SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

I.R.S. No. 61-0122250
50 E. RiverCenter Boulevard
P. O. Box 391
Covington, Kentucky
41012-0391

Telephone Number: (859) 815-3333

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

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

At April 30, 2004, there were 70,373,118 shares of Registrant's Common Stock outstanding. One Right to purchase one-thousandth of a share of Series A Participating Cumulative Preferred Stock accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	2004	2003	2004	2003
REVENUES				
Sales and operating revenues	$ 1,812	$ 1,644	$ 3,735	$ 3,382
Equity income	18	29	56	64
Other income	9	10	22	28
	1,839	1,683	3,813	3,474
COSTS AND EXPENSES				
Cost of sales and operating expenses	1,453	1,322	2,971	2,695
Selling, general and administrative expenses	328	334	643	668
Depreciation, depletion and amortization	48	51	97	103
	1,829	1,707	3,711	3,466
OPERATING INCOME (LOSS)	10	(24)	102	8

Net interest and other financial costs	(29)	(32)	(59)	(65)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(19)	(56)	43	(57)
Income taxes	8	19	(16)	19
INCOME (LOSS) FROM CONTINUING OPERATIONS	(11)	(37)	27	(38)
Results from discontinued operations (net of income taxes) - Note B	(5)	(2)	(10)	(93)
NET INCOME (LOSS)	$ (16)	$ (39)	$ 17	$ (131)
BASIC EARNINGS (LOSS) PER SHARE - Note A				
Income (loss) from continuing operations	$ (.16)	$ (.54)	$ .39	$ (.56)
Results from discontinued operations	(.07)	(.03)	(.14)	(1.35)
Net income (loss)	$ (.23)	$ (.57)	$ .25	$ (1.91)
DILUTED EARNINGS (LOSS) PER SHARE - Note A				
Income (loss) from continuing operations	$ (.16)	$ (.54)	$ .39	$ (.56)
Results from discontinued operations	(.07)	(.03)	(.14)	(1.35)
Net income (loss)	$ (.23)	$ (.57)	$ .25	$ (1.91)
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275	$ .55	$ .55

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	March 31 2004	September 30 2003	March 31 2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 180	$ 223	$ 106
Accounts receivable	1,180	1,170	1,073
Allowance for doubtful accounts	(39)	(35)	(38)
Inventories - Note A	475	441	484
Deferred income taxes	114	142	85
Assets of discontinued operations held for sale	-	-	201
Other current assets	137	144	145
	2,047	2,085	2,056
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,349	2,448	2,315
Goodwill	524	523	514
Asbestos insurance receivable (noncurrent portion)	396	399	394
Other noncurrent assets	390	340	342
	3,659	3,710	3,565
PROPERTY, PLANT AND EQUIPMENT			
Cost	2,988	2,959	2,931
Accumulated depreciation, depletion and amortization	(1,792)	(1,748)	(1,683)
	1,196	1,211	1,248
	$ 6,902	$ 7,006	$ 6,869
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 206	$ 102	$ 243
Trade and other payables	1,262	1,371	1,236
Liabilities of discontinued operations held for sale	-	-	34
Income taxes	17	11	15
	1,485	1,484	1,528
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,353	1,512	1,568
Employee benefit obligations	402	385	480
Deferred income taxes	221	291	170
Reserves of captive insurance companies	192	168	186
Asbestos litigation reserve (noncurrent portion)	565	560	530
Other long-term liabilities and deferred credits	354	353	351
Commitments and contingencies - Notes D and F			
	3,087	3,269	3,285
COMMON STOCKHOLDERS' EQUITY	2,330	2,253	2,056
	$ 6,902	$ 7,006	$ 6,869

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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

(In millions)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT OCTOBER 1, 2002	$ 68	$ 338	$ 1,961	$ (194)	$ 2,173
Total comprehensive income (loss) (1)			(131)	44	(87)
Cash dividends			(37)		(37)
Issued common stock under stock incentive and other plans		7			7
BALANCE AT MARCH 31, 2003	$ 68	$ 345	$ 1,793	$ (150)	$ 2,056
BALANCE AT OCTOBER 1, 2003	$ 68	$ 350	$ 1,961	$ (126)	$ 2,253
Total comprehensive income (1)			17	35	52
Cash dividends			(38)		(38)
Issued common stock under stock incentive and other plans	2	61			63
BALANCE AT MARCH 31, 2004	$ 70	$ 411	$ 1,940	$ (91)	$ 2,330

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

(In millions)	Three months ended March 31 2004	Three months ended March 31 2003	Six months ended March 31 2004	Six months ended March 31 2003
Net income (loss)	$ (16)	$ (39)	$ 17	$ (131)
Minimum pension liability adjustment	-	19	-	19
Related tax expense	-	(7)	-	(7)
Unrealized translation adjustments	4	24	34	32
Related tax benefits	-	-	1	-
Total comprehensive income (loss)	$ (12)	$ (3)	$ 52	$ (87)

At March 31, 2004, the accumulated other comprehensive loss of $91 million (after tax) was comprised of net unrealized translation gains of $25 million and a minimum pension liability of $116 million.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Six months ended March 31 2004	2003
CASH FLOWS FROM OPERATIONS		
Income (loss) from continuing operations	$ 27	$ (38)
Expense (income) not affecting cash		
Depreciation, depletion and amortization	97	103
Deferred income taxes	(1)	22
Equity income from affiliates	(56)	(64)
Distributions from equity affiliates	153	98
Other items	1	(1)
Change in operating assets and liabilities (1)	(163)	(22)
	58	98
CASH FLOWS FROM FINANCING		
Proceeds from issuance of common stock	54	1
Repayment of long-term debt	(70)	(161)
Increase in short-term debt	17	165
Dividends paid	(38)	(37)
	(37)	(32)
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(86)	(52)
Purchase of operations - net of cash acquired	(4)	(5)
Proceeds from sale of operations	10	6
Other - net	21	(7)
	(59)	(58)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	(38)	8
Cash provided (used) by discontinued operations	(5)	8
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(43)	16
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	223	90
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 180	$ 106

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

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL REPORTING

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

INVENTORIES

(In millions)	March 31 2004	September 30 2003	March 31 2003
Chemicals and plastics	$ 366	$ 333	$ 360
Construction materials	70	67	78
Petroleum products	67	66	64
Other products	48	48	47
Supplies	5	5	5
Excess of replacement costs over LIFO carrying values	(81)	(78)	(70)
	$ 475	$ 441	$ 484

EARNINGS PER SHARE

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

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	2004	2003	2004	2003
NUMERATOR				
Numerator for basic and diluted EPS - Income (loss) from continuing operations	$ (11)	$ (37)	$ 27	$ (38)
DENOMINATOR				
Denominator for basic EPS - Weighted average common shares outstanding	69	68	69	68
Common shares issuable upon exercise of stock options	-	-	1	-
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	69	68	70	68
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS				
Basic	$ (.16)	$ (.54)	$ .39	$ (.56)
Diluted	$ (.16)	$ (.54)	$ .39	$ (.56)

NOTE B - DISCONTINUED OPERATIONS

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

On August 29, 2003, Ashland sold the net assets of its Electronic Chemicals business and certain related subsidiaries in a transaction valued at approximately $300 million before tax. Electronic Chemicals was a part of Ashland Specialty Chemical, providing ultra pure chemicals and other products and services to the worldwide semiconductor industry, with revenues of $215 million in 2003, $217 million in 2002 and $212 million in 2001. The sale reflects Ashland's strategy to optimize its business mix and focus greater attention on the remaining chemical and transportation construction operations where it can achieve strategic advantage. Ashland's after-tax proceeds were used primarily to reduce debt. All assets and liabilities of Electronic Chemicals are classified as current in the March 31, 2003 balance sheet. Assets of $201 million were composed of current assets of $52 million, investments and other assets of $27 million, and property, plant and equipment of $122 million. Liabilities of $34 million were composed of current liabilities of $21 million and noncurrent liabilities of $13 million.

