SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000

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

Securities Registered Pursuant to Section 12(b):

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange and Chicago Stock Exchange
Rights to Purchase Series A Participating Cumulative Preferred Stock	New York Stock Exchange and Chicago Stock Exchange

Securities Registered Pursuant to Section 12(g): None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

At October 31, 2000, based on the New York Stock Exchange closing price, the aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $2,268,150,178. In determining this amount, the Registrant has assumed that its directors and executive officers are affiliates. Such assumption shall not be deemed conclusive for any other purpose.

At October 31, 2000, there were 69,669,072 shares of Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 2000 are incorporated by reference into Parts I, II and IV.

Portions of Registrant's definitive Proxy Statement for its January 25, 2001 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Ashland Inc. is a Kentucky corporation, organized on October 22, 1936, with its principal executive offices located at 50 E. RiverCenter Boulevard, Covington, Kentucky 41011 (Mailing Address: 50 E. RiverCenter Boulevard, P.O. Box 391, Covington, Kentucky 41012-0391) (Telephone: (859) 815-3333). The terms "Ashland" and the "Company" as used herein include Ashland Inc. and its consolidated subsidiaries, except where the context indicates otherwise.

Ashland's businesses are grouped into five industry segments: APAC, Ashland Distribution, Ashland Specialty Chemical, Valvoline and Refining and Marketing. Financial information about these segments for the three fiscal years ended September 30, 2000 is set forth on pages 48 and 49 of Ashland's Annual Report to Shareholders for the fiscal year ended September 30, 2000 ("Annual Report").

APAC performs contract construction work, including highway paving and repair, excavation and grading, and bridge construction, and produces asphaltic and ready-mix concrete, crushed stone and other aggregate in the southern and midwestern United States.

Ashland Distribution distributes industrial chemicals, solvents, plastics, fiber reinforcements and fine ingredients in North America and plastics in Europe. Ashland Specialty Chemical manufactures and sells a wide variety of performance chemicals, resins, products and services and certain petrochemicals.

Valvoline is a marketer of premium-branded, packaged motor oil and automotive chemicals, automotive appearance products, antifreeze, filters, rust preventives and coolants. In addition, Valvoline is engaged in the "fast oil change" business through outlets operating under the Valvoline Instant Oil Change(R) name.

Marathon Ashland Petroleum LLC ("MAP"), a joint venture with Marathon Oil Company, operates seven refineries with a total crude oil refining capacity of 935,000 barrels per day. Refined products are distributed through a network of independent and company-owned outlets in the Midwest, the upper Great Plains and the southeastern United States. Marathon Oil Company has a 62% interest in MAP, and Ashland holds a 38% interest. Ashland accounts for its investment in MAP using the equity method.

At September 30, 2000, Ashland and its consolidated subsidiaries had approximately 25,800 employees (excluding contract employees).

CORPORATE DEVELOPMENTS

On March 27, 2000, Ashland distributed 17.4 million of its 22.1 million shares of Common Stock of Arch Coal, Inc. to Ashland's shareholders of record on March 24, 2000, in the form of a taxable dividend. Each share of Ashland Common Stock received 0.246097 shares of Arch Coal Common Stock. In addition, Ashland shareholders received $7.1875 per share for any fractional shares of Arch Coal Common Stock, which was determined to be the value of Arch Coal Common Stock on the record date. Ashland intends to dispose of its remaining 4.7 million shares of Arch Coal Common Stock in a transaction or transactions that qualify as a sale for federal income tax purposes by March 2001. On September 6, 2000, Arch Coal filed a registration statement under the Securities Act of 1933, as amended, for the sale of these shares by Ashland in a secondary offering. As a result of the distribution, Ashland now accounts for its investment in Arch Coal as discontinued operations with prior periods restated.

APAC

The APAC group of companies is the nation's largest asphalt and concrete paving company and is a major supplier of construction materials. APAC performs construction work, such as paving, repairing and resurfacing highways, streets, airports, residential and commercial developments, sidewalks and driveways, and grading and base work. In addition, it performs a number of construction services such as excavation and related activities in the construction of bridges and structures, drainage facilities and underground utilities. APAC conducts its business through 48 divisions operating in 14 southern and midwestern states. Distinguished by their local identities, these divisions provide construction services, technologies and materials throughout the regions in which they operate. These divisions are supported by a team of strategic managers and administrative support staff in Atlanta, Georgia.

To deliver its services and products, APAC utilizes extensive aggregate-producing properties and construction equipment. It currently has 32 permanent operating quarry locations, 55 other aggregate production facilities, 66 ready-mix concrete plants, 243 hot-mix asphalt plants and a fleet of over 17,000 mobile equipment units, including heavy construction equipment and transportation-related equipment. As a result of recent acquisition activities, APAC has become more vertically integrated in certain market areas with aggregate, asphalt and ready-mix operations, all complementing one another.

Raw aggregate generally consists of sand, gravel, granite, limestone and sandstone. About 30% of the raw aggregate produced by APAC is used in APAC's own contract construction work and the production of various processed construction materials. The remainder is sold to third parties. APAC also purchases substantial quantities of raw aggregate from other producers whose proximity to the job site renders it economically attractive. Most other raw materials, such as liquid asphalt, portland cement and reinforcing steel, are purchased from third parties. APAC is not dependent upon any one supplier or customer.

APAC has customers in both the public and private sectors. Approximately 68% of APAC's revenues are derived directly from highway and other public sector sources. The other 32% are derived from industrial and commercial customers, private developers and other contractors to the public sector. The 1998 highway funding authorization package increased federal funding for highways by $54 billion over a six-year period. More importantly, the states in which APAC operates should see an increase in average annual funding of 60% based on current estimates.

Climate and weather significantly affect revenues in the construction business. Due to its location, APAC tends to enjoy a relatively long construction season. Most of APAC's operating income is generated during the construction period of May to October.

Total backlog at September 30, 2000 was $1,397 million, compared to $948 million at September 30, 1999. APAC includes a construction project in its backlog when a contract is awarded or a firm letter of commitment is obtained and funding is in place. The backlog at September 30, 2000 is considered firm, and a major portion is expected to be completed during fiscal 2001.

ASHLAND DISTRIBUTION

Ashland Distribution distributes chemicals, plastics, fiber reinforcements and fine ingredients in North America and plastics in Europe. Ashland Distribution owns or leases approximately 100 distribution facilities in North America and 25 distribution facilities in 13 foreign countries. Ashland Distribution is comprised of the following business units:

INDUSTRIAL CHEMICALS & SOLVENTS DIVISION - This division markets specialty and industrial chemicals, additives and solvents to industrial chemical users in major markets through distribution centers in the United States, Canada, Mexico and Puerto Rico. It distributes approximately 7,000 chemicals, solvents, additives and raw materials made by many of the nation's leading chemical manufacturers and a growing number of offshore producers. It specializes in supplying mixed truckloads and less-than-truckload quantities to many industries, including the paint and coatings, inks, adhesives, polymer, rubber, industrial and institutional compounding, automotive, appliance and paper industries. The Industrial Chemicals & Solvents division operates its own e-commerce web site at www.go2ashland.com and also has an e-commerce alliance with eChemicals, Inc. at www.echemicals.com.

GENERAL POLYMERS DIVISION - This division markets a broad range of thermoplastic resins to injection molders, extruders, blow molders, and rotational molders in the plastics industry through distribution locations in the United States, Canada, Mexico and Puerto Rico. It also provides plastic material transfer and packaging services and less-than-truckload quantities of packaged thermoplastics. The division's basic resins group markets bulk wide-spec and off-grade thermoplastic resins to a variety of proprietary processors in North America. The General Polymers division offers e-commerce ordering at www.gpashland.com and also through an alliance with Commerx, Inc. at www.plasticsnet.com.

FRP SUPPLY DIVISION - This division markets to customers in the reinforced plastics and cultured marble industries mixed truckload and less-than-truckload quantities of polyester resins, fiberglass and other specialty reinforcements, catalysts and allied products from distribution facilities located throughout North America. The FRP Supply division offers e-commerce ordering through its web site, www.eFRP.com.

FINE INGREDIENTS DIVISION - This division distributes cosmetic and pharmaceutical specialty chemicals and food-grade and nutritional additives and ingredients across North America. The Fine Ingredients division offers e-commerce ordering through its web site, www.FIDonline.com.

ASHLAND PLASTICS EUROPE - This division markets a broad range of thermoplastics to processors in Europe. Ashland Plastics Europe has distribution centers located in Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom. The division also has a small compound manufacturing facility located in Spain.

SERVICE BUSINESSES DIVISION - This division consists of Energy Services and Environmental Services. Energy Services provides customized management of energy purchasing, supply and transportation. Environmental Services provides customers chemical waste collection, disposal and recycling services, working in cooperation with chemical waste services companies.

ASHLAND SPECIALTY CHEMICAL

Ashland Specialty Chemical manufactures and supplies specialty chemical products and services to industries including the adhesives, automotive, composites, foundry, merchant marine, paint, paper, plastics and semiconductor fabrication industries. Ashland Specialty Chemical owns and operates 33 manufacturing facilities and participates in 14 manufacturing joint ventures in 18 countries. Ashland Specialty Chemical is comprised of the following business units:

COMPOSITE POLYMERS DIVISION - This division manufactures and sells a broad range of chemical-resistant, fire-retardant and general-purpose grades of unsaturated polyester and vinyl ester resins for the reinforced plastics industry. Key markets include the transportation, construction and marine industries. It has manufacturing plants in Jacksonville, Arkansas; Los Angeles, California; Bartow, Florida; Philadelphia, Pennsylvania; Kelowna, British Columbia, Canada; Benicarlo, Spain; and, through a joint venture, in Jeddah, Saudi Arabia and Sao Paolo, Brazil. In addition, the division also manufactures products through other Ashland Specialty Chemical facilities located in Mississauga, Ontario, Canada and Neville Island, Pennsylvania.

FOUNDRY PRODUCTS DIVISION - This division manufactures and sells foundry chemicals worldwide, including sand-binding resin systems, refractory coatings, release agents, engineered sand additives and riser sleeves. This division serves the global metal casting industry from 24 manufacturing locations in 18 countries and recently opened a manufacturing facility in Changzhou, China.

DREW INDUSTRIAL DIVISION - This division supplies specialized chemicals and consulting services for the treatment of boiler water, cooling water, steam, fuel and waste streams. It also supplies process chemicals and technical services to the pulp and paper and mining industries and additives to manufacturers of latex and paint. It conducts operations throughout North America, Europe and the Far East through subsidiaries, joint venture companies and distributors. The division has manufacturing plants in Kearny, New Jersey; Houston, Texas; Ajax, Ontario, Canada; Somercotes, England; Singapore; Sydney and Perth, Australia; and Auckland, New Zealand.

ELECTRONIC CHEMICALS DIVISION - This division manufactures and sells a variety of ultrapure chemicals for the worldwide semiconductor industry through various manufacturing locations and also custom blends and packages ultrapure liquid chemicals to customer specifications. In August 2000, the division acquired MicroClean, Inc., which provides full-service equipment parts-cleaning, refurbishment and management services to the semiconductor manufacturing industry. The division operates manufacturing plants in Tempe, Arizona; Pueblo, Colorado; Easton, Pennsylvania; Austin and Dallas, Texas; Milan, Italy; and Pyongtaek-Shi, Kyonggi-Do, Korea. In addition, it enters into long-term agreements to provide complete on-site chemical management services, including purchasing, warehousing and delivering chemicals for in-plant use, at major facilities of large consumers of high purity chemicals. Through a joint venture with Union Petrochemical Corporation, the division also operates in Taiwan an ultrapure-process chemicals manufacturing facility, which was commissioned in October 2000.

SPECIALTY POLYMERS & ADHESIVES DIVISION - This division manufactures and sells specialty phenolic resins for paper impregnation and friction material bonding; acrylic polymers for pressure-sensitive adhesives; emulsion polymer isocyanate adhesives for structural wood bonding; polyurethane and epoxy structural adhesives for bonding fiberglass reinforced plastics, composites, thermoplastics and metals in automotive, recreational, and industrial applications; induction bonding systems for thermoplastic materials; elastomeric polymer adhesives and butyl rubber roofing tapes for commercial roofing applications; and vapor-curing, high-performance urethane coatings systems. It has manufacturing plants in Calumet City, Illinois; Norwood and Totowa, New Jersey; and Ashland and Columbus, Ohio.

DREW MARINE DIVISION - This division supplies specialty chemicals for water and fuel treatment and general maintenance, as well as sealing products, welding and refrigerant products and fire fighting and safety services to the world's merchant marine fleet. Drew Marine currently provides shipboard technical service for more than 11,000 vessels from more than 100 locations serving approximately 900 ports throughout the world.

PETROCHEMICALS DIVISION - This division manufactures maleic anhydride at Neal, West Virginia, and Neville Island, Pennsylvania, and also markets maleic anhydride and methanol in North America.

OTHER MATTERS

For information on Ashland Distribution and Ashland Specialty Chemical and federal, state and local statutes and regulations governing releases into, or protection of, the environment, see "Item 1. Business - Miscellaneous - Environmental Matters" and "Item 3. Legal Proceedings - Environmental Proceedings."

VALVOLINE

The Valvoline Company, a division of Ashland, is a marketer of premium-branded automotive and industrial oils, automotive chemicals, automotive appearance products and automotive services, with sales in more than 140 countries. The Valvoline(R) trademark was federally registered in 1873 and is the oldest trademark for a lubricating oil in the United States. Valvoline is comprised of the following business units:

NORTH AMERICAN PRODUCTS - This unit, Valvoline's largest division, markets automotive, commercial, and industrial lubricants, automotive chemicals and automotive appearance products to a broad network of North American customers. This unit markets Valvoline-branded motor oil, one of the top selling brands in the U.S. private passenger car and light truck market, and premium synthetic SynPower(R) automobile chemicals for "under-the-hood" use.

North American Products also markets Eagle One(R) premium automotive appearance products, Zerex(R) antifreeze and Pyroil(R) automotive chemicals. Zerex is the second leading antifreeze brand in the United States. This division also markets R-12, an automotive refrigerant that was phased out of production in 1995. R-12 is being replaced in the market by a new generation of refrigerants.

The domestic commercial and specialty products group of the North American Products unit has a strategic alliance with Cummins Engine Company, Inc. to distribute heavy-duty lubricants to the commercial market.

EAGLE ONE - Eagle One is a brand of premium automobile appearance chemicals for "above-the-hood" applications. Products include waxes, polishes and wheel cleaners. Managed by Valvoline as a separate business unit, Eagle One markets its products through Valvoline's North American Products and Valvoline International divisions.

VALVOLINE INTERNATIONAL - Valvoline International markets Valvoline branded products, TECTYL(R) rust preventives and Eagle One automotive appearance products through company-owned affiliates or divisions in Argentina, Australia, Austria, Belgium, Brazil, Denmark, Finland, France, Germany, Great Britain, Italy, the

Netherlands, Poland, South Africa, Sweden and Switzerland. Licensees and distributors market certain products in other parts of Europe, Mexico, Central and South America, the Far East, the Middle East and certain African countries. Joint ventures have been established in China, Ecuador, India, Thailand and Venezuela. Packaging and blending plants and distribution centers in Australia, Canada, the Netherlands and the United States supply international customers.

VALVOLINE INSTANT OIL CHANGE(R) ("VIOC") - VIOC is one of the largest competitors in the expanding U.S. "fast oil change" service business, providing Valvoline with a significant share of the installed segment of the passenger car and light truck motor oil market. As of September 30, 2000, 358 company-owned and 272 franchised service centers were operating in 34 states.

VIOC has continued its customer service innovation through its Maximum Vehicle Performance program ("MVP"). MVP is a computer-based program that maintains system-wide service records on all customer vehicles. MVP also contains a database on all car models, which allows employees to make service recommendations based on vehicle owner's manual recommendations.

REFINING AND MARKETING

Refining and Marketing operations are conducted by MAP and its subsidiaries, including its wholly-owned subsidiaries, Speedway SuperAmerica LLC and Marathon Ashland Pipe Line LLC. Marathon Oil Company holds a 62% interest in MAP and Ashland holds a 38% interest in MAP.

REFINING

MAP owns and operates seven refineries with an aggregate refining capacity of 935,000 barrels of crude oil per calendar day. The table below sets forth the location and daily throughput capacity (measured in barrels) of each of MAP's refineries as of September 30, 2000:

Garyville, Louisiana	232,000
Catlettsburg, Kentucky	222,000
Robinson, Illinois	192,000
Detroit, Michigan	74,000
Canton, Ohio	73,000
Texas City, Texas	72,000
St. Paul Park, Minnesota	70,000
Total	935,000

MAP's refineries include crude oil atmospheric and vacuum distillation, fluid catalytic cracking, catalytic reforming, desulfurization and sulfur recovery units. The refineries have the capability to process a wide variety of crude oils and to produce typical refinery products, including reformulated gasoline ("RFG"). In addition to typical refinery products, the Catlettsburg refinery manufactures lubricating oils and a wide range of petrochemicals. For the twelve months ended September 30, 2000, 76% of MAP's production of lubricating oils was purchased by Valvoline and 39% of MAP's production of petrochemicals was purchased by Ashland Distribution.

MAP also produces a wide range of asphalt products, petroleum pitch (primarily used in the graphite electrode, clay target and refractory industries), aromatics, aliphatic hydrocarbons, cumene, base oil and slack wax.

The table below sets forth MAP's refinery input and refinery production by product group for the twelve months ended September 30, 2000, September 30, 1999 and for the nine months ended September 30, 1998.

	Twelve Months Ended September 30, 2000	Twelve Months Ended September 30, 1999	Nine Months Ended September 30, 1998
Refinery Input (in thousands of barrels per day)	1,033.4	1,034.0	1,023.3
Refined Product Yields (in thousands of barrels per day)			
Gasoline..........................	559.0	565.5	539.8
Distillates.......................	271.5	265.6	269.2
Propane...........................	21.0	22.2	20.9
Feedstocks & Special Products....	68.9	64.9	71.7
Heavy Fuel Oils...................	41.2	45.1	47.4
Asphalt...........................	73.3	70.4	69.3
Total........	1,034.9	1,033.7	1,018.3

Planned maintenance activities requiring temporary shutdown of certain refinery operating units ("turnarounds") are periodically performed at each refinery. MAP completed a major turnaround at the Catlettsburg refinery in the twelve months ended September 30, 2000.

MAP is constructing a delayed coker unit at its Garyville, Louisiana refinery. This unit will allow for the use of heavier, lower cost crude and reduce the production of heavy fuel oil. To supply this new unit, MAP reached an agreement with P.M.I. Comercio Internacional, S.A. de C.V., an affiliate of Petroleos Mexicanos, to purchase approximately 90,000 barrels per day of heavy Maya crude oil. This agreement is multi-year and will begin upon completion of the delayed coker unit in the fourth quarter of 2001.

MARKETING

MAP's principal marketing areas for gasoline, kerosene and light oils include the Midwest, the upper Great Plains and the southeastern United States. Gasoline, kerosene and light fuel oils are sold in 29 states. Gasoline is sold at wholesale primarily to independent marketers, jobbers and chain retailers who resell these products through several thousand retail outlets principally under their own names. MAP also supplies 3,637 jobber-dealer, open-dealer and lessee-dealer locations using the Marathon(R) and Ashland(R) brand names.

Gasoline, kerosene, distillates and aviation products are also sold to utilities, railroads, river towing companies, commercial fleet operators, airlines and governmental agencies.

Retail sales of gasoline and diesel fuel are made through MAP's wholly-owned subsidiary, Speedway SuperAmerica LLC ("SSA"). SSA has 2,382 retail outlets (gasoline stations, convenience store-gasoline stations and travel centers) in 20 states in the Southeast and Midwest under brand names including Speedway(R) and SuperAmerica(R). The convenience store-gasoline locations offer consumers gasoline, diesel fuel (at selected locations) and a broad mix of other products and services, such as tobacco, soft drinks, health and beauty aids, groceries, fresh-baked goods, automated teller machines, automotive accessories and a line of private-label items. The travel centers offer diesel fuel, gasoline and a variety of other services associated with such locations. Several travel centers and convenience store locations also have on-premises brand-name restaurants such as Subway and Taco Bell.

In December 1999, MAP purchased from Ultramar Diamond Shamrock ("UDS") 178 UDS owned-and-operated convenience stores and five product terminals. In addition, MAP was assigned supply contracts with UDS jobbers, who supply 242 total-branded jobber stations in Michigan.

MAP plans to sell approximately 270 gasoline stations located in the Midwest and Southeast. These non-core assets comprise less than 12% of MAP's owned and operated SSA retail network. By September 30, 2000, 25 of these stations had been sold. Most of the remaining stations are expected to be sold by December 31, 2000.

During the twelve months ended September 30, 2000, 67% of the revenues (excluding excise taxes) of the SSA stores were derived from the sale of gasoline and diesel fuel, and 33% of such revenues were derived from the sale of merchandise.

The table below shows the volume of MAP's consolidated refined product sales for the twelve months ended September 30, 2000, September 30, 1999 and the nine months ended September 30, 1998.

	Twelve Months Ended September 30, 2000	Twelve Months Ended September 30, 1999	Nine Months Ended September 30, 1998
Refined Product Sales (in thousands of barrels per day)			
Gasoline	752.1	699.3	659.1
Distillates	351.2	324.6	312.9
Propane	21.6	22.4	20.8
Feedstocks & Special Products	67.6	65.1	68.8
Heavy Fuel Oils	40.9	44.9	48.4
Asphalt	75.1	74.3	73.7
Total	1,308.5	1,230.6	1,183.7
Matching Buy/Sell Volumes included in above	41.4	47.7	38.4

MAP sells RFG in parts of its marketing territory, primarily Chicago, Illinois; Louisville, Kentucky; Northern Kentucky; Maryland; Virginia; and Milwaukee, Wisconsin. MAP also markets low-vapor-pressure gasolines in all or parts of eleven states.

SUPPLY AND TRANSPORTATION

The crude oil processed in MAP's refineries is obtained from negotiated lease, contract and spot purchases or exchanges. For the twelve months ended September 30, 2000, MAP's negotiated lease, contract and spot purchases of U.S. crude oil for refinery input averaged 395,400 barrels per day (1 barrel = 42 United States gallons), including an average of 20,200 barrels per day acquired from Marathon Oil Company. For the twelve months ended September 30, 2000, MAP's foreign crude oil requirements were met largely through purchases from various foreign national oil companies, producing companies and traders. Purchases of foreign crude oil represented 56% of MAP's crude oil requirements for the twelve months ended September 30, 2000.

MAP's ownership or interest in domestic pipeline systems in its refining and marketing areas is significant. MAP owns, leases or has an ownership interest in 6,685 miles of active pipeline in 13 states. This network transports crude oil and refined products to and from terminals, refineries and other pipelines. It includes 170 miles of crude oil gathering lines, 3,659 miles of crude oil trunk lines and 2,856 miles of refined product lines.

MAP has a 46.7% ownership interest in LOOP LLC ("LOOP"), which is the owner and operator of the only U.S. deepwater port facility capable of receiving crude oil from very large crude carriers. Ashland has retained a 4% ownership interest in LOOP. MAP also owns a 49.9% ownership interest in LOCAP INC. ("LOCAP"), which is the owner and operator of a crude oil pipeline connecting LOOP to the Capline system. Ashland has retained an 8.6% ownership interest in LOCAP. In addition, MAP has a 37.169% ownership interest in the Capline system. These port and pipeline systems provide MAP with access to common carrier transportation from the Louisiana Gulf Coast to Patoka, Illinois. At Patoka, the Capline system connects with other common carrier pipelines owned or leased by MAP that provide transportation to MAP's refineries in Illinois, Kentucky, Michigan and Ohio.

MAP's subsidiary, Ohio River Pipe Line LLC ("ORPL"), plans to build a pipeline from Kenova, West Virginia, to Columbus, Ohio. ORPL is a common carrier pipeline company and the pipeline will be an interstate common carrier pipeline. The pipeline is expected to initially move about 50,000 barrels per day of refined products into the central Ohio region. Construction is currently expected to begin in the second half of calendar 2001. However, the construction schedule is largely dependent on obtaining the necessary rights-of-way, of which approximately 92%

have been obtained to date, and final regulatory approvals. ORPL is still negotiating with various landowners to obtain the remaining rights-of-way. In addition, where appropriate, ORPL has brought condemnation actions to acquire rights-of-way. These actions are at various stages of litigation and appeal.

In March 2000, MAP announced it joined CMS Energy Corporation and TEPPCO Partners, L.P., in an agreement to form a limited liability company, Centennial Pipeline LLC, with equal ownership to operate an interstate refined petroleum products pipeline extending from the U.S. Gulf of Mexico to the Midwest. Centennial Pipeline LLC plans to build a 70-mile, 24-inch-diameter pipeline connecting TEPPCO's facility in Beaumont, Texas, with an existing 720 mile, 26 inch diameter pipeline extending from Longville, Louisiana, to Bourbon, Illinois. The system, which will pass through seven states, is expected to be completed by the end of calendar 2001.

MAP also has a stock interest in Minnesota Pipe Line Company, which owns a crude oil pipeline in Minnesota. Minnesota Pipe Line Company provides MAP with access to crude oil common carrier transportation from Clearbrook, Minnesota, to Cottage Grove, Minnesota, which is in the vicinity of MAP's St. Paul Park, Minnesota refinery.

MAP's marine transportation operations include towboats and barges that transport refined products on the Ohio, Mississippi and Illinois rivers, their tributaries and the Intracoastal Waterway. In January 2000, MAP exercised contract provisions to terminate the long-term charters on two single-hulled 80,000-deadweight-ton tankers and returned the vessels to the owners. These vessels had been "bare boat sub-chartered" to a third-party operator. The initial term of these charters was scheduled to expire in 2001 and 2002, subject to certain renewal options.

MAP leases or owns rail cars in various sizes and capacities for movement and storage of petroleum products. MAP also owns or leases a large number of tractor-trailers, tank trailers and general service trucks.

In addition, MAP owns and operates 93 terminal facilities from which it sells a wide range of petroleum products. These facilities are supplied by a combination of barges, pipeline, truck and rail.

OTHER MATTERS

MAP experiences normal seasonal variations in its sales and operating results. This seasonality is due primarily to increased demand for gasoline during the summer driving season, higher demand for distillate during the winter heating season and increased demand for asphalt from the road paving industry during the construction season.

For information on MAP and federal, state and local statutes and regulations governing releases into the environment or protection of the environment, see "Item 1. Miscellaneous - Business - Environmental Matters."

MISCELLANEOUS

ENVIRONMENTAL MATTERS

Ashland has implemented a company-wide environmental policy overseen by the Public Policy - Environmental Committee of Ashland's Board of Directors. Ashland's Environmental, Health and Safety group has the responsibility to ensure that Ashland's operating groups maintain environmental compliance in accordance with applicable laws and regulations.

Federal, state and local laws and regulations relating to the protection of the environment have a significant impact on how Ashland conducts its businesses. These laws and regulations include the Clean Air Act ("CAA") with respect to air emissions; the Clean Water Act ("CWA") with respect to water discharges; the Resource Conservation and Recovery Act ("RCRA") with respect to solid and hazardous waste generation, treatment, storage and disposal; the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and the Superfund Amendments and Reauthorization Act of 1986 ("SARA") with respect to releases and remediation of hazardous substances (CERCLA and SARA are sometimes referred to collectively as "Superfund"); the Toxic Substances Control Act ("TSCA") with respect to chemical formulation and use; the Oil Pollution Act of 1990 ("OPA 90") with respect to oil pollution, spill response and financial assurance requirements for marine operations; the Federal Occupational Safety and Health Act ("OSHA") with respect to workplace health and safety standards; and various other federal, state and local laws related to the environment, health and safety. New laws are being enacted and regulations are being adopted by various regulatory agencies on a continuing basis, and the costs of compliance with these new rules cannot be estimated until the manner in which they will be implemented has been more accurately defined. In addition, most foreign countries in which Ashland conducts business have laws dealing with similar matters.

At September 30, 2000, Ashland's reserves for on-site and off-site environmental assessments and remediation efforts were $163 million, reflecting 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. Expenditures for investigatory and remedial efforts in future years are subject to the uncertainties associated with environmental exposures, including identification of new sites at which cleanup is required and changes in laws and regulations and their application. Such expenditures, however, are not expected to have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity.

In connection with the formation of MAP, Marathon and Ashland each retained responsibility for certain environmental costs arising out of their respective prior ownership and operation of the facilities transferred to MAP. In certain situations, various threshold provisions apply, eliminating or reducing the financial responsibility of the contributing party until certain levels of expenditure have been reached. In other situations, sunset provisions gradually diminish the level of financial responsibility of the contributing party over time.

AIR - The CAA imposes stringent limits on air emissions, establishes a federally mandated operating permit program, and allows for civil and criminal enforcement actions. Additionally, it establishes air quality attainment deadlines and control requirements based on the severity of air pollution in a given geographical area. Various state clean air acts implement, complement and, in some instances, add to the requirements of the federal CAA. The requirements of the CAA and its state counterparts have a significant impact on the daily operation of Ashland's businesses and, in many cases, on product formulation and other long-term business decisions. Ashland's businesses maintain numerous permits pursuant to these clean air laws and have implemented systems to oversee ongoing compliance efforts.

In July 1997, the United States Environmental Protection Agency ("EPA") promulgated revisions to the National Ambient Air Quality Standards for ground level ozone and particulate matter. These revisions, if they are implemented by the states, could have a significant effect on certain of Ashland's chemical manufacturing and distribution businesses, and on MAP. However, EPA's authority and scientific basis to promulgate these standards were challenged by industry and overturned by the federal Court of Appeals for the District of Columbia. Litigation is continuing, as are efforts by EPA and other regulatory and law enforcement agencies to achieve the objectives of these standards through other means. It is not currently possible to estimate any potential financial impact that any revised standards may have on Ashland's operations.

