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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

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 No

Indicate by checkmark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

At December 31, 2004, there were 72,084,548 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.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

(In millions except per share data)

	Three months ended December 31	
	2004	2003

REVENUES		
Sales and operating revenues	\$ 2,177	\$ 1,936
Equity income	146	38
Other income	17	13
	-----	-----

COSTS AND EXPENSES	2,340	1,987
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Cost of sales and operating expenses	1,849	1,611
Selling, general and administrative expenses	311	284
	-----	-----
	2,160	1,895
	-----	-----
OPERATING INCOME	180	92
Net interest and other financial costs	(31)	(30)
	-----	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	149	62
Income taxes	(55)	(23)
	-----	-----
INCOME FROM CONTINUING OPERATIONS	94	39
Results from discontinued operations (net of income taxes) - Note B	-	(5)
	-----	-----
NET INCOME	\$ 94	\$ 34
	=====	=====
BASIC EARNINGS PER SHARE - NOTE A		
Income from continuing operations	\$ 1.30	\$.56
Results from discontinued operations	-	(.07)
	-----	-----
Net income	\$ 1.30	\$.49
	=====	=====
DILUTED EARNINGS PER SHARE - NOTE A		
Income from continuing operations	\$ 1.28	\$.56
Results from discontinued operations	-	(.07)
	-----	-----
Net income	\$ 1.28	\$.49
	=====	=====
DIVIDENDS PAID PER COMMON SHARE	\$.275	\$.275

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	December 31 2004	September 30 2004	December 31 2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 146	\$ 243	\$ 201
Accounts receivable	1,252	1,331	1,083
Allowance for doubtful accounts	(40)	(41)	(38)
Inventories - Note A	538	458	483
Deferred income taxes	95	103	110
Other current assets	106	208	103
	-----	-----	-----
	2,097	2,302	1,942
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,856	2,713	2,335
Goodwill	567	513	527
Asbestos insurance receivable (noncurrent portion)	396	399	403
Other noncurrent assets	370	319	296
	-----	-----	-----
	4,189	3,944	3,561
PROPERTY, PLANT AND EQUIPMENT			
Cost	3,166	3,104	3,087
Accumulated depreciation, depletion and amortization	(1,889)	(1,848)	(1,809)
	-----	-----	-----
	1,277	1,256	1,278
	-----	-----	-----
	\$ 7,563	\$ 7,502	\$ 6,781
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	\$ 575	\$ 439	\$ 145
Trade and other payables	1,197	1,362	1,123
Income taxes	69	14	56
	-----	-----	-----
	1,841	1,815	1,324
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,087	1,109	1,429
Employee benefit obligations	438	428	399
Deferred income taxes	248	367	221
Reserves of captive insurance companies	177	179	173
Asbestos litigation reserve (noncurrent portion)	553	568	562
Other long-term liabilities and deferred credits	375	330	355
Commitments and contingencies - Notes D and G			
	-----	-----	-----
	2,878	2,981	3,139
COMMON STOCKHOLDERS' EQUITY			
	-----	-----	-----
	2,844	2,706	2,318
	-----	-----	-----
	\$ 7,563	\$ 7,502	\$ 6,781
	=====	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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

(In millions)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT OCTOBER 1, 2003	\$ 68	\$ 350	\$ 1,961	\$ (126)	\$ 2,253
Total comprehensive income (1)			34	30	64
Cash dividends			(19)		(19)
Issued 643,390 common shares under stock incentive and other plans	1	19			20
BALANCE AT DECEMBER 31, 2003	\$ 69	\$ 369	\$ 1,976	\$ (96)	\$ 2,318

BALANCE AT OCTOBER 1, 2004	\$ 72	\$ 478	\$ 2,262	\$ (106)	\$ 2,706
Total comprehensive income (1)			94	39	133
Cash dividends			(20)		(20)
Issued 505,385 common shares under stock incentive and other plans		25			25
BALANCE AT DECEMBER 31, 2004	\$ 72	\$ 503	\$ 2,336	\$ (67)	\$ 2,844

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

(In millions)	Three months ended December 31	
	2004	2003
Net income	\$ 94	\$ 34
Unrealized translation adjustments	35	29
Related tax benefits	2	1
Net unrealized gains on cash flow hedges	2	-
Total comprehensive income	\$ 133	\$ 64

At December 31, 2004, the accumulated other comprehensive loss of \$67 million (after tax) was comprised of net unrealized translation gains of \$60 million, a minimum pension liability of \$129 million and net unrealized gains on cash flow hedges of \$2 million.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
 STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Three months ended December 31	
	2004	2003
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	\$ 94	\$ 39
Expense (income) not affecting cash		
Depreciation, depletion and amortization	46	48
Deferred income taxes	17	21
Equity income from affiliates	(146)	(38)
Distributions from equity affiliates	1	148
Other items	2	-
Change in operating assets and liabilities (1)	(68)	(150)
	(54)	68
CASH FLOWS FROM FINANCING		
Proceeds from issuance of common stock	20	17
Repayment of long-term debt	(98)	(38)
Increase in short-term debt	211	-
Dividends paid	(20)	(19)
	113	(40)
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(55)	(53)
Purchase of operations - net of cash acquired	(95)	-
Other - net	2	9
	(148)	(44)
CASH USED BY CONTINUING OPERATIONS		
Cash used by discontinued operations	(89)	(16)
	(8)	(6)
DECREASE IN CASH AND CASH EQUIVALENTS		
	(97)	(22)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		
	243	223
CASH AND CASH EQUIVALENTS - END OF PERIOD		
	\$ 146	\$ 201

(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, 2004. Results of operations for the period ended December 31, 2004, are not necessarily indicative of results to be expected for the year ending September 30, 2005.

INVENTORIES

(In millions)	December 31 2004	September 30 2004	December 31 2003
Chemicals and plastics	\$ 449	\$ 370	\$ 372
Construction materials	69	71	61
Petroleum products	69	61	71
Other products	53	45	53
Supplies	6	6	4
Excess of replacement costs over LIFO carrying values	(108)	(95)	(78)
	\$ 538	\$ 458	\$ 483

EARNINGS PER SHARE

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

(In millions except per share data)	Three months ended December 31	
	2004	2003
NUMERATOR		
Numerator for basic and diluted EPS - Income from continuing operations	\$ 94	\$ 39
	=====	=====
DENOMINATOR		
Denominator for basic EPS - Weighted average common shares outstanding	72	69
Common shares issuable upon exercise of stock options	1	-
	-----	-----
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	73	69
	=====	=====
EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Basic	\$ 1.30	\$.56
Diluted	\$ 1.28	\$.56

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

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, 2003, Ashland recorded a charge of \$15 million to increase its reserve for asbestos claims, the effect of which was partially offset by an \$8 million credit to increase its asbestos insurance receivable. The resulting \$7 million pretax charge to income, net of deferred income tax benefits of \$2 million, was reflected as an after-tax loss from discontinued operations of \$5 million in the Statement of Consolidated Income for the three months ended December 31, 2003. No adjustments were recorded to the asbestos reserve or insurance receivable in the quarter ended December 31, 2004. See Note G for further discussion of Ashland's asbestos-related litigation.

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

(In millions)	Three months ended December 31	
	2004	2003
PRETAX LOSS FROM DISCONTINUED OPERATIONS		
Reserves for asbestos-related litigation	\$ -	\$ (7)
INCOME TAXES		
Reserves for asbestos-related litigation	-	2
RESULTS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)	\$ -	\$ (5)

NOTE C - UNCONSOLIDATED AFFILIATES

Separate financial statements for MAP required by Rule 3-09 of Regulation S-X will be filed as an amendment to Ashland's Annual Report on Form 10-K within 90 days after the end of MAP's fiscal year, which ended December 31, 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.

(In millions)	Three months ended December 31	
	2004	2003
Sales and operating revenues	\$ 12,516	\$ 9,558
Income from operations	380	99
Net income	386	96
Ashland's equity income	142	32

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

NOTE C - UNCONSOLIDATED AFFILIATES (CONTINUED)

On March 19, 2004, Ashland announced the signing of an agreement under which it would transfer its 38% interest in Marathon Ashland Petroleum LLC ("MAP") and two wholly-owned businesses to Marathon Oil Corporation ("Marathon") in a transaction structured to be generally tax free and valued at approximately \$3 billion. The two businesses are Ashland's maleic anhydride business and 61 Valvoline Instant Oil Change centers. The transaction is subject to several previously disclosed conditions, including approval by Ashland's shareholders, consent from Ashland's 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.

On December 20, 2004 and January 25, 2005, Ashland provided updates on the status of the proposed transaction. The updates included information about the status of the requested tax rulings. Ashland and Marathon have continued their discussions with the IRS and are discussing with the IRS modifications of the proposed transaction that would allow a tax efficient transfer of Ashland's interest in MAP to Marathon. These modifications would require Ashland and Marathon to negotiate amendments to the Master Agreement executed by Ashland and Marathon on March 18, 2004. There can be no assurance that an agreement on a modified transaction will be reached. If an agreement is reached on a modified transaction, it is likely that the transaction would close in the second calendar quarter of 2005.

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 canceled those leases at December 31, 2004, its maximum obligations under the residual value guarantees would have amounted to \$94 million. Ashland does not expect to incur any significant charge to earnings under these guarantees, \$24 million of which relates to real estate. These lease agreements are with unrelated third party lessors and Ashland has no additional contractual or other commitments to any party to the leases.

OTHER COMMITMENTS

Ashland has guaranteed 38% of MAP's payments for certain crude oil purchases, up to a maximum guarantee of \$95 million. At December 31, 2004, Ashland's contingent liability under this guarantee amounted to \$76 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 December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. Among other things, the Act will expand Medicare to include an outpatient prescription drug benefit beginning in 2006, as well as provide a subsidy for sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to the Medicare Act benefits. In May 2004, the Financial Accounting Standards Board issued Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." Regulations implementing major provisions of the Act, including the determination of actuarial equivalency, were issued in January 2005. Ashland is currently evaluating the impact of the Act on its postretirement benefit plans and has not determined the effect of the Act on its financial statements.

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

NOTE E - EMPLOYEE BENEFIT PLANS (continued)

Presently, Ashland anticipates contributing \$86 million to its U.S. pension plans and \$8 million to its non-U.S. pension plans during fiscal 2005. As of December 31, 2004, contributions of \$5 million have been made to the U.S. plans and \$1 million to the non-U.S. plans.

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

(In millions)	Pension benefits		Other postretirement benefits	
	2004	2003	2004	2003
THREE MONTHS ENDED DECEMBER 31				
Service cost	\$ 13	\$ 13	\$ 2	\$ 4
Interest cost	20	18	5	6
Expected return on plan assets	(19)	(16)	-	-
Amortization of prior service credit	-	-	(2)	(6)
Amortization of net actuarial loss	8	7	1	2
	<u>\$ 22</u>	<u>\$ 22</u>	<u>\$ 6</u>	<u>\$ 6</u>

NOTE F - ACQUISITIONS

During the three months ended December 31, 2004, Ashland Specialty Chemical acquired Dow Chemical's DERAKANE(R) epoxy vinyl ester resins business for approximately \$90 million. With this acquisition, Ashland Specialty Chemical's composite polymers business continues to build its innovative line of resin chemistries for composite manufacturing. The purchase included all technology and intellectual property assets associated with the DERAKANE resin business. No physical assets were transferred to Ashland. Also during the quarter, APAC acquired two asphalt plants. Following is a progression of goodwill by segment for the three months ended December 31, 2004.

(In millions)	APAC	Ashland Specialty Chemical	Valvoline	Total
BALANCE AT OCTOBER 1, 2004	\$ 411	\$ 96	\$ 6	\$ 513
Goodwill acquired	-	50	-	50
Currency translation adjustments	-	4	-	4
BALANCE AT DECEMBER 31, 2004	<u>\$ 411</u>	<u>\$ 150</u>	<u>\$ 6</u>	<u>\$ 567</u>

NOTE G - 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.

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

NOTE G - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

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

(In thousands)	Three months ended December 31		Years ended September 30		
	2004	2003	2004	2003	2002
Open claims - beginning of period	196	198	198	160	167
New claims filed	3	7	29	66	45
Claims settled	(3)	(2)	(7)	(7)	(15)
Claims dismissed	(6)	(5)	(24)	(21)	(37)
Open claims - end of period	190	198	196	198	160

Since October 1, 2001, Riley has been dismissed as a defendant in 73% of the resolved claims. Amounts spent on litigation defense and claim settlements averaged \$1,723 per claim resolved in the three months ended December 31, 2004, compared to \$1,746 in the three months ended December 31, 2003, and annual averages of \$1,655 in 2004, \$1,610 in 2003 and \$723 in 2002. A progression of activity in the asbestos reserve is presented in the following table.

(In millions)	Three months ended December 31		Years ended September 30		
	2004	2003	2004	2003	2002
Asbestos reserve - beginning of period	\$ 618	\$ 610	\$ 610	\$ 202	\$ 199
Expense incurred	-	15	59	453	41
Amounts paid	(15)	(13)	(51)	(45)	(38)
Asbestos reserve - end of period	\$ 603	\$ 612	\$ 618	\$ 610	\$ 202

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

From the range of estimates, Ashland recorded the amount it believed to be the best estimate, which represented the expected payments for litigation defense and claim settlement costs during the next ten years. Subsequent updates to this estimate have been made, with the assistance of HR&A, based on a combination of a number of factors including the actual volume of new claims, recent settlement costs, changes in the mix of alleged disease, enacted legislative changes and other developments impacting

NOTE G - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

Ashland's estimate of future payments. Ashland's reserve for asbestos claims on an undiscounted basis amounted to \$603 million at December 31, 2004, compared to \$618 million at September 30, 2004 and \$612 million at December 31, 2003.

Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict. In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, Ashland believes its asbestos reserve represents the best estimate within a range of possible outcomes. As a part of the process to develop Ashland's estimates of future asbestos costs, a range of long-term cost models is developed that assumes a run-out of claims through 2055. These models are based on national studies that predict the number of people likely to develop asbestos-related diseases and are heavily influenced by assumptions regarding long-term inflation rates for indemnity payments and legal defense costs, as well as other variables mentioned previously. The total future litigation defense and claim settlement costs on an undiscounted basis has been estimated within a reasonably possible range of \$400 million to \$2.0 billion, depending on the number of years those costs extend and other combinations of assumptions selected. Ashland's reserve represents between 10 and 29 years of future costs, depending on the model selected. If actual experience is worse than projected relative to the number of claims filed, the severity of alleged disease associated with those claims or costs incurred to resolve those claims, Ashland may need to increase further the estimates of the costs associated with asbestos claims and these increases could potentially be material over time.

Ashland has insurance coverage for most of the litigation defense and claim settlement costs incurred in connection with its asbestos claims, and coverage-in-place agreements exist with the insurance companies that provide substantially all of the coverage currently being accessed. As a result, increases in the asbestos reserve have been largely offset by probable insurance recoveries. The amounts not recoverable generally are 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 reasonably possible insurance recoveries associated with Ashland's estimate of its asbestos liabilities. Such recoveries are based on management's assumptions and estimates surrounding the available or applicable insurance coverage. One such assumption is that all solvent insurance carriers remain solvent. Although coverage limits are resolved in the coverage-in-place agreement with Equitas Limited (Equitas) and other London companies, which collectively provide a significant portion of Ashland's insurance coverage for asbestos claims, there is a disagreement with these companies over the timing of recoveries. The resolution of this disagreement could have a material effect on the value of insurance recoveries from those companies. In estimating the value of future recoveries, Ashland has used the least favorable interpretation of this agreement under which the ultimate recoveries are extended for many years, resulting in a significant discount being applied to value those recoveries. Ashland will continue to apply this methodology until such time as the disagreement is resolved. On July 21, 2004, Ashland filed a demand for arbitration to resolve the dispute concerning the interpretation of this agreement.

NOTE G - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

At December 31, 2004, Ashland's receivable for recoveries of litigation defense and claim settlement costs from its insurers amounted to \$432 million, of which \$66 million relates to costs previously paid. Receivables from insurance companies amounted to \$435 million at September 30, 2004 and \$433 million at December 31, 2003. About 35% of the estimated receivables from insurance companies at December 31, 2004, are expected to be due from Equitas and other London companies. Of the remainder, approximately 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 December 31, 2004, such locations included 90 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 \$155 million at December 31, 2004, compared to \$152 million at September 30, 2004 and \$173 million at December 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. Environmental remediation expense amounted to \$7 million for the three months ended December 31, 2004, compared to \$4 million for the three months ended December 31, 2003, and annual expense of \$2 million in 2004, \$22 million in 2003 and \$30 million in 2002.

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 December 31	
	2004	2003
REVENUES		
Sales and operating revenues		
APAC	\$ 611	\$ 650
Ashland Distribution	895	698
Ashland Specialty Chemical	400	322
Valvoline	309	290
Intersegment sales		
Ashland Distribution	(6)	(5)
Ashland Specialty Chemical	(32)	(19)
	2,177	1,936
Equity income		
APAC	2	4
Ashland Specialty Chemical	2	2
Refining and Marketing	142	32
	146	38
Other income		
APAC	1	4
Ashland Distribution	2	5
Ashland Specialty Chemical	9	2
Valvoline	2	1
Refining and Marketing	2	(1)
Corporate	1	2
	17	13
	\$ 2,340	\$ 1,987
OPERATING INCOME		
APAC	\$ 7	\$ 30
Ashland Distribution	24	13
Ashland Specialty Chemical	22	23
Valvoline	18	20
Refining and Marketing (1)	136	26
Corporate	(27)	(20)
	\$ 180	\$ 92

(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 December 31	
	2004	2003
OPERATING INFORMATION		
APAC		
Construction backlog at December 31 (millions) (1)	\$ 1,730	\$ 1,659
Net construction job revenues (millions) (2)	\$ 344	\$ 366
Hot-mix asphalt production (million tons)	7.8	8.4
Aggregate production (million tons)	7.8	6.8
Ashland Distribution (3)		
Sales per shipping day (millions)	\$ 14.4	\$ 11.3
Gross profit as a percent of sales	9.6%	9.6%
Ashland Specialty Chemical (3)		
Sales per shipping day (millions)	\$ 6.4	\$ 5.2
Gross profit as a percent of sales	24.2%	29.8%
Valvoline		
Lubricant sales (million gallons)	41.1	43.7
Premium lubricants (percent of U.S. branded volumes)	21.8%	19.4%
Refining and Marketing (4)		
Refinery runs (thousand barrels per day)		
Crude oil refined	975	899
Other charge and blend stocks	200	184
Refined product yields (thousand barrels per day)		
Gasoline	644	612
Distillates	328	296
Asphalt	81	68
Other	140	116
Total	1,193	1,092
Refined product sales (thousand barrels per day) (5)	1,414	1,355
Refining and wholesale marketing margin (per barrel) (6)	\$ 4.03	\$ 1.71
Speedway SuperAmerica (SSA)		
Retail outlets at December 31	1,669	1,775
Gasoline and distillate sales (million gallons)	793	806
Gross margin - gasoline and distillates (per gallon)	\$.1219	\$.1145
Merchandise sales (millions)	\$ 581	\$ 547
Merchandise margin (as a percent of sales)	24.9%	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.
- (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.

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

Ashland reported net income of \$94 million for the quarter ended December 31, 2004, compared to \$34 million for the quarter ended December 31, 2003. Ashland's income from continuing operations amounted to \$94 million for the quarter ended December 31, 2004, compared to \$39 million for the quarter ended December 31, 2003. Results from discontinued operations, consisting of charges for asbestos liabilities, accounted for the difference in net income and income from continuing operations for the 2003 period.

Ashland's record income from continuing operations in the December 2004 quarter resulted primarily from the dramatic improvement from refining and marketing. Results from Ashland's wholly-owned divisions were mixed. Operating income from the Chemical Sector, which consists of the Ashland Distribution, Ashland Specialty Chemical, and Valvoline divisions, improved 14% compared to the December 2003 quarter. However, operating income from the Transportation Construction Sector, which consists of Ashland Paving And Construction, Inc. (commercially known as APAC), declined 77% reflecting adverse weather conditions, which reduced working days, slowed production and increased costs. An analysis of operating income by industry segment follows.

APAC

APAC reported operating income of \$7 million for the December 2004 quarter, compared to \$30 million for the December 2003 quarter. APAC struggled with a persistent mix of wet and cold conditions that started early in the quarter with Hurricane Jeanne. These conditions adversely affected construction activity and increased operating costs throughout the quarter. Net construction job revenues (total construction job revenues, less subcontract costs) decreased 6% from the prior year period. Production of hot-mix asphalt decreased 7%, while liquid asphalt costs increased 9%. Higher equipment and plant fuel costs contributed \$4 million to the decline in operating income. Equity income from APAC's joint venture project at Atlanta's Hartsfield Airport declined \$3 million as that project nears completion. On the positive side, aggregate production, which is less affected by weather, increased 15%, due in part to the opening of a new quarry in Naples, Florida. Construction backlog, or jobs awarded but not yet completed, was \$1.73 billion at December 31, 2004, up 4% from a year ago. Included in the increase is an \$80 million project in Miami recently awarded to the Major Projects Group.

