SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

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: (606) 815-3333

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

At July 31, 1999, there were 72,176,670 shares of Registrant's Common Stock outstanding. One Right to purchase one-thousandth of a share of Series A Participating Cumulative Preferred Stock accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL INFORMATION

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

(In millions except per share data)	Three months ended June 30 1999	Three months ended June 30 1998	Nine months ended June 30 1999	Nine months ended June 30 1998
REVENUES				
Sales and operating revenues	$ 1,796	$ 1,705	$ 4,945	$ 4,777
Equity income	108	159	208	265
Other income	15	13	54	58
	1,919	1,877	5,207	5,100
COSTS AND EXPENSES				
Cost of sales and operating expenses	1,408	1,368	3,884	3,877
Selling, general and administrative expenses	264	238	782	673
Depreciation, depletion and amortization	50	45	153	129
	1,722	1,651	4,819	4,679
OPERATING INCOME	197	226	388	421

Interest expense (net of interest income)	(36)	(33)	(102)	(96)
INCOME BEFORE INCOME TAXES	161	193	286	325
Income taxes	(61)	(70)	(110)	(122)
NET INCOME	$ 100	$ 123	$ 176	$ 203
EARNINGS PER SHARE - Note A				
Basic	$ 1.36	$ 1.61	$ 2.37	$ 2.69
Diluted	$ 1.35	$ 1.59	$ 2.35	$ 2.64
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275	$ .825	$ .825

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	June 30 1999	September 30 1998	June 30 1998
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 81	$ 34	$ 44
Accounts receivable	1,152	1,129	1,050
Allowance for doubtful accounts	(23)	(19)	(20)
Inventories - Note A	491	440	486
Deferred income taxes	118	104	90
Other current assets	209	140	145
	2,028	1,828	1,795
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,098	2,102	2,119
Investment in Arch Coal	422	422	426
Cost in excess of net assets of companies acquired	216	207	179
Other noncurrent assets	335	362	369
	3,071	3,093	3,093
PROPERTY, PLANT AND EQUIPMENT			
Cost	2,594	2,413	2,315
Accumulated depreciation, depletion and amortization	(1,340)	(1,252)	(1,225)
	1,254	1,161	1,090
	$ 6,353	$ 6,082	$ 5,978
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 357	$ 125	$ 230
Trade and other payables	1,108	1,199	1,032
Income taxes	30	37	63
	1,495	1,361	1,325
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,627	1,507	1,509
Employee benefit obligations	416	458	436
Reserves of captive insurance companies	183	165	178
Other long-term liabilities and deferred credits	527	454	356
Commitments and contingencies - Note E			
	2,753	2,584	2,479
COMMON STOCKHOLDERS' EQUITY	2,105	2,137	2,174
	$ 6,353	$ 6,082	$ 5,978

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 income	Total
BALANCE AT OCTOBER 1, 1997	$ 75	$ 605	$ 1,379	$ (35)	$ 2,024
Total comprehensive income (1)			203	(10)	193
Dividends			(62)		(62)
Issued common stock under					
Stock incentive plans		13			13
Acquisitions of other companies	1	1	7		9
Other changes		(3)			(3)
BALANCE AT JUNE 30, 1998	$ 76	$ 616	$ 1,527	$ (45)	$ 2,174
BALANCE AT OCTOBER 1, 1998	$ 76	$ 602	$ 1,501	$ (42)	$ 2,137
Total comprehensive income (1)			176	(16)	160
Dividends			(61)		(61)
Issued common stock under					
Stock incentive plans		6			6
Acquisitions of other companies	1	47			48
Repurchase of common stock	(4)	(181)			(185)
BALANCE AT JUNE 30, 1999	$ 73	$ 474	$ 1,616	$ (58)	$ 2,105

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

(In millions)	Three months ended June 30 1999	Three months ended June 30 1998	Nine months ended June 30 1999	Nine months ended June 30 1998
Net income	$ 100	$ 123	$ 176	$ 203
Unrealized translation adjustments	(3)	(2)	(14)	(10)
Related tax benefit	1	-	3	-
Unrealized gains (losses) on securities	(3)	1	(6)	4
Related tax benefit (expense)	1	-	2	(2)
Gains on securities included in net income	-	-	(2)	(3)
Related tax expense	-	-	1	1
Total comprehensive income	$ 96	$ 122	$ 160	$ 193

At June 30, 1999, accumulated other comprehensive income was a loss of $58 million comprised of net unrealized translation losses of $39 million, a minimum pension liability of $18 million and unrealized losses on securities of $1 million.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Nine months ended June 30 1999	Nine months ended June 30 1998
CASH FLOWS FROM CONTINUING OPERATIONS		
Net income	$ 176	$ 203
Expense (income) not affecting cash		
Depreciation, depletion and amortization	153	129
Deferred income taxes	92	27
Equity income from affiliates	(208)	(265)
Distributions from equity affiliates	218	155
Other items	(1)	(6)
Change in operating assets and liabilities (1)	(294)	(175)
	136	68
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	150	150
Proceeds from issuance of capital stock	4	8
Repayment of long-term debt	(50)	(47)
Repurchase of capital stock	(185)	-
Increase in short-term debt	236	171
Dividends paid	(61)	(62)
	94	220
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(158)	(177)
Purchase of leased assets associated with the formation of MAP	-	(254)
Purchase of operations - net of cash acquired (2)	(45)	(147)
Investment purchases (3)	(82)	(174)
Investment sales and maturities (3)	99	272
Other - net	3	45
	(183)	(435)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	47	(147)
Cash used by discontinued operations	-	(59)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47	(206)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	34	250
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 81	$ 44

