and $167 million at June 30, 2003. Such amounts reflect Ashland's estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries. Engineering studies, probability techniques, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation.

Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the costs. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites. Ashland regularly adjusts its reserves as environmental remediation continues.

No individual remediation location is material to Ashland as its largest reserve for any site is less than 10% of the remediation reserve. As a result, Ashland's exposure to adverse developments with respect to any individual site is not expected to be material, and these sites are in various stages of ongoing remediation. Although environmental remediation could have a material effect on results of operations if a series of adverse developments occurs in a particular quarter or fiscal year, Ashland believes that the chance of such developments occurring in the same quarter or fiscal year is remote.

OTHER LEGAL PROCEEDINGS

In addition to the matters described above, there are various claims, lawsuits and administrative proceedings pending or threatened against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability, and other environmental matters, which seek remedies or damages, some of which are for substantial amounts. While these actions are being contested, their outcome is not predictable.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(In millions)	Three months ended June 30 2004	Three months ended June 30 2003	Nine months ended June 30 2004	Nine months ended June 30 2003
REVENUES				
Sales and operating revenues				
APAC	$ 698	$ 683	$ 1,755	$ 1,615
Ashland Distribution	838	733	2,320	2,081
Ashland Specialty Chemical	354	308	983	870
Valvoline	330	307	945	889
Intersegment sales				
Ashland Distribution	(5)	(6)	(13)	(16)
Ashland Specialty Chemical	(23)	(19)	(61)	(50)
Valvoline	-	-	(1)	(1)
	2,192	2,006	5,928	5,388
Equity income				
APAC	3	2	11	6
Ashland Specialty Chemical	2	1	5	5
Valvoline	-	-	-	1
Refining and Marketing	216	101	261	157
	221	104	277	169
Other income				
APAC	9	3	20	5
Ashland Distribution	1	3	8	17
Ashland Specialty Chemical	3	3	8	8
Valvoline	2	1	3	4
Refining and Marketing	(2)	4	(7)	4
Corporate	(1)	1	2	5
	12	15	34	43
	$ 2,425	$ 2,125	$ 6,239	$ 5,600
OPERATING INCOME				
APAC	$ 43	$ 17	$ 41	$ (39)
Ashland Distribution	23	11	56	27
Ashland Specialty Chemical	22	3	63	21
Valvoline	30	24	75	56
Refining and Marketing (1)	205	100	232	145
Corporate	(31)	(17)	(73)	(63)
	$ 292	$ 138	$ 394	$ 147

(1) Includes Ashland's equity income from MAP, 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

	Three months ended June 30		Nine months ended June 30	
	2004	2003	2004	2003
OPERATING INFORMATION				
APAC				
Construction backlog at June 30 (millions) (1)			$ 1,869	$ 1,824
Net construction job revenues (millions) (2)	$ 409	$ 402	$ 982	$ 904
Hot-mix asphalt production (million tons)	9.9	9.8	22.7	21.0
Aggregate production (million tons)	8.1	7.6	21.0	19.7
Ready-mix concrete production (million cubic yards)	0.4	0.6	1.4	1.5
Ashland Distribution (3)				
Sales per shipping day (millions)	$ 13.3	$ 11.6	$ 12.3	$ 11.1
Gross profit as a percent of sales	14.4%	15.1%	14.6%	15.3%
Ashland Specialty Chemical (3)				
Sales per shipping day (millions)	$ 5.6	$ 4.9	$ 5.1	$ 4.6
Gross profit as a percent of sales	30.7%	33.1%	32.3%	33.8%
Valvoline				
Lubricant sales (million gallons)	50.0	49.2	141.3	142.2
Premium lubricants (percent of U.S. branded volumes)	22.0%	19.8%	21.0%	18.5%
Refining and Marketing (4)				
Refinery runs (thousand barrels per day)				
Crude oil refined	1,013	951	900	878
Other charge and blend stocks	142	129	174	130
Refined product yields (thousand barrels per day)				
Gasoline	623	582	596	544
Distillates	323	292	285	276
Asphalt	85	76	70	69
Other	138	138	136	123
Total	1,169	1,088	1,087	1,012
Refined product sales (thousand barrels per day) (5)	1,440	1,346	1,367	1,311
Refining and wholesale marketing margin (per barrel) (6)	$ 5.27	$ 2.94	$ 2.87	$ 2.21
Speedway SuperAmerica (SSA)				
Retail outlets at June 30			1,746	1,802
Gasoline and distillate sales (million gallons)	802	882	2,371	2,608
Gross margin - gasoline and distillates (per gallon)	$ .1192	$ .1229	$ .1161	$ .1134
Merchandise sales (millions) (7)	$ 600	$ 590	$ 1,668	$ 1,695
Merchandise margin (as a percent of sales)	23.4%	23.9%	24.4%	24.4%

(1) Includes APAC's proportionate share of the backlog of unconsolidated joint ventures.
(2) Total construction job revenues, less subcontract costs.
(3) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses, and depreciation and amortization relative to manufacturing assets.
(4) Amounts represent 100% of MAP's operations, in which Ashland owns a 38% interest.
(5) Total average daily volume of all refined product sales to MAP's wholesale, branded and retail (SSA) customers.
(6) Sales revenue less cost of refinery inputs, purchased products and manufacturing expenses, including depreciation.
(7) Effective January 1, 2003, SSA adopted EITF 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor," which requires rebates from vendors to be recorded as reductions to cost of sales. Rebates from vendors recorded in SSA merchandise sales for periods prior to January 1, 2003 have not been restated and included $46 million in the nine months ended June 30, 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

CURRENT QUARTER - Ashland reported net income of $161 million for the quarter ended June 30, 2004, compared to $70 million for the quarter ended June 30, 2003. Ashland reported income from continuing operations of $167 million for the quarter ended June 30, 2004, compared to $71 million for the quarter ended June 30, 2003. Ashland's results from discontinued operations, consisting of charges associated with estimated future asbestos liabilities less probable insurance recoveries, as well as net income from the discontinued operations of its Electronic Chemicals business, accounted for the difference in net income and income from continuing operations.

Consistent growth in sales and operating revenues, an improved cost structure and a healthier economy contributed to a 97% improvement in operating income for the Chemical Sector (which includes Ashland Distribution, Ashland Specialty Chemical and Valvoline). Ashland Distribution achieved an all-time record for quarterly operating income, reflecting a 14% increase in sales and operating revenues. Operating income from Ashland Specialty Chemical improved on the strength of a 15% increase in sales and operating revenues. Valvoline recorded a 25% increase in operating income as its premium product strategy contributed to a 7% increase in sales and operating revenues. In the Transportation Construction Sector, Ashland Paving And Construction, Inc. (APAC) continued its profit recovery, recording operating income of $43 million for the June 2004 quarter, compared to $17 million for the June 2003 quarter. Strong demand, favorable refining margins and improved throughput resulted in $205 million in operating income from Refining and Marketing, compared to $100 million for the June 2003 quarter.

YEAR-TO-DATE - Ashland reported net income of $179 million for the nine months ended June 30, 2004, compared to a net loss of $61 million for the nine months ended June 30, 2003. Ashland reported income from continuing operations of $195 million for the nine months ended June 30, 2004, compared to income of $33 million for the nine months ended June 30, 2003. Ashland's results from discontinued operations, consisting of charges associated with estimated future asbestos liabilities less probable insurance recoveries, as well as net income from the discontinued operations of its Electronic Chemicals business, accounted for the difference in net income and income from continuing operations.

Chemical Sector operating income totaled $194 million for the first nine months of fiscal 2004, compared to $104 million for the 2003 period. Ashland Distribution, Ashland Specialty Chemical and Valvoline all showed significant improvement, reflecting a combined 11% increase in sales and operating revenues and an improved cost structure. In the Transportation Construction Sector, APAC recorded operating income of $41 million for the 2004 period, compared to a loss of $39 million in the 2003 period, reflecting closer-to-normal weather and a reduced cost structure. Higher refining margins and improved throughput led to an increase in Refining and Marketing operating income from $145 million for the 2003 period to $232 million for the 2004 period. An analysis of operating income by industry segment follows.

APAC

CURRENT QUARTER - APAC reported operating income of $43 million for the June 2004 quarter, compared to $17 million for the June 2003 quarter. During the quarter, APAC sold a significant portion of its ready-mix operations, realizing proceeds net of selling expenses of $38 million and a pre-tax gain of $9 million. Though sales and operating revenues were only up 2%, overall margin was up, reflecting reduced costs across the business and increased profits from the sale of hot-mix asphalt and aggregates. Costs associated

APAC (CONTINUED)

with Project PASS, APAC's process redesign initiative, were $2 million in the June 2004 quarter, compared to $6 million in the June 2003 quarter, as that project is now essentially complete.

YEAR-TO-DATE - APAC reported operating income of $41 million for the nine months ended June 30, 2004, compared to an operating loss of $39 million for the nine months ended June 30, 2003. The improvement reflects more normal weather conditions, a reduced cost structure and a $9 million gain on the sale of a significant portion of APAC's ready-mix operations in the June 2004 quarter. Net construction job revenues (total construction job revenues less subcontract costs) increased 9% from the prior year period, while production of hot-mix asphalt increased 8% and aggregate production increased 7%. Costs associated with Project PASS were $10 million in the 2004 period, compared to $15 million in the 2003 period. At June 30, 2004, APAC's construction backlog, which consists of work awarded and funded but not yet performed, was $1.87 billion, a record for the June quarter and up slightly over the same period in 2003.

