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, 2001

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

I.R.S. No. 61-0122250
50 E. RiverCenter Boulevard
P. O. Box 391
Covington, Kentucky 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 [ ]

At July 31, 2001, there were 69,524,589 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

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Three months ended June 30		Nine months ended June 30	
(In millions except per share data)	2001	2000	2001	2000
REVENUES				
Sales and operating revenues	$ 2,053	$ 2,103	$ 5,590	$ 5,821
Equity income	314	197	537	285
Other income	20	17	51	53
	2,387	2,317	6,178	6,159
COSTS AND EXPENSES				
Cost of sales and operating expenses	1,675	1,716	4,586	4,712
Selling, general and administrative expenses	283	274	814	804
Depreciation, depletion and amortization	60	59	178	175
	2,018	2,049	5,578	5,691
OPERATING INCOME	369	268	600	468
Net interest and other financial costs	(42)	(50)	(132)	(138)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	327	218	468	330
Income taxes	(130)	(89)	(187)	(135)
INCOME FROM CONTINUING OPERATIONS	197	129	281	195
Loss from discontinued operations (net of income taxes)	-	-	(8)	(215)

Gain (loss) on disposal of discontinued operations (net of income taxes)	-	-	33	(3)
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	197	129	306	(23)
Extraordinary loss on early retirement of debt (net of income taxes)	-	-	-	(3)
Cumulative effect of accounting change (net of income taxes)	-	-	(4)	-
NET INCOME (LOSS)	$ 197	$ 129	$ 302	$ (26)
BASIC EARNINGS (LOSS) PER SHARE - Note A				
Income from continuing operations	$ 2.82	$ 1.83	$ 4.04	$ 2.74
Loss from discontinued operations	-	-	(.11)	(3.02)
Gain (loss) on disposal of discontinued operations	-	-	.47	(.04)
Extraordinary loss on early retirement of debt	-	-	-	(.04)
Cumulative effect of accounting change	-	-	(.07)	-
Net income (loss)	$ 2.82	$ 1.83	$ 4.33	$ (.36)
DILUTED EARNINGS (LOSS) PER SHARE - Note A				
Income from continuing operations	$ 2.79	$ 1.83	$ 3.99	$ 2.73
Loss from discontinued operations	-	-	(.11)	(3.01)
Gain (loss) on disposal of discontinued operations	-	-	.46	(.04)
Extraordinary loss on early retirement of debt	-	-	-	(.04)
Cumulative effect of accounting change	-	-	(.06)	-
Net income (loss)	$ 2.79	$ 1.83	$ 4.28	$ (.36)
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 2001	September 30 2000	June 30 2000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 70	$ 67	$ 29
Accounts receivable	1,190	1,268	1,239
Allowance for doubtful accounts	(29)	(25)	(28)
Inventories - Note A	507	488	549
Deferred income taxes	124	135	113
Other current assets	176	198	205
	2,038	2,131	2,107
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,377	2,295	2,321
Cost in excess of net assets of companies acquired	547	537	500
Investment in Arch Coal - discontinued operations	-	35	35
Other noncurrent assets	406	351	353
	3,330	3,218	3,209
PROPERTY, PLANT AND EQUIPMENT			
Cost	2,984	2,879	2,910
Accumulated depreciation, depletion and amortization	(1,559)	(1,457)	(1,445)
	1,425	1,422	1,465
	$ 6,793	$ 6,771	$ 6,781
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 115	$ 327	$ 527
Trade and other payables	1,282	1,330	1,267
Income taxes	18	42	51
	1,415	1,699	1,845
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,881	1,899	1,898
Employee benefit obligations	346	383	400
Deferred income taxes	377	288	196
Reserves of captive insurance companies	184	179	190
Other long-term liabilities and deferred credits	404	358	344
Commitments and contingencies - Note F			
	3,192	3,107	3,028
COMMON STOCKHOLDERS' EQUITY	2,186	1,965	1,908
	$ 6,793	$ 6,771	$ 6,781

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, 1999	$ 72	$ 464	$ 1,710	$ (46)	$ 2,200
Total comprehensive income (loss) (1)			(26)	(16)	(42)
Dividends					
Cash			(58)		(58)
Spin-off of Arch Coal shares			(123)		(123)
Issued common stock under					
Stock incentive plans		1			1
Acquisitions of other companies		1			1
Repurchase of common stock	(2)	69)			(71)
BALANCE AT JUNE 30, 2000	$ 70	$ 397	$ 1,503	$ (62)	$1,908
BALANCE AT OCTOBER 1, 2000	$ 70	$ 388	$ 1,579	$ (72)	$ 1,965
Total comprehensive income (1)			302	(23)	279
Cash dividends			(57)		(57)
Issued common stock under					
stock incentive plans		17			17
Repurchase of common stock	(1)	(17)			(18)
BALANCE AT JUNE 30, 2001	$ 69	$ 388	$ 1,824	$ (95)	$ 2,186

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

	Three months ended June 30		Nine months ended June 30	
(In millions)	2001	2000	2001	2000
Net income (loss)	$ 197	$ 129	$ 302	$ (26)
Unrealized translation adjustments	(7)	(9)	(26)	(23)
Related tax benefit	-	1	3	7
Total comprehensive income (loss)	$ 190	$ 121	$ 279	$ (42)

At June 30, 2001, the accumulated other comprehensive loss was comprised of net unrealized translation losses of $86 million and a minimum pension liability of $9 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 2001	Nine months ended June 30 2000
CASH FLOWS FROM CONTINUING OPERATIONS		
Income from continuing operations	$ 281	$ 195
Expense (income) not affecting cash		
Depreciation, depletion and amortization	178	175
Deferred income taxes	106	65
Equity income from affiliates	(537)	(285)
Distributions from equity affiliates	454	142
Change in operating assets and liabilities (1)	(50)	(97)
	432	195
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	52	737
Proceeds from issuance of common stock	11	1
Repayment of long-term debt	(90)	(407)
Repurchase of common stock	(18)	(71)
Increase (decrease) in short-term debt	(190)	244
Dividends paid (2)	(57)	(58)
	(292)	446
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(144)	(161)
Purchase of operations - net of cash acquired (3)	(82)	(579)
Proceeds from sale of operations	9	-
Other - net	(6)	19
	(223)	(721)
CASH USED BY CONTINUING OPERATIONS	(83)	(80)
Cash provided (used) by discontinued operations	86	(1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3	(81)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	67	110
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 70	$ 29

(1) Excludes changes resulting from operations acquired or sold.
(2) The 2000 amount excludes the dividend of Arch Coal shares to Ashland shareholders which resulted in a $123 million charge to retained earnings.
(3) Amounts exclude acquisitions through the issuance of common stock of $1 million in 2000.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
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. Although such statements are subject to any year-end audit adjustments which may be necessary, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2000. Results of operations for the periods ended June 30, 2001, are not necessarily indicative of results to be expected for the year ending September 30, 2001.