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

(In millions)	Three months ended March 31 2004	Three months ended March 31 2003	Six months ended March 31 2004	Six months ended March 31 2003
PRETAX INCOME (LOSS) FROM DISCONTINUED OPERATIONS				
Reserves for asbestos-related litigation	$ (7)	$ (7)	$ (15)	$ (162)
Electronic Chemicals				
Results of operations	-	3	-	7
Loss on disposal	-	-	(1)	-
INCOME TAXES				
Reserves for asbestos-related litigation	2	3	6	63
Electronic Chemicals				
Results of operations	-	(1)	-	(1)
Loss on disposal	-	-	-	-
RESULTS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)	$ (5)	$ (2)	$ (10)	$ (93)

NOTE C - UNCONSOLIDATED AFFILIATES

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

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

	Three months ended March 31		Six months ended March 31	
(In millions)	2004	2003	2004	2003
Sales and operating revenues	$ 9,060	$ 8,254	$ 18,618	$ 15,333
Income from operations	49	82	149	176
Net income	46	77	142	169
Ashland's equity income	13	25	45	56

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

NOTE D - LEASES AND OTHER COMMITMENTS

LEASES

Under various operating leases, Ashland has made guarantees with respect to the residual value of the underlying property. If Ashland had cancelled those leases at March 31, 2004, its maximum obligations under the residual value guarantees would have amounted to $95 million. Ashland does not expect to incur any significant charge to earnings under these guarantees, $22 million of which relates to real estate. These lease agreements are with unrelated third party lessors and Ashland has no additional contractual or other commitments to any party to the leases.

OTHER COMMITMENTS

Ashland has guaranteed 38% of MAP's payments for certain crude oil purchases, up to a maximum guarantee of $95 million. At March 31, 2004, Ashland's contingent liability under this guarantee amounted to $73 million. Although Ashland has not made and does not expect to make any payments under this guarantee, it has recorded the fair value of the guarantee obligation, which is not significant.

NOTE E - EMPLOYEE BENEFIT PLANS

On January 12, 2004, the Financial Accounting Standards Board issued Staff Position No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." In accordance with that Staff Position, Ashland has elected to defer the impact of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) until authoritative guidance on the accounting is issued. As a result, the accumulated postretirement benefit obligation or net periodic postretirement benefit costs in the financial statements or accompanying notes do not reflect the effects of the Act, which are not yet reasonably determinable.

Presently, Ashland anticipates contributing $128 million to its pension plans during fiscal 2004. As of March 31, 2004, $64 million of contributions have been made.

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

	Pension benefits		Other postretirement benefits	
(In millions)	2004	2003	2004	2003
THREE MONTHS ENDED MARCH 31				
Service cost	$ 12	$ 11	$ 3	$ 3
Interest cost	17	16	6	6
Expected return on plan assets	(15)	(13)	-	-
Other amortization and deferral	7	8	(4)	(2)
	$ 21	$ 22	$ 5	$ 7
SIX MONTHS ENDED MARCH 31				
Service cost	$ 24	$ 20	$ 7	$ 6
Interest cost	33	31	12	12
Expected return on plan assets	(30)	(24)	-	-
Other amortization and deferral	15	14	(8)	(3)
	$ 42	$ 41	$ 11	$ 15

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES

ASBESTOS-RELATED LITIGATION

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

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

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES (CONTINUED)

	Six months ended March 31		Years ended September 30		
(In thousands)	2004	2003	2003	2002	2001
Open claims - beginning of period	198	160	160	167	118
New claims filed	16	35	66	45	52
Claims settled	(3)	(4)	(7)	(15)	(2)
Claims dismissed	(11)	(13)	(21)	(37)	(1)
Open claims - end of period	200	178	198	160	167

Since October 1, 2000, Riley has been dismissed as a defendant in 72% of the resolved claims. Amounts spent on litigation defense and claim settlements totaled $24 million for the six months ended March 31, 2004, compared to $26 million for the six months ended March 31, 2003, and annual costs of $45 million in 2003, $38 million in 2002 and $15 million in 2001.

During the December 2002 quarter, Ashland increased its reserve for litigation defense and claim settlement costs related to asbestos claims by $390 million. After that increase, Ashland's asbestos reserve covered the costs expected to be paid through December 2012, and additional reserves have been provided since then to maintain the reserve to cover the expected costs on a rolling ten-year basis. Prior to December 31, 2002, the asbestos reserve was based on the estimated costs that would be incurred to settle open claims. The estimates of future asbestos claims and related costs were developed with the assistance of Hamilton, Rabinovitz & Alschuler, Inc. (HR&A), nationally recognized experts in that field. Ashland's reserve for asbestos claims on an undiscounted basis amounted to $615 million at March 31, 2004, compared to $580 million at March 31, 2003.

The methodology used by HR&A to project future asbestos costs was based largely on Ashland's recent experience, including claim-filing and settlement rates, disease mix, open claims, and litigation defense and claim settlement costs. Ashland's claim experience was compared to the results of previously conducted epidemiological studies estimating the number of people likely to develop asbestos-related diseases. Those studies were undertaken in connection with national analyses of the population expected to have been exposed to asbestos. Using that information, HR&A estimated the number of future claims that would be filed, as well as the related costs that would be incurred in resolving those claims.

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict. In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, Ashland believes that ten years is the most reasonable period for recognizing a reserve for future costs, and that costs that might be incurred after that period are not reasonably estimable.

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES (CONTINUED)

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

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

At March 31, 2004, Ashland's receivable for recoveries of litigation defense and claim settlement costs from its insurers amounted to $426 million, of which $29 million relates to costs previously paid. Receivables from insurance companies amounted to $419 million at March 31, 2003. About 35% of the estimated receivables from insurance companies at March 31, 2004, are expected to be due from Equitas and other London companies. Of the remainder, over 90% is expected to come from companies or groups that are rated A or higher by A. M. Best.

ENVIRONMENTAL PROCEEDINGS

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations. At March 31, 2004, such locations included 99 waste treatment or disposal sites where Ashland has been identified as a potentially responsible party under Superfund or similar state laws, approximately 130 current and former operating facilities (including certain operating facilities conveyed to MAP) and about 1,220 service station properties. Ashland's reserves for environmental remediation amounted to $169 million at March 31, 2004, and $174 million at March 31, 2003. Such amounts reflect Ashland's estimates of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries. Engineering studies, probability techniques, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation.

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

NOTE F - LITIGATION, CLAIMS AND CONTINGENCIES (CONTINUED)

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

OTHER LEGAL PROCEEDINGS

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

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(In millions)	Three months ended March 31 2004	Three months ended March 31 2003	Six months ended March 31 2004	Six months ended March 31 2003
REVENUES				
Sales and operating revenues				
APAC	$ 408	$ 374	$ 1,058	$ 932
Ashland Distribution	785	712	1,482	1,348
Ashland Specialty Chemical	318	278	629	562
Valvoline	324	301	614	582
Intersegment sales				
Ashland Distribution	(4)	(5)	(9)	(10)
Ashland Specialty Chemical	(19)	(16)	(38)	(31)
Valvoline	-	-	(1)	(1)
	1,812	1,644	3,735	3,382
Equity income				
APAC	3	2	8	4
Ashland Specialty Chemical	2	2	4	4
Valvoline	-	-	(1)	-
Refining and Marketing	13	25	45	56
	18	29	56	64
Other income				
APAC	7	(1)	11	2
Ashland Distribution	2	4	7	14
Ashland Specialty Chemical	3	3	5	6
Valvoline	-	1	1	2
Refining and Marketing	(4)	1	(5)	1
Corporate	1	2	3	3
	9	10	22	28
	$ 1,839	$ 1,683	$ 3,813	$ 3,474
OPERATING INCOME				
APAC	$ (33)	$ (57)	$ (2)	$ (56)
Ashland Distribution	19	7	32	15
Ashland Specialty Chemical	19	5	42	18
Valvoline	24	18	45	32
Refining and Marketing (1)	2	21	27	45
Corporate	(21)	(18)	(42)	(46)
	$ 10	$ (24)	$ 102	$ 8

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

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

	Three months ended March 31		Six months ended March 31	
	2004	2003	2004	2003
OPERATING INFORMATION				
APAC				
Construction backlog at March 31 (millions) (1)			$ 1,897	$ 1,800
Net construction job revenues (millions) (2)	$ 207	$ 198	$ 573	$ 503
Hot-mix asphalt production (million tons)	4.4	4.1	12.9	11.2
Aggregate production (million tons)	6.1	5.0	12.9	12.1
Ready-mix concrete production (million cubic yards)	0.5	0.4	0.9	0.9
Ashland Distribution (3)				
Sales per shipping day (millions)	$ 12.3	$ 11.3	$ 11.8	$ 10.8
Gross profit as a percent of sales	14.6%	15.0%	14.7%	15.4%
Ashland Specialty Chemical (3)				
Sales per shipping day (millions)	$ 4.7	$ 4.4	$ 4.8	$ 4.5
Gross profit as a percent of sales	33.0%	33.4%	33.2%	34.2%
Valvoline				
Lubricant sales (million gallons)	47.5	48.6	91.9	92.9
Premium lubricants (percent of U.S. branded volumes)	21.4%	18.8%	20.4%	17.9%
Refining and Marketing (4)				
Refinery runs (thousand barrels per day)				
Crude oil refined	789	853	844	842
Other charge and blend stocks	196	96	190	130
Refined product yields (thousand barrels per day)				
Gasoline	552	483	582	525
Distillates	235	257	266	268
Asphalt	57	66	63	65
Other	155	143	135	115
Total	999	949	1,046	973
Refined product sales (thousand barrels per day) (5)	1,307	1,280	1,331	1,293
Refining and wholesale marketing margin (per barrel) (6)	$ 1.44	$ 1.71	$ 1.58	$ 1.82
Speedway SuperAmerica (SSA)				
Retail outlets at March 31			1,773	2,005
Gasoline and distillate sales (million gallons)	763	829	1,569	1,726
Gross margin - gasoline and distillates (per gallon)	$ .1145	$ .1166	$ .1145	$ .1085
Merchandise sales (millions) (7)	$ 521	$ 522	$ 1,068	$ 1,105
Merchandise margin (as a percent of sales)	25.3%	25.5%	25.1%	24.8%