ASHLAND DISTRIBUTION

CURRENT QUARTER - Ashland Distribution reported operating income of $23 million, an all-time record for quarterly operating income, compared to $11 million for the June 2003 quarter. Sales and operating revenues increased 14%, reflecting a 10% growth in sales volumes due to a healthier economy and strong customer satisfaction. Ashland Distribution has continued to build on its leadership positions in logistics and operational excellence. These factors, coupled with the division's low-cost operational model, have contributed to its dramatic recovery. The gross profit percentage declined to 14.4%, compared to 15.1% in the June 2003 quarter, due to lower margins in chemicals and environmental services. Selling, general and administrative (SG&A) expenses were down $7 million compared to the prior year period, reflecting the benefits of the Top-Quartile Cost Structure (TQCS) initiative.

YEAR-TO-DATE - Ashland Distribution reported record operating income of $56 million for the nine months ended June 30, 2004, compared to $27 million for the nine months ended June 30, 2003. The improvement reflects the same factors described in the current quarter comparison. Sales and operating revenues were up 11%, including 6% from volume increases. The gross profit percentage declined from 15.3% to 14.6%, due to lower margins in chemicals and environmental services. SG&A expenses declined $20 million. Income from litigation settlements and asset sales amounted to $4 million in the 2004 period compared to $7 million in the 2003 period.

ASHLAND SPECIALTY CHEMICAL

CURRENT QUARTER - Ashland Specialty Chemical reported operating income of $22 million for the June 2004 quarter, compared to $3 million for the June 2003 quarter, which included an impairment charge of $10 million for a mothballed maleic anhydride production facility in Neville Island, Pa. Growth initiatives combined with a lower cost structure led to improved results despite continued higher raw material costs. Results from the thermoset resins businesses (Casting Solutions, Composite Polymers and Specialty Polymers & Adhesives) improved 48%, as sales and operating revenues were up 18%, reflecting a 15% increase in sales volumes. Results from the water technologies businesses (Drew Industrial and Drew Marine) improved 57%, reflecting a 6% increase in sales and operating revenues.

YEAR-TO-DATE - Operating income for Ashland Specialty Chemical was $63 million for the nine months ended June 30, 2004, compared to $21 million for the nine months ended June 30, 2003. Results from the thermoset resins businesses increased 60%, while the water technologies businesses increased 34%. The improvement reflects the same factors described in the current quarter comparison.

VALVOLINE

CURRENT QUARTER - Valvoline reported operating income of $30 million for the June 2004 quarter, a 25% improvement over the $24 million reported for the June 2003 quarter. Valvoline's core lubricant business improved on the strength of a 7% increase in branded lubricant sales volumes, aided by a 19% increase in premium lubricant sales volumes. Valvoline's international operations posted a record June quarter mostly due to a 9% increase in lubricant sales volumes and stronger foreign currencies. Valvoline Instant Oil Change (VIOC) earnings were lower as a result of a decline in the number of oil changes, the impact of which was partially offset by a 3% improvement in the average ticket price.

YEAR-TO-DATE - Valvoline reported record operating income of $75 million for the nine months ended June 30, 2004, a 34% improvement over the $56 million reported for the same period in 2003. Valvoline's core lubricant business improved, reflecting a 14% increase in sales volumes for premium lubricant products. VIOC reported record earnings due in part to a 3% increase in non-oil change revenues, and a 3% increase in premium oil changes, contributing to a 7% increase in the average ticket price. In addition, Valvoline's international operations posted record results mostly due to a 3% increase in lubricant sales volumes and stronger foreign currencies.

REFINING AND MARKETING

CURRENT QUARTER - Operating income from Refining and Marketing, which consists primarily of equity income from Ashland's 38% ownership interest in MAP, amounted to $205 million for the quarter ended June 30, 2004, compared to $100 million for the June 2003 quarter. MAP achieved the second-highest level of quarterly operating income in the joint venture's history. High demand in the spring driving season, strong refining margins, and record throughput at MAP's refineries contributed to a $129 million increase in equity income from MAP's refining and wholesale marketing operations. MAP's refining and wholesale marketing margin averaged $5.27 per barrel for the June 2004 quarter, compared to $2.94 per barrel in the June 2003 quarter. Crude oil throughput during the June 2004 quarter averaged a record 1.013 million barrels per day, up 7% over the June 2003 quarter. Equity income from MAP's retail operations (Speedway SuperAmerica (SSA) and a 50% interest in the Pilot Travel Centers joint venture) decreased $11 million, reflecting an $8 million gain on the sale of 190 SSA stores in May 2003 and decreased product sales volumes as a result of the sale. Ashland's administrative and other costs related to Refining and Marketing increased by $10 million, reflecting mark-to-market losses of $2 million on margin hedges in the June 2004 quarter versus gains of $4 million in the June 2003 quarter, and transaction costs of $5 million associated with the proposed transfer of Ashland's 38% interest in MAP to Marathon Oil Corporation (Marathon).

On March 19, 2004, Ashland announced the signing of an agreement under which it would transfer its 38% interest in MAP and two wholly-owned businesses to Marathon in a transaction structured to be generally tax free and valued at approximately $3.0 billion. The two other businesses are Ashland's maleic anhydride business and 61 VIOC centers. On June 21, 2004, Ashland filed a preliminary proxy statement with the Securities and Exchange Commission related to the transaction. The transaction is subject to several previously disclosed conditions, including approval by Ashland's shareholders, consent from public debt holders and receipt of a favorable private letter ruling from the Internal Revenue Service with respect to the tax treatment. While there is meaningful risk that the transaction will not receive the favorable ruling from the IRS, in which case the transaction would not close, Ashland believes it is more likely than not that this transaction will receive a favorable ruling. If the conditions are met, the transaction is expected to close by the end of the 2004 calendar year.

REFINING AND MARKETING (CONTINUED)

YEAR-TO-DATE - Operating income from Refining and Marketing amounted to $232 million for the nine months ended June 30, 2004, compared to $145 million for the 2003 period. Equity income from MAP's refining and wholesale marketing operations increased $113 million, reflecting a 66 cents per barrel increase in MAP's refining and wholesale marketing margin and increased throughput, due to the same factors described in the current quarter comparison. Equity income from MAP's retail operations declined $9 million due to the same factors described in the current quarter comparison. Ashland's administrative and other costs increased $17 million, reflecting mark-to-market losses of $7 million on margin hedges in the 2004 period versus gains of $4 million in the 2003 period, and transaction costs of $8 million associated with the proposed transfer of Ashland's 38% interest in MAP.

CORPORATE

Corporate expenses amounted to $31 million in the quarter ended June 30, 2004, compared to $17 million in the June 2003 quarter, reflecting increased incentive compensation costs. Corporate expenses amounted to $73 million for the nine months ended June 30, 2004, compared to $63 million for the 2003 period. The increase reflects higher incentive and deferred compensation costs in the 2004 period, partially offset by an $8 million charge in the December 2002 quarter for severance and other transition costs related to Ashland's program to reduce general and administrative costs.

NET INTEREST AND OTHER FINANCIAL COSTS

Net interest and other financial costs declined to $29 million in the June 2004 quarter, compared to $31 million in the June 2003 quarter. For the nine months ended June 30, 2004, net interest and other financial costs amounted to $88 million, compared to $97 million for the 2003 period. The declines reflect a reduction in the average level of debt outstanding.

DISCONTINUED OPERATIONS

As described in Notes B and F to the Condensed Consolidated Financial Statements, Ashland's results from discontinued operations include charges associated with estimated future asbestos liabilities less probable insurance recoveries, as well as net income from the discontinued operations of its Electronic Chemicals business. Such amounts are summarized in the following table.

	Three months ended June 30		Nine months ended June 30	
(In millions)	2004	2003	2004	2003
PRETAX INCOME (LOSS) FROM DISCONTINUED OPERATIONS				
Reserves for asbestos-related litigation	$ (7)	$ (8)	$ (22)	$ (171)
Electronic Chemicals				
Results of operations	-	5	-	12
Loss on disposal	(2)	-	(3)	-
INCOME TAXES				
Reserves for asbestos-related litigation	3	3	9	67
Electronic Chemicals				
Results of operations	-	(1)	-	(2)
Loss on disposal	-	-	-	-
RESULTS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)	$ (6)	$ (1)	$ (16)	$ (94)

FINANCIAL POSITION

LIQUIDITY

Cash flows from operations, a major source of Ashland's liquidity, amounted to $77 million for the nine months ended June 30, 2004, compared to $111 million for the nine months ended June 30, 2003. Cash distributions from MAP amounted to $146 million in the 2004 period compared to $108 million in the 2003 period. This increase was more than offset by a $59 million increase in pension contributions and a $45 million increase in federal tax payments. Other operating cash flows from Ashland's wholly owned businesses increased $32 million. Ashland's capital requirements for net property additions and dividends exceeded cash flows from operations by $83 million for the nine months ended June 30, 2004. Cash flows from operations for the nine months ended June 30, 2004 have been supplemented by proceeds of $86 million from the issuance of common stock resulting from stock option exercises and proceeds of $48 million from the sale of certain APAC operations. Ashland anticipates meeting its remaining 2004 capital requirements for property additions and dividends from internally generated funds. Under the terms of the proposed transaction with Marathon, MAP will not make quarterly cash distributions to Ashland and Marathon until the closing of the transaction. The final amount received by Ashland from the transaction would be increased by an amount equal to 38% of the cash accumulated from operations during the period prior to closing.