(1) Excludes changes resulting from operations acquired or sold.
(2) Amounts exclude acquisitions through the issuance of common stock, which amounted to $48 million in 1999 and $41 million in 1998.
(3) Represents primarily investment transactions of captive insurance companies.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. 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, 1998. Results of operations for the periods ended June 30, 1999, are not necessarily indicative of results to be expected for the year ending September 30, 1999.

INVENTORIES

(In millions)	June 30 1999	September 30 1998	June 30 1998
Chemicals and plastics	$ 376	$ 352	$ 388
Petroleum products	53	48	50
Construction materials	55	39	41
Other products	51	49	55
Supplies	8	9	10
Excess of replacement costs over LIFO carrying values	(52)	(57)	(58)
	$ 491	$ 440	$ 486

EARNINGS PER SHARE

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

(In millions except per share data)	Three months ended June 30 1999	Three months ended June 30 1998	Nine months ended June 30 1999	Nine months ended June 30 1998
NUMERATOR				
Numerator for basic and diluted EPS - Net income	$ 100	$ 123	$ 176	$ 203
DENOMINATOR				
Denominator for basic EPS - Weighted average common shares outstanding	73	76	74	76
Common shares issuable upon exercise of stock options	1	1	1	1
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	74	77	75	77
BASIC EARNINGS PER SHARE	$ 1.36	$ 1.61	$ 2.37	$ 2.69
DILUTED EARNINGS PER SHARE	$ 1.35	$ 1.59	$ 2.35	$ 2.64

NOTE B - INFORMATION BY INDUSTRY SEGMENT

During the quarter ended March 31, 1999, Ashland took steps to provide greater market focus and definition for its former Ashland Chemical operations with the creation of two new divisions - Ashland Distribution Company and Ashland Specialty Chemical Company. These divisions replace Ashland Chemical Company. The Information By Industry Segment on Page 10 has been presented showing these two new segments, with prior periods restated for comparison purposes. In addition, the following table shows total assets and capital employed for each of the new segments at June 30, 1999, and restated as of September 30, 1998.

	Total assets		Capital employed	
(In millions)	June 30 1999	September 30 1998	June 30 1999	September 30 1998
Ashland Distribution	$ 935	$ 915	$ 575	$ 477
Ashland Specialty Chemical	872	861	585	557

NOTE C - UNUSUAL ITEMS

Marathon Ashland Petroleum LLC (MAP) maintains an inventory valuation reserve to reduce the LIFO cost of its inventories to their net realizable values. Adjustments in that reserve are recognized quarterly based on changes in petroleum product prices, creating non-cash charges or credits to Ashland's earnings. In addition, during the nine months ended June 30, 1998, Ashland recorded a gain on the sale of its 23% interest in Melamine Chemicals. The following tables show the effects of these unusual items on Ashland's operating income, net income and diluted earnings per share for the periods ended June 30, 1999, and 1998.

	Three months ended June 30		Nine months ended June 30	
(In millions except per share data)	1999	1998	1999	1998
Operating income before unusual items	$ 173	$ 225	$ 325	$ 402
MAP inventory valuation adjustments	24	1	63	5
Ashland Specialty Chemical gain on sale of Melamine Chemicals	-	-	-	14
Operating income as reported	$ 197	$ 226	$ 388	$ 421
Net income before unusual items	$ 85	$ 122	$ 137	$ 194
MAP inventory valuation adjustments	15	1	39	3
Ashland Specialty Chemical gain on sale of Melamine Chemicals	-	-	-	6
Net income as reported	$ 100	$ 123	$ 176	$ 203
Diluted earnings per share before unusual items	$ 1.15	$ 1.58	$ 1.83	$ 2.52
Impact of unusual items	.20	.01	.52	.12
Diluted earnings per share as reported	$ 1.35	$ 1.59	$ 2.35	$ 2.64

NOTE D - UNCONSOLIDATED AFFILIATES

Ashland is required by Rule 3-09 of Regulation S-X to file separate financial statements for its two significant unconsolidated affiliates, Marathon Ashland Petroleum LLC (MAP) and Arch Coal, Inc. Such financial statements for the year ended December 31, 1998, were filed on a Form 10-K/A on March 17, 1999. Unaudited income statement information for these companies is shown below.

Since MAP commenced operations on January 1, 1998, its year-to-date information for last year represents its results for the six months ended June 30, 1998. MAP is organized as a limited liability company (LLC) that has elected to be taxed as a partnership. Therefore, the parents are responsible for income taxes applicable to their share of MAP's taxable income. The net income reflected below for MAP does not include any provision for income taxes which will be incurred by its parents.