(1) Includes APAC's proportionate share of the backlog of unconsolidated joint ventures.
(2) Total construction job revenues, less subcontract costs.
(3) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses, and depreciation and amortization relative to manufacturing assets.
(4) Amounts represent 100% of MAP's operations, in which Ashland owns a 38% interest.
(5) Total average daily volume of all refined product sales to MAP's wholesale, branded and retail (SSA) customers.
(6) Sales revenue less cost of refinery inputs, purchased products and manufacturing expenses, including depreciation.
(7) Effective January 1, 2003, SSA adopted EITF 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor," which requires rebates from vendors to be recorded as reductions to cost of sales. Rebates from vendors recorded in SSA merchandise sales for periods prior to January 1, 2003 have not been restated and included $46 million in the six months ended March 31, 2003.

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

- --

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

- --

RESULTS OF OPERATIONS

CURRENT QUARTER - Ashland reported a net loss of $16 million for the quarter ended March 31, 2004, compared to a net loss of $39 million for the quarter ended March 31, 2003. Ashland reported a loss from continuing operations of $11 million for the quarter ended March 31, 2004, compared to a loss of $37 million for the quarter ended March 31, 2003. Results from discontinued operations, consisting primarily of charges for asbestos liabilities, accounted for the difference in net income and income from continuing operations.

A 10% increase in sales revenues and a lower overall cost structure contributed to improved operating income from wholly-owned businesses compared to the previous winter quarter, which is typically Ashland's weakest due to the seasonality of its businesses. Combined operating income for the Chemicals sector (which includes Ashland Distribution, Ashland Specialty Chemical and Valvoline) totaled $62 million in the March 2004 quarter, compared to $30 million for the March 2003 quarter. Each of the Chemicals sector divisions achieved record March quarters - results from Ashland Distribution nearly tripled, Ashland Specialty Chemical nearly quadrupled and Valvoline was up 33 percent. In the Transportation Construction sector, Ashland Paving And Construction, Inc. (APAC) reduced its quarter-over-quarter operating loss by 42%. Higher manufacturing and crude oil costs resulted in lower profits from refining and marketing.

YEAR-TO-DATE - Ashland reported net income of $17 million for the six months ended March 31, 2004, compared to a net loss of $131 million for the six months ended March 31, 2003. Ashland reported income from continuing operations of $27 million for the six months ended March 31, 2004, compared to a loss of $38 million for the six months ended March 31, 2003. Results from discontinued operations, consisting primarily of charges for asbestos liabilities, accounted for the difference in net income and income from continuing operations.

Management was pleased by Ashland's performance during the first six months of fiscal 2004. Chemicals sector operating income totaled $119 million for the first six months of fiscal 2004, compared to $65 million for the 2003 period. Record March quarter results from Ashland Distribution, Ashland Specialty Chemical and Valvoline indicate that the plan to drive efficiency, manage capital and grow value-creating businesses is working. In the Transportation Construction sector, APAC lowered its operating loss to $2 million for the 2004 period, compared to a loss of $56 million in the 2003 period, reflecting closer-to-normal weather and a reduced cost structure. Higher manufacturing and crude oil costs resulted in lower profits from refining and marketing. An analysis of operating income by industry segment follows.

APAC

CURRENT QUARTER - APAC reported an operating loss of $33 million for the March 2004 quarter, compared to a loss of $57 million for the March 2003 quarter. The improvement reflected more normal weather conditions, a reduced cost structure and a program instituted to minimize winter losses. Net construction job revenues (total construction job revenues, less subcontract costs) increased 5% from the prior year period, while production of hot-mix asphalt increased 7% and aggregate production increased 22%. Liquid asphalt costs per ton declined 6%. Lower equipment costs reflected reorganization and other cost cutting efforts. For the March quarter, APAC initiated an aggressive program to minimize winter losses by shutting down certain operations and reducing work crews. Costs associated with Project PASS, APAC's process

APAC (CONTINUED)

redesign initiative, were $4 million in the March 2004 quarter, compared to $6 million in the March 2003 quarter.

YEAR-TO-DATE - APAC reported an operating loss of $2 million for the six months ended March 31, 2004, compared to a loss of $56 million for the six months ended March 31, 2003. The improvement reflects the same factors described in the current quarter comparison. Net construction job revenues increased 14% from the prior year period, while production of hot-mix asphalt increased 15% and aggregate production increased 7%. Costs associated with Project PASS were $8 million in the 2004 period, compared to $10 million in the 2003 period.

Looking ahead to the summer construction season - during which APAC has historically reported the majority of its earnings - the division has continued to increase its construction backlog, or jobs awarded but not yet completed. APAC increased the backlog by 5% to a record $1.9 billion as of March 31, 2004. Of this amount, approximately $280 million was bid at lower energy prices, and income to be recognized on the completion of this work is expected to be substantially less than originally anticipated. The completion of Project Pass is on schedule, with about $2 million of remaining costs expected to be incurred in the June 2004 quarter.

ASHLAND DISTRIBUTION

CURRENT QUARTER - Ashland Distribution reported record March quarter operating income of $19 million, compared to $7 million for the March 2003 quarter. Improved customer service capabilities, increased operating efficiency and effective cost management enabled Ashland Distribution to improve sales per shipping day by 9% (of which 3% resulted from volume increases) compared to the 2003 quarter. The favorable effects of the higher sales were partially offset by a lower gross profit percentage, reflecting lower margins for chemicals, European plastics, environmental services and methanol. Selling, general and administrative (SG&A) expenses were down $5 million compared to the prior year period, reflecting the Top-Quartile Cost Structure (TQCS) initiative.

YEAR-TO-DATE - Ashland Distribution reported record operating income of $32 million for the six months ended March 31, 2004, compared to $15 million for the six months ended March 31, 2003. The improvement reflects the same factors described in the current quarter comparison. Sales per shipping day were up 9%, including 4% from volume increases. The gross profit percentage declined from 15.4% to 14.7%, reflecting lower margins for all business units except domestic plastics and composites. SG&A expenses declined $12 million. Income from litigation settlements and asset sales amounted to $4 million in the 2004 period compared to $7 million in the 2003 period.

ASHLAND SPECIALTY CHEMICAL

CURRENT QUARTER - Ashland Specialty Chemical reported record March quarter operating income of $19 million, compared to $5 million for the March 2003 quarter. Results from the thermoset core businesses (Casting Solutions, Composite Polymers and Specialty Polymers & Adhesives) increased 143%, while the water treatment core businesses (Drew Industrial and Drew Marine) increased 15%. Higher sales revenues and a reduced cost structure led to the improvement, despite slight margin pressure due to higher raw material costs. Sales per shipping day increased 7%. Results of the domestic thermoset businesses included four additional shipping days, reflecting a move to a calendar month end for revenue recognition, which increased revenues by $9 million and operating income by $4 million.

ASHLAND SPECIALTY CHEMICAL (CONTINUED)

YEAR-TO-DATE - Operating income for Ashland Specialty Chemical was $42 million for the six months ended March 31, 2004, compared to $18 million for the six months ended March 31, 2003. Results from the thermoset core businesses increased 67%, while the water treatment core businesses increased 22%. The improvement reflects the same factors described in the current quarter comparison.

VALVOLINE

CURRENT QUARTER - Valvoline reported record March quarter operating income of $24 million, a 33% increase from the 2003 quarter. Valvoline's core lubricant business improved with premium product sales volumes increasing 5%. Valvoline Instant Oil Change (VIOC) increased non-oil change revenues by 6% and premium lubricant oil changes by 3%. Valvoline's international operations improved due in large part to a 4% increase in lubricant sales volumes and strengthening foreign currencies.