INVENTORIES

(In millions)	June 30 2001	September 30 2000	June 30 2000
Chemicals and plastics	$ 369	$ 375	$ 407
Construction materials	81	80	86
Petroleum products	60	52	65
Other products	64	45	55
Supplies	6	7	6
Excess of replacement costs over LIFO carrying values	(73)	(71)	(70)
	$ 507	$ 488	$ 549

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)	2001	2000	2001	2000
NUMERATOR				
Numerator for basic and diluted EPS - Income from continuing operations	$ 197	$ 129	$ 281	$ 195
DENOMINATOR				
Denominator for basic EPS - Weighted average common shares outstanding	70	71	70	71
Common shares issuable upon exercise of stock options	1	-	-	-
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	71	71	70	71
BASIC EPS FROM CONTINUING OPERATIONS	$ 2.82	$ 1.83	$ 4.04	$ 2.74
DILUTED EPS FROM CONTINUING OPERATIONS	$ 2.79	$ 1.83	$ 3.99	$ 2.73

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTING CHANGE

In June 1998, the Financial Accounting Standards Board issued Statement No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities." FAS 133 was subsequently amended by two other statements and is required to be adopted in years beginning after June 15, 2000. Because of Ashland's minimal use of derivatives, FAS 133 did not have a significant effect on Ashland's financial position or results of operations when it was adopted on October 1, 2000. MAP's adoption of FAS 133 on January 1, 2001, resulted in a $20 million pretax loss from the cumulative effect of this accounting change. Ashland's share of the pretax loss amounted to $7 million which, net of income tax benefits of $3 million, resulted in a loss of $4 million from the cumulative effect of this accounting change.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statements No. 141, "Business Combinations," and No. 142 (FAS 142), "Goodwill and Other Intangible Assets." Under FAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. FAS 142 is effective for fiscal years beginning after December 15, 2001. As permitted, Ashland will early-adopt the statement as of October 1, 2001, the beginning of its fiscal year. Application of the nonamortization provisions of FAS 142 is expected to increase Ashland's net income by approximately $35 million ($.50 per share) each year. During 2002, Ashland will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of October 1, 2001. Until those tests are performed and other transitional issues are finalized, Ashland cannot estimate what the effect of the initial adoption of the statements will be on its earnings and financial position.

NOTE B - DISCONTINUED OPERATIONS

In March 2000, Ashland distributed 17.4 million shares of its Arch Coal Common Stock to Ashland's shareholders. Ashland sold its remaining 4.7 million Arch Coal shares in February 2001 for $86 million (after underwriting commissions). Such sale resulted in a pretax gain on disposal of discontinued operations of $49 million ($33 million after income taxes). In the March 2000 quarter, Ashland accrued $5 million of costs related to the spin-off and an offsetting tax benefit of $2 million.

Results from Arch Coal through March 2000 are shown as discontinued operations. Components of the loss from discontinued operations are presented in the following table. Results for the nine months ended June 30, 2001, reflect accruals of $13 million for estimated costs associated with other operations previously discontinued. Results for the nine months ended June 30, 2000, included a net loss of $203 million related to asset impairment and restructuring costs, largely due to the write-down of assets at Arch's Dal-Tex and Hobet 21 mining operations and certain coal reserves in central Appalachia.

(In millions)	Nine months ended June 30 2001	Nine months ended June 30 2000
Revenues - Equity loss	$ -	$ (246)
Costs and expenses - SG&A expenses	(13)	(1)
Operating loss	(13)	(247)
Income tax benefit	5	32
Loss from discontinued operations	$ (8)	$ (215)

NOTE C - EXTRAORDINARY LOSS

During the nine months ended June 30, 2000, Ashland refunded $36 million of pollution control revenue bonds and prepaid $332 million of the $600 million floating-rate debt used to fund the acquisition of the U.S. construction operations of Superfos a/s. The write-off of unamortized deferred debt issuance expenses and a redemption premium on the bonds resulted in pretax charges totaling $4 million which, net of income tax benefits of $1 million, resulted in an extraordinary loss on early retirement of debt of $3 million.

NOTE D - UNCONSOLIDATED AFFILIATES

Ashland is required by Rule 3-09 of Regulation S-X to file separate financial statements for its significant unconsolidated affiliate, Marathon Ashland Petroleum LLC (MAP). Ashland's ownership position in Arch Coal, Inc. met those same filing requirements prior to the spin-off and sale described in Note B. Financial statements for MAP and Arch Coal for the year ended December 31, 2000, were filed on a Form 10-K/A on March 30, 2001. 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)	2001	2000	2001	2000
Sales and operating revenues	$ 7,542	$ 7,440	$ 21,653	$ 19,812
Income from operations	846	533	1,457	786
Income before cumulative effect of accounting change	843	532	1,456	789
Net income	843	532	1,436	789
Ashland's equity income	313	196	533	280

NOTE E - DERIVATIVE INSTRUMENTS

In accordance with FAS 133, Ashland recognizes all of its derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or liability that is attributable to a particular risk), the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For derivative instruments not designated as hedging instruments, the gain or loss on the derivative is recognized in current earnings during the period of change.

Ashland selectively uses unleveraged interest rate swap agreements to obtain greater access to the lower borrowing costs normally available on floating-rate debt, while minimizing refunding risk through the issuance of long-term, fixed-rate debt. Ashland's intent is to maintain its floating-rate exposure between 25% and 45% of total interest-bearing obligations. In the June 2001 quarter, Ashland re-entered the interest rate swap market by executing two interest rate swaps that effectively convert $60 million of fixed-rate, NOTE E - DERIVATIVE INSTRUMENTS (continued)

medium-term notes to floating rates based upon three-month LIBOR. The swaps have been designated as fair value hedges, and since the critical terms of the debt instruments and the swaps match, the hedges are assumed to be perfectly effective, with the changes in fair value of the debt and swaps offsetting. The fair value of the swaps and the offsetting change in fair value of the debt instruments at June 30, 2001 was not significant.

During the June 2001 quarter, Ashland entered the crackspread futures market to take advantage of perceived anomalies in refining margins versus historical trends. The contracts are intended to serve as economic hedges of Ashland's equity earnings and resulting cash distributions from MAP. However, the contracts do not meet the criteria for hedge accounting under FAS 133. The fair value of these contracts is recorded on the balance sheet, with the offsetting gain or loss recognized in current earnings during the period of change. Net gains recorded during the June quarter and the fair value of the contracts at June 30, 2001 were not significant.

NOTE F- LITIGATION, CLAIMS AND CONTINGENCIES

Ashland is subject to various federal, state and local environmental laws and regulations that require remediation efforts at multiple locations. At June 30, 2001, 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 100 current and former operating facilities (including certain operating facilities conveyed to MAP) and numerous service station properties. Consistent with its accounting policy for environmental costs, Ashland's reserves for environmental assessments and remediation efforts amounted to $185 million at June 30, 2001. None of the remediation sites is individually material as the largest reserve for any identified site is under $10 million. Such amounts reflect Ashland's estimates of the most likely costs which will be incurred over an extended period to remediate identified environmental conditions for which the costs are reasonably estimable, without regard to any third-party recoveries.

Environmental reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the ultimate costs of required remediation efforts. 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. Reserves are regularly adjusted as environmental assessments and remediation efforts proceed.

Ashland and its subsidiaries are parties to numerous actions, including claims, lawsuits and environmental matters, some of which are for substantial amounts. While these actions are being contested, their outcome is not predictable with assurance and could be material. However, Ashland does not believe that any liability resulting from the above actions, after taking into consideration its insurance coverage, contributions by other responsible parties and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. Ashland's exposure to adverse developments with respect to any individual matter is not expected to be material, and these matters are in various stages of the ongoing assessment process. Although such actions 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.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(In millions)	Three months ended June 30 2001	Three months ended June 30 2000	Nine months ended June 30 2001	Nine months ended June 30 2000
REVENUES				
Sales and operating revenues				
APAC	$ 745	$ 701	$ 1,750	$ 1,738
Ashland Distribution	737	841	2,194	2,421
Ashland Specialty Chemical	318	327	933	963
Valvoline	276	264	784	788
Intersegment sales				
Ashland Distribution	(7)	(9)	(21)	(28)
Ashland Specialty Chemical	(16)	(21)	(49)	(60)
Valvoline	-	-	(1)	(1)
	2,053	2,103	5,590	5,821
Equity income				
Ashland Specialty Chemical	1	1	3	4
Valvoline	-	-	1	1
Refining and Marketing	313	196	533	280
	314	197	537	285
Other income				
APAC	7	5	12	11
Ashland Distribution	1	1	5	6
Ashland Specialty Chemical	5	8	20	21
Valvoline	1	2	4	6
Refining and Marketing	5	-	5	5
Corporate	1	1	5	4
	20	17	51	53
	$ 2,387	$ 2,317	$ 6,178	$ 6,159
OPERATING INCOME				
APAC	$ 37	$ 41	$ 12	$ 79
Ashland Distribution	13	20	37	47
Ashland Specialty Chemical	19	23	55	76
Valvoline	22	20	51	54
Refining and Marketing (1)	302	184	506	262
Corporate	(24)	(20)	(61)	(50)
	$ 369	$ 268	$ 600	$ 468