	Three months ended June 30		Nine months ended June 30	
(In millions)	1999	1998	1999	1998
MAP				
Sales and operating revenues	$ 4,639	$ 4,920	$ 13,521	$ 9,522
Income from operations	299	409	591	547
Net income				
Including inventory valuation adjustments	296	417	589	558
Excluding inventory valuation adjustments	233	414	422	546
Ashland's equity income				
Including inventory valuation adjustments	106	151	203	198
Excluding inventory valuation adjustments	82	150	140	193
Arch Coal				
Sales and operating revenues	$ 380	$ 342	$ 1,179	$ 970
Income from operations	21	27	49	80
Net income	2	14	4	50
Ashland's equity income	1	7	-	25

NOTE E - LITIGATION, CLAIMS AND CONTINGENCIES

Ashland is subject to various federal, state and local environmental laws and regulations that require remediation efforts at multiple locations, including current operating facilities, operating facilities conveyed to MAP, previously owned or operated facilities, and Superfund or other waste sites. For information regarding environmental capital expenditures and reserves, see the "Miscellaneous - Environmental Matters" section of Ashland's Form 10-K.

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

NOTE E - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

Ashland is a defendant in a series of cases involving more than 600 former workers at the Lockheed aircraft manufacturing facility in Burbank, California. The plaintiffs allege personal injury resulting from exposure to chemicals sold to Lockheed by Ashland, and inadequate labeling of such chemicals. The cases are being tried in the Superior Court of the State of California for the County of Los Angeles. To date, five trials involving approximately 130 plaintiffs have resulted in total verdicts adverse to Ashland of approximately $80 million (approximately $75 million of which is punitive damages). The damage awards have been appealed. Ashland believes that there is a substantial probability that the damage awards will be reversed or reduced substantially.

In addition to these matters, Ashland and its subsidiaries are parties to numerous other claims and lawsuits, some of which are also for substantial amounts. While these actions are being contested, the outcome of individual matters is not predictable with assurance.

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

NOTE F - ACQUISITIONS

During the nine months ended June 30, 1999, APAC acquired ten construction businesses, five of which included the issuance of $48 million in Ashland common stock. In addition, Ashland Specialty Chemical made an acquisition in its Composite Polymers division. These acquisitions were accounted for as purchases and did not have a significant effect on Ashland's consolidated financial statements.

On August 9, 1999, Ashland Inc. announced that it has commenced an unsolicited tender offer to purchase all outstanding shares of Superfos a/s at a price of $21 per share. A total of 30,890,220 shares of Superfos are listed on the Copenhagen Stock Exchange, which Superfos has publicly reported includes approximately 1.6 million shares held directly or indirectly by it.

The tender offer is conditioned upon acceptance by shareholders representing more than 90% of the total share capital of Superfos, receipt of regulatory approvals in the United States and Europe and certain other conditions. The tender offer is scheduled to expire on September 20, 1999. The transaction will be financed entirely with debt using new credit facilities.

Superfos is active in four business areas: (1) asphalt production and road construction in five states in the southern part of the United States, (2) production and distribution of plastics packaging in Europe, (3) contract filling and distribution of aerosols in Europe, and (4) distribution of chemical products in the Nordic region.

See Exhibit 99.1 for the complete text of the press release announcing the tender offer.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(In millions except as noted)	Three months ended June 30 1999	Three months ended June 30 1998	Nine months ended June 30 1999	Nine months ended June 30 1998
REVENUES				
Sales and operating revenues				
Ashland Distribution	$ 754	$ 752	$ 2,175	$ 2,218
Ashland Specialty Chemical	322	292	935	938
APAC	458	428	1,149	963
Valvoline	289	260	773	749
Intersegment sales				
Ashland Distribution	(8)	(6)	(25)	(20)
Ashland Specialty Chemical	(18)	(18)	(58)	(62)
Valvoline	(1)	(3)	(4)	(9)
	1,796	1,705	4,945	4,777
Equity income				
Ashland Specialty Chemical	1	1	4	5
Valvoline	-	-	1	-
Refining and Marketing	106	151	203	235
Arch Coal	1	7	-	25
	108	159	208	265
Other income				
Ashland Distribution	2	2	5	5
Ashland Specialty Chemical	4	6	13	31
APAC	2	2	7	6
Valvoline	2	2	5	6
Refining and Marketing	3	2	15	3
Corporate	2	(1)	9	7
	15	13	54	58
	$ 1,919	$ 1,877	$ 5,207	$ 5,100
OPERATING INCOME				
Ashland Distribution	$ 17	$ 17	$ 42	$ 45
Ashland Specialty Chemical	33	25	82	87
APAC	35	31	63	50
Valvoline	24	17	48	34
Refining and Marketing (1)	78	147	136	224
Inventory valuation adjustments (2)	24	1	63	5
Arch Coal	-	7	(1)	25
Corporate	(14)	(19)	(45)	(49)
	$ 197	$ 226	$ 388	$ 421
OPERATING INFORMATION				
APAC				
Construction backlog at June 30 (millions)			$ 912	$ 875
Hot mix asphalt production (million tons)	7.2	7.2	17.1	14.8
Aggregate production (million tons)	5.3	5.9	14.6	14.2
Valvoline lubricant sales (thousand barrels per day)	17.7	17.6	16.6	16.2
Refining and Marketing (3)				
Refined products sold (thousand barrels per day)	1,259	1,179	1,207	1,161
Crude oil refined (thousand barrels per day)	939	923	883	914
Arch Coal (3)				
Tons sold (millions)	27.0	16.8	81.2	41.4
Tons produced (millions)	27.4	15.8	78.4	38.0

