SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

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

Telephone Number: (859) 815-3333

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

At April 30, 2002, there were 69,385,711 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

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	2002	2001	2002	2001
REVENUES				
Sales and operating revenues	$ 1,598	$ 1,659	$ 3,410	$ 3,537
Equity income	9	102	61	223
Other income	18	17	37	31
	1,625	1,778	3,508	3,791
COSTS AND EXPENSES				
Cost of sales and operating expenses	1,290	1,365	2,755	2,911
Selling, general and administrative expenses	282	267	550	532
Depreciation, depletion and amortization	54	59	106	117
	1,626	1,691	3,411	3,560
OPERATING INCOME (LOSS)	(1)	87	97	231
Net interest and other financial costs	(34)	(43)	(70)	(89)

INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(35)	44	27	142
Income taxes	14	(18)	(10)	(57)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(21)	26	17	85
Results from discontinued operations (net of income taxes)	-	25	-	25
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(21)	51	17	110
Cumulative effect of accounting change (net of income taxes)	-	(5)	-	(5)
NET INCOME (LOSS)	$ (21)	$ 46	$ 17	$ 105
BASIC EARNINGS (LOSS) PER SHARE - Note A				
Income (loss) from continuing operations	$ (.31)	$ .37	$ .24	$ 1.22
Results from discontinued operations	-	.35	-	.35
Cumulative effect of accounting change	-	(.06)	-	(.07)
Net income (loss)	$ (.31)	$ .66	$ .24	$ 1.50
DILUTED EARNINGS (LOSS) PER SHARE - Note A				
Income (loss) from continuing operations	$ (.31)	$ .37	$ .24	$ 1.21
Results from discontinued operations	-	.35	-	.35
Cumulative effect of accounting change	-	(.06)	-	(.07)
Net income (loss)	$ (.31)	$ .66	$ .24	$ 1.49
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275	$ .55	$ .55

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	March 31 2002	September 30 2001	March 31 2001
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 156	$ 236	$ 77
Accounts receivable	1,010	1,219	1,084
Allowance for doubtful accounts	(38)	(34)	(29)
Inventories - Note A	475	495	503
Deferred income taxes	112	126	131
Other current assets	91	171	109
	1,806	2,213	1,875
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,328	2,387	2,307
Goodwill	530	528	530
Other noncurrent assets	388	377	387
	3,246	3,292	3,224
PROPERTY, PLANT AND EQUIPMENT			
Cost	3,063	3,030	2,941
Accumulated depreciation, depletion and amortization	(1,639)	(1,590)	(1,529)
	1,424	1,440	1,412
	$ 6,476	$ 6,945	$ 6,511
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 241	$ 85	$ 266
Trade and other payables	1,060	1,392	1,119
Income taxes	96	20	31
	1,397	1,497	1,416
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,625	1,786	1,889
Employee benefit obligations	448	412	375
Deferred income taxes	220	440	262
Reserves of captive insurance companies	183	173	185
Other long-term liabilities and deferred credits	388	411	369
Commitments and contingencies - Note D			
	2,864	3,222	3,080
COMMON STOCKHOLDERS' EQUITY	2,215	2,226	2,015
	$ 6,476	$ 6,945	$ 6,511

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, 2000	$ 70	$ 388	$ 1,579	$ (72)	$ 1,965
Total comprehensive income (1)			105	(16)	89
Cash dividends			(38)		(38)
Issued common stock under stock incentive plans		10			10
Repurchase of common stock		(11)			(11)
BALANCE AT MARCH 31, 2001	$ 70	$ 387	$ 1,646	$ (88)	$ 2,015
BALANCE AT OCTOBER 1, 2001	$ 69	$ 363	$ 1,920	$ (126)	$ 2,226
Total comprehensive income (1)			17	(7)	10
Cash dividends			(38)		(38)
Issued common stock under stock incentive plans	1	16			17
BALANCE AT MARCH 31, 2002	$ 70	$ 379	$ 1,899	$ (133)	$ 2,215

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

	Three months ended March 31		Six months ended March 31	
(In millions)	2002	2001	2002	2001
Net income (loss)	$ (21)	$ 46	$ 17	$ 105
Unrealized translation adjustments	(6)	(9)	(10)	(19)
Related tax benefit	1	1	3	3
Total comprehensive income (loss)	$ (26)	$ 38	$ 10	$ 89