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt of Baa2 from Moody's and BBB from Standard & Poor's (S&P). In August 2003, S&P revised its outlook on Ashland to negative from stable, and lowered Ashland's commercial paper rating to A-3 from A-2. In March 2004, Moody's took a similar action after the announcement of the proposed MAP transaction with Marathon and lowered Ashland's commercial paper rating to P-3 from P-2. These actions materially restrict, and could at times eliminate, the availability of the commercial paper market to Ashland. Ashland has two revolving credit agreements providing for up to $350 million in borrowings. Although Ashland borrowed $175 million under these agreements to repay commercial paper shortly after the S&P downgrade, the revolving credit agreements were not used during the nine months ended June 30, 2004. In the June 2004 quarter, Ashland executed an additional $200 million revolving credit agreement which expires March 31, 2005. Ashland has utilized this facility to fund currently maturing long-term debt and certain lease payments, and had $8 million outstanding under this facility at June 30, 2004. While the revolving credit agreements contain covenants limiting new borrowings based on Ashland's stockholders' equity, these agreements would have permitted an additional $2.1 billion of borrowings at June 30, 2004. Additional permissible borrowings are increased (decreased) by 150% of any increase (decrease) in stockholders' equity.

At June 30, 2004, working capital (excluding debt due within one year) amounted to $830 million, compared to $703 million at September 30, 2003, and $872 million at June 30, 2003. The amount at June 30, 2003 included net assets of $170 million of the discontinued Electronic Chemical operations. Ashland's working capital is affected by its use of the LIFO method of inventory valuation. The LIFO method valued inventories below their replacement costs by $85 million at June 30, 2004, compared to $78 million at September 30, 2003, and $74 million at June 30, 2003. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 87% of current liabilities at June 30, 2004, compared to 92% at September 30, 2003, and 73% at June 30, 2003. The improvements since last June reflect a combination of an increase of $104 million in cash equivalents and a reduction of $245 million in short-term debt that resulted principally from the sale of the Electronic Chemicals business.

CAPITAL RESOURCES

For the nine months ended June 30, 2004, property additions amounted to $121 million, compared to $84 million for the 2003 period. The increase reflects a $33 million buyout of an operating lease for a portion of the buildings on Ashland's Dublin, Ohio campus.

Ashland's debt level amounted to $1.5 billion at June 30, 2004, $1.6 billion at September 30, 2003, and $1.9 billion at June 30, 2003. Debt as a percent of capital employed amounted to 38.1% at June 30, 2004, compared to 41.7% at September 30, 2003, and 46.5% at June 30, 2003. At June 30, 2004, Ashland's debt included $37 million of floating-rate obligations, and the interest rates on an additional $183 million of fixed-rate, medium-term notes were effectively converted to floating rates through interest rate swap agreements. In addition, Ashland's costs under its sale of receivables program and various operating leases are based on the floating-rate interest costs on $186 million of third-party debt underlying those transactions. As a result, Ashland was exposed to fluctuations in short-term interest rates on $406 million of debt obligations at June 30, 2004.

ASBESTOS-RELATED LITIGATION AND ENVIRONMENTAL REMEDIATION

For a discussion of Ashland's asbestos-related litigation and environmental remediation matters, see Note F to the Condensed Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis (MD&A) 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 various information in the Results of Operations, Financial Position, and Asbestos-Related Litigation and Environmental Remediation sections of this MD&A. 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 described 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. Other factors and risks affecting Ashland are contained in Risks and Uncertainties in Note A to the Consolidated Financial Statements in Ashland's Annual Report on Form 10-K, as amended, for the fiscal year ended September 30, 2003. Ashland undertakes no obligation to subsequently update or revise these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Ashland's market risk exposure at June 30, 2004 is generally consistent with the types and amounts of market risk exposures presented in Ashland's Annual Report on Form 10-K, as amended, for the fiscal year ended September 30, 2003.

ITEM 4. CONTROLS AND PROCEDURES

(a) As of the end of the period covered by this quarterly report, Ashland, under the supervision and with the participation of its management, including Ashland's Chief Executive Officer and its Chief Financial Officer, evaluated the effectiveness of Ashland's disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) promulgated under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective.

(b) There were no significant changes in Ashland's internal control over financial reporting, or in other factors, that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, Ashland's internal control over financial reporting.

PART II - OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS

ASBESTOS-RELATED LITIGATION - Ashland is subject to liabilities from claims alleging personal injury caused by exposure to asbestos. Such claims result primarily from indemnification obligations undertaken in 1990 in connection with the sale of Riley Stoker Corporation ("Riley"), a former subsidiary. Although Riley was neither a producer nor a manufacturer of asbestos, its industrial boilers contained some asbestos-containing components provided by other companies. As of June 30, 2004, approximately 370,000 asbestos-related claims have been filed against Riley and/or Ashland. Of this number, approximately 171,000 claims have been disposed of by settlement or dismissal. The total number of claims pending as of June 30, 2004 is approximately 199,000, compared to 196,000 as of June 30, 2003.

The majority of these claims involve multiple plaintiffs and multiple defendants, with the number of defendants in many cases exceeding 100. The monetary damages sought in the asbestos-related complaints that have been filed in state or federal courts varies as a result of jurisdictional requirements and practices, though the overwhelming majority of these complaints either do not specify monetary damages sought or merely recite that the monetary damages sought meet or exceed the required jurisdictional minimum in the jurisdiction in which the complaint was filed. This variability, coupled with the actual experience of resolving claims over an extended period, demonstrates that damages requested in any particular lawsuit or complaint bears little or no relevance to the merits or disposition value of a particular case. Rather, the amount potentially recoverable by a specific plaintiff or group of plaintiffs is determined by other factors such as product identification or lack thereof, the type and severity of the disease alleged, the impact of bankruptcies of other companies that are co-defendants in claims, specific defenses available to certain defendants, other potential causative factors and the specific jurisdiction in which the claim is made.

For additional information regarding liabilities arising from asbestos-related litigation, see Note F to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

U.S. DEPARTMENT OF JUSTICE ANTITRUST DIVISION INVESTIGATIONS - (1) In April 2003, APAC-Missouri, Inc., an indirect wholly-owned subsidiary of Ashland, received a subpoena from the U.S. Department of Justice, Antitrust Division ("USDOJ") in a federal grand jury investigation involving Missouri Department of Transportation road building projects. On August 11, 2004, APAC-Missouri, Inc. and one current APAC-Missouri, Inc. employee were each indicted on a single charge alleging a violation of U.S. federal antitrust laws in connection with a single project bid by the Central Division of APAC-Missouri, Inc. in 2000 with revenues less than $8 million. APAC-Missouri, Inc. will vigorously defend the action.

(2) In November 2003, Ashland received a subpoena from the USDOJ relating to a foundry resins grand jury investigation. Ashland is providing responsive records to the subpoena. As is frequently the case when such investigations are in progress, a number of civil actions have since been filed in multiple jurisdictions, most of which are seeking class action status for classes of customers of foundry resins. Ashland will vigorously defend the actions.

ENVIRONMENTAL PROCEEDINGS - (1) Under the federal Comprehensive Environmental Response Compensation and Liability Act (as amended) and similar state laws, Ashland may be subject to joint and several liability for clean-up costs in connection with alleged releases of hazardous substances at sites where it has been identified as a "potentially responsible party" ("PRP"). As of June 30, 2004, Ashland had been named a PRP at 95 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the United States Environmental Protection Agency ("USEPA") or a state agency, in which Ashland is typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site clean-up and administrative oversight, and/or long-term monitoring of environmental conditions at the sites. The ultimate costs are not predictable with assurance. For additional information regarding environmental matters and reserves, see Note F to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

(2) On May 13, 2002, Ashland entered into a plea agreement with the U.S. Attorney's Office for the District of Minnesota and the Environmental Crimes Section of the U.S. Department of Justice regarding a May 16, 1997 sewer fire at the St. Paul Park, Minnesota refinery, which is now owned by MAP. As part of the plea agreement, Ashland entered guilty pleas to two federal misdemeanors, paid a $3.5 million fine related to violations of the Clean Air Act ("CAA"), paid $3.55 million as restitution to the employees injured in the fire, and paid $200,000 as restitution to the responding rescue units. Ashland also agreed to complete certain upgrades to the St. Paul Park refinery's process sewers, junction boxes and drains to meet standards established by Subpart QQQ of the New Source Performance Standards of the CAA (the "Refinery Upgrades").