YEAR-TO-DATE - Valvoline reported record operating income of $45 million for the six months ended March 31, 2004, a 41% improvement over the $32 million reported for the same period in 2003. Valvoline's core lubricant business improved with an 11% increase in sales volumes for premium products. VIOC reported record earnings due in part to an 8% increase in non-oil change revenues, and a 5% increase in premium oil changes. In addition, results from Valvoline's international operations improved due to a 4% increase in lubricant sales volumes and strengthening foreign currencies.

REFINING AND MARKETING

CURRENT QUARTER - Operating income from Refining and Marketing, which consists primarily of equity income from Ashland's 38% ownership interest in MAP, amounted to $2 million for the quarter ended March 31, 2004, compared to $21 million for the March 2003 quarter. Equity income from MAP's refining and wholesale marketing operations declined $13 million, reflecting a decline of 27 cents per barrel in MAP's refining and wholesale marketing margin, due to higher manufacturing and crude oil costs. MAP completed a substantial amount of planned refinery maintenance during the quarter and expects to run at full capacity moving into the spring driving season. In addition, MAP completed a number of other projects including a multi-year improvement project at its Catlettsburg, Ky., refinery and a 13,000 barrels per day (bpd) expansion of the crude oil processing unit at its Garyville, La., refinery. The latter project increased MAP's overall crude oil capacity from 935,000 bpd to 948,000 bpd. Equity income from MAP's retail operations (Speedway SuperAmerica and a 50% interest in the Pilot Travel Centers joint venture) increased $1 million, reflecting decreased operating and administrative expenses. Ashland's administrative and other costs related to Refining and Marketing were unusually high due to mark-to-market charges of $4 million on margin hedges and transaction costs of $2 million associated with the proposed transfer of Ashland's 38% interest in MAP to Marathon Oil Corporation (Marathon).

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

REFINING AND MARKETING (CONTINUED)

YEAR-TO-DATE - Operating income from Refining and Marketing amounted to $27 million for the six months ended March 31, 2004, compared to $45 million for the 2003 period. Equity income from MAP's refining and wholesale marketing operations declined $16 million, reflecting a 24 cents per barrel decline in MAP's refining and wholesale marketing margin, due to the same factors described in the current quarter comparison. Equity income from MAP's retail operations increased $2 million, due to the net effects of higher product and merchandise margins, partially offset by lower volumes reflecting the sale of SSA's 190 southern stores in May 2003. Equity income from MAP's transportation operations increased $4 million due to higher throughput and lower expenses in the December 2003 quarter. Ashland's administrative and other costs increased $6 million due to the same factors described in the current quarter comparison.

CORPORATE

Corporate expenses amounted to $21 million in the quarter ended March 31, 2004, compared to $18 million in the March 2003 quarter, reflecting increased deferred compensation costs. Corporate expenses amounted to $42 million for the six months ended March 31, 2004, compared to $46 million for the 2003 period. The decrease reflects an $8 million charge in the December 2002 quarter for severance and other transition costs related to Ashland's program to reduce general and administrative costs, partially offset by higher deferred compensation costs in the 2004 period.

NET INTEREST AND OTHER FINANCIAL COSTS

Net interest and other financial costs declined to $29 million in the March 2004 quarter, compared to $32 million in the March 2003 quarter. For the six months ended March 31, 2004, net interest and other financial costs amounted to $59 million, compared to $65 million for the 2003 period. The declines reflect a reduction in the average level of debt outstanding.

DISCONTINUED OPERATIONS

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

	Three months ended March 31		Six months ended March 31	
(In millions)	2004	2003	2004	2003
PRETAX INCOME (LOSS) FROM DISCONTINUED OPERATIONS				
Reserves for asbestos-related litigation	$ (7)	$ (7)	$ (15)	$ (162)
Electronic Chemicals				
Results of operations	-	3	-	7
Loss on disposal	-	-	(1)	-
INCOME TAXES				
Reserves for asbestos-related litigation	2	3	6	63
Electronic Chemicals				
Results of operations	-	(1)	-	(1)
Loss on disposal	-	-	-	-
RESULTS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)	$ (5)	$ (2)	$ (10)	$ (93)

FINANCIAL POSITION

LIQUIDITY

Cash flows from operations, a major source of Ashland's liquidity, amounted to $58 million for the six months ended March 31, 2004, compared to $98 million for the six months ended March 31, 2003. Cash distributions from MAP amounted to $146 million in the 2004 period compared to $93 million in the 2003 period. This increase was more than offset by $64 million in contributions to Ashland's pension plans in the 2004 period, compared to no such contributions in the 2003 period, and a $32 million increase in federal tax payments. Ashland's capital requirements for net property additions and dividends exceeded cash flows from operations by $50 million for the six months ended March 31, 2004. Ashland anticipates meeting its remaining 2004 capital requirements for property additions and dividends from internally generated funds. Under the terms of the proposed transaction with Marathon, MAP will not make quarterly cash distributions to Ashland and Marathon until the closing of the transaction.

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt of Baa2 from Moody's and BBB from Standard & Poor's (S&P). In August 2003, S&P revised its outlook on Ashland to negative from stable, and lowered Ashland's commercial paper rating to A-3 from A-2. In March 2004, Moody's took a similar action after the announcement of the proposed transaction with Marathon and lowered Ashland's commercial paper rating to P-3 from P-2. These actions materially restrict, and could at times eliminate, the availability of the commercial paper market to Ashland. However, Ashland was able to utilize such markets in the March 2004 quarter and had $17 million of commercial paper outstanding at March 31, 2004. Ashland has two revolving credit agreements providing for up to $350 million in borrowings. Although Ashland borrowed $175 million under these agreements to repay commercial paper shortly after the S&P downgrade, the revolving credit agreements were not used during the six months ended March 31, 2004. In April 2004, Ashland executed an additional $150 million revolving credit agreement which expires March 31, 2005. Ashland intends to use this facility to fund currently maturing long-term debt and certain lease payments. While the revolving credit agreements contain covenants limiting new borrowings based on Ashland's stockholders' equity, these agreements would have permitted an additional $1.9 billion of borrowings at March 31, 2004. Additional permissible borrowings are increased (decreased) by 150% of any increase (decrease) in stockholders' equity.

At March 31, 2004, working capital (excluding debt due within one year) amounted to $768 million, compared to $703 million at September 30, 2003, and $771 million at March 31, 2003. The amount at March 31, 2003 included net assets of $167 million of the discontinued Electronic Chemical operations held for sale. Ashland's working capital is affected by its use of the LIFO method of inventory valuation. The LIFO method valued inventories below their replacement costs by $81 million at March 31, 2004, compared to $78 million at September 30, 2003, and $70 million at March 31, 2003. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 89% of current liabilities at March 31, 2004, compared to 92% at September 30, 2003, and 75% at March 31, 2003. The improvements since last March reflect a combination of an increase of $98 million in cash equivalents and a reduction of $158 million in short-term debt that resulted principally from the sale of the Electronic Chemicals business.

CAPITAL RESOURCES

For the six months ended March 31, 2004, property additions amounted to $86 million, compared to $52 million for the 2003 period. The increase reflects a $33 million buyout of an operating lease for a portion of the buildings on Ashland's Dublin, Ohio campus.

Ashland's debt level amounted to $1.6 billion at March 31, 2004 and September 30, 2003, and $1.8 billion at March 31, 2003. Debt as a percent of capital employed amounted to 40.1% at March 31, 2004, compared to 41.7% at September 30, 2003, and 46.8% at March 31, 2003. At March 31, 2004, Ashland's debt included $32 million of floating-rate obligations, and the interest rates on an additional $183 million of fixed-rate, medium-term notes were effectively converted to floating rates through interest rate swap agreements. In addition, Ashland's costs under its sale of receivables program and various operating leases are based on the floating-rate interest costs on $184 million of third-party debt underlying those transactions. As a result, Ashland was exposed to fluctuations in short-term interest rates on $399 million of debt obligations at March 31, 2004.