(1) Effective January 1, 1998, includes Ashland's equity income from MAP, amortization of Ashland's excess investment in MAP, and certain retained refining and marketing activities.
(2) Represents Ashland's share of changes in MAP's inventory market valuation reserve. The reserve reflects the excess of the LIFO cost of MAP's crude oil and refined product inventories over their net realizable values.
(3) Amounts represent 100% of the volumes of MAP or Arch Coal. MAP commenced operations January 1, 1998.

RESULTS OF OPERATIONS

CURRENT QUARTER - Ashland's net income was $100 million for the quarter ended June 30, 1999, compared to $123 million for the quarter ended June 30, 1998. Excluding unusual items described in Note C to the Condensed Consolidated Financial Statements, net income amounted to $85 million in the 1999 period, compared to $122 million in the 1998 period. The decline was due to weakness in refining margins and coal prices, which affected Ashland's equity investments. However, combined operating income from Ashland's wholly owned businesses was up 20%, as APAC, Ashland Specialty Chemical, and Valvoline reported excellent quarters, while Ashland Distribution matched prior year earnings.

YEAR-TO-DATE - For the nine months ended June 30, 1999, Ashland recorded net income of $176 million, compared to $203 million for the nine months ended June 30, 1998. Excluding unusual items, net income amounted to $137 million in the 1999 period, compared to $194 million in the 1998 period. The decline was generally due to the same factors described in the current quarter comparison above. The wholly owned businesses reported a 17% increase, but these results were more than offset by the effects of weak refining margins and coal prices. On June 22, Ashland announced that it had retained the investment banking firm of Goldman Sachs to help Ashland explore strategic alternatives for its investment in Arch Coal.

ASHLAND DISTRIBUTION

CURRENT QUARTER - Ashland Distribution reported operating income of $17 million for the quarter ended June 30, 1999, even with results for last year's June quarter. General Polymers and FRP Supply reported record quarterly operating income on the strength of improved sales volumes and margins. Industrial Chemicals & Solvents showed strong improvement, reflecting higher gross profit margins. These improvements, however, were offset by declines in Fine Ingredients and Ashland Plastics Europe. The Fine Ingredients business has endured significant margin erosion due in part to increased imports. In Europe, weakness in commodity chemical markets has resulted in declining prices for key thermoplastic product lines. However, prices are beginning to stabilize in both areas.

YEAR-TO-DATE - For the nine months ended June 30, 1999, Ashland Distribution reported operating income of $42 million, compared to $45 million for the same period of 1998. Solid improvements in Industrial Chemicals & Solvents and FRP Supply were offset by declines in the other divisions. All divisions within Ashland Distribution have experienced price deflation, which has adversely affected gross profit. FRP Supply has benefited from acquisitions made during the latter part of fiscal 1998.

ASHLAND SPECIALTY CHEMICAL

CURRENT QUARTER - For the quarter ended June 30, 1999, Ashland Specialty Chemical reported operating income of $33 million, a 32% improvement compared to $25 million reported for the June 1998 quarter. Composite Polymers and Specialty Polymers & Adhesives set all time quarterly profit records on the strength of record sales volumes, and Drew Industrial reported record third quarter profits. Results for Petrochemicals increased due to higher margins for maleic anhydride. These improvements were partially offset by a decline in Drew Marine where sales were down due to reduced marine traffic worldwide.

ASHLAND SPECIALTY CHEMICAL (continued)

YEAR-TO-DATE - For the nine months ended June 30, 1999, Ashland Specialty Chemical reported operating income of $82 million. Results for the first nine months of 1998 amounted to $73 million, excluding a $14 million pretax gain on the sale of Ashland's 23% interest in Melamine Chemicals. Improvements in Composite Polymers, Specialty Polymers & Adhesives, Petrochemicals and Drew Industrial more than offset declines in Electronic Chemicals and Drew Marine. The same factors discussed in the current quarter comparison above affected the year-to-date comparison. Electronic Chemicals, while down considerably from a year ago, continues to show signs of recovery in sales volumes and margins.

APAC

CURRENT QUARTER - For the third quarter of fiscal 1999, APAC's construction operations reported record June quarter operating income of $35 million, compared to $31 million for the June 1998 quarter. Conditions in APAC's southeastern and midwestern markets are quite positive due to a strong construction economy. Net revenue (total revenue less subcontract work) increased 6%; however, production of hot mix asphalt was essentially even and crushed aggregate production declined 11%, reflecting extremely wet weather in Oklahoma and Arkansas.