At March 31, 2002, the accumulated other comprehensive loss of $133 million (after tax) was comprised of net unrealized translation losses of $90 million and a minimum pension liability of $43 million.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Six months ended March 31 2002	Six months ended March 31 2001
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	$ 17	$ 85
Expense (income) not affecting cash		
Depreciation, depletion and amortization	106	117
Deferred income taxes	(79)	23
Equity income from affiliates	(61)	(223)
Distributions from equity affiliates	119	212
Other items	-	1
Change in operating assets and liabilities (1)	(92)	(65)
	10	150
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	-	52
Proceeds from issuance of common stock	11	6
Repayment of long-term debt	(55)	(73)
Repurchase of common stock	-	(11)
Increase (decrease) in short-term debt	50	(50)
Dividends paid	(38)	(38)
	(32)	(114)
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(92)	(109)
Purchase of operations - net of cash acquired	(8)	(18)
Proceeds from sale of operations	-	8
Other - net	20	7
	(80)	(112)
CASH USED BY CONTINUING OPERATIONS	(102)	(76)
Cash provided by discontinued operations - Note B	22	86
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(80)	10
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	236	67
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 156	$ 77

(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 accounting principles generally accepted in the United States 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, 2001. Results of operations for the periods ended March 31, 2002, are not necessarily indicative of results to be expected for the year ending September 30, 2002.

INVENTORIES

(In millions)	March 31 2002	September 30 2001	March 31 2001
Chemicals and plastics	$ 339	$ 374	$ 373
Construction materials	84	74	83
Petroleum products	59	54	64
Other products	51	57	50
Supplies	5	6	7
Excess of replacement costs over LIFO carrying values	(63)	(70)	(74)
	$ 475	$ 495	$ 503

EARNINGS (LOSS) PER SHARE

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

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	2002	2001	2002	2001
NUMERATOR				
Numerator for basic and diluted EPS - Income (loss) from continuing operations	$ (21)	$ 26	$ 17	$ 85
DENOMINATOR				
Denominator for basic EPS - Weighted average common shares outstanding	69	70	69	70
Common shares issuable upon exercise of stock options	-	-	1	-
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	69	70	70	70
BASIC EPS FROM CONTINUING OPERATIONS	$ (.31)	$ .37	$ .24	$ 1.22
DILUTED EPS FROM CONTINUING OPERATIONS	$ (.31)	$ .37	$ .24	$ 1.21

ACCOUNTING CHANGE - FAS 142

In June 2001, the Financial Accounting Standards Board issued Statement No. 142 (FAS 142), "Goodwill and Other Intangible Assets." Under FAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTING CHANGE - FAS 142 (CONTINUED)

be amortized over their useful lives. As permitted, Ashland adopted the statement as of October 1, 2001, the beginning of its fiscal year.

Ashland has no recorded intangible assets that are not subject to amortization. Recorded intangible assets subject to amortization (included in other noncurrent assets) and the related amortization expense are not material to Ashland's consolidated financial position or results of operations, respectively.

Under FAS 142, companies are required to perform an initial impairment test of goodwill as of the date they adopt the Statement. The first step of that test compares the fair value of a reporting unit with its carrying amount to identify potential impairment. If the carrying value of a reporting unit exceeds its fair value, the second step of the test is then performed to measure the amount of any impairment. Ashland has completed the first step of its initial impairment test of goodwill as of October 1, 2001. As a result of that process, no potential impairments were identified, except with respect to goodwill of $14 million recognized by Ashland Distribution. The second step of the test related to the goodwill of Ashland Distribution will be completed by September 30, 2002, and the impairment loss (if any) will be recorded as a cumulative effect of accounting change as of the beginning of fiscal 2002.

The nonamortization of goodwill has increased Ashland's net income and earnings per share. Following are pro forma results assuming goodwill had not been amortized prior to October 1, 2001.

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	2002	2001	2002	2001
Reported net income (loss)	$ (21)	$ 46	$ 17	$ 105
Add back: Goodwill amortization	-	9	-	17
Adjusted net income (loss)	$ (21)	$ 55	$ 17	$ 122
Basic EPS - as reported	$ (.31)	$. 66	$ .24	$ 1.50
Add back: Goodwill amortization	-	.13	-	.26
Basic EPS - adjusted	$ (.31)	$ .79	$ .24	$ 1.76
Diluted EPS - as reported	$ (.31)	$ .66	$ .24	$ 1.49
Add back: Goodwill amortization	-	.12	-	.25
Diluted EPS - adjusted	$ (.31)	$ .78	$ .24	$ 1.74

Following is a progression of goodwill by segment for the six months ended March 31, 2002.