ASHLAND DISTRIBUTION

Ashland Distribution achieved all-time record operating income of \$24 million, up 85% over the \$13 million reported for the quarter a year ago. Sales volumes increased 5%, reflecting the division's continued focus on consistent improvement in customer service and on-time, accurate and complete product delivery. Gross profit as a percent of sales remained constant at 9.6%, reflecting Ashland Distribution's success in implementing price increases, enabling the division to keep pace with higher raw material costs.

ASHLAND SPECIALTY CHEMICAL

Ashland Specialty Chemical reported operating income of \$22 million for the December 2004 quarter, compared to \$23 million for the December 2003 quarter. The December 2004 quarter included approximately \$4 million in net, non-recurring gains principally related to the termination of a product supply contract. Although sales and operating revenues were up 24%, reflecting in part an 8% increase in

ASHLAND SPECIALTY CHEMICAL (CONTINUED)

sales volumes for the thermoset resins businesses, gross profit as a percent of sales declined from 29.8% to 24.2%. Tightness in certain petrochemical markets caused raw material costs to escalate at a faster pace than could be recovered through increased selling prices.

VALVOLINE

Operating income from the Valvoline division was \$18 million in the December 2004 quarter, compared to \$20 million in the December 2003 quarter. While profits were down 10%, this was Valvoline's second-best December quarter. Lubricant sales volumes were down 6% due in part from shifts in the timing of promotional programs. Results from Valvoline Instant Oil Change declined as the impact of reduced car counts was only partially offset by increased ticket prices. International results improved primarily due to higher lubricant sales volumes from operations in Australia and Asia.

REFINING AND MARKETING

Operating income from Refining and Marketing, which consists primarily of equity income from Ashland's 38% ownership interest in MAP, amounted to \$136 million for the quarter ended December 31, 2004, compared to \$26 million for the December 2003 quarter. Equity income from MAP's refining and wholesale marketing operations increased \$102 million, reflecting strong refining margins and falling crude oil prices during the December 2004 quarter. In addition, MAP was able to run more sour crudes during the period, taking advantage of substantial discounts on these feedstocks. MAP's refining and wholesale marketing margin increased \$2.32 per barrel and crude oil throughput increased 8% compared to the prior year quarter. Equity income from MAP's retail operations (Speedway SuperAmerica and a 50% interest in the Pilot Travel Centers joint venture) increased \$11 million, due to the net effects of higher product and merchandise margins for SSA, higher product volumes and margins and higher merchandise volumes for PTC, partially offset by lower product volumes for SSA reflecting fewer stores. During the December 2004 quarter, MAP recognized a \$15 million expense related to estimated future obligations to make certain insurance premium payments related to past loss experience, reducing Ashland's equity income by approximately \$6 million.

On March 19, 2004, Ashland announced the signing of an agreement under which it would transfer its 38% interest in Marathon Ashland Petroleum LLC ("MAP") and two wholly-owned businesses to Marathon Oil Corporation ("Marathon") in a transaction structured to be generally tax free and valued at approximately \$3 billion. The two businesses are Ashland's maleic anhydride business and 61 Valvoline Instant Oil Change centers. The transaction is subject to several previously disclosed conditions, including approval by Ashland's shareholders, consent from Ashland's 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.

On December 20, 2004 and January 25, 2005, Ashland provided updates on the status of the proposed transaction. The updates included information about the status of the requested tax rulings. Ashland and Marathon have continued their discussions with the IRS and are discussing with the IRS modifications of the proposed transaction that would allow a tax efficient transfer of Ashland's interest in MAP to Marathon. These modifications would require Ashland and Marathon to negotiate amendments to the Master Agreement executed by Ashland and Marathon on March 18, 2004. There can be no assurance that an agreement on a modified transaction will be reached. If an agreement is reached on a modified transaction, it is likely that the transaction would close in the second calendar quarter of 2005.

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

CORPORATE

Corporate expenses amounted to \$27 million in the quarter ended December 31, 2004, compared to \$20 million in the December 2003 quarter. The increase reflects a \$7 million charge in the December 2004 quarter for estimated future obligations to make certain insurance premium payments related to past loss experience.

NET INTEREST AND OTHER FINANCIAL COSTS

Net interest and other financial costs amounted to \$31 million in the December 2004 quarter, compared to \$30 million in the December 2003 quarter. The increase reflects a \$2 million loss in the December 2004 quarter on the early retirement of a capitalized lease obligation, partially offset by reduced interest expense reflecting the replacement of maturing long-term debt with lower-rate, short-term borrowings.

DISCONTINUED OPERATIONS

As described in Notes B and G to the Condensed Consolidated Financial Statements, Ashland's results from discontinued operations include charges associated with estimated future asbestos liabilities less probable insurance recoveries. Such amounts are summarized below.

(In millions)	Three months ended December 31	
	2004	2003
PRETAX LOSS FROM DISCONTINUED OPERATIONS		
Reserves for asbestos-related litigation	\$ -	\$ (7)
INCOME TAXES		
Reserves for asbestos-related litigation	-	2
RESULTS FROM DISCONTINUED OPERATIONS (NET OF INCOME TAXES)	\$ -	\$ (5)

FINANCIAL POSITION

LIQUIDITY

Cash flows from operations, a major source of Ashland's liquidity, amounted to a deficit of \$54 million for the three months ended December 31, 2004, compared to positive cash flows of \$68 million for the three months ended December 31, 2003. Ashland received no cash distributions from MAP in the 2004 period, compared to distributions of \$146 million in the 2003 period. Pursuant to the terms of the agreement entered into between Ashland and Marathon, MAP has not made its regular, quarterly cash distributions to Ashland since December 31, 2003. The final amount received by Ashland from the proposed transaction would be increased by an amount equal to 38% of the cash accumulated from operations during the period prior to closing. Ashland's share of excess cash at December 31, 2004, was \$591 million. If the proposed transaction is terminated, MAP's cash distributions to Ashland and Marathon would resume.

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 December 2004, S&P raised Ashland's commercial paper rating to A-2 from A-3, increasing the availability of the commercial paper market to Ashland. Moody's continues to rate Ashland's commercial paper at P-3. Ashland has two revolving credit agreements providing for up to \$350 million in borrowings.

LIQUIDITY (CONTINUED)

These revolving credit agreements were not used during the quarter ended December 31, 2004. In the June 2004 quarter, Ashland executed an additional \$200 million revolving credit agreement which expires March 31, 2005. Ashland has utilized this facility to fund currently maturing long-term debt, the early retirement of a capital lease, and certain other lease payments, and had \$146 million outstanding under this facility at December 31, 2004. While the revolving credit agreements contain covenants limiting new borrowings based on Ashland's stockholders' equity, these agreements would have permitted an additional \$2.5 billion of borrowings at December 31, 2004. Additional permissible borrowings are increased (decreased) by 150% of any increase (decrease) in stockholders' equity.

At December 31, 2004, working capital (excluding debt due within one year) amounted to \$831 million, compared to \$926 million at September 30, 2004, and \$763 million at December 31, 2003. Ashland's working capital is affected by its use of the LIFO method of inventory valuation. That method valued inventories below their replacement costs by \$108 million at December 31, 2004, compared to \$95 million at September 30, 2004, and \$78 million at December 31, 2003. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 74% of current liabilities at December 31, 2004, compared to 84% at September 30, 2004, and 94% at December 31, 2003.

CAPITAL RESOURCES

For the three months ended December 31, 2004, property additions amounted to \$55 million, compared to \$53 million for the same period last year. Ashland anticipates meeting its remaining 2005 capital requirements for property additions and dividends from internally generated funds.

Ashland's debt level amounted to \$1.66 billion at December 31, 2004, compared to \$1.55 billion at September 30, 2004, and \$1.57 billion at December 31, 2003. Debt as a percent of capital employed amounted to 36.9% at December 31, 2004, compared to 36.4% at September 30, 2004, and 40.4% at December 31, 2003. At December 31, 2004, Ashland's debt included \$280 million of floating-rate obligations, including \$251 million of short-term debt and \$29 million of long-term debt, and the interest rates on an additional \$158 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 \$237 million of third-party debt underlying those transactions. As a result, Ashland was exposed to short-term interest rate fluctuations on \$675 million of debt obligations at December 31, 2004.

ASBESTOS-RELATED LITIGATION AND ENVIRONMENTAL REMEDIATION

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

FORWARD LOOKING STATEMENTS

Management's Discussion and Analysis 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. 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 we describe 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 the transaction may not close including as a result of failure to receive a favorable ruling from the Internal Revenue Service or failure of Ashland to obtain the approval of its shareholders; the possibility that Ashland may be required to modify some aspect of the transaction to obtain regulatory approvals; and other risks that are described from time to time in the Securities and Exchange Commission (SEC) reports of Ashland. 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 for the fiscal year ended September 30, 2004. 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 December 31, 2004 is generally consistent with the types and amounts of market risk exposures presented in Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2004.

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 - 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.

The majority of lawsuits filed involve multiple plaintiffs and multiple defendants, with the number of defendants in many cases exceeding 100. The monetary damages sought in the asbestos-related complaints that have been filed in state or federal courts vary as a result of jurisdictional requirements and practices, though the vast majority of these complaints either do not specify monetary damages sought or merely recite that the monetary damages sought meet or exceed the required jurisdictional minimum in which the complaint was filed. Plaintiffs have asserted specific dollar claims for damages in approximately 5% of the 49,500 active lawsuits pending as of December 31, 2004. In these active lawsuits, less than 0.2% of the active lawsuits involve claims between \$0 and \$100,000; approximately 1.6% of the active lawsuits involve claims between \$100,000 and \$1 million; less than 1% of the active lawsuits involve claims between \$1 million and \$5 million; less than 0.2% of the active lawsuits involve claims between \$5 million and \$10 million; approximately 2% of the active lawsuits involve claims between \$10 million and \$15 million; and less than 0.02% of the active lawsuits involve claims between \$15 million and \$100 million. The variability of requested damages, coupled with the actual experience of resolving claims over an extended period, demonstrates that damages requested in any particular lawsuit or complaint bear little or no relevance to the merits or disposition value of a particular case. Rather, the amount potentially recoverable by a specific plaintiff or group of plaintiffs is determined by other factors such as product identification or lack thereof, the type and severity of the disease alleged, the number and culpability of other defendants, the impact of bankruptcies of other companies that are co-defendants in claims, specific defenses available to certain defendants, other potential causative factors and the specific jurisdiction in which the claim is made.

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

U.S. Department of Justice ("USDJ") Antitrust Division Investigation - In November 2003, Ashland received a subpoena from the USDJ relating to a foundry resins grand jury investigation. Ashland has provided responsive records to the subpoena. As is frequently the case when such investigations are in progress, a number of civil actions have since been filed in multiple jurisdictions, most of which are seeking class action status for classes of customers of foundry resins. These cases have been consolidated for pretrial purposes in the United States District Court, Southern District of Ohio. Ashland will vigorously defend the actions.

Environmental Proceedings - (1) Under the federal Comprehensive Environmental Response Compensation and Liability Act (as amended) and similar state laws, Ashland may be subject to joint and several liability for clean-up costs in connection with alleged releases of hazardous substances at sites where it has been identified as a "potentially responsible party" ("PRP"). As of December 31, 2004, Ashland had been named a PRP at 90 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the United States Environmental Protection Agency (the "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 G of "Notes to 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 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 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"). The Refinery Upgrades have been completed and documentation submitted for relevant agency approval.

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. Ashland believes that it has satisfied these terms and conditions and has filed a motion with the court requesting that the deferred count be dismissed.

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 relating to interim remedial measures at the site. Although Ashland disputed this assertion, Ashland and the USEPA agreed to resolve the dispute prior to USEPA's filing of a formal enforcement action. Ashland has paid a \$650,000 penalty, and has signed a Consent Agreement and Final Order ("CAFO") that reflects an agreement between the parties as to what will constitute future compliance with the disputed provisions of the original Consent Order. Ashland is continuing to work with the USEPA to design and implement a final remedy at the site. Once the final remedy is implemented, the CAFO will expire.

(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 January 27, 2005, Ashland reached a settlement with the plaintiff, Central Laborers' Pension Fund, in the shareholder derivative lawsuit brought in August 2002 against certain former and current directors and officers of Ashland. The Kenton County Circuit Court in Kentucky approved the settlement on February 2, 2005.

In settling the action, Ashland has agreed to make certain modifications to its corporate governance policies and procedures, including heightening the standard for determining director independence and requiring that two-thirds of Ashland's Board of Directors (the "Board") be comprised of only independent directors. Further, Ashland has agreed to solicit from its major shareholders director candidates and to nominate a qualified candidate for election to the Board.

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) Ashland's Annual Meeting of Shareholders was held on January 27, 2005 at the Metropolitan Club, 50 E. RiverCenter Boulevard, Covington, Kentucky at 10:30 a.m.

- (b) Ashland's shareholders at said meeting elected three directors (Bernadine P. Healy, Kathleen Ligocki and James J. O'Brien) to serve a three-year term.

	Votes	
	Affirmative	Withheld
Bernadine P. Healy	61,392,760	1,555,683
Kathleen Ligocki	61,894,215	1,054,228
James J. O'Brien	58,850,547	4,097,896

Directors who continued in office: Roger W. Hale, Patrick F. Noonan, George A. Schaefer, Jr., Ernest H. Drew, Mannie L. Jackson, Theodore M. Solso, and Michael J. Ward.

- (c) Ashland's shareholders at said meeting ratified the appointment of Ernst & Young LLP as independent auditors for fiscal year 2005 by a vote of 61,347,939 affirmative, to 999,111 negative and 601,193 abstention votes.

ITEM 5. OTHER INFORMATION

- (a) Status of MAP Transaction - 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 billion. The two businesses are Ashland's maleic anhydride business and 61 Valvoline Instant Oil Change centers. The transaction is subject to several previously disclosed conditions, including approval by Ashland's shareholders, consent from Ashland's 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.

On December 20, 2004 and January 25, 2005, Ashland provided updates on the status of the proposed transaction. The updates included information about the status of the requested tax rulings. Ashland and Marathon have continued their discussions with the IRS and are discussing with the IRS modifications of the proposed transaction that would allow a tax efficient transfer of Ashland's interest in MAP to Marathon. These modifications would require Ashland and Marathon to negotiate amendments to the Master Agreement executed by Ashland and Marathon on March 18, 2004. There can be no assurance that an agreement on a modified transaction will be reached. If an agreement is reached on a modified transaction, it is likely that the transaction would close in the second calendar quarter of 2005.

- (b) Changes to Procedures by Which Security Holders May Recommend Nominees to the Board of Directors - On February 2, 2005, the Kenton County Circuit Court in Kentucky approved the settlement reached by Ashland and the Central Laborers' Pension Fund of a shareholder derivative lawsuit brought in August 2002. The settlement provides, in relevant part, that shareholders owning 1% or more of Ashland's common stock will be canvassed to solicit qualified Board candidates who meet certain personal and professional qualifications. The Governance and Nominating Committee of Ashland's Board will consider such candidates and work with the full Board to appoint one director candidate to the Board.

ITEM 6. EXHIBITS

- (a) Exhibits
- 10.1 Ashland Inc. Nonqualified Excess Benefit Pension Plan - 2003 Restatement, as amended.
 - 10.2 Eleventh Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees, as amended.
 - 10.3 Ashland Inc. Deferred Compensation Plan, as amended.

- 10.4 Ashland Inc. Deferred Compensation Plan for Employees (2005).
- 10.5 Ashland Inc. Deferred Compensation Plan for Non-Employee Directors, as amended.
- 10.6 Ashland Inc. Deferred Compensation Plan for Non-Employee Directors (2005).
- 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.

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: February 8, 2005

/s/ J. Marvin Quin

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

EXHIBIT INDEX

Exhibit No.	Description
10.1	Ashland Inc. Nonqualified Excess Benefit Pension Plan - 2003 Restatement, as amended.
10.2	Eleventh Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees, as amended.
10.3	Ashland Inc. Deferred Compensation Plan, as amended.
10.4	Ashland Inc. Deferred Compensation Plan for Employees (2005).
10.5	Ashland Inc. Deferred Compensation Plan for Non-Employee Directors, as amended.
10.6	Ashland Inc. Deferred Compensation Plan for Non-Employee Directors (2005).
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.

ASHLAND INC. NONQUALIFIED EXCESS BENEFIT
PENSION PLAN - 2003 RESTATEMENT
July 1, 2003 and as amended thereafter

WHEREAS, the Employee Retirement Income Security Act of 1974 ("ERISA") establishes maximum limitations on benefits and contributions for retirement plans which meet the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code");

WHEREAS, Ashland Inc. ("Ashland" or the "Company") maintains certain pension plans which are subject to the aforesaid limitations on benefits and contributions;

WHEREAS, Ashland adopted the Ashland Oil, Inc. Nonqualified Pension Plan as of September 24, 1975 (which is now called the Ashland Inc. Nonqualified Excess Benefit Pension Plan, otherwise referred to as the "Plan"), for the purpose of providing benefits for certain employees in excess of the aforesaid limitations;

WHEREAS, the Plan was amended and completely restated as of July 21, 1977;

WHEREAS, the Plan was amended and completely restated as of October 1, 1982;

WHEREAS, the Plan was amended and completely restated as of November 3, 1988;

WHEREAS, the Plan was amended and completely restated as of September 19, 1996;

WHEREAS, Ashland has retained the authority to make additional amendments to or terminate the Plan;

WHEREAS, Ashland desires to further amend and restate the Plan and, as so amended, to continue the Plan in full force and effect;

NOW, THEREFORE, effective July 1, 2003, Ashland does hereby further amend and restate the Plan in accordance with the following terms and conditions:

1. Designation and Purpose of Plan. The Plan is designated the "Ashland Inc. Nonqualified Excess Benefit Pension Plan" ("Plan"). The purpose of the Plan is to provide benefits for certain employees in excess of the limitations on contributions, benefits, and compensation imposed by Sections 415 and 401(a)(17) of the Code (including successor provisions thereto) on the plans to which those Sections apply. The portion of the Plan providing benefits in excess of the Section 415 limits is an "excess benefit plan" as that term is defined in Section 3(36) of ERISA. It is intended that the portion, if any, of the Plan which is not an excess benefit plan shall be maintained primarily for a select group of management or highly compensated employees.

2. Eligibility. Subject to Section 11, the Plan shall apply to those employees -

(i) who have retired as an early, normal, or deferred normal retiree under the provisions of the Ashland Inc. and Affiliates Pension Plan ("Ashland Pension Plan"), as it may be amended, from time to time, or under provisions of any other retirement plan, as such other plan may be amended from time to time, which, from time to time, is specifically designated by Ashland for purposes of eligibility and benefits under the Plan (all such plans are hereinafter referred to jointly and severally as "Affected Plans"); and

(ii) who have not been terminated from employment due to Cause. Cause shall mean the willful and continuous failure of an employee to substantially perform his or her duties to Ashland (other than any such failure resulting from incapacity due to physical or mental illness), or the willful engaging by an employee in gross misconduct materially and demonstrably injurious to Ashland, each to be determined by Ashland in its sole discretion.

Notwithstanding anything to the contrary contained herein, any employee who would be entitled to participate in this Plan, but who is not a member of a select group of management or a highly compensated employee, shall be entitled to a benefit amount payable under the Plan based solely on the limitations on benefits imposed under Section 415 of the Code.

3. Benefit Amount.

(i) Computation if not Eligible for Retirement Growth Account. The computation described in this paragraph (i) applies to retirees that are not eligible for the Retirement Growth Account in the Ashland Inc. and Affiliates Pension Plan. At any particular time, the benefit payable to a retiree eligible to participate in this Plan pursuant to the provisions in Section 2 shall be computed by subtracting from (A) the sum of (B) and (C) where -

(A) shall be the single life annuity that would be payable at age 62 to such retiree under the Affected Plans -

(1) with the benefit so payable thereunder calculated by disregarding any salary deferrals that may have been made by such retiree under the Ashland Inc. Deferred Compensation Plan and thereby restoring any salary that may have been so deferred to such retiree's compensation for purposes of the Affected Plans, and

(2) prior to any reductions made because of the limits imposed by Sections 415 and 401(a)(17) of the Code;

provided that the single life annuity that would be so payable under the Ashland Pension Plan shall be computed without applying any offset attributable to the Ashland Inc. Leveraged Employee Stock Ownership Plan ("LESOP"), and such single life annuity shall be actuarially adjusted to be equivalent to a single life annuity payable at the particular time applicable based upon the applicable actuarial assumptions and other relevant provisions used for the same in the Affected Plans;

(B) shall be the single life annuity that would be payable at age 62 to such retiree under the Affected Plans after reducing the amount so payable for the limits imposed by Sections 415 and 401(a)(17) of the Code, provided that such single life annuity that would be so payable under the Ashland Pension Plan shall be computed after first applying the offset attributable to the Offset Account (as that term is defined under the LESOP) in the LESOP, and each such single life annuity shall be actuarially adjusted to be equivalent to a single life annuity payable at the particular time applicable based upon the applicable actuarial assumptions and other relevant provisions used for the same in the Affected Plans; and

(C) shall be the single life annuity that would be actuarially equivalent to such retiree's nonforfeitable portion of the Offset Account under the LESOP as of the valuation date thereunder coincident with or next preceding such retiree's termination of employment using the actuarial assumptions prescribed for this purpose in the Ashland Pension Plan.