WATER - Ashland's businesses maintain numerous discharge permits, as the National Pollutant Discharge Elimination System of the CWA and state programs require, and have implemented systems to oversee their compliance efforts. In addition, several of MAP's operations, in particular its barge and terminal facilities, are regulated under OPA 90.

SOLID WASTE - Ashland's businesses are subject to RCRA, which establishes standards for the management of solid and hazardous wastes. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past waste disposal operations, the recycling of wastes and the storage of regulated substances in underground tanks.

REMEDIATION - Ashland currently or has in the past operated various facilities where, during the normal course of operations, releases of hazardous substances have occurred. Federal and state laws, including but not limited to RCRA and various remediation laws, require that contamination caused by such releases be assessed and, if necessary, remediated to meet applicable standards. MAP operates, and in the past has operated, certain retail outlets where, during the normal course of operations, releases of petroleum products from underground storage tanks have occurred. Federal and state laws require that contamination caused by such releases at these sites be assessed and, if necessary, remediated to meet applicable standards.

RESEARCH

Ashland conducts a program of research and development to invent and improve products and processes and to improve environmental controls for its existing facilities. It maintains its primary research facilities in Dublin, Ohio; Lexington, Kentucky; and Atlanta, Georgia. Research and development costs are expensed as they are incurred and totaled $33 million in fiscal 2000 ($30 million in 1999 and $28 million in 1998).

COMPETITION

In all its operations, Ashland is subject to intense competition both from companies in the industries in which it operates and from products of companies in other industries. The majority of the business for which APAC competes is obtained by competitive bidding. There are a substantial number of competitors in the markets in which APAC operates and, as a result, all of APAC's goods and services are marketed under highly competitive conditions. Ashland Distribution's chemicals and solvents distribution businesses compete with national, regional and local companies throughout North America, while its plastics distribution businesses compete worldwide. Ashland Specialty Chemical's businesses compete globally in selected niche markets, largely on the basis of technology and service, while holding proprietary technology in virtually all its specialty chemicals businesses. Ashland Specialty Chemical's petrochemicals business is largely a commodities business, with pricing and quality being the most important factors. Valvoline competes primarily with domestic oil companies and, to a lesser extent, with international oil companies on a worldwide basis. Valvoline's brand recognition and increasing market share in the "fast oil change" market are important competitive factors.

MAP competes primarily with other domestic refiners and, to a lesser extent, with imported products. MAP's refineries are located close to its market areas, giving MAP a geographic advantage in supplying these regions. MAP's retail operations compete with major oil companies, independent oil companies and independent marketers.

FORWARD-LOOKING STATEMENTS

This Form 10-K and the documents incorporated by reference contain 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, including various information within the "Capital Resources," "Derivative Instruments," "Outlook" and "Conversion to the Euro" sections in Management's Discussion and Analysis in Ashland's Annual Report. Words such as "anticipates," "believes," "estimates," "expects," "is likely," "predicts," and variations of such words and similar expressions are intended to identify such forward-looking statements. Although Ashland believes that its expectations are based on reasonable assumptions, it cannot assure that the expectations contained in such statements will be achieved. Important factors which could cause actual results to differ materially from those contained in such statements are discussed under "Risks and Uncertainties" in Note A of Notes to Consolidated Financial Statements in Ashland's Annual Report. Other factors and risks affecting Ashland's revenues and operations are discussed below, as well as in other portions of this Form 10-K.

Ashland's operations are affected by domestic and international political, legislative, regulatory and legal actions. Such actions may include changes in the policies of OPEC or other developments affecting oil-producing countries, changes in tax laws, and changes in environmental, health and safety laws.

Domestic and international economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, as well as changes in demand for products and services, can also have a significant effect on Ashland's operations. Although Ashland maintains reserves for anticipated liabilities and carries various levels of insurance, Ashland could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings. In addition, climate and weather can significantly affect Ashland in several of its operations such as its APAC construction activities and MAP's heating oil businesses.

ITEM 2. PROPERTIES

Ashland's corporate headquarters, which is leased, is located in Covington, Kentucky. Principal offices of other major operations are located in Atlanta, Georgia (APAC); Dublin, Ohio (Ashland Distribution and Ashland Specialty Chemical); Lexington, Kentucky (Valvoline); and Russell, Kentucky (Administrative Services), all of which are leased, except for the Russell office, which is owned. Principal manufacturing, marketing and other materially important physical properties of Ashland and its subsidiaries are described under the appropriate segment under Item 1. Additional information concerning certain leases may be found in Note J of Notes to Consolidated Financial Statements in Ashland's Annual Report.

ITEM 3. LEGAL PROCEEDINGS

ENVIRONMENTAL PROCEEDINGS - As of September 30, 2000, Ashland had 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 84 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. Ashland carefully monitors the investigatory and remedial activities at many of these sites. Based on its experience with site remediation, its familiarity with current environmental laws and regulations, 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 believes that its liability at these sites, either individually or in the aggregate, after taking into account its insurance coverage and established financial reserves, will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity. However, such matters could have a material effect on Ashland's results of operations in a particular quarter or fiscal year as they develop or as new issues are identified. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing the likelihood that costs will be incurred and Ashland's ability to reasonably estimate future costs.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended September 30, 2000.

ITEM X. EXECUTIVE OFFICERS OF ASHLAND

The following is a list of Ashland's executive officers, their ages and their positions and offices during the last five years (listed alphabetically after the Chief Executive Officer as to other Senior Vice Presidents, Administrative Vice Presidents and other executive officers).

PAUL W. CHELLGREN* (age 57) is Chairman of the Board, Chief Executive Officer and Director of Ashland and has served in such capacities since 1997, 1996 and 1992, respectively. During the past five years, he has also served as President and Chief Operating Officer of Ashland.

JAMES R. BOYD* (age 54) is Senior Vice President and Group Operating Officer - APAC, Inc. having served in such capacities since 1990 and 1993, respectively.

DAVID J. D'ANTONI* (age 55) is Senior Vice President and Group Operating Officer - Ashland Distribution Company and Ashland Specialty Chemical Company and has served in such capacities since 1988 and 1999, respectively. During the past five years, he has also served as President of Ashland Chemical Company.

JAMES J. O'BRIEN (age 46) is Senior Vice President of Ashland and President of The Valvoline Company and has served in such capacities since 1997 and 1995, respectively. During the past five years, he has also served as Vice President of Ashland.

CHARLES F. POTTS (age 56) is Senior Vice President of Ashland and President of APAC, Inc. and has served in such capacities since 1992.

J. MARVIN QUIN* (age 53) is Senior Vice President and Chief Financial Officer of Ashland and has served in such capacities since 1992.

KENNETH L. AULEN (age 51) is Administrative Vice President and Controller of Ashland and has served in such capacities since 1992.

PHILIP W. BLOCK* (age 53) is Administrative Vice President - Human Resources of Ashland and has served in such capacity since 1992.

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*Member of Ashland's Executive Committee

PETER M. BOKACH (age 54) is Vice President of Ashland and President of Ashland Distribution Company and has served in such capacities since 1999. During the past five years, he has also served as Group Vice President - Distribution Division of Ashland Chemical Company.

JAMES A. DUQUIN (age 53) is Vice President of Ashland and President of Ashland Specialty Chemical Company and has served in such capacities since 1999. During the past five years, he has also served as Group Vice President - Specialty Chemical Division and Vice President - IC&S Division of Ashland Chemical Company.

DAVID L. HAUSRATH* (age 48) is Vice President and General Counsel of Ashland and has served in such capacities since 1998 and 1999, respectively. During the past five years, he has also served as Associate General Counsel and Assistant General Counsel of Ashland.

J. DAN LACY* (age 53) is Vice President - Corporate Affairs of Ashland and has served in such capacity since 1986.

RICHARD P. THOMAS* (age 54) is Vice President and Secretary of Ashland and has served in such capacities since 1998 and 1999, respectively. During the past five years, he has also served as Associate General Counsel of Ashland and Administrative Vice President and General Counsel of Ashland Petroleum Company.

LAMAR M. CHAMBERS (age 46) is Auditor of Ashland and has served in such capacity since 1998. During the past five years, he has also served as Vice President, Finance and Controller of MAP, Administrative Vice President - Finance of Ashland Petroleum Company and Executive Assistant to the Chief Executive Officer of Ashland.

Each executive officer is elected by the Board of Directors of Ashland to a term of one year, or until his successor is duly elected, at the annual meeting of the Board of Directors, except in those instances where the officer is elected other than at an annual meeting of the Board of Directors, in which case his tenure will expire at the next annual meeting of the Board of Directors unless the officer is re-elected.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

There is hereby incorporated by reference the information appearing in Note P of Notes to Consolidated Financial Statements in Ashland's Annual Report.

At September 30, 2000, there were approximately 19,600 holders of record of Ashland's Common Stock. Ashland Common Stock is listed on the New York and Chicago stock exchanges (ticker symbol ASH) and has trading privileges on the Boston, Cincinnati, Pacific and Philadelphia stock exchanges.

During the quarter ended September 30, 2000, Ashland issued 54,083 shares of its Common Stock, par value $1.00 per share, in connection with the acquisition of Buster Paving Company, Inc. The shares were issued in a transaction exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and the regulations thereunder.

ITEM 6. SELECTED FINANCIAL DATA

There is hereby incorporated by reference the information appearing under the caption "Five-Year Selected Financial Information" on page 50 in Ashland's Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

There is hereby incorporated by reference the information appearing under the caption "Management's Discussion and Analysis" on pages 22 to 29 in Ashland's Annual Report.

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*Member of Ashland's Executive Committee

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There is hereby incorporated by reference the information appearing under the caption "Derivative Instruments" on pages 27 and 28 in Ashland's Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

There is hereby incorporated by reference the consolidated financial statements appearing on pages 31 through 49 in Ashland's Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information to appear under the caption "Ashland Inc.'s Board of Directors - Nominees for Election at the 2001 Annual Meeting" and the information regarding Section 16 beneficial ownership reporting compliance in Ashland's definitive Proxy Statement for its January 25, 2001 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after September 30, 2000 ("Proxy Statement"). See also the list of Ashland's executive officers and related information under "Executive Officers of Ashland" in Part I - Item X herein.

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information to appear under the captions "Executive Compensation," "Compensation of Directors" and "Miscellaneous - Personnel and Compensation Committee Interlocks and Insider Participation" in Ashland's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information to appear under the caption "Ashland Common Stock Ownership of Directors and Certain Officers of Ashland" and the information regarding the ownership of securities of Ashland in Ashland's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information to appear under the caption "Miscellaneous - Business Relationships" in Ashland's Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report

(1) and (2) Financial Statements and Financial Schedule

The consolidated financial statements and financial schedule of Ashland presented or incorporated by reference in this report are listed in the index on page 18.

(3) Exhibits

3.1 - Second Restated Articles of Incorporation of Ashland, as amended to January 30, 1998 (filed as Exhibit 3 to Ashland's Form 10-Q for the quarter ended December 31, 1997 and incorporated herein by reference).

3.2 - By-laws of Ashland, as amended to January 26, 2000 (filed as Exhibit 3.2 to Ashland's Form 10-Q for the quarter ended December 31, 1999 and incorporated herein by reference).

4.1 - Ashland agrees to provide the SEC, upon request, copies of instruments defining the rights of holders of long-term debt of Ashland and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the SEC.

4.2 - Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland and Citibank, N.A., as Trustee (filed as Exhibit 4(a) to Ashland's Form 10-K for the fiscal year ended September 30, 1991 and incorporated herein by reference).

4.3 - Rights Agreement, dated as of May 16, 1996, between Ashland Inc. and the Rights Agent, together with Form of Right Certificate (filed as Exhibits 4(a) and 4(c), respectively, to Ashland's Form 8-A filed with the SEC on May 16, 1996 and incorporated herein by reference).

The following Exhibits 10.1 through 10.16 are compensatory plans or arrangements or management contracts required to be filed as exhibits pursuant to Item 601(b)(10)(ii)(A) of Regulation S-K.

10.1 - Amended Stock Incentive Plan for Key Employees of Ashland Inc. and its Subsidiaries (filed as Exhibit 10.1 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).

10.2 - Ashland Inc. Deferred Compensation Plan for Non-Employee Directors (filed as Exhibit 10.2 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).

10.3 - Tenth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees (filed as Exhibit 10.3 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).

10.4 - Ashland Inc. Incentive Compensation Program (filed as Exhibit 10.6 to Ashland's Form 10-K for the fiscal year ended September 30, 1993 and incorporated herein by reference).

10.5 - Ashland Inc. Salary Continuation Plan (filed as Exhibit 10(c).11 to Ashland's Form 10-K for the fiscal year ended September 30, 1988 and incorporated herein by reference).

10.6 - Form of Ashland Inc. Executive Employment Contract between Ashland Inc. and certain executive officers of Ashland (filed as Exhibit 10.6 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).

- 10.7 - Form of Indemnification Agreement between Ashland Inc. and each member of its Board of Directors (filed as Exhibit 10(c).13 to Ashland's Form 10-K for the fiscal year ended September 30, 1990 and incorporated herein by reference).
- 10.8 - Ashland Inc. Nonqualified Excess Benefit Pension Plan (filed as Exhibit 10.11 to Ashland's Form 10-K for the fiscal year ended September 30, 1998 and incorporated herein by reference).
- 10.9 - Ashland Inc. Long-Term Incentive Plan.
- 10.10- Ashland Inc. Directors' Charitable Award.
- 10.11- Ashland Inc. 1993 Stock Incentive Plan.
- 10.12- Ashland Inc. 1995 Performance Unit Plan.
- 10.13- Ashland Inc. Incentive Compensation Plan for Key Executives (filed as Exhibit 10.13 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 10.14- Ashland Inc. Deferred Compensation Plan.
- 10.15- Ashland Inc. 1997 Stock Incentive Plan.
- 10.16- Ashland Inc. Incentive Plan (filed as Exhibit 10.1 to Ashland's Form 10-Q for the quarter ended December 31, 1999 and incorporated herein by reference).
- 10.17- Amended and Restated Limited Liability Company Agreement of Marathon Ashland Petroleum LLC dated as of December 31, 1998 (filed as Exhibit 10.17 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 10.18- Put/Call, Registration Rights and Standstill Agreement as amended to December 31, 1998 among Marathon Oil Company, USX Corporation, Ashland Inc. and Marathon Ashland Petroleum (filed as Exhibit 10.18 to Ashland's Form 10-K for the fiscal year ended September 30, 1999 and incorporated herein by reference).
- 11 - Computation of Earnings Per Share (appearing on page 37 of Ashland's Annual Report to Shareholders, incorporated by reference herein, for the fiscal year ended September 30, 2000).
- 12 - Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- 13 - Portions of Ashland's Annual Report to Shareholders, incorporated by reference herein, for the fiscal year ended September 30, 2000.
- 21 - List of subsidiaries.
- 23 - Consent of independent auditors.
- 24 - Power of Attorney, including resolutions of the Board of Directors.
- 27 - Financial Data Schedule for the fiscal year ended September 30, 2000.

Upon written or oral request, a copy of the above exhibits will be furnished at cost.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) 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)

By:
/s/ Kenneth L. Aulen

(Kenneth L. Aulen, Administrative
Vice President and Controller)

Date: December 1, 2000

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT, IN THE CAPACITIES INDICATED, ON DECEMBER 1, 2000.

SIGNATURES	CAPACITY
/s/ PAUL W. CHELLGREN PAUL W. CHELLGREN	Chairman of the Board, Chief Executive Officer and Director
/s/ J. MARVIN QUIN J. MARVIN QUIN	Senior Vice President and Chief Financial Officer
/s/ KENNETH L. AULEN KENNETH L. AULEN	Administrative Vice President, Controller and Principal Accounting Officer
* SAMUEL C. BUTLER	Director
* FRANK C. CARLUCCI	Director
* ERNEST H. DREW	Director
* JAMES B. FARLEY	Director
* BERNADINE P. HEALY	Director

*
- ------------------------   Director
MANNIE L. JACKSON

*
- ------------------------   Director
PATRICK F. NOONAN

*
- ------------------------   Director
JANE C. PFEIFFER

*
- ------------------------   Director
WILLIAM L. ROUSE , JR.

*
- ------------------------   Director
THEODORE M. SOLSO

* By: /s/ David L. Hausrath

David L. Hausrath
Attorney-in-Fact

Date: December 1, 2000

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL SCHEDULE

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*The consolidated financial statements appearing on pages 31 through 49 in Ashland's Annual Report are incorporated by reference in this Annual Report on Form 10-K.

Schedules other than that listed above have been omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto. Separate financial statements for MAP required by Rule 3-09 of Regulation S-X will be filed as an amendment to this Form 10-K within 90 days after the end of MAP's fiscal year ending December 31, 2000. Separate financial statements of other unconsolidated affiliates are omitted because each company does not constitute a significant subsidiary using the 20% tests when considered individually. Summarized financial information for such affiliates is disclosed in Note F of Notes to Consolidated Financial Statements in Ashland's Annual Report.

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements and schedule of Ashland Inc. and consolidated subsidiaries listed in the accompanying index to financial statements and financial schedule (Item 14(a)). These financial statements and schedule are the responsibility of Ashland's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements listed in the accompanying index to financial statements (Item 14(a)) present fairly, in all material respects, the consolidated financial position of Ashland Inc. and consolidated subsidiaries at September 30, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Cincinnati, Ohio
November 1, 2000

Ashland Inc. and Consolidated Subsidiaries
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In millions) Description	Balance at beginning of year	Provisions charged to earnings	Reserves utilized	Other changes	Balance at end of year
YEAR ENDED SEPTEMBER 30, 2000					
Reserves deducted from asset accounts					
Accounts receivable	$ 23	$ 15	$(12)(1)	$ (1)	$ 25
Inventories	15	3	(5)	-	13
YEAR ENDED SEPTEMBER 30, 1999					
Reserves deducted from asset accounts					
Accounts receivable	$ 19	$ 12	$ (8)(1)	$ -	$ 23
Inventories	11	7	(3)	-	15
YEAR ENDED SEPTEMBER 30, 1998					
Reserves deducted from asset accounts					
Accounts receivable	$ 25	$ 8	$(10)(1)	$ (4)	$ 19
Inventories	11	2	(2)	-	11

(1) Uncollected amounts written off, net of recoveries of $1 million in 2000 and $2 million in 1999 and 1998.

EXHIBIT INDEX

EXHIBIT NO.		DESCRIPTION
10.9	-	Ashland Inc. Long-Term Incentive Plan.
10.10	-	Ashland Inc. Directors' Charitable Award.
10.11	-	Ashland Inc. 1993 Stock Incentive Plan.
10.12	-	Ashland Inc. 1995 Performance Unit Plan.
10.14	-	Ashland Inc. Deferred Compensation Plan.
10.15	-	Ashland Inc. 1997 Stock Incentive Plan.
12	-	Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
13	-	Portions of Ashland's Annual Report to Shareholders, incorporated by reference herein, for the fiscal year ended September 30, 2000.
21	-	List of subsidiaries.
23	-	Consent of independent auditors.
24	-	Power of Attorney, including resolutions of the Board of Directors.
27	-	Financial Data Schedule for the fiscal year ended September 30, 2000.

Exhibit 10.9

ASHLAND INC.

LONG-TERM INCENTIVE PLAN

(Amended as of July 19, 2000)

SECTION 1. PURPOSE

The purpose of the Ashland Inc. Long-Term Incentive Plan is to promote the interests of Ashland Inc. and its shareholders by providing its directors, officers and employees with an incentive to continue service with Ashland. Accordingly, the Company may grant to selected officers and employees Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Share awards in an effort to attract and retain in its employ qualified individuals and to provide such individuals with additional incentive to devote their best efforts to the Company through ownership of the Company's stock, thus enhancing the value of the Company for the benefit of shareholders. The Plan also provides an incentive for qualified persons, who are not officers or employees of the Company, to serve on the Board of Directors of the Company and to continue to work for the best interests of the Company by rewarding such persons with automatic grants of Restricted Stock of the Company. Stock Options, Stock Appreciation Rights and Performance Shares may not be granted to such Outside Directors under the Plan.

SECTION 2. DEFINITIONS

(A) "Agreement" shall mean a written agreement setting forth the terms of an Award.

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

(C) "Award" shall mean an Option (which may be a Nonqualified or Incentive Stock Option), a Stock Appreciation Right, a Restricted Stock Award, or a Performance Share Award, in each case granted under this Plan.

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

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

(F) "Change in Control" shall be deemed to occur (1) upon approval of the shareholders of Ashland (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, (2) when any "person" (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than Ashland or any Subsidiary or employee benefit plan or trust maintained by Ashland, shall become the "beneficial owner" (as defined in Rule 3(a)(9) or 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of Ashland's Common Stock outstanding at the time, without the approval of the Board, or (3) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

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

(H) "Committee" shall mean the Personnel and Compensation Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions, which shall consist of three or more members, each of whom shall be a Non-Employee Director or its designee.

(I) "Common Stock" shall mean the Common Stock of the Company ($1.00 par value), subject to adjustment pursuant to Section 12.

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

(K) "Employee" shall mean an officer or employee of the Company.

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

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

Market Value of the Common Stock on the date the Option is granted.

(N) "Fair Market Value" shall mean the price of the Common Stock as reported on the Composite Tape on the date and at the time designated by the Company.

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

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

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

(R) "Option" shall mean the right to purchase Common Stock at a price to be specified and upon terms to be designated by the Committee pursuant to this Plan. An Option shall be designated by the Committee as a Nonqualified Stock Option or an Incentive Stock Option.

(S) "Outside Director" shall mean a director of the Company who is not also an Employee of the Company.

(T) "Performance Period" shall mean the period designated by the Committee during which the performance objectives shall be measured.

(U) "Performance Share Award" shall mean an award of shares of Common Stock, the issuance of which is contingent upon attainment of performance objectives specified by the Committee.

(V) "Performance Shares" shall mean those shares of Common Stock issuable pursuant to a Performance Share Award.

(W) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of an Employee or Outside Director, shall have acquired on behalf of the Employee or Outside Director by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

(X) "Plan" shall mean this Ashland Inc. Long-Term Incentive Plan.

(Y) "Restricted Period" shall mean the period designated by the Committee during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered, which period in the case of Employees shall not be less than one year nor more than five years from the date of grant, and in the case of Outside Directors is the period set forth in subsection (B) of Section 8.

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

(AA) "Restricted Stock Award" shall mean an award of Restricted Stock.

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

(CC) "Retirement" shall mean retirement of an Employee from the employ of the Company at any time as described in the Ashland Inc. and Affiliates Pension Plan or in any successor pension plan, as from time to time in effect.

(DD) "Section 16(b) Optionee" shall mean an Employee or former Employee who is subject to Section 16(b) of the Exchange Act.

(EE) "Stock Appreciation Right" or "SAR" shall mean the right of the holder to elect to surrender an Option or any portion thereof which is then exercisable and receive in exchange therefor shares of Common Stock, cash, or a combination thereof, as the case may be, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock over the Exercise Price specified in such Option multiplied by the number of shares of Common Stock covered by such Option or portion thereof which is so surrendered. An SAR may be granted as part of an Option or as a separate right to any holder of any Option theretofore or then being granted under this Plan. An SAR shall be exercisable upon any additional terms and conditions (including, without limitation, the issuance of Restricted Stock and the imposition of restrictions upon the timing of exercise) which may be determined as provided in the Plan.

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

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

SECTION 3. STOCK SUBJECT TO THE PLAN

There will be reserved for issuance under the Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock and Performance Shares and for stock bonuses on deferred awards of Restricted Stock and Performance Shares), an aggregate of 3,000,000 shares of Ashland Common Stock, par value $1.00 per share. Such shares shall be authorized but unissued shares of Common Stock. Except as provided in Sections 7 and 8, if any Award under the Plan shall expire or terminate for any reason without having been exercised in full, or if any Award shall be forfeited, the shares subject to the unexercised or forfeited portion of such Award shall again be available for the purposes of the Plan.

SECTION 4. ADMINISTRATION

The Plan shall be administered by the Committee. No person who is (or, within one year prior to his or her appointment as a member of the Committee, was) eligible to participate in the Plan, except as specifically authorized under subsection (B) of Section 8 herein, or in any other stock option or stock bonus plan of the Company, shall be a member of the Committee. The Committee shall have no authority regarding the granting of Restricted Stock to Outside Directors, as such grants are fixed pursuant to subsection (B) of Section 8 of the Plan.

In addition to any implied powers and duties that may be needed to carry out the provisions of the Plan, the Committee shall have all the powers vested in it by the terms of the Plan, including exclusive authority (except as to Awards of Restricted Stock granted to Outside Directors) to select the Employees to be granted Awards under the Plan, to determine the type, size and terms of the Awards to be made to each Employee selected, to determine the time when Awards will be granted, and to prescribe the form of the Agreements embodying Awards made under the

Plan. Subject to the provisions of the Plan specifically governing Awards of Restricted Stock granted or to be granted to Outside Directors pursuant to subsection (B) of Section 8 herein, the Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make any other determinations which it believes necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive.

The Committee may act only by a majority of its members. Any determination of the Committee may be made, without notice, by the written consent of the majority of the members of the Committee. In addition, the Committee may authorize any one or more of its number or any officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for any action taken or omitted to be taken by him or her or by any other member of the Committee in connection with the Plan, except for his or her own willful misconduct or as expressly provided by statute.

The provisions of this Section 4 with respect to decisions made by, and authority of, the Committee shall be subject to the provisions of subsection (B) of Section 8 herein.

SECTION 5. ELIGIBILITY

Awards may only be granted (i) to individuals who are Employees of Ashland, and (ii) as expressly provided in subsection (B) of Section 8 of the Plan, to individuals who are duly elected Outside Directors of Ashland.

SECTION 6. STOCK OPTIONS

A. Designation and Price.

(a) Any Option granted under the Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committee at the time of the grant of such Option. Each Option shall be evidenced by an Agreement between the recipient and the Company, which Agreement shall specify the designation of the Option as an ISO or a NQSO, as the case may be, and shall contain such terms and conditions as the Committee, in its sole discretion, may determine in accordance with the Plan.

(b) Every Incentive Stock Option shall provide for a fixed expiration date of not later than ten years from the date such Incentive Stock Option is granted.

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

B. Exercise.

The Committee may, in its discretion, provide for Options granted under the Plan to be exercisable in whole or in part; provided, however, that no Option shall be exercisable prior to the first anniversary of the date of its grant, except as provided in Section 10 or as the Committee otherwise determines in accordance with the Plan, and in no case may an Option be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. The specified number of shares will be issued upon receipt by Ashland of (i) notice from the holder thereof of the exercise of an Option, and (ii) either payment to Ashland (as provided in this Section 6, subsection (C) below), of the Exercise Price for the number of shares with respect to which the Option is exercised, or with approval of the Committee, a promissory note as hereinafter provided. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Treasurer of Ashland at Ashland Inc., 500 Diederich Boulevard, Russell, Kentucky, 41169, or such other place as Ashland may designate from time to time.

C. Payment for Shares.

Except as otherwise provided in this Section 6, the Exercise Price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committee may impose, the Exercise Price may be paid in whole or in part (i) in cash, (ii) in whole shares of Common Stock (which shares of Common Stock must have been owned by the Employee six months or longer, and not used to effect an Option exercise within the preceding six months, in the case of an exercise of an Option which was granted after May21, 1992, unless the Committee specifically provides otherwise) evidenced by negotiable certificates, valued at their Fair Market Value on the date of exercise, (iii) by Attestation; (iv) by a combination of such methods of payment, or (v) by such other consideration as shall be approved by the Committee (including without limitation, by effecting a "cashless exercise," with a broker, of the Option). "Attestation" means the delivery to Ashland of a completed Attestation Form prescribed by Ashland setting forth the whole shares of Common Stock owned by the Employee which the Employee wishes to utilize to pay the Exercise Price. In the case of an exercise of an Option granted after May 21, 1992, the Common Stock listed on the Attestation Form must have been owned by the Employee six months, unless the Committee specifically provides otherwise. Moreover, in the case of an exercise of an Option granted prior to May 21, 1992, if so provided in the Agreement, and subject to such restrictions, terms and conditions as the Committee may impose, an Employee may request Ashland to "pyramid" his or her shares; that is, to automatically apply the shares which he or she is entitled to receive on the exercise of a portion of an Option to satisfy the exercise for additional portions of the Option, thus resulting in multiple simultaneous exercises of an Option by use of whole shares as payment.

The Committee may, in its discretion, authorize payment of all or any part of the Exercise Price over a period of not more than five years from the date the Option is exercised. In such instance any unpaid balance of the Exercise Price shall be evidenced by the Employee's promissory note payable to the order of Ashland which shall bear interest at such rate or rates as determined from time to time by the Committee.

SECTION 7. STOCK APPRECIATION RIGHTS

The Committee may grant Stock Appreciation Rights pursuant to the provisions of this Section 7 to any holder of any Option granted under the Plan with respect to all or a portion of the shares subject to the related Option. An SAR may be granted as part of an Option or as a separate right to any holder of any Option theretofore or then being granted under this Plan. Subject to the terms and provisions of this Section 7, each SAR shall be exercisable only at the same time and to the same extent the related Option is exercisable and in no event after the termination of the related Option. An SAR shall be exercisable only when the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which the SAR is to be exercised shall exceed the Exercise Price per share of Common Stock subject to the related Option. An SAR granted under the Plan shall be exercisable in whole or in part by notice to Ashland. Such notice shall state that the holder of the SAR elects to exercise the SAR and the number of shares in respect of which the SAR is being exercised. For purposes of this Section 7, the date of exercise of an SAR shall mean the date on which the Company receives such notice.