(In millions)	APAC	Ashland Distribution	Ashland Specialty Chemical	Valvoline	Total
Balance at October 1, 2001	$ 419	$ 14	$ 92	$ 3	$ 528
Acquisitions	-	-	1	2	3
Currency translation adjustments	-	-	(1)	-	(1)
Balance at March 31, 2002	$ 419	$ 14	$ 92	$ 5	$ 530

NOTE B - UNUSUAL ITEMS

DISCONTINUED OPERATIONS

In March 2000, Ashland distributed 17.4 million shares of its Arch Coal Common Stock to Ashland's shareholders. Ashland sold its remaining 4.7 million Arch Coal shares in February 2001 for $86 million (after underwriting commissions). Such sale resulted in a pretax gain on disposal of discontinued operations of $49 million ($33 million after provisions for current and deferred income taxes). In the December 2001 quarter, Ashland received $22 million in current tax benefits from capital loss carrybacks generated by the sale, which are included in "Cash provided by discontinued operations" on the Statements of Consolidated Cash Flows. Results for the quarter ended March 31, 2001, also included accruals of $13 million ($8 million after income taxes) for estimated costs associated with other operations previously discontinued.

ACCOUNTING CHANGE - FAS 133

In June 1998, the Financial Accounting Standards Board issued Statement No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities." FAS 133 was amended by two other statements and was required to be adopted in years beginning after June 15, 2000. Because of Ashland's minimal use of derivatives, FAS 133 did not have a significant effect on Ashland's financial position or results of operations when it was adopted on October 1, 2000. The adoption of FAS 133 by Marathon Ashland Petroleum LLC (MAP) on January 1, 2001, resulted in a $20 million pretax loss from the cumulative effect of this accounting change. Ashland's share of the pretax loss amounted to $8 million which, net of income tax benefits of $3 million, resulted in a loss of $5 million from the cumulative effect of this accounting change.

OTHER

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. A pretax charge of $29 million was recognized in the December 2001 quarter and reversed in the March 2002 quarter as a result of these adjustments. The following tables show the effect of these unusual items on Ashland's operating income, net income and diluted earnings per share.

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	2002	2001	2002	2001
Operating income (loss) before unusual items	$ (30)	$ 87	$ 97	$ 231
MAP inventory valuation adjustments	29	-	-	-
Operating income (loss) as reported	$ (1)	$ 87	$ 97	$ 231
Net income (loss) before unusual items	$ (39)	$ 26	$ 17	$ 85
MAP inventory valuation adjustments	18	-	-	-
Results of discontinued operations	-	25	-	25
Cumulative effect of accounting change	-	(5)	-	(5)
Net income (loss) as reported	$ (21)	$ 46	$ 17	$ 105
Diluted earnings (loss) per share before unusual items	$ (.56)	$ .37	$ .24	$ 1.21
Impact of unusual items	.25	.29	-	.28
Diluted earnings (loss) per share as reported	$ (.31)	$ .66	$ .24	$ 1.49

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NOTE C - UNCONSOLIDATED AFFILIATES

Ashland is required by Rule 3-09 of Regulation S-X to file separate financial statements for its significant unconsolidated affiliate, Marathon Ashland Petroleum LLC (MAP). Financial statements for MAP for the year ended December 31, 2001, were filed on a Form 10-K/A on March 14, 2002. 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, each parent is responsible for income taxes applicable to its share of MAP's taxable income. The net income reflected below for MAP does not include any provision for income taxes that will be incurred by its parents.

	Three months ended March 31		Six months ended March 31	
(In millions)	2002	2001	2002	2001
Sales and operating revenues	$ 5,306	$ 6,747	$ 11,048	$ 14,110
Income from operations	34	284	181	611
Income before cumulative effect of accounting change	32	283	176	613
Net income (loss)				
Including inventory valuation adjustments	32	263	176	593
Excluding inventory valuation adjustments	(45)	263	176	593
Ashland's equity income (loss)				
Including inventory valuation adjustments	8	101	58	220
Excluding inventory valuation adjustments	(21)	101	58	220

NOTE D - LITIGATION, CLAIMS AND CONTINGENCIES

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations. At March 31, 2002, such locations included 96 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 1,200 service station properties. Ashland's reserves for environmental remediation amounted to $167 million at March 31, 2002. Such amount reflects Ashland's estimate 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.

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

NOTE D - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

None of the remediation locations is individually material to Ashland as its largest reserve for any site is under $10 million. 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 the ongoing environmental remediation process. 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.

On May 13, 2002, Ashland entered into a plea agreement with the U.S. government regarding a May 16, 1997, sewer fire that injured five employees at the St. Paul Park, Minnesota, refinery now owned by MAP. As part of the resolution, Ashland entered guilty pleas to two federal misdemeanors and entered into a deferred prosecution agreement. Ashland also will pay a $3.5 million fine, pay approximately $3.5 million as restitution to the employees injured in the fire, and fund approximately $4 million in upgrades to the St. Paul Park refinery's process sewers, junction boxes and drains. As a result of the resolution, Ashland will record an after-tax charge of approximately $5 million in the June 2002 quarter. For additional information regarding this matter, see the "Legal Proceedings" section of this Form 10-Q.