(ii) Computation if Eligible for Retirement Growth Account. The computation described in this paragraph (ii) applies to retirees that are eligible for the Retirement Growth Account in the Ashland Pension Plan. At any particular time, the benefit payable to a retiree eligible to participate in this Plan pursuant to the provisions in Section 2 shall be computed by subtracting from (A) the sum of (B) and (C) where -

(A) shall be the balance of the Retirement Growth Account added to the actuarially equivalent lump sum of any single life annuity that would be payable at age 62 to such retiree under the Affected Plans (other than the Ashland Pension Plan) based upon the applicable actuarial assumptions and other relevant provisions used for the same in the Affected Plans -

(1) with the benefit so payable thereunder calculated by disregarding any salary deferrals that may have been made by such retiree under the Ashland Inc. Deferred Compensation Plan and thereby restoring any salary that may have been so deferred to such retiree's compensation for purposes of the Affected Plans, and

(2) prior to any reductions made because of the limits imposed by Sections 415 and 401(a)(17) of the Code; provided that the Retirement Growth Account balance that would be so payable under the Ashland Pension Plan shall be computed without applying any offset attributable to the Ashland Inc. Leveraged Employee Stock Ownership Plan ("LESOP");

(B) shall be the balance of the Retirement Growth Account added to the actuarially equivalent lump sum of any single life annuity that would be payable at age 62 to such retiree under the Affected Plans (other than the Ashland Pension Plan) based upon the applicable actuarial assumptions and other relevant provisions used for the same in the Affected Plans after reducing the amount so payable for the limits imposed by Sections 415 and 401(a)(17) of the Code, provided that such Retirement Growth Account balance that would be so payable under the Ashland Pension Plan shall be computed after first applying the offset attributable to the Offset Account (as that term is defined under the LESOP) in the LESOP; and

(C) shall be such retiree's nonforfeitable portion of the Offset Account under the LESOP as of the valuation date thereunder coincident with or next preceding such retiree's termination of employment.

(iii) Commencement. Subject to Section 6, the benefit computed under paragraph (i) or (ii) of this Section 3 shall commence or otherwise be paid or transferred pursuant to the provisions in Sections 4 or 5, effective as of the date as of which payments to such retiree commence under the Affected Plans.

4. Payment Options.

(i) Election. A retiree eligible under Section 2 for the benefit under Section 3 shall, subject to Sections 5 and 6, elect the form in which such benefit shall be paid from among those identified in this Section 4 and such election shall be made at the time and in the manner prescribed by Ashland, from time to time, provided that the election is made before the first day of the month following such retiree's termination from employment. Such election, including the designation of any contingent annuitant or alternate recipient under sub-paragraphs (D) or (E) of paragraph (ii) of this Section 4, shall be irrevocable except as otherwise set forth herein. Notwithstanding anything in the foregoing to the contrary, any retiree who makes an election under sub-paragraph (B) of paragraph (ii) of this Section 4 shall make such election by the earlier of

(A) the date six months prior to the first day of the month following such retiree's termination from employment; or

(B) the December 31 immediately preceding the first day of the month following such retiree's termination from employment. Such election under sub-paragraph (B) of paragraph (ii) of this Section 4 shall be made in the manner prescribed by Ashland, from time to time, and shall be irrevocable as of the applicable time identified under (A) or (B) of this paragraph (i) of Section 4. Until the time at which such election becomes irrevocable, an eligible retiree shall be able to change it.

(ii) Optional Forms of Payment.

(A) Lump Sum Option. Notwithstanding any provisions of Section 3(i) to the contrary, a retiree in an eligible class may elect to receive all of the benefit under Section 3 as a lump sum distribution. A lump sum benefit payment of a benefit under Section 3(i) shall be computed on the basis of the actuarially equivalent present value of such retiree's benefit under Section 3(i) of the Plan payable at the particular time applicable based upon such actuarial assumptions (including the interest rate) as determined from time to time by the Personnel and Compensation Committee of Ashland's Board of Directors (Committee). The normal form of payment for a benefit under Section 3(ii) shall be a single lump sum.

(B) Lump Sum Deferral Option. A retiree who is eligible to receive a lump sum distribution under sub-paragraph (A) of this paragraph (ii) of Section 4 and who was part of a select group of management or a highly compensated employee, shall be able to elect to defer all or a portion of the receipt of the elected lump sum (in increments of such percentage or such amount as may be prescribed by Ashland or its delegatee, from time to time), by having the obligation to distribute such amount transferred to the Ashland Inc. Deferred Compensation Plan to be held thereunder in a notional account and paid pursuant to the applicable provisions of such Plan, as they may be amended from time to time; provided, however, that the election to defer such distribution shall be made at the time and in the manner prescribed in paragraph (i) of this Section 4.

(C) Single Life Annuity. A retiree eligible under Section 2 for the benefit under Section 3 may elect to have such benefit paid in the form of equal monthly payments for and during such retiree's life, with such payments ending at such retiree's death. Before such

election becomes irrevocable as provided under paragraph (i) of Section 4, the retiree may change the option elected, subject to the applicable limitations and conditions applied to elections for the options described under sub-paragraphs (A) and (B) of this paragraph (ii) of Section 4. Payments under this option shall be actuarially equivalent to the benefit provided under Section 3, determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Ashland Pension Plan.

(D) Joint and Survivor Income Option. A retiree eligible under Section 2 for the benefit under Section 3 may elect to receive an actuarially reduced benefit payable monthly during the retiree's lifetime with payments to continue after his death to the person he designates (hereinafter called "contingent annuitant"), in an amount equal to (1) 100% of such actuarially reduced benefit, (2) 66 2/3% of such actuarially reduced benefit, or (3) 50% of such actuarially reduced benefit. Benefit payments under this option shall terminate with the monthly payment for the month in which occurred the date of death of the later to die of the retiree and his contingent annuitant. The following additional limitations and conditions apply to this option:

(a) The contingent annuitant shall be designated by the retiree in writing in such form and at such time as Ashland may from time to time prescribe.

(b) In the event the contingent annuitant dies prior to the date the election of this optional form of benefit becomes irrevocable as provided under paragraph (i) of Section 4, the retiree's selection of this option shall be void. Before the date the election of this optional form of benefit becomes irrevocable as provided under paragraph (i) of Section 4, the retiree may change the contingent annuitant or change the option elected, subject to the applicable limitations and conditions applied to elections for the options described under sub-paragraphs (A) and (B) of this paragraph (ii) of Section 4.

(c) In the event of the death of the retiree prior to the date the election is irrevocable as provided under paragraph (i) of Section 4, such retiree shall be deemed to have terminated employment on the day before his death (for reasons other than death) and survived until the day after the date as of which the benefit he elected under this sub-paragraph (D) would have commenced.

(d) Actuarial equivalence under this sub-paragraph (D) shall be determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Ashland Pension Plan.

(E) Period Certain Income Option. A retiree eligible under Section 2 for the benefit under Section 3 may elect to receive an actuarially reduced benefit payable monthly during his lifetime and terminating with the monthly payment for the month in which his death occurs, with the provision that not less than a total of 120 monthly payments shall be made in any event to him and/or the person designated by him to receive payments under this sub-paragraph (E) in the event of his death (hereinafter called "alternate recipient"). Such alternate recipient shall be designated in writing by the retiree in such form and at such time as Ashland may from time to time prescribe. If a retiree and his alternate recipient die after the date as of which payments have commenced but before the total specified monthly payments have been made to such retiree and/or his alternate recipient, the commuted value of the remaining unpaid payments shall be paid in a lump sum to the estate of the later to die of the retiree or his alternate recipient. The following additional limitations and conditions shall apply to this option:

(a) A retiree may designate a new alternate recipient if the one first designated dies before the retiree and after the date the election of this optional form of benefit became irrevocable under paragraph (i) of Section 4. In the event the alternate recipient dies prior to the date the election becomes irrevocable as provided under paragraph (i) of Section 4, the retiree's selection of this option shall be void. Before the date the election of this optional form of benefit becomes irrevocable as provided under paragraph (i) of Section 4, the retiree may change the alternate recipient or change the option elected, subject to the applicable limitations and conditions applied to elections for the options described under sub-paragraphs (A) and (B) of this paragraph (ii) of Section 4.

(b) In the event of the death of the retiree prior to the date the election is irrevocable as provided under paragraph (i) of Section 4, such retiree shall be deemed to have terminated employment on the day before his death (for reasons other than death) and survived until the day after the date as of which the benefit he elected under this sub-paragraph (E) would have commenced.

(c) Actuarial equivalence under this sub-paragraph (E) shall be determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Ashland Pension Plan.

(F) Death Before Payment. Subject to Section 6, in the event a retiree eligible under Section 2 for the benefit under Section 3 dies after having made an election of

an optional form of payment under this paragraph (ii) of Section 4 before the date such election became irrevocable as provided under paragraph (i) of Section 4, such retiree shall be deemed to have terminated employment on the day before his death (for reasons other than death) and survived until the day after the date as of which the optional form of payment he elected would have commenced and payment shall then be made under the Plan in accordance with such retiree's election.

5. Payment of Small Amounts. Unless such retiree receives his or her benefit in a lump sum as provided in Section 4, in the event a monthly benefit under this Plan, payable to either a retiree or to his contingent annuitant, alternate recipient or surviving spouse, is too small (in the sole judgment of Ashland) to be paid monthly, such benefit may be paid quarterly, semi-annually, or annually, as determined by Ashland to be administratively convenient.

6. Survivor Benefit. In the event a retiree who was eligible under Section 2 for the benefit under Section 3(i) dies, leaving a surviving spouse, before electing an optional form of payment under paragraph (ii) of Section 4 and before the date such an election would have become irrevocable under paragraph (i) of Section 4, then such retiree shall be deemed to have -

(i) elected the joint and 100% survivor income option under sub-paragraph (D) of paragraph (ii) of Section 4;

(ii) named his spouse as the 100% contingent annuitant;

(iii) terminated employment on the day before his death (for reasons other than death); and

(iv) survived until the day after the date as of which such benefit would have commenced.

In the event a retiree who was eligible under Section 2 for the benefit under Section 3(ii) dies, leaving a surviving spouse, before electing an optional form of payment under paragraph (ii) of Section 4 and before the date such an election would have become irrevocable under paragraph (i) of Section 4, then such surviving spouse shall be entitled to the lump sum amount of the benefit as calculated under Section 3(ii) and payable no later than the time such a benefit would have to be paid under the Ashland Pension Plan. If such a retiree dies under the foregoing described circumstances without leaving a surviving spouse, then the benefit so computed under Section 3(ii) shall be paid to the beneficiary to whom such retiree's Retirement Growth Account balance is payable under the Ashland Pension Plan.

7. Costs. In appropriate cases, Ashland may cause an affiliate to make the payment (or an allocable portion thereof) called for by the Plan directly to the person eligible to receive such payments.

8. Confidentiality and No Competition All benefits under the Plan shall be forfeited by anyone who discloses confidential information to others outside of Ashland's organization without the prior written consent of Ashland or who accepts, during a period of five (5) years following his or her retirement, any employment or consulting activity which is in direct conflict with the business of Ashland at such time. Such determination shall be made in the sole discretion of Ashland. A breach of this Section 8 shall result in an immediate forfeiture of benefits payable to any retiree under the Plan.

9. Lost Participant/Beneficiary. In the event Ashland, after reasonable effort, is unable to locate a person to whom a benefit is payable under the Plan, such benefit shall be forfeited; provided, however, that such benefit shall be reinstated (in the same amount and form as that of the benefit forfeited without any obligation to pay amounts which would otherwise have previously come due) upon proper claim made by such person prior to termination of the Plan.

10. Miscellaneous.

(i) The obligations of Ashland and any affiliate thereof with respect to benefits under this Plan constitute merely the unsecured promise of Ashland and/or its affiliates, as the case may be, to make the payments provided for in this Plan. No property of Ashland or any affiliate is or shall, by reason of the Plan, be held in trust or be deemed to be held in trust for any person and any participant or beneficiary under the Plan, the estate of either of them and any person claiming under or through them shall not have, by reason of the Plan, any right, title or interest of any kind in or to any property of Ashland and its affiliates. To the extent any person has a right to receive payments under the Plan, such right shall be no greater than the right of any unsecured general creditor of Ashland/ or its affiliates.

(ii) Ashland shall administer the Plan. Ashland shall have full power and authority to amend, modify, or terminate the Plan and shall have all powers and the discretion necessary and convenient to administer the Plan in accordance with its terms, including, but not limited to, all necessary, appropriate, discretionary and convenient power and authority to interpret, administer and apply the provisions of the Plan with respect to all persons having or claiming to have any rights, benefits, entitlements or obligations under the Plan. This includes, without

limitation, the ability to construe and interpret provisions of the Plan, make determinations regarding law and fact, reconcile any inconsistencies between provisions in the Plan or between provisions of the Plan and any other statement concerning the Plan, whether oral or written, supply any omissions to the Plan or any document associated with the Plan, and to correct any defect in the Plan or in any document associated with the Plan. All such interpretations of the Plan and documents associated with the Plan and questions concerning its administration and application, as determined by Ashland, shall be binding on all persons having an interest under the Plan. Ashland may delegate (and may give to its delegatee the power and authority to redelegate) to any person or persons any responsibility, power or duty under the Plan. Decisions of Ashland or its delegatee shall be final, conclusive, and binding on all parties.

(iii) Except as expressly allowed pursuant to Sections 3 and 4 of this Plan in regard to the form of benefit option and in connection with a division of property under a domestic relations proceeding under state law, no right or interest of of any person entitled to a benefit under the Plan shall be subject to involuntary alienation, assignment or transfer of any kind. A person entitled to a benefit under this Plan may voluntarily assign his or her rights under the Plan. Ashland, the Committee and any of their delegates shall not review, confirm, guarantee or otherwise comment on the legal validity of any voluntary assignment. Ashland and its delegates may review, provide recommendations and approve submitted domestic relations orders using procedures similar to those that apply to qualified domestic relations orders under the Ashland Pension Plan. Ashland or any affiliate may, however, offset or cause an offset to be made against any payment to be made under the Plan in regard to amounts due and owing from such person to Ashland or any affiliate. Notwithstanding anything to the contrary in this paragraph (iii), legally required tax withholding on benefit payments, the recovery, by any means, of previously made overpayments of Plan benefits, or the direct deposit of Plan benefit payments in a bank or similar account, provided that such direct deposits are allowed by Ashland in the administration of the Plan and provided that such direct deposit is not part of an arrangement constituting an assignment or alienation, shall not be considered to be prohibited under this paragraph (iii).

(iv) No amount paid or payable under the Plan shall be deemed salary or other compensation to any employee for the purpose of computing benefits to which such employee or any other person may be entitled under any employee benefit plan of Ashland or any affiliate.

(v) To the extent that state law shall not have been preempted by ERISA or any other law of the United States, the Plan shall be governed by the laws of the Commonwealth of Kentucky.

(vi) The Plan described herein shall amend and supersede, as of July 1, 2003, all provisions in the Ashland Inc. Nonqualified Pension Plan as Amended, dated as of September 19, 1996, except as otherwise provided herein and further excepting that the rights of former employees who terminated employment, retired, or became disabled prior to the day before the effective date hereof shall be governed by the terms of the Plan as in effect at the time of such termination of employment, retirement, or disability, unless otherwise provided herein.

11. Change in Control. Notwithstanding any provision of this Plan to the contrary, in the event of a Change in Control (as defined hereinafter in this Section 11), any employee who would or will meet the requirements of Section 2, except that such employee has not or is not eligible to retire or terminate with a vested early, normal or deferred retirement benefit under any Affected Plan, shall be deemed to have a vested benefit hereunder, regardless of when such employee actually retires and commences benefits under an Affected Plan and such entitlement shall be vested from and after the time of such Change in Control. Ashland shall reimburse an employee for legal fees and expenses incurred if he or she is required to, and is successful in, seeking to obtain or enforce any right to payment pursuant to the Plan after a Change in Control. In the event that it shall be determined that such employee is properly entitled to the payment of benefits hereunder, such employee shall also be entitled to interest thereon payable in an amount equivalent to the prime rate of interest (quoted by Citibank, N.A. as its prime commercial lending rate on the latest date practicable prior to the date of the actual commencement of payments) from the date such payment(s) should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, the Plan may not be amended after a Change in Control without the written consent of a majority of the Board of Directors of Ashland (hereinafter "Board") who were directors prior to the Change in Control. For purposes of this Section 11, Change in Control shall be deemed to occur (1) upon approval of the shareholders of Ashland (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of Ashland, other than a consolidation or merger of Ashland into or with a direct or indirect wholly-owned subsidiary, in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same

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

12.

- (a) Initial Claim - Notice of Denial. If any claim for benefits (within the meaning of section 503 of ERISA) is denied in whole or in part, Ashland (which shall include Ashland or its delegate throughout this Section 12) will provide written notification of the denied claim to the participant or beneficiary, as applicable, (hereinafter referred to as the claimant) in a reasonable period, but not later than 90 days after the claim is received. The 90-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 90-day period after the claim was received. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 180 days after the claim is received.

The written decision will include:

- (i) The reasons for the denial.
- (ii) Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- (iii) A description of additional materials or information needed to process the claim. It will also explain why those materials or information are needed.
- (iv) A description of the procedure to appeal the denial, including the time limits applicable to those procedures. It will also state that the claimant may file a civil action under section 502 of ERISA (ERISA - ss.29 U.S.C. 1132). The claimant must complete the Plan's appeal procedure before filing a civil action in court.

If the claimant does not receive notice of the decision on the claim within the prescribed time periods, the claim is deemed denied. In that event the claimant may proceed with the appeal procedure described below.

- (b) Appeal of Denied Claim. The claimant may file a written appeal of a denied claim with Ashland in such manner as determined from time to time. Ashland is the named fiduciary under ERISA for purposes of the appeal of the denied claim. Ashland may delegate its authority to rule on appeals of denied claims and any person or persons or entity to which such authority is delegated may re-delegate that authority. The appeal must be sent at least 60 days after the claimant received the denial of the initial claim. If the appeal is not sent within this time, then the right to appeal the denial is waived.

The claimant may submit materials and other information relating to the claim. Ashland will appropriately consider these materials and other information, even if they were not part of the initial claim submission. The claimant will also be given reasonable and free access to or copies of documents, records and other information relevant to the claim.

Written notification of the decision on the appeal will be delivered to the claimant in a reasonable period, but not later than 60 days after the appeal is received. The 60-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 60-day period after the appeal was received. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 120 days after the appeal is received.

Special rules apply if Ashland designates a committee as the appropriate named fiduciary for purposes of deciding appeals of denied claims. For the special rules to apply, the committee must meet regularly on at least a quarterly basis.

When the special rules for committee meetings apply the decision on the appeal must be made not later than the date of the committee meeting immediately following the receipt of the appeal. If the appeal is received within 30 days of the next following meeting, then the decision must not be made later than the date of the second committee meeting following the receipt of the appeal.

The period for making the decision on the appeal can be extended under special circumstances. If special circumstances apply, the claimant will be notified by the committee or its delegate before the end of the otherwise applicable period within which to make a decision. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than the date of the third committee meeting after the appeal is received.

In any event, the claimant will be provided written notice of the decision within a reasonable period after the meeting at which the decision is made. The notification will not be later than 5 days after the meeting at which the decision is made.

Whether the decision on the appeal is made by a committee or not, a denial of the appeal will include:

- (i) The reasons for the denial.
- (ii) Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- (iii) A statement that the claimant may receive free of charge reasonable access to or copies of documents, records and other information relevant to the claim.
- (iv) A description of any voluntary procedure for an additional appeal, if there is such a procedure. It will also state that the claimant may file a civil action under section 502 of ERISA (ERISA - ss.29 U.S.C. 1132).

If the claimant does not receive notice of the decision on the appeal within the prescribed time periods, the appeal is deemed denied. In that event the claimant may file a civil action in court. The decision regarding a denied claim is final and binding on all those who are affected by the decision. No additional appeals regarding that claim are allowed.

IN WITNESS WHEREOF, this amendment and restatement of the Plan is executed this 7th day of July, 2003.

ATTEST: ASHLAND INC.

/s/ Richard P. Thomas

Secretary

By: /s/ Susan B. Esler

Vice President Human Resources -
Programs and Services

AMENDMENT NO. 1 TO
ASHLAND INC. NONQUALIFIED EXCESS BENEFIT PENSION PLAN
JULY 1, 2003 AND AS AMENDED THEREAFTER

WHEREAS, effective for compensation deferred to calendar year 2005 and thereafter, there are new rules governing the tax consequences of such deferrals;

WHEREAS, the Company desires to comply with such new rules;

NOW, THEREFORE, effective December 31, 2004, the Plan is frozen and no additional benefits will accrue hereunder. Benefits accrued hereunder through December 31, 2004 shall remain subject to all of the rules, terms and conditions in effect for the Plan as of December 31, 2004.

IN WITNESS WHEREOF, this Amendment to the Plan is executed this 20th day of December, 2004.

ATTEST:

/s/ David L. Hausrath

Secretary

ASHLAND INC.

By: /s/ Susan B. Esler

Vice President, Human Resources

ELEVENTH AMENDED AND RESTATED
ASHLAND INC.
SUPPLEMENTAL EARLY RETIREMENT PLAN
FOR CERTAIN EMPLOYEES
JULY 1, 2003 AND AS AMENDED THEREAFTER

ARTICLE I. PURPOSE AND EFFECTIVE DATE.