In addition, as part of the plea agreement, Ashland entered into a deferred prosecution agreement, wherein prosecution of a separate count of the indictment charging Ashland with violating Subpart QQQ was deferred for four years. The deferred prosecution agreement provides that if Ashland satisfies the terms and conditions of the plea agreement and completes the Refinery Upgrades, the deferred prosecution agreement will terminate and the United States will dismiss that count with prejudice. If, however, it is determined by the court that Ashland willfully violated any term or condition of the plea agreement during the deferral period, the United States may re-initiate prosecution of the deferred count of the indictment, using an admission made by Ashland for purposes of the plea agreement that Ashland knowingly operated the St. Paul Park refinery in violation of certain Subpart QQQ standards.

As part of its sentence, Ashland was placed on probation for five years. The primary condition of probation is an obligation not to commit future federal, state, or local crimes. If Ashland were to commit such a crime, it would be subject not only to prosecution for that new violation, but the government could also seek to revoke Ashland's probation. The probation office has retained an independent environmental consultant to review and monitor Ashland's compliance with applicable environmental requirements and the terms and conditions of probation. The court also included other customary terms and restrictions of probation in its probation order.

(3) Pursuant to a 1988 Resource Conservation and Recovery Act Administrative Consent Order ("Consent Order"), Ashland is remediating soil and groundwater at a former chemical distribution facility site in Lansing, Michigan. The USEPA has asserted that Ashland has not complied with certain provisions of the Consent Order and, although Ashland disputes this assertion, Ashland and the USEPA have agreed to resolve the dispute. Ashland has agreed to payment of a $650,000 penalty, pending agreement on settlement terms and conditions. Ashland is continuing to work with the USEPA to define Ashland's continuing obligations under the Consent Order. No formal penalty proceeding has been initiated.

(4) In 1990, contamination of groundwater at Ashland's former Canton, Ohio refinery (now owned and operated by MAP) was first identified and reported to Ohio's Environmental Protection Agency ("OEPA"). Since that time, Ashland has voluntarily conducted investigation and remediation activities and regularly communicated with OEPA regarding this matter. Ashland and the state of Ohio have exchanged Consent Order drafts and have met to negotiate the terms of such an order. The state filed a complaint in February 2004, but simultaneously expressed an interest in continuing Consent Order settlement discussions. Following the filing of the complaint, Ashland, OEPA and Ohio's Office of the Attorney General have continued to work to finalize a Consent Order. The state has advised that it will assess a penalty as part of the overall settlement and has made an initial request for $650,000.

SHAREHOLDER DERIVATIVE LITIGATION - On August 16, 2002, Central Laborers' Pension Fund, derivatively as a shareholder of Ashland, instituted an action in the Circuit Court of Kentucky in Kenton

County against Ashland's then-serving Board of Directors. On motion of Ashland and the other defendants, the case was removed to the United States District Court, Eastern District of Kentucky, Covington Division. The case has been remanded to the state court. Ashland has filed a Motion to Dismiss the Complaint. The action is purportedly filed on behalf of Ashland, and asserts the following causes of action against the Directors: breach of fiduciary duty, abuse of control, gross mismanagement, and waste of corporate assets. The suit also names Paul W. Chellgren, the then-serving Chief Executive Officer and Chairman of the Board, and James R. Boyd, former Senior Vice President and Group Operating Officer, as individual defendants, and it seeks to recover an unstated sum from them individually alleging unjust enrichment from various transactions completed during their tenure with Ashland. The suit further seeks an unspecified sum from Mr. Chellgren individually based upon alleged usurpation of corporate opportunities. The suit also names J. Marvin Quin, Ashland's Chief Financial Officer, as well as three former employees of Ashland's wholly-owned subsidiary, APAC, as individual defendants and alleges that they participated in the preparation and filing of false financial statements during fiscal years 1999 - 2001. The suit further names Ernst & Young LLP ("E&Y"), as a defendant, alleging professional accounting malpractice and negligence in the conduct of its audit of Ashland's 1999 and 2000 financial statements, respectively, as well as alleging that E&Y aided and abetted the individual defendants in their alleged breach of duties. The complaint seeks to recover, jointly and severally, from defendants an unstated sum of compensatory and punitive damages. The complaint seeks equitable and/or injunctive relief to avoid continuing harm from alleged ongoing illegal acts, and seeks a disgorgement of defendants' alleged insider-trading gains, in addition to the reasonable cost and expenses incurred in bringing the complaint, including attorneys' and experts' fees.

OTHER LEGAL PROCEEDINGS - In addition to the matters described above, there are various claims, lawsuits and administrative proceedings pending or threatened against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability, and other environmental matters, which seek remedies or damages, some of which are for substantial amounts. While these actions are being contested, their outcome is not predictable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

10.1 Amended and Restated Ashland Inc. Incentive Plan.

12 Computation of Ratio of Earnings to Fixed Charges.

31.1 Certificate of James J. O'Brien, Chief Executive Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

31.2 Certificate of J. Marvin Quin, Chief Financial Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, U.S.C. Section 1350.

32 Certificate of James J. O'Brien, Chief Executive Officer of Ashland, and J. Marvin Quin, Chief Financial Officer of Ashland, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(B) REPORTS ON FORM 8-K

During the quarter ended June 30, 2004, and between such date and the filing of this quarterly report on Form 10-Q, Ashland furnished the following reports on Form 8-K:

(1) A report on Form 8-K dated April 7, 2004 containing a Regulation FD disclosure.

(2) A report on Form 8-K dated April 15, 2004 announcing that Lamar M. Chambers has been elected Vice President and Controller of Ashland, effective May 1, 2004.

(3) A report on Form 8-K dated April 26, 2004 containing a Regulation FD disclosure.

(4) A report on Form 8-K dated April 26, 2004 reporting Ashland's second quarter fiscal 2004 results.

(5) A report on Form 8-K dated May 28, 2004 containing a Regulation FD disclosure.

(6) A report on Form 8-K dated June 18, 2004 announcing that APAC-Missouri, an indirect, wholly owned subsidiary of Ashland, received a subpoena from the U.S. Department of Justice, Antitrust Division in Missouri, in a road-building grand jury investigation.

(7) A report on Form 8-K dated June 28, 2004 containing a Regulation FD disclosure.

(8) A report on Form 8-K dated July 14, 2004 announcing that Kathleen A. Ligocki had been elected to Ashland's Board of Directors.

(9) A report on Form 8-K dated July 26, 2004 containing a Regulation FD disclosure.

(10) A report on Form 8-K dated July 26, 2004 reporting Ashland's third quarter fiscal 2004 results.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ashland Inc.

(Registrant)

Date: August 12, 2004

/s/ J. Marvin Quin

J. Marvin Quin
Senior Vice President and Chief
Financial Officer (on behalf of the
Registrant as principal financial
officer)

EXHIBIT INDEX

Exhibit No.	Description
10.1	Amended and Restated Ashland Inc. Incentive Plan.
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certificate of James J. O'Brien, Chief Executive Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of J. Marvin Quin, Chief Financial Officer of Ashland, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certificate of James J. O'Brien, Chief Executive Officer of Ashland, and J. Marvin Quin, Chief Financial Officer of Ashland, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. Section 1350.

Exhibit 10.1

AMENDED AND RESTATED
ASHLAND INC. INCENTIVE PLAN
(As amended July 15, 2004)

SECTION 1. PURPOSE

The purpose of the Ashland Inc. Incentive Plan is to promote the interests of Ashland Inc. and its shareholders by providing incentives to its directors, officers and employees. Accordingly, the Company may grant to selected officers and employees Option Awards, Stock Appreciation Rights Awards, Restricted Stock Awards, Incentive Awards, Performance Unit Awards and Merit Awards in an effort to attract and retain in its employ qualified individuals and to provide such individuals with incentives to continue service with the Company, devote their best efforts to the Company and improve the Company's economic performance, thus enhancing the value of the Company for the benefit of shareholders. This Plan also provides an incentive for qualified persons, who are not officers or employees of the Company, to serve on the Board of Directors of the Company and to continue to work for the best interests of the Company by rewarding such persons with an automatic Restricted Stock Award and with discretionary Option Awards.

SECTION 2. DEFINITIONS

(A) "Agreement" shall mean a written agreement setting forth the terms of an Award, to be entered into at the Company's discretion.

(B) "Attestation" means the delivery to the Company of a completed attestation form prescribed by the Company setting forth the whole shares of Common Stock owned by the Recipient which the Recipient wishes to utilize to pay the Exercise Price. The Common Stock listed on the attestation form must have been owned by the Recipient six months or longer, and not have been used to effect an Option exercise within the preceding six months, unless the Committees specifically provide otherwise.

(C) "Award" shall mean an Option Award, a Stock Appreciation Right Award, an Incentive Award, a Performance Unit Award, a Restricted Stock Award or a Merit Award, in each case granted under this Plan.

(D) "Beneficiary" shall mean the person, persons, trust or trusts designated by a Recipient or if no designation has been made, the person, persons, trust, or trusts entitled by will or the laws of descent and distribution to receive the benefits specified under this Plan in the event of a Recipient's death.

(E) "Board" shall mean the Board of Directors of the Company or its designee.

(F) "Cashless Exercise" shall mean the procedure by which a broker provides the funds to a Recipient to effect an Option exercise. At the direction of the Recipient, the broker will either: (i) sell all of the shares received when the Option is exercised and pay the Recipient the proceeds of the sale (minus the Exercise Price, withholding taxes and any fees due to the broker); or (ii) sell enough of the shares received upon exercise of the Option to cover the Exercise Price, withholding taxes and any fees due the broker and deliver to the Recipient (either directly or through the Company) a stock certificate for the remaining shares.

