SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

I.R.S. No. 61-0122250
1000 Ashland Drive
Russell, Kentucky 41169

Telephone Number: (606) 329-3333

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

At July 31, 1997, there were 74,666,095 shares of Registrant's Common Stock outstanding. One Right to purchase one-thousandth of a share of Series A Participating Cumulative Preferred Stock accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL INFORMATION

ASHLAND INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Three months ended June 30		Nine months ended June 30	
(In millions except per share data)	1997	1996	1997	1996
REVENUES				
Sales and operating revenues (including excise taxes)	$ 3,452	$ 3,429	$ 9,956	$ 9,459
Other	16	13	49	56
	3,468	3,442	10,005	9,515
COSTS AND EXPENSES				
Cost of sales and operating expenses	2,567	2,627	7,628	7,289
Excise taxes on products and merchandise	253	245	748	734
Selling, general and administrative expenses	341	332	1,001	951
Depreciation, depletion and amortization	98	92	294	277
	3,259	3,296	9,671	9,251
OPERATING INCOME	209	146	334	264
OTHER INCOME (EXPENSE)				
Interest expense (net of interest income)	(42)	(42)	(124)	(128)
Equity income	11	5	27	16

INOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	178	109	237	152
Income taxes	(55)	(32)	(79)	(50)
Minority interest in earnings of subsidiaries	(4)	(1)	(14)	(7)
INCOME FROM CONTINUING OPERATIONS	119	76	144	95
Income from operations of discontinued Exploration segment - Note B	9	4	26	70 (1)
INCOME BEFORE EXTRAORDINARY LOSS	128	80	170	165
Extraordinary loss on early extinguishment of debt - Note C	(2)	-	(2)	-
NET INCOME	126	80	168	165
Dividends on convertible preferred stock	-	(5)	(9)	(14)
INCOME AVAILABLE TO COMMON SHARES	$ 126	$ 75	$ 159	$ 151
EARNINGS PER SHARE - Note F				
Primary				
Income from continuing operations	$ 1.57	$ 1.10	$ 1.95	$ 1.26
Discontinued operations	.11	.06	.36	1.08 (1)
Extraordinary loss	(.02)	-	(.02)	-
Net income	$ 1.66	$ 1.16	$ 2.29	$ 2.34
Assuming dull dilution				
Income from continuing operations	$ 1.54	$ 1.01	$ 1.90	$ 1.31
Discontinued operations	.11	.05	.33	.92
Extraordinary loss	(.02)	-	(.02)	-
Net income	$ 1.63	$ 1.06	$ 2.21	$ 2.23
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275	$ .825	$ .825

(1) Includes a net gain of $48 million or 74 cents a share resulting from the settlement of Ashland Exploration's (now known as Blazer Energy) claims in the bankruptcy reorganization of Columbia Gas Transmission and Columbia Gas Systems.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	June 30 1997	September 30 1996	June 30 1996
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 116	$ 77	$ 71
Accounts receivable	1,636	1,648	1,685
Allowance for doubtful accounts	(27)	(27)	(27)
Construction completed and in progress	47	50	54
Inventories - Note A	763	708	763
Deferred income taxes	106	113	104
Other current assets	106	96	113
	2,747	2,665	2,763
INVESTMENTS AND OTHER ASSETS			
Investments in and advances to unconsolidated affiliates	169	157	155
Investments of captive insurance companies	164	178	194
Cost in excess of net assets of companies acquired	150	120	123
Net assets of Exploration segment held for sale	334	319	318
Other noncurrent assets	335	358	361
	1,152	1,132	1,151
PROPERTY, PLANT AND EQUIPMENT			
Cost	6,475	6,285	6,219
Accumulated depreciation, depletion and amortization	(3,207)	(3,000)	(3,026)
	3,268	3,285	3,193
	$ 7,167	$ 7,082	$ 7,107
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 362	$ 203	$ 404
Trade and other payables	1,824	1,973	1,819
Income taxes	23	22	24
	2,209	2,198	2,247
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,710	1,784	1,752
Employee benefit obligations	609	601	602
Reserves of captive insurance companies	170	166	181
Deferred income taxes	52	28	18
Other long-term liabilities and deferred credits	312	317	350
Commitments and contingencies - Note E			
	2,853	2,896	2,903
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	182	174	175
STOCKHOLDERS' EQUITY			
Convertible preferred stock	-	293	293
Common stockholders' equity	1,923	1,521	1,489
	1,923	1,814	1,782
	$ 7,167	$ 7,082	$ 7,107