ASBESTOS-RELATED LITIGATION AND ENVIRONMENTAL REMEDIATION

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

FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis (MD&A) contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to various information in the Results of Operations, Financial Position, and Asbestos-Related Litigation and Environmental Remediation sections of this MD&A. These statements include those that refer to Ashland's operating performance, earnings and expectations about the MAP transaction. Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected herein will be achieved. These forward-looking statements are based upon internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, weather, operating efficiencies and economic conditions, such as prices, supply and demand, cost of raw materials, and legal proceedings and claims (including environmental and asbestos matters) and are subject to a number of risks, uncertainties, and assumptions that could cause actual results to differ materially from those described in the forward-looking statements. The risks, uncertainties, and assumptions include the possibility that Ashland will be unable to fully realize the benefits anticipated from the MAP transaction; the possibility of failing to receive a favorable ruling from the Internal Revenue Service; the possibility that Ashland fails to obtain the approval of its shareholders; the possibility that the transaction may not close or that Ashland may be required to modify some aspect of the transaction to obtain regulatory approvals. Other factors and risks affecting Ashland are contained in Risks and Uncertainties in Note A to the Consolidated Financial Statements in Ashland's Annual Report on Form 10-K, as amended, for the fiscal year ended September 30, 2003. Ashland undertakes no obligation to subsequently update or revise these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Ashland's market risk exposure at March 31, 2004 is generally consistent with the types and amounts of market risk exposures presented in Ashland's Annual Report on Form 10-K, as amended, for the fiscal year ended September 30, 2003.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

U.S. DEPARTMENT OF JUSTICE ANTITRUST DIVISION INVESTIGATION - In November 2003, Ashland received a subpoena relating to a foundry resins grand jury investigation. Ashland is providing responsive records to the subpoena. As is frequently the case when such investigations are in progress, a civil action was filed in federal district court for the Northern District of Illinois in April 2004. The plaintiff seeks class action status for a class of customers of foundry resins. Ashland will vigorously defend this action.

ENVIRONMENTAL PROCEEDINGS - (1) Under the federal Comprehensive Environmental Response Compensation and Liability Act (as amended) and similar state laws, Ashland may be subject to joint and several liability for clean-up costs in connection with alleged releases of hazardous substances at sites where it has been identified as a "potentially responsible party" ("PRP"). As of March 31, 2004, Ashland had been named a PRP at 99 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the United States Environmental Protection Agency ("USEPA") or a state agency, in which Ashland is typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site clean-up and administrative oversight, and/or long-term monitoring of environmental conditions at the sites. The ultimate costs are not predictable with assurance. For additional information regarding environmental matters and reserves, see Note F to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q.

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

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

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

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

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

SHAREHOLDER DERIVATIVE LITIGATION - On August 16, 2002, Central Laborers' Pension Fund, derivatively as a shareholder of Ashland, instituted an action in the Circuit Court of Kentucky in Kenton County against Ashland's then-serving Board of Directors. On motion of Ashland and the other defendants, the case was removed to the United States District Court, Eastern District of Kentucky, Covington Division. The case has been remanded to the state court. Ashland has filed a Motion to Dismiss the Complaint. The action is purportedly filed on behalf of Ashland, and asserts the following causes of action against the Directors: breach of fiduciary duty, abuse of control, gross mismanagement, and waste of corporate assets. The suit also names Paul W. Chellgren, the then-serving Chief Executive Officer and Chairman of the Board, and James R. Boyd, former Senior Vice President and Group Operating Officer, as individual defendants, and it seeks to recover an unstated sum from them individually alleging unjust enrichment from various transactions completed during their tenure with Ashland. The suit further seeks an unspecified sum from Mr. Chellgren individually based upon alleged usurpation of corporate opportunities. The suit also names J. Marvin Quin, Ashland's Chief Financial Officer, as well as three former employees of Ashland's wholly-owned subsidiary, APAC, as individual defendants and alleges that they participated in the preparation and filing of false financial statements during fiscal years 1999 - 2001. The suit further names Ernst & Young LLP ("E&Y"), as a defendant, alleging professional accounting malpractice and negligence in the conduct of its audit of Ashland's 1999 and 2000 financial statements, respectively, as well as alleging that E&Y aided and abetted the individual defendants in their alleged breach of duties. The complaint seeks to recover, jointly and severally, from defendants an unstated sum of compensatory and punitive damages. The complaint seeks equitable and/or injunctive relief to avoid continuing harm from alleged ongoing illegal acts, and seeks a disgorgement of defendants' alleged insider-trading gains, in addition to the reasonable cost and expenses incurred in bringing the complaint, including attorneys' and experts' fees.

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

ITEM 5. OTHER INFORMATION

On March 19, 2004, Ashland announced the signing of an agreement under which it would transfer its 38 percent interest in MAP and two wholly-owned businesses to Marathon Oil Corporation in a transaction structured to be generally tax free and valued at approximately $3.0 billion. The two other businesses are Ashland's maleic anhydride business and 61 Valvoline Instant Oil Change centers in Michigan and northwest Ohio, which are valued at $94 million.

Under the terms of the agreement, Ashland's shareholders would receive Marathon common stock with a value of $315 million (or approximately $4.50 per Ashland share based on the number of shares currently outstanding). Ashland would receive cash and MAP accounts receivable totaling approximately $2.7 billion. MAP will not make quarterly cash distributions to Ashland and Marathon between the signing of the agreement and the closing of the transaction. As a result, the final amount received by Ashland would be increased by an amount equal to 38 percent of the cash accumulated from operations during the period prior to closing. Ashland would use a substantial portion of the transaction proceeds to retire all or most of the company's outstanding debt and certain other financial obligations. After payment of these obligations, Ashland would have a material net cash position.

The transaction is subject to, among other things, approval by Ashland's shareholders, customary antitrust review, consent from public debt holders and receipt of a favorable private letter ruling from the Internal Revenue Service ("IRS") with respect to the tax treatment of the transaction. There is meaningful risk that the transaction will not receive the favorable ruling from the IRS, in which case the transaction would not proceed. However, Ashland believes it is more likely than not that this transaction will receive a favorable ruling. If these conditions are met, the transaction is expected to close by the end of the 2004 calendar year.

The foregoing description of the transaction is qualified in its entirety by reference to the terms of the agreements which were filed as Exhibits to Ashland's Form 8-K filed on March 22, 2004.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

4	Amendment No. 1 dated as of March 18, 2004, to the Rights Agreement, dated as of May 16, 1996, between Ashland Inc. and the Rights Agent.
10.1	Amendment No. 2 dated as of March 17, 2004, to the Put/Call, Registration Rights and Standstill Agreement among Marathon Oil Company, Ashland Inc. and Marathon Ashland Petroleum LLC.
10.2	Amendment No.1 dated as of March 17, 2004, to the Amended and Restated Limited Liability Company Agreement of Marathon Ashland Petroleum LLC.
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certificate of James J. O'Brien, Chief Executive Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
31.2	Certificate of J. Marvin Quin, Chief Financial Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, U.S.C. Section 1350.
32	Certificate of James J. O'Brien, Chief Executive Officer of Ashland, and J. Marvin Quin, Chief Financial Officer of Ashland, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

During the quarter ended March 31, 2004, and between such date and the filing of this quarterly report on Form 10-Q, Ashland furnished the following reports on Form 8-K:

(1) A report on Form 8-K dated January 7, 2004 announcing that Garry M. Higdem was elected as Senior Vice President of Ashland and President of Ashland Paving And Construction, Inc., effective January 12, 2004.

(2) A report on Form 8-K dated January 26, 2004 reporting Ashland's first quarter fiscal 2004 results.

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

(4) A report on Form 8-K dated February 24, 2004 containing a Regulation FD disclosure.

(5) A report on Form 8-K dated March 22, 2004 announcing the signing of an agreement under which Ashland would transfer its 38 percent interest in Marathon Ashland Petroleum LLC and two wholly-owned businesses to Marathon Oil Corporation in a transaction structured to be generally tax free and valued at approximately $3.0 billion. The two other businesses are Ashland's maleic anhydride business and 61 Valvoline Instant Oil Change centers in Michigan and northwest Ohio.

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

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

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

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

SIGNATURE

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

Ashland Inc.

(Registrant)

Date: May 11, 2004

/s/ J. Marvin Quin

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

EXHIBIT INDEX

Exhibit No.	Description
4	Amendment No. 1 dated as of March 18, 2004, to the Rights Agreement, dated as of May 16, 1996, between Ashland Inc. and the Rights Agent.
10.1	Amendment No. 2 dated as of March 17, 2004, to the Put/Call, Registration Rights and Standstill Agreement among Marathon Oil Company, Ashland Inc. and Marathon Ashland Petroleum LLC.
10.2	Amendment No. 1 dated as of March 17, 2004, to the Amended and Restated Limited Liability Company Agreement of Marathon Ashland Petroleum LLC.
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certificate of James J. O'Brien, Chief Executive Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of J. Marvin Quin, Chief Financial Officer of Ashland pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certificate of James J. O'Brien, Chief Executive Officer of Ashland, and J. Marvin Quin, Chief Financial Officer of Ashland, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. Section 1350.