YEAR-TO-DATE - For the nine months ended June 30, 1999, APAC reported operating income of $63 million, a 26% improvement compared to $50 million for the same period of 1998. Net revenue increased 19%, while production of hot mix asphalt was up 15% and crushed aggregate was up 2% from the 1998 period. The construction backlog at June 30, 1999, amounted to $912 million, an all-time record, representing a 4% improvement over the June 1998 level. Industry consolidation continues to create opportunities for APAC. In keeping with Ashland's strategy to grow higher return businesses, four transactions, which expand APAC's market position in North Carolina, Texas and Arkansas, were closed during the June quarter. Ten acquisitions have been completed since the beginning of the fiscal year for a total cost of $83 million.

Valvoline

CURRENT QUARTER - For the quarter ended June 30, 1999, Valvoline reported operating income of $24 million, a 38% increase compared to $17 million for the June 1998 quarter. The increase was primarily the result of higher R-12 refrigerant sales volumes, improvements in automotive chemicals, including antifreeze, and record June quarter earnings from Valvoline Instant Oil Change, reflecting higher car counts. Earnings from the core lubricant business remained strong. Revenues from Valvoline's newest product lines - Synpower automotive chemicals and Eagle One car care products - continue to rapidly grow on the strength of broad market penetration and customer acceptance. Partially offsetting these improvements were lower earnings from Valvoline International operations in Europe.

YEAR-TO-DATE - For the nine months ended June 30, 1999, Valvoline reported operating income of $48 million, compared to $34 million for the same period of 1998, a 40% improvement. The increase was generally due to the same factors described in the current quarter comparison above.

REFINING AND MARKETING

CURRENT QUARTER - Operating income from Refining and Marketing (excluding $24 million in favorable inventory market valuation adjustments) amounted to $78 million for the quarter ended June 30, 1999. This compares to $147 million for the quarter ended June 30, 1998 (excluding $1 million in favorable inventory market valuation adjustments). Results for both periods include Ashland's 38% share of MAP's earnings, amortization of Ashland's excess investment in MAP, and results of certain retained refining and marketing activities. The decline in operating income was primarily due to weak refining margins, as prices of refined products did not keep pace with increases in crude oil prices. Results from retail marketing operations increased on the strength of improved merchandise sales volumes and higher retail gasoline margins.

YEAR-TO-DATE - Operating income from Refining and Marketing (excluding $63 million in favorable inventory market valuation adjustments) amounted to $136 million for the nine months ended June 30, 1999. This compares to $224 million for the nine months ended June 30, 1998 (excluding $5 million in favorable inventory market valuation adjustments). Results for the prior year's period include the operating income of the former Ashland Petroleum and SuperAmerica divisions for the December 1997 quarter. MAP was formed January 1, 1998, when Ashland combined its refining and marketing operations with those of the USX-Marathon Group. The decrease in operating income generally reflects reduced refining margins, partially offset by increased merchandise sales volumes and higher retail gasoline margins. The impact of decreased refining margins has been partially mitigated by substantial efficiency improvements resulting from the combined operations of MAP. In its first year of existence, MAP captured approximately $150 million in annual, repeatable, pretax savings and established itself as an industry leader in earnings per barrel of crude oil throughput. An additional $100 million in efficiencies are targeted for calendar 1999.

During the June 1999 quarter, MAP announced plans to build a coker at its Garyville, La., refinery supported by a crude oil supply agreement with Pemex. In addition, MAP signed an agreement with Ultramar Diamond Shamrock to purchase marketing and distribution assets located in Michigan.

ARCH COAL

CURRENT QUARTER - Ashland recorded breakeven results from its investment in Arch Coal for the quarter ended June 30, 1999, compared to operating income of $7 million for the quarter ended June 30, 1998. The decline was due to ongoing challenges at several mining operations and weakness in the eastern coal market. At the Black Thunder mine in Wyoming, Arch made good progress in its expansion program, but did not get water-related challenges at the site fully under control until late in the quarter. Longwall moves at the SUFCO and Skyline mines in Utah, along with geologic difficulties at Skyline, led to a small equity loss from Arch's 65%-owned Canyon Fuel Company. Because of mild winter weather, utility stockpiles remained high throughout the quarter, depressing prices for Arch's eastern operations. The Dal-Tex mine in Logan County, West Virginia, closed as scheduled on July 23 as a result of continuing delays in obtaining a permit for additional reserves at the site.

ARCH COAL (continued)

YEAR-TO-DATE - For the nine months ended June 30, 1999, Ashland recorded an operating loss of $1 million from its investment in Arch, compared to operating income of $25 million for the same period of 1998. In addition to the factors described in the current quarter comparison above, results for the December 1998 quarter were impacted by inadequate rail service and higher-than-expected operating costs at Arch's West Elk mine in Colorado, as well as bitterly cold weather that hindered both equipment and rail performance of Western operations. Eastern operations were adversely affected by losses incurred at Dal-Tex while the permitting was being delayed, as well as the costs of idling those facilities.