(G) "Change in Control" shall be deemed to occur (1) upon approval of the shareholders of the Company (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of the Company, other than a consolidation or merger of the Company into or with a direct or indirect wholly-owned subsidiary, in which the Company is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, provided, however, that no sale, lease, exchange or other transfer of all or substantially all the assets of the Company shall be deemed to occur unless assets constituting 80% of the total assets of the Company are transferred pursuant to such sale, lease, exchange or other transfer, or (C) adoption of any plan or proposal for the liquidation or dissolution of the Company, (2) when any person (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than the Company or any Subsidiary or employee benefit plan or trust maintained by the Company, shall become the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of the Company's Common Stock outstanding at the time, without the approval of the Board, or (3) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period. Notwithstanding the foregoing, any transaction, or series of transactions, that shall result in the disposition of Ashland's interest in Marathon Ashland Petroleum LLC, including without limitation any transaction arising out of that certain Put/Call, Registration Rights and Standstill Agreement dated January 1, 1998 among Marathon Oil Company, USX Corporation, the Company and Marathon Ashland Petroleum LLC, as amended from time to time, shall not be deemed to constitute a Change in Control.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Committees" shall refer to the P&C Committee as it relates to Awards to Participants and to the G&N Committee as it relates to Awards to Outside Directors.

(J) "Common Stock" shall mean the Common Stock of the Company ($1.00 par value), subject to adjustment pursuant to Section 15 hereof.

(K) "Company" shall mean, collectively, Ashland Inc. and its Subsidiaries.

(L) "Disability" shall mean, (i) in the case of a Participant, he or she becomes unable to perform the functions required by his or her regular job due to physical or mental illness and, in connection with the grant of an Incentive Stock Option shall be disabled if he or she falls within the meaning of that term as provided in Section 22(e)(3) of the Code and (ii) in the case of an Outside Director, when he or she is unable to attend to his or her duties and responsibilities as a member of the Board because of incapacity due to physical or mental illness.

(M) "Exercise Price" shall mean, with respect to each share of Common Stock subject to an Option, the price fixed by the Committees at which such share may be purchased from the Company pursuant to the exercise of such Option, which price at no time may be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted.

(N) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(O) "Fair Market Value" shall mean the price of the Common Stock as reported on the Composite Tape of the New York Stock Exchange on the date and at the time selected by the Committees or as otherwise provided in this Plan.

(P) "G&N Committee" shall mean the Governance and Nominating Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions, or its designee.

(Q) "Incentive Award" shall mean an Award made pursuant to Section 7 hereof, the payment of which is contingent upon the achievement of the Performance Goals for the particular Performance Period.

(R) "Incentive Stock Option" or "ISO" shall mean an Option that is intended by the Committees to meet the requirements of Section 422 of the Code or any successor provision.

(S) "ISO Award" shall mean an Award of an Incentive Stock Option pursuant to Section 10 hereof.

(T) "Merit Award" shall mean an Award of Common Stock issued pursuant to Section 9 hereof.

(U) "Non-Employee Director" shall mean a non-employee director within the meaning of applicable regulatory requirements, including those promulgated under Section 16 of the Exchange Act.

(V) "Nonqualified Stock Option" or "NQSO" shall mean an Option granted pursuant to this Plan which does not qualify as an Incentive Stock Option.

(W) "Notice of Grant" shall mean a written notice setting forth the terms of an Option or SAR Award, to be entered into at the Company's discretion.

(X) "Option" shall mean the right to purchase Common Stock at a price to be specified and upon terms to be designated by the Committees or otherwise determined pursuant to this Plan. The Committees shall designate an Option as a Nonqualified Stock Option or an Incentive Stock Option.

(Y) "Option Award" shall mean an Award of an Option pursuant to Section 10 hereof.

(Z) "Outside Director" shall mean a director of the Company who is not also an employee of the Company as selected by the G&N Committee to receive an Award under this Plan.

(AA) "P&C Committee" shall mean the Personnel and Compensation Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions, which shall consist of three or more members, each of whom shall be a Non-Employee Director and an outside director as defined in the regulations issued under Section 162(m) of the Code, or its designee.

(BB) "Participant" shall mean a regular, full-time or part-time employee of the Company as selected by the P&C Committee to receive an Award under this Plan.

(CC) "Performance Goals" shall mean performance goals as may be established in writing by the P&C Committee which may be based on earnings, stock price, return on equity, return on investment, total return to shareholders, economic profit, debt rating or achievement of business, financial or operational goals. Such goals may be absolute in their terms or measured against or in relation to other companies comparably or otherwise situated. Such performance goals may be particular to a Participant or the division or other unit in which the Participant works and/or may be based on the performance of the Company generally.

(DD) "Performance Period" shall mean the period designated by the P&C Committee during which the performance objectives shall be measured.

(EE) "Performance Unit Award" shall mean an Award made pursuant to Section 8 hereof, the payment of which is contingent upon the achievement of the Performance Goals for the particular Performance Period.

(FF) "Personal Representative" shall mean the person or persons who, upon the Disability or incompetence of a Recipient, shall have acquired on behalf of the Recipient by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

(GG) "Plan" shall mean this Ashland Inc. Incentive Plan, as amended and restated.

(HH) "Recipients" shall mean a Participant or an Outside Director, as appropriate.

(II) "Restricted Period" shall mean the period designated during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered, which period in the case of Participants shall not be less than one year from the date of grant (unless otherwise directed by the P&C Committee), and in the case of Outside Directors is the period set forth in Section 6(B) hereof.

(JJ) "Restricted Stock" shall mean those shares of Common Stock issued pursuant to a Restricted Stock Award which are subject to the restrictions, terms, and conditions set forth in the related Agreement, if any.

(KK) "Restricted Stock Award" shall mean an Award of Restricted Stock pursuant to Section 6 hereof.

(LL) "Retained Distributions" shall mean any securities or other property (other than regular cash dividends) distributed by the Company in respect of Restricted Stock during any Restricted Period.

(MM) "Retirement" shall mean, (a) in the case of a Participant, retirement from the employ of the Company at any time as described in the Ashland Inc. and Affiliates Pension Plan or in any successor pension plan, as from time to time in effect, and (b) in the case of an Outside Director, retirement from the Board at age 72 or at any other age as the Board may from time to time determine.

(NN) "Stock Appreciation Right" or "SAR" shall mean the right of the holder to receive the appreciation in the Fair Market Value of shares of Common Stock upon terms to be designated by the Committees or otherwise determined pursuant to this Plan. The holder of an exercisable SAR may elect to surrender the SAR and receive in exchange therefore an amount equal to the excess of the Fair Market Value of the Common Stock on the date the election to surrender is received by the Company over the Exercise Price specified in such SAR multiplied by the number of shares of Common Stock covered by such SAR, or portion thereof, which is so surrendered. A SAR may be granted either singly or concurrently with the grant of an Option. A SAR shall be exercisable upon any additional terms and conditions (including, without limitation, the issuance of Restricted Stock and the imposition of restrictions upon the timing of exercise) which may be determined as provided in this Plan.

(OO) "Stock Appreciation Right Award" or "SAR Award" shall mean an Award of a Stock Appreciation Right pursuant to Section 11 hereof.

(PP) "Subsidiary" shall mean any present or future subsidiary corporations, as defined in Section 424 of the Code, of the Company.

(QQ) "Tax Date" shall mean the date the withholding tax obligation arises with respect to an Award.

SECTION 3. STOCK SUBJECT TO THIS PLAN

There will be reserved for issuance under this Plan an aggregate of 4,000,000 shares of Common Stock, par value $1.00 per share; provided, however, that of such shares only 1,000,000 shares in the aggregate shall be available for Restricted Stock Awards, Merit Awards, ISO Awards and Performance Unit Awards. Such shares shall be authorized but unissued shares of Common Stock. If any Award under this Plan shall expire or terminate for any reason without having been earned or vested in full, or if any Award shall be forfeited or deferred, the shares subject to the unearned, forfeited or deferred portion of such Award shall again be available for the purposes of this Plan. No Participant shall be granted more than a total of 250,000 Option or SAR Awards annually and no Outside Director shall be granted more than a total of 10,000 Option or SAR Awards annually.

SECTION 4. ADMINISTRATION

The P&C Committee shall have the exclusive authority to administer this Plan for Participants. The G&N Committee shall have the exclusive authority to administer this Plan for Outside Directors.

In addition to any implied powers and duties that may be needed to carry out the provisions hereof, the Committees, acting individually, shall have all the powers vested in them by the terms hereof, including exclusive authority to select the Recipients, to determine the type, size and terms of the Awards to be made to each Recipient, to determine the time when Awards will be granted, and to prescribe the form of the Agreement or Notice of Grant embodying Awards made under this Plan. The Committees shall be authorized to interpret this Plan and the Awards granted under this Plan, to establish, amend and rescind any rules and regulations relating to this Plan, to make any other determinations which they believe necessary or advisable for the administration hereof, and to correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committees deem desirable to carry it into effect. Any decision of the Committees in the administration of this Plan, as described herein, shall be final and conclusive.

