SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

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

Telephone Number: (606) 329-3333

Securities Registered Pursuant to Section 12(b):

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange and Chicago Stock Exchange
Rights to Purchase Cumulative Preferred Stock, Series of 1987	New York Stock Exchange and Chicago Stock Exchange
$3.125 Cumulative Convertible Preferred Stock	New York Stock Exchange
6 3/4% Convertible Subordinated Debentures, due 2014	New York Stock Exchange

Securities Registered Pursuant to Section 12(g): None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

At October 31, 1995, based on the New York Stock Exchange closing price, the aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $1,618,029,653. In determining this amount, Ashland Inc. has assumed that directors, certain of its executive officers, and persons known to it to be the beneficial owners of more than five percent of its common stock are affiliates. Such assumption shall not be deemed conclusive for any other purpose.

At October 31, 1995, there were 63,741,478 shares of Registrant's common stock outstanding.

Documents Incorporated by Reference

Portions of Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1995 are incorporated by reference into Parts I and II.

Portions of Registrant's definitive Proxy Statement for its January 25, 1996 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Ashland Inc. is a Kentucky corporation, organized on October 22, 1936, with its principal executive offices located at 1000 Ashland Drive, Russell, Kentucky 41169 (Mailing Address: P.O. Box 391, Ashland, Kentucky 41114) (Telephone: (606) 329-3333). The terms "Ashland" and the "Company" as used herein include Ashland Inc. and its consolidated subsidiaries, except where the context indicates otherwise.

Ashland's businesses are grouped into seven industry segments: Petroleum, SuperAmerica, Valvoline, Chemical, APAC, Coal and Exploration. Financial information about these segments for the five fiscal years ended September 30, 1995 is set forth on Pages 58 and 59 of Ashland's Annual Report to Shareholders for the fiscal year ended September 30, 1995 ("Annual Report").

Ashland Petroleum is one of the nation's largest independent petroleum refiners and a leading supplier of petroleum products to the transportation and commercial fleet industries, other industrial customers and independent marketers, and to SuperAmerica for retail distribution. In addition, Ashland Petroleum gathers and transports crude oil and petroleum products and distributes petroleum products under the Ashland(R) brand name. SuperAmerica operates combination gasoline and merchandise stores under the SuperAmerica(R) and Rich(R) brand names. Valvoline is a marketer of branded, packaged motor oil and automotive chemicals, antifreeze, filters, rust preventives and coolants. In addition, Valvoline is engaged in the "fast oil change" business through outlets operating under the Valvoline Instant Oil Change(R) and Valvoline Rapid Oil Change(R) names.

Ashland Chemical distributes industrial chemicals, solvents, thermoplastics and resins, and fiberglass materials, and manufactures a wide variety of specialty chemicals and certain petrochemicals. APAC performs contract construction work including highway paving and repair, excavation and grading, and bridge and sewer construction, and produces asphaltic and ready-mix concrete, crushed stone and other aggregate, concrete block and certain specialized construction materials in the southern United States.

Ashland's coal operations are conducted by 54% owned, publicly traded Ashland Coal, Inc. ("Ashland Coal"), a producer of low-sulfur, bituminous coal in central Appalachia for sale to domestic and foreign electric utility and industrial customers. Ashland also holds a 50% interest in Arch Mineral Corporation ("Arch"), a producer of low sulfur coal and steam and metallurgical coal in Illinois, Kentucky, West Virginia and Wyoming. Ashland Exploration explores for, develops, produces and sells crude oil and natural gas principally in the eastern and Gulf Coast areas of the United States, explores for and produces crude oil in Nigeria for export and explores for oil and gas in other international areas.

At September 30, 1995, Ashland and its consolidated subsidiaries had approximately 32,800 employees (excluding contract employees).

CORPORATE DEVELOPMENTS

During fiscal 1995, Ashland filed a universal shelf registration statement with the Securities and Exchange Commission to allow for offerings from time to time of up to $600 million in debt and/or equity securities. Ashland has filed amendments to this shelf registration statement to allow for offerings from time to time of up to $200 million in medium-term notes and $100 million in shares of Ashland Common Stock. As of September 30, 1995, $46 million of the medium-term notes and $51.3 million of Ashland Common Stock (1,428,600 shares) had been issued.

Columbia Gas Transmission and Columbia Gas Systems (collectively "Columbia"), as part of their reorganization plans filed with the U.S. Bankruptcy Court in Delaware, included a proposed settlement agreement with certain gas producers, including Ashland, which resolved claims between Ashland and Columbia. The settlement agreement provided that Columbia would pay Ashland $78.5 million, of which 5% would be withheld to potentially satisfy claims of other non-settling gas producers. Ashland received its payment of $74,575,000 in November, 1995.

Effective September 30, 1995, Ashland adopted Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." As a result, Ashland recorded an after tax charge of $54 million to write down certain assets to their fair value. In addition, after tax charges of $25 million related to early retirement and restructuring programs were incurred, reflecting efforts by Ashland Petroleum and other divisions to reduce their costs and improve their competitive positions.

PETROLEUM

Ashland Petroleum, a division of Ashland, has responsibility for obtaining Ashland's crude oil requirements, operating Ashland's refineries and marketing the refined petroleum products, and transporting and storing crude oil and refined products.

CRUDE OIL SUPPLY

The crude oil processed in Ashland Petroleum's refineries is obtained from negotiated lease, contract and spot purchases or exchanges. During fiscal 1995, Ashland Petroleum's negotiated lease, contract and spot purchases of United States crude oil for refinery input averaged 110,185 barrels per day (1 barrel = 42 United States gallons), including 94,476 barrels per day which were acquired through Ashland's Scurlock Permian subsidiary. Purchases from Canada averaged 87,327 barrels per day during fiscal 1995, including 68,303 barrels per day acquired through Scurlock Permian's Canadian subsidiary. The balance of Ashland Petroleum's crude oil requirements during fiscal 1995 were met largely through purchases from various foreign national oil companies and producing companies. Purchases of foreign crude oil (including Canada) represented 68% of Ashland Petroleum's crude oil requirements during fiscal 1995 compared to 65% during fiscal 1994.

Ashland Petroleum's crude oil requirements in fiscal 1996 are expected to be met through contract and spot purchases from United States independent producers and from various foreign national oil companies and traders as worldwide availability and prices dictate. Ashland's share of Nigerian production will either be sold, traded or used to help satisfy part of Ashland Petroleum's fiscal 1996 crude oil requirements, depending upon world crude oil prices and other economic factors. For further information concerning Nigerian production, see "Exploration-International Operations."

In addition to providing crude oil for Ashland Petroleum's refineries, Scurlock Permian is actively engaged in purchasing, selling and trading crude oil, principally at Midland, Texas; Cushing, Oklahoma; and St. James, Louisiana, three of the major distribution points for United States crude oil.

REFINING AND MARKETING

Ashland Petroleum owns and operates three refineries located in its key markets with an aggregate refining capacity of 354,200 barrels of crude oil per day. The Catlettsburg, Kentucky refinery has a refining capacity of 219,300 barrels per day and the St. Paul Park, Minnesota and Canton, Ohio refineries have refining capacities of 69,000 barrels and 65,900 barrels per day, respectively. Ashland Petroleum's refineries are complex and include crude oil atmospheric and vacuum distillation, fluid catalytic cracking, catalytic reforming, desulfurization and sulfur recovery units. Each has the capability to process a wide variety of crude oils and to produce normal refinery products, including reformulated gasoline. In addition, the Catlettsburg refinery is equipped to manufacture lubricating oils and a wide range of petrochemicals.

Ashland Petroleum's principal marketing area for gasoline and fuel oils includes the Ohio River Valley, the upper Midwest, the upper Great Plains and the southeastern United States. In addition to gasoline and fuel oils, Ashland also manufactures and markets liquified petroleum gas, asphalt and asphaltic products, pitch, base lube stocks, kerosene, petrochemicals, jet fuels, and residual fuels.

Ashland Petroleum's production of gasoline, kerosene, and light fuel oils is sold in 21 states through wholesale channels of distribution (including company owned and exchange terminals and Ashland Branded bulk plants) and at retail through Ashland's retail outlets and Ashland(R) brand locations. Gasoline is sold at wholesale primarily to independent marketers, jobbers, and chain retailers who resell through several thousand retail outlets primarily under their own names, and also under the Ashland(R) brand name. Gasoline, kerosene, distillates, and aviation products are also sold to utilities, railroads, river towing companies, commercial fleet operators, aviation and airline companies, governmental agencies and other end users.

Ashland Petroleum also markets petroleum products under the Ashland(R) brand name through a network of 83 (72 owned and 11 leased) bulk plants located in 5 states. These plants maintain inventories of gasoline, distillate, kerosene, motor oils, greases and other related products. Ashland supplies 71 (60 owned and 11 leased) Ashland(R) brand lessee-dealers and 336 reseller outlets. In 1994, Ashland Petroleum announced a new program to modernize and upgrade Ashland Branded retail marketing. This program focuses on expanding the Ashland(R) brand through an independent jobber network. Several jobbers have committed to the new program, and Ashland Petroleum has sold or transferred company owned or leased bulk plants and stations to some of these jobbers. Retail outlets will be reimaged, including the use of the new Ashland(R) brand logo to improve customer recognition and use of Ashland(R) brand locations. Ashland Petroleum currently plans to continue expanding the Ashland(R) brand through jobbers, and company owned or leased bulk plants will be sold to jobbers in the process. It also plans to have approximately 225 units reimaged by calendar year-end 1995.

Sales of gasoline (excluding excise taxes) represented approximately 17%, 18% and 20% of Ashland's consolidated sales and operating revenues (excluding excise taxes) in fiscal years 1995, 1994 and 1993, respectively. Sales of crude oil represented approximately 7%, 8% and 10% of Ashland's consolidated sales and operating revenues (excluding excise taxes) in fiscal years 1995, 1994 and 1993, respectively.

Ashland Petroleum also produces and markets asphalt cements, polymerized asphalt, asphalt emulsions, and industrial asphalts in the United States. Ashland Petroleum markets asphalt products in 21 states. Additionally, Ashland Petroleum manufactures petroleum pitch, primarily used in the graphite electrode, clay target and refractory industries.

Ashland Petroleum produces residual fuels at its three refineries and markets and sells these products in nine states, primarily to industrial customers as boiler fuel.