(1) Includes Ashland's equity income from MAP, amortization of Ashland's excess investment in MAP, and certain retained refining and marketing activities.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

	Three months ended June 30		Nine months ended June 30	
	2001	2000	2001	2000
OPERATING INFORMATION				
APAC				
Construction backlog at June 30 (millions)			$ 1,746	$ 1,410
Hot mix asphalt production (million tons)	11.1	9.7	23.7	23.7
Aggregate production (million tons)	8.1	7.9	19.5	19.8
Ready-mix concrete production (thousand cubic yards)	607	673	1,590	1,899
Ashland Distribution (1)				
Sales per shipping day (millions)	$ 11.0	$ 13.4	$ 11.4	$ 12.8
Gross profit as a percent of sales	15.5%	15.5%	15.9%	15.6%
Ashland Specialty Chemical (1)				
Sales per shipping day (millions)	$ 5.1	$ 5.2	$ 5.0	$ 5.1
Gross profit as a percent of sales	34.0%	34.0%	34.0%	34.8%
Valvoline lubricant sales (thousand barrels per day)	11.9	12.2	11.3	12.2
Refining and Marketing (2)				
Crude oil refined (thousand barrels per day)	958.2	965.0	895.0	880.1
Consolidated refined products sold (thousand barrels per day) (3)	1,303.1	1,344.7	1,288.3	1,294.6
Refining and wholesale marketing margin (per barrel) (4)	$ 7.72	$ 4.71	$ 5.05	$ 2.57
Speedway SuperAmerica (SSA) retail outlets at June 30			2,272	2,416
SSA gasoline and distillate sales (millions of gallons)	1,102	1,145	3,289	3,393
SSA gross margin - gasoline and distillates (per gallon)	$ 0.1168	$ 0.1239	$ 0.1071	$ 0.1162
SSA merchandise sales (millions)	$ 620	$ 600	$ 1,706	$ 1,663
SSA merchandise margin (as a percent of sales)	24.8%	25.4%	24.7%	25.9%

(1) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses, less depreciation and amortization relative to manufacturing assets.
(2) Amounts represent 100 percent of MAP's operations, in which Ashland owns a 38 percent interest.
(3) Total average daily volume of all refined product sales to MAP's wholesale, branded and retail (SSA) customers.
(4) Sales revenue less cost of refinery inputs, purchased products and manufacturing expenses, including depreciation.

RESULTS OF OPERATIONS

Current Quarter - Ashland's income from continuing operations was $197 million for the quarter ended June 30, 2001, compared to $129 million for the quarter ended June 30, 2000. Record operating income of $369 million for the 2001 period reflects improved refining margins for Marathon Ashland Petroleum (MAP) and strong results from Valvoline, partially offset by a decline in operating income from Ashland's other wholly owned businesses.

Year-to-Date - For the nine months ended June 30, 2001, Ashland recorded income from continuing operations of $281 million, compared to $195 million for the nine months ended June 30, 2000. Record operating income of $600 million for the 2001 period reflects improved refining margins for MAP, partially offset by a decline in operating income from each of Ashland's wholly owned businesses.

APAC

Current Quarter - APAC's construction operations recorded operating income of $37 million for the June 2001 quarter, compared to $41 million for the June 2000 quarter. Aside from the increased charge of $3 million for Manassas discussed below, profits were nearly even with last year in spite of the impact of a softer economy and Tropical Storm Allison, which moved across much of APAC's operating area in early June. Hot mix asphalt production increased 14% and APAC completed the quarter with a strong backlog of $1.7 billion, up 24% from the prior year. The growth in backlog reflects a 31% increase in public sector projects, partially offset by a 20% decrease in private work resulting from the economic slowdown.

Previously announced audit reviews of accounting practices at APAC's Manassas, Virginia division have been completed. During an internal investigation of financial activities at the Manassas division during the March 2001 quarter, it was discovered that its earnings had been intentionally overstated, and local management of the division was replaced. Deloitte & Touche has completed an independent review of these irregularities, while Ernst & Young reaffirmed the prior audits of other APAC units. These investigations confirmed that the problems related primarily to the recognition of revenues and failure to recognize certain costs over a period of about two years. No other accounting irregularities or evidence of any impact on outside parties, customers or suppliers was discovered. Ashland had previously reported an estimated charge of $15 million in the March 2001 quarter related to this issue. Based on results of the audit review, an additional charge of $3 million for Manassas was recorded in the June 2001 quarter, resulting in a final charge of $18 million for the year. APAC is evaluating and implementing various recommendations for improvement in overall business processes, accounting controls and procedures stemming from the reviews.

Year-to-Date - For the nine months ended June 30, 2001, APAC reported operating income of $12 million, compared to $79 million for the same period of 2000. The decrease reflects the adverse impact of unusually severe winter weather in most of its operating regions, as well as the $18 million charge for Manassas. Despite several acquisitions and significant growth in APAC's other operations, net construction revenues declined 15%, while production of hot mix asphalt and aggregate were generally flat, and ready-mix concrete production declined 16% from the 2000 period. While certain of these production declines were not significant, the conditions under which the materials were produced (extreme cold and precipitation) made the production process highly inefficient. Earnings from the asphalt plants were also adversely affected by increased costs for liquid asphalt that were not fully recovered in APAC's hot mix asphalt prices. In addition, competition in the private sector has increased as a result of the economic slowdown, resulting in a loss of some of that higher-margin work for APAC. This has reduced overall margins, since proportionally more revenue is being generated from the lower-margin public sector jobs.

ASHLAND DISTRIBUTION

Current Quarter - Ashland Distribution reported operating income of $13 million for the June 2001 quarter, a 35% decline compared to $20 million for the June 2000 quarter. Weaker markets resulted in lower sales volumes, particularly in North American thermoplastics. However, profit improvement from fine ingredients and European thermoplastics, and a consistent performance from industrial chemicals distribution partially offset the decline.

Year-to-Date - For the nine months ended June 30, 2001, Ashland Distribution reported operating income of $37 million, compared to $47 million for the same period of 2000. Reduced earnings from North American thermoplastics and fiber-reinforced plastics, reflecting reduced volumes and margins, were partially offset by improvements in industrial chemicals distribution, European thermoplastics and fine ingredients.

ASHLAND SPECIALTY CHEMICAL

Current Quarter - For the quarter ended June 30, 2001, Ashland Specialty Chemical reported operating income of $19 million, compared to $23 million reported for the June 2000 quarter. Results were mixed as economic weakness continued to adversely affect demand and margins in certain specialty chemical units, including foundry, electronic chemicals, specialty adhesives and maleic anhydride. Profits from marine and industrial water treatment chemicals improved. Results from the unsaturated polyester resins business were up due in part to the April 2001 acquisition of Neste Polyester.

Year-to-Date - For the nine months ended June 30, 2001, Ashland Specialty Chemical reported operating income of $55 million, compared to $76 million for the first nine months of 2000. On the positive side, electronic chemicals sales volumes were up 6% and its margins were up 9%, reflecting strong markets early in the fiscal year. In addition, marine and industrial water treatment chemicals improved reflecting higher sales volumes. Margins for the marine business were also aided by the strong U.S. dollar and internal cost cutting efforts. On the negative side, foundry sales were down 10%, while unsaturated polyester resins and specialty adhesives included the effects of higher costs for raw materials. The higher costs, combined with resistance to price increases, caused reductions in their margins of 9% and 11%. Reduced maleic anhydride margins resulted from significant increases in butane costs.

VALVOLINE

Current Quarter - For the quarter ended June 30, 2001, Valvoline reported operating income of $22 million, compared to $20 million for the June 2000 quarter. The increase primarily reflected improved results from the core North American lubricants business, higher R-12 automotive refrigerant sales and improved profits from Eagle One. Partially offsetting these improvements were declines in international operations, Valvoline Instant Oil Change (VIOC) and the antifreeze business.