1.01 PURPOSE

The purpose of the Plan is to allow designated employees to retire prior to their sixty-fifth birthday without an immediate substantial loss of income. This Plan is a supplemental retirement arrangement for a select group of management.

1.02 EFFECTIVE DATE

The Eleventh Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees is amended and restated effective July 1, 2003. This amended and restated Plan supercedes all prior versions of this Plan that were effective on or before July 1, 2003 regarding Effective Retirement Dates that occur on or after such date, except as may otherwise be provided herein. Employees on June 30, 2003 that are in an employment classification that potentially makes them eligible for the Plan and that -

- (a) are at least age 55 on June 30, 2003; or
 - (b) the sum of whose Age and Continuous Service is 80
- (hereinafter called Transition Participants)

shall remain subject to the terms of the Plan in effect before July 1, 2003 addressing the calculation and amount of benefits. These Employees shall, however, be subject to the other changes that are effective on July 1, 2003, such as those addressing the vesting of benefits and the change to the Effective Retirement Date. The rights and obligations of former Employees receiving Plan benefits before July 1, 2003 shall be governed by the terms of the Plan in effect at the time of each such former Employee's Effective Retirement Date, unless otherwise determined by the Committee in its sole discretion.

ARTICLE II. DEFINITIONS.

The following terms used herein shall have the following meanings unless the context otherwise requires:

- 2.01 "AGE" - means the age of an Employee as of his or her last birthday, except as may otherwise be provided under Sections 5.01 and 5.02 in the event of a Change in Control.
- 2.02 "ANNUAL RETIREMENT INCOME" - means the annual income payable under this Plan by Ashland for the lifetime of a Participant commencing on such Participant's Effective Retirement Date and ending on his or her date of death, subject to the provisions of Section 5.04.
- 2.03 "ASHLAND" - means Ashland Inc. and its present or future subsidiary corporations.
- 2.04 "BOARD" - means the Board of Directors of Ashland and its designees.
- 2.05 "CHANGE IN CONTROL" - shall be deemed to occur (1) upon approval of the shareholders of Ashland (or if such approval is not required, upon the approval of the Board) of (A) any consolidation or merger of Ashland, other than a consolidation or merger of Ashland into or with a direct or indirect wholly-owned subsidiary, in which Ashland is not the continuing or surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property other than a merger in which the holders of Common Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Ashland, provided, however, that no sale, lease, exchange or other transfer of all or substantially all the assets of Ashland shall be deemed to occur unless assets constituting 80% of the total assets of Ashland are transferred pursuant to such sale, lease exchange or other transfer, or (C) adoption of any plan or proposal for the liquidation or dissolution of Ashland, (2) when any person (as defined in Section 3(a)(9) or 13(d) of the Exchange Act), other than Ashland or any subsidiary or employee benefit plan or trust maintained by Ashland, shall become the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 15% of Ashland's Common Stock outstanding at the time, without the approval of the Board, or (3) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by Ashland's shareholders of each new director during such two-year period was approved by a vote of at least

two-thirds of the directors then still in office who were directors at the beginning of such two-year period. Notwithstanding the foregoing, any transaction, or series of transactions, that shall result in the disposition of Ashland's interest in Marathon Ashland Petroleum LLC, including without limitation any transaction arising out of that certain Put/Call, Registration Rights and Standstill Agreement dated January 1, 1998 among Marathon Oil Company, USX Corporation, Ashland and Marathon Ashland Petroleum LLC, as amended from time to time, shall not be deemed to constitute a Change in Control.

- 2.06 "COMMITTEE" - means the Personnel and Compensation Committee of the Board and its designees.
- 2.07 "CONTINUOUS SERVICE" - means Continuous Service as defined in the Ashland Inc. and Affiliates Pension Plan, except as the determination of Continuous Service is modified for purposes of this Plan.
- 2.08 "EFFECTIVE RETIREMENT DATE" - means:
- (a) After June 30, 2003. After June 30, 2003, the Effective Retirement Date of an Employee that is a Participant under Section 3.01 is whichever of the following applies, so long as the Participant has at least five years of Continuous Service.
 - (1) The Effective Retirement Date is the first day of the month following the date a Participant incurs a Termination of Employment -
 - (i) on or after the date the sum of the Participant's Age and Continuous Service is 80; or
 - (ii) on or after the date the Participant attains Age 55.
 - (2) The Effective Retirement Date of a Participant that incurs a Termination of Employment before the dates specified in (1) above is the first day of the month following the date the Participant attains Age 55.
 - (b) Change in Control. The Effective Retirement Date in the event of a Change in Control of a Participant considered to be a Level I or II participant in the Incentive Compensation Plan who has an Employment Agreement shall be the first day of the month following (i) such

Participant's termination for reasons other than "Cause" or (ii) such Participant's resignation for "Good Reason." The Effective Retirement Date in the event of a Change in Control of a Participant considered to be a Level III, IV or V participant in the Incentive Compensation Plan, or who is considered to be a Level I or II participant in the Incentive Compensation Plan and who does not have an Employment Agreement, shall be the first day of the month following such Participant's termination for reasons other than "Cause". For Participant's who do not have an Employment Agreement with Ashland, "Cause" shall have the meaning given to that word in Section 3.02. In the event a Change in Control occurs after June 30, 2003, all Participants shall be completely vested in their Plan benefits, regardless of the number of their years of Continuous Service

- 2.09 "EMPLOYEE" - means, effective after June 30, 2003, a common law employee of Ashland.
- 2.10 "EMPLOYMENT AGREEMENTS" - means those contractual agreements, in effect from time to time, which are approved by the Board and which provide an Employee with a specified period of employment and other benefits.
- 2.11 "FINAL AVERAGE BONUS" - means the Participant's average bonus paid under the Incentive Compensation Plan (including amounts that may have been deferred) during the highest thirty-six (36) months out of the final eighty-four-month (84) period. For Effective Retirement Dates after June 30, 2003, the calculation of the eighty-four month period shall be measured back from the Participant's Termination of Employment that is nearest to or which is coincident with the Participant's Effective Retirement Date. If the Participant becomes classified below a Level V Employee after June 30, 2003 and before the Termination of Employment identified in the preceding sentence, then the date of such change in classification is substituted for the said Termination Date. For these purposes, the "bonus paid" for a particular month within a particular fiscal year under such plan shall be equal to the amount of such bonus actually paid (regardless of the date paid, but excluding any adjustment for the deferral of such payment) to such Participant on account of such fiscal year divided by the number of months contained in such fiscal year which were used in determining the amount of such bonus actually paid

- to such Participant. The bonus paid that is used compute the average described in this Section 2.11 shall only be a bonus that is paid to the Participant when such Participant is considered a Level III, IV or V participant in the Incentive Compensation Plan.
- 2.12 "FINAL AVERAGE COMPENSATION" - means the average total compensation paid during the highest thirty-six months (36) out of the final eighty-four-month (84) period. For Effective Retirement Dates after June 30, 2003, the calculation of the eighty-four month period shall be measured back from the Participant's Termination of Employment that is nearest to or which is coincident with the Participant's Effective Retirement Date, provided that the Termination of Employment occurred after June 30, 2003. If the Participant becomes classified below a Level II Employee after June 30, 2003 and before the Termination of Employment identified in the preceding sentence, then the date of such change in classification is substituted for the said Termination Date. For these purposes, "total compensation paid" is the sum of the "compensation paid" and the "bonus paid" during a particular month. "Compensation paid" shall be the base rate of compensation for such Participant in effect on the first day of such calendar month. "Bonus paid" shall have the same meaning as set forth in Section 2.11. In the event a payment is due under the Plan after a Change in Control because the Participant was terminated other than for "Cause" or resigned for "Good Reason," the calculation of Final Average Compensation shall include the amount paid under such Participant's Employment Agreement. The amount so paid shall be divided by 36 to derive the monthly "total compensation paid" it represents. The total compensation paid that is used compute the average described in this Section 2.12 shall only be total compensation that is paid to the Participant when such Participant is considered a Level I or II participant in the Incentive Compensation Plan.
- 2.13 "INCENTIVE COMPENSATION PLAN" - means the Ashland Inc. Incentive Compensation Plan or the Ashland Inc. Incentive Compensation Plan for Key Executives, as applicable, including any successor to such plans.
- 2.14 "PARTICIPANT" - means for Effective Retirement Dates before July 1, 2003 an Employee who was approved for participation in the Plan pursuant to Article III or Section 5.06, as they existed at the applicable time. For Effective Retirement Dates after June 30, 2003, Participant means an Employee that meets the applicable requirements of Article III and who has not incurred a Termination of Employment for Cause, as defined in Section

3.02. A former Employee that did not incur a Termination of Employment for Cause and who has a benefit being paid or payable from the Plan is also a Participant.

2.15 "PLAN" - means the Eleventh Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Employees as set forth herein.

2.16 "SERVICE" - means the number of years and fractional years of employment by Ashland of an Employee, measured from the first day of the month coincident with or next succeeding his or her initial date of employment up to and including such Employee's Effective Retirement Date. For purposes of this Section 2.16, Service shall include an Employee's employment with a subsidiary or an affiliate of Ashland determined in accordance with rules from time to time adopted or approved by the Board, or its delegate. Effective July 1, 2003, Service shall be calculated based on the rules for calculating Periods of Service under the Ashland Inc. and Affiliates Pension Plan, except as the determination of Service is modified for purposes of this Plan.

2.17 "TERMINATION OF EMPLOYMENT" - means the date an Employee ceases to be an Employee of Ashland.

ARTICLE III. PARTICIPATION IN PLAN.

Eligibility for benefits shall be determined as follows:

3.01 PARTICIPATION AFTER JUNE 30, 2003
Effective after June 30, 2003, approval shall no longer be a prerequisite for an Employee to become a Participant in the Plan. All Employees classified on the records of Ashland on or after July 1, 2003 as a Level I, II, III, IV or V Employee or under any equivalent designation shall be Participants in the Plan. After earning five years of Continuous Service, whether such service is in whole or in part before July 1, 2003 or after June 30, 2003, a Participant shall be completely vested in the applicable benefit under Plan. The determination of whether a Level III, IV or V Employee receives a reduced benefit for commencement before age 62 under Section 5.02(c) is made based on the Employee's deemed status on the Effective Retirement Date. Notwithstanding such vesting, a Participant forfeits the right to receive any benefit under this Plan if the Participant incurs a Termination of Employment for Cause, as defined in Section 3.02. A Participant may also forfeit the right to the Plan benefit and may have to repay a prior distribution pursuant to the provisions of Section 4.04.

3.02 TERMINATION FOR CAUSE

Ashland reserves the right to terminate any Participant for "Cause" prior to his or her Effective Retirement Date, with a resulting forfeiture of the payment of benefits under the Plan. Ashland also reserves the right to terminate any Participant's participation in the Plan for "Cause" subsequent to his or her Effective Retirement Date. For purposes of this Section 3.02, "Cause" shall mean the willful and continuous failure of a Participant to substantially perform his or her duties to Ashland (other than any such failure resulting from incapacity due to physical or mental illness), or the willful engaging by a Participant in gross misconduct materially and demonstrably injurious to Ashland, each to be determined by Ashland in its sole discretion.

3.03 AUTOMATIC VESTING FOR CHANGE IN CONTROL

Subject to the provisions of Article VI, in the event of a Change in Control (as defined in Section 2.05), an Employee who is deemed to be a Level I, II, III, IV or V participant under the Incentive Compensation Plan shall automatically be completely vested in their benefits, regardless of the number of their years of Continuous Service.

ARTICLE IV. INTERACTION WITH EMPLOYMENT AGREEMENTS.

4.01 TERMINATIONS - GENERAL

Notwithstanding any provision of this Plan to the contrary, an Employee who has entered into an Employment Agreement with Ashland and who is either terminated without "Cause" prior to a "change in control of Ashland" or is terminated without "Cause" or resigns for "Good Reason" following a "change in control of Ashland" (each quoted term as defined in the applicable employment agreement) shall be entitled to receive the benefits as provided pursuant to this Plan. Benefits payable hereunder in such a situation shall be calculated in accordance with the payment option selected by the Employee at such time.

4.02 BENEFITS PRIOR TO "CHANGE IN CONTROL."

If the Employee's termination is without "Cause" prior to a "change in control of Ashland," the benefits payable hereunder shall commence no earlier than as of the first day of the calendar month coincident with or next following the second anniversary following the Employee's "Date of Termination" (as defined in the applicable employment agreement); however, if the Employee elects to receive such benefits in a lump sum as provided in Section 5.04(b)(1), such benefits shall commence and be payable as therein specified.

4.03 BENEFITS SUBSEQUENT TO A "CHANGE IN CONTROL."
If the Employee's termination is without "Cause" or he or she resigns for "Good Reason" following a "change in control of Ashland," benefits payable hereunder shall begin as of the first day of the calendar month next following the Participant's Effective Retirement Date.

4.04 SUBSEQUENT ACTIVITY IN CONFLICT WITH ASHLAND
The provisions of this Section 4.04 shall apply to Level I, II, III, IV and V Participants, regardless of whether such a Participant has an Employment Agreement; except that the provisions of this Section 4.04 shall not apply to any Participant after a Change in Control. If a Participant accepts, during a period of five (5) years subsequent to his or her Effective Retirement Date, any consulting or employment activity which is in direct and substantial conflict with the business of Ashland at such time (such determination regarding conflicting activity to be made in the sole discretion of the Board), he or she shall be considered in breach of the provisions of this Section 4.04; provided, however, he or she shall not be restricted in any manner with respect to any other non-conflicting activity in which he or she is engaged. If a Participant wishes to accept employment or consulting activity which may be prohibited under this Section 4.04, such Participant may submit to Ashland written notice (Attention: Vice President Human Resources - Programs and Services) of his or her wish to accept such employment or consulting activity. If within ten (10) business days following receipt of such notice Ashland does not notify the Participant in writing of Ashland's objection to his or her accepting such employment or consulting activity, then such Participant shall be free to accept such employment or consulting activity for the period of time and upon the basis set forth in his or her written request.

In the event the provisions of this Section 4.04 are breached by a Participant, the Participant shall not be entitled to any additional periodic payments hereunder and shall be liable to repay to Ashland all amounts such Participant received prior to such breach. If a Participant who breaches the provisions of this Section 4.04 received a lump sum distribution of his or her benefit prior to such breach, such Participant shall be liable to repay to Ashland the amount of such distribution. If a Participant who breaches the provisions of this Section 4.04 deferred all or any part of a lump sum distribution hereunder to the Ashland Inc. Deferred Compensation Plan, the amount so deferred

shall be forfeited, and if any amount of the amount so deferred was distributed from the Ashland Inc. Deferred Compensation Plan before the breach occurred, the amount so distributed shall be repaid to Ashland. Any repayment of benefits hereunder shall be assessed interest at the rate applicable for the calculation of a lump sum payment under Section 5.04(b) for the month in which the breach occurs, with such interest compounded monthly from the month in which the breach occurs to the month in which such repayment is made to Ashland. Ashland shall have available to it all other remedies at law and equity to remedy a breach of this Section 4.04.

ARTICLE V. RETIREMENT INCOME AND OTHER BENEFITS.

5.01 LEVELS I AND II.

The Transition Participants described in Section 1.2 that are deemed to be Level I or II participants under the Incentive Compensation Plan are eligible to receive Annual Retirement Income equal to:

(a) PRE-AGE 62 BENEFIT

A Transition Participant who retires under this Plan, including a Transition Participant to whom the provisions of paragraph (d) of this Section 5.01 apply, shall receive an Annual Retirement Income from and after the first day of the calendar month next following his or her Effective Retirement Date until the end of the month in which he or she attains age 62 equal to the greater of (1) the amounts provided in the following schedule or (2) 50% of Final Average Compensation. Notwithstanding the previous sentence, in the event such Transition Participant retired with less than 20 years of Service, such Annual Retirement Income shall be multiplied by a fraction (A) the numerator of which is such Transition Participant's years of and fractional years of Service, and (B) the denominator of which is twenty (20).

RETIREMENT	% OF COMPENSATION
1st - Year After Effective Retirement Date	75%
2nd - "	70%

3rd	-	"	65%
4th	-	"	60%
5th	-	"	55%
6th	-	Year and thereafter to Age 62	50%

For purposes of this Section 5.01(a), "% of Compensation" shall mean the annualized average of the Transition Participant's base monthly compensation rates (excluding incentive awards, bonuses, and any other form of extraordinary compensation) in effect with respect to Ashland on the first day of the thirty-six (36) consecutive calendar months which will give the highest average out of the one-hundred twenty (120) consecutive calendar month period ending on the Transition Participant's Effective Retirement Date.

(b) AGE 62 BENEFIT AND THEREAFTER

From and after the first day of the calendar month next following his or her Effective Retirement Date, or the attainment of age 62, whichever is later, the Transition Participant's Annual Retirement Income shall be equal to 50% of Final Average Compensation; provided, however, that in the event such Transition Participant retired with less than 20 years of Service, such Annual Retirement Income shall be 50% of Final Average Compensation multiplied by a fraction (A) the numerator of which is such Transition Participant's years of and fractional years of Service, and (B) the denominator of which is twenty (20).

(c) BENEFIT REDUCTION

The amount of benefit provided in paragraphs (a) and (b) of this Section 5.01 shall be reduced by the sum of the following:

- (1) the Transition Participant's benefit under the Ashland Inc. and Affiliates Pension Plan (the "Pension Plan") (assuming 50% of such Transition Participant's account under the Ashland Inc. Leveraged Employee Stock Ownership Plan were transferred to the Pension Plan, as allowed under the terms of each of the said plans and disregarding any benefit assignment under an approved qualified domestic relations order affecting either the

Pension Plan or the Ashland Inc. Leveraged Employee Stock Ownership Plan), determined on the basis of a single life annuity form of benefit;

- (2) the Transition Participant's benefit under any other defined benefit pension plan qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended which is maintained by Ashland, determined by disregarding any benefit assignment under an approved qualified domestic relations order and on the basis of a single life annuity form of benefit (said plans referred to in sub-paragraphs (1) and (2) of this paragraph (c) are hereinafter referred to jointly and severally as the "Affected Plans");
- (3) the Transition Participant's benefit under the Ashland Inc. Nonqualified Excess Benefit Pension Plan, determined on the basis of a single life annuity form of benefit; and
- (4) the Transition Participant's benefit under the Ashland Inc. ERISA Forfeiture Plan attributable to amounts which were forfeited under the Ashland Inc. Leveraged Employee Stock Ownership Plan, multiplied by 50%, and determined on the basis of a single life annuity benefit.

In the event a Transition Participant's benefit hereunder is paid as a lump sum pursuant to an election under Section 5.04(b)(1), the reduction to such benefit shall be calculated based upon the lump sum actuarial present value of the benefits referred to in subparagraphs (1)-(4) of this paragraph (c). For distributions commencing after May 31, 2001, such calculation shall be conducted on the basis that the benefits referred to in said subparagraphs (1)-(4) commence at the same time as of which the benefit in this Plan is paid as a lump sum, using the Transition Participant's attained age at the time of such commencement, unless otherwise required in paragraph (d) of this Section 5.01.

(d) BENEFIT AFTER A CHANGE IN CONTROL

- (1) Participants Having Employment Agreements. A Participant having an Employment Agreement who either is terminated without "Cause" or resigns for "Good Reason" after a Change in Control shall have the benefit payable under this Section 5.01 computed by adding 3 years to the Participant's Age and Service at the Participant's Effective Retirement Date. These additions to Age and Service shall, except as

otherwise provided, apply for purposes of computing the single life annuity payment to the Participant, if applicable. A Participant subject to this paragraph (d)(1) whose Effective Retirement Date occurs before attaining an actual age of 55 shall have the 3 year addition to Age apply when converting the single life annuity amount (if applicable) to any permitted optional form under this Article V. If the Effective Retirement Date of a Participant subject to this paragraph (d)(1) occurs on or after the Participant attains an actual age of 55, then the Participant's actual age shall be used when making such a conversion. Notwithstanding anything to the contrary contained herein, when converting a Participant's single life annuity (if applicable) to a lump sum payment option, the Participant's actual age shall be used without reference to the additional 3 years. If the addition of 3 years to the Participant's age results in an Age less than 55 and the Participant commences the benefit, the amount of the benefit shall be adjusted to account for the fact it is paid before the Participant's attainment of Age 55. This adjustment shall be based upon the early retirement table in Section 6.2 of the Ashland Inc. and Affiliates Pension Plan as it existed on September 30, 1999. When applying this table under these circumstances, age 55 shall be substituted for age 62 and adjustments for ages younger than those on the table shall be reasonably determined by an actuary or actuarial firm who regularly performs services in connection with the Plan.

- (2) Participants Without Employment Agreements. A Participant without an Employment Agreement who is terminated without "Cause" after a Change in Control shall have the benefit payable under this Section 5.01 computed by adding the applicable amount to the Participant's Age and Service at the Participant's Effective Retirement Date. For these purposes, the applicable amount is derived from the following table.