AMENDMENT NO. 1 TO RIGHTS AGREEMENT

THIS AMENDMENT NO. 1 (the "Amendment") dated as of March 18, 2004, to the Rights Agreement, dated as of May 16, 1996 (the "Rights Agreement"), between Ashland Inc., a Kentucky corporation (the "Company"), and National City Bank, a Delaware corporation, as successor to Harris Trust and Savings Bank by appointment, as Rights Agent (the "Rights Agent"). Terms used herein and not otherwise defined shall have the respective meanings ascribed to such terms in the Rights Agreement.

WHEREAS the Company, ATB Holdings Inc., a Delaware corporation ("HoldCo"), EXM LLC, a Kentucky limited liability company ("New Ashland LLC"), New EXM Inc., a Kentucky corporation ("New Ashland Inc."), Marathon Oil Corporation, a Delaware corporation ("Marathon"), Marathon Oil Company, an Ohio corporation ("Marathon Company"), Marathon Domestic LLC, a Delaware limited liability company ("Merger Sub"), and Marathon Ashland Petroleum LLC, a Delaware limited liability company ("MAP"), have proposed to enter into a Master Agreement to be dated the date hereof (the "Master Agreement");

WHEREAS the Company desires to amend the Rights Agreement to render the Rights inapplicable to the Transactions (as defined in the Master Agreement) contemplated by the Master Agreement and the other Transaction Agreements (as defined in the Master Agreement);

WHEREAS the Company desires that, at the Acquisition Merger Effective Time (as defined in the Master Agreement), (A) New Ashland Inc. will succeed to all the rights and obligations of the Company under the Rights Agreement; (B) all references to Common Stock of the Company and Preferred Shares of the Company will be deemed to be references to Common Stock of New Ashland Inc. and Preferred Shares of New Ashland Inc.; and (C) the Rights Agreement will continue in effect;

WHEREAS the Company deems this Amendment to the Rights Agreement to be desirable and in the best interests of the holders of the Rights and has duly approved this Amendment; and

WHEREAS Section 26 of the Rights Agreement permits the Company at any time before the occurrence of a Distribution Date and before any person becomes an Acquiring Person to amend the Rights Agreement in the manner provided herein.

NOW THEREFORE, the parties hereby agree as follows:

1. Succession and Continuance. Effective at the Acquisition Merger Effective Time, New Ashland Inc. will succeed to all the rights and obligations of the Company under the Rights Agreement and the Rights Agreement will continue in effect after the Acquisition Merger Effective Time.

2. Substitution of New Ashland Inc. Effective at the Acquisition Merger Effective Time, all references to Common Stock of the Company and Preferred Shares of the Company in the Rights Agreement will be deemed to be references to Common Stock of New Ashland Inc. and Preferred Shares of New Ashland Inc.

3. Amendment of Section 1. Section 1 of the Rights Agreement is supplemented to add the following definitions in the appropriate locations:

"HOLDCO" means ATB Holdings Inc., a Delaware corporation and wholly owned subsidiary of the Company.

"MASTER AGREEMENT" shall mean the Master Agreement, dated as of March 18, 2004, among the Company, HoldCo, New Ashland LLC, New Ashland Inc., Marathon, Marathon Company, Merger Sub, and MAP, as it may be amended from time to time.

"MERGER SUB" means Marathon Domestic LLC, a Delaware limited liability company and wholly owned subsidiary of Marathon.

"MARATHON" means Marathon Oil Corporation, a Delaware corporation.

"MARATHON COMPANY" means Marathon Oil Company, an Ohio corporation and wholly owned subsidiary of Marathon.

"MAP" means Marathon Ashland Petroleum LLC, a Delaware limited liability company owned by Marathon Company and the Company.

"NEW ASHLAND INC." means New EXM Inc., a Kentucky corporation and wholly owned subsidiary of HoldCo.

"NEW ASHLAND LLC" means EXM LLC, a Kentucky limited liability company and wholly owned subsidiary of HoldCo.

4. Amendment of the Definition of "Acquiring Person". The definition of "ACQUIRING PERSON" in Section 1 of the Rights Agreement is amended by adding the following sentence at the end thereof:

"Notwithstanding anything in this Rights Agreement to the contrary, none of Marathon, Marathon Company, Merger Sub, MAP, HoldCo, New Ashland LLC, New Ashland Inc. or any other Person, individually, or collectively, shall be deemed to be an Acquiring Person solely by virtue of (i) the execution and delivery of the Master Agreement or any other Transaction Agreement (as defined in the Master Agreement) or (ii) the consummation of the Transactions (as defined in the Master Agreement)."

5. Amendment of Section 3. Section 3(b) of the Rights Agreement is amended and supplemented by adding the following sentence at the end thereof:

"Notwithstanding anything in this Rights Agreement to the contrary, a Distribution Date or Business Combination shall not be deemed to have occurred, no Rights shall separate from the Common Shares or otherwise become exerciseable and no adjustment shall be made pursuant to Sections 11 or 12, in each case solely as a result of (i) the execution and delivery of the Master Agreement or any other Transaction Agreement (as defined in the Master Agreement) or (ii) the consummation of the Transactions (as defined in the Master Agreement)."

Furthermore, Section 3 of the Rights Agreement is amended to add the following sentence at the end thereof as Section 3(e):

"Nothing in this Rights Agreement shall be construed to give any holder of Rights or any other Person any legal or equitable rights, remedies or claims under this Rights Agreement by virtue of the execution and delivery of the Master Agreement or any other Transaction Agreement (as defined in the Master Agreement), or by virtue of any of the Transactions (as defined in the Master Agreement), including without limitation the consummation thereof."

6. Effectiveness. This Amendment shall be deemed effective as of the date first written above, as if executed on such date. Except as amended hereby, the Rights Agreement shall remain in full force and effect and shall be otherwise unaffected hereby.

7. Miscellaneous. This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective immediately upon execution by the Company, whether or not also executed by the Rights Agent. This Amendment shall be deemed to be a contract made under the laws of the Commonwealth of Kentucky and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State. If any term, provision, covenant or restriction of this Amendment is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Amendment shall remain in full force and effect and shall in no way be affected, impaired or invalidated. The Rights Agent and the Company hereby waive any notice requirement under the Rights Agreement pertaining to the matters covered by this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their authorized officers as of the date first written above.

ASHLAND INC.,

by /s/ James J. O'Brien

Name: James J. O'Brien
Title: Chief Executive Officer

National City Bank,

by /s/ Marlayna J. Jeanclerc

Name: Marlayna J. Jeanclerc
Title: Vice President

AMENDMENT NO. 2 dated as of March 17, 2004 (this "Amendment"), to the Put/Call, Registration Rights and Standstill Agreement dated as of January 1, 1998, as amended by Amendment No. 1 thereto dated as of December 31, 1998 (the "Agreement"), among Marathon Oil Company, an Ohio corporation ("Marathon"), Marathon Oil Corporation, a Delaware corporation (as successor to USX Corporation) ("MRO"), Ashland Inc., a Kentucky corporation ("Ashland"), and Marathon Ashland Petroleum LLC (the "Company").

WHEREAS Marathon, MRO, Ashland and the Company are parties to the Agreement (terms used in this Amendment and not defined herein shall have the meanings given such terms in the Agreement);

WHEREAS Marathon and Ashland are entering into Amendment No. 1 dated as of the date of this Amendment (the "MAP LLC Agreement Amendment") to the Amended and Restated Limited Liability Company Agreement dated as of December 31, 1998 of the Company, which facilitates the expansion of the Company's Detroit refinery (the "Detroit Refinery" as previously reviewed by the Board of Managers;

WHEREAS the expansion and clean fuels modification of the Detroit Refinery, upon completion, is intended to increase the Detroit refinery's crude oil throughput refining capacity to 100,000 barrels per calendar day, enable it to produce low sulfur gasoline and ultra-low sulfur diesel fuel, increase the crude oil pipeline capacity into the Detroit Refinery and expand the truck loading rack to accommodate increased refinery output (the "Project");

WHEREAS Marathon and Ashland wish to minimize any adverse impact that the Project might have on the value of Ashland's Membership Interest in the event that Marathon exercises the Marathon Call Right; and

WHEREAS, as a result of the Project, Marathon, MRO, Ashland and the Company wish to amend the Agreement to reflect changes to the Marathon Call Price set forth therein.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. AMENDMENTS. (a) Section 1.01 of the Agreement is amended to insert the following definitions after the definition of "Designated Sublease Agreements" and prior to the definition of "Disclosing Party":

"'DETROIT ADJUSTMENt' means the product of (x) Ashland's Percentage Interest and (y) the amount, if any, by which the Detroit Refinery Working Capital exceeds the Detroit Refinery Value; provided, however, that such amount shall not be less than zero.