Year-to-Date - For the nine months ended June 30, 2001, Valvoline reported operating income of $51 million, compared to $54 million for the same period of 2000. The decline reflected continued margin compression in the antifreeze business and lower sales of R-12 automotive refrigerant. R-12 sales decreased because of cooler weather conditions earlier in the year, but earnings are on schedule to achieve the previously projected $14 million target for the year. International operations reflected reduced earnings from European, Asian and Australian affiliates. Earnings from VIOC were down reflecting reduced car counts, as well as gains on the sale of certain service centers reported in last year's results. These declines were partially offset by improvements in the core North American lubricants business and Eagle One.

REFINING AND MARKETING

Current Quarter - Operating income from Refining and Marketing amounted to a record $302 million for the quarter ended June 30, 2001, compared to $184 million for the quarter ended June 30, 2000. Such results include Ashland's 38% share of MAP's earnings, amortization of Ashland's excess investment in MAP, and results of certain retained refining and marketing activities. Refining margins began to increase in April, reflecting low product inventories, the changeover to summer product specifications and seasonal increases in demand. As refining margins rose, eventually peaking at very robust levels in May, refiners increased production to meet demand and benefit from the strong margins. Simultaneously, demand moderated in response to higher consumer prices and inventories increased. By the end of the quarter, refining margins had fallen back to more normal levels. MAP's overall refining and wholesale marketing margin for the quarter increased $3.01 per barrel, accounting for a $126 million improvement in Ashland's operating income. However, gasoline and distillate gross margins for MAP's Speedway SuperAmerica (SSA) retail marketing group declined 0.71 cents per gallon, reducing Ashland's operating income by $5 million.

Year-to-Date - Operating income from Refining and Marketing amounted to a record $506 million for the nine months ended June 30, 2001, compared to $262 million for the nine months ended June 30, 2000. The increase reflects strong refining margins, partially offset by compressed retail margins and higher operating and administrative expenses, including costs related to MAP's variable pay plan. MAP's refining and wholesale marketing margin increased $2.48 per barrel, accounting for a $323 million increase in Ashland's operating income. SSA's gasoline and distillate gross margin declined 0.91 cents per gallon, reducing Ashland's operating income by $16 million, while a decline in SSA's merchandise margins accounted for a $3 million reduction. These reductions were partially offset by a gain on the sale of 134 SSA non-core stores, which added $7 million to Ashland's operating income.

CORPORATE

Corporate expenses amounted to $24 million for the quarter ended June 30, 2001, compared to $20 million for the quarter ended June 30, 2000. Corporate expenses on a year-to-date basis amounted to $61 million in the 2001 period, compared to $50 million in the 2000 period. The higher level of expenses reflects increased deferred and incentive compensation costs, as well as environmental insurance recoveries included in the prior year periods.

NET INTEREST AND OTHER FINANCIAL COSTS

For the quarter ended June 30, 2001, net interest and other financial costs totaled $42 million, compared to $50 million for the June 2000 quarter. For the year-to-date period, net interest and other financial costs amounted to $132 million, compared to $138 million for the 2000 period. Interest costs were down $7 million for the quarter and $19 million for the nine months, reflecting reduced debt levels and lower interest rates on floating-rate obligations. Interest income was down $8 million for the nine months, reflecting interest income in the 2000 period on the note receivable from Industri Kapital that was received in the series of transactions associated with the acquisition of the U.S. construction operations of Superfos a/s. Other financial costs were down $1 million for the quarter and up $5 million for the nine months, reflecting costs associated with the sale of $150 million of receivables under a program initiated in March 2000.

DISCONTINUED OPERATIONS

As described in Note B to the Condensed Consolidated Financial Statements, Ashland distributed to Ashland shareholders the major portion of its common shares of Arch Coal in March 2000. The spin-off of the shares resulted in no gain or loss, but Ashland incurred $3 million in after-tax costs related to the transaction. In February 2001, Ashland sold its remaining shares in Arch Coal resulting in an after-tax gain of $33 million. Results for Arch Coal through March 2000 are shown as discontinued operations.

Year-to-Date - Results for the nine months ended June 30, 2001, included after-tax accruals of $8 million for estimated costs associated with other operations previously discontinued. For the nine months ended June 30, 2000, Ashland recorded a net loss of $215 million from its investment in Arch Coal. The loss included a $203 million net charge in the December 1999 quarter related to asset impairment and restructuring costs. The charge was largely due to the write-down of assets at Arch's Dal-Tex and Hobet 21 mining operations and certain coal reserves in central Appalachia.

EXTRAORDINARY LOSS

During the nine months ended June 30, 2000, Ashland refunded $36 million of pollution control revenue bonds and prepaid $332 million of the $600 million floating-rate debt used to fund the acquisition of the U.S. construction operations of Superfos a/s. The write-off of unamortized deferred debt issuance expenses and a redemption premium on the bonds resulted in pretax charges totaling $4 million which, net of income tax benefits of $1 million, resulted in an extraordinary loss on early retirement of debt of $3 million.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

As described in Note A to the Condensed Consolidated Financial Statements, in the March 2001 quarter Ashland recognized an after-tax loss of $4 million from MAP's adoption of FAS 133.

FINANCIAL POSITION

LIQUIDITY

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. Ashland has two revolving credit agreements providing for up to $425 million in borrowings, neither of which has been used. Under a shelf registration, Ashland can also issue an additional $300 million in debt and equity securities should future opportunities or needs arise. Ashland intends to increase this capacity to $600 million under a new shelf registration in the September 2001 quarter. Furthermore, Ashland has access to various uncommitted lines of credit and commercial paper markets, under which $55 million of short-term borrowings were outstanding at June 30, 2001. While the revolving credit agreements contain a covenant limiting new borrowings, Ashland could have increased its borrowings (including any borrowings under these agreements) by up to $1.3 billion at June 30, 2001. Additional permissible borrowings are increased (decreased) by 150% of any increases (decreases) in Ashland's stockholders' equity.

LIQUIDITY (continued)

Cash flows from continuing operations, a major source of Ashland's liquidity, amounted to $432 million for the nine months ended June 30, 2001, compared to $195 million for the nine months ended June 30, 2000. The increase primarily reflects increased cash distributions from MAP ($451 million in 2001, compared to $141 million in 2000). Ashland's cash flows from continuing operations exceeded its capital requirements for net property additions and dividends by $226 million for the nine months ended June 30, 2001.

Operating working capital (accounts receivable and inventories, less trade and other payables) at June 30, 2001, was $386 million, compared to $401 million at September 30, 2000, and $493 million at June 30, 2000. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 87% of current liabilities at June 30, 2001, compared to 77% at September 30, 2000, and 67% at June 30, 2000. Ashland's working capital is affected by its use of the LIFO method of inventory valuation, which valued inventories $73 million below their replacement costs at June 30, 2001.

CAPITAL RESOURCES

For the nine months ended June 30, 2001, property additions amounted to $144 million, compared to $161 million for the same period last year. Property additions and cash dividends for the remainder of fiscal 2001 are estimated at $60 million and $19 million. At June 30, 2001, Ashland had remaining authority to purchase 2.1 million shares of its common stock in the open market. The number of shares ultimately purchased and the prices Ashland will pay for its stock are subject to periodic review by management. Ashland anticipates meeting its remaining 2001 capital requirements for property additions, dividends and scheduled debt repayments of $3 million from internally generated funds. However, external financing may be necessary to provide funds for or purchases of common stock.

At June 30, 2001, Ashland's debt level amounted to $2 billion, compared to $2.2 billion at September 30, 2000. Debt as a percent of capital employed was 48% at June 30, 2001, compared to 53% at the end of fiscal 2000. At June 30, 2001, Ashland's debt included $194 million of floating-rate obligations, including $55 million of short-term borrowings and $139 million of long-term debt. The interest rates on $60 million of fixed-rate debt were 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 $255 million of third-party debt underlying those transactions. As a result, Ashland was exposed to fluctuations in short-term interest rates on $509 million of interest-bearing obligations at June 30, 2001.