LENGTH OF PARTICIPANT'S SERVICE AT SEPARATION FROM
EMPLOYMENT

NUMBER OF YEARS
(THE APPLICABLE AMOUNT)

Up to 5 years	3 months
More than 5 and up to 10 years	6 months
More than 10 and up to 15 years	1 year
More than 15 and up to 20 years	1 year and 6 months
More than 20 years	2 years

These additions to Age and Service shall, except as otherwise provided, apply for purposes of computing the single life annuity payment (if applicable) to the Participant. A Participant subject to this paragraph (d)(2) whose Effective Retirement Date occurs before attaining an actual age of 55 shall have the applicable amount added to such Participant's Age apply when converting the single life annuity amount (if applicable) to any permitted optional form under this Article V. If the Effective Retirement Date of a Participant subject to this paragraph (d)(2) occurs on or after the Participant attains an actual age of 55, then the Participant's actual age shall be used when making such a conversion. Notwithstanding anything to the contrary contained herein, when converting a Participant's single life annuity (if applicable) to a lump sum payment option, the Participant's actual age shall be used without reference to the addition of the applicable amount. If the addition of the applicable amount to the Participant's age results in an Age less than 55 and the Participant commences the benefit, the amount of the benefit shall be adjusted to account for the fact it is paid before the Participant's attainment of Age 55. This adjustment shall be based upon the early retirement table in Section 6.2 of the Ashland Inc. and Affiliates Pension Plan as it existed on September 30, 1999. When applying this table under these circumstances, age 55 shall be substituted for age 62 and adjustments for ages younger than those on

the table shall be reasonably determined by an actuary or actuarial firm who regularly performs services in connection with the Plan.

- (e) Benefit after June 30, 2003. Subject to the applicable provisions of paragraph (d) above, the vested benefit payable to a Participant on the Effective Retirement Date for the period such Participant was deemed classified as a Level I or II participant in the Incentive Compensation Plan is equal to 25% of Final Average Compensation multiplied by years of Service not to exceed 20 years of Service. Service includes full and fractional years. There is no reduction for commencement before age 62 and there is no increase for commencement after age 62. The normal form of the benefit so computed is a single lump sum payment. The benefit so payable shall be reduced by the actuarially equivalent (as defined below) lump sum benefit from the following plans from which the Participant is entitled to a distribution:
- (1) the Ashland Inc. and Affiliates Pension Plan (the "Pension Plan") (assuming 50% of such Participant's account - if any - under the Ashland Inc. Leveraged Employee Stock Ownership Plan were transferred to the Pension Plan, as allowed under the terms of each of the said plans and disregarding any benefit assignment under an approved qualified domestic relations order affecting either the Pension Plan or the Ashland Inc. Leveraged Employee Stock Ownership Plan);
 - (2) the benefit under any other defined benefit pension plan qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended which is maintained by Ashland, determined by disregarding any benefit assignment under an approved qualified domestic relations order (said plans referred to in sub-paragraphs (1) and (2) of this paragraph (e) are hereinafter referred to jointly and severally as the "Affected Plans");
 - (3) the benefit under the Ashland Inc. Nonqualified Excess Benefit Pension Plan; and

- (4) the benefit under the Ashland Inc. ERISA Forfeiture Plan attributable to amounts which were forfeited under the Ashland Inc. Leveraged Employee Stock Ownership Plan, multiplied by 50%. Effective for benefits payable to any Participant that is not a Transition Participant, actuarial equivalence shall be determined using an interest rate assumption of 8% and using the Section 415/417 Mortality Table in the Ashland Inc. and Affiliates Pension Plan. Actuarial equivalence shall be determined as of the Effective Retirement Date.

(f) Changes in Status.

- (1) Subject to the applicable provisions of paragraph (d) above, a Participant that earned a benefit under this Section 5.01 and that also earned a benefit under Section 5.02 shall receive the greater of the two benefits produced.
- (2) If a Participant that earns a benefit hereunder is not considered to be a Level I, II, III, IV or V participant under the Incentive Compensation Plan on the earlier of the Participant's Effective Retirement Date or Termination of Employment, then the Service after such Participant ceased to be considered a Level I, II, III, IV or V participant under the Incentive Compensation Plan shall be disregarded for purposes of computing the benefit payable under the Plan. In that event, the only Service that shall be counted for purposes of computing the benefit payable under the Plan shall be the Service the Participant earned while considered to be a Level I, II, III, IV or V participant under the Incentive Compensation Plan. Notwithstanding anything in the foregoing to the contrary, such a Participant shall be credited with a minimum of five years of Service, so long as such Participant has at least five years of Continuous Service.

5.02 LEVELS III, IV AND V.

(a) GENERAL

The Annual Retirement Income of a Transition Participant as defined in Section 1.2 (including a Transition Participant to whom the provisions of paragraph (b) of

this Section 5.02 apply) who on his or her Effective Retirement Date was deemed to be a Level III, IV, or V participant under the Incentive Compensation Plan shall, from and after the first day of the calendar month next following his or her 62nd birthday, be equal to 50% of the Transition Participant's Final Average Bonus; provided, however, that in the event such Transition Participant retired with less than 20 years of Service, such Annual Retirement Income after age 62 shall be 50% of Final Average Bonus multiplied by a fraction (A) the numerator of which is such Participant's years of and fractional years of Service, and (B) the denominator of which is twenty (20). Although a Transition Participant may elect to commence benefits under this Plan upon his or her Effective Retirement Date, there shall be an actuarial adjustment (consistent with that applied under Ashland's qualified pension plan, as from time to time in effect) for Participants receiving benefits under this Section 5.02 whose Effective Retirement Date is prior to age 62.

(b) BENEFIT AFTER A CHANGE IN CONTROL

A Participant who is terminated other than for "Cause" after a Change in Control shall have the benefit payable under this Section 5.02 computed by adding to the Participant's Age and Service at the Participant's Effective Retirement Date the number of years equal to the applicable amount for the Participant derived from the following table.

LENGTH OF PARTICIPANT'S SERVICE AT SEPARATION FROM EMPLOYMENT	NUMBER OF YEARS (THE APPLICABLE AMOUNT)
Up to 5 years	3 months
More than 5 and up to 10 years	6 months
More than 10 and up to 15 years	1 year
More than 15 and up to 20 years	1 year and 6 months
More than 20 years	2 years

These additions to Age and Service shall, except as otherwise provided, apply for purposes of computing the single life annuity payment (if applicable) to the Participant. A Participant subject to this paragraph (b) whose Effective

Retirement Date occurs before attaining an actual age of 62 shall have the applicable amount from the table hereinabove added to his or her Age apply when converting the single life annuity amount (if applicable) to any permitted optional form under this Article V. If the Effective Retirement Date of a Participant subject to this paragraph (b) occurs on or after the Participant attains an actual age of 62, then the Participant's actual age shall be used when making such a conversion. Notwithstanding anything to the contrary contained herein, when converting a Participant's single life annuity (if applicable) to a lump sum payment option, the Participant's actual age shall be used without reference to the applicable amount derived from the table hereinabove. If the addition of the applicable amount from the table hereinabove to the Participant's age results in an Age less than 62 and the Participant commences the benefit, the amount of the benefit shall be adjusted to account for the fact it is paid before the Participant's attainment of Age 62. This adjustment shall be based upon the early retirement table in Section 6.2 of the Ashland Inc. and Affiliates Pension Plan as it existed on September 30, 1999, and adjustments for ages younger than those on the table shall be reasonably determined by an actuary or actuarial firm who regularly performs services in connection with the Plan.

- (c) Benefit after June 30, 2003. Subject to the applicable provisions of paragraph (b) above, the vested benefit payable to a Participant on the Effective Retirement Date for the period such Participant was deemed classified as a Level III, IV or V participant in the Incentive Compensation Plan is equal to 25% of Final Average Bonus multiplied by years of Service not to exceed 20 years of Service. Service includes full and fractional years. There is no reduction for commencement before age 62 for Participants deemed classified as a Level III participant in the Incentive Compensation Plan at the Effective Retirement Date. There is no increase for commencement after age 62 for any Participant. There is an actuarial reduction to the benefit of a Participant that is deemed classified as a Level IV or V participant in the Incentive Compensation Plan at the Effective Retirement Date. The actuarial reduction shall be made on the same basis as in the Ashland Inc. and Affiliates Pension Plan for the early commencement of a benefit in Articles 5, 6, and 7, as applicable. The appropriate actuarial reduction

shall be determined as of the Effective Retirement Date. The normal form of the benefit so computed under this paragraph (c) is a single lump sum payment.

(d) Changes in Status.

- (1) Subject to the applicable provisions of paragraph (b) above, a Participant that earned a benefit under Section 5.02 and that also earned a benefit under Section 5.01 shall receive the greater of the two benefits produced.
- (2) If a Participant that earns a benefit hereunder is not considered to be a Level I, II, III, IV or V participant under the Incentive Compensation Plan on the earlier of the Participant's Effective Retirement Date or Termination of Employment, then the Service after such Participant ceased to be considered a Level I, II, III, IV or V participant under the Incentive Compensation Plan shall be disregarded for purposes of computing the benefit payable under the Plan. In that event, the only Service that shall be counted for purposes of computing the benefit payable under the Plan shall be the Service the Participant earned while considered to be a Level I, II, III, IV or V participant under the Incentive Compensation Plan. Notwithstanding anything in the foregoing to the contrary, such a Participant shall be credited with a minimum of five years of Service, so long as such Participant has at least five years of Continuous Service.

5.03 BENEFITS PAYABLE FOR LESS THAN 12 MONTHS
Annual Retirement Income benefits payable under Sections 5.01 and 5.02 for a period of less than 12 months due to a Participant's attainment of age 62 or death will be payable on a pro-rata basis, with months taken as a fraction of a year.

5.04 PAYMENT OPTIONS

(a) ELECTION

A Participant shall, subject to Sections 5.05 and 5.06, elect the form in which such benefit shall be paid from among those identified in this Section 5.04 and such election shall be made at the time and in the manner prescribed by Ashland, from time to time, provided that the election is made before the Participant's Effective Retirement Date. Such election, including the designation

of any contingent annuitant or alternate recipient under Sections 5.04(b)(4) or (5), shall be irrevocable except as otherwise set forth herein. Notwithstanding anything in the foregoing to the contrary, any Participant who makes an election under Section 5.04(b)(2) shall make such election by the earlier of -

- (1) the date six months prior to Participant's Effective Retirement Date; or
- (2) the December 31 immediately preceding the Participant's Effective Retirement Date. Such deferral election shall be made in the manner prescribed by Ashland, from time to time, and shall be irrevocable as of the applicable time identified under Sections 5.04(a)(1) or (2). Until the time at which an election becomes irrevocable, a Participant shall be able to change it.

(b) OPTIONAL FORMS OF PAYMENT

- (1) LUMP SUM OPTION Except for the Transition Participants described in Section 1.2, the normal form of distribution for the benefit provided by the Plan shall be a single lump sum payment, computed under the applicable provisions of Article V. A Participant's benefit is paid as a lump sum on the Effective Retirement Date (or as soon thereafter as reasonably possible), unless a different election is made by the Participant pursuant to rules in the Plan and rules prescribed by Ashland. A Transition Participant may elect to receive the benefit under Article V as a lump sum distribution. A lump sum benefit payable under the Plan to a Transition Participant shall be computed on the basis of the actuarially equivalent present value of such Transition Participant's benefit under Article V based upon such actuarial assumptions as determined by the Committee. Such lump sum shall be payable within thirty (30) days following the later of the Transition Participant's Effective Retirement Date, or at such later date as Ashland or its delegate may determine, in its sole discretion.
- (2) LUMP SUM DEFERRAL OPTION A Participant (including a Transition Participant) who is eligible to receive a lump sum distribution under 5.04(b)(1) shall be able to elect to defer all or a portion of the receipt of

the elected lump sum (in increments of such percentage or such amount as may be prescribed by Ashland or its delegatee, from time to time), by having the obligation to distribute such amount transferred to the Ashland Inc. Deferred Compensation Plan to be held thereunder in a notional account and paid pursuant to the applicable provisions of such Plan, as they may be amended from time to time; provided, however, that the election to defer such distribution shall be made at the time and in the manner prescribed in Section 5.04(a)(1) and (2).

- (3) SINGLE LIFE ANNUITY A Participant or Transition Participant may elect to have such benefit paid in the form of equal monthly payments for and during such Participant's life, with such payments ending at such Participant's death. Payments under this option shall be actuarially equivalent to the benefit provided under Section 5.01 or 5.02, whichever is applicable. In the case of a Transition Participant, actuarial equivalence is determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Pension Plan. In the case of all other Participants, actuarial equivalence is determined using the assumptions identified in Section 5.01(e).
- (4) JOINT AND SURVIVOR INCOME OPTION A Participant or Transition Participant may elect to receive an actuarially reduced benefit payable monthly during the Participant's lifetime with payments to continue after his or her death to the person he designates (hereinafter called "contingent annuitant"), in an amount equal to (1) 100% of such actuarially reduced benefit, (2) 66 2/3% of such actuarially reduced benefit, or (3) 50% of such actuarially reduced benefit. Benefit payments under this option shall terminate with the monthly payment for the month in which occurred the date of death of the later to die of the Participant and his or her contingent annuitant. The following additional limitations and conditions apply to this option:
- (A) The contingent annuitant shall be designated by the Participant in writing in such form and at such time as Ashland may from time to time prescribe. Before the Participant's Effective Retirement

Date, the Participant may change the contingent annuitant elected.

- (B) In the event of the death of the contingent annuitant prior to the date as of which the election is irrevocable, the Participant's selection of this option shall be void and the Participant may change the contingent annuitant or change the option elected, subject to the applicable limitations and conditions applied to elections for the options described under 5.04(a)(1) and (2).
 - (C) In the case of a Transition Participant, actuarial equivalence is determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Pension Plan. In the case of all other Participants, actuarial equivalence is determined using the assumptions identified in Section 5.01(e).
- (5) PERIOD CERTAIN INCOME OPTION A Participant or Transition Participant may elect to receive an actuarially reduced benefit payable monthly during his or her lifetime and terminating with the monthly payment for the month in which his or her death occurs, with the provision that not less than a total of 120 monthly payments shall be made in any event to him or her and/or the person designated by him or her to receive payments under this sub-paragraph (5) in the event of his or her death (hereinafter called "alternate recipient"). If a Participant and his or her alternate recipient die after the Effective Retirement Date, but before the total specified monthly payments have been made to such Participant and/or his or her alternate recipient, the commuted value of the remaining unpaid payments shall be paid in a lump sum to the estate of the later to die of the Participant or his or her alternate recipient. The following additional limitations and conditions shall apply to this option:
- (A) The alternate recipient shall be designated in writing by the Participant in such form and at such time as Ashland may from time to time prescribe. The designation of an alternate recipient under this sub-paragraph (5) is irrevocable after the Effective Retirement Date, provided, however, a Participant may designate

a new alternate recipient if the one first designated dies before the Participant and after the Effective Retirement Date.

- (B) In the event of the death of the alternate recipient prior to the date as of which the election is irrevocable, the Participant's selection of this option shall be void and the Participant may change the alternate recipient or change the option elected, subject to the applicable limitations and conditions applied to elections for the options described under 5.04(a)(1) and (2).
- (C) Actuarial equivalence for Transition Participants under this sub-paragraph (5) shall be determined on the basis of the applicable actuarial assumptions and other relevant provisions used for the same in the Pension Plan. In the case of all other Participants, actuarial equivalence is determined using the assumptions identified in Section 5.01(e).

5.05. PAYMENT OF SMALL AMOUNTS

Unless a Transition Participant or Participant elects to receive his or her benefit in a lump sum as provided in Section 5.04, in the event a monthly benefit under this Plan, payable to either a Participant or to his or her contingent annuitant, alternate recipient or surviving spouse, is too small (in the sole judgment of Ashland) to be paid monthly, such benefit may be paid quarterly, semi-annually, or annually, as determined by Ashland to be administratively convenient.

5.06. SURVIVING BENEFITS

(a) Except as otherwise provided in Section 5.04 of this Plan, in the event a Participant receiving Annual Retirement Income benefits dies after his or her Effective Retirement Date, no additional benefits shall be payable by Ashland under this Plan to such deceased Participant's beneficiaries, survivors, or estate.

(b) If a Participant while an Employee dies while in active service with Ashland

(1) at a time when the Participant is a Level I or II participant under the Incentive Compensation Plan, regardless of whether the Participant is vested; or

(2) after becoming vested and eligible to receive a distribution but for not having incurred a Termination of Employment but prior to making an election

pursuant to Section 5.04(a) and said Participant is a Level I -V participant under the Incentive Compensation Plan; then such Employee shall be deemed:

- (i) to have elected to receive his or her benefits in the form of the 100% Joint & Survivor retirement income option and to have designated his or her spouse as the beneficiary thereunder; and
- (ii) to have commenced such benefit one (1) day prior to the date of the Employee's death.

The surviving spouse entitled to a benefit under this paragraph (b) may commence the benefit as of the first day of a month. Such benefit shall be distributed as an actuarially equivalent lump sum using the assumptions for actuarial equivalence in Section 5.01(e). The benefit must commence as soon as possible after the deceased Participant would have attained age 62. If the Participant were 62 or older at death, then the distribution to the surviving spouse must commence as soon as possible. Distributions are subject to rules prescribed by Ashland from time to time.

(c) In the event a Participant dies after making an election under Section 5.04(a) but prior to his or her Effective Retirement Date, then such Participant shall be deemed to have commenced distributions one (1) day prior to the date of death and payment shall be made under this Plan in accordance with the Participant's election.

5.07 PARTICIPATION IN OTHER BENEFITS

After the Effective Retirement Date, a Participant may continue to participate in the benefits offered by Ashland to former Employee's and retiree's similarly situated to the Participant. Ashland reserves all rights to change those benefits at any time, including the right to terminate them. Except as otherwise expressly provided in this Plan, a Participant's active participation in all employee benefit programs maintained by Ashland derived from his or her employment status with Ashland shall be discontinued.

ARTICLE VI. CHANGE IN CONTROL.

Notwithstanding any provision of this Plan to the contrary, in the event of a Change in Control, an Employee who is deemed to be a Level I, II, III, IV or V participant under Ashland's Incentive Compensation Plan, shall, in accordance with Section 3.03, automatically be deemed approved for participation under this Plan and shall be

completely vested in his or her benefit. Consistent with the applicable terms of Sections 5.01 and 5.02, such a Participant may, in his or her sole discretion, elect to retire prior to Age 62.

In addition, Ashland (or its successor after the Change in Control) shall reimburse an Employee for legal fees, fees of other experts and expenses incurred by such Employee if he or she is required to, and is successful in, seeking to obtain or enforce any right to payment pursuant to the Plan. In the event that it shall be determined that such Employee is properly entitled to the payment of benefits hereunder, such Employee shall also be entitled to interest thereon payable in an amount equivalent to the prime rate of interest (quoted by Citibank, N.A. as its prime commercial lending rate on the latest date practicable prior to the date of the actual commencement of payments) from the date such payment(s) should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, the provisions of this Plan or any other plan of Ashland Inc. having a material impact on the benefits payable under this Plan may not be amended after a Change in Control occurs without the written consent of a majority of the Board who were directors prior to the Change in Control.

ARTICLE VII. MISCELLANEOUS.

7.01 The obligations of Ashland hereunder constitute merely the promise of Ashland to make the payments provided for in this Plan. No employee, his or her spouse or the estate of either of them shall have, by reason of this Plan, any right, title or interest of any kind in or to any property of Ashland. To the extent any Participant has a right to receive payments from Ashland under this Plan, such right shall be no greater than the right of any unsecured general creditor of Ashland.

7.02 Full power and authority to construe, interpret and administer this Plan shall be vested in the Board or its delegate. This includes, without limitation, the ability to make factual determinations, construe and interpret provisions of the Plan, reconcile any inconsistencies between provisions in the Plan or between provisions of the Plan and any other statement concerning the Plan, whether oral or written, supply any omissions to the Plan or any document associated with the Plan, and to correct any defect in the Plan or in any document associated with the Plan. Decisions of the Board or its delegate shall be final, conclusive and binding upon all parties, provided, however, that no such decision may adversely affect the rights of any Participant who has been

approved for participation in the Plan under the terms of Section 3.03 and whose benefit is determined under the terms of Section 5.01(d) or Section 5.02(b).

7.03 This Plan shall be binding upon Ashland and any successors to the business of Ashland and shall inure to the benefit of the Participants and their beneficiaries, if applicable. Except as otherwise provided in Article VI, the Board or its delegate may, at any time, amend this Plan, retroactively or otherwise, but no such amendment may adversely affect the rights of any Participant who has been approved for participation in the Plan except to the extent that such action is required by law.

7.04 Except as otherwise provided in Section 5.04 and in connection with a division of property under a domestic relations proceeding under state law, no right or interest of the Participants under this Plan shall be subject to involuntary alienation, assignment or transfer of any kind. A Participant may voluntarily assign the Participant's rights under the Plan. Ashland, the Board, the Committee and any of their delegates shall not review, confirm, guarantee or otherwise comment on the legal validity of any voluntary assignment. Ashland and its delegates may review, provide recommendations and approve submitted domestic relations orders using procedures similar to those that apply to qualified domestic relations orders under the qualified pension plans sponsored by Ashland.

7.05 This Plan shall be governed for all purposes by the laws of the Commonwealth of Kentucky.

7.06 If any term or provision of this Plan is determined by a court or other appropriate authority to be invalid, void, or unenforceable for any reason, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

7.07 (a) Initial Claim - Notice of Denial. If any claim for benefits (within the meaning of section 503 of ERISA) is denied in whole or in part, Ashland (which shall include Ashland or its delegate throughout this Section 7.07) will provide written notification of the denied claim to the Participant or beneficiary, as applicable, (hereinafter referred to as the claimant) in a reasonable period, but not later than 90 days after the claim is received. The 90-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 90-day period after the claim was received. The notice will identify the special circumstances. It will

also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 180 days after the claim is received.