"'DETROIT REFINERY VALUE' means the difference of (x) the Appraised Value of the Company determined by including the value of the Detroit refinery less the Appraised Value of the Company determined by excluding the value of the Detroit Refinery minus (y) the outstanding amount of principal and accrued and unpaid interest on the Loan (as defined in the MAP LLC Agreement Amendment).

"'DETROIT REFINERY WORKING CAPITAL' means the working capital related to the Detroit Refinery (excluding working capital additions related to the Project), calculated in accordance with the Company's present methodologies for estimating pro forma working capital on a fair market value basis."

(b) Section 3.02(a) of the Agreement is amended to read in its entirety as follows:

"(a) AMOUNT. The Marathon Call Price shall be an amount equal to (i) the product of (x) 115% of the Appraised Value of the Company multiplied by (y) Ashland's Percentage Interest, minus (ii) the Price Reduction and plus (iii) 115% of the Detroit Adjustment."

Section 2. PARTIES IN INTEREST. This Amendment shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors, legal representatives and permitted assigns.

Section 3. COUNTERPARTS. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 4. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR PROCEEDING RELATED TO OR ARISING OUT OF THIS AMENDMENT, OR ANY TRANSACTION OR CONDUCT IN CONNECTION HEREWITH, IS WAIVED.

Section 5. NO THIRD-PARTY BENEFICIARIES. This Amendment is not intended to confer upon any person other than the parties hereto any rights or remedies.

Section 6. INTERPRETATION. The headings contained in this Amendment are for reference purposes only and shall not affect in any way the meaning or interpretation of this Amendment. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation".

Section 7. SEVERABILITY. If any term or other provision of this Amendment is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Amendment shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions and amendments contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Amendment so as to effect the original intent of the parties as closely as possible to the end that the transactions and amendments contemplated hereby are fulfilled to the extent possible.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first written above.

MARATHON OIL COMPANY,

By:/s/C.P. Cazalot, Jr.
Name:C.P. Cazalot, Jr
Title: President

ASHLAND INC.,

By: J. Marvin Quin
Name: J. Marvin Quin
Title: Senior Vice President
and Chief Financial
Officer

MARATHON OIL CORPORATION,

By:/s/C.P. Cazalot, Jr.
Name:C.P. Cazalot, Jr
Title: President

MARATHON ASHLAND PETROLEUM LLC,

By:/s/G.L. Peiffer
Name:G.L. Peiffer
Title: Senior Vice President

AMENDMENT NO. 1 dated as of March 17, 2004 (this "Amendment"), to the Amended and Restated Limited Liability Company Agreement dated as of December 31, 1998 (the "MAP LLC Agreement") of Marathon Ashland Petroleum LLC (the "Company"), by and between Marathon Oil Company, an Ohio corporation ("Marathon"), and Ashland Inc., a Kentucky corporation ("Ashland").

WHEREAS Ashland and Marathon are the only Members of the Company and are parties to the MAP LLC Agreement, which sets forth the rights and responsibilities of each of them with respect to the governance, financing and operation of the Company (terms used in this Amendment and not defined herein shall have the meanings given such terms in the MAP LLC Agreement);

WHEREAS the Board of Managers, by a unanimous written action in lieu of meeting, has adopted resolutions effective as of December 5, 2003 (the "Resolutions"), which, among other things, authorized the Company to expend funds for the expansion of the Company's Detroit refinery (the "Detroit Refinery") as previously reviewed by the Board of Managers;

WHEREAS the expansion and clean fuels modification of the Detroit Refinery, upon completion, is intended to increase the Detroit Refinery's crude oil throughput refining capacity to 100,000 barrels per calendar day, enable it to produce low sulfur gasoline and ultra-low sulfur diesel fuel, increase the crude oil pipeline capacity into the Detroit Refinery and expand the truck loading rack to accommodate increased refinery output (the "Project");

WHEREAS the Members intend to minimize any adverse impact that the Project will have on the Distributable Cash payable to the Members pursuant to the MAP LLC Agreement;

WHEREAS the Resolutions authorized and directed the Company to borrow funds under a loan agreement (together with any amendments thereto approved in accordance with the super majority voting procedures of Section 8.07(b) of the MAP LLC Agreement, the "Loan Agreement") for an amount sufficient to fully fund the Project, estimated to be $325 million exclusive of Capitalized Interest and Additional Capitalized Interest (as such terms are defined in the Loan Agreement), between Marathon and the Company (the "Loan"), for the sole purpose of financing the Project, said Loan Agreement having been executed the same date as this Amendment;

WHEREAS the Members intend that the Loan will be repaid solely from cash flow associated with the Detroit Refinery;

WHEREAS, to minimize any adverse affect that the Project might have on the value of Ashland's Membership Interest in the event that Marathon exercises the Marathon Call Right (as defined in the Put/Call, Registration Rights and Standstill Agreement, dated as of January 1, 1998, as amended by Amendment No. 1 thereto dated as of December 31, 1998, among Marathon, Marathon Oil Corporation (as successor to USX Corporation) ("MOC"), Ashland and the Company (the "Put/Call Agreement")), the Members are entering into Amendment No. 2 dated as of the date hereof to the Put/Call Agreement; and

WHEREAS Marathon and Ashland wish to make certain amendments to the MAP LLC Agreement to facilitate the transactions contemplated by the Resolutions and the Detroit Expansion Term Sheet.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. DEFINED TERMS. When used herein the following terms have the following meanings:

"ADJUSTED DETROIT REFINERY CASH FLOW" means the Detroit Refinery Cash Flow for an applicable Quarterly Measurement Period either (i) reduced by the amount of the MOC Tax Reimbursement applicable to such Quarterly Measurement Period or (ii) increased by the amount of the MOC Tax Benefit Rebate paid to the Company for the applicable Quarterly Measurement Period.

"DETROIT REFINERY CASH FLOW" means all operational, pre-income tax cash flows associated with the Detroit Refinery with profits based upon refinery gate product values as determined on the Company's "Refinery Profit/Cash Flow Report" substantially in the form of Exhibit A hereto as prepared in good faith by the Company for the Detroit Refinery. Profits, losses and cash flow associated with wholesale or retail operations in the markets served by the Detroit Refinery are excluded from this calculation. Detroit Refinery Cash Flow also excludes any other financings related to the Detroit Refinery but includes normal asset sales, capital expenditures, changes in working capital and similar items.

"MOC Tax Benefit Rebate" means for an applicable Quarterly Measurement Period, the amount of the Federal and state income tax benefits (at an assumed rate of 39%) recognized by MOC or Marathon (or their respective successors and assigns) which are associated with the taxable losses from the Detroit Refinery for such Quarterly Measurement Period. This adjustment is the result of the allocation to Marathon (or its successor or assignee) of all taxable income or loss (including tax depreciation and interest on the Loan), from the date that the applicable Project assets are placed into service for Federal income tax purposes, associated with the Detroit Refinery until the Loan is paid in full.

"MOC Tax Reimbursement" means for an applicable Quarterly Measurement Period, the amount necessary to satisfy Marathon and MOC's Federal and state income tax liability (at an assumed rate of 39%) attributable to the taxable income from the Detroit Refinery for such Quarterly Measurement Period. This adjustment is the result of the allocation to Marathon of all taxable income or loss (including tax depreciation and interest on the Loan), from the date that the applicable Project assets are placed into service for Federal income tax purposes, associated with the Detroit Refinery until the Loan is paid in full.

"QUALIFIED EXPENDITURE REPORT" means a schedule summarizing all of the Company's expenses, working capital and capital expenditures associated with and reasonably allocated to the Project which were incurred by the Company during a calendar month, which report will include costs incurred by the Company's Refining, Pipeline and Terminal subsidiaries, affiliates or divisions reasonably allocated to the Project, as well as the Company's internal costs allocated to the Project during the month, including but not limited to payroll, supplies and shared service expenses. The Qualified Expenditure Report will also include, solely for informational purposes, the life-to-date project expenditures. A sample Qualified Expenditure Report is attached as Exhibit B. If, at any time following the Start Date, the Adjusted Detroit Refinery Cash Flow does not fully satisfy the accrued interest for a Quarterly Measurement Period, then the form of subsequent Qualified Expenditure Reports shall be modified to include a running total of Capitalized Interest and Additional Capitalized Interest (as such terms are defined in the Loan Agreement) and the interest accrued thereon.

"Qualified Expenditures" means costs (including but not limited to the Company's internal costs such as payroll, supplies and shared service expenses), expenses, working capital and capital expenditures made by the Company, its Affiliates (as defined in the Loan Agreement) or divisions in furtherance of and reasonably allocated to the Project, as more fully identified with general cost estimates in Exhibit C hereto.