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

(In millions)	Preferred stock	Common stock	Paid-in capital	Retained earnings	Loan to LESOP	Other	Total
BALANCE AT OCTOBER 1, 1995	$ 293	$ 64	$ 256	$ 1,063	$ (11)	$ (10)	$ 1,655
Net income				165			165
Dividends							
Preferred stock				(14)			(14)
Common stock				(53)			(53)
Issued common stock under							
Stock incentive plans		1	18				19
Employee savings plan			3				3
LESOP loan repayment					11		11
Other changes						(4)	(4)
BALANCE AT JUNE 30, 1996	$ 293	$ 65	$ 277	$ 1,161	$ -	$ (14)	$ 1,782
BALANCE AT OCTOBER 1, 1996	$ 293	$ 64	$ 280	$ 1,185	$ -	$ (8)	$ 1,814
Net income				168			168
Dividends							
Preferred stock				(9)			(9)
Common stock				(56)			(56)
Issued common stock under							
Preferred stock conversion	(290)	9	281				-
Stock incentive plans		1	25				26
Employee savings plan			1				1
Preferred stock redemption	(3)						(3)
Other changes						(18)	(18)
BALANCE AT JUNE 30, 1997	$ -	$ 74	$ 587	$ 1,288	$ -	$ (26)	$ 1,923

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Nine months ended June 30 1997	1996
CASH FLOWS FROM CONTINUING OPERATIONS		
Income from continuing operations	$ 144	$ 95
Expense (income) not affecting cash		
Depreciation, depletion and amortization	294	277
Deferred income taxes	28	(10)
Other noncash items	14	1
Change in operating assets and liabilities (1)	(143)	(91)
	337	272
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	87	11
Proceeds from issuance of capital stock	19	16
Loan repayment from leveraged employee stock ownership plan	-	11
Repayment of long-term debt	(61)	(97)
Increase in short-term debt	60	138
Redemption of preferred stock	(3)	-
Dividends paid	(68)	(70)
	34	9
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(266)	(256)
Purchase of operations - net of cash acquired	(67)	(45)
Proceeds from sale of operations	-	1
Investment purchases (2)	(160)	(403)
Investment sales and maturities (2)	151	421
Other-net	-	(10)
	(342)	(292)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	29	(11)
Cash provided by discontinued operations	10	30
INCREASE IN CASH AND CASH EQUIVALENTS	39	19
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	77	52
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 116	$ 71

(1) Excludes changes resulting from operations acquired or sold.
(2) Represents primarily investment transactions of captive insurance companies.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations, but 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, 1996. Results of operations for the periods ended June 30, 1997, are not necessarily indicative of results to be expected for the year ending September 30, 1997.

INVENTORIES

(In millions)	June 30 1997	September 30 1996	June 30 1996
Crude oil	$ 287	$ 316	$ 306
Petroleum products	318	323	345
Chemicals	377	342	358
Other products	160	146	168
Materials and supplies	55	55	57
Excess of replacement costs over LIFO carrying values	(434)	(474)	(471)
	$ 763	$ 708	$ 763

DERIVATIVE INSTRUMENTS

Ashland selectively uses commodity futures contracts to reduce its exposure to certain risks inherent within its refining business. Such contracts are used principally to hedge the value of intransit crude oil cargoes, hedge exposure under fixed-price sales contracts, obtain higher prices for crude oil sales, protect against margin compression caused by increasing crude oil prices, take advantage of attractive refining margins and lock in prices on a portion of the natural gas fuel needs of the refineries. Realized gains and losses on these contracts are included in cost of sales in the original contract month, with amounts paid or received on early terminations deferred on the balance sheet in other current assets or trade and other payables, as appropriate (the deferral method). In addition, trading in commodity futures contracts is a natural extension of cash market trading and is used as an alternate method of obtaining or selling crude oil and petroleum products to balance physical barrel activity. These contracts are marked-to-market each month and included in accounts receivable, with the offsetting unrealized gain or loss included in cost of sales (the fair value method).

Ashland uses forward exchange contracts to hedge foreign currency transaction exposures of its operations. These contracts are marked-to-market each month and included in trade and other payables, with the offsetting gain or loss included in other revenues (the fair value method). In addition, any investments of Ashland's captive insurance companies in foreign currency-denominated debt obligations are hedged. These contracts are marked-to-market each month and included with the related investments on the balance sheet. The offsetting unrealized gain or loss is deferred in stockholders' equity. This accounting treatment mirrors that of the underlying investments.

Ashland uses interest rate swap agreements to obtain greater access to the lower borrowing costs normally available on floating-rate debt, while minimizing refunding risk through the issuance of long-term, fixed-rate debt. Each interest rate swap agreement is designated with all or a portion of the principal balance and term of a specific debt obligation. These agreements involve the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates over the life of the

DERIVATIVE INSTRUMENTS (CONTINUED)

agreement, without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the debt (the accrual method). The related amount payable to or receivable from counterparties is included in trade and other payables. The fair values of the swap agreements are not recognized in the financial statements. Gains and losses on terminations of interest rate swap agreements are deferred on the balance sheet (in other long-term liabilities) and amortized as an adjustment to interest expense related to the debt over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income coincident with the extinguishment.

NOTE B - DISCONTINUED OPERATIONS

On July 1, 1997, Ashland completed the sale of Blazer Energy Corporation, its domestic exploration and production subsidiary, to The Eastern Group, Inc., a U.S. energy management subsidiary of Statoil, a Norwegian energy company. Sales proceeds of $566 million will result in a significant gain in the September 1997 quarter. Ashland continues to pursue the sale of its international exploration and production operations and is presently working with the Nigerian authorities to resolve a dispute relating to its production sharing contracts. Accordingly, results from the Exploration segment are shown as discontinued operations with prior periods restated.