SECTION 5. ELIGIBILITY

Awards may only be granted (i) to regular full-time or part-time employees of the Company, or (ii) as expressly provided in Sections 6(B), 10 and 11 hereof, to Outside Directors of the Company.

SECTION 6. RESTRICTED STOCK AWARDS

(A) Awards to Employees

The P&C Committee may make a Restricted Stock Award to selected Participants, which Restricted Stock Awards may, at the Company's discretion and as directed by the P&C Committee, be evidenced by an Agreement which shall contain such terms and conditions as the P&C Committee, in its sole discretion, may determine. The amount of each Restricted Stock Award and the respective terms and conditions of such Award (which terms and conditions need not be the same in each case) shall be determined by the P&C Committee in its sole discretion. As a condition to any Restricted Stock Award hereunder, the P&C Committee may require a Participant to pay to the Company a non-refundable amount equal to, or in excess of, the par value of the shares of the Restricted Stock Award. Subject to the terms and conditions of each Restricted Stock Award, the Participant, as the owner of the Common Stock issued as Restricted Stock, shall have all rights of a shareholder including, but not limited to, voting rights as to such Common Stock and the right to receive dividends thereon when, as and if paid.

Unless otherwise determined and directed by the P&C Committee, in the event that a Restricted Stock Award has been made to a Participant whose employment or service is subsequently terminated for any reason prior to the lapse of all restrictions thereon, such Restricted Stock will be forfeited in its entirety by such Participant.

(B) Awards to Outside Directors

During the term of this Plan, each person who is hereafter duly appointed or elected as an Outside Director shall be granted, effective on the date of his or her appointment or election to the Board, a Restricted Stock Award of 1,000 shares. All Awards under this subsection (B) are subject to the limitation on the number of shares of Common Stock available pursuant to Section 3 hereof and to the terms and conditions set forth in this subsection (B) and subsection (C) below.

As a condition to any Restricted Stock Award hereunder, the Outside Director may be required to pay to the Company a non-refundable amount equal to the par value of the shares of the Restricted Stock Award. Upon the granting of the Restricted Stock Award, such Outside Director shall be entitled to all rights incident to ownership of Common Stock of the Company with respect to his or her Restricted Stock, including, but not limited to, the right to vote such shares of Restricted Stock and to receive dividends thereon when, as and if paid; provided, however, that subject to subsection (C) hereof, in no case may any shares of Restricted Stock granted to an Outside Director be sold, assigned, transferred, pledged, or otherwise encumbered during the Restricted Period which shall not lapse until the earlier to occur of the following: (i) Retirement, (ii) the death or Disability of such Outside Director, (iii) a 50% change in the beneficial ownership of the Company as defined in Rule 13d-3 under the Exchange Act, or (iv) voluntary early retirement to take a position in governmental service. Unless otherwise determined and directed by the G&N Committee, in the case of voluntary resignation or other termination of service of an Outside Director prior to the occurrence of any of the events described in the preceding sentence, any Restricted Stock Award made pursuant to this subsection will be forfeited by such Outside Director.

(C) Transferability

Subject to Section 17(B) hereof, Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered during a Restricted Period, which, in the case of Participants, shall be determined by the P&C Committee and, unless otherwise determined by the P&C Committee, shall not be less than one year from the date of the Restricted Stock Award, and, in the case of Outside Directors, shall be determined in accordance with subsection (B) of this Section. The P&C Committee may, at any time, reduce the Restricted Period with respect to any outstanding shares of a Restricted Stock Award, but, unless otherwise determined by the P&C Committee, such Restricted Period shall not be less than one year.

During the Restricted Period, certificates representing the Restricted Stock and any Retained Distributions shall be registered in the Recipient's name and bear a restrictive legend to the effect that ownership of such Restricted Stock (and any such Retained Distributions), and the enjoyment of all rights appurtenant thereto are subject to the restrictions, terms, and conditions provided in this Plan and the applicable Agreement, if any. Such certificates shall be deposited by the Recipient with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions which shall be forfeited in accordance with this Plan and the applicable Agreement, if any. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes, with the exception that: (i) the Recipient will not be entitled to delivery of the stock certificates representing such Restricted Stock until the restrictions applicable thereto shall have expired; (ii) the Company will retain custody of all Retained Distributions made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in separate accounts; (iii) subject to Section 17(B) hereof, the Recipient may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Stock or any Retained Distributions during the Restricted Period; and (iv) unless otherwise determined and directed by the Committees, a breach of any restrictions, terms, or conditions provided in this Plan or established by the Committees with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

SECTION 7. INCENTIVE AWARDS

(A) Any Participant may receive one or more Incentive Awards, as the P&C Committee shall from time to time determine.

(B) No later than 120 days (90 days for those Participants subject to the limitations of Code Section 162(m)) after the commencement of each Performance Period, the P&C Committee shall establish in writing one or more Performance Goals that must be reached by a Participant in order to receive an Incentive Award for such Performance Period. Except with respect to Participants subject to the limitations of Code Section 162(m), the P&C Committee shall have the discretion to later revise the Performance Goals and the amount to be paid out upon the attainment of these goals for any reason including the reflection of promotions, transfers or other changes in a Participant's employment so long as such changes are consistent with the Performance Goals established for other Participants in the same or similar positions. Performance Goals established for Participants subject to Code Section 162(m) may only be adjusted to reduce or eliminate the amount of compensation otherwise payable upon attainment of the Performance Goals.

(C) The target Incentive Award is a fixed percentage of the Participant's Base Salary paid during the year. The maximum Incentive Award is 150% of the target Incentive Award. No Incentive Award shall exceed three million dollars ($3,000,000).

(D) Payment of Incentive Awards shall be made on a date or dates fixed by the P&C Committee. Payment may be made in one or more installments and may be made wholly in cash, wholly in shares of Common Stock or a combination thereof as determined by the P&C Committee.

If payment of an Incentive Award shall be made all or partially in shares of Common Stock, the number of shares of Common Stock to be delivered to a Participant on any payment date shall be determined by dividing (x) the original dollar amount to be paid on the payment date (or the part thereof determined by the P&C Committee to be delivered in shares of such Incentive Award) by (y) the Fair Market Value on the date the Board approves the P&C Committee's decision to pay an Incentive Award or such other date as the Board shall determine.

(E) Unless otherwise determined and directed by the P&C Committee, an Incentive Award shall terminate if the Participant does not remain continuously employed and in good standing with the Company until the date of payment of such Award. Unless otherwise determined and directed by the P&C Committee, in the event a Participant's employment is terminated because of death, Disability or Retirement, the Participant (or his or her beneficiaries or estate) shall receive the prorated portion of the payment of an Incentive Award for which the Participant would have otherwise been eligible based upon the portion of the Performance Period during which he or she was so employed so long as the Performance Goals are subsequently achieved.

SECTION 8. PERFORMANCE UNIT AWARDS

(A) Any Participant may receive one or more Performance Unit Awards, as the P&C Committee shall from time to time determine.

(B) The Performance Goals and Performance Period applicable to a Performance Unit Award shall be set forth in writing by the P&C Committee no later than 120 days (90 days for those Participants subject to the limitations imposed by Code Section 162(m)) after the commencement of the Performance Period. Except with respect to Participants subject to the limitations of Code Section 162(m), the P&C Committee shall have the discretion to later revise the Performance Goals and the amount to be paid out upon the attainment of these goals for any reason including the reflection of promotions, transfers or other changes in a Participant's employment so long as such changes are consistent with the Performance Goals established for other Participants in the same or similar positions. Goals established for Participants subject to Code Section 162(m) may only be adjusted to reduce or eliminate the amount of compensation otherwise payable upon attainment of the Performance Goals.

(C) Each Performance Unit Award shall be established in dollars or shares of Common Stock, or a combination of both, as determined by the P&C Committee. The original amount of any Performance Unit Award shall not exceed 400% of the Participant's then annual base salary and the original amount of any Performance Unit Award shall not exceed five million dollars ($5,000,000). In determining the amount of any Performance Unit Award made, in whole or in part, in shares of Common Stock, the value thereof shall be based on the Fair Market Value on the first day of the Performance Period or on such other date as the Board shall determine.

(D) Unless otherwise determined and directed by the P&C Committee, a Performance Unit Award shall terminate for all purposes if the Participant does not remain continuously employed and in good standing with the Company until payment of such Performance Unit Award. Unless otherwise determined and directed by the P&C Committee, a Participant (or his or her beneficiaries or estate) whose employment was terminated because of death, Disability or Retirement will receive a prorated portion of the payment of his or her Award based upon the portion of the Performance Period during which he or she was so employed so long as the Performance Goals are subsequently achieved.

(E) Payment with respect to Performance Unit Awards will be made to Participants on a date or dates fixed by the P&C Committee. The amount of such payment shall be determined by the P&C Committee and shall be based on the original amount of such Performance Unit Award adjusted to reflect the attainment of the Performance Goals during the Performance Period. Payment may be made in one or more installments and may be made wholly in cash, wholly in shares of Common Stock or a combination thereof as determined by the P&C Committee.

If payment of a Performance Unit Award established in dollars is to be made in shares of Common Stock or partly in such shares, the number of shares of Common Stock to be delivered to a Participant on any payment date shall be determined by dividing (x) the amount payable by (y) the Fair Market Value on the date the Board approves the P&C Committee's decision to pay the Performance Unit Award or on such other date as the Board shall determine.