In addition to the environmental matters described above, there are pending or threatened against Ashland and its current and former subsidiaries various claims, lawsuits and administrative proceedings. Such actions are with respect to commercial matters, product liability, toxic tort liability, numerous asbestos claims, 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 with assurance and could be material to results of operations in the period they are recognized. However, Ashland does not believe that any liability resulting from these actions and environmental remediation after taking into consideration expected recoveries from insurers, contributions by other responsible parties and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(In millions)	Three months ended March 31 2002	Three months ended March 31 2001	Six months ended March 31 2002	Six months ended March 31 2001
REVENUES				
Sales and operating revenues				
APAC	$ 424	$ 384	$ 1,105	$ 1,005
Ashland Distribution	621	726	1,205	1,457
Ashland Specialty Chemical	300	304	612	615
Valvoline	273	267	528	508
Intersegment sales				
Ashland Distribution	(5)	(7)	(9)	(14)
Ashland Specialty Chemical	(15)	(15)	(30)	(33)
Valvoline	-	-	(1)	(1)
	1,598	1,659	3,410	3,537
Equity income				
Ashland Specialty Chemical	1	1	2	3
Valvoline	-	-	1	-
Refining and Marketing	8	101	58	220
	9	102	61	223
Other income				
APAC	6	3	6	5
Ashland Distribution	3	2	12	4
Ashland Specialty Chemical	7	8	12	15
Valvoline	1	2	2	3
Refining and Marketing	-	-	2	-
Corporate	1	2	3	4
	18	17	37	31
	$ 1,625	$ 1,778	$ 3,508	$ 3,791
OPERATING INCOME (LOSS)				
APAC	$ (14)	$ (38)	$ 22	$ (25)
Ashland Distribution	(4)	14	5	24
Ashland Specialty Chemical	18	17	34	36
Valvoline	17	19	28	29
Refining and Marketing (1)	-	96	45	204
Corporate	(18)	(21)	(37)	(37)
	$ (1)	$ 87	$ 97	$ 231

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

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

	Three months ended March 31		Six months ended March 31	
	2002	2001	2002	2001
OPERATING INFORMATION				
APAC				
Construction backlog at March 31 (millions)			$ 1,658	$ 1,856
Hot-mix asphalt production (million tons)	4.6	4.1	13.9	12.6
Aggregate production (million tons)	5.9	5.5	13.8	11.4
Ready-mix concrete production (thousand cubic yards)	443	460	972	983
Ashland Distribution (1)				
Sales per shipping day (millions)	$ 10.0	$ 11.3	$ 9.7	$ 11.7
Gross profit as a percent of sales	15.9%	16.5%	16.2%	16.0%
Ashland Specialty Chemical (1)				
Sales per shipping day (millions)	$ 4.8	$ 4.8	$ 4.9	$ 4.9
Gross profit as a percent of sales	36.2%	34.0%	35.3%	34.0%
Valvoline lubricant sales (thousand barrels per day)	12.7	11.6	11.9	11.0
Refining and Marketing (2)				
Crude oil refined (thousand barrels per day)	891	870	908	863
Refined products sold (thousand barrels per day) (3)	1,228	1,253	1,273	1,281
Refining and wholesale marketing margin (per barrel) (4)	$ 0.68	$ 3.63	$ 1.74	$ 3.69
Speedway SuperAmerica (SSA) (5)				
Retail outlets at March 31			2,097	2,088
Gasoline and distillate sales (millions of gallons)	852	848	1,768	1,778
Gross margin - gasoline and distillates (per gallon)	$ .0827	$ .1068	$ .0989	$ .1128
Merchandise sales (millions)	$ 540	$ 488	$ 1,124	$ 1,006
Merchandise margin (as a percent of sales)	24.0%	23.3%	24.0%	23.6%

(1) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses, less depreciation and amortization relative to manufacturing assets.
(2) Amounts represent 100 percent of MAP's operations, in which Ashland owns a 38 percent interest.
(3) Total average daily volume of all refined product sales to MAP's wholesale, branded and retail (SSA) customers.
(4) Sales revenue less cost of refinery inputs, purchased products and manufacturing expenses, including depreciation.
(5) Periods prior to September 1, 2001, have been restated to exclude travel centers contributed to Pilot Travel Centers LLC.