The written decision will include:

- (i) The reasons for the denial.
- (ii) Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- (iii) A description of additional materials or information needed to process the claim. It will also explain why those materials or information are needed.
- (iv) A description of the procedure to appeal the denial, including the time limits applicable to those procedures. It will also state that the claimant may file a civil action under section 502 of ERISA (ERISA - ss.29 U.S.C. 1132). The claimant must complete the Plan's appeal procedure before filing a civil action in court.

If the claimant does not receive notice of the decision on the claim within the prescribed time periods, the claim is deemed denied. In that event the claimant may proceed with the appeal procedure described below.

- (b) Appeal of Denied Claim. The claimant may file a written appeal of a denied claim with Ashland in such manner as determined from time to time. Ashland is the named fiduciary under ERISA for purposes of the appeal of the denied claim. Ashland may delegate its authority to rule on appeals of denied claims and any person or persons or entity to which such authority is delegated may re-delegate that authority. The appeal must be sent at least 60 days after the claimant received the denial of the initial claim. If the appeal is not sent within this time, then the right to appeal the denial is waived.

The claimant may submit materials and other information relating to the claim. Ashland will appropriately consider these materials and other information, even if they were not part of the initial claim submission. The claimant will also be given reasonable and free access to or copies of documents, records and other information relevant to the claim.

Written notification of the decision on the appeal will be delivered to the claimant in a reasonable period, but not later than 60 days after the appeal is received. The 60-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 60-day period after the appeal was received. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 120 days after the appeal is received.

Special rules apply if Ashland designates a committee as the appropriate named fiduciary for purposes of deciding appeals of denied claims. For the special rules to apply, the committee must meet regularly on at least a quarterly basis.

When the special rules for committee meetings apply the decision on the appeal must be made not later than the date of the committee meeting immediately following the receipt of the appeal. If the appeal is received within 30 days of the next following meeting, then the decision must not be made later than the date of the second committee meeting following the receipt of the appeal.

The period for making the decision on the appeal can be extended under special circumstances. If special circumstances apply, the claimant will be notified by the committee or its delegate before the end of the otherwise applicable period within which to make a decision. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than the date of the third committee meeting after the appeal is received.

In any event, the claimant will be provided written notice of the decision within a reasonable period after the meeting at which the decision is made. The notification will not be later than 5 days after the meeting at which the decision is made.

Whether the decision on the appeal is made by a committee or not, a denial of the appeal will include:

- (i) The reasons for the denial.
- (ii) Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- (iii) A statement that the claimant may receive free of charge reasonable access to or copies of documents, records and other information relevant to the claim.
- (iv) A description of any voluntary procedure for an additional appeal, if there is such a procedure. It will also state that the claimant may file a civil action under section 502 of ERISA (ERISA - ss.29 U.S.C. 1132).

If the claimant does not receive notice of the decision on the appeal within the prescribed time periods, the appeal is deemed denied. In that event the claimant may file a civil action in court. The decision regarding a denied claim is final and binding on all those who are affected by the decision. No additional appeals regarding that claim are allowed.

IN WITNESS WHEREOF, this amendment and restatement of the Plan is executed this 22nd day of August, 2003.

ATTEST: ASHLAND INC.

/s/ Richard P. Thomas

Secretary

By: /s/ Susan B. Esler

Vice President Human Resources -
Programs and Services

AMENDMENT NO. 1 TO
ASHLAND INC. SUPPLEMENTAL EARLY RETIREMENT PLAN
FOR CERTAIN EMPLOYEES
JULY 1, 2003 AND AS AMENDED THEREAFTER

WHEREAS, effective for compensation deferred to calendar year 2005 and thereafter, there are new rules governing the tax consequences of such deferrals;

WHEREAS, the Company desires to comply with such new rules;

NOW, THEREFORE, effective December 31, 2004, the Plan is frozen and no additional benefits will accrue hereunder. Benefits accrued hereunder through December 31, 2004 shall remain subject to all of the rules, terms and conditions in effect for the Plan as of December 31, 2004.

IN WITNESS WHEREOF, this Amendment to the Plan is executed this 20th day of December, 2004.

ATTEST: ASHLAND INC.

/s/ David L. Hausrath

Secretary

By: /s/ Susan B. Esler

Vice President, Human Resources

ASHLAND INC.
DEFERRED COMPENSATION PLAN
(AMENDED AND RESTATED AS OF APRIL 1, 2003)

1. PURPOSE

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

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(p) "Employee" means a full-time, regular salaried employee (which term shall be deemed to include officers) of the Company, its present and future subsidiary corporations as defined in Section 424 of the Internal Revenue Code of 1986, as amended or its affiliates.

(q) "Employee Savings Plan" means the Ashland Inc. Employee Savings Plan, as it now exists or as it may hereafter be amended.

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

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

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

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

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

(w) "In-Service Account" means the account(s) to which the Participant's Deferred Compensation is credited and from which, pursuant to Section 11, distributions are made.

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

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

(z) "Retirement Account" means the account(s) to which the Participant's Deferred Compensation is credited and from which, pursuant to Section 11, distributions are made.

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

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

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

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

3. SHARES; ADJUSTMENTS IN EVENT OF CHANGES IN CAPITALIZATION

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

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

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

4. ELIGIBILITY

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

5. ADMINISTRATION

Full power and authority to construe, interpret and administer the Plan shall be vested in the Company and the Committee. This power and authority includes, but is not limited to, selecting Compensation eligible

for deferral, establishing deferral terms and conditions and adopting modifications, amendments and procedures as may be deemed necessary, appropriate or convenient by the Committee. Decisions of the Company and the Committee shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of Corporate Human Resources.

6. PARTICIPANT ACCOUNTS

Upon election to participate in the Plan, there shall be established a Retirement Account and/or In-Service Account, as designated by the Participant to which there shall be credited any Deferred Compensation, as of each Credit Date. Each such Compensation Account shall be credited (or debited) on each Accounting Date with income (or loss) based upon a hypothetical investment in any one or more of the investment options available under the Plan, as prescribed by the Committee for the particular compensation credited, which may include a Common Stock Fund, as elected by the Participant under the terms of Section 10.

7. WITHDRAWAL - FINANCIAL HARDSHIP

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

8. WITHDRAWAL - GOOD REASON

(a) Availability of Withdrawal Prior to Retirement. Upon the written request of a Participant or a Participant's legal representative and a finding that good reason exists for early withdrawal of some or all of the Participant's account balance, the Committee, in its sole discretion, may authorize the payment of all or a part of a Participant's Compensation Account in a single installment prior to his or her ceasing to be a Participant, provided the conditions specified in Sections 8(b), 8(c), 8(d) and 8(e) hereof are satisfied. It is intended that the Committee shall deem requests for early withdrawal for purposes similar to the following to constitute "good reason": (a) the purchase of a new home; (b) education expenses; or (c) charitable contributions.

(b) Forfeiture Penalty. In the event of a withdrawal pursuant to Section 8(a), the Participant shall forfeit from such Compensation Account an amount equal to 5% of the amount of the withdrawal. The forfeited amount shall be deducted from the Compensation Account prior to giving effect to the requested withdrawal. Neither the Participant nor the Participant's Beneficiary shall have any right or claim to the forfeited amount, and the Company shall have no obligation whatsoever to the Participant, the Participant's Beneficiary or any other person with regard to the forfeited amount.

(c) Minimum Withdrawal. In no event shall the amount withdrawn in accordance with Section 8(a) be less than \$50,000, or the entire balance of the Participant's Compensation Account immediately prior to the withdrawal, whichever is less. The withdrawal must be taken in increments of \$25,000, except to the extent that the Participant's Compensation Account balance is less than \$50,000 immediately prior to the withdrawal, and, in such an event, the Participant must withdraw the entire Compensation Account balance.

(d) Suspension from Deferrals. In the event of a withdrawal pursuant to Section 8(a), a Participant who is otherwise eligible to make deferrals of Compensation under the Plan shall be prohibited from making such deferrals with respect to the remainder of the current Fiscal Year and the Fiscal Year of the Plan immediately following the Fiscal Year of the Plan during which the withdrawal was made, and any Election previously made by the Participant with respect to deferrals of compensation for such Fiscal Years of the Plan shall be void and of no effect; however, during this period of suspension Participants shall be allowed to continue to defer enough compensation into the Plan to allow them to receive the company match they would otherwise receive under the Employee Savings Plan but for the dollar limitations for allowable contributions to such plan.

(e) Suspension from Withdrawals. Participants shall be prohibited from requesting a second withdrawal under Section 8(a) for a period of 60 months following any withdrawal under Section 8(a).

9. WITHDRAWAL - ACCELERATED DISTRIBUTION

(a) Availability of Withdrawal Prior to Retirement. The Participant or the Participant's Beneficiary who is receiving installment payments under the Plan may elect, in writing, to withdraw all or a portion of a Participant's Compensation Account at any time prior to the time such Compensation Account otherwise becomes payable under the Plan, provided the conditions specified in Sections 9(c), 9(d) and 9(e) hereof are satisfied.

(b) Acceleration of Periodic Distributions. Upon the written notice of the Participant or the Participant's Beneficiary who is receiving installment payments under the Plan, the Participant or Participant's Beneficiary may elect to have all or a portion of the remaining installments distributed in the form of an immediately payable lump sum, provided the conditions specified in Section 9(c) and 9(e) hereof are satisfied.

(c) Forfeiture Penalty. In the event of a withdrawal pursuant to Section 9(a), or an accelerated distribution pursuant to Section 9(b), the Participant shall forfeit from such Compensation Account an amount equal to 10% of the amount of the withdrawal or accelerated distribution, as the case may be. The forfeited amount shall be deducted from the Compensation Account prior to giving effect to the requested withdrawal or acceleration. Neither the Participant nor the Participant's Beneficiary shall have any right or claim to the forfeited amount, and the Company shall have no obligation whatsoever to the Participant, the Participant's Beneficiary or any other person with regard to the forfeited amount.

(d) Minimum Withdrawal. In no event shall the amount withdrawn in accordance with Section 9(a) be less than 25% of the amount credited to such Participant's Compensation Account immediately prior to the withdrawal.

(e) Suspension from Deferrals. In the event of a withdrawal pursuant to Section 9(a) or 9(b), a Participant who is otherwise eligible to make deferrals of Compensation under this Plan shall be prohibited from making such deferrals with respect to the remainder of the current Fiscal Year and the Fiscal Year of the Plan immediately following the Fiscal Year of the Plan during which the withdrawal was made, and any Election previously made by the Participant with respect to deferrals of Compensation for such Fiscal Years of the Plan shall be void and of no effect; however, during this period of suspension, Participants shall be allowed to continue to defer enough compensation into the Plan to allow them to receive the company match they would otherwise receive under the Employee Savings Plan but for the dollar limitations for allowable contributions to such plan.

10. MANNER OF ELECTION

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

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

(c) Change of Beneficiary. A Participant may, at any time, elect to change the designation of a Beneficiary in accordance with Section 12 hereof.

11. DISTRIBUTION

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

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

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

(d) Request to Change in Distribution of Compensation Account. A Participant will be allowed to request a change in his or her Election as to the distribution of Deferred Compensation of his or her Retirement Account for all amounts previously deferred pursuant to such Election. Any such request shall not be effective without the approval of the Committee or the Company, which approval shall be in their sole discretion. Such request must be made by the earlier of:

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

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

A Participant may not request a change to his or her Election as to the distribution of Deferred Compensation in his or her In-Service Account(s) except as otherwise set forth in Sections 7, 8 and 9.

12. BENEFICIARY DESIGNATION

A Participant may designate one or more persons (including a trust) to

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

13. CHANGE IN CONTROL

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

In addition, the Company shall reimburse a Participant for the legal fees and expenses incurred if the Participant is required to seek to obtain or enforce any right to distribution. In the event that it is determined that such Participant is properly entitled to a cash distribution hereunder, such Participant shall also be entitled to interest thereon payable in an amount equivalent to the Prime Rate of Interest quoted by Citibank, N.A. as its prime commercial lending rate on the subject date from the date such distribution should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, this Section 13 may not be amended after a Change in Control occurs without the written consent of a majority in number of Participants.

14. INALIENABILITY OF BENEFITS

The interests of the Participants and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor subject to attachment, execution, garnishment or other such equitable or legal process. A Participant or Beneficiary cannot waive the provisions of this Section 14.

15. GOVERNING LAW

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

16. AMENDMENTS

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

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

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

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

17. EFFECTIVE DATE

The Plan was approved by the shareholders of the Company on January 26, 1995, and originally became effective as of October 1, 1994, and has been restated in this document effective as of April 1, 2003.

AMENDMENT NO. 1 TO
ASHLAND INC. DEFERRED COMPENSATION PLAN
(Amended and Restated as of April 1, 2003)

WHEREAS, effective for compensation deferred to calendar year 2005 and thereafter, there are new rules governing the tax consequences of such deferrals;

WHEREAS, the Company desires to comply with such new rules;

NOW, THEREFORE, effective December 31, 2004, the Plan is frozen and will not accept, maintain or administer any amounts that may be deferred by a Participant thereunder to calendar years after 2004 and beyond. Benefits maintained and administered under this Plan shall remain subject to all of

the rules, terms and conditions in effect hereunder as of December 31, 2004.

IN WITNESS WHEREOF, this Amendment to the Plan is executed this 3rd day of December, 2004.

ATTEST:

ASHLAND INC.

/s/ David L. Hausrath

By: /s/ Susan B. Esler

Secretary

Vice President, Human Resources

ASHLAND INC.
DEFERRED COMPENSATION PLAN FOR EMPLOYEES (2005)
(EFFECTIVE AS OF JANUARY 1, 2005)

1. PURPOSE

The Ashland Inc. Deferred Compensation Plan for Employees (2005) (the "Plan") is maintained primarily for the purpose of providing an opportunity to defer compensation for retirement or other future purposes to a select group of management or highly compensated employees (including former employees that met these criteria when employed). The obligations of the Company hereunder constitute a mere promise to make the payments provided for in this Plan. No employee, his or her spouse or the estate of either of them shall have, by reason of this Plan, any right, title or interest of any kind in or to any property of the Company. To the extent any Participant has a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

This Plan is a replacement of the prior Ashland Inc. Deferred Compensation Plan amended and restated as of April 1, 2003 (the "Former Plan"). Compensation deferred under the Former Plan shall remain subject to all of the rules, terms and conditions in effect under the Former Plan as of December 31, 2004. For this purpose, the Compensation deferred under the Former Plan shall include all income, gains and losses connected to such Compensation.

The rules, terms and conditions of this Plan shall apply to Compensation deferred after December 31, 2004, including any Election to defer such Compensation made in 2004. For this purpose, the Compensation deferred after December 31, 2004 shall include all income, gains and losses connected to such Compensation.

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan:

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

(b) "Beneficiary" means the person(s) designated by the Participant in accordance with Section 10, or if no person(s) is/are so designated, the estate of a deceased Participant.

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

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

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

The definition of Change in Control as written hereinabove shall remain in effect until the Secretary of the Treasury prescribes a definition that is inconsistent with the definition in the Plan. If a definition is prescribed that is inconsistent with the definition in the Plan, such prescribed definition shall supercede the one in the Plan. If such definition is not inconsistent with the definition in the Plan, then the Plan's definition shall remain in effect.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

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

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

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

(j) "Company" means Ashland Inc., its divisions, subsidiaries and affiliates. "Company" shall also include any direct successor in interest to Ashland Inc. that results from a corporate reorganization connected with divesting the interest Ashland Inc. has in Marathon Ashland Petroleum LLC.

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

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

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

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

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

(p) "Disability" means that a Participant is either:

1. Unable to engage in any substantial gainful activity because of a medically determinable physical or mental impairment that is expected to result in death or last for a continuous period of 12 or more months; or
2. Receiving income replacement benefits for a period of at least three months under an accident and health plan covering employees of the Company because of a medically determinable physical or mental impairment that is expected to result in death or last for a continuous period of 12 or more months.

(q) "Election" means a Participant's delivery of a notice of election to defer payment of all or a portion of his or her Compensation under the terms of the Plan. Such notice shall also include instructions specifying the time the deferred Compensation will be paid and the form in which it will be paid. Such elections shall be irrevocable except as otherwise provided in the Plan or pursuant to Treasury guidance. Elections shall be made and delivered as prescribed by the Committee or the Company.

(r) "Employee" means a full-time, regular salaried employee (which term shall be deemed to include officers) of the Company, its present and future subsidiary corporations as defined in Section 424 of the Internal Revenue Code of 1986, as amended or its affiliates.

(s) "Employee Savings Plan" means the Ashland Inc. Employee Savings Plan, as it now exists or as it may hereafter be amended.

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

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

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

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

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

(y) "Key Employee" means any Employee who at any time during the Plan Year was -

1. an officer of the Company having annual compensation greater than \$ 130,000 (as adjusted under section 416(i)(1) of the Code), provided that no more than 50 individuals may be considered an officer (or if less, the greater of 3 or 10 percent of the employees);
2. a 5-percent owner of the Company; or
3. a 1-percent owner of the Company with annual compensation exceeding \$150,000.

For this purpose, annual compensation means compensation within the meaning of section 415(c)(3) of the Code.

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

(aa) "Performance-Based Compensation" means Compensation that meets requirements specified by the Secretary of the Treasury. Performance-Based Compensation will include the attributes that it is variable, contingent on the satisfaction of preestablished metrics and is not readily ascertainable at the time of the Election to defer such compensation under Section 8(b).

(bb) "Plan" means this Ashland Inc. Deferred Compensation Plan for Employees (2005) as it now exists or as it may hereafter be amended.

(cc) "Plan Year" means the calendar year. The first Plan Year of the Plan is 2005.

(dd) "Retirement Account" means the account(s) to which the Participant's Deferred Compensation is credited and from which distributions are made.

(ee) "Secretary of the Treasury" or "Treasury" means the United States Department of Treasury.

(ff) "SERP" means the Ashland Inc. Supplemental Early Retirement Plan for Certain Employees, as it now exists or as it may hereafter be amended.

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

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

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

(jj) "Unforeseeable Emergency" means a severe financial hardship of a Participant because of -

1. An illness or accident of the Participant, the Participant's spouse or dependent (as defined in Internal Revenue Code section 152(a));
2. A loss of the Participant's property due to casualty; or
3. Such other similar extraordinary unforeseeable circumstances because of events beyond the control of the Participant.

The meaning of Unforeseeable Emergency shall be interpreted and applied in accordance with applicable guidance that may be issued by the Treasury.

3. SHARES; ADJUSTMENTS IN EVENT OF CHANGES IN CAPITALIZATION

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

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

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

4. ELIGIBILITY

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

5. ADMINISTRATION

Full power and authority to construe, interpret and administer the Plan shall be vested in the Company and the Committee or one or more of their delegates. This power and authority includes, but is not limited to, selecting Compensation eligible for deferral, establishing deferral terms and conditions and adopting modifications, amendments and procedures as may be deemed necessary, appropriate or convenient by the Committee. This power and authority also includes, without limitation, the ability to construe

and interpret provisions of the Plan, make determinations regarding law and fact, reconcile any inconsistencies between provisions in the Plan or between provisions of the Plan and any other statement concerning the Plan, whether oral or written, supply any omissions to the Plan or any document associated with the Plan, and to correct any defect in the Plan or in any document associated with the Plan. Decisions of the Company and the Committee (or their delegates) shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of Corporate Human Resources.

6. PARTICIPANT ACCOUNTS

Upon election to participate in the Plan, there shall be established a Retirement Account and/or In-Service Account, as designated by the Participant to which there shall be credited any Deferred Compensation, as of each Credit Date. Each such Compensation Account shall be credited (or debited) on each Accounting Date with income (or loss) based upon a hypothetical investment in any one or more of the investment options available under the Plan, as prescribed by the Committee for the particular compensation credited, which may include a Common Stock Fund, as elected by the Participant under the terms of Section 8. The crediting or debiting on each Accounting Date of income (or loss) shall be made for the respective amounts that were subject to each Election under Section 8.

7. EARLY WITHDRAWAL

(a) Unforeseeable Emergency. A Participant or a Participant's legal representative may submit an application for a distribution from either a Retirement Account or an In-Service Account because of an Unforeseeable Emergency. The amount of the distribution shall not exceed the amount necessary to satisfy the needs of the Unforeseeable Emergency. Such distribution shall include an amount to pay taxes reasonably anticipated as a result of the distribution. The amount allowed as a distribution under this Section 7(a) shall take into account the extent to which the Unforeseeable Emergency may be relieved by reimbursement, insurance or liquidation of the Participant's assets (but only to the extent such liquidation would itself not cause a severe financial hardship). The distribution shall be made in a single sum and paid as soon as practicable after the application for the distribution on account of the Unforeseeable Emergency is approved. The provisions of this Section 7(a) shall be interpreted and administered in accordance with applicable guidance that may be issued by the Treasury.