"QUARTERLY MEASUREMENT PERIOD" means individually, each period of three months ending February 28 (29th in a leap year), May 31, August 31 and November 30 commencing from the Start Date and ending on the Repayment Date.

"REPAYMENT DATE" means the date on which the principal of and interest on the Loan have been paid in full.

"START DATE" means the first day of the calendar month in which the last of the Project assets are placed into service for Federal income tax purposes.

Section 2. FUNDING OF THE PROJECT. (a) The Project shall be funded solely with the proceeds of the Loan (excluding the first $13.2 million previously paid by the Company for the Project), and the proceeds of the Loan shall be used solely to fund the Project, including changes in working capital related to the Project and interest on the Loan. Marathon and the Company shall not amend, modify or supplement the Loan Agreement without prior approval of the Board of Managers in accordance with the Super Majority Decision voting procedures contained in Section 8.07(b) of the MAP LLC Agreement. The Company shall not reduce the Commitment (as defined in the Loan Agreement) or waive any rights under the Loan Agreement without prior approval of the Board of Managers in accordance with the Super Majority Decision voting procedures contained in Section 8.07(b) of the MAP LLC Agreement. In the event that the Commitment is not sufficient to fully fund the Project, Marathon and the Company shall amend the Loan Agreement to increase the Commitment to an amount sufficient to complete the Project.

(b) On or prior to the 25th day of each month, the Company shall deliver to each Member (at the same time) a Qualified Expenditure Report schedule summarizing all of the Qualified Expenditures which were incurred by the Company during the prior calendar month. In accordance with the terms of the Loan Agreement, Marathon shall advance cash to the Company in an amount equal to the Qualified Expenditures listed on the relevant Qualified Expenditure Report on the third Business Day following Marathon's receipt of such Qualified Expenditure Report. Each such cash advance to the Company from Marathon shall constitute a borrowing under the Loan Agreement by the Company.

(c) During the two years following the Company's delivery of each Qualified Expenditure Report, each Member and its duly authorized representatives shall have examination rights in accordance with Section 7.01 of the MAP LLC Agreement for the purpose of auditing the content of the Qualified Expenditure Reports.

Section 3. REPAYMENT. Notwithstanding anything to the contrary in the MAP LLC Agreement or the Loan Agreement, the Company shall not be required to make any payment under the Loan Agreement other than from Adjusted Detroit Refinery Cash Flow. The Company shall not make any payments of principal or of interest on the Loan prior to the Start Date. After the Start Date and until the Repayment Date, in accordance with the terms of the Loan Agreement, on the 25th day of the last month of each Fiscal Quarter, or if any such day is not a Business Day, on the next succeeding Business Day (each such date being a "Payment Date"), the Company shall make a payment to Marathon in an amount equal to the Adjusted Detroit Refinery Cash Flow for the preceding Quarterly Measurement Period not to exceed the Total Outstanding Amount (as defined in the Loan Agreement).

Section 4. (a) ALLOCATIONS AND OTHER TAX MATTERS. Notwithstanding anything to the contrary in Article VI of the MAP LLC Agreement, or any other provision of the MAP LLC Agreement, the tax deduction for all expenses related to the Project incurred and expensed by the Company whether prior to or after the date of this Agreement, and which have or will be funded by Marathon, shall be allocated to Marathon. In addition, all taxable income or loss of the Detroit Refinery for the period beginning on the Start Date and ending on the Repayment Date shall be allocated to Marathon. During such period, the Detroit Refinery Cash Flow shall first be allocated to pay the MOC Tax Reimbursement to Marathon. During such period, on the Business Day immediately preceding each Payment Date, Marathon shall contribute to the Company cash in an amount equal to the MOC Tax Benefit Rebate to the extent Marathon has not previously contributed to the Company cash attributable to such MOC Tax Benefit Rebate. Any cash contributed by Marathon to the Company pursuant to the preceding sentence shall be distributed by the Company to Marathon in repayment of the Loan in accordance with the Loan Agreement and Section 3 hereof. All tax depreciation associated with the capital expenditures attributable to the Project shall be allocated to Marathon, including depreciation remaining on the Project subsequent to the Repayment Date. After the Repayment Date, all income, cash flow and taxable income or loss (other than depreciation associated with the capital expenditures attributable to the Project) of the Detroit Refinery shall be allocated between the Members in proportion to their respective Percentage Interests. For purposes of this Amendment, income and loss shall be calculated in the same way and using the same methods as the line item Taxable Income/(Loss) on the Refinery Profit/Cash Flow Report, whether or not such calculations and methods are in accordance with GAAP.

Section 5. ADDITIONAL AGREEMENTS. (a) For the avoidance of doubt, nothing contained in this Amendment shall result in any adjustment to the Members' respective Percentage Interests in the Company. The Members agree that the capitalized expenditures and expenditures expensed by the Company for the Project shall not affect the amount of Distributable Cash distributed to the Members for any Fiscal Quarter.

(b) Notwithstanding Section 5.01(c) of the MAP LLC Agreement, each Distributions Calculation Statement distributed during each Fiscal Quarter beginning with the first Fiscal Quarter in which the Company incurred any expenditures for the Project until and including the Fiscal Quarter in which the Repayment Date occurs (the "Detroit Loan Period") shall set forth the calculations (in reasonable detail), giving effect to this Amendment, used by the Company for purposes of distributions pursuant to Section 5.01.

(c) During the Detroit Loan Period, the Company shall prepare and send to each Member (at the same time) promptly, but in no event later than noon on the 25th day of the last calendar month of each Fiscal Quarter, the Refinery Profit/Cash Flow Report.

Section 6. PARTIES IN INTEREST. This Amendment shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors, legal representatives and permitted assigns.

Section 7. COUNTERPARTS. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR PROCEEDING RELATED TO OR ARISING OUT OF THIS AMENDMENT, OR ANY TRANSACTION OR CONDUCT IN CONNECTION HEREWITH, IS WAIVED.

Section 9. NO THIRD-PARTY BENEFICIARIES. This Amendment is not intended to confer upon any person other than the parties hereto any rights or remedies.

Section 10. INTERPRETATION. The headings contained in this Amendment are for reference purposes only and shall not affect in any way the meaning or interpretation of this Amendment. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation".

Section 11. SEVERABILITY. If any term or other provision of this Amendment is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Amendment shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions and amendments contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Amendment so as to effect the original intent of the parties as closely as possible to the end that the transactions and amendments contemplated hereby are fulfilled to the extent possible.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first written above.

MARATHON OIL COMPANY,

By: /s/ C.P. Cazalot, Jr.
Name: C.P. Cazalot, Jr.
Title: President

ASHLAND INC.,

By: J. Marvin Quin
Name: J. Marvin Quin
Title: Senior Vice President and Chief Financial Officer

EXHIBIT 12

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

	Years ended September 30					Six months ended March 31	
	1999	2000	2001	2002	2003	2003	2004
EARNINGS							
Income (loss) from continuing operations	$ 283	$ 272	$ 390	$ 115	$ 94	$ (38)	$ 27
Income taxes	188	179	266	68	44	(19)	16
Interest expense	141	189	160	133	121	62	56
Interest portion of rental expense	34	39	40	35	33	16	16
Amortization of deferred debt expense	1	2	2	2	2	1	1
Distributions in excess of (less than) earnings of unconsolidated affiliates	(11)	(113)	(91)	20	(98)	34	97
	$ 636	$ 568	$ 767	$ 373	$ 196	$ 56	$ 213
FIXED CHARGES							
Interest expense	$ 141	$ 189	$ 160	$ 133	$ 121	$ 62	$ 56
Interest portion of rental expense	34	39	40	35	33	16	16
Amortization of deferred debt expense	1	2	2	2	2	1	1
	$ 176	$ 230	$ 202	$ 170	$ 156	$ 79	$ 73
RATIO OF EARNINGS TO FIXED CHARGES	3.61	2.47	3.80	2.19	1.26	0.71	2.92

Exhibit 31.1

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2004

/s/ James J. O'Brien

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2004

/s/ J. Marvin Quin

Chief Financial Officer

Exhibit 32

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

In connection with the Quarterly Report of Ashland Inc. (the "Company") on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, James J. O'Brien, Chief Executive Officer of the Company, and J. Marvin Quin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

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

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

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

/s/ James J. O'Brien
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James J. O'Brien
Chief Executive Officer
May 11, 2004

/s/ J. Marvin Quin
- ----------------------
J. Marvin Quin
Chief Financial Officer
May 11, 2004

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