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RESULTS OF OPERATIONS

CURRENT QUARTER - For the quarter ended March 31, 2002, Ashland recorded a net loss of $21 million, compared to net income of $46 million for the quarter ended March 31, 2001. Excluding unusual items described in Note B to the Condensed Consolidated Financial Statements, Ashland had a net loss of $39 million for the March 2002 quarter, compared to net income of $26 million for the March 2001 quarter. The decline was the result of very challenging conditions in petroleum products markets, as well as continued weakness in the U.S. economy. In addition, several of Ashland's wholly owned businesses are typically affected by seasonal dips in the March quarter, which limited their ability to offset the downturn in Refining and Marketing.

YEAR-TO-DATE - For the six months ended March 31, 2002, Ashland recorded net income of $17 million, compared to $105 million for the six months ended March 31, 2001. Excluding unusual items, net income amounted to $17 million in the 2002 period, compared to $85 million in the 2001 period. Operating income declined $134 million from the record level recorded in the 2001 period, primarily as a result of reduced margins for Refining and Marketing.

As described in Note A to the Condensed Consolidated Financial Statements, Ashland adopted FAS 142 effective October 1, 2001, which caused amortization of goodwill to cease. Goodwill amortization reduced operating income by $21 million and net income by $17 million for the six months ended March 31, 2001. The reductions in operating income by segment were $12 million for APAC, $1 million for Ashland Distribution, $2 million for Ashland Specialty Chemical, $1 million for Valvoline and $5 million for Refining and Marketing.

APAC

CURRENT QUARTER - APAC's construction operations recorded an operating loss of $14 million for the March 2002 quarter, compared to an operating loss of $38 million for the March 2001 quarter, which included a charge of $15 million to correct improper recognition of construction contract earnings at APAC's Manassas, Virginia, division. The improved results reflect more favorable weather conditions compared to last year's extremely cold, wet weather. Total profitability in APAC's asphalt plants and construction jobs increased from last year's levels, reflecting higher production volumes and lower costs for liquid asphalt, fuel and power. Net construction job revenue (total revenue less subcontract costs) increased 12% from the prior year period. Production of hot-mix asphalt increased 12%, while aggregate production increased 7%. In addition, nonamortization of goodwill increased APAC's operating income by $6 million, compared to the March 2001 quarter. The construction backlog at March 31, 2002, remained strong at $1.7 billion, though down 11% from the prior year, reflecting increased work during the winter period and less subcontract backlog. Implementation has begun in the following areas of APAC's business process redesign initiative (Project PASS): financial process standardization, strategic sourcing, equipment management and performance management. Costs of Project PASS amounted to $3 million in the March 2002 quarter.

YEAR-TO-DATE - For the six months ended March 31, 2002, APAC reported operating income of $22 million, compared to an operating loss of $25 million for the same period of 2001, which included the $15 million charge for the Manassas division described above. The improvement generally reflects the same factors described in the current quarter comparison. Net construction job revenue increased 5%, hot-mix asphalt production was up 10% and aggregate production was 21% higher. Nonamortization of goodwill increased operating income by $12 million compared to the prior year period, while costs of Project PASS were $4 million in the current year period.

ASHLAND DISTRIBUTION

CURRENT QUARTER - Ashland Distribution reported an operating loss of $4 million for the quarter ended March 31, 2002, compared to operating income of $14 million for the quarter ended March 31, 2001. The decline reflects continued economic weakness and issues related to the ongoing implementation of a new enterprise resource planning system. Of all of Ashland's businesses, Ashland Distribution is the most sensitive to industrial output, which remains soft in comparison to prior years. Sales revenues are down 14% reflecting decreased sales volumes.

YEAR-TO-DATE - For the six months ended March 31, 2002, Ashland Distribution reported operating income of $5 million, compared to $24 million for the same period of 2001. The decline reflects the same factors described in the current quarter comparison. The 2002 period results include income of $7 million from the settlement of a sorbate class action antitrust suit.

ASHLAND SPECIALTY CHEMICAL

CURRENT QUARTER - For the quarter ended March 31, 2002, Ashland Specialty Chemical reported operating income of $18 million, compared to $17 million for the March 2001 quarter. Results from five of Ashland's seven specialty chemical businesses improved reflecting better sales volumes and/or margins compared to last year. The largest improvement came in composite polymers, where operating income nearly doubled reflecting increased sales volumes resulting from the April 2001 acquisition of Neste Polyester, and improved margins attributed to lower raw material costs. However, those improvements were nearly offset by reduced earnings from electronic and marine chemicals. Results for electronic chemicals continue to reflect the worldwide slowdown in the semiconductor industry.

YEAR-TO-DATE - For the six months ended March 31, 2002, Ashland Specialty Chemical reported operating income of $34 million, compared to $36 million for the first six months of 2001. The same factors described in the current quarter comparison are responsible for the decline in the year-to-date results.