(b) Disability. A Participant or a Participant's legal representative may submit an application for a distribution from the Retirement Account and In-Service Account because of the Participant's Disability. The distribution shall be made in a single sum and paid as soon as practicable after the application for the distribution on account of the Participant's Disability is approved. The provisions of this Section 7(b) shall be interpreted and administered in accordance with applicable guidance that may be issued by the Treasury. If such guidance should allow an election of a period or form of distribution at the time of the application for a distribution on account of the Participant's Disability then the Plan shall allow such elections.

(c) Prohibition on Acceleration. Except as otherwise provided in the Plan and except as may be allowed in guidance from the Secretary of the Treasury, distributions from a Participant's Compensation Account may not be made earlier than the time such amounts would otherwise be distributed pursuant to the terms of the Plan.

8. DEFERRAL ELECTION

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

(b) Permissible Deferral Election. A Participant's Election to defer Compensation may only be made in the taxable year before the Compensation is earned, with two exceptions. The first exception applies to a Participant during his or her first year of eligibility to participate in the Plan. In that event such a Participant may, if so offered by the Company or the Committee, elect to defer Compensation for services performed after the Election, provided that the Election is made within 30 days of the date the Participant becomes eligible to participate in the Plan. The second exception is with respect to an election to defer Performance-Based Compensation. If Performance-Based Compensation is based on services of a Participant performed over a period of at least 12 months, then the Participant may make an Election to defer all or part of such Compensation not later than six months before the end of such service period. A Participant's Election under this Section 8(b) shall specify the amount or percentage of Compensation deferred and specify the time and form of distribution from among those described in Section 9 of the Plan. Each Election to defer Compensation is a separate election regarding the time and form of distribution.

(c) Investment Alternatives -- Existing Balances. A Participant may elect to change an existing selection as to the investment alternatives in effect with respect to an existing Compensation Account (in increments prescribed by the Committee or the Company) as often, and with such restrictions, as determined by the Committee or by the Company. If a Participant fails to make an investment selection for his or her Compensation Account, the Committee or the Company may prescribe a default selection or selections in any manner that appears reasonable in their

discretion.

(d) Change of Beneficiary. A Participant may, at any time, elect to change the designation of a Beneficiary in accordance with Section 10 of the Plan.

9. DISTRIBUTION

(a) Retirement Account. In accordance with a Participant's Election under Section 8, but subject to Sections 7 and 11, amounts subject to such Election in the Retirement Account (determined in accordance with Section 6) shall be distributed -

1. Upon a Participant's separation from service as either a lump sum or in installments not exceeding 15 years; provided, however, that the distribution to a Participant who is a Key Employee must not be made before the earliest of the date that is six months after the Participant's separation from service or the date of the Participant's death;
2. Upon a Participant's death to the Participant's Beneficiary as either a lump sum or in installments not exceeding 15 years; or
3. At a specified time or under a fixed schedule not exceeding 15 years.

(b) In-Service Account. In accordance with a Participant's Election under Section 8, but subject to Sections 7 and 11, amounts subject to such Election in the In-Service Account (determined in accordance with Section 6) shall be distributed -

1. Upon a Participant's death to the Participant's Beneficiary as either a lump sum or in installments not exceeding 15 years; or
2. At a specified time or under a fixed schedule not exceeding 15 years.

(c) Medium of Distribution and Default Method. In accordance with the Participant's Election and within the guidelines established by the Committee or the Company, a Participant's Retirement Account or In-Service Account shall be distributed in cash or shares of Common Stock (or a combination of both). To the extent permissible under law, a Participant may make this Election at any time before a distribution is to be made. If no Election is made by a Participant as to the distribution or form of payment of his or her Retirement Account or In-Service Account, upon the earliest time that a distribution from such account is to be made pursuant to the terms of the Plan, such account shall be paid in cash or shares of Common Stock (or a combination of both) in lump sum.

(d) Election to Delay the Time or Change the Form of Distribution. A Participant may make an Election to delay the time of a distribution or change the form of a distribution, or may elect to do both, with respect to an amount that would be payable pursuant to an Election under paragraphs (a) or (b) of this Section 9, except in the event of a distribution on account of the Participant's death, if all of the following requirements are met -

1. Such an Election may not take effect until at least 12 months after it is made;
2. Any delay to the distribution that would take effect because of the Election is at least to a date five years after the date the distribution otherwise would have begun; and
3. In the case of a distribution that would be made under paragraphs (a)(3) or (b)(2) of this Section 9 such an Election may not be made less than 12 months before the date of the first scheduled payment.

10. BENEFICIARY DESIGNATION

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

11. CHANGE IN CONTROL

Notwithstanding any provision of this Plan to the contrary, and to the extent consistent with guidance issued by the Secretary of the Treasury, in the event of a Change in Control, each Participant in the Plan shall receive an automatic lump sum cash distribution of all amounts accrued in the Participant's Compensation Account not later than fifteen (15) days after the date of the Change in Control. For this purpose, the balance in the portion of a Participant's Compensation Account invested in

the Common Stock Fund shall be determined by multiplying the number of Stock Units by the higher of (a) the highest Fair Market Value on any date within the period commencing 30 days prior to such Change in Control, or (b) if the Change in Control of the Company occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock pursuant thereto. Any consideration other than cash forming a part or all of the consideration for Common Stock to be paid pursuant to the applicable transaction shall be valued at the valuation price thereon determined by the Board.

In addition, the Company shall reimburse a Participant for the legal fees and expenses incurred if the Participant is required to seek to obtain or enforce any right to distribution. In the event that it is determined that such Participant is properly entitled to a cash distribution hereunder, such Participant shall also be entitled to interest thereon payable in an amount equivalent to the Prime Rate of Interest quoted by Citibank, N.A. as its prime commercial lending rate on the subject date from the date such distribution should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, this Section 11 may not be amended after a Change in Control occurs without the written consent of a majority in number of Participants.

12. INALIENABILITY OF BENEFITS

The interests of the Participants and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor subject to attachment, execution, garnishment or other such equitable or legal process. A Participant or Beneficiary cannot waive the provisions of this Section 12. Notwithstanding anything contained herein to the contrary, valid court ordered divisions of a Participant's Compensation Account pursuant to a domestic relations order may be recognized and distributions may be made pursuant to such an order to the extent permissible under guidance that may be published by the Secretary of the Treasury.

13. CLAIMS

(a) Initial Claim - Notice of Denial. If any claim for benefits (within the meaning of section 503 of ERISA) is denied in whole or in part, the Company (which shall include the Company or its delegate throughout this Section 13) will provide written notification of the denied claim to the Participant or beneficiary, as applicable, (hereinafter referred to as the claimant) in a reasonable period, but not later than 90 days after the claim is received. The 90-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 90-day period after the claim was received. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 180 days after the claim is received.

The written decision will include:

- (i) The reasons for the denial.
- (ii) Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- (iii) A description of additional materials or information needed to process the claim. It will also explain why those materials or information are needed.
- (iv) A description of the procedure to appeal the denial, including the time limits applicable to those procedures. It will also state that the claimant may file a civil action under section 502 of ERISA (ERISA - ss.29 U.S.C. 1132). The claimant must complete the Plan's appeal procedure before filing a civil action in court.

If the claimant does not receive notice of the decision on the claim within the prescribed time periods, the claim is deemed denied. In that event the claimant may proceed with the appeal procedure described below.

(b) Appeal of Denied Claim. The claimant may file a written appeal of a denied claim with the Company in such manner as determined from time to time. The Company is the named fiduciary under ERISA for purposes of the appeal of the denied claim. The Company may delegate its authority to rule on appeals of denied claims and any person or persons or entity to which such authority is delegated may re-delegate that authority. The appeal must be sent at least 60 days after the claimant received the denial of the initial claim. If the appeal is not sent within this time, then the right to appeal the denial is waived.

The claimant may submit materials and other information relating to the claim. The Company will appropriately consider these materials and other information, even if they were not part of the initial claim submission. The claimant will also be given reasonable and free access to or copies of documents, records and

other information relevant to the claim.

Written notification of the decision on the appeal will be delivered to the claimant in a reasonable period, but not later than 60 days after the appeal is received. The 60-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 60-day period after the appeal was received. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 120 days after the appeal is received.

Special rules apply if the Company designates a committee as the appropriate named fiduciary for purposes of deciding appeals of denied claims. For the special rules to apply, the committee must meet regularly on at least a quarterly basis.

When the special rules for committee meetings apply the decision on the appeal must be made not later than the date of the committee meeting immediately following the receipt of the appeal. If the appeal is received within 30 days of the next following meeting, then the decision must not be made later than the date of the second committee meeting following the receipt of the appeal.

The period for making the decision on the appeal can be extended under special circumstances. If special circumstances apply, the claimant will be notified by the committee or its delegate before the end of the otherwise applicable period within which to make a decision. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than the date of the third committee meeting after the appeal is received.

In any event, the claimant will be provided written notice of the decision within a reasonable period after the meeting at which the decision is made. The notification will not be later than 5 days after the meeting at which the decision is made.

Whether the decision on the appeal is made by a committee or not, a denial of the appeal will include:

- (i) The reasons for the denial.
- (ii) Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- (iii) A statement that the claimant may receive free of charge reasonable access to or copies of documents, records and other information relevant to the claim.
- (iv) A description of any voluntary procedure for an additional appeal, if there is such a procedure. It will also state that the claimant may file a civil action under section 502 of ERISA (ERISA - ss.29 U.S.C. 1132).

If the claimant does not receive notice of the decision on the appeal within the prescribed time periods, the appeal is deemed denied. In that event the claimant may file a civil action in court. The decision regarding a denied claim is final and binding on all those who are affected by the decision. No additional appeals regarding that claim are allowed.

14. GOVERNING LAW

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

15. AMENDMENTS

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

- (a) increase the number of securities that may be issued under the Plan (except as provided in Section 3(c));
- (b) materially modify the requirements as to eligibility for participation in the Plan; or
- (c) otherwise materially increase the benefits accruing to Participants under the Plan.

15. EFFECTIVE DATE

The Plan was approved and originally became effective as of January 1, 2005.

IN WITNESS WHEREOF, this adoption of the Plan is executed this 3rd day of December, 2004.

ATTEST:

ASHLAND INC.

/s/ David L. Hausrath

Secretary

By: /s/ Susan B. Esler

Vice President Human Resources

ASHLAND INC.
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS
(AMENDED AS OF APRIL 1, 2003)

ARTICLE I. GENERAL PROVISIONS

1. PURPOSE

The purpose of this Ashland Inc. Deferred Compensation Plan For Non-Employee Directors (the "Plan") is to provide each Director with an opportunity to defer some or all of the Director's Fees as a means of saving for retirement or other purposes. In addition, the Plan provides Directors with the ability to increase their proprietary interest in the Company's long-term prospects by permitting Directors to receive all or a portion of their Fees in Ashland Common Stock.

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan:

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

(b) "Act" means the Securities Act of 1933, as amended from time to time.

(c) "Beneficiary" means the person(s) designated by a Participant in accordance with Article IV, Section 1.

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

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

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

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

(h) "Committee" means the Governance and Nominating Committee of the Board or its designee.

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

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

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

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

(m) "Credit Date" means the date on which any Fees would otherwise

have been paid to the Participant or in the case of the Participant's designation of investment option changes, within three Business Days after the Participant's designation is received by Corporate Human Resources, or as otherwise designated by the Committee.

(n) "Deferral Account" means the account(s) to which the Participant's Deferred Fees are credited and from which, pursuant to Article III, Section 5, distributions are made.

(o) "Deferred Fees" means the Fees elected by the Participant to be deferred pursuant to the Plan.

(p) "Director" means any non-employee director of the Company.

(q) "Disability" means a Director's incapacity, due to physical or mental illness, resulting in an inability to attend to his or her duties and responsibilities as a member of the Board.

(r) "Election" means a Participant's delivery of a written notice of election to the Secretary of the Company electing to defer payment of his or her Fees or to receive such Fees in the form of Common Stock.

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

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

(u) "Fees" mean the annual retainer and meeting fees, as well as any per diem compensation for special assignments, earned by a Director for his or her service as a member of the Board during a calendar year or portion thereof.

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

(w) "Participant" means a Director who has elected to defer payment of all or a portion of his or her Fees and/or to receive all or a specified portion of his or her Fees in shares of Common Stock.

(x) "Payment Commencement Date" means the date payments of amounts deferred begin pursuant to Article III, Section 6.

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

(z) "Plan" means this Ashland Inc. Deferred Compensation Plan For Non-Employee Directors.

(aa) "Stock Account" means an account by that name established pursuant to Article III, Section 1.

(bb) "Stock Unit(s)" means the share equivalents credited to a Participant's Stock Account pursuant to Article III, Section 1.

(cc) "Termination" means retirement from the Board or termination of service as a Director for any other reason.

3. SHARES; ADJUSTMENTS IN EVENT OF CHANGES IN CAPITALIZATION

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

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

4. ELIGIBILITY

Any non-employee Director of the Company shall be eligible to participate in the Plan.

5. ADMINISTRATION

Full power and authority to construe, interpret and administer the Plan shall be vested in the Company and the Committee. Decisions of the Company and the Committee shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of Corporate Human Resources. This Department may authorize new or modify existing forms for use under this Plan so long as any such modified or new forms are not inconsistent with the terms of the Plan.

ARTICLE II. COMMON STOCK PROVISION

Each Director may elect to receive all or a portion of his or her Fees in shares of Common Stock by making an Election pursuant to Article

III, Section 5. Shares shall be issued to the Director at the end of each quarter beginning in the quarter the Election is effective. The number of shares of Common Stock so issued shall be equal to the amount of Fees which otherwise would have been payable to such Director during the quarter divided by the Fair Market Value. Only whole number of shares of Common Stock will be issued, with any fractional shares to be paid in cash.

ARTICLE III. DEFERRED COMPENSATION

1. PARTICIPANT ACCOUNTS

(a) Upon election to participate in the Plan, there shall be established a Deferral Account to which there shall be credited any Deferred Fees as of each Credit Date. The Deferral Account shall be credited (or debited) on each Accounting Date with income (or loss) based upon a hypothetical investment in any one or more of the investment options available under the Plan, as prescribed by the Committee, which may include a Common Stock Fund, as elected by the Participant under the terms of Article III, Section 5.

(b) The Stock Account of a Participant shall be credited on each Accounting Date with Stock Units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased with the amount of such deferred Fees as to which a stock deferral election has been made at the Fair Market Value on the Accounting Date. As of the date of any dividend distribution date for the Common Stock, the Participant's Stock Account shall be credited with additional Stock Units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased, at the Fair Market Value on such date, with the amount which would have been paid as dividends on that number of shares (including fractions of a share) of Common Stock which is equal to the number of Stock Units then credited to the Participant's Stock Account.

2. WITHDRAWAL - FINANCIAL HARDSHIP

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

3. WITHDRAWAL - GOOD REASON

(a) Availability of Withdrawal Prior to Retirement. Upon the written request of a Participant or a Participant's legal representative and a finding that good reason exists for early withdrawal of some or all of the Participant's account balance, the Committee may authorize the payment of all or a part of a Participant's Deferral Account in a single installment prior to his or her ceasing to be a Participant, provided the conditions specified in subsections (b), (c), (d), and (e) of this Article III, Section 3, are satisfied. It is intended that the Committee shall deem requests for early withdrawal for purposes similar to the following to constitute "good reason": (a) the purchase of a new home; (b) education expenses; or (c) charitable contributions. If the Participant requesting such a payment is a member of the Committee, the Participant shall abstain from the Committee's determination as to whether the payment shall be made.

(b) Forfeiture Penalty. In the event of a withdrawal pursuant to subsection (a) of this Article III, Section 3, the Participant shall forfeit from such Deferral Account an amount equal to 5% of the amount of the withdrawal. The forfeited amount shall be deducted from the Deferral Account prior to giving effect to the requested withdrawal. Neither the Participant nor the Participant's Beneficiary shall have any right or claim to the forfeited amount, and the Company shall have no obligation whatsoever to the Participant, the Participant's Beneficiary or any other person with regard to the forfeited amount.

(c) Minimum Withdrawal. In no event shall the amount withdrawn in accordance with subsection (a) of this Article III, Section 3 be less than \$50,000, or the entire balance of the Participant's Deferral Account immediately prior to the withdrawal, whichever is less. The withdrawal must be taken in increments of \$25,000, except to the extent that the Participant's Deferral Account balance is less than \$50,000 immediately prior to the withdrawal, and, in such an event, the Participant must withdraw the entire Deferral Account balance.

(d) Suspension from Deferrals. In the event of a withdrawal pursuant to subsection (a) of this Article III, Section 3, a Participant who is otherwise eligible to make deferrals of Fees under the Plan shall be prohibited from making such deferrals with respect to the remainder of the current Fiscal Year and the Fiscal Year of the Plan immediately following the Fiscal Year of the Plan during which the withdrawal was made, and any Election previously made by the Participant with respect to deferrals of Fees for such Fiscal Years of the Plan shall be void and of no effect.

(e) Suspension from Withdrawals. Participants shall be prohibited from requesting a second withdrawal under subsection (a) of this Article III, Section 3 for a period of 60 months following any withdrawal under subsection (a) of this Article III, Section 3.

4. WITHDRAWAL - ACCELERATED DISTRIBUTION

(a) Availability of Withdrawal Prior to Termination. The Participant or the Participant's Beneficiary who is receiving installment payments under the Plan may elect, in writing, to withdraw all or a portion of a Participant's Deferral Account at any time prior to the time such Deferral Account otherwise becomes payable under the Plan, provided the conditions specified in subsections (c), (d) and (e) of this Article III, Section 4 are satisfied.

(b) Acceleration of Periodic Distributions. Upon the written election of the Participant or the Participant's Beneficiary who is receiving installment payments under the Plan, the Participant or Participant's Beneficiary may elect to have all or a portion of the remaining installments distributed in the form of an immediately payable lump sum, provided the conditions specified in subsection (c) and (e) of this Article III, Section 4 are satisfied.

(c) Forfeiture Penalty. In the event of a withdrawal pursuant to subsection (a) of this Article III, Section 4, or an accelerated distribution pursuant to subsection (b) of this Article III, Section 4, the Participant shall forfeit from such Deferral Account an amount equal to 10% of the amount of the withdrawal or accelerated distribution, as the case may be. The forfeited amount shall be deducted from the Deferral Account prior to giving effect to the requested withdrawal or acceleration. Neither the Participant nor the Participant's Beneficiary shall have any right or claim to the forfeited amount, and the Company shall have no obligation whatsoever to the Participant, the Participant's Beneficiary or any other person with regard to the forfeited amount.

(d) Minimum Withdrawal. In no event shall the amount withdrawn in accordance with subsection (a) of this Article III, Section 4 be less than 25% of the amount credited to such Participant's Deferral Account immediately prior to the withdrawal.

(e) Suspension from Deferrals. In the event of a withdrawal pursuant to subsection (a) or (b) of this Article III, Section 4, a Participant who is otherwise eligible to make deferrals of Fees under this Plan shall be prohibited from making such deferrals with respect to the remainder of the current Fiscal Year and the Fiscal Year of the Plan immediately following the Fiscal Year of the Plan during which the withdrawal was made, and any Election previously made by the Participant with respect to deferrals of Fees for such Fiscal Year of the Plan shall be void and of no effect.

5. MANNER OF ELECTION

(a) General. Any Director wishing to participate in the Plan may elect to do so by delivering to the Secretary of the Company an Election on a form prescribed by Corporate Human Resources designating the manner in which such Deferred Fees are to be invested in accordance with Article III, Section 1 and electing the timing and form of distribution. The timing of the filing of the appropriate form with Corporate Human Resources shall be determined by the Company or the Committee. An effective election to defer Fees may not be revoked or modified except as otherwise determined by the Company or the Committee or as stated herein.

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

(c) Change of Beneficiary. A Participant may, at any time, elect to change the designation of a Beneficiary in accordance with Article IV, Section 1 hereof.

(d) Initial Election. With respect to Directors' Fees payable for all or any portion of a calendar year after such person's initial election to the office of Director of the Company, any such person wishing to participate in the Plan may file a proper Election within 30 days after such election to office. Any such Election shall be effective upon filing or as soon as possible thereafter with respect to such Fees.

6. DISTRIBUTION

(a) Deferral Account. In accordance with the Participant's Election and as prescribed by the Committee, Deferred Fees credited to a Participant's Deferral Account shall be distributed in cash or shares of Common Stock (or a combination of both). Unless otherwise directed by the Committee, if no Election is made by a Participant as to the distribution or form of payment of his or her Deferral Account, upon Termination such account shall be paid in cash in lump sum. The entire Deferral Account must be paid out within fifteen years following the date of the Participant's Termination.

(b) Request to Change in Distribution of Deferral Account. A Participant will be allowed to request a change in his or her Election as to the distribution of Deferred Compensation of his or her Deferral Account for all amounts previously deferred pursuant to such Election. Any such request shall not be effective without the approval of the Committee or the Company, which approval shall be in their sole discretion. Such change must be made by the earlier of:

(i) the date six months prior to the first day of the month following the Participant's Termination; or

(ii) the December 31 immediately preceding the first day

of the month following the Participant's Termination.

If the Participant making such change is a member of the Committee, such Participant shall abstain from the Committee's decision to approve or disapprove such change.

7. PAYMENT COMMENCEMENT DATE

Payments of amounts deferred pursuant to a valid Election shall commence after a Participant's Termination in accordance with his or her Election. If a Participant dies prior to the first deferred payment specified in an Election, payments shall commence to the Participant's Beneficiary on the first payment date so specified.