The table below shows Ashland's refining operations for the last three fiscal years:

	Years Ended September 30		
	1995	1994	1993
Refinery Input (In thousands of barrels per day)	353.8	341.8	339.7
Refinery Production (In thousands of barrels per day)			
Gasoline	176.8	168.0	166.8
Distillates and Kerosene	92.5	90.6	88.6
Asphalt	31.5	29.3	27.4
Jet and Turbine Fuel	11.1	10.9	12.2
Heavy Fuel Oils	6.7	7.7	9.0
Lubricants	7.7	7.6	7.6
Other	16.8	16.8	17.0

The table below shows the average daily consolidated sales of petroleum products and crude oil by Ashland Petroleum, SuperAmerica, Valvoline and Exploration (excluding intercompany sales) for the last three fiscal years:

	Years Ended September 30		
	1995	1994	1993
Consolidated Product Sales (In thousands of barrels per day)			
Gasoline	193.7	181.9	182.1
Crude Oil	131.8	142.1	150.3
Distillates and Kerosene	102.8	97.0	93.0
Asphalt	36.8	34.3	31.4
Jet and Turbine Fuel	9.6	10.9	11.2
Heavy Fuel Oils	7.1	8.4	9.7
Lubricants	15.0	14.7	15.6
Other	28.3	23.3	21.3

TRANSPORTATION AND STORAGE

Ashland owns, leases, or has an ownership interest in 5,790 miles of pipeline in 13 states. This network transports crude oil and refined products to and from terminals, refineries and other pipelines. This includes 2,287 miles of crude oil gathering lines, 2,987 miles of crude oil trunk lines, 475 miles of refined product lines and 41 miles of natural gas liquid lines.

Ashland has an 18.6% ownership interest in LOOP INC. ("LOOP"), the only U.S. deep water port facility capable of receiving crude oil from very large crude carriers and which has a capacity to off-load 1,000,000 to 1,200,000 barrels per day. Ashland also has a 21.4% ownership interest in LOCAP INC. ("LOCAP") which has a capacity of 1,200,000 barrels per day and a 21.6% undivided ownership interest in the Capline Pipeline System which has a nominal capacity of 1,175,000 barrels per day. LOCAP owns a pipeline connecting LOOP and the Capline System that originates at St. James, Louisiana. These port and pipeline systems provide Ashland Petroleum with access to common carrier transportation from the Louisiana Gulf Coast to Patoka, Illinois. At Patoka, the Capline System connects with other common carrier pipelines owned or leased by Ashland which provide transportation to Ashland Petroleum's refineries in Kentucky and Ohio. For summarized financial statements and information with respect to advances and transportation payments made by Ashland to LOOP and LOCAP, see Notes D and G of Notes to Consolidated Financial Statements in Ashland's Annual Report.

In addition, Ashland owns a 33% stock interest in the Minnesota Pipe Line Company, which owns a crude oil pipeline in Minnesota. Minnesota Pipe Line Company provides Ashland Petroleum with access to 270,000 barrels per day of crude oil common carrier transportation from Clearbrook, Minnesota to Cottage Grove, Minnesota, which is in the vicinity of Ashland Petroleum's St. Paul Park, Minnesota refinery.

Ashland Petroleum's river transportation operations include 8 towboats (6 owned, 2 leased) and 165 barges that transport crude oil and refined products on the Ohio, Mississippi and Illinois rivers, their tributaries, and the Intracoastal Waterway. In 1995, Ashland entered into an agreement with Jeffboat, a division of American Commercial Marine Service Company, to construct 42 new double-skin inland river tank barges. These barges will replace current single-skin barges owned and operated by Ashland in order to comply with requirements of the Oil Pollution Act of 1990. See also "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

Ashland Petroleum leases on a long-term basis two 80,000 ton deadweight tankers which are normally used for third party delivery of foreign crude oil to the United States. Additional requirements are met by chartering tankers for individual voyages.

Ashland Petroleum leases rail cars in various sizes and capacities for movement of petroleum products and chemicals. Ashland Petroleum also owns a large number of tractor-trailers, additional trailers, and a large fleet of tank trucks and general service trucks.

Ashland Petroleum owns or has an interest in 35 terminal facilities from which it sells a wide range of petroleum products. These facilities are supplied by a combination of river barge, pipeline, truck and rail. Ashland Petroleum also owns or operates a number of other terminals that are used in connection with the transportation of petroleum products or crude oil.

OTHER MATTERS

For information on federal, state and local statutes and regulations relating to releases into the environment or protection of the environment, see "Miscellaneous-Governmental Regulation and Action-Environmental Protection." For information relating to certain environmental litigation, see "Legal Proceedings-Environmental Proceedings."

There are traditional seasonal variations in Ashland Petroleum's sales and operating results. The seasonality that Ashland Petroleum experiences is due primarily to increased demand for gasoline during the summer driving season, higher demand for distillate during the winter heating season, and increased demand for asphalt from the road paving industry during the last six months of Ashland's fiscal year. The refining industry experiences a similar seasonality. For Ashland's fiscal years 1993 to 1995, refining margins for Ashland Petroleum have averaged $3.79 per barrel for the six-month periods ended March 31 and $4.53 per barrel for the six-month periods ended September 30.

SUPERAMERICA

SuperAmerica Group, a division of Ashland, conducts retail petroleum marketing operations under the SuperAmerica(R) and Rich(R) names. See also "Petroleum-Refining and Marketing."

SuperAmerica(R) Stores - SuperAmerica operates 609 (507 owned and 102 leased) combination gasoline and merchandise stores in 11 states in the Ohio Valley and Upper Midwest under the SuperAmerica(R) name. These stores are designed for high volume sales. SuperAmerica stores offer consumers gasoline, diesel fuel at selected locations and a broad mix of other goods and services such as fresh-baked goods, automated teller machines, video rentals, automotive accessories and a line of private-label items. SuperAmerica is also adding to its one-stop shopping concept by partnering with fast food chains including Taco Bell, Subway, TCBY, Arby's and Blimpies. During fiscal 1995, 40% of the revenues of the SuperAmerica stores were derived from the sale of merchandise and 60% of such revenues were derived from the sale of gasoline and diesel fuel.

SuperAmerica operates warehouse distribution centers in Bloomington, Minnesota, and Ashland, Kentucky, that distribute certain merchandise to stores. SuperAmerica also operates a commissary in Russell, Kentucky, that produces fresh sandwiches, salads and other food products for distribution to stores in the Ohio Valley. A wholly-owned subsidiary of Ashland also operates a large bakery and commissary in St. Paul Park, Minnesota, under the name SuperMom's(R) Inc.

In addition to the 609 SuperAmerica stores, SuperAmerica has 28 jobber/franchisees who operate 40 stores in 3 states in the upper Midwest.

Rich(R) Oil - SuperAmerica also operates 95 (76 owned and 19 leased) retail gasoline outlets in Kentucky, Ohio and West Virginia under the Rich(R) Oil name. These outlets generate lower gasoline volumes than the average SuperAmerica store, primarily because the outlets are generally smaller and located in less-densely-populated areas.

VALVOLINE

The Valvoline Company, a division of Ashland, is a marketer of automotive and industrial oils, automotive chemicals, and automotive and environmental services, with sales in more than 140 countries. The Valvoline(R) trademark was federally registered in 1873 and is the oldest trademark for a lubricating oil in the United States. See also "Petroleum-Refining and Marketing." Valvoline has diversified its operations in recent years and is comprised of the following business units:

Valvoline U.S.A. - In 1995, Valvoline combined its Branded Sales and Car Care Products Groups to form Valvoline U.S.A. Prior to the change, Branded Sales was Valvoline's largest business unit, marketing Valvoline(R) brand lubricants to the U.S. consumer and commercial fleet markets. The Car Care Products Group was responsible for marketing the company's growing portfolio of automotive chemical products including Zerex(R) antifreeze, Pyroil(R) automotive refrigerants, and Pyroil(R) and private label automotive chemicals. The two groups were combined to improve sales, marketing, and production efficiencies as well as to better serve the company's network of U.S. distributors, retailers, and direct market customers.

During fiscal 1995, marketshare for Valvoline(R) brand motor oil increased; a new engine treatment product, TM8, was introduced; and advertising and marketing for Zerex(R) brand antifreeze, which was purchased from the BASF Corp. in 1994, was revamped. Although refrigerants containing chlorofluorocarbons are now phased out of production, Pyroil will continue to be a leading supplier of R-12 for air conditioning systems for older cars until its inventory of R-12 is depleted. At the same time, Pyroil is actively supporting an industry-wide transition to ozone-safe refrigerants.

Valvoline International - Valvoline through wholly-owned subsidiaries, markets Valvoline(R) branded products and TECTYL(R) rust preventives worldwide and operates company-owned affiliates in Australia, Canada, Denmark, Great Britain, the Netherlands, Sweden, Germany, Switzerland, Austria, France, Italy and Belgium. Licensees and distributors market products in other parts of Europe, Central and South America, the Far East, the Middle East and certain African countries. Packaging and blending plants and distribution centers in Australia, Canada, Denmark, Sweden, Great Britain, the Netherlands and the United States supply international customers. Through a joint venture with Western India Petroleum Ltd., Valvoline has announced plans to construct a blending and packaging plant in India before the end of the decade.

Valvoline Instant Oil Change(R) ("VIOC") - VIOC is one of the largest competitors in the expanding U.S. "fast oil change" service business, providing Valvoline with a significant share of the installed segment of the passenger car and light truck motor oil market. Incorporation of the Valvoline name and trademark in VIOC's name, store signage and advertising provides an ongoing Valvoline presence in the communities in which VIOC stores are located. As of September 30, 1995, 365 company-owned and 90 franchise service centers were operating in 14 and 18 states, respectively.

In 1995, VIOC introduced the "MVP" (maximum vehicle performance) program to maintain industry leadership in customer-service innovation. MVP is a computer-based program that maintains service records on all customer vehicles, system-wide. MVP also contains a database on all car makes and models which allows service recommendations based strictly on vehicle owner's manual recommendations.

Ecogard, Inc. - As of September 30, 1995, Ecogard, Inc., through its First Recovery division, was collecting used motor oil at an annual rate of 43 million gallons from a network of automotive aftermarket retailers and service businesses in 42 states. Completing Valvoline's "total fluid management" approach to customer service, First Recovery provides an environmental service to Valvoline U.S.A. customers, collecting used antifreeze and oil filters as well.