Subject to the terms and provisions of this Section 7, upon the exercise of an SAR, the holder thereof shall be entitled to receive from Ashland consideration (in the form hereinafter provided) equal in value to the excess of the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which such SAR has been exercised over the Exercise Price per share of Common Stock subject to the related Option. The Committee may stipulate in the Agreement the form of consideration which shall be received upon the exercise of an SAR. If no consideration is specified therein, upon the exercise of an SAR, the holder may specify the form of consideration to be received by such holder, which shall be in shares of Common Stock (valued at Fair Market Value on the date of exercise of the SAR), or in cash, or partly in cash and partly in shares of Common Stock, as the holder shall request; provided, however, that the Committee, in its sole discretion, may disapprove the form of consideration requested and instead authorize the payment of such consideration in shares of Common Stock (valued as aforesaid), or in cash, or partly in cash and partly in shares of Common Stock.

Upon the exercise of an SAR, the related Option shall be deemed exercised to the extent of the number of shares of Common Stock with respect to which such SAR is exercised and to that extent for purposes of determining the number of shares of Common Stock available for the grant of Awards under the Plan. Upon the exercise or termination of the related Option, the SAR with respect thereto shall be considered to have been exercised or terminated to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated.

SECTION 8. RESTRICTED STOCK AWARDS

A. Awards to Employees

The Committee may make an award of Restricted Stock to selected Employees, evidenced by an Agreement which shall contain such terms and conditions as the Committee, in its sole discretion, may determine. The amount of each Restricted Stock Award and the respective terms and conditions of each Award (which terms and conditions need not be the same in each case) shall be determined by the Committee in its sole discretion. As a condition to any Award hereunder, the Committee may require an Employee to pay to the Company an amount equal to, or in excess of, the par value of the shares of Restricted Stock awarded to him or her. Any such Restricted Stock Award shall automatically expire if not purchased in accordance with the Committee's requirements within thirty (30) days after the date of grant. Subject to the terms and conditions of each Restricted Stock Award, the Employee, as the owner of the Common Stock issued as Restricted Stock, shall have all rights of a shareholder including, but not limited to, voting rights as to such Common Stock and the right to receive dividends thereon when, as and if paid.

In the event that a Restricted Stock Award has been made to an Employee whose employment or service is subsequently terminated by reason of death or disability (as defined in subsection (C) of Section 10 hereof), or for such other reason as the Committee may provide, such Employee (or his or her estate) will receive his or her Restricted Stock subject to the terms of his or her Agreement with the Company, which Agreement shall be in accordance with the terms and conditions set forth in this Section 8. In the event that a Restricted Stock Award has been made to an Employee who subsequently voluntarily resigns or whose employment is terminated for any reason other than as referred to above, such Restricted Stock will be forfeited by such Employee; provided, however, that the Committee may limit such forfeiture to that portion thereof which is proportional to the unelapsed portion of the Restricted Period under such Award.

Employees may be offered the opportunity to defer the receipt of payment of vested shares of Restricted Stock, and Common Stock may be granted as a bonus for deferral, under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Restricted Stock so deferred per year over a five-year period.

B. Awards to Outside Directors

Subject to the limitation of the number of shares of Common Stock available pursuant to Section 3, effective immediately following the 1989 Annual Meeting of Shareholders of the Company, each person who at such time shall be a duly elected Outside Director is hereby granted, effective on such date, 1,000 shares of Restricted Stock subject to the terms and conditions set forth in this subsection (B) and subsection (C) below. Subsequent to the 1989 Annual Meeting of Shareholders of the Company, each person who has received no previous Award under the Plan and who is duly appointed or elected as an Outside Director of the Company is hereby granted, effective on the date of his or her appointment or election to the Board, 1,000 shares of Restricted Stock, subject to the terms and conditions set forth in this subsection (B) and subsection (C) below.

As a condition to any Award hereunder, the Outside Director will be required to pay to the Company a non-refundable amount equal to the par value of the shares of Restricted Stock awarded to him or her. Upon the granting of the Restricted Stock Award, such Outside Director shall be entitled to all rights incident to ownership of Common Stock of the Company with respect to his or her Restricted Stock, including, but not limited to, the right to vote such shares of Restricted Stock and to receive dividends thereon when, as and if paid; provided, however, that, subject to subsection (B) of Section 14 hereof, in no case may any shares of Restricted Stock granted to an Outside Director be sold, assigned, transferred, pledged, or otherwise encumbered during the Restricted Period which shall not lapse until the earlier to occur of the following: (i) normal retirement from the Board at age 72, (ii) the death or disability of such Outside Director, or (iii) a 50% change in the beneficial ownership of the Company as defined in Rule 13d-3 under the Exchange Act. In the case of voluntary resignation or other termination of service of an Outside Director prior to the occurrence of any of the events described in (i), (ii) or (iii) of the preceding sentence, any grant of Restricted Stock made to him or her pursuant to this subsection (B) will be forfeited by such Outside Director. As used herein, an Outside Director shall be deemed "disabled" when he or she is unable to attend to his or her duties and responsibilities as a member of the Board because of incapacity due to physical or mental illness.

C. Transferability

Subject to subsection (B) of Section 14 hereof, Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered during a Restricted Period, which, in the case of Employees, shall be determined by the Committee and which shall not be less than one year nor more than five years from the date such Restricted Stock was awarded, and, in the case of Outside Directors, shall be determined in accordance with subsection (B) of this Section 8. The Committee may at any time, reduce the Restricted Period with respect to any outstanding shares of Restricted Stock awarded under the Plan to Employees, but in no event shall such Restricted Period be less than one year.

During the Restricted Period, certificates representing the Restricted Stock and any Retained Distributions shall be registered in the recipient's name and bear a restrictive legend to the effect that ownership of such Restricted Stock (and any such Retained Distributions), and the enjoyment of all rights appurtenant hereto are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Agreement. Such certificates shall be deposited by the recipient with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions which shall be forfeited in accordance with the Plan and the applicable Agreement. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The recipient will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends, and to exercise all other rights, powers, and privileges of a holder of Common Stock with respect to such Restricted Stock, with the exception that (i) the recipient will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the restrictions applicable thereto shall have expired; (ii) the Company will retain custody of all Retained Distributions made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in separate accounts; (iii) the recipient may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Stock or any Retained Distributions during the Restricted Period; and (iv) a breach of any restrictions, terms, or conditions provided in the Plan or established by the Committee with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto. Any forfeited Restricted Stock shall not again be available for the grant of Awards under the Plan.

SECTION 9. PERFORMANCE SHARES

The Committee may make awards of Common Stock, evidenced by an Agreement, to selected Employees on the basis of the Company's financial performance in any given period. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees who shall receive such Performance Shares, to determine the number of such shares to be granted for each Performance Period, and to determine the duration of each such Performance Period. There may be more than one Performance Period in existence at any one time, and the duration of Performance Periods may differ from each other.

The Committee shall establish performance measures for each Performance Period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time, in its sole discretion, determine. Such measures may include, but shall not be limited to, return on investments, cumulative earnings per share, or return on shareholders' equity. The performance measures determined by the Committee shall be established prior to the beginning of each Performance Period but may be subject to such later revisions as the Committee shall deem appropriate. Subject to subsection (B) of Section 14 hereof, Performance Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered, except as herein provided and as provided in subsection (F) of Section 10 hereof, during the Performance Period.

The Committee shall determine, in its sole discretion, the manner of payment, which may include (i) cash, (ii) shares of Common Stock, or (iii) shares of Restricted Stock in such proportions as the Committee shall determine. Employees may be offered the opportunity to defer the receipt of payment of earned Performance Shares, and Common Stock may be granted as a bonus for deferral under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Performance Shares so deferred per year over a five-year period.

An Employee must be employed by the Company at the end of a Performance Period in order to be entitled to payment of Performance Shares in respect of such period; provided, however, that in the event of an Employee's cessation of employment before the end of such period, or upon the occurrence of his or her death, retirement, or disability, or other reason approved by the Committee, the Committee may, in its discretion, limit such forfeiture to that portion of the Performance Shares deemed not earned.

SECTION 10. CONTINUED EMPLOYMENT, AGREEMENT TO SERVE AND EXERCISE PERIODS

(A) Subject to the provisions of subsections (B), (C) and (F) of this Section 10, every Option and SAR shall provide that it may not be exercised in whole or in part for a period of one year after the date of granting such Option (unless otherwise determined by the Committee) and, if the employment of the Employee shall be terminated, for any reason other than death or disability as determined by the Committee, prior to the end of such one year period, the Option granted to such Employee shall immediately terminate.

(B) Every Option shall provide that in the event the Employee dies while employed by Ashland; during the period in which Options may be exercised by an Employee determined to be disabled as provided in subsection (C) of this Section 10; or within three months after cessation of employment for any cause, such Option shall be exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option, by the Beneficiaries of the decedent for the full number of optioned shares or any part thereof, less such number as may have been theretofore acquired under the Option.

(C) Every Option shall provide that in the event the employment of any Employee shall cease by reason of disability as determined by the Committee at any time during the term of the Option, such Option shall be exercisable, at any time or from time to time by such Employee for the full number of optioned shares or any part thereof, less such number as may have been theretofore acquired under the Option. An Option held by an Employee determined by the Committee to be disabled prior to September 19, 1996 shall be exercisable during a period of one year of continuing disability following termination of employment by reason of such disability. An Option held by an Employee determined by the Committee to be disabled on or after September 19, 1996 shall be exercisable at any time prior to the fixed termination date set forth in the Option. As used herein, an Employee will be deemed "disabled" when he or she becomes unable to perform the functions required by his or her regular job due to a physical or mental illness and, in connection with the grant of an Incentive Stock Option, shall be deemed disabled if he or she falls within the meaning of that term as provided in Section 22(e)(3) of the Code. The determination by the Committee of any question involving disability shall be conclusive and binding.

(D) Every Option shall provide that in the event the employment of any Employee shall cease by reason of Retirement, such Option may be exercised only in respect of the number of shares which the Employee could have acquired under the Option immediately prior to such Retirement. Options held by an Employee who retires prior to September 19, 1996 shall be exercisable until the earlier to occur of the fixed termination date set forth in the Option or three years after such Retirement. Options held by an Employee who retires on or after September 19, 1996 shall be exercisable until the fixed termination date set forth in the Option.

(E) Except as provided in subsections (A), (B), (C), (D) and (F) of this Section 10, every Option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the Option or three months after cessation of the Employee's employment for any cause, and, except as provided in subsection (F) of this Section 10, if exercised after cessation of such employment, may be exercised only in respect of the number of shares which the Employee could have acquired under the Option immediately prior to such cessation of employment; provided, however, that no Option may be exercised after the fixed termination date set forth in the Option.

(F) Notwithstanding any provision of this Section 10 to the contrary, any Award granted pursuant to the Plan, except a Restricted Stock Award to Outside Directors, which is governed by Section 8, subsection (B), may, in the discretion of the Committee or as provided in the relevant Agreement, become exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Award for the full number of awarded shares or any part thereof, less such numbers as may have been theretofore acquired under the Award (i) from and after the time the Employee ceases to be an Employee of Ashland as a result of the sale or other disposition by Ashland of assets or property (including shares of any subsidiary) in respect of which such Employee had theretofore been employed or as a result of which such Employee's continued employment with Ashland is no longer required, and (ii) in the case of a Change in Control of Ashland, from and after the date of such Change in Control.

(G) Each Employee granted an Award under this Plan shall agree by his or her acceptance of such Award to remain in the service of Ashland for a period of at least one year from the date of the Agreement respecting the Award between Ashland and the Employee. Such service shall, subject to the terms of any contract between Ashland and such Employee, be at the pleasure of Ashland and at such compensation as Ashland shall reasonably determine from time to time. Nothing in the Plan, or in any Award granted pursuant to the Plan, shall confer on any individual any right to continue in the employment of or service to Ashland or interfere in any way with the right of Ashland to terminate the Employee's employment at any time.

(H) Subject to the limitations set forth in Section 422 of the Code, the Committee may adopt, amend, or rescind from time to time such provisions as it deems appropriate with respect to the effect of leaves of absence approved by any duly authorized officer of Ashland with respect to any Employee.

SECTION 11. WITHHOLDING TAXES

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

SECTION 12. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

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

SECTION 13. AMENDMENTS AND TERMINATIONS

Unless the Plan shall have been terminated as hereinafter provided, the Plan shall terminate on, and no Award shall be granted after, November 3, 1993. The Plan may be terminated, modified or amended by the shareholders of the Company. The Board may at any time terminate, modify or amend the Plan in such respects as it shall deem advisable; provided, however, that the Board may not, without approval by the holders of a majority of the outstanding shares of stock present and voting at any annual or special meeting of shareholders of Ashland: (i) increase (except as provided in Section 12) the maximum number of shares which may be issued pursuant to the Awards granted under the Plan, (ii) change the class of persons eligible to receive Awards, (iii) change the manner of determining the minimum Exercise Price of Options other than to change the manner of determining the Fair Market Value of the Common Stock as set forth in Section 2, (iv) extend the period during which Awards may be granted or exercised, or (v) amend any provision of the Plan insofar as it applies specifically to Restricted Stock Awards granted or to be granted to Outside Directors.

SECTION 14. MISCELLANEOUS PROVISIONS

(A) Except as to Awards to Outside Directors, no Employee or other person shall have any claim or right to be granted an Award under the Plan.

(B) An Employee's or Outside Director's rights and interest under the Plan may not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except in the event of an Employee's or Outside Director's death, by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any Employee or Outside Director in the Plan shall be subject to any obligation of liability of such individual; provided, however, that an Employee's or Outside Director's rights and interest under the Plan may, subject to the discretion and direction of the Committee, be made transferable by such Employee or Outside Director during his or her lifetime. Except as specified in Section 8, the holder of an Award shall have none of the rights of a shareholder until the shares subject thereto shall have been registered in the name of the person or persons exercising the Award on the transfer books of the Company.

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

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

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

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

(G) The appropriate officers of the Company shall cause to be filed any reports, returns, or other information regarding Awards hereunder or any Common Stock issued pursuant hereto as may be required by Section 13 or 15(d) of the Exchange Act, or any other applicable statute, rule, or regulation.

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

SECTION 15. EFFECTIVENESS OF THE PLAN

The Plan shall be submitted to the shareholders of the Company for their approval and adoption on January 26, 1989 or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof.

The Plan shall not be effective and no Award shall be made hereunder unless and until the Plan has been so approved and adopted at a meeting of the Company's shareholders.

SECTION 16. GOVERNING LAW

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

Exhibit 10.10

ASHLAND INC.

DIRECTORS' CHARITABLE AWARD PROGRAM

(Amended as of July 19, 2000)

1. PURPOSE. The purpose of the Ashland Inc. Directors' Charitable Award Program (the "Program") is to enhance the competitiveness of the Company's Director benefits program, thereby aiding Ashland Inc. ("Ashland" or the "Company") in the attraction and retention of Board members of the highest caliber. The Program also provides a cost-effective means to recognize the mutual interest of the Company and its Directors in supporting worthy charitable and educational institutions, thereby advancing the social and charitable goals and objectives of the Company and its Directors.

2. DEFINITIONS.

(a) "ASHLAND" - means Ashland Inc.

(b) "BOARD" OR "BOARD OR DIRECTORS" - means the Board of Directors of Ashland or its designee.

(c) "CHANGE IN CONTROL" - shall be deemed to occur (1) upon the approval of the Board of Directors of Ashland (or if approval of the Board of Directors of Ashland is not required as a matter of law, the shareholders of Ashland) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Ashland Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Ashland Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, or (2) when any "person" (as defined in Section 13(d) of the Securities Exchange Act of 1934), other than Ashland or any subsidiary or employee benefit plan or trust maintained by Ashland or any of its subsidiaries, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 15% of the Ashland Common Stock outstanding at the time, without the prior approval of the Board of Directors of Ashland, or (3) if at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Ashland shall cease for any reason to constitute at least a majority thereof, unless the election or nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

(d) "DIRECTOR" - means a member of Ashland's Board of Directors.

(e) "DIRECTOR RETIREMENT PLAN" - means the Ashland Inc. Director Retirement Plan in effect from time to time.

(f) "DISABILITY" - means a Director's incapacity due to physical or mental illness for a period of six (6) months or more during which period the Director is unable to attend to his or her duties and responsibilities as a member of the Board.

(g) "DONATION" - means a charitable contribution made under the terms of this Program.

(h) "PROGRAM" - means the Ashland Inc. Directors' Charitable Award Program.

3. Eligibility Criteria.

All current and future Directors of Ashland shall be eligible to participate in the Program. However, former directors (whose service has ceased prior to the effective date of the Program) shall not be eligible to participate.

4. GRANT PROCEDURE.

(a) Each eligible Director will become a participant in the Program upon submission of a form approved by Ashland for this purpose (the "Beneficiary Recommendation Form") to the Vice President, Corporate Human Resources (the "Human Resources Department") of Ashland designating that one or more organization(s) be considered for a grant of all or part of $1,000,000, payable following the death of the Director. However, no more than ten (10) organizations may be recommended by any Director and the amount of the recommended Donation must not be less than $100,000 to any one organization.

(b) In order to qualify for a grant under this Program, the designated charity must be a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (i.e., civic, religious, educational or medical/health care organizations), and the designated charity's activities or purposes must be compatible with the goals and objectives of Ashland's charitable programs.

(c) Each organization recommended by a Director to receive a Donation is subject to the review and initial approval of Ashland's Human Resources Department, with the final determination as to whether an organization meets the

eligibility requirements at the time a Donation is to be made to be decided jointly by the Chairman and Chief Executive Officer of Ashland and the Chairman of the Personnel and Compensation Committee of the Board.

(d) The recommendation of a beneficiary may be revoked or revised by a Director at any time before his or her death by the completion of a new Beneficiary Recommendation Form, unless a Director elects to make a recommendation irrevocable.

(e) A Director can make the recommendation of a beneficiary irrevocable as to all or a portion of the recommended Donation for the organization. An irrevocable recommendation cannot be changed by the Director unless the recommended organization ceases to meet the eligibility requirements of Section 4(b) under the Program.

(f) A Director may request Ashland to notify an organization that it has been selected by the Director to receive a Donation by so advising Ashland on the Beneficiary Recommendation Form.

(g) If any organization recommended by a Director to receive a Donation ceases to meet the requirements of Section 4(b), the Director will be advised of such and given an opportunity to revise his or her Beneficiary Recommendation Form. If a revised Beneficiary Recommendation Form is not submitted by the Director before his or her death, the amount recommended for that particular organization shall be divided among the Director's remaining recommended qualified organizations on a prorated basis. If all the organizations selected by a Director cease to qualify, Ashland will, in its sole discretion, select the organization(s) to receive the Donation(s) on behalf of the Director.

(h) No Donation will be made on behalf of a Director if a Director's termination from Board service is for any reason other than: (1) mandatory retirement at age 72 under the Ashland Inc. Director Retirement Plan; (2) death; (3) Disability; (4) voluntary early retirement to take a position in public governmental service; or (5) a Change in Control of Ashland; however, the Board of Directors shall have plenary authority to authorize that a Donation be made on behalf of a retiring Director, provided that the Director has a minimum of ten (10) years service as a Director with Ashland.

(i) Any Donation made under this Program shall generally be made as soon as practicable following the eligible Director's death. The payment shall be identified as a gift in honor of the service of the Director on Ashland's Board of Directors. Payment shall be contingent upon presentation to the Human Resources Department of proof of the Director's death and the continued approval of the Director's recommendations.

5. MISCELLANEOUS PROVISIONS.

(a) An eligible Director's rights and interest under the Program may not be assigned or transferred in whole or in part. Nothing contained in this Program shall create, or be deemed to create, a trust (actual or constructive) for the benefit of a Director or any organization recommended by a Director to receive a Donation.

(b) In order to financially support the Program, Ashland may elect to purchase a life insurance policy or policies insuring the lives of the Directors. Ashland will be the sole owner and beneficiary thereof. Neither the Directors nor the charitable organizations recommended by the Directors will have any rights or beneficial ownership interests in any such policy or policies acquired by Ashland. Directors may be asked to provide certain medical and other information to assist Ashland in acquiring such policy or policies.

(c) The expenses of the Program shall be borne by Ashland.

(d) The Program shall be administered and interpreted by the Personnel and Compensation Committee of the Board (the "Committee"). The Committee shall have plenary authority to prescribe, amend, suspend or terminate the Program (or any rules, regulations, and procedures relating to the Program) at any time in its sole discretion without the consent of the Directors participating in the Program. The determinations of the Committee shall be conclusive and binding on all interested parties. The Human Resources Department of Ashland, or its designee, shall be delegated the responsibility of preparing and distributing periodic reports, making disbursements, and administering the Program.

(e) The provisions of this Program shall be interpreted and construed in accordance with the laws of the Commonwealth of Kentucky.

(f) Benefits payable under this Program shall be binding upon Ashland, its successors and assigns.

(g) The effective date of this Program shall be December 1, 1990.

Exhibit 10.11

ASHLAND INC.

1993 STOCK INCENTIVE PLAN

(Amended as of July 19, 2000)

SECTION 1. PURPOSE

The purpose of the Ashland Inc. 1993 Stock Incentive Plan is to promote the interests of Ashland Inc. and its shareholders by providing its directors, officers and employees with an incentive to continue service with Ashland. Accordingly, the Company may grant to selected officers and employees Stock Options, Stock Appreciation Rights, Restricted Stock, Merit Awards and Performance Share Awards in an effort to attract and retain in its employ qualified individuals and to provide such individuals with incentives to devote their best efforts to the Company through ownership of the Company's stock, thus enhancing the value of the Company for the benefit of shareholders. The Plan also provides an incentive for qualified persons, who are not officers or employees of the Company, to serve on the Board of Directors of the Company and to continue to work for the best interests of the Company by rewarding such persons with automatic grants of Restricted Stock of the Company. Stock Options, Stock Appreciation Rights, Merit Awards and Performance Shares may not be granted to such Outside Directors under the Plan.

SECTION 2. DEFINITIONS

(A) "Agreement" shall mean a written agreement setting forth the terms of an Award.

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

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

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

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

(F) "Change in Control" shall be deemed to occur (1) upon approval of the shareholders of Ashland (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, (2) when any "person" (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than Ashland or any Subsidiary or employee benefit plan or trust maintained by Ashland, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of Ashland's Common Stock outstanding at the time, without the approval of the Board, or (3) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

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

(H) "Committee" shall mean the Personnel and Compensation Committee of the Board, as from time to time constituted, or any successor committee of the Board with similar functions, which shall consist of three or more members, each of whom shall be a Non-Employee Director or its designee.

(I) "Common Stock" shall mean the Common Stock of the Company ($1.00 par value), subject to adjustment pursuant to Section 13.

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

(K) "Employee" shall mean an officer or employee of the Company.

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

(M) "Exercise Price" shall mean, with respect to each share of Common Stock subject to (i) an Option (other than a Reload Option), the price fixed by the Committee at which such share may be purchased from the Company pursuant to the exercise of such Option, which price at no time may be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted or (ii) a Reload Option, the price of which is as fixed pursuant to Section 6 of the Plan.

(N) "Fair Market Value" shall mean the price of the Common Stock as reported on the Composite Tape on the date and at the time selected by the Company.

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

(P) "Long-Term Incentive Plan" shall mean the Ashland Inc. Long-Term Incentive Plan approved and adopted on January 26, 1989 by the shareholders of the Company, as it now exists or as it may hereafter be amended.

(Q) "Merit Award" shall mean an award of Common Stock issued pursuant to Section 9 of the Plan.

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

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

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

(U) "Original Option" shall mean an option as defined in Subsection (D) of Section 6 of the Plan.

(V) "Outside Director" shall mean a director of the Company who is not also an Employee of the Company.

(W) "Performance Period" shall mean the period designated by the Committee during which the performance objectives shall be measured.

(X) "Performance Share Award" shall mean an award of shares of Common Stock, the issuance of which is contingent upon attainment of performance objectives specified by the Committee.

(Y) "Performance Shares" shall mean those shares of Common Stock issuable pursuant to a Performance Share Award.

(Z) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of an Employee or Outside Director, shall have acquired on behalf of the Employee or Outside Director by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

(AA) "Plan" shall mean this Ashland Inc. 1993 Stock Incentive Plan.

(BB) "Reload Option" shall mean an option granted pursuant to Subsection (D) of Section 6 of the Plan.

(CC) "Restricted Period" shall mean the period designated by the Committee during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered, which period in the case of Employees shall not be less than one year from the date of grant, and in the case of Outside Directors is the period set forth in subsection (B) of Section 8.

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

(EE) "Restricted Stock Award" shall mean an award of Restricted Stock.

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

(GG) "Retirement" shall mean retirement of an Employee from the employ of the Company at any time as described in the Ashland Inc. and Affiliates Pension Plan or in any successor pension plan, as from time to time in effect.

(HH) "Section 16(b) Optionee" shall mean an Employee or former Employee who is subject to Section 16(b) of the Exchange Act.

(II) "Stock Appreciation Right" or "SAR" shall mean the right of the holder to elect to surrender an Option or any portion thereof which is then exercisable and receive in exchange therefor shares of Common Stock, cash, or a combination thereof, as the case may be, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock over the Exercise Price specified in such Option multiplied by the number of shares of Common Stock covered by such Option or portion thereof which is so surrendered. An SAR may only be granted concurrently with the grant of the related Option. An SAR shall be exercisable upon any additional terms and conditions (including, without limitation, the issuance of Restricted Stock and the imposition of restrictions upon the timing of exercise) which may be determined as provided in the Plan.

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

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

SECTION 3. STOCK SUBJECT TO THE PLAN

There will be reserved for issuance under the Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock, Performance Shares and Merit Awards and for stock bonuses on deferred awards of Restricted Stock and Performance Shares), an aggregate of 2,900,000 shares of Ashland Common Stock, par value $1.00 per share; provided, however, that of such shares, only 1,500,000 shares in the aggregate shall be available for issuance for Restricted Stock Awards and Merit Awards. Such shares shall be authorized but unissued shares of Common Stock. Except as provided in Sections 7 and 8, if any Award under the Plan shall expire or terminate for any reason without having been exercised in full, or if any Award shall be forfeited, the shares subject to the unexercised or forfeited portion of such Award shall again be available for the purposes of the Plan.

SECTION 4. ADMINISTRATION

The Plan shall be administered by the Committee. No person who is (or, within one year prior to his or her appointment as a member of the Committee, was) eligible to participate in the Plan, except as specifically authorized under subsection (B) of Section 8 herein, or in any other stock option or stock bonus plan of the Company, shall be a member of the Committee. The Committee shall have no authority regarding the granting of Restricted Stock to Outside Directors, as such grants are fixed pursuant to subsection (B) of Section 8 of the Plan.

In addition to any implied powers and duties that may be needed to carry out the provisions of the Plan, the Committee shall have all the powers vested in it by the terms of the Plan, including exclusive authority (except as to Awards of Restricted Stock granted to Outside Directors) to select the Employees to be granted Awards under the Plan, to determine the type, size and terms of the Awards to be made to each Employee selected, to determine the time when Awards will be granted, and to prescribe the form of the Agreements embodying Awards made under the Plan. Subject to the provisions of the Plan specifically governing Awards of Restricted Stock granted or to be granted to Outside Directors pursuant to subsection (B) of Section 8 herein, the Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make any other determinations which it believes necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive.

The Committee may act only by a majority of its members. Any determination of the Committee may be made, without notice, by the written consent of the majority of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for any action taken or omitted to be taken by him or her or by any other member of the Committee in connection with the Plan, except for his or her own willful misconduct or as expressly provided by statute.

The provisions of this Section 4 with respect to decisions made by, and authority of, the Committee shall be subject to the provisions of subsection (B) of Section 8 herein.

SECTION 5. ELIGIBILITY

Awards may only be granted (i) to individuals who are Employees of Ashland, and (ii) as expressly provided in subsection (B) of Section 8 of the Plan, to individuals who are duly elected Outside Directors of Ashland.

SECTION 6. STOCK OPTIONS

A. Designation and Price.

(a) Any Option granted under the Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committee at the time of the grant of such Option. Each Option shall be evidenced by an Agreement between the recipient and the Company, which Agreement shall specify the designation of the Option as an ISO or a NQSO, as the case may be, and shall contain such terms and conditions as the Committee, in its sole discretion, may determine in accordance with the Plan.

(b) Every Incentive Stock Option shall provide for a fixed expiration date of not later than ten years from the date such Incentive Stock Option is granted.

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

B. Exercise.

The Committee may, in its discretion, provide for Options granted under the Plan to be exercisable in whole or in part; provided, however, that no Option (other than a Reload Option) shall be exercisable prior to the first anniversary of the date of its grant, except as provided in Section 11 or as the Committee otherwise determines in accordance with the Plan, and in no case may an Option be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. The specified number of shares will be issued upon receipt by Ashland of (i) notice from the holder thereof of the exercise of an Option, and (ii) either payment to Ashland (as provided in this Section 6, subsection (C) below), of the Exercise Price for the number of shares with respect to which the Option is exercised, or with approval of the Committee, a secured promissory note as hereinafter provided. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Treasurer of Ashland at Ashland Inc., 500 Diederich Boulevard, Russell, Kentucky, 41169, or such other place as Ashland may designate from time to time.