Components of amounts reflected in the income statements and balance sheets for the discontinued Exploration segment are as follows:

(In millions)	Three months ended June 30 1997	Three months ended June 30 1996	Nine months ended June 30 1997	Nine months ended June 30 1996
INCOME STATEMENTS				
Revenues	$ 62	$ 52	$ 216	$ 251
Costs and expenses	(53)	(50)	(191)	(159)
Operating income	9	2	25	92
Income tax benefit (expense)	-	2	1	(22)
Net income	$ 9	$ 4	$ 26	$ 70

(In millions)	June 30 1997	September 30 1996	June 30 1996
BALANCE SHEETS			
Current assets	$ 74	$ 76	$ 64
Investments and other assets	8	1	1
Property, plant and equipment - net	430	430	397
Current liabilities	(67)	(81)	(51)
Noncurrent liabilities	(111)	(107)	(93)
Net assets held for sale	$ 334	$ 319	$ 318

NOTE C - EXTRAORDINARY LOSS

On June 3, 1997, Ashland called for redemption all its outstanding 6.75% Convertible Subordinated Debentures due 2014. On July 3, 1997, $123 million of the Debentures were redeemed for 101.35% of the principal amount, plus accrued interest, thereby eliminating an associated 2.4 million shares of Ashland Common Stock that had been reserved for conversion. The redemption premium and writeoff of unamortized deferred debt issuance expenses resulted in a pretax charge of $3 million in the quarter ended June 30, 1997. Net of $1 million in income tax benefits, the charge resulted in an extraordinary loss of $2 million on this early extinquishment of debt.

NOTE D - ACQUISITIONS

During the nine months ended June 30, 1997, Ashland Chemical acquired various distribution and specialty chemical businesses and APAC acquired two construction businesses. These acquisitions were accounted for as purchases and did not have a significant effect on Ashland's consolidated financial statements.

NOTE E - LITIGATION, CLAIMS AND CONTINGENCIES

Federal, state and local statutes and regulations relating to the protection of the environment have a significant impact on the conduct of Ashland's businesses. For information regarding environmental expenditures and reserves, see the "Miscellaneous - Governmental Regulation and Action - Environmental Protection" section of Ashland's Form 10-K.

Environmental reserves are subject to considerable uncertainties which affect Ashland's ability to estimate its share of the ultimate costs of required remediation efforts. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites. As a result, charges to income for environmental liabilities could have a material effect on results of operations in a particular quarter or fiscal year as assessments and remediation efforts proceed or as new remediation sites are identified. However, such charges are not expected to have a material adverse effect on Ashland's consolidated financial position.

Ashland has numerous insurance policies that provide coverage at various levels for environmental costs. In addition, various costs of remediation efforts related to underground storage tanks are eligible for reimbursement from state administered funds.

During 1996, the U.S. Environmental Protection Agency (EPA) notified Ashland that its three refineries would be subject to a comprehensive inspection of compliance with federal environmental laws and regulations. The inspections have been completed and are currently under review by the EPA and Ashland. Such inspections could result in sanctions, monetary penalties and further remedial expenditures. Also during 1996, Ashland arranged for an independent review of environmental compliance at its three refineries by an outside consulting firm, self-reported to the EPA a number of issues of non-compliance with applicable laws or regulations, and commenced a program to address these matters. Ashland is not in a position to determine what actions, if any, may be instituted and is similarly uncertain at this time what additional remedial actions may be required or costs incurred. However, this matter is not expected to have a material adverse effect on Ashland's consolidated financial position.

In addition to environmental matters, Ashland and its subsidiaries are parties to numerous claims and lawsuits (some of which are for substantial amounts). While these actions are being contested, the outcome of individual matters is not predictable with assurance. Although any actual liability is not

NOTE E - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

determinable as of June 30, 1997, Ashland believes that any liability resulting from these matters, after taking into consideration Ashland's insurance coverages and amounts already provided for, should not have a material adverse effect on Ashland's consolidated financial position.

NOTE F - COMPUTATION OF EARNINGS PER SHARE

In March 1997, Ashland called for redemption the 6 million outstanding shares of its $3.125 Cumulative Convertible Preferred Stock. Each preferred share was convertible into 1.546 shares of Ashland Common Stock, plus cash for fractional shares. Almost 99% of the series was submitted for conversion to common stock by the March 31 deadline. The remaining preferred shares were redeemed at a price of $51.88 per share plus 19.1 cents per share of accrued and unpaid dividends.

In the computation of earnings per share assuming full dilution for the nine months ended June 30, 1997, the preferred shares were assumed to be converted to common shares as of the beginning of the period, in accordance with generally accepted accounting principles. If the shares had been assumed converted as of the beginning of the period for the primary computation, the resulting primary earnings per share would have amounted to $2.23.