Lube Refinery Sales - Valvoline's Lube Refinery Sales division sells excess base stock production from the Catlettsburg, Kentucky lube refinery to other U.S. motor oil and industrial oil marketers as well as to fuel and lube additive companies in the United States. It also markets slack wax, a lube byproduct, through a network of resellers and to other refiners for further processing. The division is also engaged in private label blending and packaging for other North American refiners. See also "Petroleum-Refining and Marketing."

CHEMICAL

Ashland Chemical Company, a division of Ashland, is engaged in the manufacture, distribution and sale of a wide variety of chemical and plastic products. Ashland Chemical owns or leases 45 manufacturing facilities in 11 states and 16 foreign countries and owns or leases 94 distribution facilities in 33 states and 11 foreign countries. Ashland Chemical is comprised of the following operations:

DISTRIBUTION

Industrial Chemicals & Solvents Division ("IC&S") - IC&S markets chemical products and solvents to industrial chemical users in major markets through distribution centers in the United States, Canada and Puerto Rico. It distributes approximately 3,500 chemical products made by many of the nation's leading chemical manufacturers, a growing number of off-shore producers, plus petrochemicals from Ashland's refineries. It specializes in supplying mixed truckloads and less-than-truckload quantities to many industries including the paint and coatings, inks, adhesives, industrial and institutional compounding, automotive, appliance and paper industries. In addition, IC&S distributes cosmetic and pharmaceutical specialty chemicals and food-grade additives and ingredients. It also offers customers environmental services, working in cooperation with major chemical waste disposal, recycling and recovery companies.

FRP Supply Division - This division markets to customers in the reinforced plastics and cultured marble industries mixed truckload and less-than-truckload quantities of polyester resins, fiberglass and other specialty reinforcements, catalysts and allied products from more than 50 distribution locations throughout North America.

General Polymers Division - This division markets a broad range of thermoplastic injection molding and extrusion materials to processors in the plastics industry through distribution locations in the United States, Canada, Mexico and Puerto Rico. It also provides plastic material transfer and packaging services and less-than-truckload quantities of packaged thermoplastics. The basic resins business unit markets bulk thermoplastic resins to a variety of proprietary processors in North America.

Ashland Plastics Division - This division markets a broad range of thermoplastics to processors outside North America. Ashland Plastics has distribution centers located in Australia, Belgium, France, Italy, the Netherlands, Ireland, New Zealand, and the United Kingdom and exports to Latin America from the United States.

SPECIALTY CHEMICALS

Composite Polymers Division - This division manufactures and sells a broad range of chemical-resistant, fire-retardant and general-purpose grades of unsaturated polyester and vinyl ester resins for the reinforced plastics industry. Key markets include the automotive, construction and marine industries. It has manufacturing plants in Colton and Los Angeles, California; Bartow, Florida; Ashtabula, Ohio; Philadelphia and Neville Island, Pennsylvania and Jacksonville, Arkansas.

Specialty Polymers & Adhesives Division - This division manufactures and sells specialty phenolic resins for paper impregnation and friction material bonding; acrylic polymers for pressure sensitive adhesives; emulsion polymer isocyanate adhesives for structural wood bonding; polyurethane and epoxy structural adhesives for bonding fiberglass reinforced plastics, composites, thermoplastics and metals in automotive, recreational, and industrial applications; induction bonding systems for thermoplastic materials; elastomeric polymer adhesives and butyl rubber roofing tapes for commercial roofing applications; and vapor curing, high-performance urethane coatings systems. It has manufacturing plants in Calumet City, Illinois; Norwood, New Jersey; and Ashland, Ohio.

Drew Ameroid Marine Division - This division supplies specialty chemicals for water and fuel treatment and general maintenance as well as refrigeration services, sealing products, welding and refrigerant products and fire fighting and safety services to the world's merchant marine fleet. Drew Ameroid Marine currently provides shipboard technical service for more than 15,000 vessels from 140 locations serving 800 ports throughout the world.

Electronic Chemicals Division - This division manufactures and sells a variety of ultra high-purity chemicals for the worldwide semiconductor manufacturing industry through various manufacturing locations and also custom blends and packages high-purity liquid chemicals to customer specifications. It has manufacturing plants in Newark, California; Milan, Italy; Easton, Pennsylvania; and Dallas, Texas. In addition, it also enters into long-term agreements to provide complete chemical management services, including purchasing, warehousing and delivering chemicals for in-plant use, for major facilities of large consumers of high-purity chemicals.

Foundry Products Division - This division manufactures and sells foundry chemicals worldwide, including a complete line of foundry binders, core and mold coatings, sand additives, mold releases, core pastes, die lubes and other specialties. It has two domestic manufacturing plants located in Cleveland, Ohio and 18 foreign subsidiaries and affiliates manufacturing and/or marketing foundry and other chemicals. It also has a metals applications laboratory as part of the company's technical center, which is used for test castings and mold and core material testing.

Drew Industrial Division - This division supplies specialized chemicals and consulting services for the treatment of boiler water, cooling water, steam, fuel and waste streams. It also supplies process chemicals and technical services to the pulp and paper and mining industries and also supplies additives used in manufacturing latex and paints. It conducts operations throughout North America, Europe and the Far East through subsidiaries, joint venture companies and distributors. The division has manufacturing plants in Kansas City, Kansas; Kearny, New Jersey; Houston, Texas; Ajax, Ontario, Canada; and Singapore.

PETROCHEMICALS

This division markets aromatic hydrocarbons, principally cumene, toluene, xylene, and aromatic and aliphatic solvents and propylene manufactured at facilities located at the Catlettsburg, Kentucky refinery. It manufactures maleic anhydride at Neal, West Virginia and Neville Island, Pennsylvania and methanol near Plaquemine, Louisiana.

OTHER MATTERS

Melamine Chemicals, Inc. ("MCI") - Ashland owns 23% of the outstanding common stock of MCI, a public company (NASDAQ:MTWO). MCI produces melamine at its Donaldsonville, Louisiana plant and sells it to customers throughout the world. Melamine is a specialty chemical having numerous industrial and commercial applications.

For information relating to the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") and the Superfund Amendment and Reauthorization Act of 1986 ("SARA") (CERCLA and SARA hereinafter sometimes referred to collectively as "Superfund"), and the Resource Conservation and Recovery Act ("RCRA"), see "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

APAC

The APAC group of companies, which are located in 13 southern states, perform construction work such as paving, repair and resurfacing highways, streets, airports, residential and commercial developments, sidewalks, and driveways; grading and base work; and excavation and related activities in the construction of bridges and structures, sanitary sewers, drainage facilities and underground utilities. APAC also produces and sells construction materials such as asphaltic and ready-mix concrete, crushed stone and other aggregate, and in certain markets, concrete block and specialized construction materials, such as architectural block.

To deliver its services and products, APAC utilizes extensive aggregate-producing properties and construction equipment. It currently has 14 permanent operating quarry locations, 29 other aggregate production facilities, 30 ready-mix concrete plants, 143 hot-mix asphalt plants, and a fleet of over 8,500 mobile equipment units, including heavy construction equipment and transportation-related equipment.

Raw aggregate generally consists of sand, gravel, granite, limestone and sandstone. About 28% of the raw aggregate produced by APAC is used in the performance of APAC's own contract construction work and the production of various processed construction materials. The remainder is sold to third parties. APAC also purchases substantial quantities of raw aggregate from other producers whose proximity to the job site render it economically feasible. Most other raw materials, such as liquid asphalt, portland cement and reinforcing steel, are purchased from others. APAC is not dependent upon any one supplier or customer.

Approximately 60% of APAC's revenues are derived from highway and other public sector sources. The other 40% is derived from industrial and commercial customers and other private developers and contractors.

Climate and weather significantly affect revenues in the construction business. Due to its location, APAC tends to enjoy a relatively long construction season. Most of APAC's operating income is generated during the construction period of May to October.

Total backlog at September 30, 1995 was $672 million, compared to $554 million at September 30, 1994. The backlog orders at September 30, 1995 are considered firm, and a major portion is expected to be filled during fiscal 1996.

COAL

Ashland Coal, Inc. ("Ashland Coal") - Ashland owns approximately 54% of Ashland Coal, a public company (NYSE:ACI) which is engaged in the production, transportation, processing and marketing of bituminous coal produced in eastern Kentucky and southern West Virginia. Carboex International Ltd., a subsidiary of Sociedad Espanola De Carbon Exterior, S.A., a coal supply firm controlled by entities of the Government of Spain, owns approximately a 10% interest in Ashland Coal. The remaining 36% of Ashland Coal is owned by the public. The primary emphasis and direction of Ashland Coal is on the acquisition and development of low-sulfur steam coal reserves.

For its fiscal year ended December 31, 1994, Ashland Coal and its independent operating subsidiaries sold 20.2 million tons of coal, as compared to 16.0 and 19.1 million tons sold in 1993 and 1992, respectively. Of the total number of tons sold during fiscal 1994, approximately 62% was under long-term contracts, as compared to 57% for 1993 and 66% for 1992, with the balance being sold on the spot market. In fiscal 1994, Ashland Coal and its independent operating subsidiaries sold 1.7 million tons of coal in the export market, compared to 2.1 million tons in 1993 and 3.9 million tons in 1992. Approximately 54%, 61%, and 71% of total revenues for 1994, 1993, and 1992, respectively, were derived from long-term contracts. For the year ended December 31, 1994, Ashland Coal's independent operating subsidiaries produced approximately 19.2 million tons of coal, as compared to 14.2 and 16.7 million tons for 1993 and 1992, respectively. In addition, Ashland Coal purchased for resale approximately 1.3 million tons of coal during 1994 and approximately 1.6 and 2.0 million tons of coal during 1993 and 1992.

Ashland Coal's consolidated results for 1993 were significantly affected by a selective strike by the United Mine Workers of America ("UMWA") from May to December 1993 against the operations of two subsidiaries of Ashland Coal's Dal-Tex Coal Corporation subsidiary ("Dal-Tex") and the operations of Ashland Coal's Hobet Mining, Inc. subsidiary ("Hobet"). On December 14, 1993, UMWA members ratified the National Bituminous Coal Wage Agreement of 1993, and thereafter the UMWA miners returned to work at the Dal-Tex and Hobet operations.