C. Payment for Shares.

Except as otherwise provided in this Section 6, the Exercise Price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committee may impose, the Exercise Price may be paid in whole or in part (i) in cash, (ii) in whole shares of Common Stock owned by the Employee and evidenced by negotiable certificates, valued at their Fair Market Value (which shares of Common Stock must have been owned by the Employee six months or longer, and not used to effect a stock Option exercise within the preceding six months, unless the Committee specifically provides otherwise), (iii) by Attestation, (iv) by a combination of such methods of payment, or (v) by such other consideration as shall constitute lawful consideration for the issuance of Common Stock and be approved by the Committee (including, without limitation, effecting a "cashless exercise," with a broker, of the Option). "Attestation" means the delivery to Ashland of a completed Attestation Form prescribed by Ashland setting forth the whole shares of Common Stock owned by the Employee which the Employee wishes to utilize to pay the Exercise Price. The Common

Stock listed on the Attestation Form must have been owned by the Employee six months or longer, and not have been used to effect an Option exercise within the preceding six months, unless the Committee specifically provides otherwise. The Committee may, in its discretion, authorize payment of all or any part of the Exercise Price over a period of not more than five years from the date the Option is exercised, In such instance any unpaid balance of the Exercise Price shall be evidenced by the Employee's promissory note payable to the order of Ashland which shall be secured by such collateral and shall bear interest at such rate or rates as determined from time to time by the Committee.

D. Reload Options

The Committee shall have the authority to specify at the time of grant that an Employee shall be granted another Stock Option (a "Reload Option") in the event such Employee exercises all or a part of a Stock Option (an "Original Option") by surrendering in accordance with Section 6, subsection (C) already owned shares of Common Stock in full or partial payment of the Exercise Price under such Original Option, subject to the availability of shares of Common Stock under the Plan at the time of exercise. Each Reload Option shall cover a number of shares of Common Stock equal to the number of shares of Common Stock surrendered in payment of the Exercise Price, shall have an Exercise Price per share of Common Stock equal to the Fair Market Value of the Common Stock on the date of grant of such Reload Option and shall expire on the stated expiration date of the Original Option. A Reload Option shall be exercisable at any time and from time to time from and after the date of grant of such Reload Option (or, as the Committee in its sole discretion shall determine at the time of grant, at such time or times as shall be specified in the Reload Option); provided, however, that a Reload Option granted to a Section 16(b) Optionee shall not be exercisable during the first six months from the date of grant of such Reload Option. The first such Reload Option may provide for the grant, when exercised, of one subsequent Reload Option to the extent and upon such terms and conditions, consistent with this Section 6, subsection (D), as the Committee in its sole discretion shall specify at or after the time of grant of such Reload Option. A Reload Option shall contain such other terms and conditions which may include a restriction on the transferability of the number of shares of Common Stock received upon exercise of the Original Option reduced by a number of shares equal in value to the tax liability incurred upon exercise as the Committee in its sole discretion may deem desirable which may be set forth in the Agreement evidencing the Reload Option.

SECTION 7. STOCK APPRECIATION RIGHTS

The Committee may grant Stock Appreciation Rights pursuant to the provisions of this Section 7 to any holder of any Option (including any Reload Option) granted under the Plan with respect to all or a portion of the shares subject to the related Option. An SAR may only be granted concurrently with the grant of the related Option. Subject to the terms and provisions of this Section 7, each SAR shall be exercisable only at the same time and to the same extent the related Option is exercisable and in no event after the termination of the related Option. An SAR shall be exercisable only when the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which the SAR is to be exercised shall exceed the Exercise Price per share of Common Stock subject to the related Option. An SAR granted under the Plan shall be exercisable in whole or in part by notice to Ashland. Such notice shall state that the holder of the SAR elects to exercise the SAR and the number of shares in respect of which the SAR is being exercised. For purposes of this Section 7, the date of exercise of an SAR shall mean the date on which the Company receives such notice.

Subject to the terms and provisions of this Section 7, upon the exercise of an SAR, the holder thereof shall be entitled to receive from Ashland consideration (in the form hereinafter provided) equal in value to the excess of the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which such SAR has been exercised over the Exercise Price per share of Common Stock subject to the related Option. The Committee may stipulate in the Agreement the form of consideration which shall be received upon the exercise of an SAR. If no consideration is specified therein, upon the exercise of an SAR, the holder may specify the form of consideration to be received by such holder, which shall be in shares of Common Stock, or in cash, or partly in cash and partly in shares of Common Stock (valued at Fair Market Value on the date of exercise of the SAR) , as the holder shall request; provided, however, that the Committee, in its sole discretion, may disapprove the form of consideration requested and instead authorize the payment of such consideration in shares of Common Stock (valued as aforesaid), or in cash, or partly in cash and partly in shares of Common Stock.

Upon the exercise of an SAR, the related Option shall be deemed exercised to the extent of the number of shares of Common Stock with respect to which such SAR is exercised and to that extent a corresponding number of shares of

Common Stock shall not again be available for the grant of Awards under the Plan. Upon the exercise or termination of the related Option, the SAR with respect thereto shall be considered to have been exercised or terminated to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated.

SECTION 8. RESTRICTED STOCK AWARDS

A. Awards to Employees

The Committee may make an award of Restricted Stock to selected Employees, evidenced by an Agreement which shall contain such terms and conditions as the Committee, in its sole discretion, may determine. The amount of each Restricted Stock Award and the respective terms and conditions of each Award (which terms and conditions need not be the same in each case) shall be determined by the Committee in its sole discretion. As a condition to any Award hereunder, the Committee may require an Employee to pay to the Company an amount equal to, or in excess of, the par value of the shares of Restricted Stock awarded to him or her. Any such Restricted Stock Award shall automatically expire if not purchased in accordance with the Committee's requirements within thirty (30) days after the date of grant. Subject to the terms and conditions of each Restricted Stock Award, the Employee, as the owner of the Common Stock issued as Restricted Stock, shall have all rights of a shareholder including, but not limited to, voting rights as to such Common Stock and the right to receive dividends thereon when, as and if paid.

In the event that a Restricted Stock Award has been made to an Employee whose employment or service is subsequently terminated for any reason prior to the lapse of all restrictions thereon, such Restricted Stock will be forfeited in its entirety by such Employee; provided, however, that the Committee may, in its sole discretion, limit such forfeiture. Any Restricted Stock so forfeited by an Employee shall not again be available for the grant of Awards under the Plan.

Employees may be offered the opportunity to defer the receipt of payment of vested shares of Restricted Stock, and Common Stock may be granted as a bonus for deferral, under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Restricted Stock so deferred.

B. Awards to Outside Directors

During the term of the Plan, (i) each Outside Director who was granted an award of restricted stock under the Long-Term Incentive Plan on January 26, 1989 and who continues to serve as an Outside Director on January 31, 1994 shall be granted an Award of 1,000 shares of Restricted Stock on January 31, 1994; (ii) each Outside Director who was granted an award of restricted stock under such Long-Term Incentive Plan other than those Outside Directors in (i) above shall be granted an Award of 1,000 shares of Restricted Stock upon the fifth anniversary of his or her prior award under the Long-Term Incentive Plan; and (iii) each person who is hereafter duly appointed or elected as an Outside Director and who does not receive an award under the Long-Term Incentive Plan shall be granted, effective on the date of his or her appointment or election to the Board, an Award of 1,000 shares of Restricted Stock. All Awards under this subsection (B) are subject to the limitation on the number of shares of Common Stock available pursuant to Section 3 and to the terms and conditions set forth in this subsection (B) and subsection (C) below.

As a condition to any Award hereunder, the Outside Director will be required to pay to the Company a non-refundable amount equal to the par value of the shares of Restricted Stock awarded to him or her. Upon the granting of the Restricted Stock Award, such Outside Director shall be entitled to all rights incident to ownership of Common Stock of the Company with respect to his or her Restricted Stock, including, but not limited to, the right to vote such shares of Restricted Stock and to receive dividends thereon when, as and if paid; provided, however, that in no case may any shares of Restricted Stock granted to an Outside Director be sold, assigned, transferred, pledged, or otherwise encumbered during the Restricted Period which shall not lapse until the earlier to occur of the following: (i) normal retirement from the Board at age 72, (ii) the death or disability of such Outside Director, (iii) a 50% change in the beneficial ownership of the Company as defined in Rule 13d-3 under the Exchange Act, or (iv) voluntary early retirement to take a position in governmental service. In the case of voluntary resignation or other termination of service of an Outside Director prior to the occurrence of any of the events described in (i), (ii), (iii) or (iv) of the preceding sentence, any grant of Restricted Stock made to him or her pursuant to this subsection (B) will be forfeited by such Outside Director. Any Restricted Stock so forfeited by an Outside Director shall not again be available for the grant of Awards under the Plan. As used herein, a director shall be deemed "disabled" when he or she is unable to attend to his or her duties and responsibilities as a member of the Board because of incapacity due to physical or mental illness.

C. Transferability

Subject to subsection (B) of Section 15 hereof, Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered during a Restricted Period, which, in the case of Employees, shall be determined by the Committee and which shall not be less than one year from the date such Restricted Stock was awarded, and, in the case of Outside Directors, shall be determined in accordance with subsection (B) of this Section 8. The Committee may, at any time, reduce the Restricted Period with respect to any outstanding shares of Restricted Stock awarded under the Plan to Employees, but in no event shall such Restricted Period be less than one year.

During the Restricted Period, certificates representing the Restricted Stock and any Retained Distributions shall be registered in the recipient's name and bear a restrictive legend to the effect that ownership of such Restricted Stock (and any such Retained Distributions), and the enjoyment of all rights appurtenant thereto are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Agreement. Such certificates shall be deposited by the recipient with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions which shall be forfeited in accordance with the Plan and the applicable Agreement. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The recipient will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends, and to exercise all other rights, powers, and privileges of a holder of Common Stock with respect to such Restricted Stock, with the exception that (i) the recipient will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the restrictions applicable thereto shall have expired; (ii) the Company will retain custody of all Retained Distributions made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in separate accounts; (iii) subject to subsection (B) of Section 15 hereof, the recipient may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Stock or any Retained Distributions during the Restricted Period; and (iv) a breach of any restrictions, terms, or conditions provided in the Plan or established by the Committee with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

SECTION 9. MERIT AWARDS

The Committee may from time to time make an award of Common Stock under the Plan to selected Employees for such reasons and in such amounts as the Committee, in its sole discretion, may determine. As a condition to any such Merit Award, the Committee may require an Employee to pay to the Company an amount equal to, or in excess of, the par value of the shares of Common Stock awarded to him or her.

SECTION 10. PERFORMANCE SHARES

The Committee may make awards of Common Stock, evidenced by an Agreement, to selected Employees on the basis of the Company's financial performance in any given period. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees who shall receive such Performance Shares, to determine the number of such shares to be granted for each Performance Period, and to determine the duration of each such Performance Period. There may be more than one Performance Period in existence at any one time, and the duration of Performance Periods may differ from each other.

The Committee shall establish performance measures for each Performance Period on the basis of such criteria and to accomplish such objectives as the Committee may from time to time, in its sole discretion, determine. Such measures may include, but shall not be limited to, return on investment, earnings per share, return on shareholders' equity, or return to shareholders. The performance measures determined by the Committee shall be established prior to the beginning of each Performance Period but may be subject to such later revisions as the Committee shall deem appropriate. Performance Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered, except as herein provided and as provided in subsection (E) of Section 11 and subject to subsection (B) of Section 15, during the Performance Period.

The Committee shall determine, in its sole discretion, the manner of payment, which may include (i) cash, (ii) shares of Common Stock, or (iii) shares of Restricted Stock in such proportions as the Committee shall determine. Employees may be offered the opportunity to defer the receipt of payment of earned Performance Shares, and Common Stock may be granted as a bonus for deferral under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Performance Shares so deferred.

An Employee must be employed by the Company at the end of a Performance Period in order to be entitled to payment of Performance Shares in respect of such period; provided, however, that in the event of an Employee's cessation of employment before the end of such period, or upon the occurrence of his or her death, retirement, or disability, or other reason approved by the Committee, the Committee may, in its sole discretion, limit such forfeiture.

SECTION 11. CONTINUED EMPLOYMENT, AGREEMENT TO SERVE AND EXERCISE PERIODS

(A) Subject to the provisions of subsection (F) of this Section 11, every Option (other than a Reload Option) and SAR shall provide that it may not be exercised in whole or in part for a period of one year after the date of granting such Option (unless otherwise determined by the Committee) and, if the employment of the Employee shall terminate, for any reason other than death or disability (as defined in subsection (C) of this Section 11) as determined by the Committee, prior to the end of such one year period or with respect to any Reload Option such other period as may be specified by the Committee within which such Reload Option may not be exercised, the Option granted to such Employee shall immediately terminate.

(B) Every Option shall provide that in the event the Employee dies while employed by Ashland; during the period in which Options may be exercised by an Employee determined to be disabled as provided in subsection (C) of this Section 11, or within three months after cessation of employment for any cause, such Option shall be exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option, by the Beneficiaries of the decedent for the number of shares which the Employee could have acquired under the Option immediately prior to the Employee's death.

(C) Every Option shall provide that in the event the employment of any Employee shall cease by reason of disability, as determined by the Committee at any time during the term of the Option, such Option shall be exercisable, at any time or from time to time by such Employee for the number of shares which the Employee could have acquired under the Option immediately prior to the Employee's disability. An Option held by an Employee determined by the Committee to be disabled prior to September 19, 1996 shall be exercisable during a period of one year of continuing disability following termination of employment by reason of such disability. An Option held by an Employee determined by the Committee to be disabled on or after September 19, 1996 shall be exercisable at any time prior to the fixed termination date set forth in the Option. As used herein, an Employee will be deemed "disabled" when he or she becomes unable to perform the functions required by his or her regular job due to physical or mental illness and, in connection with the grant of an Incentive Stock Option, shall be deemed disabled if he or she falls within the meaning of that term as provided in Section 22(e)(3) of the Code. The determination by the Committee of any question involving disability shall be conclusive and binding.

(D) Every Option shall provide that in the event the employment of any Employee shall cease by reason of Retirement, such Option may be exercised only in respect of the number of shares which the Employee could have acquired under the Option immediately prior to such Retirement. Options held by an Employee who retires prior to September 19, 1996 shall be exercisable for a period of three years after such Retirement date, which three-year period may be extended at the discretion of the Committee. Options held by an Employee who retires on or after September19, 1996 shall be exercisable until the fixed termination date set forth in the Option.

(E) Except as provided in subsections (A), (B), (C) (D) and (F) of this Section 11, every Option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the Option or three months after cessation of the Employee's employment for any cause only in respect of the number of shares which the Employee could have acquired under the Option immediately prior to such cessation of employment; provided, however, that no Option may be exercised after the fixed termination date set forth in the Option.

(F) Notwithstanding any provision of this Section 11 to the contrary, any Award granted pursuant to the Plan, except a Restricted Stock Award to Outside Directors, which is governed by Section 8, subsection (B), may, in the discretion of the Committee or as provided in the relevant Agreement, become exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Award for the full number of awarded shares or any part thereof, less such numbers as may have been theretofore acquired under the Award (i) from and after the time the Employee ceases to be an Employee of Ashland as a result of the sale or other disposition by Ashland of assets or property (including shares of any Subsidiary) in respect of which such Employee had theretofore been employed or as a result of which such Employee's continued employment with Ashland is no longer required, and (ii) in the case of a Change in Control of Ashland, from and after the date of such Change in Control.

(G) Each Employee granted an Award under this Plan shall agree by his or her acceptance of such Award to remain in the service of Ashland for a period of at least one year from the date of the Agreement respecting the Award between Ashland and the Employee. Such service shall, subject to the terms of any contract between Ashland and such Employee, be at the pleasure of Ashland and at such compensation as Ashland shall reasonably determine from time to time. Nothing in the Plan, or in any Award granted pursuant to the Plan, shall confer on any individual any right to continue in the employment of or service to Ashland or interfere in any way with the right of Ashland to terminate the Employee's employment at any time.

(H) Subject to the limitations set forth in Section 422 of the Code, the Committee may adopt, amend, or rescind from time to time such provisions as it deems appropriate with respect to the effect of leaves of absence approved by any duly authorized officer of Ashland with respect to any Employee.

SECTION 12. WITHHOLDING TAXES

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

SECTION 13. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

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

SECTION 14. AMENDMENTS AND TERMINATIONS

Unless the Plan shall have been terminated as hereinafter provided, the Plan shall terminate on, and no Award (other than Reload Options automatically granted pursuant to Section 6) shall be granted after January 26, 1998. The plan may be terminated, modified or amended by the shareholders of the Company. The Board may at any time terminate, modify or amend the Plan in such respects as it shall deem advisable; provided, however, that the Board may not, without approval by the holders of a majority of the outstanding shares of stock present and voting at any annual or special meeting of shareholders of Ashland: (i) increase (except as provided in Section 13) the maximum number of shares which may be issued pursuant to the Awards granted under the Plan, (ii) change the class of persons eligible to receive Awards, (iii) change the manner of determining the minimum Exercise Price of Options other than to change the manner of determining the Fair Market Value of the Common Stock as set forth in Section 2, (iv) extend the period during which Awards may be granted or exercised, or (v) amend any provision of the Plan insofar as it applies specifically to Restricted Stock Awards granted or to be granted to Outside Directors.

SECTION 15. MISCELLANEOUS PROVISIONS

(A) Except as to Awards to Outside Directors, no Employee or other person shall have any claim or right to be granted an Award under the Plan.

(B) An Employee's or Outside Director's rights and interest under the Plan may not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except in the event of an Employee's or Outside Director's death, by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any Employee or Outside Director in the Plan shall be subject to any obligation of liability of such individual; provided, however, that an Employee's or Outside Director's rights and interest under the plan may, subject to the discretion and direction of the Committee, be made transferable by such Employee or Outside Director during his or her lifetime. Except as specified in Section 8, the holder of an Award shall have none of the rights of a shareholder until the shares subject thereto shall have been registered in the name of the person receiving or person or persons exercising the Award on the transfer books of the Company.

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

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

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

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

(G) The appropriate officers of the Company shall cause to be filed any reports, returns, or other information regarding Awards hereunder or any Common Stock issued pursuant hereto as may be required by Section 13 or 15(d) of the Exchange Act, or any other applicable statute, rule, or regulation.

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

(I) Each Employee shall be deemed to have been granted any Award on the date the Committee took action to grant such Award under the Plan or such later date as the Committee in its sole discretion shall determine at the time such grant is authorized; provided, however, that a Reload Option shall be deemed to have been granted on the date on which the Original Option is exercised or such later date as the Committee in its sole discretion shall determine prior to the date on which such exercise occurs and a subsequent Reload Option shall be deemed to have been granted on the date on which the underlying Reload Option is exercised or such later date as the Committee in its sole discretion shall determine prior to the date on which such exercise occurs.

SECTION 16. EFFECTIVENESS OF THE PLAN

The Plan shall be submitted to the shareholders of the Company for their approval and adoption on January 28, 1993 or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. The Plan shall not be effective and no Award shall be made hereunder unless and until the Plan has been so approved and adopted at a meeting of the Company's shareholders.

SECTION 17. GOVERNING LAW

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

Exhibit 10.12

ASHLAND INC.

1995 PERFORMANCE UNIT PLAN

(As amended September 21, 2000)

1. PURPOSE

The purpose of this Ashland Inc. 1995 Performance Unit Plan (the "Plan") is to further the long-term profitable growth of Ashland by offering a long-term incentive in addition to current compensation to eligible employees who will be largely responsible for such growth to the benefit of the Ashland shareholders. It is expected that this plan will encourage such employees to remain with Ashland and will also encourage qualified persons to seek and accept employment with Ashland.

2. DEFINITIONS

Terms not otherwise defined herein shall have the following meanings:

(a) "Ashland" means Ashland Inc., its divisions and subsidiaries.

(b) "Board" means the Board of Directors of Ashland Inc. or its designee.

(c) "Change in Control" shall be deemed to occur (1) upon the approval of the shareholders of Ashland (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, (2) when any "person" (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than Ashland Inc. or any subsidiary or employee benefit plan or trust maintained by Ashland Inc. or any of its subsidiaries, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of the Common Stock outstanding at the time, without the approval of the Board, or (3) if at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(e) "Committee" means the Personnel and Compensation Committee of the Board or its designee.

(f) "Common Stock" means the common stock, $1.00 par value, of Ashland Inc.

(g) "Employee" means an employee selected for participation in the Plan as set forth in Section 5.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means, as of any specified date (or, if a weekend or holiday, the next preceding business day), the closing price of a share of Common Stock, as reported on the Composite Tape for New York Stock Exchange issues.

(j) "Participant" means any Employee who receives a Performance Unit Award under the Plan for a Performance Period. (k) "Performance Goals" mean performance goals as may be established in writing by the Committee which may be based on earnings, stock price, return on equity, return on investment, total return to shareholders, economic value added, debt rating or achievement of business or operational goals, such as drilling or exploration targets or profit per barrel. Such goals may be absolute in their terms or measured against or in relationship to other companies comparably or otherwise situated. Such performance goals may be particular to an Employee or the division, department, branch, line of business, subsidiary or other unit in which the Employee works and/or may be based on the performance of Ashland generally.

(l) "Performance Period" means the period of time designated by the Committee applicable to a Performance Unit Award during which the Performance Goals shall be measured.

(m) "Performance Unit Award" means an award made pursuant to the provisions of this Plan, the payment of which is contingent upon attainment of Performance Goals.

3. SHARES: ADJUSTMENTS IN THE EVENT OF CHANGES IN CAPITALIZATION

(a) Shares Authorized for Issuance. There shall be reserved for issuance under the Plan 500,000 shares of Common Stock, subject to adjustment pursuant to subsection (b) below. Such shares shall be authorized but unissued shares of Common Stock.

(b) Adjustments in Certain Events. In the event of any change in the outstanding Common Stock by reason of any stock split, share dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange or reclassification of shares, split-up, split-off, spin-off, liquidation or other similar change in capitalization, or any distribution to common shareholders other than cash dividends, the number or kind of shares that may be issued under the Plan shall be automatically adjusted to that the proportionate interest of the Employees shall be maintained as before the occurrence of such event.

4. ADMINISTRATION

Subject to the express provisions of this Plan, the Committee shall have full authority to construe, interpret and administer this Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to make Performance Unit Awards, to determine the terms, provisions and conditions of the respective Performance Unit Awards (which need not be identical) and to make all other determinations necessary or advisable for the Plan's administration. Decisions of the Committee shall be final, conclusive and binding upon all parties.

5. ELIGIBILITY

Performance Unit Awards may be made only to regular, full-time, salaried employees of Ashland as selected by the Committee. Any Employee may receive one or more Performance Unit Awards as the

Committee shall from time to time determine, and such determinations may be different as to different Employees and may vary as to different awards. Nothing contained in this Plan shall be construed to limit the right of Ashland to grant other forms of incentive compensation otherwise than under this Plan. The Plan or the receipt of a Performance Unit Award shall not confer on any individual any right to continue in the employ of Ashland or interfere in any way with the right of Ashland to terminate his or her employment at any time, with or without cause, despite the fact that such termination may have an adverse impact on the Participant's receipt of payment of a Performance Unit Award.

6. PERFORMANCE UNIT AWARDS

(a) The Performance Goals and Performance Period applicable to a Performance Unit Award shall be set forth in writing by the Committee no later than 120 days after the commencement of the Performance Period and shall be communicated to the Employee. The Committee shall have the discretion to later revise the Performance Goals solely for the purpose of reducing or eliminating the amount of compensation otherwise payable upon attainment of the Performance Goals; provided that the Performance Goals and the amounts payable upon attainment of the Performance Goals may be adjusted during any Performance Period to reflect promotions, transfers or other changes in an Employee's employment so long as such changes are consistent with the Performance Goals established for other Employees in the same or similar positions.

(b) In making a Performance Unit Award, the Committee may take into account an Employee's responsibility level, performance, cash compensation level, incentive compensation awards and such other considerations as it deems appropriate. Each Performance Unit Award shall be established in dollars or shares of Common Stock, or a combination of both, as determined by the Committee, and shall be based on the Employee's base salary on the date of the Performance Unit Award. The original amount of any Performance Unit Award shall not exceed 400% of the Employee's then annual base salary; the amount paid out upon meeting the Performance Goals shall not exceed the amount of such Performance Unit Award; and the total amount of all Performance Unit Awards for a Performance Period shall not exceed 2% of shareholders' equity as shown in Ashland's Annual Report to Shareholders at the end of the fiscal year next preceding the commencement of such Performance Period. In determining the amount of any Performance Unit Award made, in whole or in part, in shares of Common Stock, the value thereof shall be based on the Fair Market Value on the first day of the Performance Period or on such other date as the Board shall determine.

(c) A Performance Unit Award shall terminate for all purposes if the Employee does not remain continuously employed and in good standing with Ashland until payment of such Performance Unit Award. An Employee (or his or her beneficiaries or estate) whose employment was terminated because of death, disability or retirement will receive a pro rata portion of the payment of his or her award based upon the portion of the Performance Period during which he or she was so employed so long as the Performance Goals are subsequently achieved.

(d) Payment with respect to Performance Unit Awards will be made to Employees on a date or dates fixed by the Committee. The amount of such payment shall be determined by the Committee and shall be based on the original amount of such Performance Unit Award adjusted to reflect the attainment of the Performance Goals during the Performance Period. Payment may be made in one or more installments and may be made wholly in cash, wholly in shares of Common Stock or partly in cash and partly in such shares, all at the discretion of the Committee.

In addition, Employees may be offered the opportunity to defer the receipt of payment of a Performance Unit Award. Common Stock may be granted (i) as a bonus for deferral, or (ii) as a bonus for retaining for a specified period of time, Common Stock received in payment of a Performance Unit Award, all under such terms as may be established by the Committee from time to time. Notwithstanding, in no event shall the value of the Common Stock granted as a bonus for deferral or retention exceed 20% of the value of the Performance Unit Award so deferred or retained. Any and all payments made under the Plan shall be subject to the applicable federal, state or local taxes required by law to be withheld.

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

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

7. NONTRANSFERABILITY AND NO SHAREHOLDER RIGHTS

The right to receive payment of a Performance Unit Award shall not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except by will or the laws of descent and distribution) including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or any other manner. The holder of a Performance Unit Award payable in whole or in part in shares of Common Stock shall have none of the rights of a shareholder with respect to such award until shares of Common Stock shall have been registered in the name of the person or persons receiving payment of such award on the transfer books of Ashland upon such payment.

8. CHANGE IN CONTROL

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

9. GOVERNING LAW

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

10. AMENDMENT AND TERMINATION

The Plan shall be submitted to the shareholders for approval and adoption on January 26, 1995 or such other date fixed for the next meeting of shareholders or any adjournment or postponement thereof. Upon shareholder approval, the Plan will become effective as of October 1, 1994. Unless terminated sooner by the Committee, to the extent necessary to ensure that Performance Unit Award payments be deductible under the Code, this Plan shall terminate on, and no Performance Unit Awards shall be granted after, the first meeting of shareholders occurring in calendar year 2000. Termination of the Plan shall not affect any awards made hereunder which are outstanding on the date of termination and such awards shall continue to be subject to the terms of the Plan notwithstanding its termination. The Committee may amend, alter or terminate this Plan at any time without the prior approval of the Board; provided, however, that the Committee may not, without approval by the Board and the shareholders:

(i) increase the amount of securities that may be issued under the Plan (except as provided in Section 3(b));

(ii) materially modify the requirements as to eligibility for participation in the Plan; or

(iii) otherwise materially increase the benefits accruing the Employees under the Plan.

Exhibit 10.14

ASHLAND INC.

DEFERRED COMPENSATION PLAN

(Amended and Restated as of September 21, 2000)

1. PURPOSE

The purpose of this Ashland Inc. Deferred Compensation Plan (the "Plan"), is to provide eligible key employees of the Company with an opportunity to defer compensation to be earned by them from the Company as a means of saving for retirement or other future purposes.

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan:

(a) "Accounting Date" means the Business Day on which a calculation concerning a Participant's Compensation Account is performed, or as otherwise defined by the Committee.

(b) "Beneficiary" means the person(s) designated by the Participant in accordance with Section 12, or if no person(s) is/are so designated, the estate of a deceased Participant.

(c) "Board" means the Board of Directors of Ashland Inc. or its designee.

(d) "Business Day" means a day on which the New York Stock Exchange is open for trading activity.

(e) "Change in Control" shall be deemed to occur (1) upon the approval of the shareholders of the Company (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (C) adoption of any plan or proposal for the liquidation or dissolution of the Company, (2) when any "person" (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than Ashland Inc. or any subsidiary or employee benefit plan or trust maintained by Ashland Inc. or any of its subsidiaries, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of the Common Stock outstanding at the time, without the approval of the Board, or (3) if at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

(f) "Committee" means the Personnel and Compensation Committee of the Board or its designee.

(g) "Common Stock" means the common stock, $1.00 par value, of Ashland Inc.

(h) "Common Stock Fund" means that investment option, approved by the Committee, in which a Participant's Compensation Account may be deemed to be invested and may earn income based on a hypothetical investment in Common Stock.

(i) "Company" means Ashland Inc., its divisions, subsidiaries and affiliates.

(j) "Compensation" means any employee compensation determined by the Committee to be properly deferrable under the Plan.

(k) "Compensation Account(s)" means the Retirement Account and/or the In-Service Account(s).

(l) "Corporate Human Resources" means the Corporate Human Resources Department of the Company.

(m) "Credit Date" means the date on which Compensation would otherwise have been paid to the Participant or in the case of the Participant's designation of investment option changes, within three Business Days after the Participant's designation is received by Corporate Human Resources, or as otherwise designated by the Committee.

(n) "Deferred Compensation" means the Compensation elected by the Participant to be deferred pursuant to the Plan.