8. CHANGE IN CONTROL

Notwithstanding any provision of this Plan to the contrary, in the event of a "Change in Control" (as defined in Section 2(f) of Article I), each Participant in the Plan shall receive an automatic lump sum cash distribution of all amounts accrued in the Participant's Cash and/or Stock Account(s) (including interest at the Prime Rate of Interest through the business day immediately preceding the date of distribution) not later than fifteen (15) days after the date of the "Change in Control." For this purpose, the balance in the Stock Account shall be determined by multiplying the number of Stock Units by the higher of (a) the highest closing price of a share of Common Stock during the period commencing 30 days prior to such Change in Control or (b) if the Change in Control of the Company occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock pursuant thereto. Any consideration other than cash forming a part or all of the consideration for Common Stock to be paid pursuant to the applicable transaction shall be valued at the valuation price thereon determined by the Board.

In addition, the Company shall reimburse a Director for the legal fees and expenses incurred if the Director is required to seek to obtain or enforce any right to distribution. In the event that it is determined that such Director is properly entitled to a cash distribution hereunder, such Director shall also be entitled to interest thereon at the Prime Rate of Interest quoted by Citibank, N.A. as its prime commercial lending rate on the subject date from the date such distribution should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, Article I, Section 2(f) and Section 8 of this Article may not be amended after a "Change in Control" occurs without the written consent of a majority in number of Participants.

ARTICLE IV. MISCELLANEOUS PROVISIONS

1. BENEFICIARY DESIGNATION

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

2. INALIENABILITY OF BENEFITS

The interests of the Directors and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor be subject to attachment, execution, garnishment or other such equitable or legal process.

3. GOVERNING LAW

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

4. AMENDMENTS

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

(a) materially increase the number of securities that may be issued under the Plan (except as provided in Article I, Section 3),

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

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

5. COMPLIANCE WITH RULE 16B-3

It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that Plan Participants remain non-employee directors ("Non-Employee Directors") for purposes of administering other employee benefit plans of the Company and having such other plans be exempt from Section 16(b) of the

Exchange Act. Therefore, if any Plan provision is found not to be in compliance with Rule 16b-3 or if any Plan provision would disqualify Plan participants from remaining Non-Employee Directors, that provision shall be deemed amended so that the Plan does so comply and the Plan participants remain Non-Employee Directors, to the extent permitted by law and deemed advisable by the Committee, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

6. EFFECTIVE DATE

The Plan was approved by the shareholders of the Company on January 27, 1994, and originally became effective as of November 9, 1993, and has been restated in this document effective April 1, 2003.

AMENDMENT NO. 1 TO
ASHLAND INC. DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS
(AMENDED AND RESTATED AS OF APRIL 1, 2003)

WHEREAS, effective for compensation deferred to calendar year 2005 and thereafter, there are new rules governing the tax consequences of such deferrals;

WHEREAS, the Company desires to comply with such new rules;

NOW, THEREFORE, effective December 31, 2004, the Plan is frozen and will not accept, maintain or administer any amounts that may be deferred by a Participant thereunder to calendar years after 2004 and beyond. Benefits maintained and administered under this Plan shall remain subject to all of the rules, terms and conditions in effect hereunder as of December 31, 2004.

IN WITNESS WHEREOF, this Amendment to the Plan is executed this 3rd day of December, 2004.

ATTEST:

/s/ David L. Hausrath

Secretary

ASHLAND INC.

By: /s/ Susan B. Esler

Vice President, Human Resources

ASHLAND INC.
 DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS (2005)
 (EFFECTIVE AS OF JANUARY 1, 2005)

ARTICLE I. GENERAL PROVISIONS

1. PURPOSE

The purpose of this Ashland Inc. Deferred Compensation Plan For Non-Employee Directors (2005) (the "Plan") is to provide each Director with an opportunity to defer some or all of the Director's Fees as a means of saving for retirement or other purposes. In addition, the Plan provides Directors with the ability to increase their proprietary interest in the Company's long-term prospects by permitting Directors to receive all or a portion of their Fees in Ashland Common Stock. The obligations of the Company hereunder constitute a mere promise to make the payments provided for in this Plan. No Director, his or her spouse or the estate of either of them shall have, by reason of this Plan, any right, title or interest of any kind in or to any property of the Company. To the extent any Participant has a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

This Plan is a replacement of the prior Ashland Inc. Deferred Compensation Plan for Non-Employee Directors amended as of April 1, 2003 (the "Former Plan"). Fees deferred under the Former Plan shall remain subject to all of the rules, terms and conditions in effect under the Former Plan as of December 31, 2004. For this purpose, the Fees deferred under the Former Plan shall include all income, gains and losses connected to such Deferred Fees.

The rules, terms and conditions of this Plan shall apply to Fees deferred after December 31, 2004, including any Election to defer such Fees made in 2004. For this purpose, the Fees deferred after December 31, 2004 shall include all income, gains and losses connected to such Fees.

2. DEFINITIONS

The following definitions shall be applicable throughout the Plan:

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

(b) "Act" means the Securities Act of 1933, as amended from time to time.

(c) "Beneficiary" means the person(s) designated by a Participant in accordance with Article IV, Section 1.

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

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

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

The definition of Change in Control as written hereinabove shall

remain in effect until the Secretary of the Treasury prescribes a definition that is inconsistent with the definition in the Plan. If a definition is prescribed that is inconsistent with the definition in the Plan, such prescribed definition shall supercede the one in the Plan. If such definition is not inconsistent with the definition in the Plan, then the Plan's definition shall remain in effect.

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

(h) "Committee" means the Governance and Nominating Committee of the Board or its designee.

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

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

(k) "Company" means Ashland Inc., its divisions and subsidiaries. "Company" shall also include any direct successor in interest to Ashland Inc. that results from a corporate reorganization connected with divesting the interest Ashland Inc. has in Marathon Ashland Petroleum LLC.

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

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

(n) "Deferral Account" means the account(s) to which the Participant's Deferred Fees are credited and from which distributions are made.

(o) "Deferred Fees" means the Fees elected by the Participant to be deferred pursuant to the Plan.

(p) "Director" means any non-employee director of the Company.

(q) "Disability" means that a Participant is unable to engage in any substantial gainful activity because of a medically determinable physical or mental impairment that is expected to result in death or last for a continuous period of 12 or more months.

(r) "Election" means a Participant's delivery of a written notice of election to the Secretary of the Company electing to defer payment of his or her Fees or to receive such Fees in the form of Common Stock, under the terms of the Plan. Such notice shall also include instructions specifying the time and form under which the Deferred Fees will be paid. Such elections shall be irrevocable except as otherwise provided in the Plan or pursuant to Treasury guidance. Elections shall be made and delivered as prescribed by the Committee or the Company.

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

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

(u) "Fees" mean the annual retainer and meeting fees, as well as any per diem compensation for special assignments, earned by a Director for his or her service as a member of the Board during a calendar year or portion thereof.

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

(w) "Participant" means a Director who has elected to defer payment of all or a portion of his or her Fees and/or to receive all or a specified portion of his or her Fees in shares of Common Stock.

(x) "Payment Commencement Date" means the date payments of amounts deferred begin pursuant to Article III, Section 6.

(y) "Performance-Based Fees" mean Fees that meet requirements specified by the Secretary of the Treasury. Performance-Based Fees will include the attributes that they are variable, contingent on the satisfaction of preestablished metrics and are not readily ascertainable at the time of the election.

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

(aa) "Plan" means this Ashland Inc. Deferred Compensation Plan For Non-Employee Directors (2005) as it now exists or may hereafter be amended.

(bb) "Secretary of the Treasury" or "Treasury" means the United States Department of Treasury.

(cc) "Stock Account" means an account by that name established

pursuant to Article III, Section 1, which is a subset of the Deferral Account.

(dd) "Stock Unit(s)" means the share equivalents credited to a Participant's Stock Account pursuant to Article III, Section 1.

(ee) "Termination" means retirement from the Board or termination of service as a Director for any other reason.

(ff) "Unforeseeable Emergency" means a severe financial hardship of a Participant because of -

1. An illness or accident of the Participant, the Participant's spouse or dependent (as defined in Internal Revenue Code section 152(a));
2. A loss of the Participant's property due to casualty; or
3. Such other similar extraordinary unforeseeable circumstances because of events beyond the control of the Participant.

The meaning of Unforeseeable Emergency shall be interpreted and applied in accordance with applicable guidance that may be issued by the Treasury.

3. SHARES; ADJUSTMENTS IN EVENT OF CHANGES IN CAPITALIZATION

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

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

4. ELIGIBILITY

Any non-employee Director of the Company shall be eligible to participate in the Plan.

5. ADMINISTRATION

Full power and authority to construe, interpret and administer the Plan shall be vested in the Company and the Committee or one or more of their delegates. This power and authority includes, but is not limited to, establishing deferral terms and conditions and adopting modifications and amendments to procedures as may be deemed necessary, appropriate or convenient. This power and authority also includes, without limitation, the ability to construe and interpret provisions of the Plan, make determinations regarding law and fact, reconcile any inconsistencies between provisions in the Plan or between provisions of the Plan and any other statement concerning the Plan, whether oral or written, supply any omissions to the Plan or any document associated with the Plan, and to correct any defect in the Plan or in any document associated with the Plan. Decisions of the Company and the Committee (or their delegates) shall be final, conclusive and binding upon all parties. Day-to-day administration of the Plan shall be the responsibility of Corporate Human Resources. This Department may authorize new or modify existing forms for use under this Plan so long as any such modified or new forms are not inconsistent with the terms of the Plan.

ARTICLE II. COMMON STOCK PROVISION

Each Director may elect to receive all or a portion of his or her Fees in shares of Common Stock by making an Election pursuant to Article III, Section 3. Shares shall be issued to the Director at the end of each quarter beginning in the quarter the Election is effective. The number of shares of Common Stock so issued shall be equal to the amount of Fees which otherwise would have been payable to such Director during the quarter divided by the Fair Market Value. Only whole number of shares of Common Stock will be issued, with any fractional shares to be paid in cash.

ARTICLE III. DEFERRED COMPENSATION

1. PARTICIPANT ACCOUNTS

(a) Upon election to participate in the Plan, there shall be established a Deferral Account to which there shall be credited any Deferred Fees as of each Credit Date. The Deferral Account shall be credited (or debited) on each Accounting Date with income (or loss) based upon a hypothetical investment in any one or more of the investment options available under the Plan, as prescribed by the Committee, which may include a Common Stock Fund, as elected by the Participant under the terms of Article III, Section 3. The crediting or debiting on each Accounting Date of income (or loss) shall be made for the respective amounts that were subject to each Election under Article III Section 3.

(b) The Stock Account of a Participant shall be credited on each Accounting Date with Stock Units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased with

the amount of such Deferred Fees as to which a stock deferral election has been made at the Fair Market Value on the Accounting Date. As of the date of any dividend distribution date for the Common Stock, the Participant's Stock Account shall be credited with additional Stock Units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased, at the Fair Market Value on such date, with the amount which would have been paid as dividends on that number of shares (including fractions of a share) of Common Stock which is equal to the number of Stock Units then credited to the Participant's Stock Account with respect to a particular Election under Article III Section 3.

2. EARLY WITHDRAWAL

(a) Unforeseeable Emergency. A Participant or a Participant's legal representative may submit an application for a distribution from the Participant's Deferral Account because of an Unforeseeable Emergency. The amount of the distribution shall not exceed the amount necessary to satisfy the needs of the Unforeseeable Emergency. Such distribution shall include an amount to pay taxes reasonably anticipated as a result of the distribution. The amount allowed as a distribution under this Section 2(a) shall take into account the extent to which the Unforeseeable Emergency may be relieved reimbursement, insurance or liquidation of the Participant's assets (but only to the extent such liquidation would itself not cause a severe financial hardship). The distribution shall be made in a single sum and paid as soon as practicable after the application for the distribution on account of the Unforeseeable Emergency is approved. The provisions of this Section 2(a) shall be interpreted and administered in accordance with applicable guidance that may be issued by the Treasury.

(b) Disability. A Participant or a Participant's legal representative may submit an application for a distribution from the Participant's Deferral Account because of the Participant's Disability. The distribution shall be made in a single sum and paid as soon as practicable after the application for the distribution on account of the Participant's Disability is approved. The provisions of this Section 2(b) shall be interpreted and administered in accordance with applicable guidance that may be issued by the Treasury. If such guidance should allow an election of a period or form of distribution at the time of the application for a distribution on account of the Participant's Disability then the Plan shall allow such elections.

(c) Prohibition on Acceleration. Except as otherwise provided in the Plan and except as may be allowed in guidance from the Secretary of the Treasury, distributions from a Participant's Deferral Account may not be made earlier than the time such amounts would otherwise be distributed pursuant to the terms of the Plan.

3. DEFERRAL ELECTION

(a) General. Any Director wishing to participate in the Plan may elect to do so by delivering to the Secretary of the Company an Election on a form prescribed by Corporate Human Resources designating the manner in which such Deferred Fees are to be invested in accordance with Article III, Section 1 and electing the timing and form of distribution. The timing of the filing of the appropriate form with Corporate Human Resources shall be determined by the Company or the Committee. An effective election to defer Fees may not be revoked or modified except as otherwise determined by the Company or the Committee or as stated herein.

(b) Permissible Deferral Election. A Participant's Election to defer Fees may only be made in the taxable year before the Fees are earned, with two exceptions. The first exception applies to a Participant during his or her first year of eligibility to participate in the Plan. In that event such a Participant may, if so offered by the Company or the Committee, elect to defer Fees for services performed after the Election, provided that the Election is made within 30 days of the date the Participant becomes eligible to participate in the Plan. The second exception is with respect to an election to defer Performance-Based Fees. If Performance-Based Fees are based on services of a Participant performed over a period of at least 12 months, then the Participant may make an Election to defer all or part of such Fees not later than six months before the end of such service period. A Participant's Election under this Section 3(b) shall specify the amount or percentage of Fees deferred and specify the time and form of distribution from among those described in Article III Section 4 of the Plan. Each Election to defer Fees is a separate election regarding the time and form of distribution.

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

(d) Change of Beneficiary. A Participant may, at any time, elect to change the designation of a Beneficiary in accordance with Article IV, Section 1 hereof.

4. DISTRIBUTION

(a) Deferral Account. In accordance with the Participant's Election and as prescribed by the Committee, Deferred Fees credited to a Participant's Deferral Account shall be distributed in cash or shares of Common Stock (or a combination of both). Unless otherwise directed by the Committee, if no Election is made by a Participant as to the distribution or form of payment of his or her Deferral Account, upon Termination such account shall be paid in cash in lump sum. The entire Deferral Account must be paid out within fifteen years following the date of the Participant's Termination. In accordance with a Participant's Election under Article III

Section 3, but subject to Sections 2 and 6 of Article III, amounts subject to such Election in the Deferred Account (determined in accordance with Article III Section 1) shall be distributed -

1. Upon a Participant's separation from service as a Director as either a lump sum or in installments not exceeding 15 years;
2. Upon a Participant's death to the Participant's Beneficiary as either a lump sum or in installments not exceeding 15 years; or
3. At a specified time or under a fixed schedule not exceeding 15 years.

(b) Medium of Distribution and Default Method. In accordance with the Participant's Election and within the guidelines established by the Committee or the Company, a Participant's Deferral Account shall be distributed in cash or shares of Common Stock (or a combination of both). To the extent permissible under law, a Participant may make this Election at any time before a distribution is to be made. If no Election is made by a Participant as to the distribution or form of payment of his or her Deferral Account, upon the earliest time that a distribution from such account is to be made pursuant to the terms of the Plan, such account shall be paid in cash or shares of Common Stock (or a combination of both) in lump sum.

(c) Election to Delay the Time or Change the Form of Distribution .. A Participant may make an Election to delay the time of a distribution or change the form of a distribution, or may elect to do both, with respect to an amount that would be payable pursuant to an Election under paragraphs (a) of this Section 4, except in the event of a distribution on account of the Participant's death, if all of the following requirements are met -

1. Such an Election may not take effect until at least 12 months after it is made;
2. Any delay to the distribution that would take effect because of the Election is at least to a date five years after the date the distribution otherwise would have begun; and
3. In the case of a distribution that would be made under paragraph (a)(3) of this Section 4 such an Election may not be made less than 12 months before the date of the first scheduled payment.

5. PAYMENT COMMENCEMENT DATE

Payments of amounts deferred pursuant to a valid Election shall commence in accord with the Participant's Election. If a Participant dies prior to the first deferred payment specified in an Election, payments shall commence to the Participant's Beneficiary on the first payment date so specified.

6. CHANGE IN CONTROL

Notwithstanding any provision of this Plan to the contrary, and to the extent consistent with guidance issued by the Secretary of the Treasury, in the event of a "Change in Control" (as defined in Section 2(f) of Article I), each Participant in the Plan shall receive an automatic lump sum cash distribution of all amounts accrued in the Participant's Cash and/or Stock Account(s) (including interest at the Prime Rate of Interest through the business day immediately preceding the date of distribution) not later than fifteen (15) days after the date of the "Change in Control." For this purpose, the balance in the Stock Account shall be determined by multiplying the number of Stock Units by the higher of (a) the highest closing price of a share of Common Stock during the period commencing 30 days prior to such Change in Control or (b) if the Change in Control of the Company occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock pursuant thereto. Any consideration other than cash forming a part or all of the consideration for Common Stock to be paid pursuant to the applicable transaction shall be valued at the valuation price thereon determined by the Board.

In addition, the Company shall reimburse a Director for the legal fees and expenses incurred if the Director is required to seek to obtain or enforce any right to distribution. In the event that it is determined that such Director is properly entitled to a cash distribution hereunder, such Director shall also be entitled to interest thereon at the Prime Rate of Interest quoted by Citibank, N.A. as its prime commercial lending rate on the subject date from the date such distribution should have been made to and including the date it is made. Notwithstanding any provision of this Plan to the contrary, Article I, Section 2(f) and Section 6 of this Article may not be amended after a "Change in Control" occurs without the written consent of a majority in number of Participants.

ARTICLE IV. MISCELLANEOUS PROVISIONS

1. BENEFICIARY DESIGNATION

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

to the estate of the last to die of such Beneficiaries.

2. INALIENABILITY OF BENEFITS

The interests of the Directors and their Beneficiaries under the Plan may not in any way be voluntarily or involuntarily transferred, alienated or assigned, nor be subject to attachment, execution, garnishment or other such equitable or legal process.

3. GOVERNING LAW

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

4. AMENDMENTS

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

(a) materially increase the number of securities that may be issued under the Plan (except as provided in Article I, Section 3),

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

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

5. COMPLIANCE WITH RULE 16B-3

It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that Plan Participants remain non-employee directors ("Non-Employee Directors") for purposes of administering other employee benefit plans of the Company and having such other plans be exempt from Section 16(b) of the Exchange Act. Therefore, if any Plan provision is found not to be in compliance with Rule 16b-3 or if any Plan provision would disqualify Plan participants from remaining Non-Employee Directors, that provision shall be deemed amended so that the Plan does so comply and the Plan participants remain Non-Employee Directors, to the extent permitted by law and deemed advisable by the Committee, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

6. EFFECTIVE DATE

The Plan was approved and originally became effective as of January 1, 2005.

IN WITNESS WHEREOF, this adoption of the Plan is executed this 3rd day of December, 2004.

ATTEST: ASHLAND INC.

/s/ David L. Hausrath

Secretary

By: /s/ Susan B. Esler

Vice President Human Resources

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

	Years ended September 30					Three months ended December 31	
	2000	2001	2002	2003	2004	2003	2004
EARNINGS							
Income from continuing operations	\$ 272	\$ 390	\$ 115	\$ 94	\$ 398	\$ 39	\$ 94
Income taxes	179	266	68	44	150	23	55
Interest expense	189	160	133	121	112	28	28
Interest portion of rental expense	39	40	35	33	35	8	9
Amortization of deferred debt expense	2	2	2	2	2	1	-
Distributions in excess of (less than) earnings of unconsolidated affiliates	(113)	(91)	20	(98)	(263)	110	(145)
	<u>\$ 568</u>	<u>\$ 767</u>	<u>\$ 373</u>	<u>\$ 196</u>	<u>\$ 434</u>	<u>\$ 209</u>	<u>\$ 41</u>
FIXED CHARGES							
Interest expense	\$ 189	\$ 160	\$ 133	\$ 121	\$ 112	\$ 28	\$ 28
Interest portion of rental expense	39	40	35	33	35	8	9
Amortization of deferred debt expense	2	2	2	2	2	1	-
	<u>\$ 230</u>	<u>\$ 202</u>	<u>\$ 170</u>	<u>\$ 156</u>	<u>\$ 149</u>	<u>\$ 37</u>	<u>\$ 37</u>
RATIO OF EARNINGS TO FIXED CHARGES	2.47	3.80	2.19	1.26	2.91	5.65	1.11

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(e) 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: February 8, 2005

/s/ James J. O'Brien

Chief Executive Officer

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(e) 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: February 8, 2005

/s/ J. Marvin Quin

Chief Financial Officer

ASHLAND INC.

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 December 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

James J. O'Brien
Chief Executive Officer
February 8, 2005

/s/ J. Marvin Quin

J. Marvin Quin
Chief Financial Officer
February 8, 2005

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.