For the nine months ended September 30, 1995, Ashland Coal and its independent operating subsidiaries sold 16.5 million tons of coal. Of the total number of tons sold during the nine months ended September 30, 1995, 61.2% was under long-term contracts. These sales accounted for approximately 63.2% of Ashland Coal's total revenues for the nine-month period. Of the 16.5 million tons sold during the nine-month period, 2.1 million tons were sold in the export market. For the nine months, Ashland Coal's independent operating subsidiaries produced approximately 15.7 million tons of coal and purchased approximately 1.0 million tons for resale.

Ashland Coal has announced that it anticipates 1996 earnings will be significantly adversely affected by the expiration at the end of 1995 of favorable sales contracts with Cincinnati Gas & Electric Company and by price reopeners under other supply contracts. In addition, Ashland Coal has announced that its Board of Directors has authorized the repurchase, from time to time, of up to one million shares of Ashland Coal's Common Stock.

The labor forces at Ashland Coal's Mingo Logan Coal Company subsidiary ("Mingo Logan") and Mingo Logan's Mountaineer Mining Company and Bearco divisions are not currently unionized. However, in a National Labor Relations Board ("NLRB") proceeding, Mingo Logan and certain other employers with whom Mingo Logan contracts for construction and mining services were determined to be joint employers by the Acting Regional Director for NLRB Region 9. As a consequence of this ruling, the bargaining unit at Mingo Logan's Mountaineer Mine for purposes of collective bargaining has been determined to be comprised of employees of Mingo Logan and its contractors, and these employees voted together on January 19, 1995, on the question of whether or not to be represented by the United Mine Workers of America. The result of this vote, which was required by the NLRB decision, is not yet known as the ballots have been sealed pending appeal of the initial determination concerning the appropriate bargaining unit. Mingo Logan has appealed the Acting Regional Director's decision to the NLRB and expects to prevail in its appeal. If Mingo Logan does prevail on appeal, the January 19, 1995 representation election results will be invalidated.

Substantially all of Ashland Coal's coal properties are in eastern Kentucky and southern West Virginia and are controlled by lease. Most of these leases run until the exhaustion of minable and merchantable coal. The remaining leases have primary terms ranging from one to 40 years, with many containing options to renew. Royalties paid to lessors are either on a fixed price per ton basis or on a percentage of the gross sales price basis.

As of December 31, 1994, Ashland Coal estimates that its subsidiaries controlled approximately 688 million tons of recoverable reserves in the proven and probable categories. Based upon limited information obtained from preliminary prospecting, drilling and coal seam analysis, Ashland Coal estimates that a substantial percentage of this coal has a sulfur content of 1% or less. Ashland has not made an independent verification of this information. The extent to which reserves will eventually be mined depends upon a variety of variables, including future economic conditions and governmental actions affecting both the mining and marketability of low-sulfur steam coal.

Arch Mineral Corporation ("Arch") - Ashland currently owns 50% of Arch and has the right to acquire an additional 1.25% of Arch pursuant to a Put and Call Agreement with an Arch shareholder. Through its wholly owned subsidiaries, Arch mines, processes, markets, and transports bituminous coal in the domestic and export steam and metallurgical markets and owns, controls and manages mineral-bearing properties throughout the United States. Arch has mines located in the Appalachian, Midwestern, and Western coal fields with access to rail, inland waterway and truck transportation networks, including several of its own transloading facilities. Arch also controls undeveloped reserves in the San Juan Basin of New Mexico, the Green River area in southwest Wyoming, southern Illinois, Indiana, southeast Kentucky, western Virginia and southern West Virginia.

For its fiscal year ended December 31, 1994, Arch sold 27.9 million tons of coal compared to sales of 17.6 million tons and 20.9 million tons in 1993 and 1992, respectively. In 1994, 73% of Arch's sales were from the production of its wholly owned independent operating subsidiaries, compared to 79% and 82% in 1993 and 1992, respectively. The remainder of the coal sold in each of these periods came from brokerage activities or from independent contractors operating on property controlled by Arch. Surface mines accounted for 52% of the production in 1994, as compared to 69% and 62% in 1993 and 1992, respectively. In each of these periods, the remainder of Arch's production came from its underground and auger mines. Sales under contracts with a duration of more than one year accounted for 69% of Arch's sales in 1994, compared with 78% and 86% in 1993 and 1992, respectively.

As of September 30, 1995, Arch had 28 coal supply contracts of one year or longer duration. In the nine-months ended September 30, 1995, Arch sold 19.8 million tons of coal, 74% of which was sold under contracts with a duration of more than one year. During this period, 77% of Arch's total sales came from the production of its subsidiaries, while the remaining coal sold came from brokerage activities or independent contractors operating on properties controlled by Arch. During this nine-month period, 58% of Arch's production was from its surface mines and the remainder was from its underground and auger mines.

As of December 31, 1994, Arch owned or controlled estimated recoverable coal reserves in the proven and probable categories of approximately 1.6 billion tons, based on an estimate prepared by Arch. A majority of these reserves have a sulfur content of less than 1.6 pounds of sulfur dioxide per million Btu and a substantial portion have a sulfur content of less than 1.2 pounds of sulfur dioxide per million Btu. Ashland has not made an independent verification of this information.

Apogee Coal Company ("Apogee"), an independent operating subsidiary of Arch, is a member of the Bituminous Coal Operators Association ("BCOA") and a signatory to a five year collective bargaining agreement with the UMWA that expires on August 1, 1998. This contract was ratified on December 14, 1993, after a 219-day strike against certain BCOA members, including Apogee. This strike significantly affected Apogee's performance in 1993. In the nine months ended September 30, 1995, Apogee's production represented approximately 50% of Arch's total sales. Two other independent subsidiaries of Arch are signatories to collective bargaining agreements with independent employees associations. Employees of the remainder of Arch's operating subsidiaries are not represented by labor unions.

During 1995, Arch sold substantially all of the assets associated with its mining supply business and its timber rights on certain of its Appalachian properties, and acquired 32.7 million tons of additional reserves.

Other Matters - Ashland Coal and Arch are subject to environmental regulations, including the Surface Mining Control and Reclamation Act of 1977, the Clean Water Act, RCRA and the Clean Air Act, as well as related federal environmental regulations and similar state enactments. In addition, the Federal Mine Safety and Health Act of 1977 ("MSHA") imposes health and safety standards on all mining operations. Regulations under MSHA are comprehensive and affect numerous aspects of mining operations, including the training of mine personnel, mining procedures, blasting and the equipment used in mining operations. These laws, regulations and requirements are not expected to have a material adverse impact on Ashland Coal's or Arch's competitive position.

Ashland Coal and Arch are subject to the provisions of the Coal Industry Retiree Health Benefit Act of 1992. This legislation provides for the funding of medical and death benefits for certain retired members of the UMWA through premiums to be paid by assigned operators, transfers from an overfunded pension trust established for the benefit of retired UMWA members, and transfers from the Abandoned Mine Lands Fund, which is funded by a federal tax on coal production.

For information relating to acid rain legislation, see "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

EXPLORATION

Ashland's oil and gas exploration and production activities are conducted through wholly owned subsidiaries of Ashland (collectively referred to as "Ashland Exploration"). Ashland Exploration is currently engaged in the exploration for and production of crude oil and natural gas in the United States and in the exploration for and production of crude oil in Nigeria. Exploration activity is also ongoing in Australia.

For information regarding Ashland Exploration's estimated oil and gas reserves and other financial data, see Supplemental Oil and Gas Information on Pages 60 and 61 in Ashland's Annual Report. Since October 1, 1994, no estimates of Ashland Exploration's total proved net oil or gas reserves have been filed or included in reports to any federal authority or agency other than the SEC.

DOMESTIC OPERATIONS

Ashland Exploration has concentrated its domestic drilling and production efforts in two core areas: the Appalachian Basin and the Gulf Coast. In addition, minor royalty interests are located primarily in the Southwest and Midcontinent regions of the United States.

In the Appalachian Basin, Ashland Exploration's activities consist primarily of shallow gas development drilling on leaseholds totaling approximately 917,000 acres in eastern Kentucky, Virginia and West Virginia. In fiscal 1995, it completed 86 net gas wells, excluding 5 net wells which were being drilled at year-end.

Ashland Exploration's exploratory efforts are concentrated along the Gulf Coast. In fiscal 1995, Ashland Exploration participated in drilling 16 gross exploratory prospects. Ashland Exploration's exploratory leasehold position in the Gulf of Mexico has risen to 164,000 net acres.

During fiscal 1995, Ashland Exploration's domestic production averaged 609 net barrels of oil per day and 103 million net cubic feet of natural gas per day. The average price received during fiscal 1995 was $15.96 per barrel of oil and $1.89 per thousand cubic feet (MCF) of gas.

Ashland Exploration owned a working interest in 4,269 gross (3,870 net) domestic producing wells at September 30, 1995.

INTERNATIONAL OPERATIONS

Ashland Exploration's oil production in Nigeria during fiscal 1995 was 18,800 barrels per day from 103,000 acres onshore ("OPL 118") and 74,000 acres offshore ("OPL 98") held under a production-sharing contract ("PSC") with the Nigerian National Petroleum Corporation ("NNPC"), the Nigerian state-owned petroleum company. Ashland Exploration has satisfied the financial commitment required in the revised PSC by the drilling of three exploratory wells during fiscal 1995. The first exploratory well came on production in June 1995 at a rate of 2,000 barrels of oil per day. The second well tested 2,500 barrels of oil per day and is currently being evaluated. The third well was economically unsuccessful. Ashland Exploration plans to drill two additional appraisal wells on OPL 98 during fiscal 1996.

Other exploratory efforts in Nigeria will be carried out on two additional offshore blocks ("OPL's 90/225") comprising a contract area of approximately 580,000 gross acres under another production-sharing contract with NNPC. Ashland Exploration holds a 50% interest in these blocks. The first exploratory well drilled in 1994 was successful. A second exploratory well drilled in fiscal 1995 was economically unsuccessful. Data from a 1995 seismic program is being evaluated currently. Ashland Exploration plans to drill an appraisal well to the 1994 discovery and another exploratory well on OPL's 90/225 in fiscal 1996.

In Australia, Ashland Exploration owns a 50% interest in one exploration permit consisting of 335,000 gross acres and a 25% interest in another exploration permit consisting of 590,000 gross acres, both of which are located offshore western Australia. One unsuccessful exploratory well was drilled in Australia in fiscal 1995.

Ashland Exploration's international operations are necessarily subject to factors beyond its control. Foreign operations may also be affected by laws and policies of the United States relating to foreign trade, investment, and taxation.