(o) "Election" means a Participant's delivery of a written notice of election to defer payment of all or a portion of his or her Compensation either until retirement, Termination, death or such other time as further provided by the Committee or the Company.

(p) "Employee" means a full-time, regular salaried employee (which term shall be deemed to include officers) of the Company, its present and future subsidiary corporations as defined in Section 424 of the Internal

Revenue Code of 1986, as amended or its affiliates.

(q) "Excess Payments" means payments made to a Participant pursuant to the Plan and the Excess Plan.

(r) "Excess Plan" means the Ashland Inc. Nonqualified Excess Benefit Pension Plan, as it now exists or as it may hereafter be amended.

(s) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(t) "Fair Market Value" means the price of a share of Common Stock, as reported on the Composite Tape for New York Stock Exchange issues on the date and at the time designated by the Company.

(u) "Fiscal Year" means that annual period commencing October 1 and ending the following September 30.

(v) "In-Service Account" means the account(s) to which the Participant's Deferred Compensation is credited and from which, pursuant to Section 10, distributions are made.

(w) "Participant" means an Employee selected by the Committee to participate in the Plan and who has elected to defer payment of all or a portion of his or her Compensation under the Plan.

(x) "Plan" means this Ashland Inc. Deferred Compensation Plan as it now exists or as it may hereafter be amended.

(y) "Retirement Account" means the account(s) to which the Participant's Deferred Compensation is credited and from which, pursuant to Section 10, distributions are made.

(z) "SERP" means the Tenth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Key Executive Employees, as it now exists or as it may hereafter be amended.

(aa) "SERP Payments" means payments made to a Participant pursuant to the Plan and the SERP.

(bb) "Stock Unit(s)" means the share equivalents credited to the Common Stock Fund of a Participant's Compensation Account pursuant to Section 6.

(cc) "Termination" means termination of services as an Employee for any reason other than retirement.

3. SHARES; ADJUSTMENTS IN EVENT OF CHANGES IN CAPITALIZATION

(a) Shares Authorized for Issuance. There shall be reserved for issuance under the Plan 500,000 shares of Common Stock, subject to adjustment pursuant to subsection (c) below.

(b) Units Authorized for Credit. The maximum number of Stock Units that may be credited to Participants' Compensation Accounts under the Plan is 1,500,000, subject to adjustment pursuant to subsection (c) below.

(c) Adjustments in Certain Events. In the event of any change in the outstanding Common Stock of the Company by reason of any stock split, share dividend, recapitalization, merger, consolidation, reorganization, combination, or exchange or reclassification of shares, split-up, split-off, spin-off, liquidation or other similar change in capitalization, or any distribution to common shareholders other than cash dividends, the number or kind of shares or Stock Units that may be issued or credited under the Plan shall be automatically adjusted so that the proportionate interest of the Participants shall be maintained as before the occurrence of such event. Such adjustment shall be conclusive and binding for all purposes of the Plan.

4. ELIGIBILITY

The Committee shall have the authority to select from management and/or highly compensated Employees those Employees who shall be eligible to participate in the Plan; provided, however, that employees and/or retirees who have elected to defer an amount into this Plan from another plan sponsored or maintained by Ashland Inc., the terms of which allowed such employee or retiree to make such a deferral election into this Plan, shall be considered to be eligible to participate in this Plan.

5. ADMINISTRATION

Full power and authority to construe, interpret and administer the Plan shall be vested in the Company and the Committee. This power and authority includes, but is not limited to, selecting Compensation eligible for deferral, establishing deferral terms and conditions and adopting modifications, amendments and procedures as may be deemed necessary, appropriate or convenient by the Committee. Decisions of the Company and the Committee shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of Corporate Human Resources.

6. PARTICIPANT ACCOUNTS

Upon election to participate in the Plan, there shall be established a Retirement Account and/or In-Service Account, as designated by the Participant to which there shall be credited any Deferred Compensation, as of each Credit Date. Each such Compensation Account shall be credited (or debited) on each Accounting Date with income (or loss) based upon a hypothetical investment in any one or more of the investment options available under the Plan, as prescribed by the Committee for the particular compensation credited, which may include a Common Stock Fund, as elected by the Participant under the terms of Section 9.

7. FINANCIAL HARDSHIP

Upon the written request of a Participant or a Participant's legal representative and a finding that continued deferral will result in an unforeseeable financial emergency to the Participant, the Committee or the Company (each in its sole discretion) may authorize (a) the payment of all or a part of a Participant's Compensation Account in a single installment prior to his or her ceasing to be a Participant, or (b) the acceleration of payment of any multiple installments thereof. It is intended that the Committee's determinations as to whether the Participant has suffered an "unforeseeable financial emergency" shall be made consistent with the requirements under Section 457(d) of the Internal Revenue Code.

8. ACCELERATED DISTRIBUTION

(a) Availability of Withdrawal Prior to Retirement. The Participant or the Participant's Beneficiary who is receiving installment payments under the Plan may elect, in writing, to withdraw all or a portion of a Participant's Compensation Account at any time prior to the time such Compensation Account otherwise becomes payable under the Plan, provided the conditions specified in Sections 8(c), 8(d) and 8(e) hereof are satisfied.

(b) Acceleration of Periodic Distributions. Upon the written notice of the Participant or the Participant's Beneficiary who is receiving installment payments under the Plan, the Participant or Participant's Beneficiary may elect to have all or a portion of the remaining installments distributed in the form of an immediately payable lump sum, provided the conditions specified in Section 8(c) and 8(e) hereof are satisfied.

(c) Forfeiture Penalty. In the event of a withdrawal pursuant to Section 8(a), or an accelerated distribution pursuant to Section 8(b), the Participant shall forfeit from such Compensation Account an amount equal to 10% of the amount of the withdrawal or accelerated distribution, as the case may be. The forfeited amount shall be deducted from the Compensation Account prior to giving effect to the requested withdrawal or acceleration. Neither the Participant nor the Participant's Beneficiary shall have any right or claim to the forfeited amount, and the Company shall have no obligation whatsoever to the Participant, the Participant's Beneficiary or any other person with regard to the forfeited amount.

(d) Minimum Withdrawal. In no event shall the amount withdrawn in accordance with Section 8(a) be less than 25% of the amount credited to such Participant's Compensation Account immediately prior to the withdrawal.

(e) Suspension from Deferrals. In the event of a withdrawal pursuant to Section 8(a) or 8(b), a Participant who is otherwise eligible to make deferrals of Compensation under this Plan shall be prohibited from making such deferrals with respect to the remainder of the current Fiscal Year and the Fiscal Year of the Plan immediately following the Fiscal Year of the Plan during which the withdrawal was made, and any Election previously made by the Participant with respect to deferrals of Compensation for such Fiscal Years of the Plan shall be void and of no effect.

9. MANNER OF ELECTION

(a) General. The Company or the Committee shall determine the timing of the filing of the appropriate Election forms. An effective Election may not be revoked or modified except as otherwise determined by the Company or the Committee or as stated herein. In addition to the provisions contained in this Plan, any deferrals of SERP Payments or Excess Payments must be in accordance with the terms of the SERP or the Excess Plan.

(b) Investment Alternatives -- Existing Balances. A Participant may elect to change an existing selection as to the investment alternatives in effect with respect to an existing Compensation Account (in increments prescribed by the Committee or the Company) as often, and with such restrictions, as determined by the Committee or by the Company.

(c) Change of Beneficiary. A Participant may, at any time, elect to change the designation of a Beneficiary in accordance with Section 11 hereof.

10. DISTRIBUTION

(a) Retirement Account. In accordance with the Participant's Election and within the guidelines established by the Committee or the Company, a Participant's Retirement Account shall be distributed in cash or shares of Common Stock (or a combination of both). If no Election is made by a Participant as to the distribution or form of payment of his or her Retirement Account, upon the earlier of death or retirement such account shall be paid in cash or shares of Common Stock (or a combination of both) in lump sum. The entire Retirement Account must be paid out within forty years following the date of the earlier of the Participant's death or retirement.

(b) In-Service Account. In accordance with the Participant's Election and within the guidelines established by the Committee or the Company, Deferred Compensation credited to a Participant's In-Service Account shall be distributed in cash or shares of Common Stock (or a combination of both). A Participant may make different Elections with respect to the applicable distribution periods for different deferral cycles in the In-Service Accounts.

(c) Termination. Notwithstanding the foregoing, in the event of a Participant's Termination, the Company reserves the right to distribute the Participant's Compensation Account at such time and in such manner as deemed appropriate.

(d) Change of Distribution of Compensation Account. A Participant will be allowed to change the Election as to the distribution of Deferred Compensation of his or her Retirement Account for all amounts previously deferred pursuant to such Election, subject to approval by the Committee or the Company. Such change must be made by the earlier of:

(1) the date six months prior to the first day of the month following such Participant's retirement; or

(2) the December 31 immediately preceding the first day of the month following such Participant's retirement.

A Participant may not change the Election as to the distribution of Deferred Compensation in his or her In-Service Account(s) except as otherwise set forth in Sections 7 and 8.

11. BENEFICIARY DESIGNATION

A Participant may designate one or more persons (including a trust) to whom or to which payments are to be made if the Participant dies before receiving distribution of all amounts due hereunder. A designation of Beneficiary will be effective only after the signed Election is filed with Corporate Human Resources while the Participant is alive and will cancel all designations of Beneficiary signed and filed earlier. If the Participant fails to designate a Beneficiary as provided above or if all of a Participant's Beneficiaries predecease him or her and he or she fails to designate a new Beneficiary, the remaining unpaid amounts shall be paid in one lump sum to the estate of such Participant. If all Beneficiaries of the Participant die after the Participant but before complete payment of all amounts due hereunder, the remaining unpaid amounts shall be paid in one lump sum to the estate of the last to die of such Beneficiaries.

12. CHANGE IN CONTROL

Notwithstanding any provision of this Plan to the contrary, in the event of a Change in Control, each Participant in the Plan shall receive an automatic lump sum cash distribution of all amounts accrued in the Participant's Compensation Account not later than fifteen (15) days after the date of the Change in Control. For this purpose, the balance in the portion of a Participant's Compensation Account invested in the Common Stock Fund shall be determined by multiplying the number of Stock Units by the higher of (a) the highest Fair Market Value on any date within the period commencing 30 days prior to such Change in Control, or (b) if the Change in Control of the Company occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock pursuant thereto. Any consideration other than cash forming a part or all of the consideration for Common Stock to be paid pursuant to the applicable transaction shall be valued at the valuation price thereon determined by the Board.

In addition, the Company shall reimburse a Participant for the legal fees and expenses incurred if the Participant is required to seek to obtain or enforce any right to distribution. In the event that it is determined that such Participant is properly entitled to a cash distribution hereunder, such Participant shall also be entitled to interest thereon payable in an amount equivalent to the Prime Rate of Interest quoted by Citibank, N.A. as its prime commercial lending rate on the subject date from the date such distribution should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, this Section 12 may not be amended after a Change in Control occurs without the written consent of a majority in number of Participants.

13. INALIENABILITY OF BENEFITS

The interests of the Participants and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor subject to attachment, execution, garnishment or other such equitable or legal process. A Participant or Beneficiary cannot waive the provisions of this Section 13.

14. GOVERNING LAW

The provisions of this plan shall be interpreted and construed in accordance with the laws of the Commonwealth of Kentucky, except to the extent preempted by Federal law.

15. AMENDMENTS

The Committee may amend, alter or terminate this Plan at any time without the prior approval of the Board; provided, however, that the Committee may not, without approval by the Board and the shareholders:

(a) increase the number of securities that may be issued under the Plan (except as provided in Section 3(c));

(b) materially modify the requirements as to eligibility for participation in the Plan; or

(c) otherwise materially increase the benefits accruing to Participants under the Plan.

16. EFFECTIVE DATE

The Plan was approved by the shareholders of the Company on January 26, 1995, and originally became effective as of October 1, 1994, and has been restated in this document effective as of September 21, 2000.

Exhibit 10.15

ASHLAND INC.

1997 STOCK INCENTIVE PLAN

(Amended as of July 19, 2000)

SECTION 1. PURPOSE

The purpose of the Ashland Inc. 1997 Stock Incentive Plan is to promote the interests of Ashland Inc. and its shareholders by providing incentives to its directors, officers and employees. Accordingly, the Company may grant to selected officers and employees Options, Stock Appreciation Rights, Restricted Stock, Merit Awards and Performance Share Awards in an effort to attract and retain in its employ qualified individuals and to provide such individuals with incentives to continue service with Ashland, devote their best efforts to the Company and improve Ashland's economic performance, thus enhancing the value of the Company for the benefit of shareholders. The Plan also provides an incentive for qualified persons, who are not officers or employees of the Company, to serve on the Board of Directors of the Company and to continue to work for the best interests of the Company by rewarding such persons with an automatic grant of Restricted Stock of the Company upon being appointed or elected to the Company's Board of Directors. Options, Stock Appreciation Rights, Merit Awards and Performance Shares may not be granted to such Outside Directors under the Plan.

SECTION 2. DEFINITIONS

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

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

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

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

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

(F) "Change in Control" shall be deemed to occur (1) upon approval of the shareholders of Ashland (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of Ashland in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, (2) when any "person" (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than Ashland or any Subsidiary or employee benefit plan or trust maintained by Ashland, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of Ashland's Common Stock outstanding at the time, without the approval of the Board, or (3) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.

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

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

(I) "Committee on Directors" shall mean the Committee on Directors of the Board, as from time to time constituted, or any successor committee of the Board with similar functions.

(J) "Common Stock" shall mean the Common Stock of the Company ($1.00 par value), subject to adjustment pursuant to Section 13.

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

(L) "Employee" shall mean a regular, full-time or part-time employee of Ashland as selected by the Committee to receive an Award under the

Plan.

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

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

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

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

(Q) "Merit Award" shall mean an award of Common Stock issued pursuant to Section 9 of the Plan.

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

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

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

(U) "Outside Director" shall mean a director of the Company who is not also an Employee of the Company.

(V) "Performance Goals" means performance goals as may be established in writing by the Committee which may be based on earnings, stock price, return on equity, return on investment, total return to shareholders, economic value added, debt rating or achievement of business or operational goals, such as drilling or exploration targets or profit per barrel. Such goals may be absolute in their terms or measured against or in relation to other companies comparably or otherwise situated. Such performance goals may be particular to an Employee or the division, department, branch, line of business, subsidiary or other unit in which the Employee works and/or may be based on the performance of Ashland generally.

(W) "Performance Period" shall mean the period designated by the Committee during which the performance objectives shall be measured.

(X) "Performance Share Award" shall mean an award of shares of Common Stock, the issuance of which is contingent upon attainment of performance objectives specified by the Committee.

(Y) "Performance Shares" shall mean those shares of Common Stock issuable pursuant to a Performance Share Award.

(Z) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of an Employee or Outside Director, shall have acquired on behalf of the Employee or Outside Director by legal proceeding or otherwise the right to receive the benefits specified in this Plan.

(AA) "Plan" shall mean this Ashland Inc. 1997 Stock Incentive Plan.

(BB) "Restricted Period" shall mean the period designated by the Committee during which Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered, which period in the case of Employees shall not be less than one year from the date of grant (unless otherwise directed by the Committee), and in the case of Outside Directors is the period set forth in subsection (B) of Section 8.

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

(DD) "Restricted Stock Award" shall mean an award of Restricted Stock.

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

(FF) "Retirement" shall mean retirement of an Employee from the employ of the Company at any time as described in the Ashland Inc. and Affiliates Pension Plan or in any successor pension plan, as from time to time in effect.

(GG) "Section 16(b) Optionee" shall mean an Employee or former Employee who is subject to Section 16(b) of the Exchange Act.

(HH) "Stock Appreciation Right" or "SAR" shall mean the right of the holder to elect to surrender an Option or any portion thereof which is then exercisable and receive in exchange therefor shares of Common Stock, cash, or a combination thereof, as the case may be, with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock over the Exercise Price specified in such Option multiplied by the number of shares of Common Stock covered by such Option or portion thereof which is so surrendered. An SAR may only be granted concurrently with the grant of the related Option. An SAR shall be exercisable upon any additional terms and conditions (including, without limitation, the issuance of Restricted Stock and the imposition of restrictions upon the timing of exercise) which may be determined as provided in the Plan.

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

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

SECTION 3. STOCK SUBJECT TO THE PLAN

There will be reserved for issuance under the Plan (upon the exercise of Options and Stock Appreciation Rights, upon awards of Restricted Stock, Performance Shares and Merit Awards and for stock bonuses on deferred awards of Restricted Stock and Performance Shares), an aggregate of 3,212,000 shares of Ashland Common Stock, par value $1.00 per share; provided, however, that of such shares, only 500,000 shares in the aggregate shall be available for issuance for Restricted Stock Awards and Merit Awards. Such shares shall be authorized but unissued shares of Common Stock. Except as provided in Sections 7 and 8, if any Award under the Plan shall expire or terminate for any reason without having been exercised in full, or if any Award shall be forfeited, the shares subject to the unexercised or forfeited portion of such Award shall again be available for the purposes of the Plan. During the term of the Plan (as provided in Section 14 hereof), no Employee shall be granted more than a total of 500,000 in Options or Stock Appreciation Rights.

SECTION 4. ADMINISTRATION

Except as provided in subsection (B) of Section 8 herein, the Plan shall be administered by the Committee.

In addition to any implied powers and duties that may be needed to carry out the provisions of the Plan, the Committee shall have all the powers vested in it by the terms of the Plan, including exclusive authority (except as to Awards of Restricted Stock granted to Outside Directors) to select the Employees to be granted Awards under the Plan, to determine the type, size and terms of the Awards to be made to each Employee selected, to determine the time when Awards will be granted, and to prescribe the form of the Agreements embodying Awards made under the Plan. Subject to the provisions of the Plan specifically governing Awards of Restricted Stock granted or to be granted to Outside Directors pursuant to subsection (B) of Section 8 herein, the Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make any other determinations which it believes necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive.

The Committee (or, in the case of subsection (B) of Section 8 herein, the Committee on Directors) may act only by a majority of its members. Any determination of the Committee or the Committee on Directors may be made, without notice, by the written consent of the majority of the members of the Committee or the Committee on Directors. In addition, the Committee or the Committee on Directors may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee or the Committee on Directors. No member of the Committee or the Committee on Directors shall be liable for any action taken or omitted to be taken by him or her or by any other member of the Committee or the Committee on Directors in connection with the Plan, except for his or her own willful misconduct or as expressly provided by statute.

SECTION 5. ELIGIBILITY

Awards may only be granted (i) to individuals who are Employees of Ashland, and (ii) as expressly provided in subsection (B) of Section 8 of the Plan, to individuals who are duly elected Outside Directors of Ashland.

SECTION 6. OPTIONS

A. Designation and Price.

(a) Any Option granted under the Plan may be granted as an Incentive Stock Option or as a Nonqualified Stock Option as shall be designated by the Committee at the time of the grant of such Option. Each Option shall, at the discretion of the Company and as directed by the Committee, be evidenced by an Agreement between the recipient and the Company, which Agreement shall specify the designation of the Option as an ISO or a NQSO, as the case may be, and shall contain such terms and conditions as the Committee, in its sole discretion, may determine in accordance with the Plan.

(b) Every Incentive Stock Option shall provide for a fixed expiration date of not later than ten years from the date such Incentive Stock Option is granted. Every Nonqualified Stock Option shall provide for a fixed expiration date of not later than ten years and one month from the date such Nonqualified Stock Option is granted.

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

B. Exercise.

The Committee may, in its discretion, provide for Options granted under the Plan to be exercisable in whole or in part; provided, however, that no Option shall be exercisable prior to the first anniversary of the date of its grant, except as provided in Section 11 or as the Committee otherwise determines in accordance with the Plan, and in no case may an Option be exercised at any time for fewer than 50 shares (or the total remaining shares covered by the Option if fewer than 50 shares) during the term of the Option. The specified number of shares will be issued upon receipt by Ashland of (i) notice from the holder thereof of the exercise of an Option, and (ii) payment to Ashland (as provided in this Section 6, subsection (C) below), of the Exercise Price for the number of shares with respect to which the Option is exercised. Each such notice and payment shall be delivered or mailed by postpaid mail, addressed to the Treasurer of Ashland at Ashland Inc., 500 Diederich Boulevard, Russell, Kentucky 41169, or such other place or person as Ashland may designate from time to time.

C. Payment for Shares.

Except as otherwise provided in this Section 6, the Exercise Price for the Common Stock shall be paid in full when the Option is exercised. Subject to such rules as the Committee may impose, the Exercise Price may be paid in whole or in part (i) in cash, (ii) in whole shares of Common Stock owned by the Employee and evidenced by negotiable certificates, valued at their Fair Market Value (which shares of Common Stock must have been owned by the Employee six months or longer, and not used to effect an Option exercise within the preceding six months, unless the Committee specifically provides otherwise), (iii) by Attestation, (iv) by a combination of such methods of payment, or (v) by such other consideration as shall constitute lawful consideration for the issuance of Common Stock and be approved by the Committee (including, without limitation, effecting a "cashless exercise," with a broker, of the Option). "Attestation" means the delivery to Ashland of a completed Attestation Form prescribed by Ashland setting forth the whole shares of Common Stock owned by the Employee which the Employee wishes to utilize to pay the Exercise Price. The Common Stock listed on the Attestation Form must have been owned by the Employee six months or longer, and not have been used to effect an Option exercise within the preceding six months, unless the Committee specifically provides otherwise. A "cashless exercise" of an option is a procedure by which a broker provides the funds to an Employee to effect an option exercise. At the direction of the Employee, the broker will either (i) sell all of the shares received when the option is exercised and pay the Employee the proceeds of the sale (minus the option exercise price, withholding taxes and any fees due to the broker) or (ii) sell enough of the shares received upon exercise of the option to cover the exercise price, withholding taxes and any fees due the broker and deliver to the Employee (either directly or through the Company) a stock certificate for the remaining shares. Dispositions to a broker effecting a cashless exercise are not exempt under Section 16 of the Exchange Act.

SECTION 7. STOCK APPRECIATION RIGHTS

The Committee may grant Stock Appreciation Rights pursuant to the provisions of this Section 7 to any holder of any Option granted under the Plan with respect to all or a portion of the shares subject to the related Option. An SAR may only be granted concurrently with the grant of the related Option. Subject to the terms and provisions of this Section 7, each SAR shall be exercisable only at the same time and to the same extent the related Option is exercisable and in no event after the termination of the related Option. An SAR shall be exercisable only when the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which the SAR is to be exercised shall exceed the Exercise Price per share of Common Stock subject to the related Option. An SAR granted under the Plan shall be exercisable in whole or in part by notice to Ashland. Such notice shall state that the holder of the SAR elects to exercise the SAR and the number of shares in respect of which the SAR is being exercised.

Subject to the terms and provisions of this Section 7, upon the exercise of an SAR, the holder thereof shall be entitled to receive from Ashland consideration (in the form hereinafter provided) equal in value to the excess of the Fair Market Value (determined as of the date of exercise of the SAR) of each share of Common Stock with respect to which such SAR has been exercised over the Exercise Price per share of Common Stock subject to the related Option. The Committee may stipulate in the Agreement the form of consideration which shall be received upon the exercise of an SAR. If no consideration is specified therein, upon the exercise of an SAR, the holder may specify the form of consideration to be received by such holder, which shall be in shares of Common Stock, or in cash, or partly in cash and partly in shares of Common Stock (valued at Fair Market Value on the date of exercise of the SAR) , as the holder shall request; provided, however, that the Committee, in its sole discretion, may disapprove the form of consideration requested and instead authorize the payment of such consideration in shares of Common Stock (valued as aforesaid), or in cash, or partly in cash and partly in shares of Common Stock.

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

SECTION 8. RESTRICTED STOCK AWARDS

A. Awards to Employees

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

In the event that a Restricted Stock Award has been made to an Employee whose employment or service is subsequently terminated for any reason prior to the lapse of all restrictions thereon, such Restricted Stock will be forfeited in its entirety by such Employee; provided, however, that the Committee may, in its sole discretion, limit such forfeiture.

Employees may be offered the opportunity to defer the receipt of payment of vested shares of Restricted Stock, and Common Stock may be granted as a bonus for deferral, under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Restricted Stock so deferred.

B. Awards to Outside Directors

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

As a condition to any Award hereunder, the Outside Director may be required to pay to the Company a non-refundable amount equal to the par value of the shares of Restricted Stock awarded to him or her. Upon the granting of the Restricted Stock Award, such Outside Director shall be entitled to all rights incident to ownership of Common Stock of the Company with respect to his or her Restricted Stock, including, but not limited to, the right to vote such shares of Restricted Stock and to receive dividends thereon when, as and if paid; provided, however, that, subject to subsection (C) hereof, in no case may any shares of Restricted Stock granted to an Outside Director be sold, assigned, transferred, pledged, or otherwise encumbered during the Restricted Period which shall not lapse until the earlier to occur of the following: (i) retirement from the Board at age 72, (ii) the death or disability of such Outside Director, (iii) a 50% change in the beneficial ownership of the Company as defined in Rule 13d-3 under the Exchange Act, or (iv) voluntary early retirement to take a position in governmental service. Unless otherwise determined and directed by the Committee on Directors, in the case of voluntary resignation or other termination of service of an Outside Director prior to the occurrence of any of the events described in the preceding sentence, any grant of Restricted Stock made to him or her pursuant to this subsection (B) will be forfeited by such Outside Director. As used herein, a director shall be deemed "disabled" when he or she is unable to attend to his or her duties and responsibilities as a member of the Board because of incapacity due to physical or mental illness.

C. Transferability

Subject to subsection (B) of Section 15 hereof, Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered during a Restricted Period, which, in the case of Employees, shall be determined by the Committee and, unless otherwise determined by the Committee, shall not be less than one year from the date such Restricted Stock was awarded, and, in the case of Outside Directors, shall be determined in accordance with subsection (B) of this Section 8. The Committee may, at any time, reduce the Restricted Period with respect to any outstanding shares of Restricted Stock awarded under the Plan to Employees, but, unless otherwise determined by the Committee, such Restricted Period shall not be less than one year.

During the Restricted Period, certificates representing the Restricted Stock and any Retained Distributions shall be registered in the recipient's name and bear a restrictive legend to the effect that ownership of such Restricted Stock (and any such Retained Distributions), and the enjoyment of all rights appurtenant thereto are subject to the restrictions, terms, and conditions provided in the Plan and the applicable Agreement, if any. Such certificates shall be deposited by the recipient with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions which shall be forfeited in accordance with the Plan and the applicable Agreement, if any. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The recipient will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends, and to exercise all other rights, powers, and privileges of a holder of Common Stock with respect to such Restricted Stock, with the exception that (i) the recipient will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the restrictions applicable thereto shall have expired; (ii) the Company will retain custody of all Retained Distributions made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the Restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in separate accounts; (iii) subject to subsection (B) of Section 15 hereof, the recipient may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Stock or any Retained Distributions during the Restricted Period; and (iv) a breach of any restrictions, terms, or conditions provided in the Plan or established by the Committee with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

SECTION 9. MERIT AWARDS

The Committee may from time to time make an award of Common Stock under the Plan to selected Employees for such reasons and in such amounts as the Committee, in its sole discretion, may determine. As a condition to any such Merit Award, the Committee may require an Employee to pay to the Company an amount equal to, or in excess of, the par value of the shares of Common Stock awarded to him or her.

SECTION 10. PERFORMANCE SHARES

The Committee may make awards of Common Stock which may, in the Company's discretion and as directed by the Committee, be evidenced by an Agreement, to selected Employees on the basis of the Company's financial performance in any given period. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees who shall receive such Performance Shares, to determine the number of such shares to be granted for each Performance Period, and to determine the duration of each such Performance Period. There may be more than one Performance Period in existence at any one time, and the duration of Performance Periods may differ from each other.

The Performance Goals and Performance Period applicable to an award of Performance Shares shall be set forth in writing by the Committee no later than 90 days after the commencement of the Performance Period and shall be communicated to the Employee. The Committee shall have the discretion to later revise the Performance Goals solely for the purpose of reducing or eliminating the amount of compensation otherwise payable upon attainment of the Performance Goals; provided that the Performance Goals and the amounts payable upon attainment of the Performance Goals may be adjusted during any Performance Period to reflect promotions, transfers or other changes in an Employee's employment so long as such changes are consistent with the Performance Goals established for other Employees in the same or similar positions.

In making a Performance Share award, the Committee may take into account an Employee's responsibility level, performance, cash compensation level, incentive compensation awards and such other considerations as it deems appropriate. Each Performance Share award shall be established in shares of Common Stock and/or shares of Restricted Stock in such proportions as the Committee shall determine. The original amount of any Performance Share award shall not exceed 250,000 shares of Common Stock or Restricted Stock.

The Committee shall determine, in its sole discretion, the manner of payment, which may include (i) cash, (ii) shares of Common Stock, or (iii) shares of Restricted Stock in such proportions as the Committee shall determine. Employees may be offered the opportunity to defer the receipt of payment of earned Performance Shares, and Common Stock may be granted as a bonus for deferral under terms as may be established by the Committee from time to time; however, in no event shall the Common Stock granted as a bonus for deferral exceed 20% of the Performance Shares so deferred.

An Employee must be employed by the Company at the end of a Performance Period in order to be entitled to payment of Performance Shares in respect of such period; provided, however, that in the event of an Employee's cessation of employment before the end of such period, or upon the occurrence of his or her death, retirement, or disability, or other reason approved by the Committee, the Committee may, in its sole discretion, limit such forfeiture.