CORPORATE

Corporate expenses amounted to $14 million in the quarter ended June 30, 1999, compared to $19 million for the quarter ended June 30, 1998. On a year-to-date basis, corporate expenses amounted to $45 million for the 1999 period, versus $49 million for the 1998 period. The declines in both comparisons reflect reduced deferred compensation costs and a gain from the sale of a company airplane.

INTEREST EXPENSE (NET OF INTEREST INCOME)

For the three months ended June 30, 1999, interest expense (net of interest income) totaled $36 million, compared to $33 million for the June 1998 quarter. For the year-to-date, interest expense (net of interest income) amounted to $102 million in the 1999 period, compared to $96 million in the 1998 period. The increase reflects increased debt levels resulting primarily from $254 million in purchases of leased assets in December 1997 and January 1998 associated with the formation of MAP, from common stock repurchases and from acquisitions.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt of Baa2 from Moody's and BBB from Standard & Poor's. Ashland has revolving credit agreements providing for up to $400 million in borrowings, none of which were in use at June 30, 1999. The agreement providing for $250 million in borrowings expires on June 2, 2004. The agreement providing for $150 million in borrowings expires on May 31, 2000. At June 30, 1999, under a shelf registration, Ashland could also issue an additional $450 million in debt, equity or convertible securities should future opportunities or needs arise. Furthermore, Ashland has access to various uncommitted lines of credit and commercial paper markets, under which $320 million of short-term borrowings were outstanding at June 30, 1999.

Cash flows from continuing operations, a major source of Ashland's liquidity, amounted to $136 million for the nine months ended June 30, 1999, compared to $68 million for the nine months ended June 30, 1998. The increase primarily reflects a higher level of cash distributions from MAP. Ashland's capital requirements for net property additions and dividends exceeded cash flows from operations by $81 million for the nine months ended June 30, 1999.

LIQUIDITY (CONTINUED)

Operating working capital (accounts receivable and inventories, less trade and other payables) at June 30, 1999, was $512 million, compared to $351 million at September 30, 1998, and $484 million at June 30, 1998. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 81% of current liabilities at June 30, 1999, compared to 84% at September 30, 1998, and 81% at June 30, 1998. Ashland's working capital is affected by its use of the LIFO method of inventory valuation, which valued inventories $52 million below their replacement costs at June 30, 1999.

CAPITAL RESOURCES

For the nine months ended June 30, 1999, property additions amounted to $158 million, compared to $177 million for the same period last year. Property additions and cash dividends for the remainder of fiscal 1999 are estimated at $90 million and $20 million. Under Ashland's share repurchase program initiated in August 1998, Ashland had repurchased 5.1 million shares through June 30, 1999, with remaining authority to repurchase an additional 1.3 million shares. The timing and exact number of shares to be repurchased will be dependent on market conditions. Ashland anticipates meeting its remaining 1999 capital requirements for property additions, debt repayments and dividends from internally generated funds. However, external financing may be necessary to fund common stock repurchases and acquisitions.

At June 30, 1999, Ashland's debt level amounted to $2.0 billion, compared to $1.6 billion at September 30, 1998. Debt as a percent of capital employed amounted to 49% at June 30, 1999, compared to 43% at September 30, 1998. During the quarter ended December 31, 1998, Ashland liquidated $200 million of its interest rate swap agreements, which had converted fixed-rate debt to floating rates at September 30, 1998. The final reset on the remaining $25 million floating-rate swap agreement was set on July 6, 1999. As a result, Ashland's exposure to short-term interest rate fluctuations for the remainder of 1999 will be limited to $38 million in floating-rate debt outstanding at June 30, 1999, and any short-term notes and commercial paper outstanding.

ENVIRONMENTAL MATTERS

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

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

ENVIRONMENTAL MATTERS (continued)

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

YEAR 2000 READINESS

Ashland, like most other companies, is faced with the Year 2000 issue and began developing plans in 1994 to address the possible exposures. Project teams are responsible for coordinating the assessment, remediation and testing of the necessary modifications to Ashland's computer applications, including both internal information systems and embedded systems, as well as assessing the Year 2000 readiness of its major vendors and developing contingency plans. The team's progress is regularly monitored by Ashland's senior management and periodically reported to the Audit Committee of Ashland's Board of Directors.

Ashland has completed the assessment phase related to its internal information systems, and is resolving identified issues through system modifications or replacement. Although testing will continue, Ashland believes that about 97% of its significant systems are currently Year 2000 compliant, with the remainder of its remediation efforts expected to be completed by late summer. In addition, Ashland has obtained the services of an independent third party to perform a verification of its code remediation efforts.

Ashland has essentially completed the assessment of its embedded systems that operate such items as its manufacturing systems, laboratory processes and security systems. Ashland believes that about 96% of these embedded systems are currently Year 2000 compliant, and that the remaining systems will be remediated or replaced as necessary by late summer or as part of scheduled shutdowns that will occur later in 1999. The quality of the responses received from the manufacturers of such equipment, the estimated effect of the individual system on Ashland, and the ability of Ashland to perform meaningful tests determines whether independent testing of remediated embedded systems is conducted.