	Three months ended June 30		Nine months ended June 30	
(In millions except per share data)	1997	1996	1997	1996
PRIMARY EARNINGS PER SHARE				
Income available to common shares				
Net income	$ 126	$ 80	$ 168	$ 165
Dividends on convertible preferred stock	-	(5)	(9)	(14)
	$ 126	$ 75	$ 159	$ 151
Average common shares and equivalents outstanding				
Average common shares outstanding	74	64	68	64
Common shares issuable upon exercise of stock options	1	1	1	1
	75	65	69	65
Earnings per share	$ 1.66	$ 1.16	$ 2.29	$ 2.34
EARNINGS PER SHARE ASSUMING FULL DILUTION				
Income available to common shares				
Net income	$ 126	$ 80	$ 168	$ 165
Interest on convertible debentures (net of income taxes)	1	1	4	4
	$ 127	$ 81	$ 172	$ 169
Average common shares and equivalents outstanding				
Average common shares outstanding	74	64	68	64
Common shares issuable upon				
Exercise of stock options	1	1	1	1
Conversion of debentures	3	3	3	2
Conversion of preferred stock	-	9	6	9
	78	77	78	76
Earnings per share	$ 1.63	$ 1.06	$ 2.21	$ 2.23

ASHLAND INC. AND SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(Dollars in millions except as noted)	Three months ended June 30 1997	Three months ended June 30 1996	Nine months ended June 30 1997	Nine months ended June 30 1996
SALES AND OPERATING REVENUES				
Refining and Marketing (1)	$ 1,668	$ 1,713	$ 5,029	$ 4,734
Valvoline	297	350	827	890
Chemical	1,065	958	3,005	2,752
APAC	347	356	843	866
Coal	153	137	465	440
Intersegment sales	(78)	(85)	(213)	(223)
	$ 3,452	$ 3,429	$ 9,956	$ 9,459
OPERATING INCOME				
Refining and Marketing (1)	$ 96	$ 53	$ 97	$ 72
Valvoline	30	37	67	57
Chemical	51	47	118	127
APAC	29	29	48	53
Coal	15	8	44	30
General corporate expenses	(12)	(28)	(40)	(75)
	$ 209	$ 146	$ 334	$ 264
EQUITY INCOME				
Arch Mineral Corporation	$ 6	$ 3	$ 16	$ 8
Other	5	2	11	8
	$ 11	$ 5	$ 27	$ 16
OPERATING INFORMATION				
Refining and Marketing (1)				
Refining inputs (thousand barrels per day) (2)	367.8	376.0	358.7	365.7
Value of products manufactured per barrel	$ 25.12	$ 26.54	$ 26.86	$ 24.06
Input cost per barrel	19.14	21.74	22.26	19.86
Refining margin per barrel	$ 5.98	$ 4.80	$ 4.60	$ 4.20
Refined product sales (thousand barrels per day)				
Wholesale sales to				
Ashland brand retail jobbers	21.5	18.0	22.8	16.1
Other wholesale customers (3)	302.3	302.9	289.3	296.2
SuperAmerica retail system	77.1	74.8	75.8	73.7
Total refined product sales	400.9	395.7	387.9	386.0
SuperAmerica merchandise sales	$ 157	$ 152	$ 439	$ 425
Valvoline lubricant sales (thousand barrels per day) (3)	19.9	19.9	18.7	19.3
APAC construction backlog				
At end of period	$ 701	$ 663	$ 701	$ 663
Increase (decrease) during period	$ 47	$ (1)	$ 54	$ (9)
Ashland Coal, Inc. (4)				
Tons sold (millions)	6.0	5.3	18.2	16.6
Sales price per ton	$ 25.64	$ 25.78	$ 25.59	$ 26.59
Arch Mineral Corporation (4)				
Tons sold (millions)	7.6	7.3	22.9	21.5
Sales price per ton	$ 25.10	$ 25.31	$ 25.15	$ 25.36

(1) Segments formerly identified as Petroleum and SuperAmerica have been combined effective October 1, 1996. Prior year amounts have been restated.
(2) Includes crude oil and other purchased feedstocks.
(3) Includes intersegment sales.
(4) Ashland's ownership interest at June 30, 1997, was 57% in Ashland Coal and 50% in Arch Mineral.

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ASHLAND INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

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RESULTS OF OPERATIONS

Current Quarter - Ashland recorded net income of $126 million for the three months ended June 30, 1997, compared to $80 million for the same period last year. Operating income equaled $209 million in the current quarter compared to $146 million in last year's third quarter. Excluding unusual items in prior periods, the June quarter was the best in the company's history in terms of net income and operating income. The increase in earnings was due primarily to substantial improvements from Refining and Marketing operations.

Year-to-Date - Ashland recorded net income of $168 million for the nine months ended June 30, 1997. This compares to net income of $165 million for the same period last year, which included net income of $48 million from the settlement of Ashland Exploration's (now known as Blazer Energy) claims in the bankruptcy reorganization of Columbia Gas Transmission and Columbia Gas Systems. Operating income equaled $334 million in the first nine months of 1997, compared to $264 million for the same period last year, reflecting improvements in Refining and Marketing, Valvoline and Ashland Coal.