SECTION 11. CONTINUED EMPLOYMENT, AGREEMENT TO SERVE AND EXERCISE PERIODS

(A) Subject to the provisions of subsection (F) of this Section 11, every Option and SAR shall provide that it may not be exercised in whole or in part for a period of one year after the date of granting such Option (unless otherwise determined by the Committee) and if the employment of the Employee shall terminate prior to the end of such one year period (or such other period determined by the Committee), the Option granted to such Employee shall immediately terminate.

(B) Every Option shall provide that in the event the Employee dies (i) while employed by Ashland, (ii) during the periods in which Options may be exercised by an Employee determined to be disabled as provided in subsection (C) of this Section 11 or (iii) after Retirement, such Option shall be exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Option, by the Beneficiaries of the decedent for the number of shares which the Employee could have acquired under the Option immediately prior to the Employee's death.

(C) Every Option shall provide that in the event the employment of any Employee shall cease by reason of disability, as determined by the Committee at any time during the term of the Option, such Option shall be exercisable, at any time or from time to time prior to the fixed termination date set forth in the Option by such Employee for the number of shares which the Employee could have acquired under the Option immediately prior to the Employee's disability. As used herein, an Employee will be deemed "disabled" when he or she becomes unable to perform the functions required by his or her regular job due to physical or mental illness and, in connection with the grant of an Incentive Stock Option shall be disabled if he or she falls within the meaning of that term as provided in Section 22(e)(3) of the Code. The determination by the Committee of any question involving disability shall be conclusive and binding.

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

(E) Except as provided in subsections (A), (B), (C), (D), (F) and (G) of this Section 11, every Option shall provide that it shall terminate on the earlier to occur of the fixed termination date set forth in the Option or thirty (30) days after cessation of the Employee's employment for any cause only in respect of the number of shares which the Employee could have acquired under the Option immediately prior to such cessation of employment; provided, however, that no Option may be exercised after the fixed termination date set forth in the Option.

(F) Notwithstanding any provision of this Section 11 to the contrary, any Award granted pursuant to the Plan, except a Restricted Stock Award to Outside Directors, which is governed by Section 8, subsection (B), may, in the discretion of the Committee or as provided in the relevant Agreement (if any), become exercisable, at any time or from time to time, prior to the fixed termination date set forth in the Award for the full number of awarded shares or any part thereof, less such numbers as may have been theretofore acquired under the Award (i) from and after the time the Employee ceases to be an Employee of Ashland as a result of the sale or other disposition by Ashland of assets or property (including shares of any Subsidiary) in respect of which such Employee had theretofore been employed or as a result of which such Employee's continued employment with Ashland is no longer required, and (ii) in the case of a Change in Control of Ashland, from and after the date of such Change in Control.

(G) Notwithstanding any provision of this Section 11 to the contrary, in the event the Committee determines, in its sole and absolute discretion, that the employment of any Employee has terminated for a reason or in a manner adversely affecting the Company (which may include, without limitation, taking other employment or rendering service to others without the consent of the Company), then the Committee may direct that such Employee forfeit any and all Options that he or she could otherwise have exercised pursuant to the terms of this Plan.

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

(I) Subject to the limitations set forth in Section 422 of the Code, the Committee may adopt, amend, or rescind from time to time such provisions as it deems appropriate with respect to the effect of leaves of absence approved by any duly authorized officer of Ashland with respect to any Employee.

SECTION 12. WITHHOLDING TAXES

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

SECTION 13. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

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

SECTION 14. AMENDMENTS AND TERMINATIONS

Unless the Plan shall have been earlier terminated as hereinafter provided, no Awards shall be granted hereunder after January 30, 2002. The Board, the Committee, or the Committee on Directors may at any time terminate, modify or amend the Plan in such respects as it shall deem advisable; provided, however, that the Board or the Committee may not, without approval by the holders of a majority of the outstanding shares of stock present and voting at any annual or special meeting of shareholders of Ashland change the manner of determining the minimum Exercise Price of Options, other than to change the manner of determining the Fair Market Value of the Common Stock as set forth in Section 2.

SECTION 15. MISCELLANEOUS PROVISIONS

(A) Except as to an Award of 1,000 Restricted Shares to an Outside Director upon being appointed or elected to the Company's Board of Directors, no Employee or other person shall have any claim or right to be granted an Award under the Plan.

(B) An Employee's or Outside Director's rights and interest under the Plan may not be assigned or transferred in whole or in part, either directly or by operation of law or otherwise (except in the event of an Employee's or Outside Director's death, by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner, and no such right or interest of any Employee or Outside Director in the Plan shall be subject to any obligation or liability of such individual; provided, however, that an Employee's or Outside Director's rights and interest under the Plan may, subject to the discretion and direction of the Committee or, in the case of an Outside Director, the Committee on Directors, be made transferable by such Employee or Outside Director during his or her lifetime. Except as specified in Section 8, the holder of an Award shall have none of the rights of a shareholder until the shares subject thereto shall have been registered in the name of the person receiving or person or persons exercising the Award on the transfer books of the Company.

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

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

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

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

(G) The appropriate officers of the Company shall cause to be filed any reports, returns, or other information regarding Awards hereunder or any Common Stock issued pursuant hereto as may be required by Sections 13, 15(d) or 16(a) of the Exchange Act, or any other applicable statute, rule, or regulation.

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

(I) Each Employee shall be deemed to have been granted any Award on the date the Committee took action to grant such Award under the Plan or such later date as the Committee in its sole discretion shall determine at the time such grant is authorized.

SECTION 16. EFFECTIVENESS OF THE PLAN

The Plan was submitted to the shareholders of the Company for their approval and adoption on January 30, 1997 and was approved by the shareholders on that date.

SECTION 17. GOVERNING LAW

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

EXHIBIT 12

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

	Years Ended September 30				
	1996	1997	1998	1999	2000
EARNINGS					
Income from continuing operations	$ 115	$ 169	$ 178	$ 291	$ 292
Income taxes	71	125	114	193	191
Interest expense	154	148	133	141	189
Interest portion of rental expense	44	48	40	35	39
Amortization of deferred debt expense	1	1	1	1	2
Undistributed earnings of unconsolidated affiliates	(3)	(6)	(62)	(11)	(112)
Earnings of significant affiliates*	7	7	-	-	-
	$ 389	$ 492	$ 404	$ 650	$ 601
FIXED CHARGES					
Interest expense	$ 154	$ 148	$ 133	$ 141	$ 189
Interest portion of rental expense	44	48	40	35	39
Amortization of deferred debt expense	1	1	1	1	2
Capitalized interest	-	1	-	-	-
Fixed charges of significant affiliates*	6	5	-	-	-
	$ 205	$ 203	$ 174	$ 177	$ 230
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
	$ 235	$ 220	$ 174	$ 177	$ 230
RATIO OF EARNINGS TO FIXED CHARGES	1.90	2.42	2.32	3.67	2.61
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	1.66	2.24	2.32	3.67	2.61

* 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.

Ashland Inc. and Consolidated Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended September 30

(In millions)	2000	1999	1998
SALES AND OPERATING REVENUES			
APAC	$2,505	$1,678	$1,444
Ashland Distribution	3,214	2,925	2,941
Ashland Specialty Chemical	1,283	1,263	1,244
Valvoline	1,077	1,059	1,023
Intersegment sales	(118)	(124)	(118)
	$7,961	$6,801	$6,534
OPERATING INCOME(1)			
APAC	$ 140	$ 108	$ 90
Ashland Distribution	70	37	57
Ashland Specialty Chemical	95	107	101
Valvoline	78	74	53
Refining and Marketing(2)	361	323	239
Corporate	(73)	(24)	(118)
	$ 671	$ 625	$ 422
OPERATING INFORMATION			
APAC			
Construction backlog at September 30 (millions)	$1,397	$948	$838
Hot mix asphalt production (million tons)	35.0	25.8	23.1
Aggregate production (million tons)	27.8	20.7	20.3
Ready-mix concrete production (thousand cubic yards)	2,620	1,412	1,151
Ashland Distribution(3)			
Sales per shipping day (millions)	$ 12.8	$ 11.6	$ 11.7
Gross profit as a percent of sales	15.6%	16.0%	14.8%
Ashland Specialty Chemical(3)			
Sales per shipping day (millions)	$ 5.1	$5.0	$4.9
Gross profit as a percent of sales	34.7%	35.9%	35.2%
Valvoline lubricant sales (thousand barrels per day)	12.3	12.6	12.8
Refining and Marketing(4)			
Refined products sold (thousand barrels per day)	1,309	1,231	1,184
Crude oil refined (thousand barrels per day)	892	898	905
Merchandise sales (millions)	$2,329	$2,031	$1,386

(1) See Page 23 for a discussion of unusual items.
(2) Includes Ashland's equity income from Marathon Ashland Petroleum LLC (MAP), amortization of Ashland's excess investment in MAP, and certain retained refining and marketing activities.
(3) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses, less depreciation and amortization relative to manufacturing assets.
(4) Amounts represent 100% of the volumes of MAP, in which Ashland owns a 38% interest. MAP commenced operations January 1, 1998.

RESULTS OF OPERATIONS

Ashland's net income amounted to $70 million in 2000, $290 million in 1999 and $203 million in 1998. Such earnings include various unusual items that significantly affected year-to-year comparisons. The following table shows the effects of unusual items on Ashland's operating and net income for each of the last three years.

	Operating income			Net income		
(In millions)	2000	1999	1998	2000	1999	1998
INCOME BEFORE UNUSUAL ITEMS	$671	$496	$516	$292	$217	$238
Environmental reserves	-	-	(38)	-	-	(23)
Severance and relocation charges	-	(10)	(5)	-	(6)	(3)
G&A restructuring and headquarters move	-	-	(50)	-	-	(31)
Discontinued operations	-	-	-	(218)	(1)	25
Adjustments to inventory market valuation reserve	-	117	(15)	-	71	(9)
Gain on sale of Melamine Chemicals	-	-	14	-	-	6
Environmental insurance recoveries	-	43	-	-	26	-
Asset impairment charges	-	(21)	-	-	(17)	-
Extraordinary loss on early retirement of debt	-	-	-	(4)	-	-
INCOME AS REPORTED	$671	$625	$422	$70	$290	$203

UNUSUAL ITEMS

In December 1996, Ashland announced a major profitability improvement plan including initiatives to restructure its assets to emphasize its highest return businesses and cost efficiency. Certain of the unusual items reported during the last three years have been directly associated with these initiatives, as indicated below.

- Ashland and Marathon Oil Company formed Marathon Ashland Petroleum LLC (MAP) in January 1998. Under the formation agreements, Ashland was contractually committed to complete certain voluntary environmental remediation efforts in progress at various operating locations conveyed to MAP, as well as retain the costs associated with issues addressed in an inspection of the former Ashland refineries by the Environmental Protection Agency. Ashland also decided to close a landfill near the refinery at Catlettsburg, Kentucky. Charges associated with these environmental matters amounted to $38 million. An additional $15 million ($5 million in 1998 and $10 million in 1999) was provided for severance and other costs associated with the formation of MAP and the consolidation of its retail marketing headquarters.

- Ashland restructured its corporate general and administrative functions and decided to move its headquarters in 1998. Costs associated with these actions amounted to $50 million.

- During 2000, Ashland spun-off the majority of its shares of Arch Coal common stock to Ashland's shareholders. In addition, Ashland intends to dispose of its remaining shares in a transaction or transactions that qualify as a sale for federal income tax purposes by March 2001. Accordingly, results from the Arch Coal segment (including costs of the spin-off) are shown as discontinued operations, with prior periods restated.

When it was formed, MAP recorded an inventory market valuation reserve to reduce the carrying costs of its crude oil and petroleum product inventories to their net realizable values. MAP adjusts this reserve quarterly for changes in the values of refined products, and no reserve was required after September 30, 1999. Reserve adjustments prior to that date resulted in an increase of $117 million in Ashland's equity income from MAP in 1999, compared to a reduction of $15 million in 1998.

Other unusual items recognized during the three years ended September 30, 2000, included the following.

- Ashland sold its 23% interest in Melamine Chemicals in 1998 at a gain of $14 million.

- Settlements were reached in 1999 with certain of Ashland's insurance carriers related to the coverage provided under historical policies with respect to environmental remediation liabilities, resulting in a gain of $43 million.

- Ashland recognized impairment charges of $21 million in 1999 principally related to the write-down of goodwill on certain of its European plastics distribution operations. Results from those operations had been well below the levels that were expected when they were acquired, requiring the impairment review and related charges.

- Ashland's early retirement of certain long-term debt resulted in an after tax loss of $4 million in 2000.

The following table compares operating income before unusual items by segment for the three years ended September 30, 2000.

(In millions)	2000	1999	1998
OPERATING INCOME BEFORE UNUSUAL ITEMS			
APAC	$140	$108	$90
Ashland Distribution	70	58	57
Ashland Specialty Chemical	95	107	87
Valvoline	78	74	53
Refining and Marketing	361	216	297
Corporate	(73)	(67)	(68)
	$671	$496	$516

APAC

The APAC construction companies achieved record results in 2000 for the third straight year with operating income of $140 million, compared to $108 million in 1999. Reflecting the acquired construction operations of Superfos, as well as significant growth in its prior operations, net construction revenue (total revenue less subcontract costs) increased 49%. Similarly, APAC's production of construction materials continued to expand with increases in hot mix asphalt (up 36%), crushed aggregate (up 34%) and ready-mix concrete (up 86%). The improvement in operating income also reflects a $21 million reduction in depreciation expense resulting from changes in the estimated useful lives and salvage values of APAC's construction equipment, as well as a gain of $7 million on the sale of certain concrete block operations. Operating income for 2000 would have been even greater if it had not been for the significantly higher costs of liquid asphalt, fuel and power that APAC incurred during the year. APAC's costs of liquid asphalt increased from $117 a ton in 1999 to $156 a ton in 2000, while its fuel and power costs were up 14%.

Operating income from APAC amounted to $108 million in 1999, compared to $90 million in 1998. Net construction revenue increased 17% with improvements coming from all geographic regions. In addition, APAC's production of construction materials reflected increases in hot mix asphalt (up 12%), crushed aggregate (up 2%) and ready-mix concrete (up 23%).

ASHLAND DISTRIBUTION

Ashland Distribution generated operating income of $70 million during 2000, compared to $58 million in 1999, excluding unusual items. The improvement was led by better results from the European plastics distribution business and higher sales of fiber-reinforced plastics and fine ingredients. These improvements more than offset a decline from the chemical distribution business, which was adversely affected by rising hydrocarbon costs. Results of Ashland Distribution for 2000 also reflect a gain of $3 million on the sale of the plastics compounding business in Italy.

Excluding unusual items, overall operating income of Ashland Distribution for 1999 was comparable to its results for 1998. The North American thermoplastics and fiber-reinforced plastics distribution businesses achieved record earnings as a result of stronger fundamentals in end-use markets, and the chemical distribution business was also up. However, the favorable effects were largely offset by profit declines within the fine ingredients and European plastics distribution businesses, which were adversely affected by price deflation and weak markets.

ASHLAND SPECIALTY CHEMICAL

Operating income from Ashland Specialty Chemical declined from $107 million in 1999 to $95 million in 2000. Stronger fundamentals led to record results from electronic chemicals, adhesives and the water treatment businesses, as well as higher earnings from marine chemicals. However, significantly higher styrene and other raw material costs led to margin compression in the polyester resins business, which is the largest specialty chemical business unit. Petrochemicals also felt the adverse effects of significant increases in butane costs, which reduced its margins for maleic anhydride. Results of Ashland Specialty Chemical for 2000 also include charges of $8 million associated with the closing of two manufacturing facilities.

Operating income from Ashland Specialty Chemical increased 24% to $107 million in 1999, compared to $87 million in 1998, excluding the gain on the sale of Melamine Chemicals. Robust market conditions, including volume increases, led to improved results for polymers and adhesives. Results for petrochemicals also increased due to higher sales volumes and margins for maleic anhydride. In addition, operating income from electronic chemicals was up slightly as it continued to recover from the depths of the Asian crisis in 1998. Such improvements were partially offset by lower earnings from marine chemicals, where sales reflected the worldwide reduction in marine traffic.

VALVOLINE

Operating income from Valvoline was $78 million in 2000, compared to $74 million in 1999. The improvement reflects record results from Valvoline Instant Oil Change (VIOC) and significantly better results from international operations. VIOC's results reflect increased franchising royalties, better car counts, higher revenues per car serviced and gains on the sale of certain company-owned units. The lubricant operations performed well despite a difficult market. Multiple base stock cost increases were incurred that were difficult to pass through, resulting in margin compression. However, the adverse effects of the margin compression were largely offset by stringent controls over advertising and other costs. In addition, antifreeze margins suffered from a price spike in ethylene glycol, the chief raw material in antifreeze.

At September 30, 2000, VIOC operated 358 company-owned units, compared to 377 units in 1999 and 391 units in 1998. The reductions since 1998 resulted from sales of company-owned units to franchisees and the closing of certain unprofitable units. The VIOC franchising program continues to expand, with 272 units open in 2000, compared to 207 units in 1999 and 183 units in 1998. VIOC's future growth will focus principally on expanding the number of franchised rather than company-owned units.

Valvoline's operating income increased 40% to $74 million in 1999, compared to $53 million in 1998. Contributing to the improved results were stronger volumes for branded lubricants, R-12 automotive refrigerant and automotive chemicals, as well as improved antifreeze results and record earnings from VIOC. These improvements were partially offset by lower earnings from Valvoline International, reflecting reduced sales volumes and margins in Europe and higher expenses in Latin America. VIOC's operating income reflected better car counts, higher revenues per car serviced and gains on the sale of certain company-owned units.

REFINING AND MARKETING

Operating income from Ashland's refining and marketing segment, which consists primarily of equity income from MAP, totaled $361 million for 2000, compared to $216 million in 1999 before unusual items. MAP's refining margins improved significantly from last year's depressed levels. However, retail markets were not as accommodating as pump prices failed to keep pace with the higher level of wholesale gasoline costs. Merchandise sales were up 15%, in part reflecting MAP's acquisition of certain Michigan retail properties from Ultramar Diamond Shamrock in December 1999.

Excluding unusual items, operating income from Refining and Marketing amounted to $216 million in 1999, compared to $297 million in 1998. The reduction in earnings resulted principally from depressed refining margins during most of fiscal 1999, as crude oil prices escalated rapidly. Wholesale refined product prices were slow to respond and failed to keep pace overall with the increased crude prices. The adverse effects were partially offset by strong retail gasoline margins in the December 1998 quarter and improved merchandise sales.

CORPORATE

Excluding unusual items, Corporate expenses were $73 million in 2000, $67 million in 1999 and $68 million in 1998. The increase in 2000 reflects higher incentive and deferred compensation costs.

NET INTEREST AND OTHER FINANCIAL COSTS

Net interest and other financial costs amounted to $188 million in 2000, $140 million in 1999 and $130 million in 1998. The increased costs since 1998 generally relate to higher debt levels, including increased indebtedness associated with the acquisition of the construction operations of Superfos in 2000. The costs for 2000 also reflect higher interest rates on short-term borrowings, as well as $6 million in costs associated with the sale of receivables under a new program.

DISCONTINUED OPERATIONS

Ashland spun-off the majority of its shares of Arch Coal common stock to Ashland's shareholders during 2000. Accordingly, results from the Arch segment are now shown as discontinued operations, with prior periods restated. Ashland's share of Arch's results prior to the spin-off amounted to equity losses of $215 million in 2000 and $1 million in 1999, and equity income of $25 million in 1998. The equity loss for 2000 included $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 addition, Ashland incurred $5 million of costs ($3 million net of tax benefits) related to the spin-off in 2000.

EXTRAORDINARY LOSS

During 2000, Ashland prepaid $600 million of floating-rate debt used to fund the acquisition of the construction operations of Superfos and refunded $36 million of pollution control revenue bonds. The write-off of unamortized debt issuance expenses and a redemption premium on the bonds resulted in an extraordinary loss on early retirement of debt of $6 million ($4 million net of tax benefits).

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 was used during 2000. Under a shelf registration, Ashland can also issue an additional $350 million in debt and equity securities should future opportunities or needs arise. Furthermore, Ashland has access to various uncommitted lines of credit and commercial paper markets, under which short-term borrowings of $245 million were outstanding at September 30, 2000. 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 $722 million at September 30, 2000. Additional permissible borrowings are reduced by 150% of any reductions in stockholders' equity.

Cash flows from continuing operations, a major source of Ashland's liquidity, amounted to $484 million in 2000, $383 million in 1999 and $354 million in 1998. Cash flows from operations for 2000 include $150 million from sales of receivables (reflected as part of the net change in operating assets and liabilities). Those sales were under a new program that provides for the sale of up to $200 million of designated receivables. Cash flows from operations exceeded Ashland's capital requirements for net property additions and dividends since 1997 by nearly $350 million, providing additional funds for debt repayment and acquisitions.

Property additions amounted to $754 million during the last three years and are summarized in the Information by Industry Segment on Page 49. APAC and Ashland Specialty Chemical accounted for 75% of the capital expenditures (excluding Corporate), with Ashland Distribution and Valvoline sharing the remainder about equally. Capital used for acquisitions (including assumed debt and companies acquired through the issuance of common stock) amounted to $1.01 billion during the last three years, of which $887 million was invested in APAC, $81 million in Ashland Specialty Chemical, $26 million in Valvoline and $16 million in Ashland Distribution. A summary of the capital employed in Ashland's continuing operations at the end of the last three fiscal years follows.

(In millions)	2000	1999	1998
CAPITAL EMPLOYED			
Wholly owned businesses			
APAC	$1,156	$ 663	$ 452
Ashland Distribution	574	527	477
Ashland Specialty Chemical	597	566	557
Valvoline	333	346	357
Refining and Marketing	1,679	1,646	1,729
	$4,339	$3,748	$3,572

Capital employed in APAC increased considerably since 1997, as Ashland's acquisitions were principally focused in the construction business. Capital employed in Ashland's wholly owned businesses increased from 50% of the total at the end of fiscal 1997 to 61% at September 30, 2000.

Long-term borrowings provided cash flows of nearly $1.3 billion during the last three years, including the issuance of $600 million in debt related to the acquisition of the construction operations of Superfos, $502 million of medium-term notes and $150 million in senior notes. The proceeds from these long-term borrowings were used in part to retire $787 million of long-term debt, including the $600 million of Superfos-related debt. Debt retirements included scheduled maturities, as well as prepayments or refundings to reduce interest costs. Cash flows were supplemented as necessary by the issuance of short-term notes and commercial paper.

At September 30, 2000, working capital (excluding debt due within one year) amounted to $759 million, compared to $882 million at the end of fiscal 1999. Ashland's working capital is affected by its use of the LIFO method of inventory valuation. That method valued inventories below their replacement costs by

$71 million at September 30, 2000, and $54 million at September 30, 1999. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 77% of current liabilities at September 30, 2000, compared to 95% at the end of fiscal 1999.

CAPITAL RESOURCES

Ashland's Board of Directors has authorized the purchase of 11.5 million shares of Ashland common stock in the open market. Through September 30, 2000, Ashland had purchased 8.9 million shares at a cost of $363 million. The number of shares ultimately purchased and the prices Ashland will pay for its stock are subject to periodic review by management.

Ashland's total debt amounted to $2.2 billion at September 30, 2000, compared to $1.8 billion at the end of fiscal 1999. The increase reflects the acquisition of the construction operations of Superfos, as well as the share purchase program. Common stockholders' equity decreased by $235 million during 2000 to $2 billion, principally due to Ashland's equity loss of $215 million from Arch Coal, the spin-off of the Arch common stock, and purchases of Ashland common stock. Although debt as a percent of capital employed amounted to 53% at September 30, 2000, compared to 46% at the end of fiscal 1999, it was reduced from the quarterly high point of 58% after the acquisition of Superfos.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is a widely accepted financial indicator of a company's ability to incur and service debt. Ashland's EBITDA, which represents operating income plus depreciation, depletion and amortization (each excluding unusual items), amounted to $908 million in 2000, $705 million in 1999 and $697 million in 1998. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations, or a measure of a company's profitability, liquidity or performance under generally accepted accounting principles.

At September 30, 2000, Ashland's debt included $384 million of floating-rate obligations, including $245 million of short-term borrowings and $139 million of long-term debt. In addition, Ashland's costs under its sale of receivables program and various operating leases are based on the floating-rate interest costs on $253 million of third-party debt underlying those transactions. As a result, Ashland was exposed to fluctuations in short-term interest rates on $637 million of debt obligations at September 30, 2000.

During fiscal 2001, Ashland expects capital expenditures of approximately $250 million. Ashland anticipates meeting its capital requirements during 2001 for property additions, dividends and scheduled debt repayments of $82 million from internally generated funds. However, external financing may be necessary to provide funds for acquisitions or purchases of common stock.

Ashland intends to dispose of its remaining 4.7 million shares of Arch Coal common stock in a transaction or transactions that qualify as a sale for federal income tax purposes by March 2001. On September 6, 2000, Arch filed a registration statement for the sale of these shares by Ashland in a secondary offering.

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.

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 does not believe that any liability resulting from environmental matters, after taking into consideration its insurance coverage and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. However, such matters could have a material effect on results of operations in a particular quarter or fiscal year as they develop or as new issues are identified.

DERIVATIVE INSTRUMENTS

Ashland uses derivatives to reduce its exposure to certain risks inherent within its businesses in accordance with established policies. Ashland does not enter into derivative instruments for trading purposes.

From time to time, Ashland uses commodity futures contracts or derivatives to manage its exposure to price fluctuations for natural gas used by Ashland's manufacturing facilities. These financial products are also used to hedge fixed price natural gas purchase or sales contracts entered into under Ashland's energy management program for its suppliers and customers. Ashland also uses forward exchange contracts to hedge foreign currency transaction exposures of its operations. However, the potential loss from a hypothetical 10% adverse change in commodity prices or foreign currency rates on Ashland's open commodity futures and forward exchange contracts at September 30, 2000, would not significantly affect Ashland's consolidated financial position, results of operations, cash flows or liquidity.

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. However, Ashland did not have any swap agreements outstanding at September 30, 2000.

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 will adopt FAS 133 on January 1, 2001, and cannot reasonably estimate the effect of adoption on its financial position or results of operations.

OUTLOOK

Ashland expects generally improving margins for its wholly owned businesses in 2001 compared to 2000, with operating income growth in a range consistent with the rate of the past several years. Excluding unusual items, Ashland's operating income from wholly owned businesses grew at a compound annual growth rate of 11 percent from 1990 through 2000. Ashland also expects continued strong refining margins during 2001, but without a repeat of the very high margins experienced in the June 2000 quarter, which boosted results for 2000. Such expectations assume a stable economy with more moderate growth and stable to softening crude oil prices.

At September 30, 2000, APAC's construction backlog amounted to $1.4 billion, compared to $948 million at the end of fiscal 1999, including increases in the backlog of public projects, as well as private sector work. Because most of the backlog was bid taking the current levels of liquid asphalt and other costs into consideration, APAC's construction margins should be healthier in 2001.

Ashland Distribution and Ashland Specialty Chemical are both focusing on improving returns. Ashland Distribution is growing revenues from non-traditional businesses through offering new services, such as environmental and energy services, and new products to its current customer base. The fundamentals of Ashland Specialty Chemical's businesses are sound. While higher hydrocarbon costs pose challenges especially for the unsaturated polyester resins business, other specialty chemical lines are performing well and should continue to do so.

Valvoline generated gross profit of around $14 million in each of the last two years from sales of R-12 refrigerant. Based on demand in recent years, Valvoline's earnings from R-12 are expected to be at a comparable level in 2001, but sales thereafter will probably be minimal. Valvoline's strategy is to grow other product lines, such as premium lubricants, Eagle One car care products, and SynPower chemicals, to offset the loss of earnings from R-12 sales after 2001.

Ashland believes that refining industry returns will on average be significantly higher in the foreseeable future than in the 1990s. While it is uncertain how product changes, such as reduced levels of sulfur in gasoline and diesel fuel, may affect the industry, none of these changes are expected to lead to greater supply of petroleum products. Based on industry estimates, MAP projects it will spend $600 to $700 million between 2003 and 2005 for desulfurization of gasoline and diesel fuel. However, MAP does not expect this to hinder the overall profitability of its business. Furthermore, differentiation of products for individual geographic regions and tighter product specifications are expected to continue, which should result in more isolated markets.

Ashland's sales and operating revenues are normally subject to seasonal variations. Although APAC tends to enjoy a relatively long construction season, most of its operating income is generated during the construction period of May to October. In addition, MAP experiences increased demand for gasoline during the summer driving season, higher demand for distillate during the winter heating season and increased demand for asphalt from the road paving industry during the construction season. The following table compares operating income before unusual items by quarter for the three years ended September 30, 2000 (amounts for each quarter do not necessarily total to results for the year due to rounding).

(In millions)	2000	1999	1998
QUARTERLY OPERATING INCOME BEFORE UNUSUAL ITEMS			
December 31	$111	$109	$ 89
March 31	90	44	69
June 30	268	173	218
September 30	203	170	139

CONVERSION TO THE EURO

On January 1, 1999, certain members 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.

EFFECTS OF INFLATION AND CHANGING PRICES

Ashland's financial statements are prepared on the historical cost method of accounting and, as a result, do not reflect changes in the purchasing power of the U.S. dollar. Although annual inflation rates have been low in recent years, Ashland's results are still affected by the cumulative inflationary trend from prior years.

In the capital-intensive industries in which Ashland operates, replacement costs for its properties would generally exceed their historical costs. Accordingly, depreciation, depletion and amortization expense would be greater if it were based on current replacement costs. However, since replacement facilities would reflect technological improvements and changes in business strategies, such facilities would be expected to be more productive than existing facilities, mitigating part of the increased expense.