OUTLOOK

Looking forward, Ashland expects to report strong results for the fiscal year ending September 30, 2001. Refining and marketing will be the major contributor to operating profit for the year, more than offsetting the adverse impact of the sluggish economy on Ashland's wholly owned businesses whose combined results will be below last year. As for the expected September quarter performance, refining margins have declined significantly from their peak in May. However, supply and demand fundamentals for Midwest petroleum markets remain healthy and retail margins have improved , partially offsetting the weakness in wholesale margins. Valvoline remains on target and earnings from APAC are expected to be roughly equal to the comparable period last year. The economic slowdown continues to impede the performance of Ashland's chemical operations, and fourth-quarter results from specialty chemical and distribution operations are expected to fall significantly below the September 2000 quarter.

ENVIRONMENTAL MATTERS

Federal, state and local laws and regulations relating to the protection of the environment have resulted in higher operating costs and capital investments by the industries in which Ashland operates. Because of the continuing trends toward greater environmental awareness and ever increasing regulations, Ashland believes that expenditures for environmental compliance will continue to have a significant effect on its businesses. Although it cannot accurately predict how such trends will affect future operations and earnings, Ashland believes the nature and significance of its ongoing compliance costs will be comparable to those of its competitors. For information on certain specific environmental proceedings and investigations, see the "Legal Proceedings" section of this Form 10-Q. For information regarding environmental reserves, see Note F to the Condensed Consolidated Financial Statements.

Environmental reserves are subject to numerous inherent uncertainties that affect Ashland's ability to estimate its share of the ultimate costs of required remediation efforts. 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. Reserves are regularly adjusted as environmental assessments and remediation efforts proceed.

While the ultimate costs are not predictable with assurance and could be material, Ashland does not believe that any liability resulting from environmental matters, after taking into consideration its insurance coverage, contributions by other responsible parties and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. Ashland's exposure to adverse developments with respect to any individual matter is not expected to be material, and these matters are in various stages of the ongoing assessment process. Although such matters 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.

CONVERSION TO THE EURO

On January 1, 1999, certain member countries of the European Economic and Monetary Union (EMU) established fixed conversion rates between their existing currencies and the EMU's common currency, the Euro. Entities in the participating countries can conduct their business operations in either their existing currencies or the Euro until December 31, 2001. After that date, all non-cash transactions will be conducted in Euros and circulation of Euro notes and coins for cash transactions will commence. National notes and coins will be withdrawn no later than June 30, 2002.

Ashland conducts business in most of the participating countries and is addressing the issues associated with the Euro. The more important issues include converting information technology systems and processing accounting and tax records. Based on the progress to date, Ashland believes that the use of the Euro will not have a significant impact on the manner in which it does business and processes its accounting records. Accordingly, the use of the Euro is not expected to have a material effect on Ashland's consolidated financial position, results of operations, cash flows or liquidity.

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, Capital Resources, Outlook and Conversion to the Euro sections of this MD&A. Estimates as to operating performance and earnings are based upon a number of assumptions, including those mentioned in MD&A. Such estimates are also based upon internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, weather, operating efficiencies and economic conditions, such as prices, supply and demand and cost of raw materials. Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected in MD&A will be achieved. This forward-looking information may prove to be inaccurate and actual results may differ significantly from those anticipated if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized or if other unexpected conditions or events occur. Other factors and risks affecting Ashland are contained in Risks and Uncertainties in Note A to the Consolidated Financial Statements in Ashland's 2000 Annual Report and in Ashland's Form 10-K for the fiscal year ended September 30, 2000.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Environmental Proceedings - (1) As of June 30, 2001, Ashland has been identified as a "potentially responsible party" ("PRP") under Superfund or similar state laws for potential joint and several liability for clean-up costs in connection with alleged releases of hazardous substances associated with 95 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the EPA 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. While the ultimate costs are not predictable with assurance and could be material, based on its experience with site remediation, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland does not believe that any liability at these sites, either individually or in the aggregate, will have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity. For additional information regarding environmental matters and reserves, see Management's Discussion and Analysis - Environmental Matters and Note F to the Condensed Consolidated Financial Statements.

(2) As a result of a United States Environmental Protection Agency ("EPA") enforcement initiative wherein information, including financial data, permit status and operational results, relating to construction projects conducted within refineries since 1980 are reviewed for compliance with specific provisions of the Clean Air Act, Marathon Ashland Petroleum LLC ("MAP"), as well as several other refiners, entered into negotiations with EPA and the Justice Department. On May 11, 2001, MAP executed a settlement agreement with the EPA which includes MAP's commitment to spend approximately $270 million in environmental capital expenditures and improvements to MAP's refineries to install specific control technologies over a period of eight years that are consistent with MAP's current capital spending plans. In addition, MAP's settlement provides for payment of a civil penalty in the amount of $3.8 million and the performance of $8 million in supplemental environmental projects for which Ashland has agreed to reimburse MAP a total of $1 million. Approval of the consent decree by the court is expected in the third quarter of calendar 2001.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3.2 By-Laws of Ashland, as amended to June 21, 2001.

12 Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.

(b) Reports on Form 8-K

A report on Form 8-K was filed on April 25, 2001 to report Ashland's 2001 second quarter results.

SIGNATURES

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 10, 2001

/s/ Kenneth L. Aulen

Kenneth L. Aulen
Administrative Vice President and Controller
(Chief Accounting Officer)

Date: August 10, 2001

/s/ David L. Hausrath

David L. Hausrath
Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
3.2	By-Laws of Ashland, as amended to June 21, 2001.
12	Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.

Exhibit 3.2

ASHLAND INC.
BY-LAWS

As Effective June 21, 2001

BY-LAWS OF ASHLAND INC.

ARTICLE I

OFFICES

The principal office of the Corporation in the Commonwealth of Kentucky shall be at 50 E. RiverCenter Boulevard, City of Covington, County of Kenton. The Corporation may also have offices at other places either within or without the Commonwealth of Kentucky as may be useful in the business of the Corporation.

ARTICLE II

MEETINGS OF SHAREHOLDERS

SECTION 1. Annual Meetings. The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at the principal office of the Corporation on the last Thursday of January, annually, at the hour of 10:30 a.m., or at such other place (within or without the Commonwealth of Kentucky), date and hour as shall be designated in the notice thereof.

SECTION 2. Annual Meeting Business. To be properly brought before an annual meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors of the Corporation (the "Board"); (ii) otherwise properly brought before the meeting by or at the direction of the Board; or (iii) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation, not later than ninety days in advance of such meeting (provided that if the annual meeting of shareholders is held earlier than the last Thursday in January, such notice must be given within ten days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission, of the date of the annual meeting). Any such notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and in the event that such business includes a proposal to amend either the articles of incorporation or By-laws of the Corporation, the language of the proposed amendment; (ii) the name and address of the shareholder proposing such business; (iii) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business; (iv) any material interest of the shareholder in such business; and (v) a representation as to whether or not the shareholder will solicit proxies in support of the proposal. No business shall be conducted at an annual meeting of shareholders except in accordance with this paragraph and the chairman of any annual meeting of shareholders may refuse to permit any business to be brought before an annual meeting which fails to comply with the foregoing procedures or, in the case of a shareholder proposal, if the shareholder fails to comply with the representations set forth in the notice.

SECTION 3. Special Meetings. A special meeting of the shareholders may be called by a majority of the members of the Board, the Chairman of the Board or the President, at such place (within or without the Commonwealth of Kentucky), date and hour as shall be designated in the notice thereof.

A special meeting of the shareholders shall be called by the Secretary on the written request of the holders of not less than one-third of all the shares entitled to vote at such meeting. Such request shall set forth: (i) the action proposed to be taken at such meeting and the reasons for the action; (ii) the name and address of each of such holders who intends to propose action be taken at such meeting; (iii) a representation that each is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at such meeting to propose the action specified in the request; (iv) any material interest of any shareholder in such action; and (v) in the event that any proposed action consists of or includes a proposal to amend either the articles of incorporation or the By-laws of the Corporation, the language of the proposed amendment. The Secretary shall determine the place (within or without the Commonwealth of Kentucky), date and hour of such meeting. The Secretary may refuse to call a special meeting unless the request is made in compliance with the foregoing procedure.