Effective October 1, 1996, Ashland changed its methodology for allocating corporate general and administrative (G&A) expenses. For purposes of comparison to prior year results, segment operating income for the current quarter and year-to-date periods have been adjusted in the following table to exclude the increased allocations.

	Three months ended June 30		Nine months ended June 30	
(In millions)	1997	1996	1997	1996
OPERATING INCOME				
Refining and Marketing	$ 100	$ 53	$ 111	$ 72
Valvoline	31	37	71	57
Chemical	54	47	126	127
APAC	31	29	51	53
Coal	15	8	44	30
General corporate expenses	(22)	(28)	(71)	(75)
	$ 209	$ 146	$ 332	$ 264

REFINING AND MARKETING

Also effective October 1, 1996, Ashland began reporting the results of Ashland Petroleum, its refining division, and SuperAmerica retail gasoline marketing operations as a single industry segment to allow for better peer group comparisons. Prior year results have been restated.

Current Quarter - Refining and Marketing reported operating income of $96 million for the June 1997 quarter compared to $53 million for the June 1996 quarter. The 79% increase was primarily the result of a $1.18 per barrel improvement in the refining margin (the difference between the value of products manufactured and input cost), reflecting lower crude oil costs. Wholesale product prices were favorable, particularly for asphalt. The improvement was further enhanced by a 21(cent) per barrel decrease in refining expenses, despite slightly lower throughput. Results for retail marketing operations were also up substantially, reflecting a significant increase in retail gasoline margins, as well as improved merchandise margins and higher gasoline and merchandise volumes.

Year-to-Date - Refining and Marketing reported operating income of $97 million for the nine months ended June 30, 1997, compared to $72 million for the first nine months of fiscal 1997. The increase in earnings reflects a 40(cent) per barrel improvement in the refining margin. Inputs were down slightly for the nine months this year due to a maintenance turnaround at the Catlettsburg, Ky., refinery and heavy flooding in the Ohio Valley during the second quarter, which limited the ability to ship products on the river. Refining expenses for the first nine months of fiscal 1997 declined 28(cent) per barrel compared to the nine months last year, despite the lower throughput, also contributing to the earnings improvement.

REFINING AND MARKETING (CONTINUED)

Scurlock Permian was adversely affected by lower margins on crude oil sales, reflecting increased competition in the domestic crude oil markets. Modest increases in retail sales volumes and margins for both gasoline and merchandise were offset by a rise in expenses.

The Ashland brand jobber program continues to expand, though at a considerably slower pace since Ashland's announcement on May 15 of the pending joint venture with USX's Marathon group (see "Profitability Improvement Plan" on page 16). During the first nine months of the year, 81 more units were opened, bringing the total number of units to 566 at June 30, 1997, compared to 365 units in operation at June 30, 1996. SuperAmerica opened 19 new and 8 rebuilt units to bring the total number of units to 755 at June 30, 1997, including 630 SuperAmerica stores and 125 Rich outlets. At June 30, 1996, there were 627 SuperAmerica stores and 103 Rich outlets in operation.

VALVOLINE

Current Quarter - Valvoline reported operating income of $30 million for the quarter ended June 30, 1997, compared to $37 million for the quarter ended June 30, 1996. Due to the extremely cool spring, sales volumes of R-12 automotive refrigerant declined, which led to the lower overall results for the quarter. This decline was partially offset by an improvement in the U.S. lubricants business, reflecting good volumes and better margins.

Year-to-Date - For the nine months ended June 30, 1997, Valvoline posted record operating income of $67 million. This compares to operating income of $57 million for the same period last year. The improvement in earnings reflected higher U.S. lubricant, R-12 refrigerant and antifreeze margins. First Recovery reported improved results primarily due to higher used oil collection revenues.

CHEMICAL

Current Quarter - Ashland Chemical had a record June quarter with operating income of $51 million, compared to $47 million for the third quarter of 1996. Results from petrochemicals improved significantly from a weak third quarter last year, and the specialty group also had higher operating income. The combination more than offset a margin-driven decline from the distribution group. The increase in petrochemicals reflected improved margins for cumene and methanol. The specialty group had an all-time record quarter with four of the six units establishing records. However, Drew Marine was down due to reduced sales in a very competitive market. In the distribution group, General Polymers and FRP Supply both had record quarters, but were more than offset by a decline in industrial chemicals and solvents, which experienced decreased margins due to rising material costs.

Year-to-Date - Ashland Chemical's operating income for the nine months ended June 30, 1997, amounted to $118 million, compared to $127 million for the first nine months of fiscal 1996. When the increased corporate G&A allocations are eliminated, results were essentially equal to last year. The distribution group is down, as lower earnings in industrial chemicals and solvents and Ashland Plastics more than offset a record nine months for General Polymers. The specialty group had a record nine months with foundry products, specialty polymers and adhesives, and electronic chemicals all establishing new records. Petrochemical results are up due to strong methanol earnings, though margins for maleic anhydride have declined, reflecting higher raw material costs and a very competitive market.