VALVOLINE

CURRENT QUARTER - For the quarter ended March 31, 2002, Valvoline reported operating income of $17 million, compared to $19 million for the March 2001 quarter. The decrease was due to minimal sales volumes of R-12 automotive refrigerant in the March 2002 quarter. As a result, Valvoline now expects gross profit from sales of R-12 to be in the range of $3 million to $4 million for fiscal 2002, compared to roughly $14 million in each of the last three years. The March 2002 quarter benefited from strong results from the core lubricants business, record performances by Valvoline Instant Oil Change and Eagle One appearance products, and across-the-board increases in international operations and automotive chemicals.

YEAR-TO-DATE - For the six months ended March 31, 2002, Valvoline reported operating income of $28 million, compared to $29 million for the same period of 2001. The same factors described in the current quarter comparison are responsible for the decline in the year-to-date results.

REFINING AND MARKETING

CURRENT QUARTER - Refining and Marketing, which consists primarily of equity income from Ashland's 38% ownership interest in Marathon Ashland Petroleum (MAP), reported an operating loss of $29 million for the quarter ended March 31, 2002, excluding $29 million in favorable inventory valuation adjustments described in Note B to the Condensed Consolidated Financial Statements. Operating income for the quarter ended March 31, 2001, amounted to $96 million. The loss for the current quarter reflects the first quarterly loss in the history of the MAP joint venture, which began operations on January 1, 1998. For much of the quarter, refining margins were severely compressed as crude oil costs increased more quickly than refined product prices. In addition, the differential between sweet and sour crude oil prices narrowed. Because MAP's refineries generally process a higher percentage of sour crudes, the narrow differential had an adverse impact on profits. As a result, MAP's refining and wholesale marketing margin decreased $2.95 per barrel, which was the primary factor in the $128 million decline in Ashland's equity income from MAP's refining and wholesale marketing operations.

YEAR-TO-DATE - Operating income from Refining and Marketing amounted to $45 million for the six months ended March 31, 2002, compared to $204 million for the six months ended March 31, 2001. Ashland's equity income from MAP's refining and wholesale marketing operations declined $165 million, reflecting a $1.95 per barrel reduction in MAP's refining and wholesale marketing margin.

CORPORATE

Corporate expenses amounted to $18 million in the quarter ended March 31, 2002, compared to $21 million for the quarter ended March 31, 2001. Corporate expenses on a year-to-date basis amounted to $37 million in both the 2002 and 2001 periods. The lower level of expenses in the quarterly comparison reflects decreased incentive and deferred compensation costs.

NET INTEREST AND OTHER FINANCIAL COSTS

For the quarter ended March 31, 2002, net interest and other financial costs totaled $34 million, compared to $43 million for the March 2001 quarter. For the year-to-date, net interest and other financial costs amounted to $70 million in the 2002 period, compared to $89 million in the 2001 period. Reflecting strong cash flows from operations in the second half of fiscal 2001, total debt outstanding at March 31, 2002, is down $289 million compared to March 31, 2001. In addition, interest rates on floating rate obligations have declined.

DISCONTINUED OPERATIONS

As described in Note B to the Condensed Consolidated Financial Statements, results for the March 2001 quarter included an after-tax gain of $33 million on the sale of Ashland's remaining shares in Arch Coal and an $8 million after-tax charge for estimated costs associated with other operations previously discontinued.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

As described in Note A to the Condensed Consolidated Financial Statements, in the March 2001 quarter Ashland recognized an after-tax loss of $5 million from MAP's adoption of FAS 133.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt of Baa2 from Moody's and BBB from Standard & Poor's. Ashland has two revolving credit agreements providing for up to $425 million in borrowings, neither of which has been used. Under a shelf registration, Ashland can also issue an additional $600 million in debt and equity securities should future opportunities or needs arise. Furthermore, Ashland has access to various uncommitted lines of credit and commercial paper markets. While the revolving credit agreements contain a covenant limiting new borrowings based on its stockholders' equity, Ashland could have increased its borrowings (including any borrowings under these agreements) by up to $1.5 billion at March 31, 2002. Additional permissible borrowings are increased (decreased) by 150% of any increases (decreases) in Ashland's stockholders' equity.