Formal communications have been conducted with major vendors to assess the potential exposure to Ashland from their failure to remediate their own Year 2000 issues. A failure by any of these vendors could become a significant challenge to Ashland's ability to operate its facilities at affected locations. Vendors contacted include Ashland's suppliers, financial institutions and companies providing utilities (electric, telephone and water). Alternate providers of products and services will be established, if deemed necessary. Although Ashland has no means of ensuring the Year 2000 readiness of such vendors, it will continue to gather information and monitor their compliance. Based on the representations provided by these vendors to date, Ashland has no reason to believe that these vendors are not addressing their Year 2000 issues adequately.

Ashland has developed contingency plans related to the Year 2000 issue, addressing various scenarios and alternatives. Among other things, such plans include replacing electronic applications with manual processes, identifying alternate vendors, adjusting staffing requirements, and increasing raw material inventory levels, as deemed necessary. Contingency plans will be regularly updated as current issues develop or new issues are identified.

YEAR 2000 READINESS (continued)

Ashland estimates that its fiscal 1999 costs related to Year 2000 issues will not exceed $15 million, and will be minimal thereafter. Such amount is based on various assumptions, including the expected availability and costs of internal and external resources and the complexity of the necessary changes. Such estimate does not include any costs of new systems for which the principal justification is improved business functionality, rather than Year 2000 compliance. Since Ashland's Year 2000 compliance program was initiated several years ago and has been integrated with other system enhancements, Ashland's total costs of remediating Year 2000 issues are not readily discernible.

Ashland believes it has an effective program to resolve significant Year 2000 issues in a timely manner. However, certain phases of that program have not yet been completed and some exposures are outside Ashland's direct control. If Ashland is unsuccessful in identifying or remediating Year 2000 issues in its significant systems, is affected by major vendors or customers not being Year 2000 compliant, or is affected by general economic disruptions resulting from Year 2000 issues, its consolidated financial position or results of operations could be materially adversely affected.

MAP and Arch Coal also have prepared their own programs to deal with Year 2000 issues. Arch Coal's program is outlined in the Management's Discussion and Analysis section of its latest Annual Report on Form 10-K and Quarterly Report on Form 10-Q. MAP's program is covered in the Management's Discussion and Analysis section for the Marathon Group in USX Corporation's latest Annual Report on Form 10-K and Quarterly Report on Form 10-Q. These documents are on file with the Securities and Exchange Commission.

FORWARD LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to Ashland's operating performance. Estimates as to operating performance are based upon a number of assumptions, including (among others) prices, supply and demand, market conditions and operating efficiencies. Although Ashland believes that its expectations are based on reasonable assumptions, it cannot assure that the expectations reflected herein will be achieved. This forward-looking information may prove to be inaccurate, and actual results may differ significantly from those anticipated. Other factors and risks affecting Ashland are contained in Ashland's Form 10-K for the fiscal year ended September 30, 1998.

ITEM 1. LEGAL PROCEEDINGS

ENVIRONMENTAL PROCEEDINGS - As of June 30, 1999, Ashland had been identified as a "potentially responsible party" ("PRP") under Superfund or similar state laws for potential joint and several liability for clean-up costs in connection with alleged releases of hazardous substances in connection with 89 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the United States Environmental Protection Agency ("EPA") or a state agency, in which Ashland is typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site clean-up and administrative oversight, and/or long-term monitoring of environmental conditions at the sites. Ashland carefully monitors the investigatory and remedial activity at many of these sites. Based on its experience with site remediation, its familiarity with current environmental laws and regulations, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland believes that its liability at these sites, either individually or in the aggregate, after taking into account its insurance coverage and established reserves, will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity. However, such matters could have a material effect on Ashland's results of operations in a particular quarter or fiscal year as they develop or as new issues are identified. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing the likelihood that costs will be incurred and Ashland's ability to reasonably estimate future costs.

LOCKHEED LITIGATION - Ashland is a defendant in a series of cases involving more than 600 former workers at the Lockheed aircraft manufacturing facility in Burbank, California. The plaintiffs allege personal injuries resulting from exposure to chemicals sold to Lockheed by Ashland, and inadequate labeling of such chemicals. The cases are being tried in the Superior Court of the State of California for the County of Los Angeles. To date, five trials involving approximately 130 plaintiffs have resulted in total verdicts adverse to Ashland of approximately $80 million (approximately $75 million of which is punitive damages). The damage awards have been appealed. Ashland believes that there is a substantial probability that the damage awards will be reversed or substantially further reduced, and that, after taking into account probable recoveries under insurance policies, these cases will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity. In addition, Ashland filed an action in Kentucky against approximately 44 insurance carriers to confirm coverage for liabilities under the Lockheed cases. One of the insurance carriers in turn filed an action in California seeking to deny insurance coverage for liabilities in these cases.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the quarter ended June 30, 1999, Ashland issued 106,809 shares of its Common Stock, par value $1.00 per share in connection with the acquisition of F. H. Necessary & Son Construction Company which closed on April 14, 1999. The shares were issued in a transaction exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and the regulations thereunder.