APAC

Current Quarter - APAC, Ashland's highway construction division, had another record June quarter, with $29 million in operating income, slightly exceeding last year's June quarter. These operations performed extremely well, despite a wet spring in many of APAC's markets. The slight improvement reflected higher profit margins on construction jobs and aggregate plant sales, which offset lower margins from asphalt plants.

APAC (CONTINUED)

Year-to-Date - For the nine months ended June 30, 1997, APAC reported operating income of $48 million, compared to $53 million for the same period last year. The decline was the result of adverse weather conditions in several of APAC's operating areas in the December 1996 quarter, increased corporate G&A allocations during the current fiscal year, and a gain on an aggregate property sale in the December 1995 quarter. The construction backlog at June 30, 1997, amounted to a record $701 million, compared to $663 million at June 30, 1996.

COAL

Current Quarter - Operating income for Ashland Coal nearly doubled to $15 million for the June 1997 quarter, compared to $8 million for the June 1996 quarter, despite decreased sales realizations per ton. The improvement was driven by increased sales and production tonnage and reduced mining costs resulting from the relocation of two major draglines and more favorable overburden ratios.

Year-to-Date - Operating income for Ashland Coal increased to $44 million for the nine months ended June 30, 1997, compared to $30 million for the same period last year. The increase was generally due to the same factors discussed in the current quarter comparison above.

Ashland Coal and Arch Mineral merged on July 1, 1997, into a new corporation known as Arch Coal, Inc. Ashland is the majority shareholder of the new company, with a 54% ownership interest. Beginning in the September 1997 quarter, Arch Coal will be consolidated in Ashland's financial statements. Prior interim quarters in 1997 will be restated to reflect Arch Mineral on a consolidated basis for comparison purposes. Arch Mineral is currently accounted for under the equity method.

In the September quarter of 1997, Arch Coal anticipates recording a one-time charge related to the merger, including severance costs and the writedown of duplicate facilities. Also, the longwall reserve base at the company's Arch of Kentucky Mine No. 37 in Harlan County, Ky., will be exhausted near the end of the quarter, and its substantial contribution to earnings will be lost. After exhaustion of the longwall reserves, production at Mine No. 37 will be substantially reduced, but the development of a new underground mine in the Darby seam near the No. 37 Mine is being evaluated to partially offset the lost production. Furthermore, the September quarter is traditionally the weakest for the company due to miners' vacations and higher than normal maintenance costs.

GENERAL CORPORATE EXPENSES

General corporate expenses were $12 million in the current quarter, compared to $28 million in the prior year's quarter. Comparable amounts for the nine months periods were $40 million for 1997 versus $75 million for 1996. The decrease was due primarily to increased allocations to the operating divisions in 1997.

OTHER INCOME (EXPENSE)

For the nine months ended June 30, 1997, interest expense (net of interest income) totaled $124 million, compared to $128 million for the 1996 period. The decline reflected a decrease in the average outstanding debt level during the December quarter and lower interest rates resulting from certain long-term debt refinancings.

Equity income from Arch Mineral for the quarter ended June 30, 1997, amounted to $6 million, compared to $3 million for the June 1996 quarter. Equity income from Arch for the nine months ended June 30, 1997, amounted to $16 million, compared to $8 million for the same period last year. The increases in both comparisons reflected higher sales and production tonnage and reduced administrative and interest costs. See the discussion regarding the merger of Arch Mineral and Ashland Coal above.

DISCONTINUED OPERATIONS

On July 1, 1997, Ashland completed the sale of Blazer Energy Corporation, its domestic exploration and production subsidiary, to The Eastern Group, Inc., a U.S. energy management subsidiary of Statoil, a Norwegian energy company. Sales proceeds of $566 million will result in a significant gain in the September quarter. Ashland continues to pursue the sale of its international exploration and production operations and is presently working with the Nigerian authorities to resolve a dispute relating to its production sharing contracts. Accordingly, results from the Exploration segment are shown as discontinued operations with prior periods restated (see Note B to the financial statements).

Current Quarter - Net income from Exploration amounted to $9 million for the quarter ended June 30, 1997, compared to $4 million for the same period in 1996. The improvement reflects a 19% increase in domestic natural gas production, as new wells from the Vermilion 410 and 389 blocks in the Gulf of Mexico began production in the first and second quarters of fiscal 1997.

Year-to-Date - Net income from Exploration amounted to $26 million for the nine months ended June 30, 1997, compared to $70 million for the same period in 1996. Excluding the previously mentioned $48 million in net income resulting from the Columbia Gas settlement in 1996, the $4 million improvement over last year reflects a 12% increase in natural gas prices and a 10% increase in natural gas volumes resulting from the new Gulf of Mexico production discussed above. Partially offsetting these improvements was an $8 million pretax charge in the March 1997 quarter resulting from a litigation settlement and remediation expenses related to certain nonproducing properties.