Cash flows from operations, a major source of Ashland's liquidity, amounted to $10 million for the six months ended March 31, 2002, compared to $150 million for the six months ended March 31, 2001. The decrease principally reflects decreased cash distributions from MAP ($119 million in 2002, compared to $210 million in 2001). In addition, the 2002 period included the negative effects of a $92 million increase in operating assets and liabilities versus a $65 million increase in the 2001 period. Ashland's capital requirements for net property additions and dividends exceeded cash flows from operations by $113 million for the six months ended March 31, 2002, and were funded with cash equivalents and short-term debt.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is a widely accepted financial indicator of a company's ability to incur and service debt. Ashland's EBITDA, which represents operating income plus depreciation, depletion and amortization (each excluding unusual items), amounted to $203 million for the six months ended March 31, 2002, compared to $348 million for the six months ended March 31, 2001. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations, or a measure of a company's profitability, liquidity or performance under generally accepted accounting principles.

At March 31, 2002, working capital (excluding debt due within one year) amounted to $650 million, compared to $801 million at September 30, 2001, and $725 million at March 31, 2001. 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 $63 million at March 31, 2002, $70 million at September 30, 2001, and $74 million at March 31, 2001. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 81% of current liabilities at March 31, 2002, compared to 95% at September 30, 2001, and 80% at March 31, 2001.

CAPITAL RESOURCES

For the six months ended March 31, 2002, property additions amounted to $92 million, compared to $109 million for the same period last year. Property additions and cash dividends for the remainder of fiscal 2002 are estimated at $164 million and $38 million. At March 31, 2002, Ashland had remaining authority to purchase 3.9 million shares of its common stock in the open market. The number of shares ultimately purchased and the prices Ashland will pay for its stock are subject to periodic review by management. Ashland anticipates meeting its remaining 2002 capital requirements for property additions, dividends and scheduled debt repayments of $30 million from internally generated funds. However, external financing may be necessary to provide funds for acquisitions or purchases of common stock.

At March 31, 2002, Ashland's debt level amounted to $1.9 billion, compared to $1.9 billion at September 30, 2001, and $2.2 billion at March 31, 2001. Debt as a percent of capital employed amounted to 46% at March 31, 2002, compared to 46% at September 30, 2001, and 52% at March 31, 2001. At March 31, 2002, Ashland's long-term debt included $141 million of floating-rate obligations, and the interest rates on an additional $153 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 $261 million of third-party debt underlying those transactions. As a result, Ashland was exposed to fluctuations in short-term interest rates on $555 million of debt obligations at March 31, 2002.

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 reserves, see Note D to the Condensed Consolidated Financial Statements.

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

Ashland does not believe that any liability resulting from environmental matters, after taking into consideration expected recoveries from insurers, contributions by other responsible parties and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. 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.

OUTLOOK

Looking ahead to the second half of fiscal 2002, MAP consistently has been a leader in adjusted profit per barrel of crude oil refined, and Ashland expects it to perform moderately well in the spring and summer months, although well below levels achieved in fiscal 2001. However, world crude oil markets remain extremely volatile, and refining margins are subject to significant, unpredictable swings. Valvoline continues to perform on target, and its operating income is expected to be comparable with or perhaps slightly below its strong performance during 2001. At APAC, operating income for the year is now expected to range between $120 million and $140 million. This estimate reflects costs associated with Project PASS. Improvements in Ashland's chemical businesses are tied to economic recovery. Looking at Ashland as a whole, the profit environment has been more challenging than originally anticipated, which will likely lead to earnings in fiscal 2002 that are significantly lower than the record earnings achieved in 2001.

CONVERSION TO THE EURO

Beginning January 1, 2002, certain member countries of the European Economic and Monetary Union began conducting all non-cash transactions in Euros and circulation of Euro notes and coins for cash transactions commenced. National notes and coins were no longer acceptable as legal tender generally after February 28, 2002. Ashland conducts business in most of the participating countries and successfully converted to the Euro without any material effect on its consolidated financial position, results of operations, cash flows or liquidity.

FORWARD LOOKING STATEMENTS

Management's Discussion and Analysis (MD&A) contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to various information in the Results of Operations, Capital Resources and Outlook sections of this MD&A. Estimates as to operating performance and earnings are based upon a number of assumptions, including those mentioned in MD&A. Such estimates are also based upon internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, weather, operating efficiencies and economic conditions, such as prices, supply and demand, and cost of raw materials. Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected in MD&A will be achieved. This forward-looking information may prove to be inaccurate and actual results may differ significantly from those anticipated if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized, or if other unexpected conditions or events occur. Other factors and risks affecting Ashland are contained in Risks and Uncertainties in Note A to the Consolidated Financial Statements in Ashland's 2001 Annual Report and in Ashland's Form 10-K, as amended for the fiscal year ended September 30, 2001. Ashland undertakes no obligation to subsequently update or revise these forward-looking statements.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ENVIRONMENTAL PROCEEDINGS - (1) As of March 31, 2002, Ashland has been identified as a "potentially responsible party" ("PRP") under Superfund or similar state laws for potential joint and several liability for clean-up costs in connection with alleged releases of hazardous substances associated with 96 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the EPA or a state agency, in which Ashland is typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site clean-up and administrative oversight, and/or long-term monitoring of environmental conditions at the sites. The ultimate costs are not predictable with assurance and could be material. However, based on its experience with site remediation, 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 does not believe that any liability at these sites, either individually or in the aggregate, will have a material adverse effect on Ashland's consolidated financial position, cash flows or liquidity. For additional information regarding environmental matters and reserves, see "Management's Discussion and Analysis - Environmental Matters" and Note D of Notes to Condensed Consolidated Financial Statements.