SECTION 4. Notice of Meetings. Notice stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each shareholder entitled to vote at such meeting not less than ten nor more then sixty days before the date of the meeting by any form of notice permitted by Kentucky law. Except as otherwise expressly required by law, notice of any adjourned meeting of the shareholders need not be given if the date, hour and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than 120 days or, unless after the adjournment a new record date is fixed for the adjourned meeting.

SECTION 5. Record of Shareholders. It shall be the duty of the officer or agent of the Corporation who shall have charge of its stock transfer books to prepare and make a complete record of the shareholders entitled to vote at any meeting of shareholders or adjournment thereof, arranged by voting group (and within each voting group by class or series), and showing the address of each shareholder and the number of shares registered in the name of each shareholder. Such record shall be produced at the time and place of the meeting and shall be open to the inspection of any shareholder entitled to vote at such meeting or any adjournment thereof during the whole time of such meeting or adjournment for the purposes thereof.

SECTION 6. Fixing Date for Determination of Shareholders of Record. In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be less than ten days before the date of such meeting, nor more than seventy days prior to any other action. A determination of shareholders entitled to notice of or to vote at a meeting of the shareholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting if the meeting is adjourned to a date 120 days or less after the date fixed for the original meeting. The Board shall fix a new record date if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

SECTION 7. Quorum. At each meeting of the shareholders or adjournment thereof, except as otherwise expressly required by law, these By-laws or the articles of incorporation, shareholders holding a majority of the shares of the Corporation issued and outstanding and entitled to be voted thereat shall be present in person or by proxy to constitute a quorum for the transaction of business. The shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

SECTION 8. Organization. At each meeting of the shareholders, one of the following shall act as chairman of the meeting and preside thereat, in the following order of precedence:

(a) the Chairman of the Board;

(b) the President; or

(c) any other officer of the Corporation designated by the Board or the executive committee of the Board to act as chairman of such meeting and to preside thereat if the Chairman of the Board and the President shall be absent from such meeting.

The Secretary or, if the Secretary shall be absent from such meeting, the person (who shall be an Assistant Secretary of the Corporation, if one of such officers shall be present thereat) whom the chairman of such meeting shall appoint, shall act as secretary of such meeting and keep the minutes thereof.

SECTION 9. Order of Business. The chairman of any meeting of shareholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 10. Voting. Except as otherwise expressly required by law, these By-laws, or the articles of incorporation, each shareholder entitled to vote shall, at each meeting of the shareholders, have one vote (except that at each election for directors each such shareholder shall have the right to cast as many votes in the aggregate as the shareholder shall be entitled to vote under the articles of incorporation multiplied by the number of directors to be elected at such election; and each shareholder may cast the whole number of votes for one candidate, or distribute such votes among two or more candidates), in person or by proxy, for each share of the Corporation held by the shareholder and registered in the shareholder's name on the books of the Corporation:

(a) on the date fixed pursuant to the provisions of these By-laws as the record date for the determination of shareholders who shall be entitled to receive notice of and to vote at such meeting, or

(b) if no record date shall have been so fixed, then at the close of business on the day on which notice of such meeting shall be given.

Any vote of shares of the Corporation may be given at any meeting of the shareholders by the shareholders entitled thereto in person or by proxy appointed by the shareholder. The attendance at any meeting of a shareholder shall not have the effect of revoking a previously given proxy unless the shareholder shall give the Secretary written notice of the revocation.

At all meetings of the shareholders each matter, except as otherwise expressly required by law, these By-laws or the articles of incorporation, shall be approved if the votes cast in favor of such matter exceed the votes cast opposing such matter.

Except as otherwise expressly required by law, the vote at any meeting of the shareholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the shareholder voting, or by the shareholder's proxy, if there be such proxy, and shall state the number of shares voted. Except as otherwise expressly required by law, the vote at any meeting of the shareholders on any question need not be by ballot, unless so directed by the chairman of the meeting.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1 . General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board.

SECTION 2. Number and Term of Office. Except as otherwise provided by law, the number of directors which shall constitute the Board shall be fixed from time to time by a resolution adopted by a majority of the Board; provided, however, that a vote of the shareholders is required to increase or decrease by more than 30% the number of directors from that number last fixed by the shareholders. So long as the Board shall consist of nine or more members, the directors shall be classified with respect to the time for which they shall severally hold office, by dividing them into three classes, as nearly equal in number as possible.

At each annual meeting, successors to the class of directors whose term then expires shall be elected to serve for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors shall have been elected and qualified. The Board shall increase or decrease the number of directors in one or more classes as may be appropriate whenever it increases or decreases the number of directors in order to ensure that the three classes remain as nearly equal in number as possible. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

SECTION 3. Nomination. Nominations for the election of directors may be made by the Board or by any shareholder entitled to vote for the election of directors. Any shareholder entitled to vote for the election of directors at a meeting may nominate a person or persons for election as directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary, not later than (i) with respect to an election to be held at an annual meeting of shareholders, ninety days in advance of such meeting (provided that if the annual meeting of shareholders is held earlier than the last Thursday in January, such notice must be given within ten days after the first public disclosure, which may include any public filing with the Securities and Exchange Commission, of the date of the annual meeting) and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a shareholder of record of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated by the Board; (e) the consent of each nominee to serve as a director of the Corporation if so elected; and (f) a representation as to whether or not the shareholder will solicit proxies in support of the shareholder's nominee(s). The chairman of any meeting of shareholders to elect directors and the Board may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure or if the shareholder fails to comply with the representations set forth in the notice.

SECTION 4. Election. Except as otherwise expressly provided in the articles of incorporation, at each meeting of the shareholders for the election of directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the directors.

SECTION 5. Resignation, Removal and Vacancies. Any director may resign at any time by giving written notice of such resignation to the Chairman of the Board, the President or the Secretary. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect when accepted by action of the Board. Except as aforesaid, the acceptance of such resignation shall not be necessary to make it effective.

Any or all directors may be removed at a meeting of the shareholders called expressly for that purpose (i) in the case of a removal of a director for cause, by a vote of the holders of a majority of the voting power of the then outstanding voting stock of the Corporation, voting together as a single voting group, or (ii) in the case of a removal of a director without cause, by a vote of the holders of at least 80% of the voting power of the then outstanding voting stock of the Corporation, voting together as a single voting group. If less than all the directors are to be removed, no one of the directors may be removed if the votes cast against the director's removal would be sufficient to elect the director if then cumulatively voted at an election of the entire Board or, if there be classes of directors, at an election of the class of directors of which that director is a part. For purposes of this Section, "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Corporation (other than any failure resulting from incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation. As used in these By-laws, "voting stock" shall mean shares of capital stock of the Corporation entitled to vote generally in the election of directors.

Any vacancy occurring on the Board may be filled by a majority of the directors then in office, though less than a quorum, and the director elected to fill such vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until the director's successor is elected and qualified.

SECTION 6. Meetings.

(A) Annual Meetings. As soon as practicable after each annual election of directors, the Board shall meet for the purpose of organization and the transaction of other business.

(B) Regular Meetings. Regular meetings of the Board shall be held at such dates, times and places as the Board shall from time to time determine.

(C) Special Meetings. Special meetings of the Board shall be held whenever called by the Chairman of the Board, the President or upon the written request of a majority of the members of the whole Board filed with the Secretary. Any and all business may be transacted at a special meeting which may be transacted at a regular meeting of the Board.

(D) Place of Meeting. The Board may hold its meetings at such place or places within or without the Commonwealth of Kentucky as the Board may from time to time by resolution determine or as shall be designated in the respective notices or waiver of notices thereof.

(E) Notice of Meetings. Notices of regular meetings of the Board or of any adjourned meeting need not be given.