ITEM 5. OTHER INFORMATION

On August 9, 1999, Ashland Inc. announced that it has commenced an unsolicited tender offer to purchase all outstanding shares of Superfos a/s at a price of $21 per share. A total of 30,890,220 shares of Superfos are listed on the Copenhagen Stock Exchange, which Superfos has publicly reported includes approximately 1.6 million shares held directly or indirectly by it.

The tender offer is conditioned upon acceptance by shareholders representing more than 90% of the total share capital of Superfos, receipt of regulatory approvals in the United States and Europe and certain other conditions. The tender offer is scheduled to expire on September 20, 1999. The transaction will be financed entirely with debt using new credit facilities.

Superfos is active in four business areas: (1) asphalt production and road construction in five states in the southern part of the United States, (2) production and distribution of plastics packaging in Europe, (3) contract filling and distribution of aerosols in Europe, and (4) distribution of chemical products in the Nordic region.

The foregoing summary of the attached press release is qualified in its entirety by the complete text of such document, a copy of which is attached hereto as Exhibit 99.1.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 Financial Data Schedule
99.1 Press Release dated August 9, 1999

(b) Reports on Form 8-K

None

SIGNATURES

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

Ashland Inc.
(Registrant)

Date: August 9, 1999

/s/ Kenneth L. Aulen

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

Date: August 9, 1999

/s/ David L. Hausrath

David L. Hausrath
Vice President and General Counsel

5
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM ASHLAND INC.'S 3RD QUARTER 10-Q AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-Q.
1,000,000

9-MOS
SEP-30-1999
JUN-30-1999
81
0
1,152
23
491
2,028
2,594
1,340
6,353
1,495
1,627
73
0
0
2,032
6,353
4,945
5,207
4,037
4,037
0
0
102
286
110
176
0
0
0
176
2.37
2.35

FOR FURTHER INFORMATION:

Media Relations:
Stan Lampe
(606) 329-4061

FOR IMMEDIATE RELEASE
August 9, 1999

Ashland Inc. makes
tender offer for Superfos

Copenhagen - Ashland Inc. (NYSE:ASH) today delivered an official offer to buy all shares from the current shareholders of Superfos Inc., a Copenhagen-based industrial company with large U.S. road construction holdings.

Ashland has offered to pay $21 per share in cash, which is equivalent to a premium of 43 percent compared to Superfos' share price on July 13, the last trading day prior to a news release from Superfos that another company had notified Superfos of its intent to make a tender offer. Compared to Superfos' average share price for the three months ended July 13, Ashland's offer is equivalent to a 51 percent premium.

"Our offer to the shareholders is based on the long-term value creation opportunities we see in operating and further developing those Superfos activities that complement our current businesses," said Ashland Chairman and Chief Executive Officer Paul W. Chellgren. "Our primary interest is Superfos' U.S. road-building and asphalt paving activities, which are an excellent match with our APAC highway construction group, the largest highway contractor in the United States. Combining Superfos' U.S. road-building operations with APAC would result in stronger, more efficient operations."

Chellgren added that, as noted in the official tender offer, Superfos' packaging division does not fall within any of Ashland's six focus areas. Ashland will investigate the possibilities of having this division merged with or sold to a company who would be better positioned to grow the packaging business.

"Superfos' chemical and aerosol divisions might be included in our existing European specialty chemicals, distribution and Valvoline businesses, or sold to or merged with another company within these industries," Chellgren said. "We are primarily interested in the U.S. road construction business, which accounted for just over half of Superfos' 1998 revenue, according to its most recent annual report."

Based in Dothan, Alabama, Superfos' U.S. road construction operations have 80 production facilities in five American states: Alabama, Florida, Georgia, Kansas and Oklahoma.

Ashland's financial adviser is Carnegie Bank in Copenhagen. The tender offer ends September 20 and is subject to acceptance by shareholders representing more than 90 percent of the total share capital and other conditions.

Superfos operates in Denmark and internationally, employing about 5,000 people in 16 countries, with 85 percent of its activities based outside Denmark. Superfos has four business areas: construction, packaging, chemicals and aerosols.

Ashland Inc. (NYSE:ASH) is an international multi-industry company with four wholly owned businesses, which occupy leading positions within their respective markets in the United States or around the world. Ashland-owned APAC, Inc., is the largest highway contractor in America. Ashland Specialty Chemical is a leading worldwide producer of performance chemicals for a variety of industrial applications. Ashland Distribution is the largest distributor of chemicals, plastics and fiber reinforcements in North America and the largest pan-European plastics distributor. Valvoline is a leading U.S. motor oil marketer with a growing international presence. Ashland also has a 38-percent equity interest in Marathon Ashland Petroleum LLC, the fourth largest U.S. refiner, and a 58-percent equity interest in Arch Coal, Inc. (NYSE:ACI), America's No. 2 coal producer. More information is available on Ashland's internet website at http://www.ashland.com.