(2) On May 13, 2002, Ashland entered into a plea agreement with the United States Attorney's Office for the District of Minnesota and the Environmental Crimes Section of the United States Department of Justice regarding a May 16, 1997 sewer fire at the St. Paul Park, Minnesota refinery now owned by Marathon Ashland Petroleum LLC, a joint venture company of Marathon Oil Company and Ashland. As part of the plea agreement, Ashland entered guilty pleas to two federal misdemeanors, will pay a $3.5 million fine related to violations of the Clean Air Act, will pay approximately $3.5 million as restitution to the employees injured in the fire and will fund approximately $4.0 million in upgrades to the St. Paul Park refinery's process sewers, junction boxes and drains. In addition, as part of the plea agreement, Ashland entered into a deferred prosecution agreement with regard to a separate count charging it with violating Subpart QQQ of the New Source Performance Standards of the Clean Air Act. The deferred prosecution agreement provides that so long as Ashland satisfies the terms and conditions of the plea agreement, the United States will dismiss with prejudice that count.

OTHER PROCEEDINGS - In addition to the environmental matters described above, there are pending or threatened against Ashland and its current and former subsidiaries various claims, lawsuits and administrative proceedings. Such actions are with respect to commercial matters, product liability, toxic tort liability, numerous asbestos claims, 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 with assurance and could be material to results of operations in the period they are recognized. However, Ashland does not believe that any liability resulting from these actions after taking into consideration expected recoveries from insurers, contributions by other responsible parties and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

12 Ashland Inc. Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends

(b) REPORTS ON FORM 8-K

No reports on Form 8-K have been filed during the quarter ended March 31, 2002.

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: May 13, 2002

/s/ Kenneth L. Aulen

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

Date: May 13, 2002

/s/ David L. Hausrath

David L. Hausrath
Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
12	Ashland Inc. Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.

EXHIBIT 12

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

	Years Ended September 30					Six Months Ended March 31	
	1997	1998	1999	2000	2001	2001	2002
EARNINGS							
Income from continuing operations	$ 169	$ 178	$ 291	$ 292	$ 406	$ 85	$ 17
Income taxes	125	114	193	191	275	57	10
Interest expense	148	133	141	189	160	84	68
Interest portion of rental expense	48	40	35	39	41	19	18
Amortization of deferred debt expense	1	1	1	2	2	1	1
Undistributed earnings of unconsolidated affiliates	(6)	(62)	(11)	(112)	(90)	(11)	58
Earnings of significant affiliates*	7	-	-	-	-	-	-
	$ 492	$ 404	$ 650	$ 601	$ 794	$ 235	$ 172
FIXED CHARGES							
Interest expense	$ 148	$ 133	$ 141	$ 189	$ 160	$ 84	$ 68
Interest portion of rental expense	48	40	35	39	41	19	18
Amortization of deferred debt expense	1	1	1	2	2	1	1
Capitalized interest	1	-	-	-	-	-	-
Fixed charges of significant affiliates*	5	-	-	-	-	-	-
	$ 203	$ 174	$ 177	$ 230	$ 203	$ 104	$ 87
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS							
Preferred dividend requirements	$ 9	$ -	$ -	$ -	$ -	$ -	$ -
Ratio of pretax to net income**	1.74	-	-	-	-	-	-
Preferred dividends on a pretax basis	17	-	-	-	-	-	-
Fixed charges	203	174	177	230	203	104	87
	$ 220	$ 174	$ 177	$ 230	$ 203	$ 104	$ 87
RATIO OF EARNINGS TO FIXED CHARGES	2.42	2.32	3.67	2.61	3.91	2.26	1.99
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	2.24	2.32	3.67	2.61	3.91	2.26	1.99

* Significant affiliates are companies accounted for on the equity method that are 50% or greater owned or whose indebtedness has been directly or indirectly guaranteed by Ashland or its consolidated subsidiaries.

** Computed as income from continuing operations before income taxes divided by income from continuing operations, which adjusts dividends on preferred stock to a pretax basis.