OPERATING STATISTICS

ACREAGE AND WELLS

The following table sets forth the gross and net productive wells and acreage at September 30, 1995:

	Gross	Net
Productive wells - Gas		
United States	4,269	3,870
Productive wells - Oil		
United States	49	29
Nigeria	36	36
Total*	4,354	3,935

	Developed Acreage		Undeveloped Acreage	
Acreage (in thousands)	Gross	Net	Gross	Net
United States	1,287	954	751	422
Nigeria	177	177	580	290
Australia			925	315
Total	1,464	1,131	2,256	1,027

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* These wells include 342 gross wells (330 domestic and 12 international) and 293 net wells (281 domestic and 12 international) which have multiple completions.

The following table summarizes the exploration and production activities for the last three fiscal years:

	Years Ended September 30		
	1995	1994	1993
Net Natural Gas Production (MMCF per day)			
United States	102.9	94.3	99.3
Net Crude Oil Production (average barrels per day)			
United States	609	822	1,001
Nigeria (1)	18,791	18,707	21,660
Total	19,400	19,529	22,661
Average Sales Prices - Natural Gas (per MCF)			
United States	$ 1.89	$2.42	$2.45
Average Sales Prices - Crude Oil (per barrel)			
United States	$15.96	$14.29	$17.54
Nigeria	16.17	15.01	17.77
Average Production Product Cost (per equivalent barrel) (2)			
United States	$4.09	$3.87	$3.84
Nigeria	9.17	7.69	7.27
Net Exploratory Wells Drilled - United States			
Net Productive Wells	2	2	1
Net Dry Wells	5	4	2
Total	7	6	3
Net Exploratory Wells Drilled - International			
Net Productive Wells	1	1	0
Net Dry Wells	2	1	0
Total	3	2	0
Net Development Wells Drilled			
Net Productive Wells			
United States	88	59	84
International	0	0	0
Total	88	59	84
Net Dry Wells			
United States	0	1	1
International	0	0	0
Total	0	1	1

[FN]

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(1)Net production for Nigeria is before royalty.

(2)Equivalent barrels computed on a six MCF to one barrel ratio.

OTHER BUSINESS

AECOM Technology Corporation ("AECOM"), which is 19% owned by Ashland, provides a wide array of design, engineering, architectural, planning, operations and maintenance, construction and construction management, development, environmental and other technical and professional services to industrial, commercial and government clients. AECOM is headquartered in Los Angeles, California, and performs services through offices located throughout the world. Under an agreement between AECOM and Ashland, AECOM will be repurchasing all of Ashland's equity interest in AECOM with the repurchase scheduled to be completed in stages through 1998.

Ashland, through a special purpose subsidiary, Ashland Ethanol, Inc. ("AEI"), has a 50% interest in a partnership that owns an ethanol plant located in South Point, Ohio. The partnership is comprised of AEI and subsidiaries of Ohio Farm Bureau Federation, Inc., Publicker Industries Inc. and UGI Corporation. The plant began operation in September 1982 but discontinued operations due to low margins in August 1995. Because of concerns about the venture's long-term viability, Ashland wrote off its investment in AEI in fiscal 1986. The partnership is in default under a loan with the Farmers Home Administration with a balance due of approximately $14.7 million plus interest and has an unpaid balance of $24.5 million under a Department of Energy cooperative agreement.

MISCELLANEOUS

GOVERNMENTAL REGULATION AND ACTION

Ashland's operations are affected by political developments and laws and regulations, such as restrictions on production, restrictions on imports and exports, the maintenance of specified reserves, price controls, tax increases and retroactive tax claims, expropriation of property, cancellation of contract rights, environmental protection controls and laws pertaining to workers' health and safety. As discussed in part below, a number of bills have been enacted or proposed by the United States Congress and various state governments which have or could have a significant impact on Ashland.

General - As a refiner, Ashland is substantially affected by changes in world crude oil prices. Many world and regional events can have substantial effects on world crude oil prices and can increase volatility in world markets. Ashland expects to be able to acquire adequate supplies of crude oil at competitive prices. However, Ashland cannot predict whether foreign and United States petroleum product price levels will permit its refineries to operate on a profitable basis. Neither can it predict the effect on its operations and financial condition from possible changes in the Organization of Petroleum Exporting Countries ("OPEC") policies or in actions by the President of the United States and the Congress, from changes in taxes and federal regulation of the oil and gas business in the United States, or from other developments that cannot be foreseen.

The stability of Ashland's crude oil supply from foreign sources is subject to factors beyond its control, such as military conflict between oil-producing countries, the possibility of nationalization of assets, embargoes of the type imposed by OPEC in 1973, internal instability in one or more oil-producing countries, and rapid increases in crude oil prices. Although Ashland will continue, for economic reasons, to rely upon foreign crude oil sources for a substantial portion of its crude oil supply, the extent of operation in the domestic crude oil market afforded by Scurlock Permian Corporation assists in offsetting the adverse effects frequently associated with market volatility. See "Petroleum-Crude Oil Supply" for Ashland's crude oil processing requirements.

Imported crude oil is subject at present to payment of duty, which is 10.5(cent) per barrel for crudes over 25(degree) API gravity (2.1(cent) per barrel for Canadian imports) and 5.25(cent) per barrel for crudes below 25(degree) API gravity (1.05(cent) per barrel for Canadian imports). Imported crude oil is also subject to a customs users fee of .17% of the value of the crude oil. For information with respect to tax assessments on crude oil, see also "Environmental Protection."

Retail marketing "divorcement" legislation and wholesale and retail pricing regulations have been adopted in some states. They are proposed from time to time in other states and at the federal level. If such legislation were adopted at the federal level or in the states where SuperAmerica sells petroleum products, it could have a substantial adverse impact.

Environmental Protection - Federal, state and local statutes and regulations relating to the protection of the environment have a significant impact on the conduct of Ashland's businesses. Ashland's capital and operating expenditures for air, water and solid waste control facilities are summarized below.

	Years Ended September 30		
(In millions)	1995	1994	1993
Capital expenditures	$ 44	$ 63	$137
Operating expenditures	151	140	148

At September 30, 1995, Ashland's reserves for environmental assessments and remediation efforts were $174 million, reflecting Ashland's most likely estimates of the costs which will be incurred over an extended period to remediate identified environmental conditions for which costs are reasonably estimable.

Based on current environmental regulations, Ashland estimates capital expenditures for air, water and solid waste control facilities to be $50 million in 1996. Expenditures for investigatory and remedial efforts in future years are subject to the uncertainties associated with environmental exposures, including identification of new environmental sites and changes in laws and regulations and their application. Such expenditures, however, are not expected to have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity, but could have a material adverse effect on results of operations in a particular quarter or fiscal year. Ashland does not believe the nature and significance of its costs will vary significantly from those of its competitors in the petroleum, chemical and mining industries.

The United States Environmental Protection Agency ("USEPA") and the states have adopted regulations and laws concerning underground storage tanks covering, among other things, registration of tanks, release detection, corrosion protection, response to releases, closure of, and financial responsibility for, underground storage tank systems.

Superfund provides for the establishment of a fund to be used for a waste clean-up program administered by the USEPA. The law provides for five separate taxes: (i) a petroleum tax on domestic crude oil and on imported crude oil equalized at 9.7(cent) per barrel plus a 5(cent) per barrel oil spill tax, as more fully described below, (ii) a chemical feedstock tax, (iii) a tax on imported chemical derivatives, and (iv) an "environmental tax" based on corporate alternative minimum taxable income. Ashland paid approximately $19 million in Superfund taxes during fiscal 1995. Superfund, which provides for cleanup of certain hazardous waste sites, is undergoing consideration for significant amendments, including a reevaluation of the liability allocation provisions and improved cleanup remedy selection, both of which should make Superfund more cost effective. However, it is uncertain at this time exactly what the revisions will be, or if they will in fact be adopted.

Effective October 1, 1993, the USEPA reduced by 90 percent, from 0.5 to 0.05 percent by weight, the allowable sulfur level in diesel fuel used on highways. The USEPA's action was designed to provide cleaner fuel that will permit reduced particulate emissions from truck engines. Ashland is currently producing ultra-low-sulfur diesel fuel for on-highway use.

The Oil Pollution Act of 1990 ("OPA 90") established a $1 billion trust fund to cover cleanup-related costs of oil spills after the responsible party's liability limits have been reached, or where the responsible party is otherwise unidentifiable or unable to pay. The trust fund is financed, when depleted below specified levels, through an excise tax of 5(cent) per barrel on domestic crude oil and imported petroleum oil products (pursuant to Superfund). OPA 90 subjects spillers to strict liability for removal costs and damages (including natural resource damages) resulting from oil spills, and requires the preparation and implementation of spill-response plans at designated vessels and facilities. Additionally, OPA 90 requires that new tank vessels entering or operating in domestic waters be equipped with double hulls, and that existing tank vessels without double hulls be retrofitted or removed from domestic service according to a phase-out schedule.

On July 1, 1994, the United States Coast Guard issued interim final regulations dealing with financial responsibility for water pollution under OPA 90 and CERCLA. The regulations require self-propelled tank vessel owners and operators to maintain evidence of financial responsibility, effective December 28, 1994, sufficient to meet their potential liability defined under OPA 90 and CERCLA for spills of oil or hazardous substances. The Director, Coast Guard National Pollution Funds Center has granted permission to Ashland to self-insure the financial responsibility amount for liability purposes for Ashland's ocean tankers as provided in OPA 90.

The Federal Clean Air Act required the refining industry to market cleaner-burning, reformulated gasoline ("RFG") beginning January 1, 1995, in nine specified metropolitan areas across the country. Ashland does not directly supply gasoline in any of the nine metropolitan areas. However, several urban locations within Ashland's marketing area have opted into the RFG program and Ashland has been able to meet expected demand for RFG in its marketing area. The Clean Air Act also required the refining industry to supply 39 carbon monoxide (CO) non-attainment areas with gasoline containing 2.7 weight percent oxygen for four winter months each year. Upon being re-designated CO attainment, several of these areas are seeking to opt-out of the oxygenated gasoline requirements. Ashland believes it will have a continuing need to directly supply this fuel only at St. Paul Park, Minnesota, whose primary market is a CO non-attainment area.

The Clean Air Act also contains acid rain provisions which require substantial reductions in sulfur dioxide emissions by power plants in the United States. Both Ashland Coal and Arch have significant low-sulfur coal reserves.