If payment of a Performance Unit Award established in shares of Common Stock is to be made in cash or partly in cash, the amount of cash to be paid to a Participant on any payment date shall be determined by multiplying (x) the number of shares of Common Stock to be paid in cash on such payment date with respect to such Performance Unit Award, by (y) the Fair Market Value on the date the Board approves the P&C Committee's decision to pay the Performance Unit Award or on such other date as the Board shall determine. Any payment may be subject to such restrictions and conditions as the P&C Committee may determine.

SECTION 9. MERIT AWARDS

Any Participant may receive a Merit Award of Common Stock under this Plan for such reasons and in such amounts as the P&C Committee may from time to time determine. As a condition to any such Merit Award, the P&C Committee may require a Participant to pay to the Company a non-refundable amount equal to, or in excess of, the par value of the shares of Common Stock awarded to him or her.

SECTION 10. OPTION AWARDS

(A) Any Recipient may receive one or more Option Awards, as the Committees shall from time to time determine.

(B) Designation and Price

(1) Any Option granted under this Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committees at the time of the grant of such Option. Only Participants may be granted ISOs. Each Option shall, at the discretion of the Company and as directed by the Committees, be evidenced by a Notice of Grant, which Notice of Grant shall specify the designation of the Option as an ISO or a NQSO, as the case may be, and shall contain such terms and conditions as the Committees, in their sole discretion, may determine in accordance with this Plan.

(2) Every ISO shall provide for a fixed expiration date of not later than ten years from the date such ISO is granted. Every NQSO shall provide for a fixed expiration date of not later than ten years and one month from the date such NQSO is granted.

(3) The Exercise Price of Common Stock issued pursuant to each Option shall be fixed by the Committees at the time of the granting of the Option; provided, however, that such Exercise Price shall in no event be less than 100% of the Fair Market Value of the Common Stock on the date such Option is granted.

(C) Exercise

The Committees may, in their sole discretion, provide for Options granted under this Plan to be exercisable in whole or in part; provided, however, that no Option shall be exercisable prior to the first anniversary of the date of its grant, except as provided in Section 13 hereof or as the Committees otherwise determine in accordance with this Plan, and in no case may an Option be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. The specified number of shares will be issued upon receipt by the Company of (i) notice from the holder thereof of the exercise of an Option, and (ii) payment to the Company (as provided in subsection (D) of this Section), of the Exercise Price for the number of shares with respect to which the Option is exercised. Each such notice and payment shall be delivered or mailed to the Company at such place and in such manner as the Company may designate from time to time.

(D) Payment for Shares

Except as otherwise provided in this Section, the Exercise Price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committees may impose, the Exercise Price may be paid in whole or in part: (i) in cash; (ii) in whole shares of Common Stock owned by the Recipient and evidenced by negotiable certificates, valued at their Fair Market Value (which shares of Common Stock must have been owned by the Recipient six months or longer, and not used to effect an Option exercise within the preceding six months, unless the Committees specifically provide otherwise); (iii) by Attestation; (iv) by a combination of such methods of payment; or (v) by such other consideration as shall constitute lawful consideration for the issuance of Common Stock and be approved by the Committees (including, without limitation, effecting a Cashless Exercise of the Option with a broker).

(E) Continued Employment, Agreement to Serve and Exercise Period

(1) Participants

(a) Subject to the provisions of Section 13(D) hereof, every Option and SAR shall provide that it may not be exercised in whole or in part for a period of one year after the date of granting such Option (unless otherwise determined by the P&C Committee) and if the employment of the Participant shall terminate prior to the end of such one year period (or such other period determined by the P&C Committee), the Option granted to such Participant shall immediately terminate.

(b) Every Option shall provide that in the event the Participant dies (i) while employed by the Company, (ii) during the periods in which Options may be exercised by a Participant determined to be Disabled, or (iii) after Retirement, such Option shall be exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option, by the Beneficiaries of the decedent for the number of shares which the Participant could have acquired under the Option immediately prior to the Participant's death.

(c) Every Option shall provide that in the event the employment of any Participant shall cease by reason of Disability, as determined by the P&C Committee at any time during the term of the Option, such Option shall be exercisable, at any time or from time to time prior to the fixed termination date set forth in the Option by such Participant for the number of shares which the Participant could have acquired under the Option immediately prior to the Participant's Disability. The determination by the P&C Committee of any question involving Disability of a Participant shall be conclusive and binding.

(d) Every Option shall provide that in the event the employment of any Participant shall cease by reason of Retirement, such Option may be exercised at any time or from time to time, prior to the fixed termination date set forth in the Option for the number of shares which the Participant could have acquired under the Option immediately prior to such Retirement.

(e) Notwithstanding any provision of this Plan to the contrary, any Option, may, in the discretion of the P&C Committee or as provided in the relevant Notice of Grant (if any), become exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option for the full number of awarded shares or any part thereof, less such number as may have been theretofore acquired under the Option from and after the time the Participant ceases to be an employee of the Company as a result of the sale or other disposition by the Company of assets or property (including shares of any Subsidiary) in respect of which such Participant had theretofore been employed or as a result of which such Participant's continued employment with the Company is no longer required.

(f) Except as provided in sub-subsections (b), (c), (d), (e) and (g) of this Section 10(E) and Section 13(D) hereof, every Option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the Option or thirty (30) days after cessation of the Participant's employment for any cause in respect of the number of shares which the Participant could have acquired under the Option immediately prior to such cessation of employment; provided, however, that no Option may be exercised after the fixed termination date set forth in the Option.

(g) Notwithstanding any provision of this Section to the contrary, in the event the P&C Committee determines, in its sole and absolute discretion, that the employment of any Participant has terminated for a reason or in a manner adversely affecting the Company (which may include, without limitation, taking other employment or rendering service to others without the consent of the Company), then the P&C Committee may direct that such Participant forfeit any and all Options that he or she could otherwise have exercised pursuant to the terms of this Plan.

(h) Each Participant granted an Award under this Plan shall agree by his or her acceptance of such Award to remain in the service of the Company for a period of at least one year from the date of the Notice of Grant respecting the Award (or, if no Notice of Grant is given, at least one year from the date of the Award). Such service shall, subject to the terms of any contract between the Company and such Participant, be at the pleasure of the Company and at such compensation as the Company shall reasonably determine from time to time. Nothing in this Plan, or in any Award granted pursuant to this Plan, shall confer on any individual any right to continue in the employment of or service to the Company or interfere in any way with the right of the Company to terminate the Participant's employment at any time.

(i) Notwithstanding anything to the contrary herein, any Option that is an ISO shall be exercisable not later than three (3) months following the date that the employment of a Participant terminated.

(2) Outside Directors

If an Outside Director's service on the Board terminates by reason of (i) Retirement, (ii) the death or Disability of such Outside Director, (iii) a 50% change in the beneficial ownership of the Company as defined in Rule 13d-3 under the Exchange Act, or (iv) voluntary early retirement to take a position in governmental service, any Option held by such Outside Director may thereafter be exercised by the Outside Director, or in the event of death, by his or her Beneficiary to the extent it was vested and exercisable at the time of such termination (i) for a period equal to the number of years of completed Board service as of the date of such termination of the Outside Director on whose behalf the Option is exercised, or (ii) until the expiration of the stated term of such Option whichever period is the shorter. In the event of termination for any reason other than those set forth above, any Option held by such Outside Director may thereafter be exercised by the Outside Director to the extent it was vested and exercisable at the time of termination (i) for a period of one year from the date of such termination or (ii) until the expiration of the stated term of such Option, whichever period is the shorter, unless otherwise determined by the G&N Committee.

SECTION 11. STOCK APPRECIATION RIGHT AWARDS

The Committees may, in their discretion, grant Stock Appreciation Rights pursuant to the provisions of this Section either singly or concurrently with an Option granted under this Plan with respect to all or a portion of the shares subject to the related Option. Subject to the terms and provisions of this Section, each SAR that is granted singly shall be exercisable as determined by the Committees, and each SAR that is granted concurrently with the grant of a related Option shall be exercisable only at the same time and to the same extent the related Option is exercisable and in no event after the termination of the related Option. A SAR shall be exercisable only when the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which the SAR is to be exercised shall exceed the Exercise Price per share of Common Stock subject to the SAR, or in the event that the SAR was granted concurrently with the grant of a related Option, the related Option. A SAR granted under this Plan shall be exercisable in whole or in part by notice to the Company at such place and in such manner as the Company may designate from time to time. Such notice shall state that the holder of the SAR elects to exercise the SAR and the number of shares in respect of which the SAR is being exercised.

Subject to the terms and provisions of this Section, upon the exercise of a SAR, the Recipient shall be entitled to receive from the Company consideration (in the form hereinafter provided) equal in value to the excess of the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which such SAR has been exercised over the Exercise Price per share of Common Stock subject to either the SAR or, in the event that the SAR was granted concurrently with the grant of a related Option, the related Option. The Committees may stipulate in the Notice of Grant the form of consideration which shall be received upon the exercise of a SAR. If no consideration is specified therein, upon the exercise of a SAR, the Recipient may specify the form of consideration to be received by such Recipient, which shall be in shares of Common Stock, or in cash, or partly in cash and partly in shares of Common Stock (valued at the Fair Market Value on the date of exercise of the SAR), as the Recipient shall request; provided, however, that the Committees, in their sole discretion, may disapprove the form of consideration requested and instead authorize the payment of such consideration in shares of Common Stock (valued as aforesaid), or in cash, or partly in cash and partly in shares of Common Stock.