Notices of special meetings of the Board, or of any meeting of any committee of the Board which has not been fixed in advance as to hour and place by such committee, shall be sent by the Secretary to each director, or member of such committee, by any form of notice permitted by Kentucky law at the director's residence or usual place of business at least two days before the day on which such meeting is to be held. Such notice shall include the date, hour and place of such meeting, but any such notice need not specify the business to be transacted at, or the purpose of, any such meeting. Notice of any such meeting need not be given to any director or member of any committee, however, if waived by the director in writing, whether before or after such meeting shall be held, or if the director shall be present at such meeting, unless the director at the beginning of the meeting (or promptly upon such director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

(F) Quorum and Manner of Acting. A majority of the number of directors fixed by or in the manner provided in these By-laws or in the articles of incorporation shall be present at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those directors shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law, these By-laws or the articles of incorporation. The directors present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

(G) Action by Consent. Any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and such writings are filed with the minutes of the proceedings of the Board or committee.

(H) Presence at a Meeting. Any or all directors may participate in any meeting of the Board or any committee thereof, or conduct the meeting through the use of, any means of communication by which all persons participating may simultaneously hear and speak to each other during the meeting. Any director participating in a meeting by such means shall be deemed to be present in person at the meeting for all purposes.

SECTION 7. Compensation. The Board may, from time to time, fix such amount per annum and such fees to be paid by the Corporation to Directors for attendance at meetings of the Board or of any committee, or both. The Board may likewise provide that the Corporation shall reimburse each director or member of a committee for any expenses incurred by the director on account of the director's attendance at any such meeting. Nothing contained in this Section shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 8. Committees. The Board may, by resolution adopted by a majority of the Board, designate committees, each committee to consist of two or more directors and to have such duties and functions as shall be provided in such resolution. The Board shall have the power to change the members of any such committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time. The Board may establish an executive committee in accordance with and subject to the restrictions set out in the statutes of the Commonwealth of Kentucky.

ARTICLE IV

OFFICERS

SECTION 1 . Officers. The officers of the Corporation shall be determined by the Board. The officers of the Corporation may include:

(a) a Chairman of the Board;
(b) a President;
(c) one or more Executive Vice Presidents;
(d) one or more Senior Vice Presidents;
(e) one or more Administrative Vice Presidents;
(f) one or more Vice Presidents;
(g) a Secretary and one or more Assistant Secretaries;
(h) a Treasurer and one or more Assistant Treasurers;
(i) a Controller and one or more Assistant Controllers; and
(j) an Auditor and one or more Assistant Auditors.

In addition, the Board may elect such other officers as it deems necessary or appropriate and such other officers shall have such powers, authority, and duties as may be delegated or assigned to such officer, from time to time, by the Board, the Chairman of the Board, or the President.

The Board shall designate which of the officers shall be executive officers of the Corporation.

SECTION 2. Election and Appointment and Term of Office. Each officer shall be elected by the Board at its annual meeting and hold office until the next annual meeting of the Board and until the officer's successor is elected or until the officer's earlier death, resignation or removal in the manner hereinafter provided. If additional officers are elected by the Board during the year, each of them shall hold office until the next annual meeting of the Board at which officers are regularly elected and until the officer's successor is elected or appointed or until the officer's earlier death, resignation or removal in the manner hereinafter provided.

In addition to the foregoing, the Chairman of the Board, by written designation filed with the Secretary, may appoint one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers, Assistant Controllers and Assistant Auditors of the Corporation. If appointed during the year, each of them shall hold office until the next annual meeting of the Board at which officers are regularly elected and until the officer's successor is elected or appointed or until the officer's earlier death, resignation or removal in the manner hereinafter provided. Subject to the authority of the Board, the Chairman of the Board shall also have authority to fix the salary of such officer.

SECTION 3. Resignation, Removal and Vacancies. Any officer may resign at any time by giving written notice to the Chairman of the Board, the President or the Secretary, and such resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date. All officers and agents elected or appointed shall be subject to removal at any time by the Board with or without cause. All appointed officers may be removed at any time by the Chairman of the Board acting jointly with the President or any Executive or Senior Vice President, by written designation filed with the Secretary. A vacancy in any office may be filled for the unexpired portion of the term in the same manner as provided for election or appointment to such office.

SECTION 4. Duties and Functions.

(A) Chairman of the Board. The Chairman of the Board, if present, shall preside at all meetings of the shareholders and the Board. If designated by Board resolution, the Chairman of the Board shall be Chief Executive Officer of the Corporation, and if so designated, shall be vested with executive control and management of the business and affairs of the Corporation and have the direction of all other officers, agents and employees. The Chairman of the Board shall perform all such other duties as are incident to the office or as may be properly required of the Chairman by the Board, subject in all matters to the control of the Board.

(B) The President. The President, in the absence of the Chairman of the Board, shall preside at all meetings of the shareholders and the Board. If designated by Board resolution, the President shall be Chief Executive Officer of the Corporation, and if so designated, shall be vested with executive control and management of the business and affairs of the Corporation and have the direction of all other officers, agents and employees. The President shall have such powers, authority and duties as may be delegated or assigned to the President from time to time by the Board or the Chairman of the Board.

(C) Vice Presidents. The Executive Vice Presidents, Senior Vice Presidents, Administrative Vice Presidents and Vice Presidents shall have such powers, authority and duties as may be delegated or assigned to them from time to time by the Board, the Chairman of the Board or the President.

(D) Secretary. The Secretary shall attend to the giving and serving of all notices required by law or these By-laws, shall be the custodian of the corporate seal and shall affix and attest the same to all papers requiring it; shall have responsibility for preparing minutes of the meetings of the Board and shareholders; shall have responsibility for authenticating records of the Corporation; and shall in general perform all the duties incident to the office of the Secretary, subject in all matters to the control of the Board.

(E) Treasurer. The Treasurer shall have custody and control of the funds and securities of the Corporation and shall perform all such other duties as are incident to the office of the Treasurer or that may be properly required of the Treasurer by the Board, the Chairman of the Board or the President.

(F) Controller. The Controller shall maintain adequate records of all assets, liabilities and transactions of the Corporation; shall see that adequate audits thereof are currently and regularly made; shall have general supervision of the preparation of the Corporation's balance sheets, income accounts and other financial statements or records; and shall perform such other duties as shall, from time to time, be assigned to him, by the Board, the Chairman of the Board or the President. These duties and powers shall extend to all subsidiary corporations and, so far as the Board, the Chairman of the Board or the President may deem practicable, to all affiliated corporations.

(G) Auditor. The Auditor shall review the accounting, financial and related operations of the Corporation and shall be responsible for measuring the effectiveness of various controls established for the Corporation. The Auditor's duties shall include, without limitation, the appraisal of procedures, verifying the extent of compliance with formal controls and the prevention and detection of fraud or dishonesty and such other duties as shall, from time to time, be assigned to the Auditor by the Board, the Chairman of the Board or the President. These duties and powers shall extend to all subsidiary corporations and, so far as the Board, the Chairman of the Board or the

President may deem practicable, to all affiliated corporations.

(H) General Provision. The powers, authorities, and duties established pursuant to this Section 4 may be delegated, assigned, or required directly or indirectly by the Board of Directors, the Chairman of the Board or the President, as the case may be.

ARTICLE V

BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders, the Board and the committees of the Board.

ARTICLE VI

CONTRACTS, CHECKS, AND DEPOSITS

SECTION 1. Contracts and Agreements. The Board may authorize any officer or agent to enter into any contract or agreement or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or limited to specific instances.

SECTION 2. Checks, Drafts, Orders, Etc. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation and in such manner as shall from time to time be prescribed by the Board in a duly authorized resolution.

SECTION 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories in such manner as shall from time to time be prescribed by the Board in a duly authorized resolution.