RCRA, which requires "cradle to grave" management of hazardous waste, is slated to be reauthorized by Congress, although timing of such reauthorization is uncertain. Reauthorization issues may include an expansion of hazardous waste program coverage, recycling, used oil, and solid waste management. These same issues may be addressed in additional USEPA rulemakings unrelated to reauthorization efforts. It is anticipated that both the reauthorization and other future rulemakings will result in increased environmental compliance costs, but the amount of such increase is uncertain at this time.

RESEARCH

Ashland conducts a program of research and development directed toward the invention and improvement of products and processes and also toward the improvement of environmental controls for its existing facilities. It maintains its primary research facilities in Catlettsburg, Kentucky, and Dublin, Ohio. Research and development costs are expensed as incurred ($24 million in 1995, $23 million in 1994 and $21 million in 1993).

COMPETITION

In all of its operations, Ashland is subject to intense competition both from companies in the respective industries in which it operates and from products of companies in other industries. In all of these segments, competition is based primarily on price, with factors such as reliability of supply, service and quality being considered. Ashland Petroleum competes primarily with other domestic refiners and, to a lesser extent, with imported products. However, Ashland Petroleum typically enjoys a geographic advantage for products in its primary marketing areas. While some integrated competitors have sources of controlled crude production, few competitors in Ashland Petroleum's market areas are significantly crude self-sufficient. SuperAmerica competes with major oil companies, independent oil companies and independent marketers. Virtually all of SuperAmerica's refined products are supplied by Ashland Petroleum. SuperAmerica strives to maintain one of the lowest net operating cost structures in the industry and enjoys gasoline and merchandise sales per store exceeding the convenience store industry average based on the 1995 National Association of Convenience Store State of the Industry Survey.

Valvoline competes primarily with domestic oil companies and, to a lesser extent, with international oil companies on a worldwide basis. Valvoline's brand recognition and increasing market share in the "fast oil change" market are important competitive factors. Ashland Chemical competes in a number of chemical distribution, specialty chemical and petrochemical markets. Its chemicals and solvents distribution businesses compete with national, regional and local companies throughout North America. Its plastics distribution businesses compete worldwide. Ashland Chemical's specialty chemicals businesses compete globally in selected niche markets and compete largely on the basis of technology and service while holding proprietary technology in virtually all their specialty chemicals businesses. Petrochemicals are largely commodities, with pricing and quality being the most important factors. The majority of the business for which APAC competes is obtained by competitive bidding. An important competitive factor in Ashland Exploration's domestic production activity is the ability of its exploration staff to identify potential natural gas prospects, obtain exploration rights and formulate and complete plans for the development of properties. Similarly, competitive factors that are important for Ashland Exploration's international production include its experience in identifying prospects and developing and operating properties. The coal industry is highly competitive, and Ashland Coal and Arch compete (principally in price, location and quality of coal) with a large number of other coal producers, some of which are substantially larger and have greater financial resources and larger reserve bases than Ashland Coal and Arch.

ITEM 2. PROPERTIES

Ashland's corporate headquarters, which is leased, and the principal offices of Ashland Petroleum, which are owned, are located in Russell, Kentucky. Principal offices of other segments are located in Lexington, Kentucky (SuperAmerica and Valvoline); Dublin, Ohio (Chemical); Atlanta, Georgia (APAC); Huntington, West Virginia (Ashland Coal) and Houston, Texas (Exploration), all of which are leased. Ashland's principal manufacturing, marketing and other materially important physical properties are described under the appropriate segment under Item 1. See also the statistical data included under "Exploration" and "Coal" in Item 1 and Supplemental Oil and Gas Information on Pages 60 and 61 in Ashland's Annual Report. Additional information concerning certain leases may be found in Note G of Notes to Consolidated Financial Statements in Ashland's Annual Report. Such information is incorporated in this Item by reference.

ITEM 3. LEGAL PROCEEDINGS

Environmental Proceedings -(1) As of September 30, 1995, Ashland was subject to 85 notices received from the USEPA identifying Ashland as a "potentially responsible party" ("PRP") under Superfund for potential joint and several liability for cleanup costs in connection with alleged releases of hazardous substances from various waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the USEPA in accordance with procedures established under Superfund regulations, in which Ashland may be participating as a member of various PRP groups. Generally, the type of relief sought by the USEPA includes remediation of contaminated soil and/or groundwater, reimbursement for the costs of site cleanup or oversight expended by the USEPA, and/or long-term monitoring of environmental conditions at the sites. Ashland also receives notices from state environmental agencies pursuant to similar state legislation. Ashland carefully monitors the investigatory and remedial activity at many of these sites. Based on its experience with site remediation, its familiarity with current environmental laws and regulations, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland believes that its liability at these sites, either individually or in the aggregate, after taking into account established reserves, will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity but could have a material adverse effect on results of operations in a particular quarter or fiscal year. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. For additional information regarding Superfund, see "Miscellaneous-Governmental Regulation and Action-Environmental Protection."

(2) In connection with a demand for penalties, Ashland has received a draft Stipulation Agreement from the Minnesota Pollution Control Agency relating to various alleged environmental regulatory violations regarding hazardous waste and water quality and spill matters at Ashland's St. Paul Park refinery. Ashland is having discussions with the Minnesota Pollution Control Agency toward finalization of the Stipulation Agreement.

(3) On or about April 21, 1995, Ashland received an Administrative Complaint and a Notice of Proposed Assessment of Administrative Civil Penalty from the USEPA - Region IV. The Complaint alleges that Ashland missed its April 1, 1994 interim construction deadline and maintained insufficient records regarding construction of a waste sewer system at its Catlettsburg, Kentucky refinery. The USEPA is seeking an administrative civil penalty of $162,500 for these alleged violations. Ashland filed an Answer and has requested an administrative hearing on the merits of the complaint.

(4) Ashland has brought an administrative proceeding against the Kentucky Division of Air Quality ("KDAQ") challenging the denial by KDAQ of certain regulatory relief from emission standards for seven malfunctions at its Catlettsburg, Kentucky refinery. In the proceeding, KDAQ has asserted a counterclaim for penalties for the malfunctions.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders through the solicitation of proxies or otherwise, during the quarter ended September 30, 1995.

ITEM X. EXECUTIVE OFFICERS OF ASHLAND

The following is a list of Ashland's executive officers, their ages and their positions and offices during the last five years (listed alphabetically as to Senior Vice Presidents who are members of Ashland's core management group, other Senior Vice Presidents, Administrative Vice Presidents and other executive officers.)

John R. Hall (age 63) is Chairman of the Board of Directors, Chief Executive Officer and Director of Ashland and has served in such capacities since 1981, 1981 and 1968, respectively.

Paul W. Chellgren (age 52) is President and Chief Operating Officer and Director of Ashland and has served in such capacities since 1992. During the past five years, he has also served as Senior Vice President and Chief Financial Officer of Ashland.

James R. Boyd (age 49) is Senior Vice President of Ashland and Group Operating Officer - Ashland Exploration, Inc., Arch Mineral Corporation, Ashland Services Company and APAC, Inc. Mr. Boyd has served as Senior Vice President since 1989 and as Group Operating Officer for the above companies since 1990, with the exception of APAC for which he assumed responsibility as of October 1, 1993.

John A. Brothers (age 55) is Senior Vice President of Ashland and Group Operating Officer - Ashland Chemical Company, SuperAmerica Group and The Valvoline Company and has served in such capacities since 1984 and 1988, respectively.

Thomas L. Feazell (age 58) is Senior Vice President, General Counsel and Secretary of Ashland and has served in such capacities since 1992, 1981 and 1992, respectively. During the past five years he has also served as Administrative Vice President of Ashland.

J. Marvin Quin (age 48) is Senior Vice President and Chief Financial Officer of Ashland and has served in such capacities since 1992. During the past five years, he has also served as Administrative Vice President and Treasurer of Ashland.

Robert E. Yancey, Jr. (age 50) is Senior Vice President of Ashland, President of Ashland Petroleum Company and Group Operating Officer - Ashland Petroleum Company and has served in such capacities since 1986, 1986, and 1988, respectively. During the past five years, he also served as Group Operating Officer of APAC, Inc.

Harry M. Zachem (age 51) is Senior Vice President - Public Affairs and has served in such capacity since 1988.

David J. D'Antoni (age 50) is Senior Vice President of Ashland and President of Ashland Chemical Company and has served in such capacities since 1988.

John F. Pettus (age 52) is Senior Vice President of Ashland and President of SuperAmerica Group and has served in such capacities since 1989 and 1988, respectively.

Charles F. Potts (age 51) is Senior Vice President of Ashland and President of APAC, Inc. and has served in such capacities since 1992. During the past five years he has also served as Senior Vice President and Chief Operating Officer and Regional Vice President of APAC.

G. Thomas Wilkinson (age 57) is Senior Vice President of Ashland and President of Ashland Exploration, Inc. and has served in such capacities since 1992 and 1990, respectively. During the past five years he has also served as Vice President of Ashland.

Kenneth L. Aulen (age 46) is Administrative Vice President and Controller of Ashland and has served in such capacity since 1992. During the past five years he has also served as Auditor and Assistant Controller of Ashland.

Philip W. Block (age 48) is Administrative Vice President - Human Resources of Ashland and has served in such capacity since 1992. During the past five years he has also served as Vice President - Corporate Human Resources.

John W. Dansby (age 50) is Administrative Vice President and Treasurer of Ashland and has served in such capacities since 1992. During the past five years he has also served as Ashland's Vice President of Planning.

William R. Sawran (age 50) is Vice President and Chief Information Officer of Ashland, and President of Ashland Services Company and has served in such capacities since 1984, with the exception of Chief Information Officer which he assumed in 1994.

James J. O'Brien (age 41) is Vice President of Ashland and President of The Valvoline Company and has served in such capacities since October 1995. During the past five years he has also served as Vice President of Ashland Petroleum Company, Executive Assistant to the Chief Executive Officer and Regional Manager of Ashland Chemical's General Polymers division.

Fred E. Lutzeier (age 43) is Auditor of Ashland and has served in such capacity since December 1992. During the past five years he has also served as Vice President and Controller of Arch Mineral Corporation.