EXTRAORDINARY LOSS

On June 3, 1997, Ashland called for redemption all its outstanding 6.75% Convertible Subordinated Debentures due 2014. On July 3, 1997, $123 million of the Debentures were redeemed for 101.35% of the principal amount, plus accrued interest, thereby eliminating an associated 2.4 million shares of Ashland Common Stock that had been reserved for conversion. The redemption premium and writeoff of unamortized deferred debt issuance expenses resulted in a pretax charge of $3 million in the quarter ended June 30, 1997. Net of $1 million in income tax benefits, the charge resulted in an extraordinary loss of $2 million on this early extinquishment of debt.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt. On February 3, 1997, Moody's Investors Service lowered the rating on Ashland's senior debt from Baa1 to Baa2, a level equivalent to the company's BBB senior debt rating from Standard & Poor's. Ashland has a revolving credit agreement providing for up to $320 million in borrowings, under which no borrowings were outstanding at June 30, 1997. At July 1, 1997, Arch Coal also had revolving credit agreements providing for up to $500 million in borrowings, none of which were in use. Under a shelf registration, Ashland can issue an additional $220 million in medium-term notes should future opportunities or needs arise. Ashland and Arch Coal also have access to various uncommitted lines of credit and commercial paper markets, under which short-term notes of $177 million were outstanding at June 30, 1997.

Cash flows from continuing operations, a major source of Ashland's liquidity, amounted to $337 million for the nine months ended June 30, 1997, compared to $272 million for the nine months ended June 30, 1996. This increase was attributed primarily to the higher level of earnings.

Working capital at June 30, 1997, was $538 million, compared to $467 million at September 30, 1996, and $516 million at June 30, 1996. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 78% of current liabilities at June 30, 1997, and 77% at September 30, 1996. Ashland's

LIQUIDITY (CONTINUED)

working capital is significantly affected by its use of the LIFO method of inventory valuation, which valued inventories $434 million below their replacement costs at June 30, 1997.

CAPITAL RESOURCES

For the nine months ended June 30, 1997, property additions amounted to $266 million, compared to $256 million for the same period last year. Property additions and cash dividends for the remainder of fiscal 1997 are estimated at $208 million and $26 million, respectively. Ashland anticipates meeting its remaining 1997 capital requirements for property additions, dividends and $25 million in contractual maturities of long-term debt from internally generated funds.

Ashland's capital employed at June 30, 1997, consisted of debt (49%), deferred income taxes (1%), minority interest (4%), and common stockholders' equity (46%). Debt as a percent of capital employed was 49% at June 30, 1997, compared to 50% at September 30, 1996. At June 30, 1997, long-term debt included $48 million of floating-rate debt, and the interest rates on an additional $465 million of fixed-rate debt had been converted to floating rates through interest rate swap agreements.

ENVIRONMENTAL MATTERS

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

Environmental reserves are subject to considerable uncertainties which affect Ashland's ability to estimate its share of the ultimate costs of required remediation efforts. Such uncertainties involve the nature and extent of contamination at each site, the extent of required cleanup efforts under existing environmental regulations, widely varying costs of alternate cleanup methods, changes in environmental regulations, the potential effect of continuing improvements in remediation technology, and the number and financial strength of other potentially responsible parties at multiparty sites. As a result, charges to income for environmental liabilities could have a material effect on results of operations in a particular quarter or fiscal year as assessments and remediation efforts proceed or as new remediation sites are identified. However, such charges are not expected to have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity.

During 1996, the U.S. Environmental Protection Agency (EPA) notified Ashland that its three refineries would be subject to a comprehensive inspection of compliance with federal environmental laws and regulations. The inspections have been completed and are currently under review by the EPA and Ashland. Such inspections could result in sanctions, monetary penalties and further remedial expenditures. Also during 1996, Ashland arranged for an independent review of environmental compliance at its three refineries by an outside consulting firm, self-reported to the EPA a number of issues of non-compliance with applicable laws or regulations, and commenced a program to address these matters. Ashland is not in a position to determine what actions, if any, may be instituted and is similarly uncertain at this time what additional remedial actions may be required or costs incurred. However, this matter is not expected to have a material adverse effect on Ashland's consolidated financial position.

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PROFITABILITY IMPROVEMENT PLAN

Following is an update of the progress under certain steps in Ashland's profitability improvement plan announced on December 9, 1996.

o REDUCING CAPITAL EXPENDITURES FOR REFINING. Expenditures are being limited to $100 million for fiscal 1997, below projected depreciation, and totaled $62 million for the first nine months.

o AGGRESSIVELY REVIEWING OPTIONS FOR STRATEGIC ALLIANCES FOR ASHLAND'S REFINING AND MARKETING OPERATIONS. On May 15, 1997, Ashland and USX Corporation announced the signing of a Letter of Intent between Ashland and USX's Marathon group to pursue a combination of the major elements of Marathon and Ashland's refining, marketing and transportation operations. Under the terms of the Letter of Intent, Marathon will have a 62 percent ownership interest, and Ashland will have a 38 percent ownership interest, in the new limited liability joint venture company, to be known as Marathon Ashland Petroleum LLC. The transaction is subject to the negotiation and execution of definitive documents and a closing of the transaction is targeted for calendar year-end. The anticipated combination requires the approval of the Boards of Directors of Ashland, Marathon and USX and of certain governmental agencies, as well as the satisfactory conclusion of due diligence by the parties.