ARTICLE VII

SHARES AND THEIR TRANSFER

SECTION 1. Certificates for Shares. The shares of the Corporation may be represented by certificates or may be uncertificated. Certificates representing shares of the Corporation shall be in such form as the Board shall prescribe. Such certificates shall be in the name of the Corporation and signed by the Chairman of the Board, the President or a Vice President and by the Secretary or an Assistant Secretary and shall be sealed with the corporate seal or contain a facsimile thereof. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if the person were such officer at the date of issue. Where any such certificate is manually countersigned by a transfer agent or registrar (other than the Corporation itself or an employee of the Corporation), any of the other signatures on the certificate may be a facsimile.

SECTION 2. Record. The Corporation shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, as required by applicable law. Except as otherwise expressly required by law, the person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 3. Transfer of Shares. Transfers of shares of the Corporation shall be made only on the books of the Corporation by the registered shareholder thereof, or by the registered shareholder's attorney thereunto duly authorized by written power of attorney duly executed and filed with the Secretary or with a transfer agent appointed as provided in Section 4 of this Article, and on the surrender of any certificate or certificates for such shares properly endorsed.

SECTION 4. Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of shares of the Corporation. The Board may appoint or authorize any officer or officers to appoint one or more transfer agents and one or more registrars and may require all certificates for shares to bear the signature or signatures of any of them.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of October in each year.

ARTICLE IX

INDEMNIFICATION

SECTION 1. Every person who is or was an officer or employee of the Corporation or of any other corporation or entity in which that person served as a director, officer or employee at the request of the Corporation (hereinafter collectively referred to as a "Covered Person"), shall be indemnified by the Corporation against any and all reasonable costs and expenses (including but not limited to attorney's fees) and any liabilities (including but not limited to judgments, fines, penalties and reasonable settlements) that may be paid by or imposed against that Covered Person in connection with or resulting from any pending, threatened or completed claim, action, suit or proceeding (whether brought by or in the right of the Corporation or such other corporation or entity or otherwise), and whether, civil, criminal, administrative, investigative or legislative (including any appeal relating thereto), in which the Covered Person may be involved, as a party or witness or otherwise, by reason of the Covered Person's being or having been an officer or employee of the Corporation or a director, officer or employee of such other corporation or entity, or by reasons of any action taken or not taken in such capacity, whether or not the Covered Person continues to be such at the time such liability or expense shall have been paid or imposed, if the Covered Person:

(a) has been successful on the merits or otherwise with respect to such claim, action, suit or proceeding; or

(b) acted in good faith, in what the Covered Person reasonably believed to be the best interests of the Corporation or such other corporation or entity, as the case may be, and in addition, in any criminal action or proceeding, had no reasonable cause to believe that the Covered Person's conduct was unlawful.

As used in this Article, the terms "expense" and "liability" shall include, but not be limited to, counsel fees and disbursements and amounts of judgments, fines or penalties against, and reasonable amounts paid in settlement by, a Covered Person. The termination of any claim, action, suit or proceeding by judgment, settlement (whether with or without court approval), conviction or upon a plea of guilty or nolo contendere, or its equivalent, shall not create a presumption that a Covered Person did not meet the standards of conduct set forth in paragraph (b) of this Section 1.

SECTION 2. Indemnification under paragraph (b) of Section 1 shall be made unless it is determined by any of the following that the Covered Person has not met the standard of conduct set forth in paragraph (b) of Section 1:

(a) the Board, acting by a quorum consisting of directors who were not parties to (or who are determined to have been successful with respect to) the claim, action, suit or proceeding;

(b) a committee of the Board established pursuant to Article III Section 8 of the By-laws consisting of directors who were not parties to (or who are determined to have been successful with respect to) the claim, action, suit or proceeding;

(c) any officer or group of officers of the Corporation who, by resolution adopted by the Board, has been given authority to make such determinations; or

(d) either of the following selected by the Board if a disinterested committee of the Board (as described in paragraph (b) of this Section 2) cannot be obtained or by the person(s) designated in paragraphs (a), (b) or (c) of this Section 2:

(1) independent legal counsel (who may be the regular counsel of the Corporation) who has delivered to the Corporation a written determination; or

(2) an arbitrator or a panel of arbitrators (which panel may include directors, officers, employees or agents of

the Corporation) who has delivered to the Corporation a written determination.

SECTION 3. Expenses incurred with respect to any claim, action, suit or proceeding of the character described in Section 1 of this Article shall be advanced to a Covered Person by the Corporation prior to the final disposition thereof, but the Covered Person shall be obligated to repay such advances if it is ultimately determined that the Covered Person is not entitled to indemnification. As a condition to advancing expenses hereunder, the Corporation may require the Covered Person to sign a written instrument acknowledging such obligation to repay any advances hereunder if it is ultimately determined the Covered Person is not entitled to indemnity.

Notwithstanding the preceding paragraph, the Corporation may refuse to advance expenses or may discontinue advancing expenses to a Covered Person if such advancement is determined by the Corporation, in its sole and exclusive discretion, not to be in the best interest of the Corporation.

SECTION 4. Notwithstanding anything in this Article to the contrary, no person shall be indemnified in respect of any claim, action, suit or proceeding initiated by such person or such person's personal or legal representative, or which involved the voluntary solicitation or intervention of such person or such person's personal or legal representative (other than an action to enforce indemnification rights hereunder or an action initiated with the approval of a majority of the Board).

SECTION 5. The rights of indemnification provided in this Article shall be in addition to any other rights to which any Covered Person may otherwise be entitled to by contract, vote of shareholders or disinterested directors, other corporate action or otherwise; and in the event of any such Covered Person's death, such rights shall extend to the Covered Person's heirs and legal representatives.

ARTICLE X

AMENDMENTS

Any By-law may be adopted, repealed, altered or amended by the Board at any regular or special meeting thereof. The shareholders of the Corporation shall have the power to amend, alter or repeal any By-law only to the extent and in the manner provided in the articles of incorporation of the Corporation.

EXHIBIT 12

ASHLAND INC.
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
AND EARNINGS TO COMBINED FIXED CHARGES AND
PREFERRED STOCK DIVIDENDS
(In millions)

	Years Ended September 30					Nine Months Ended June 30	
	1996	1997	1998	1999	2000	2000	2001
EARNINGS							
Income from continuing operations	$ 115	$ 169	$ 178	$ 291	$ 292	$ 281	$ 195
Income taxes	71	125	114	193	191	187	135
Interest expense	154	148	133	141	189	124	142
Interest portion of rental expense	44	48	40	35	39	29	29
Amortization of deferred debt expense	1	1	1	1	2	1	1
Undistributed earnings of unconsolidated affiliates	(3)	(6)	(62)	(11)	(112)	(83)	(143)
Earnings of significant affiliates*	7	7	-	-	-	-	-
	$ 389	$ 492	$ 404	$ 650	$ 601	$ 539	$ 359
FIXED CHARGES							
Interest expense	$ 154	$ 148	$ 133	$ 141	$ 189	$ 124	$ 142
Interest portion of rental expense	44	48	40	35	39	29	29
Amortization of deferred debt expense	1	1	1	1	2	1	1
Capitalized interest	-	1	-	-	-	-	-
Fixed charges of significant affiliates*	6	5	-	-	-	-	-
	$ 205	$ 203	$ 174	$ 177	$ 230	$ 154	$ 172
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS							
Preferred dividend requirements	$ 19	$ 9	$ -	$ -	$ -	$ -	$ -
Ratio of pretax to net income**	1.61	1.74	-	-	-	-	-
Preferred dividends on a pretax basis	30	17	-	-	-	-	-
Fixed charges	205	203	174	177	230	154	172
	$ 235	$ 220	$ 174	$ 177	$ 230	$ 154	$ 172
RATIO OF EARNINGS TO FIXED CHARGES	1.90	2.42	2.32	3.67	2.61	3.51	2.08
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	1.66	2.24	2.32	3.67	2.61	3.51	2.08

* Significant affiliates are companies accounted for on the equity method that are 50% or greater owned or whose indebtedness has been directly or indirectly guaranteed by Ashland or its consolidated subsidiaries.

** Computed as income from continuing operations before income taxes divided by income from continuing operations, which adjusts dividends on preferred stock to a pretax basis.