Each executive officer (other than Vice Presidents who are appointed by Ashland's management) is elected by the Board of Directors to a term of one year, or until the successor is duly elected, at the annual meeting of the Board of Directors, except in those instances where the officer is elected at other than an annual meeting of the Board of Directors, in which case the tenure will expire at the next annual meeting of the Board of Directors unless the officer is re-elected.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

There is hereby incorporated by reference the information appearing under the caption "Management's Discussion and Analysis-Quarterly Financial Information" on Page 40 in Ashland's Annual Report.

At September 30, 1995, there were approximately 24,600 holders of record of Ashland's Common Stock. Ashland Common Stock is listed on the New York and Chicago stock exchanges (ticker symbol ASH) and has trading privileges on the Boston, Cincinnati, Pacific, Philadelphia and Amsterdam stock exchanges.

ITEM 6. SELECTED FINANCIAL DATA

There is hereby incorporated by reference the information appearing under the caption "Five Year Selected Financial Information" on Page 57 in Ashland's Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

There is hereby incorporated by reference the information appearing under the caption "Management's Discussion and Analysis" on Pages 34 to 40 in Ashland's Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

There is hereby incorporated by reference the consolidated financial statements appearing on Pages 41 through 55, the supplemental information appearing on Pages 58 through 61, and the information appearing under the caption "Management's Discussion and Analysis-Quarterly Financial Information" on Page 40 in Ashland's Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information to appear under the caption "Election of Directors" in Ashland's definitive Proxy Statement for its January 25, 1996 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after September 30, 1995 ("Proxy Statement"). See also the list of Ashland's executive officers and related information under "Executive Officers of Ashland" in Item X herein.

ITEM 11. EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information to appear under the captions "Executive Compensation" and "Compensation of Directors" in Ashland's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information to appear under the caption "Election of Directors" and the information regarding the ownership of securities of Ashland in Ashland's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information to appear under the caption "Compensation Committee Interlocks and Insider Participation" in Ashland's Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) DOCUMENTS FILED AS PART OF THIS REPORT

(1) and (2) Financial Statements and Financial Schedule

The consolidated financial statements and financial schedule of Ashland presented or incorporated by reference in this report are listed in the index on Page 23.

(3) Exhibits

3.1 - Second Restated Articles of Incorporation of Ashland, as amended to January 27, 1995 (filed as Exhibit 3.1 to Ashland's Form 10-Q for the quarter ended December 31, 1994, and incorporated herein by reference).

3.2 - Bylaws of Ashland, as amended to January 27, 1995 (filed as Exhibit 3.2 to Ashland's Form 10-Q for the quarter ended December 31, 1994, and incorporated herein by reference).

4.1 - Ashland agrees to provide the SEC, upon request, copies of instruments defining the rights of holders of long-term debt of Ashland, and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the SEC.

4.2 - Indenture, dated as of August 15, 1989, as amended and restated as of August 15, 1990, between Ashland and Citibank, N.A., as Trustee (filed as Exhibit 4(a) to Ashland's Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference).

The following Exhibits 10.1 through 10.20 are compensatory plans or arrangements or management contracts required to be filed as exhibits pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

10.1 - Amended Stock Incentive Plan for Key Employees of Ashland Inc. and its Subsidiaries (filed as Exhibit 10(c).1 to Ashland's Form 10-K for the fiscal year ended December 30, 1994, and incorporated herein by reference).

10.2 - Ashland Inc. Deferred Compensation and Stock Incentive Plan for Non-Employee Directors (filed as Exhibit 10(c).18 to Ashland's Form 10-Q for the quarter ended December 31, 1993, and incorporated herein by reference).

10.3 - Ashland Inc. Director Retirement Plan (filed as Exhibit 10(c).3 to Ashland's Form 10-K for the fiscal year ended September 30, 1988, and incorporated herein by reference).

10.4 - Eighth Amended and Restated Ashland Inc. Supplemental Early Retirement Plan for Certain Key Executive Employees (filed as Exhibit 10(c).4 to Ashland's Form 10-K for the fiscal year ended September 30, 1992, and incorporated herein by reference).

10.5 - Ashland Inc. Amended Performance Unit Plan (filed as Exhibit 10(c).5 to Ashland's Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein by reference).

10.6 - Ashland Inc. Incentive Compensation Plan (filed as Exhibit 10(c).6 to Ashland's Form 10-K for the fiscal year ended September 30, 1993, and incorporated herein by reference).

10.7 - Ashland Inc. Director Death Benefit Program (filed as Exhibit 10(c).10 to Ashland's Form 10-K for the fiscal year ended September 30, 1990, and incorporated herein by reference).

10.8 - Ashland Inc. Salary Continuation Plan (filed as Exhibit 10(c).11 to Ashland's Form 10-K for the fiscal year ended September 30, 1988, and incorporated herein by reference).

10.9 - Forms of Ashland Inc. Executive Employment Contract between Ashland Inc. and certain executive officers of Ashland (filed as Exhibit 10(c).12 to Ashland's Form 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference).

10.10 - Form of Indemnification Agreement between Ashland Inc. and each member of its Board of Directors (filed as Exhibit 10(c).13 to Ashland's Form 10-K for the fiscal year ended September 30, 1990, and incorporated herein by reference).

10.11 - Ashland Inc. Nonqualified Excess Benefit Pension Plan (filed as Exhibit 10(c).14 to Ashland's Form 10-K for the fiscal year ended September 30, 1988, and incorporated herein by reference).

10.12 - Ashland Inc. Long-Term Incentive Plan (filed as Exhibit 10(c).15 to Ashland's Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein by reference).

10.13 - Ashland Inc. Directors' Charitable Award Program (filed as Exhibit 10(c).16 to Ashland's Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference).

10.14 - Ashland Inc. 1993 Stock Incentive Plan (filed as Exhibit 10(c).17 to Ashland's Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein by reference).

10.15 - Ashland Inc. 1995 Performance Unit Plan (filed as Exhibit 10(c).18 to Ashland's Form 10-Q for the quarter ended December 31, 1994, and incorporated herein by reference).

10.16 - Ashland Inc. Incentive Compensation Plan for Key Executives (filed as Exhibit 10(c).19 to Ashland's Form 10-Q for the quarter ended December 31, 1994, and incorporated herein by reference).

10.17 - Ashland Inc. Deferred Compensation Plan (filed as Exhibit 10(c).20 to Ashland's Form 10-Q for the quarter ended December 31, 1994, and incorporated herein by reference).

11 - Computation of Earnings Per Share (appearing on Page 26 of Ashland's Form 10-K for the fiscal year ended September 30, 1995).

13 - Portions of Ashland's Annual Report to Shareholders, incorporated by reference herein, for the fiscal year ended September 30, 1995.

21 - List of Subsidiaries.

23 - Consent of Ernst & Young LLP, independent auditors.

24 - Power of Attorney, including resolutions of the Board of Directors.

27 - Financial Data Schedule.

Upon written or oral request, a copy of the above exhibits will be furnished at cost.

(B) REPORTS ON FORM 8-K

A report on Form 8-K dated September 15, 1995 was filed by Ashland to disclose that it adopted a new accounting standard, Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which would result in an unusual pre-tax charge against earnings of approximately $90 million in the September quarter. Ashland also announced it would take a pre-tax charge against earnings of approximately $40 million in the September quarter for Ashland Petroleum Company's early retirement program and unrelated reorganization costs for Valvoline and Arch Mineral.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) 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)

By: /s/ Kenneth L. Aulen

(Kenneth L. Aulen, Administrative Vice President and Controller)

Date: November 29, 1995

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT, IN THE CAPACITIES INDICATED, ON NOVEMBER 29, 1995.

Signatures	Capacity
/s/ John R. Hall JOHN R. HALL	Chairman of the Board of Directors, Chief Executive Officer and Director
/s/ J. Marvin Quin J. MARVIN QUIN	Senior Vice President and Chief Financial Officer
/s/ Kenneth L. Aulen KENNETH L. AULEN	Administrative Vice President, Controller and Principal Accounting Officer
* Jack S. Blanton	Director
* Thomas E. Bolger	Director
* Samuel C. Butler	Director
* Frank C. Carlucci	Director
* Paul W. Chellgren	Director
* James B. Farley	Director
* Ralph E. Gomory	Director
* Mannie L. Jackson	Director

      *   Director
- ----------------------
Patrick F. Noonan

      *   Director
- ----------------------
Jane C. Pfeiffer

      *   Director
- ----------------------
James R. Rinehart

      *   Director
- ----------------------
Michael D. Rose

      *   Director
- ----------------------
William L. Rouse , Jr.

      *   Director
- ----------------------
Robert B. Stobaugh

* By: /s/ Thomas L. Feazell

Thomas L. Feazell
Attorney-in-Fact

Date: November 29, 1995

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL SCHEDULES

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*The consolidated financial statements appearing on Pages 41 through 55, the supplemental information appearing on Pages 58 through 61 and the information appearing under the caption "Management's Discussion and Analysis-Quarterly Financial Information" on Page 40 in Ashland's Annual Report are incorporated by reference in this Annual Report on Form 10-K.

Schedules other than that listed above have been omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto. Separate financial statements of unconsolidated affiliates are omitted because each company does not constitute a significant subsidiary using the 20% tests when considered individually. Summarized financial information for such affiliates is disclosed in Note D of Notes to Consolidated Financial Statements in Ashland's Annual Report.

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated financial statements and schedule of Ashland Inc. and subsidiaries listed in the accompanying index to financial statements and financial schedules (Item 14(a)). These financial statements and schedule are the responsibility of Ashland's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements listed in the accompanying index to financial statements (Item 14(a)) present fairly, in all material respects, the consolidated financial position of Ashland Inc. and subsidiaries at September 30, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1995, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note A to the consolidated financial statements, in fiscal 1995 Ashland changed its method of accounting relative to impairments of long-lived assets.

Ernst & Young LLP

Louisville, Kentucky
November 1, 1995

Ashland Inc. and Subsidiaries
Schedule II - Valuation and Qualifying Accounts

(In millions) Description	Balance at beginning of year	Provisions charged to earnings	Reserves utilized	Other changes	Balance at end of year
YEAR ENDED SEPTEMBER 30, 1995					
Reserves deducted from asset accounts					
Accounts receivable	$23	$ 9	$(7) (1)	$ -	$25
Inventories	6	3	(3)	-	6
YEAR ENDED SEPTEMBER 30, 1994					
Reserves deducted from asset accounts					
Accounts receivable	$20	$11	$(8) (1)	$ -	$23
Inventories	5	3	(2)	-	6
YEAR ENDED SEPTEMBER 30, 1993					
Reserves deducted from asset accounts					
Accounts receivable	$18	$13	$(9) (1)	$(2)	$20
Inventories	9	2	(6)	-	5

(1) Uncollected amounts written off, net of recoveries of $1 million in 1995, $2 million in 1994 and $3 million in 1993.