Upon the exercise of a SAR that was granted concurrently with the grant of a related Option, the related Option shall be deemed exercised to the extent of the number of shares of Common Stock with respect to which such SAR is exercised and to that extent a corresponding number of shares of Common Stock shall not again be available for the grant of Awards under this Plan. Upon the exercise or termination of a related Option granted concurrently with the grant of a SAR, the SAR with respect thereto shall be considered to have been exercised or terminated to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated.

SECTION 12. CONTINUED EMPLOYMENT

Nothing in this Plan, or in any Award granted pursuant to this Plan, shall confer on any individual any right to continue in the employment of, or service to, the Company or interfere in any way with the right of the Company to terminate the Participant's employment at any time.

SECTION 13. CHANGE IN CONTROL

(A) Upon a Change in Control, any Restricted Stock Award shall be free of all restrictions for the full number of awarded shares less such number as may have been theretofore acquired under the Restricted Stock Award.

(B) Upon a Change in Control, there shall be an acceleration of any Performance Period relating to any Incentive Award, and payment of any Incentive Award shall be made in cash as soon as practicable after such Change in Control based upon achievement of the Performance Goals applicable to such Award up to the date of the Change in Control. Further, the Company's obligation with respect to such Incentive Award shall be assumed, or new obligations substituted therefor, by the acquiring or surviving corporation after such Change in Control. In addition, prior to the date of such Change in Control, the P&C Committee, in its sole judgment, may make adjustments to any Incentive Award as may be appropriate to reflect such Change in Control.

(C) Upon a Change in Control, there shall be an acceleration of any Performance Period relating to any Performance Unit Award, and payment of any Performance Unit Award shall be made in cash as soon as practicable after such Change in Control based upon achievement of the Performance Goals applicable to such Performance Unit Award up to the date of the Change in Control. If such Performance Unit Award was established in shares of Common Stock, the amount of cash to be paid to a Participant with respect to the Performance Unit Award shall be determined by multiplying (x) the number of shares of Common Stock relating to such Performance Unit Award, by (y) the Fair Market Value on the date of the Change in Control. Further, the Company's obligation with respect to such Performance Unit Award shall be assumed, or new obligations substituted therefor, by the acquiring or surviving corporation after such Change in Control. In addition, prior to the date of such Change in Control, the P&C Committee, in its sole judgment, may make adjustments to any Performance Unit Award as may be appropriate to reflect such Change in Control.

(D) Upon a Change in Control, any Option Award or SAR Award shall become immediately exercisable for the full number of awarded shares or any part thereof, less such numbers as may have been theretofore acquired under the Option Award or SAR Award from and after the date of such Change in Control, unless otherwise provided in the Notice of Grant.

SECTION 14. WITHHOLDING TAXES

Federal, state or local law may require the withholding of taxes applicable to gains resulting from the payment or vesting of an Award. Unless otherwise prohibited by the P&C Committee, each Participant may satisfy any such tax withholding obligation by any of the following means, or by a combination of such means: (i) a cash payment; (ii) authorizing the Company to withhold from the shares of Common Stock otherwise issuable to the Participant pursuant to the vesting of an Award a number of shares having a Fair Market Value, as of the Tax Date, which will satisfy the amount of the withholding tax obligation; or (iii) by delivery to the Company of a number of shares of Common Stock having a Fair Market Value as of the Tax Date which will satisfy the amount of the withholding tax obligation arising from the vesting of an Award. A Participant's election to pay the withholding tax obligation by (ii) or (iii) above must be made on or before the Tax Date, is irrevocable, is subject to such rules as the P&C Committee may adopt, and may be disapproved by the P&C Committee. If the amount requested is not paid, the P&C Committee may refuse to issue Common Stock under this Plan.

SECTION 15. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of any change in the outstanding Common Stock of the Company by reason of any stock split, stock dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange of shares, split-up, split-off, spin-off, liquidation or other similar change in capitalization, or any distribution to common stockholders other than cash dividends, the number or kind of shares that may be issued under this Plan pursuant to Section 3 hereof and the number or kind of shares subject to, or the price per share under any outstanding Award shall be automatically adjusted so that the proportionate interest of the Recipient shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes hereof.

SECTION 16. AMENDMENT AND TERMINATIONS

The Committees may amend, alter or terminate this Plan at any time without the prior approval of the Board; provided, however, that: (i) the Committees may not, without approval by the Board and the shareholders, (a) materially increase the benefits provided to Recipients under this Plan or (b) provide for the re-pricing of Options; and (ii) any amendment with respect to Restricted Stock granted to Outside Directors must be approved by the full Board.

Termination of this Plan shall not affect any Awards made hereunder which are outstanding on the date of termination and such Awards shall continue to be subject to the terms of this Plan notwithstanding its termination.

SECTION 17. MISCELLANEOUS PROVISIONS

(A) Except as to Awards of Restricted Stock to Outside Directors, no Participant or other person shall have any claim or right to be granted an Award under this Plan.

(B) A Recipient's rights and interest under this Plan may not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except in the event of a Recipient's death, by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any Recipient in this Plan shall be subject to any obligation or liability of such individual; provided, however, that a Recipient's rights and interest under this Plan may, subject to the discretion and direction of the Committees, be made transferable by such Recipient during his or her lifetime. Except as specified in Section 6 hereof, the holder of an Award shall have none of the rights of a shareholder until the shares subject thereto shall have been registered in the name of the person receiving or person or persons exercising the Award on the transfer books of the Company.

(C) No Common Stock shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable Federal, state, and other securities laws.

(D) The expenses of this Plan shall be borne by the Company.

(E) By accepting any Award under this Plan, each Recipient and each Personal Representative or Beneficiary claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under this Plan by the Company, the Board, and the Committees.

(F) Awards granted under this Plan shall be binding upon the Company, its successors, and assigns.

(G) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required.

(H) Each Recipient shall be deemed to have been granted any Award on the date the Committees took action to grant such Award under this Plan or such date as the Committees in their sole discretion shall determine at the time such grant is authorized.

SECTION 18. EFFECTIVENESS OF THIS PLAN

This Plan was originally approved by the shareholders of the Company on January 27, 2000. The Amended and Restated Plan shall be submitted to the shareholders of the Company for their approval and adoption on January 25, 2001, or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. If not approved by the shareholders of the Company at the January 25, 2001 Annual Meeting, the original Plan shall remain in effect with respect to Awards other than Option Awards and SAR

Awards. No Option Awards or SAR Awards shall be made under the Amended and Restated Plan unless and until the Amended and Restated Plan has been approved and adopted at a meeting of the Company's shareholders.

SECTION 19. GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the Commonwealth of Kentucky.

EXHIBIT 12

ASHLAND INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In millions)

	Years ended September 30					Nine months ended June 30	
	1999	2000	2001	2002	2003	2003	2004
EARNINGS							
Income from continuing operations	$ 283	$ 272	$ 390	$ 115	$ 94	$ 33	$ 195
Income taxes	188	179	266	68	44	17	111
Interest expense	141	189	160	133	121	94	84
Interest portion of rental expense	34	39	40	35	33	23	25
Amortization of deferred debt expense	1	2	2	2	2	1	1
Distributions in excess of (less than) earnings of unconsolidated affiliates	(11)	(113)	(91)	20	(98)	(55)	(121)
	$ 636	$ 568	$ 767	$ 373	$ 196	$ 113	$ 295
FIXED CHARGES							
Interest expense	$ 141	$ 189	$ 160	$ 133	$ 121	$ 94	$ 84
Interest portion of rental expense	34	39	40	35	33	23	25
Amortization of deferred debt expense	1	2	2	2	2	1	1
	$ 176	$ 230	$ 202	$ 170	$ 156	$ 118	$ 110
RATIO OF EARNINGS TO FIXED CHARGES	3.61	2.47	3.80	2.19	1.26	0.96	2.68

Exhibit 31.1

CERTIFICATION

Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer Regarding Facts and Circumstances Relating to Exchange Act Filings.

I, James J. O'Brien, Chief Executive Officer of Ashland Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ashland Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ James J. O'Brien

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer Regarding Facts and Circumstances Relating to Exchange Act Filings.

I, J. Marvin Quin, Chief Financial Officer of Ashland Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ashland Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2004

/s/ J. Marvin Quin

Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ashland Inc. (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, James J. O'Brien, Chief Executive Officer of the Company, and J. Marvin Quin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies, in all material respects, with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the report.

The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002 and is not intended to be used or relied upon for any other purpose.

/s/ James J. O'Brien
- -----------------------
James J. O'Brien
Chief Executive Officer
August 12, 2004

/s/ J. Marvin Quin
- ----------------------
J. Marvin Quin
Chief Financial Officer
August 12, 2004

A signed original of this written statement required by Section 906 has been provided to Ashland Inc. and will be retained by Ashland Inc. and furnished to the Securities and Exchange Commission or staff upon request.