Ashland uses the last-in, first-out (LIFO) method to value a substantial portion of its inventories to provide a better matching of revenues with current costs. However, LIFO values such inventories below their replacement costs.

Monetary assets (such as cash, cash equivalents and accounts receivable) lose purchasing power as a result of inflation, while monetary liabilities (such as accounts payable and indebtedness) result in a gain, because they can be settled with dollars of diminished purchasing power. Ashland's monetary liabilities exceed its monetary assets, which results in net purchasing power gains and provides a hedge against the effects of future inflation.

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 Capital Resources, Derivative Instruments, Outlook and Conversion to the Euro sections of this MD&A. Estimates as to operating performance and earnings are based on 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 and in Ashland's Form 10-K for the fiscal year ended September 30, 2000.

Ashland Inc. and Consolidated Subsidiaries
STATEMENTS OF CONSOLIDATED INCOME
Years Ended September 30

(In millions except per share data)	2000	1999	1998
REVENUES			
Sales and operating revenues	$7,961	$6,801	$6,534
Equity income - Note F	394	351	304
Other income	81	101	70
	8,436	7,253	6,908
COSTS AND EXPENSES			
Cost of sales and operating expenses	6,434	5,346	5,299
Selling, general and administrative expenses	1,094	1,054	1,006
Depreciation, depletion and amortization	237	228	181
	7,765	6,628	6,486
OPERATING INCOME	671	625	422
Net interest and other financial costs - Note G	(188)	(140)	(130)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	483	485	292
Income taxes - Note E	(191)	(194)	(114)
INCOME FROM CONTINUING OPERATIONS	292	291	178
Income (loss) from discontinued operations (net of income taxes) - Note B	(215)	(1)	25
Costs of spin-off of discontinued operations (net of income taxes) - Note B	(3)	-	-
INCOME BEFORE EXTRAORDINARY LOSS	74	290	203
Extraordinary loss on early retirement of debt (net of income taxes) - Note G	(4)	-	-
NET INCOME	$ 70	$ 290	$ 203
EARNINGS PER SHARE - Note A			
Basic			
Income from continuing operations	$ 4.11	$ 3.95	$ 2.35
Income (loss) from discontinued operations	(3.03)	(.01)	.33
Costs of spin-off of discontinued operations	(.04)	-	-
Extraordinary loss	(.05)	-	-
Net income	$ .99	$ 3.94	$ 2.68
Diluted			
Income from continuing operations	$ 4.10	$ 3.90	$ 2.31
Income (loss) from discontinued operations	(3.03)	(.01)	.32
Costs of spin-off of discontinued operations	(.04)	-	-
Extraordinary loss	(.05)	-	-
Net income	$ .98	$ 3.89	$ 2.63

See Notes to Consolidated Financial Statements.

Ashland Inc. and Consolidated Subsidiaries
CONSOLIDATED BALANCE SHEETS
September 30

(In millions)	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 67	$ 110
Accounts receivable (less allowances for doubtful accounts of $25 million in 2000 and $23 million in 1999)	1,243	1,219
Inventories - Note A	488	464
Deferred income taxes - Note E	135	107
Other current assets	198	159
	2,131	2,059
INVESTMENTS AND OTHER ASSETS		
Investment in Marathon Ashland Petroleum LLC (MAP) - Note F	2,295	2,172
Cost in excess of net assets of companies acquired (less accumulated amortization of $101 million in 2000 and $98 million in 1999)	537	220
Investment in Arch Coal - discontinued operations - Note B	35	417
Other noncurrent assets	351	264
	3,218	3,073
PROPERTY, PLANT AND EQUIPMENT		
Cost		
APAC	1,220	990
Ashland Distribution	356	352
Ashland Specialty Chemical	835	768
Valvoline	354	348
Corporate	114	191
	2,879	2,649
Accumulated depreciation, depletion and amortization	(1,457)	(1,357)
	1,422	1,292
	$6,771	$6,424

See Notes to Consolidated Financial Statements.

(In millions)	2000	1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt due within one year		
Notes payable to financial institutions	$ 180	$ 182
Commercial paper	65	-
Current portion of long-term debt	82	37
Trade and other payables	1,330	1,135
Income taxes	42	42
	1,699	1,396
NONCURRENT LIABILITIES		
Long-term debt (less current portion) - Notes G and I	1,899	1,627
Employee benefit obligations - Note O	383	418
Deferred income taxes - Note E	288	226
Reserves of captive insurance companies	179	175
Other long-term liabilities and deferred credits	358	382
Commitments and contingencies - Notes J and M		
	3,107	2,828
STOCKHOLDERS' EQUITY - Notes G, K AND L		
Preferred stock, no par value, 30 million shares authorized		
Common stockholders' equity		
Common stock, par value $1.00 per share		
Authorized - 300 million shares		
Issued - 70 million shares in 2000 and 72 million shares in 1999	70	72
Paid-in capital	388	464
Retained earnings	1,579	1,710
Accumulated other comprehensive loss	(72)	(46)
	1,965	2,200
	$6,771	$6,424

Ashland Inc. and Consolidated Subsidiaries
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

(In millions)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT OCTOBER 1, 1997	$75	$605	$1,379	$(35)	$2,024
Total comprehensive income(1)			203	(7)	196
Cash dividends, $1.10 per common share			(84)		(84)
Issued common stock under					
Stock incentive plans	1	15			16
Acquisitions of other companies	1	29	3		33
Repurchase of common stock	(1)	(45)			(46)
Other changes		(2)			(2)
BALANCE AT SEPTEMBER 30, 1998	76	602	1,501	(42)	2,137
Total comprehensive income(1)			290	(4)	286
Cash dividends, $1.10 per common share			(81)		(81)
Issued common stock under					
Stock incentive plans		7			7
Acquisitions of other companies	2	77			79
Repurchase of common stock	(6)	(222)			(228)
BALANCE AT SEPTEMBER 30, 1999	72	464	1,710	(46)	2,200
Total comprehensive income(1)			70	(26)	44
Dividends					
Cash, $1.10 per common share			(78)		(78)
Spin-off of Arch Coal shares			(123)		(123)
Issued common stock under					
Stock incentive plans		8			8
Acquisitions of other companies		3			3
Repurchase of common stock	(2)	(87)			(89)
BALANCE AT SEPTEMBER 30, 2000	$70	$388	$1,579	$(72)	$1,965

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

(In millions)	2000	1999	1998
NET INCOME	$70	$290	$203
Minimum pension liability adjustment	2	13	(6)
Related tax benefit (expense)	(1)	(5)	2
Unrealized translation adjustments	(37)	(11)	(7)
Related tax benefit	10	3	1
Unrealized gains (losses) on securities	-	(6)	8
Related tax benefit (expense)	-	2	(3)
Losses (gains) on securities included in net income	-	-	(3)
Related tax expense	-	-	1
TOTAL COMPREHENSIVE INCOME	$44	$286	$196

At September 30, 2000, the accumulated other comprehensive loss of $72 million (after tax) was comprised of net unrealized translation losses of $64 million and a minimum pension liability of $8 million.

See Notes to Consolidated Financial Statements.

Ashland Inc. and Consolidated Subsidiaries
STATEMENTS OF CONSOLIDATED CASH FLOWS
Years Ended September 30

(In millions)	2000	1999	1998
CASH FLOWS FROM CONTINUING OPERATIONS			
Income from continuing operations	$292	$ 291	$178
Expense (income) not affecting cash			
Depreciation, depletion and amortization	237	228	181
Deferred income taxes	111	103	60
Equity income from affiliates	(394)	(351)	(304)
Distributions from equity affiliates	282	339	242
Other items	(19)	(2)	(6)
Change in operating assets and liabilities(1)	(25)	(225)	3
	484	383	354
CASH FLOWS FROM FINANCING			
Proceeds from issuance of long-term debt	988	150	150
Proceeds from issuance of common stock	5	4	10
Repayment of long-term debt	(675)	(59)	(53)
Repurchase of common stock	(89)	(228)	(46)
Increase in short-term debt	63	98	81
Dividends paid	(78)	(81)	(84)
	214	(116)	58
CASH FLOWS FROM INVESTMENT			
Additions to property, plant and equipment	(232)	(248)	(274)
Purchase of leased assets associated with the formation of MAP	-	-	(254)
Purchase of operations - net of cash acquired	(590)	(67)	(187)
Proceeds from sale of operations	50	24	26
Other - net	71	98	111
	(701)	(193)	(578)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	(3)	74	(166)
Cash provided (used) by discontinued operations - Note B	(40)	2	(50)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(43)	76	(216)
Cash and cash equivalents - beginning of year	110	34	250
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 67	$ 110	$ 34
DECREASE (INCREASE) IN OPERATING ASSETS(1)			
Accounts receivable	$ 68	$ (90)	$ (54)
Inventories	-	(25)	(21)
Deferred income taxes	(25)	1	(17)
Other current assets	(28)	(20)	(36)
Investments and other assets	(101)	(53)	(22)
INCREASE (DECREASE) IN OPERATING LIABILITIES(1)			
Trade and other payables	105	(79)	33
Income taxes	(11)	2	(1)
Noncurrent liabilities	(33)	39	121
CHANGE IN OPERATING ASSETS AND LIABILITIES	$ (25)	$(225)	$ 3

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

See Notes to Consolidated Financial Statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Ashland and its majority owned subsidiaries. Investments in joint ventures and 20% to 50% owned affiliates are accounted for on the equity method.

RISKS AND UNCERTAINTIES

The preparation of Ashland's consolidated financial statements in conformity with generally accepted accounting principles requires Ashland's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of long-lived and intangible assets, inventory and receivable valuation allowances, environmental reserves, employee benefit obligations, income recognized under construction contracts, and the ultimate realization of deferred tax assets. Actual results could differ from the estimates and assumptions used.

Ashland's results, including those of Marathon Ashland Petroleum LLC (MAP), are affected by domestic and international economic, political, legislative, regulatory and legal actions, as well as weather conditions. Economic conditions, such as recessionary trends, inflation, interest and monetary exchange rates, and changes in the prices of crude oil, petroleum products and petrochemicals, can have a significant effect on operations. Political actions may include changes in the policies of the Organization of Petroleum Exporting Countries or other developments involving or affecting oil-producing countries, including military conflict, embargoes, internal instability or actions or reactions of the U.S. government in anticipation of, or in response to, such actions. While Ashland maintains reserves for anticipated liabilities and carries various levels of insurance, Ashland could be affected by civil, criminal, regulatory or administrative actions, claims or proceedings relating to the environment or other matters. In addition, climate and weather can significantly affect Ashland's results from several of its operations, such as its construction activities and MAP's heating oil business.

INVENTORIES

(In millions)	2000	1999
Chemicals and plastics	$375	$358
Construction materials	80	55
Petroleum products	52	45
Other products	45	55
Supplies	7	5
Excess of replacement costs over LIFO carrying values	(71)	(54)
	$488	$464

Chemicals, plastics, petroleum products and supplies with a replacement cost of $327 million at September 30, 2000, and $302 million at September 30, 1999, are valued using the last-in, first-out (LIFO) method. The remaining inventories are stated generally at the lower of cost (using the first-in, first-out [FIFO] or average cost method) or market.

LONG-LIVED AND INTANGIBLE ASSETS

The cost of plant and equipment is depreciated by the straight-line method over the estimated useful lives of the assets. Costs in excess of net assets of companies acquired are amortized by the straight-line method over periods generally ranging from 15 to 40 years, with an average remaining life of 17 years. Long-lived and intangible assets are periodically reviewed for recoverability when impairment indicators are present. Recorded values that are not expected to be recovered through undiscounted future cash flows are written down to current fair value, which is generally determined from estimated discounted future net cash flows (assets held for use) or net realizable value (assets held for sale).

Goodwill amortization amounted to $29 million in 2000, $34 million in 1999 and $14 million in 1998. The 1999 amount included unusual charges of $19 million for goodwill write-downs related to certain European operations. Results from these operations had consistently been well below the levels that were expected when they were acquired, necessitating the impairment review and resulting write-downs. In addition to these amounts, equity income includes the amortization of the excess of Ashland's investment over its underlying equity in the net assets of MAP. At September 30, 2000, such excess amounted to $374 million and is being amortized on a straight-line basis ($26 million in 2000, $27 million in 1999 and $21 million in 1998).

ENVIRONMENTAL COSTS

Accruals for environmental costs are recognized when it is probable that a liability has been incurred and the amount of that liability can be reasonably estimated. Such costs are charged to expense if they relate to the remediation of conditions caused by past operations or are not expected to mitigate or prevent contamination from future operations. Accruals are recorded at undiscounted amounts based on experience, assessments and current technology, without regard to any third-party recoveries and are regularly adjusted as environmental assessments and remediation efforts proceed.

EARNINGS PER SHARE

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

(In millions except per share data)	2000	1999	1998
NUMERATOR			
Numerator for basic and diluted EPS - Income from continuing operations	$ 292	$ 291	$ 178
DENOMINATOR			
Denominator for basic EPS - Weighted average common shares outstanding	71	74	76
Common shares issuable upon exercise of stock options	-	1	1
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	71	75	77
BASIC EPS FROM CONTINUING OPERATIONS	$4.11	$3.95	$2.35
DILUTED EPS FROM CONTINUING OPERATIONS	$4.10	$3.90	$2.31

DERIVATIVE INSTRUMENTS

From time to time, Ashland uses commodity futures contracts or derivatives to manage its exposure to price fluctuations for natural gas used by Ashland's manufacturing facilities. These financial products are also used to hedge fixed price natural gas purchase or sales contracts entered into under Ashland's energy management program for its suppliers and customers. Realized gains and losses on these contracts are included in cost of sales in the delivery month, with amounts paid or received on early terminations deferred on the balance sheet in other current assets or trade and other payables (the deferral method).

Ashland uses forward exchange contracts to hedge foreign currency transaction exposures of its operations. These contracts are marked-to-market each month and included in trade and other payables, with the offsetting gain or loss included in other income (the fair value method).

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. Each interest rate swap agreement is designated with all or a portion of the principal balance and term of a specific debt obligation. These agreements involve the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates over the life of the agreement, without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense (the accrual method). The related amount payable to or receivable from counterparties is included in trade and other payables. The fair values of the swap agreements are not recognized in the financial statements. Gains and losses on early terminations of interest rate swap agreements are deferred on the balance sheet (in other long-term liabilities) and amortized as an adjustment to interest expense over the remaining term of the original contract life of the terminated swap agreement.

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 will adopt FAS 133 on January 1, 2001, and cannot reasonably estimate the effect of adoption on its financial position or results of operations.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STOCK INCENTIVE PLANS

Ashland accounts for its stock options using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and related Interpretations. The disclosure requirements of Financial Accounting Standards Board Statement No. 123 (FAS 123), "Accounting for Stock-Based Compensation," are included in Note L.

OTHER

Cash equivalents include highly liquid investments maturing within three months after purchase.

Income related to construction contracts is generally recognized by the units-of-production method, which is a variation of the percentage-of-completion method. Any anticipated losses on such contracts are charged against operations as soon as such losses are estimable.

Research and development costs are expensed as incurred ($33 million in 2000, $30 million in 1999 and $28 million in 1998).

Effective October 1, 1999, APAC changed the estimated useful lives and salvage values for its construction equipment, resulting in a decrease in depreciation expense of approximately $21 million in 2000.

Certain prior year amounts have been reclassified in the consolidated financial statements and accompanying notes to conform with 2000 classifications.

NOTE B - DISCONTINUED OPERATIONS

On March 16, 2000, Ashland's Board of Directors approved a spin-off of 17.4 million shares of its Arch Coal Common Stock to Ashland's shareholders of record on March 24, 2000, in the form of a taxable dividend. The shares were distributed on the basis of .246097 of a share of Arch Coal for each Ashland share outstanding. The spin-off resulted in a charge to retained earnings of $123 million, with no gain or loss recorded. However, Ashland incurred $5 million of costs related to the spin-off and an offsetting tax benefit of $2 million. Ashland intends to dispose of its remaining 4.7 million Arch shares in a transaction or transactions that qualify as a sale for federal income tax purposes by March 2001. On September 6, 2000, Arch filed a registration statement for the sale of these shares by Ashland in a secondary offering. Results from the Arch Coal segment are shown as discontinued operations with prior periods restated. Components of amounts reflected in income and cash flow are presented in the following table. Ashland's equity income for 2000 shown below 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.

On May 6, 1998, Ashland completed its withdrawal from the exploration business through the sale of its exploration and production operations in Nigeria with no significant gain or loss. The 1998 column in the following table also includes the cash flow components of the Nigerian operations, including the sales proceeds.

(In millions)	2000	1999	1998
INCOME STATEMENT DATA			
Revenues - Equity income (loss)	$(246)	$(2)	$ 25
Costs and expenses - SG&A expenses	(1)	(1)	-
Operating income (loss)	(247)	(3)	25
Income tax benefit	32	2	-
Income (loss) from discontinued operations	$(215)	$(1)	$ 25
CASH FLOW DATA			
Cash flows from operations	$ (40)	$ 7	$(69)
Cash flows from investment (including sales proceeds)	-	(5)	19
Cash provided (used) by discontinued operations	$ (40)	$ 2	$(50)

NOTE C - INFORMATION BY INDUSTRY SEGMENT

Ashland's operations are conducted primarily in the United States and are managed along industry segments, which include APAC, Ashland Distribution, Ashland Specialty Chemical, Valvoline, and Refining and Marketing. Information by industry segment is shown on Pages 48 and 49.

The APAC group of companies performs contract construction work, such as paving, repairing and resurfacing highways, streets, airports, residential and commercial developments, sidewalks, and driveways; grading and base work; and excavation and related activities in the construction of bridges and structures, drainage facilities and underground utilities in 14 southern and midwestern states. APAC also produces and sells construction materials, such as hot-mix asphalt and ready-mix concrete, crushed stone and other aggregate.

Ashland Distribution distributes chemicals, plastics, fiber reinforcements and fine ingredients in North America and plastics in Europe.

Ashland Specialty Chemical manufactures and supplies specialty chemical products and services to industries including the adhesives, automotive, composites, construction, foundry, merchant marine, paint, paper, plastics and semiconductor fabrication industries.

Valvoline is a marketer of premium-branded automotive and industrial oils, automotive chemicals, appearance products and services, with sales in more than 140 countries. Valvoline is engaged in the "fast oil change" business through owned and franchised outlets operating under the Valvoline Instant Oil Change name.

The Refining and Marketing segment includes Ashland's 38% ownership interest in Marathon Ashland Petroleum LLC (MAP) and certain retained refining and marketing activities. MAP was formed January 1, 1998, combining the major elements of the refining, marketing and transportation operations of Ashland and Marathon Oil Company. MAP has seven refineries with a combined crude oil refining capacity of 935,000 barrels per day, 93 light products and asphalt terminals in the Midwest and Southeast United States, more than 6,000 retail marketing outlets in 21 states and significant pipeline holdings. Ashland accounts for its interest in MAP using the equity method.

As described in Note B, the spin-off of Arch Coal shares to Ashland's shareholders in 2000 and the planned sale of Ashland's remaining interest in Arch resulted in the presentation of the Arch Coal segment as discontinued operations, with prior years restated.

Information about Ashland's domestic and foreign operations follows. Ashland has no material operations in any individual foreign country.

	Revenues from external customers			Long-lived assets	
(In millions)	2000	1999	1998	2000	1999
United States	$7,348	$6,185	$5,855	$1,300	$1,181
Foreign	1,088	1,068	1,053	122	111
	$8,436	$7,253	$6,908	$1,422	$1,292

NOTE D - RELATED PARTY TRANSACTIONS

Ashland sells chemicals and lubricants to Marathon Ashland Petroleum LLC (MAP) and purchases petroleum products from MAP. Such transactions are in the ordinary course of business at negotiated prices comparable to those of transactions with other customers and suppliers. In addition, Ashland leases certain facilities to MAP, and provides certain information technology and administrative services to MAP. For the year ended September 30, 2000, Ashland's sales to MAP amounted to $15 million, its purchases from MAP amounted to $261 million, and its costs charged to MAP amounted to $8 million. Comparable amounts for the year ended September 30, 1999, were $8 million, $185 million, and $16 million, and for the nine months ended September 30, 1998, were $17 million, $147 million, and $21 million. Ashland's transactions with other affiliates and related parties were not significant.

Ashland and Marathon have entered into a revolving credit agreement providing for loans up to $500 million to MAP. Ashland may, at its discretion, choose to fund up to 38% of any loans to MAP under the agreement. At September 30, 2000, no loans were outstanding under the agreement.

NOTE E - INCOME TAXES

A summary of the provision for income taxes related to continuing operations follows.

(In millions)	2000	1999	1998
Current(1)			
Federal	$ 57	$ 63	$ 42
State	6	17	(1)
Foreign	17	11	13
	80	91	54
Deferred	111	103	60
	$191	$194	$114

(1) Income tax payments amounted to $114 million in 2000, $142 million in 1999 and $109 million in 1998.

Deferred income taxes are provided for income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences that give rise to significant deferred tax assets and liabilities follow.

(In millions)	2000	1999
Employee benefit obligations	$167	$174
Environmental, insurance and litigation reserves	140	123
Compensation accruals	57	44
Uncollectible accounts receivable	13	11
Other items	79	76
Total deferred tax assets	456	428
Property, plant and equipment	156	95
Investment in unconsolidated affiliates	453	452
Total deferred tax liabilities	609	547
Net deferred tax liability	$153	$119

The U.S. and foreign components of income from continuing operations before income taxes and a reconciliation of the statutory federal income tax with the provision for income taxes follow.

(In millions)	2000	1999	1998
Income from continuing operations before income taxes			
United States	$418	$461	$249
Foreign	65	24	43
	$483	$485	$292
Income taxes computed at U.S. statutory rates	$169	$169	$102
Increase (decrease) in amount computed resulting from			
State income taxes	14	17	5
Net impact of foreign results	-	6	5
Nondeductible goodwill amortization	7	2	2
Other items	1	-	-
Income taxes	$191	$194	$114

NOTE F - UNCONSOLIDATED AFFILIATES

Affiliated companies accounted for on the equity method include Marathon Ashland Petroleum LLC (MAP) and various other companies. See Note C for a description of MAP. Summarized financial information reported by these affiliates and a summary of the amounts recorded in Ashland's consolidated financial statements follow. MAP is organized as a limited liability company (LLC) 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 incurred by its parents. At September 30, 2000, Ashland's retained earnings included $120 million of undistributed earnings from unconsolidated affiliates accounted for on the equity method.

(In millions)	MAP	Other affiliates	Total
SEPTEMBER 30, 2000			
Financial position			
Current assets	$ 3,641	$ 82	
Current liabilities	(2,249)	(48)	
Working capital	1,392	34	
Noncurrent assets	3,974	92	
Noncurrent liabilities	(310)	(22)	
Stockholders' equity	$ 5,056	$104	
Results of operations			
Sales and operating revenues	$27,657	$181	
Income from operations	1,084	25	
Net income	1,092	13	
Amounts recorded by Ashland			
Investments and advances	2,295(1)	57	$2,352
Equity income	389	5	394
Distributions received	279	3	282
SEPTEMBER 30, 1999			
Financial position			
Current assets	$ 3,220	$ 84	
Current liabilities	(1,895)	(46)	
Working capital	1,325	38	
Noncurrent assets	3,611	72	
Noncurrent liabilities	(271)	(19)	
Stockholders' equity	$ 4,665	$ 91	
Results of operations			
Sales and operating revenues	$ 18,965	$163	
Income from operations	976	23	
Net income	977	13	
Amounts recorded by Ashland			
Investments and advances	2,172	49	$2,221
Equity income	345	6	351
Distributions received	333	6	339
SEPTEMBER 30, 1998			
Results of operations			
Sales and operating revenues	$ 14,588(2)	$165	
Income from operations	729(2)	45	
Net income	742(2)	13	
Amounts recorded by Ashland			
Equity income	298(3)	6	$ 304
Distributions received	233(3)	9	242

(1) At September 30, 2000, Ashland's investment exceeded its underlying equity in the net assets of MAP by $374 million. Such excess is being amortized against equity income on a straight-line basis ($26 million in 2000, $27 million in 1999 and $21 million in 1998).

(2) Amounts represent results of operations for MAP for the nine months ended September 30, 1998, since MAP was formed on January 1, 1998.

(3) Includes $36 million of equity income and $61 million in cash flow from Ashland's former Refining and Marketing operations for the quarter ended December 31, 1997, prior to the formation of MAP.

NOTE G - LONG-TERM DEBT

(In millions)	2000	1999
Medium-term notes, due 2001-2025, interest at a weighted average rate of 8.1% at September 30, 2000 (6.8% to 10.4%)	$ 917	$ 849
8.80% debentures, due 2012	250	250
7.83% medium-term notes, Series J, due 2005	250	-
Pollution control and industrial revenue bonds, due 2001-2022, interest at a weighted average rate of 6.4% at September 30, 2000 (5.3% to 7.2%)	217	217
6.86% medium-term notes, Series H, due 2009	150	150
6.625% senior notes, due 2008	150	150
Other	47	48
	1,981	1,664
Current portion of long-term debt	(82)	(37)
	$1,899	$1,627

Aggregate maturities of long-term debt are $82 million in 2001, $84 million in 2002, $191 million in 2003, $67 million in 2004 and $417 million in 2005. Certain floating-rate pollution control and industrial revenue bonds amounting to $38 million are subject to early redemptions at the holders' option, but not before October 1, 2001. These bonds are due between 2003 and 2009, and are included in maturities based on their ultimate due date.

Ashland has two revolving credit agreements providing for up to $425 million in borrowings, neither of which was used during 2000. The agreement providing for $250 million in borrowings expires on June 2, 2004. The agreement providing for $175 million in borrowings expires on May 29, 2001. Both agreements contain a covenant limiting new borrowings. Based on Ashland's financial position at September 30, 2000, borrowings (including any borrowings under these agreements) could be increased by up to $722 million. Additional permissible borrowings are reduced by 150% of any reductions in stockholders' equity.

Interest payments on all indebtedness amounted to $189 million in 2000, $136 million in 1999 and $132 million in 1998. The weighted average interest rate on short-term borrowings outstanding was 6.8% at September 30, 2000, and 5.7% at September 30, 1999.

NET INTEREST AND OTHER FINANCIAL COSTS

(In millions)	2000	1999	1998
Interest expense	$191	$141	$133
Expenses on sales of accounts receivable (see Note H)	6	-	-
Other financial costs	1	-	-
Interest income	(10)	(1)	(3)
	$188	$140	$130

EXTRAORDINARY LOSS

During 2000, Ashland refunded $36 million of pollution control revenue bonds and prepaid $600 million of 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 $6 million which, net of income tax benefits of $2 million, resulted in an extraordinary loss on early retirement of debt of $4 million.

NOTE H - SALE OF ACCOUNTS RECEIVABLE

On March 15, 2000, Ashland entered into a five year agreement to sell, on an ongoing basis and without recourse, up to a $200 million undivided fractional ownership interest in a designated pool of accounts receivable. Under the terms of the agreement, new receivables are added to the pool and collections reduce the pool. Since inception, undivided fractional ownership interests totaling $150 million have been sold on a continuous basis. The proceeds from sale were reflected as a reduction of accounts receivable on Ashland's balance sheet and as operating cash flows on Ashland's cash flow statement. The costs of these sales are based on the buyer's short-term borrowing rates and approximated 6.9% at September 30, 2000.

NOTE I - FINANCIAL INSTRUMENTS

COMMODITY AND FOREIGN CURRENCY HEDGES

Ashland uses commodity futures contracts and forward exchange contracts to reduce its exposure to certain risks inherent within its businesses as described in Note A. The fair value of open commodity and foreign exchange contracts was not significant at September 30, 2000, and 1999.

INTEREST RATE SWAPS

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 had no swap agreements outstanding at September 30, 2000, and only one $25 million floating-rate swap agreement outstanding at September 30, 1999.

FAIR VALUES

The carrying amounts and fair values of Ashland's significant financial instruments at September 30, 2000, and 1999, are shown below. The fair values of cash and cash equivalents, investments of captive insurance companies, notes payable to financial institutions and commercial paper approximate their carrying amounts. The fair values of long-term debt are based on quoted market prices or, if market prices are not available, the present values of the underlying cash flows discounted at Ashland's incremental borrowing rates.

	2000		1999	
(In millions)	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	$ 67	$ 67	$ 110	$ 110
Investments of captive insurance companies(1)	28	28	16	16
Liabilities				
Notes payable to financial institutions	180	180	182	182
Commercial paper	65	65	-	-
Long-term debt (including current portion)	1,981	2,014	1,664	1,732

(1) Included in other noncurrent assets in the Consolidated Balance Sheets.

NOTE J - LEASES AND OTHER COMMITMENTS

LEASES

Ashland and its subsidiaries are lessees in noncancelable leasing agreements for office buildings, warehouses, transportation equipment, storage facilities, retail outlets, manufacturing facilities and other equipment and properties which expire at various dates. Capitalized lease obligations are not significant and are included in long-term debt. Future minimum rental payments at September 30, 2000, and rental expense under operating leases follow.

(In millions)

Future minimum rental payments		Rental expense	2000	1999	1998
2001	$ 47				
2002	40	Minimum rentals			
2003	35	(including rentals under			
2004	28	short-term leases)	$115	$103	$119
2005	23	Contingent rentals	5	5	8
Later years	114	Sublease rental income	(2)	(3)	(6)
	$287		$118	$105	$121

OTHER COMMITMENTS

To obtain mining permits, Arch Coal must post surety bonds guaranteeing that it will perform any required reclamation upon closure of a mine. Such bonds have been included in Ashland's corporate surety bond program which includes its wholly owned subsidiaries, primarily the APAC group of construction companies. Since Ashland has indemnity agreements with its surety companies, Ashland was guarantor for reclamation and various other bonds posted by Arch Coal totaling $204 million at September 30, 2000. Arch is replacing these bonds with other sources as they expire.