  Due diligence is well under way, and negotiations have begun on definitive agreements. Prospective senior officers of the new company have been named; numerous teams are working on organizational and other issues; and opportunities to improve efficiency are being identified. Ashland remains optimistic the transaction can be completed by the end of calendar 1997.

o EVALUATING STRATEGIC ALTERNATIVES FOR ASHLAND'S EXPLORATION DIVISION. See the discussion under "Results of Operations - Discontinued Operations" for a description of the sale of Blazer Energy, which was completed on July 1, 1997.

o INCREASING CAPITAL EMPLOYED IN ASHLAND CHEMICAL, THE APAC HIGHWAY CONSTRUCTION GROUP AND VALVOLINE. Ashland has invested $65 million in eight acquisitions for Ashland Chemical and two for APAC during the first nine months of the year. These acquisitions help expand Ashland's distribution and specialty chemical businesses in the United States and also broaden their growing global presence, as well as support and enhance APAC's highway construction operations.

o IMPLEMENTING A COMMON STOCK REPURCHASE PROGRAM. In December 1996, Ashland's board approved a plan to repurchase up to one million shares of Ashland common stock annually to offset dilution due to company benefit programs. No purchases have occurred to date under this program. However, the redemption of the 6.75% Convertible Subordinated Debentures in July eliminated 2.4 million shares of Ashland Common Stock that had been reserved for conversion. Ashland believes this accomplishes the goals inherent in the announced common stock repurchase program.

See the discussion under "Results of Operations - Coal" for a description of the merger between Ashland Coal and Arch Mineral that was completed on July 1, 1997.

FORWARD LOOKING STATEMENTS

This Form 10-Q 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. Although Ashland believes that its expectations are based on reasonable assumptions, it cannot assure that the expectations contained in such statements will be achieved. Important factors which could cause actual results to differ materially from those contained in such statements are discussed in Note A to the Consolidated Financial Statements under risks and uncertainties in Ashland's Annual Report for the fiscal year ended September 30, 1996. Other factors and risks affecting Ashland's revenues and operations are contained in Ashland's Form 10-K for the fiscal year ended September 30, 1996, which is on file with the Securities and Exchange Commission.

PART II - OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS

Environmental Proceedings - (1) As of June 30, 1997, Ashland was subject to 77 notices received from the USEPA and similar state agencies identifying Ashland as a "potentially responsible party" ("PRP") under Superfund or similar state laws for potential joint and several liability for cleanup costs in connection with alleged releases of hazardous substances from various waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the USEPA or a state agency in accordance with procedures established under regulations, in which Ashland may be participating as a member of various PRP groups. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for the costs of site cleanup or oversight expended, and/or long-term monitoring of environmental conditions at the sites. Ashland carefully monitors the investigatory and remedial activity at many of these sites. Based on its experience with site remediation, its familiarity with current environmental laws and regulations, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland believes that its liability at these sites, either individually or in the aggregate, after taking into account established reserves, will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity, but could have a material adverse effect on results of operations in a particular quarter or fiscal year. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. For additional information regarding Superfund, see the "Miscellaneous - Governmental Regulation and Action-Environmental Protection" section of Ashland's Form 10-K.

(2) On March 19, 1996, after consultation with the USEPA, the Kentucky Division for Air Quality issued a finding that Ashland had not demonstrated compliance with certain air regulations regarding volatile organic compounds ("VOC") at its Catlettsburg, Kentucky refinery, and referred the matter to USEPA - Region IV for formal enforcement action. Ashland filed a petition requesting a hearing before a Kentucky administrative hearing officer on the merits of the matter. A hearing was scheduled for July 1997. However, on May 27, 1997, Kentucky and Ashland entered into an Agreed Order resolving the issues in contention, whereby Ashland agreed to pay a civil penalty and to design, construct and install additional VOC controls. Separately, the USEPA issued a Notice of Violation to Ashland regarding this matter.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

A report on Form 8-K was filed on May 21, 1997 to announce that Ashland and the Norwegian energy company, Statoil, signed a definitive purchase and sale agreement for the outstanding stock of Blazer Energy Corp., a wholly owned subsidiary of Ashland Inc.

A report on Form 8-K was filed on July 2, 1997, to announce the completion of the sale of Blazer Energy Corp. to Statoil. Statoil purchased the Blazer Energy stock through its U.S. energy management subsidiary, The Eastern Group.

SIGNATURES

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

Ashland Inc.
(Registrant)

Date /s/ Kenneth L. Aulen

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

Date /s/ Thomas L. Feazell

Thomas L. Feazell
Senior Vice President,
General Counsel and Secretary

Article 5 of Regulation S-X

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ASHLAND INC.'S 3RD QUARTER 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-Q.
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JUN-30-1997
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