NOTE K - CAPITAL STOCK

Ashland's Board of Directors has authorized the purchase of 11.5 million shares of Ashland common stock in the open market. Through September 30, 2000, Ashland had purchased 8.9 million shares at a cost of $363 million.

Under Ashland's Shareholder Rights Plan, each common share is accompanied by one right to purchase one-thousandth share of preferred stock for $140. Each one-thousandth share of preferred stock will be entitled to dividends and to vote on an equivalent basis with one common share. The rights are neither exercisable nor separately transferable from the common shares unless a party acquires or tenders for more than 15% of Ashland's common stock. If any party acquires more than 15% of Ashland's common stock or acquires Ashland in a business combination, each right (other than those held by the acquiring party) will entitle the holder to purchase preferred stock of Ashland or the acquiring company at a substantial discount. The rights expire on May 16, 2006, and Ashland's Board of Directors can amend certain provisions of the Plan or redeem the rights at any time prior to their becoming exercisable.

At September 30, 2000, 500,000 shares of cumulative preferred stock are reserved for potential issuance under the Shareholder Rights Plan and 6.4 million common shares are reserved for issuance under outstanding stock options.

NOTE L - STOCK INCENTIVE PLANS

Ashland has stock incentive plans under which key employees or directors can purchase shares of common stock under stock options or restricted stock awards. Stock options are granted to employees at a price equal to the fair market value of the stock on the date of grant and become exercisable over periods of one to four years. Unexercised options lapse 10 years after the date of grant. Restricted stock awards entitle employees or directors to purchase shares at a nominal cost, to vote such shares and to receive any dividends thereon. However, such shares are subject to forfeiture upon termination of service before the restriction period ends.

As discussed in Note A, Ashland accounts for its stock incentive plans in accordance with APB 25. Ashland has not recognized compensation expense for stock options, because the exercise price of the options equals the market price of the underlying stock on the date of grant, which is the measurement date. If the alternative method of accounting for stock incentive plans prescribed by FAS 123 had been followed, Ashland's net income and earnings per share would have been reduced to the pro forma amounts shown in the following table. The weighted average fair value of options granted was determined using the Black-Scholes option pricing model with the indicated assumptions.

	2000	1999	1998
Pro forma			
Net income (in millions)	$ 66	$ 286	$ 199
Basic earnings per share	.93	3.88	2.63
Diluted earnings per share	.92	3.84	2.58
Weighted average fair value per share of options granted	$7.26	$7.97	$11.45
Assumptions (weighted average)			
Risk-free interest rate	6.1%	6.0%	4.7%
Expected dividend yield	3.3%	3.0%	2.0%
Expected volatility	22.9%	21.0%	23.8%
Expected life (in years)	5.0	5.0	5.0

A progression of activity and various other information relative to stock options is presented in the following table.

	2000		1999		1998	
(In thousands except per share data)	Common shares	Weighted avg. option price per share	Common shares	Weighted avg. option price per share	Common shares	Weighted avg. option price per share
Outstanding - beginning of year(1)	6,381	$38.34	4,965	$38.82	4,718	$37.52
Granted	506	32.96	1,590	36.97	580	48.07
Exercised	(195)	30.75	(120)	34.55	(282)	34.85
Canceled	(312)	41.26	(54)	49.75	(51)	45.78
Outstanding - end of year(1)	6,380	$38.01	6,381	$38.34	4,965	$38.82
Exercisable - end of year	4,684	$38.53	4,348	$37.65	3,836	$35.93

(1) Shares of common stock available for future grants of options or awards amounted to 3,670,000 at September 30, 2000, and 1999. Exercise prices per share for options outstanding at September 30, 2000, ranged from $23.88 to $33.88 for 2,281,000 shares, from

$35.88 to $43.13 for 2,789,000 shares, and from $48.00 to $53.38 for 1,310,000 shares. The weighted average remaining contractual life of the options was 6.3 years.

NOTE M - LITIGATION, CLAIMS AND CONTINGENCIES

Ashland is subject to various federal, state and local environmental laws and regulations that require remediation efforts at multiple locations, including current operating facilities, operating facilities conveyed to Marathon Ashland Petroleum LLC (MAP), previously owned or operated facilities, and Superfund or other waste sites. During 1998, Ashland provided additional environmental reserves of $38 million associated principally with the completion of certain voluntary efforts in progress at various operating facilities conveyed to MAP and the closing of a landfill near Ashland's former Catlettsburg, Kentucky refinery. Consistent with its accounting policy for environmental costs, Ashland's reserves for environmental assessments and remediation efforts amounted to $163 million at September 30, 2000, and $166 million at September 30, 1999. 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.

During 1999, as part of a comprehensive environmental insurance recovery project, Ashland entered into settlement agreements with certain of its insurance carriers in exchange for releases of their present and future liabilities to Ashland under its historical liability policies. As a result of these agreements, Ashland recorded pretax income of $43 million.

In addition to environmental matters, Ashland and its subsidiaries are parties to numerous other claims and lawsuits, some of which are for substantial amounts. While these actions are being contested, the outcome of individual matters is not predictable with assurance. Ashland does not believe that any liability resulting from any of the above matters, after taking into consideration its insurance coverage and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. However, such matters could have a material effect on results of operations in a particular quarter or fiscal year as they develop or as new issues are identified.

NOTE N - ACQUISITIONS AND DIVESTITURES

ACQUISITIONS

In October 1999, Ashland completed its tender offer for Superfos a/s, a Denmark based industrial company. In November 1999, in a series of transactions, Ashland sold the businesses of Superfos, other than its U.S. construction operations, to a unit of Industri Kapital, a European private equity fund. Ashland's net cost for the U.S. construction business of Superfos was approximately $533 million. Prior to Ashland's acquisition, these operations generated sales and operating revenues of $557 million and operating income of $30 million during the year ended September 30, 1999. In addition, several smaller acquisitions were made by APAC and Ashland Specialty Chemical in 2000, two of which included the issuance of $3 million in Ashland common stock.

During 1999, APAC acquired 14 construction businesses, six of which included the issuance of $79 million in Ashland common stock. During 1998, APAC acquired 10 Missouri-based companies known as the Masters-Jackson group, and Ashland Distribution and Ashland Specialty Chemical acquired Gwil Industries' Plastics Division. In addition, Valvoline acquired the Eagle One brand of premium automotive appearance products. Eagle One and four smaller APAC acquisitions were acquired by the issuance of a total of $61 million in Ashland common stock, and certain of these acquisitions were accounted for as poolings of interests. Prior periods were not restated, since the effects would have been insignificant. The other acquisitions, as well as several smaller acquisitions completed during the last three years, were accounted for as purchases and did not have a significant effect on Ashland's consolidated financial statements.

DIVESTITURES

During 2000, APAC sold certain concrete and block plants and Ashland Distribution sold its plastics compounding business in Italy. In 1999, Valvoline sold its used oil collection business. In 1998, Ashland sold its 23% interest in Melamine Chemicals for $26 million, resulting in a pretax gain of $14 million ($6 million after tax). Also in 1998, Ashland completed its withdrawal from the exploration business through the sale of its exploration and production operations in Nigeria. See Note B for further information on this transaction and its impact on Ashland's consolidated financial statements.

NOTE O - EMPLOYEE BENEFIT PLANS

PENSION AND OTHER POSTRETIREMENT PLANS

Ashland and its subsidiaries sponsor noncontributory, defined benefit pension plans that cover substantially all employees. Benefits under these plans are generally based on employees' years of service and compensation during the years immediately preceding their retirement. For certain plans, 50% of employees' leveraged employee stock ownership plan (LESOP) accounts are coordinated with and used to fund their pension benefits. Ashland determines the level of contributions to its pension plans annually and contributes amounts within the limitations imposed by Internal Revenue Service regulations.

Ashland and its subsidiaries also sponsor unfunded postretirement benefit plans, which provide health care and life insurance benefits for eligible employees who retire or are disabled. Retiree contributions to Ashland's health care plans are adjusted periodically, and the plans contain other cost-sharing features, such as deductibles and coinsurance. Life insurance plans are generally noncontributory for base level coverage, and fully contributory for any additional coverage elected by employees. Ashland funds the costs of benefits as they are paid.

Summaries of the changes in the benefit obligations and plan assets (primarily listed stocks and debt securities) and of the funded status of the plans follow.

	Pension benefits				Other postretirement benefits	
	2000		1999			
(In millions)	Qualified plans	Nonqualified plans	Qualified plans	Nonqualified plans	2000	1999
CHANGE IN BENEFIT OBLIGATIONS						
Benefit obligations at October 1	$529	$88	$505	$98	$262	$262
Service cost	35	2	33	1	9	8
Interest cost	40	7	35	6	19	18
Retiree contributions	-	-	-	-	5	4
Benefits paid	(24)	(7)	(17)	(3)	(25)	(23)
Other-primarily actuarial loss (gain)	15	(3)	(27)	(14)	(1)	(7)
Benefit obligations at September 30	$595	$87	$529	$88	$269	$262
CHANGE IN PLAN ASSETS						
Value of plan assets at October 1	$429	$ -	$369	$ -	$ -	$ -
Actual return on plan assets	50	-	31	-	-	-
Employer contributions	46	7	42	3	20	19
Retiree contributions	-	-	-	-	5	4
Benefits paid	(24)	(7)	(17)	(3)	(25)	(23)
Other	5	-	4	-	-	-
Value of plan assets at September 30	$506	$ -	$429	$ -	$ -	$ -
FUNDED STATUS OF THE PLANS						
Under (over) funded accumulated obligation	$(29)	$73	$(14)	$73	$269	$262
Provision for future salary increases	118	14	114	15	-	-
Excess of obligations over plan assets	89	87	100	88	269	262
Unrecognized actuarial loss	(35)	(27)	(36)	(26)	(6)	(7)
Unrecognized transition gain (loss)	-	-	-	(1)	-	-
Unrecognized prior service credit (cost)	(4)	-	(5)	-	31	39
Net liability recognized	$ 50	$60	$ 59	$61	$294	$294
BALANCE SHEET LIABILITIES (ASSETS)						
Prepaid benefit costs		$ (3)		$ (2)	$ -	$ -
Accrued benefit liabilities		127		139	294	294
Intangible assets		-		(1)	-	-
Accumulated other comprehensive loss		(14)		(16)	-	-
Net liability recognized		$110		$120	$294	$294
ASSUMPTIONS AS OF SEPTEMBER 30						
Discount rate		7.75%		7.75%	7.75%	7.75%
Rate of compensation increase		5.00		5.00	5.00	5.00
Expected return on plan assets		9.00		9.00	-	-

The following table details the components of pension and other postretirement benefit costs.

	Pension benefits			Other postretirement benefits		
(In millions)	2000	1999	1998	2000	1999	1998
Service cost	$37	$34	$28	$ 9	$ 8	$ 8
Interest cost	47	41	34	19	18	16
Expected return on plan assets	(39)	(34)	(30)	-	-	-
Other amortization and deferral	5	5	8	(9)	(7)	(10)
	$50	$46	$40	$19	$19	$14

Ashland amended nearly all of its retiree health care plans in 1992 to place a cap on its contributions and to adopt a cost-sharing method based upon years of service. The cap limits Ashland's contributions to base year per capita costs, plus annual increases of up to 4.5% per year. These amendments reduced Ashland's obligations under its retiree health care plans at that time by $197 million, which was being amortized to income over approximately 12 years. During 1998, Marathon Ashland Petroleum LLC (MAP) assumed certain of Ashland's postretirement benefit obligations, and $38 million of the unrecognized credit from this plan amendment was applied against the carrying value of Ashland's investment in MAP. The remaining credit at September 30, 2000, amounted to $31 million, and will be amortized over approximately four years in declining amounts from $9 million in 2001 to $6 million in 2004.

OTHER PLANS

Ashland sponsors a qualified savings plan to assist eligible employees in providing for retirement or other future needs. Under that plan, Ashland contributes up to 4.2% of a participating employee's earnings. Company contributions amounted to $15 million in each of the last three years.

NOTE P - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents quarterly financial information and per share data relative to Ashland's common stock. Amounts for the quarters prior to March 2000 have been restated to present Arch Coal as discontinued operations (see Note B).

Quarters ended	December 31		March 31		June 30		September 30	
(In millions except per share data)	1999	1998	2000	1999	2000	1999	2000	1999
Sales and operating revenues	$1,897	$1,646	$1,822	$1,503	$2,103	$1,796	$2,140	$1,856
Operating income	111	17	90	176	268	197	203	235
Income (loss) from continuing operations	$ 40	$ (10)	$ 25	$ 87	$ 129	$ 99	$ 97	$ 115
Income (loss) from discontinued operations	(206)	(1)	(12)	-	-	1	-	(1)
Extraordinary loss	-	-	(2)	-	-	-	(1)	-
Net income (loss)	$ (166)	$ (11)	$ 11	$ 87	$ 129	$ 100	$ 96	$ 114
Basic earnings (loss) per share								
Continuing operations	$ .56	$ (.13)	$ .35	$ 1.17	$ 1.83	$ 1.35	$ 1.38	$ 1.60
Discontinued operations	(2.88)	(.01)	(.16)	-	-	.01	-	(.02)
Extraordinary loss	-	-	(.03)	-	-	-	(.02)	-
Net income (loss)	$(2.32)	$ (.14)	$ .16	$ 1.17	$ 1.83	$ 1.36	$ 1.36	$ 1.58
Diluted earnings (loss) per share								
Continuing operations	$ .55	$ (.13)	$ .35	$ 1.16	$ 1.83	$ 1.34	$ 1.38	$ 1.59
Discontinued operations	(2.87)	(.01)	(.16)	-	-	.01	-	(.02)
Extraordinary loss	-	-	(.03)	-	-	-	(.02)	-
Net income (loss)	$(2.32)	$ (.14)	$ .16	$ 1.16	$ 1.83	$ 1.35	$ 1.36	$ 1.57
Excluding unusual items(1)								
Operating income	$ 111	$ 109	$ 90	$ 44	$ 268	$ 173	$ 203	$ 170
Net income	40	46	25	6	129	84	97	80
Basic earnings per share	.56	.62	.35	.08	1.83	1.15	1.38	1.11
Diluted earnings per share	.55	.62	.35	.08	1.83	1.14	1.38	1.11
Common cash dividends per share	.275	.275	.275	.275	.275	.275	.275	.275
Market price per common share								
High	35.94	52.50	35.63	50.63	37.06	44.50	37.19	43.56
Low	30.31	42.25	28.63	40.75	31.19	39.25	31.44	33.63

(1) See Management's Discussion and Analysis and Information by Industry Segment for a discussion of unusual items.

Ashland Inc. and Consolidated Subsidiaries
INFORMATION BY INDUSTRY SEGMENT
Years Ended September 30

(In millions)	2000	1999	1998
REVENUES			
Sales and operating revenues			
APAC	$2,505	$1,678	$1,444
Ashland Distribution	3,214	2,925	2,941
Ashland Specialty Chemical	1,283	1,263	1,244
Valvoline	1,077	1,059	1,023
Intersegment sales(1)			
Ashland Distribution	(38)	(35)	(27)
Ashland Specialty Chemical	(78)	(84)	(80)
Valvoline	(2)	(5)	(11)
	7,961	6,801	6,534
Equity income			
Ashland Specialty Chemical	4	5	6
Valvoline	1	1	-
Refining and Marketing	389	345	298
	394	351	304
Other income			
APAC	21	12	8
Ashland Distribution	9	6	6
Ashland Specialty Chemical	30	19	37
Valvoline	7	6	6
Refining and Marketing	6	8	4
Corporate	8	50	9
	81	101	70
	$8,436	$7,253	$6,908
OPERATING INCOME			
APAC	$ 140	$ 108	$ 90
Ashland Distribution	70	37(2)	57
Ashland Specialty Chemical	95	107	101(3)
Valvoline	78	74	53
Refining and Marketing(4)	361	206(5)	254(6)
Inventory valuation adjustments(7)	-	117	(15)
Corporate	(73)	(24)(8)	(118)(9)
	$ 671	$ 625	$ 422
ASSETS			
APAC	$1,654	$ 996	$ 757
Ashland Distribution	1,047	917	915
Ashland Specialty Chemical	888	878	861
Valvoline	573	561	581
Refining and Marketing	2,352	2,229	2,189
Corporate(10)	257	843	779
	$6,771	$6,424	$6,082

(In millions)	2000	1999	1998
INVESTMENT IN EQUITY AFFILIATES			
APAC	$ 10	$ 10	$ 10
Ashland Specialty Chemical	40	33	30
Valvoline	7	6	5
Refining and Marketing	2,295	2,172	2,102
	$ 2,352	$ 2,221	$2,147
EXPENSE (INCOME) NOT AFFECTING CASH			
Depreciation, depletion and amortization			
APAC	$ 129	$ 89	$ 64
Ashland Distribution	23	44(11)	27
Ashland Specialty Chemical	49	53	52
Valvoline	23	26	24
Corporate	13	16	14
	237	228	181
Other noncash items(12)			
APAC	9	-	3
Ashland Distribution	(3)	(6)	(2)
Ashland Specialty Chemical	3	8	(2)
Valvoline	-	(1)	(1)
Refining and Marketing	(17)	93	36
Corporate	(12)	(5)	(42)
	(20)	89	(8)
	$ 217	$ 317	$ 173
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT			
APAC	$ 98	$ 104	$ 81
Ashland Distribution	18	30	47
Ashland Specialty Chemical	82	70	94
Valvoline	25	26	32
Corporate	9	18	20
	$ 232	$ 248	$ 274

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

(2) Includes a $21 million charge for asset impairment related to European plastics distribution operations.

(3) Includes a gain of $14 million on the sale of Ashland's 23% interest in Melamine Chemicals, Inc.

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

(5) Includes a $10 million charge for severance and other costs related to the formation of MAP.

(6) Includes charges of $43 million for reserves for retained environmental issues associated with properties conveyed to MAP and for certain severance costs.

(7) Represents Ashland's share of inventory adjustments associated with the formation of MAP and changes in MAP's inventory market valuation reserve. The reserve reflects the excess of the LIFO cost of MAP's crude oil and refined product inventories over their net realizable values.

(8) Includes $43 million in environmental insurance recoveries.

(9) Includes charges of $50 million related to a restructuring of corporate G&A functions and the move of Ashland's headquarters. The charge includes severance costs to be paid to terminated employees, reserves for excess leased real estate, and contributions of cash and other real estate committed to be conveyed to Ashland-area charitable and economic development organizations.

(10) Includes principally cash, cash equivalents, investments of captive insurance companies and investment in discontinued operations.

(11) Includes a charge of $19 million to write down goodwill related to European plastics distribution operations.

(12) Includes deferred taxes, equity income from affiliates net of distributions, and other items not afecting cash.

Ashland Inc. and Consolidated Subsidiaries
FIVE-YEAR SELECTED FINANCIAL INFORMATION
Years Ended September 30

(In millions except per share data)	2000	1999	1998	1997	1996
SUMMARY OF OPERATIONS					
Revenues					
Sales and operating revenues (including excise taxes)	$7,961	$6,801	$6,534	$12,833	$12,313
Equity income	394	351	304	14	11
Other income	81	101	70	89	66
Costs and expenses					
Cost of sales and operating expenses	(6,434)	(5,346)	(5,299)	(9,810)	(9,512)
Excise taxes on products and merchandise	-	-	-	(992)	(985)
Selling, general and administrative expenses	(1,094)	(1,054)	(1,006)	(1,350)	(1,257)
Depreciation, depletion and amortization	(237)	(228)	(181)	(348)	(299)
Operating income	671	625	422	436	337
Net interest and other financial costs	(188)	(140)	(130)	(142)	(151)
Income from continuing operations before income taxes	483	485	292	294	186
Income taxes	(191)	(194)	(114)	(125)	(71)
Income from continuing operations	292	291	178	169	115
Income (loss) from discontinued operations	(215)	(1)	25	48	96
Gain (loss) on disposition of discontinued operations	(3)	-	-	71	-
Income before extraordinary loss	74	290	203	288	211
Extraordinary loss on early retirement of debt	(4)	-	-	(9)	-
Net income	$ 70	$ 290	$ 203	$ 279	$ 211
BALANCE SHEET INFORMATION					
Working capital					
Current assets	$2,131	$2,059	$1,828	$ 2,720	$ 2,539
Current liabilities	1,699	1,396	1,361	2,028	2,067
	$ 432	$ 663	$ 467	$ 692	$ 472
Total assets	$6,771	$6,424	$6,082	$ 6,462	$ 6,496
Capital employed					
Debt due within one year	$ 327	$ 219	$ 125	$ 49	$ 127
Long-term debt (less current portion)	1,899	1,627	1,507	1,356	1,653
Convertible preferred stock	-	-	-	-	293
Common stockholders' equity	1,965	2,200	2,137	2,024	1,521
	$4,191	$4,046	$3,769	$ 3,429	$ 3,594
CASH FLOW INFORMATION					
Cash flows from continuing operations	$ 484	$ 383	$ 354	$ 552	$ 536
Additions to property, plant and equipment	232	248	274	356	372
Cash dividends	78	81	84	86	89
COMMON STOCK INFORMATION					
Diluted earnings per share					
Income from continuing operations	$ 4.10	$ 3.90	$ 2.31	$ 2.23	$ 1.48
Net income	.98	3.89	2.63	3.64	2.96
Dividends per share	1.10	1.10	1.10	1.10	1.10

EXHIBIT 21

LIST OF SUBSIDIARIES

Subsidiaries of Ashland Inc. ("AI") at October 1, 2000, included the companies listed below. Ashland has numerous unconsolidated affiliates, which are primarily accounted for on the equity method, and majority-owned consolidated subsidiaries in addition to the companies listed below. Such affiliates and subsidiaries are not listed below since they would not constitute a significant subsidiary considered in the aggregate as a single entity.

Company	Jurisdiction of Incorporation	Immediate Parent*
APAC-Alabama, Inc.	Delaware	AHI
APAC-Arkansas, Inc.	Delaware	AHI
APAC-Carolina, Inc.	Delaware	AHI
APAC-Florida, Inc.	Delaware	AHI
APAC-Georgia, Inc.	Georgia	AHI
APAC Holdings, Inc. ("AHI")	Delaware	AI
APAC-Kansas, Inc.	Delaware	AHI
APAC-Mississippi, Inc.	Delaware	AHI
APAC-Missouri, Inc.	Delaware	AHI
APAC-Oklahoma, Inc.	Delaware	AHI
APAC-Tennessee, Inc.	Delaware	AHI
APAC-Texas, Inc.	Delaware	AHI
APAC-Virginia, Inc.	Delaware	AHI
ASH GP LLC ("ASH GP")	Delaware	AIHI
Ashland Canada Corp.	Nova Scotia, Canada	ACHBV
Ashland Canada Holdings B.V. ("ACHBV")	Netherlands	AHBV
Ashland Chemical Hispania, S.A.	Spain	AI
Ashland France S.A.	France	AIHI 85% - AI 15%
Ashland Holdings B.V. ("AHBV")	Netherlands	ATCV
Ashland International Holdings , Inc. ("AIHI")	Delaware	AI
Ashland Italia S.p.A.	Italy	ATCV 95% - AIHI 5%
Ashland Nederland B.V.	Netherlands	AHBV
Ashland UK Limited	United Kingdom	AHBV
Ashmont Insurance Company, Inc.	Vermont	AI
AshOne C.V. ("AOCV")	Netherlands	AI 10% - AIHI 89% - ASH GP 1%
AshTwo C.V. ("ATCV")	Netherlands	AIHI 10% - AOCV 89% - ASH GP 1%
Marathon Ashland Petroleum LLC	Delaware	AI 38%
Valvoline (Australia) Pty. Ltd	Australia	AHBV

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*100% of the voting securities are owned by the immediate parent except as otherwise indicated.

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-52125) pertaining to the Ashland Inc. Deferred Compensation and Stock Incentive Plan for Non-Employee Directors, in the Registration Statement (Form S-8 No. 2-95022) pertaining to the Ashland Inc. Amended Stock Incentive Plan for Key Employees, in the Registration Statement (Form S-8 No. 33-32612) pertaining to the Ashland Inc. Employee Savings Plan, in the Registration Statement (Form S-8 No. 33-26101) pertaining to the Ashland Inc. Long-Term Incentive Plan, in the Registration Statement (Form S-8 No. 33-55922) pertaining to the Ashland Inc. 1993 Stock Incentive Plan, in the Registration Statement (Form S-8 No. 33-49907) pertaining to the Ashland Inc. Leveraged Employee Stock Ownership Plan, in the Registration Statement (Form S-8 No. 33-62901) pertaining to the Ashland Inc. Deferred Compensation Plan, in the Registration Statement (Form S-8 No. 333-33617) pertaining to the Ashland Inc. 1997 Stock Incentive Plan, in the Registration Statement (Form S-3 No. 333-78675) pertaining to the registration of 68,925 shares of Ashland Inc. Common Stock, in the Registration Statement (Form S-3 No. 333-36842) pertaining to the registration of 96,600 shares of Ashland Inc. Common Stock, and in the Registration Statement (Form S-3 No. 333-70651) pertaining to the offering of $600,000,000 of Debt Securities, Preferred Stock, Depository Shares, Common Stock and/or Warrants of Ashland Inc., of our report dated November 1, 2000, with respect to the consolidated financial statements and schedule of Ashland Inc. and consolidated subsidiaries included in this Annual Report (Form 10-K) for the year ended September 30, 2000.

/s/ Ernst & Young LLP

Cincinnati, Ohio
November 27, 2000

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned Directors and Officers of ASHLAND INC., a Kentucky corporation, which is about to file an Annual Report on Form 10-K with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, hereby constitutes and appoints PAUL W. CHELLGREN, DAVID L. HAUSRATH and LINDA L. FOSS, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power to act without the others to sign and file such Annual Report and the exhibits thereto and any and all other documents in connection therewith, and any such amendments thereto, with the Securities and Exchange Commission, and to do and perform any and all acts and things requisite and necessary to be done in connection with the foregoing as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Dated: November 2, 2000

/s/ Paul W. Chellgren	
Paul W. Chellgren, Chairman of the Board and Chief Executive Officer	Ralph E. Gomory, Director
/s/ J. Marvin Quin	/s/ Bernadine P. Healy
J. Marvin Quin, Senior Vice President and Chief Financial Officer	Bernadine P. Healy, Director
/s/ Kenneth L. Aulen	/s/ Mannie L.Jackson
Kenneth L. Aulen, Administrative Vice President, Controller and Principal Accounting Officer	Mannie L. Jackson, Director
/s/ Samuel C. Butler	/s/ Patrick F.Noonan
Samuel C. Butler, Director	Patrick F. Noonan, Director
/s/ Frank C. Carlucci	/s/ Jane C. Pfeiffer
Frank C. Carlucci, Director	Jane C. Pfeiffer, Director
/s/ Ernest H. Drew	/s/ William L. Rouse
Ernest H. Drew, Director	William L. Rouse, Jr., Director
/s/ James B. Farley	/s/ Theodore M. Solso
James B. Farley, Director	Theodore M. Solso, Director

ASHLAND INC.

Certificate of Assistant Secretary

The undersigned hereby certifies that she is an Assistant Secretary of Ashland Inc., a Kentucky corporation (the "Corporation"), and that, as such, she is authorized to execute this Certificate on behalf of the Corporation and further certifies that:

(a) Attached hereto as Exhibit A is a true and correct copy of an excerpt from the minutes of the meeting of the Board of Directors of the Corporation held on November 2, 2000, setting forth certain actions taken at such meeting, and the powers and authorities granted pursuant to such actions have at all times been in effect without amendment, waiver, rescission or modification since November 2, 2000.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Corporation on this 20th day of November, 2000.

/s/ Linda L. Foss

Linda L. Foss
Assistant Secretary

[SEAL]

Exhibit A

Annual Report on Form 10-K

RESOLVED, that the Corporation's Annual Report to the Securities and Exchange Commission (the "SEC") on Form 10-K (the "Form 10-K") in the form previously circulated to the Board in preparation for the meeting be, and it hereby is, approved with such changes as the Chairman of the Board, any Vice President, the Secretary or the Corporation's counsel ("Authorized Persons") shall approve, the execution and filing of the Form 10-K with the SEC to be conclusive evidence of such approval; provided, however, that without derogating from the binding effect of the above, it is understood that an Authorized Person shall cause the distribution prior to the filing with the SEC, of a copy of such Form 10-K to the directors in substantially that form which is to be filed with the SEC and that each director shall have the opportunity to review with and comment to an Authorized Person prior to such filing;

FURTHER RESOLVED, that the Authorized Persons be, and each of them hereby is, authorized to file with the SEC the Form 10-K and any amendments thereto on Form 10-K/A and/or any other applicable form; and

FURTHER RESOLVED, that the Authorized Persons be, and each of them hereby is, authorized to take all such further actions as in their judgment may be necessary or advisable to accomplish the purposes of the foregoing resolutions.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ASHLAND INC.'S ANNUAL REPORT TO SHAREHOLDERS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH ANNUAL REPORT.

1,000,000

YEAR
SEP-30-2000
SEP-30-2000
67
0
1,268
25
488
2,131
2,879
1,457
6,771
1,699
1,899
70
0
0
1,895
6,771
7,961
8,436
6,671
6,671
0
15
191
483
191
292
(218)
(4)
0
70
.99
.98