Ashland Inc. and Subsidiaries
Exhibit 11 - Computation of Earnings Per Share
Years Ended September 30

(In millions except per share data)	1995	1994	1993
PRIMARY EARNINGS PER SHARE			
Income available to common shares			
Net income	$ 24	$ 197	$ 142
Ashland Coal, Inc. (ACI) equity income and Ashland's share of ACI's cumulative effect of accounting changes (net of income taxes)	-	-	(25)
Ashland's share of ACI primary earnings per share (net of income taxes)	-	-	23
Dividends on convertible preferred stock	(19)	(19)	(6)
	$ 5	$ 178	$ 134
Average common shares and equivalents outstanding			
Average common shares outstanding	62	60	60
Common shares issuable upon exercise of stock options	-	1	-
Share adjustment for prepaid contribution to leveraged employee stock ownership plan (LESOP)	-	-	(1)
	62	61	59
Earnings per share	$.08	$2.94	$2.26
EARNINGS PER SHARE ASSUMING FULL DILUTION			
Income available to common shares			
Net income	$ 24	$ 197	$ 142
ACI equity income and Ashland's share of ACI's cumulative effect of accounting changes (net of income taxes)	-	-	(25)
Ashland's share of ACI earnings per share assuming full dilution (net of income taxes)	-	-	21
Interest on convertible debentures (net of income taxes)	-	5	6
Dividends on convertible preferred stock	(19)	-	-
	$ 5	$ 202	$ 144
Average common shares and equivalents outstanding			
Average common shares outstanding	62	60	60
Common shares issuable upon			
Exercise of stock options	1	1	1
Conversion of debentures	-	2	3
Conversion of preferred stock	-	9	3
Share adjustment for prepaid contribution to LESOP	-	-	(1)
	63	72	66
Earnings per share	$.08	$2.79	$2.20

Ashland Inc. and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended September 30

(In millions)	1995	1994	1993
SALES AND OPERATING REVENUES			
Petroleum	$ 5,050	$ 4,666	$ 4,752
SuperAmerica	1,788	1,706	1,785
Valvoline	1,113	1,000	938
Chemical	3,551	2,885	2,586
APAC	1,123	1,101	1,116
Coal(1)	610	-	-
Exploration	198	199	247
Intersegment sales	(1,266)	(1,223)	(1,225)
	$12,167	$ 10,334	$ 10,199
OPERATING INCOME			
Petroleum	$ (54)	$ 113	$ 56
SuperAmerica	53	59	65
Valvoline	(4)	52	56
Total Refining and Marketing Group	(5)	224	177
Chemical	159	125	108
APAC	75	70	53
Coal(1)	66	-	-
Exploration	(6)	28	36
General corporate expenses	(91)	(80)	(77)
	$ 198	$ 367	$ 297
EQUITY INCOME			
Ashland Coal, Inc.(1)	$ -	$ 6	$ 27
Arch Mineral Corporation	(4)	7	(10)
Other	11	9	9
	$ 7	$ 22	$ 26
OPERATING INFORMATION			
Petroleum			
Product sales (thousand barrels per day)(2)	377.2	357.7	350.3
Refining inputs (thousand barrels per day)(3)	349.5	338.4	335.9
Value of products manufactured per barrel	$ 22.41	$ 21.49	$ 23.00
Input cost per barrel	18.55	16.76	19.06
Refining margin per barrel	$ 3.86	$ 4.73	$ 3.94
SuperAmerica			
Product sales (thousand barrels per day)	71.5	70.2	73.8
Merchandise sales (millions)	$ 547	$ 519	$ 549
Valvoline lubricant sales (thousand barrels per day)(2)	19.1	17.9	16.3
APAC construction backlog at September 30 (millions)	$ 672	$ 554	$ 495
Ashland Coal, Inc.(4)			
Tons sold (millions)	22.0	18.2	18.0
Sales price per ton	$ 27.80	$ 29.85	$ 29.77
Arch Mineral Corporation(4)			
Tons sold (millions)	27.2	24.3	19.2
Sales price per ton	$ 26.23	$ 26.35	$ 25.26
Exploration			
Net daily production			
Natural gas (million cubic feet)(2)	102.9	94.3	99.3
Nigerian crude oil (thousand barrels)	18.8	18.7	21.7
Sales price			
Natural gas (per thousand cubic feet)	$ 1.89	$ 2.42	$ 2.45
Nigerian crude oil (per barrel)	$ 16.17	$ 15.01	$ 17.77

(1) Ashland Coal was consolidated in 1995 and accounted for on the equity method in 1994 and 1993 (see Note B to the financial statements).
(2) Includes intersegment sales.
(3) Includes crude oil and other purchased feedstocks.
(4) Ashland's ownership interest is 54% in Ashland Coal (39% prior to 1995) and 50% in Arch Mineral.

RESULTS OF OPERATIONS

Ashland's net income amounted to $24 million in 1995, $197 million in 1994 and $142 million in 1993. However, comparisons of these results are affected by various unusual items. The following table shows the effects of unusual items on operating and net income for the three years ended September 30, 1995.

Operating income Net income

(In millions)	1995	1994	1993	1995	1994	1993
Income before unusual items	$318	$356	$282	$103	$190	$115
Asset impairment write-downs	(83)	-	-	(54)	-	-
Early retirement and restructuring programs	(37)	-	-	(25)	-	-
Litigation matters	-	11	-	-	7	-
Ashland Coal unusual items	-	-	-	-	-	18
Gain on sale of Petroleum operation	-	-	15	-	-	9
Income as reported	$198	$367	$297	$ 24	$197	$142

Effective September 30, 1995, Ashland adopted Financial Accounting Standards Board Statement No. 121 (FAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." As a result, Ashland recorded charges of $83 million to write down certain assets to their fair values, including an idle unit at Ashland Petroleum's Catlettsburg, Kentucky refinery, certain unused crude oil gathering pipelines of Scurlock Permian, various petroleum product marketing properties to be sold or shutdown, and various other assets. Fair values were based upon appraisals or estimates of discounted future cash flows, as appropriate. In addition, charges of $37 million related to early retirement and restructuring programs were incurred, reflecting efforts by Ashland Petroleum and several other divisions to reduce their costs and improve their competitive positions.

Excluding unusual items, net income amounted to $103 million in 1995, compared to $190 million in 1994. Results were mixed, as record results from Ashland Chemical, APAC and Ashland Coal were more than offset by reduced earnings from Ashland Petroleum, Valvoline and Ashland Exploration, as well as higher interest costs. Net income before unusual items amounted to $190 million in 1994, compared to $115 million in 1993. Operating income from Ashland Petroleum was significantly higher, and record results were achieved by Ashland Chemical and APAC. In addition, equity income from Arch Mineral improved considerably after the prolonged strike by the United Mine Workers (UMW) was settled in December 1993.

The following table compares operating income before unusual items by segment for the three years ended September 30, 1995. Due to Ashland's purchase of an additional 15% interest in Ashland Coal during 1995, the results of Ashland Coal are consolidated and shown as a new segment for 1995.

(In millions)	1995	1994	1993
Operating income (loss)			
Petroleum	$ 48	$113	$ 41
SuperAmerica	53	59	65
Valvoline	1	52	56
Chemical	164	125	108
APAC	75	70	53
Coal	66	-	-
Exploration	(2)	28	36
General corporate expenses	(87)	(91)	(77)
	$318	$356	$282

PETROLEUM

Operating income of Ashland Petroleum declined from $113 million in 1994 to $48 million in 1995 before unusual items. Refining margins in 1995 were adversely affected by the market confusion surrounding the introduction of reformulated gasoline and by excess industry production of gasoline in the March quarter when refiners switched production from distillate to gasoline in response to one of the warmest winters of this century. While refining margins recovered and averaged $4.66 a barrel during the last half of 1995, overall refining margins for the year declined from $4.73 a barrel in 1994 to $3.86 a barrel in 1995. Refining expenses per barrel also declined somewhat from 1994 as the refineries operated at near capacity levels during the last half of 1995 and cost savings from Ashland Petroleum's restructuring programs began to be realized. Earnings from pipelines and Scurlock Permian were up $19 million, reflecting a combination of tariff increases, higher throughput and reduced expenses.

Operating income of Ashland Petroleum amounted to $113 million in 1994, compared to 1993 when operating income amounted to $41 million, excluding a gain of $15 million on the sale of its TPT inland waterways barge operation. Ashland Petroleum's strong performance was due to higher margins in its Midwest markets, as well as actions to improve crude oil selection and other profit enhancement efforts. Margins were very strong in the first half of 1994, reflecting favorable distillate prices concurrent with the implementation of low-sulfur diesel requirements in the December quarter and reduced crude oil costs in the March quarter. The last half of 1994 was adversely affected by increasing crude oil costs, with wholesale product prices not keeping pace. Crude oil throughput was up slightly in 1994 despite major turnarounds at two of Ashland Petroleum's refineries. Although refining margins were volatile for most of the year, such margins did increase from $3.94 a barrel in 1993 to $4.73 a barrel in 1994. This improvement was partially offset, however, by higher turnaround and depreciation costs. Earnings from Scurlock Permian improved considerably, as crude oil gathering and handling margins increased from their depressed levels in 1993.

SUPERAMERICA

Earnings from SuperAmerica declined from $59 million in 1994 to $53 million in 1995. Gasoline volumes were up slightly reflecting a higher number of stores and merchandise sales volumes were up on a per store basis. However, the effects were more than offset by higher labor and training costs, reflecting the increased number of stores, the tight labor market, and costs associated with the continuing rollout of the co-branding partnership program with popular fast-food chains. At September 30, 1995, 609 SuperAmerica stores were operating, compared to 598 stores in 1994 and 588 stores in 1993. Of these stores, 66 included fast-food operations at the end of 1995, compared to only 10 at the end of 1994.

Operating income of $59 million for SuperAmerica in 1994 was second only to its record earnings of $65 million achieved in 1993. Gasoline and merchandise margins were up considerably and largely offset the volume reductions associated with the sale of 80 SuperAmerica stores in 1993. Such stores were located in Florida and other non-strategic areas outside markets directly supplied by Ashland Petroleum. While the number of stores was up at the end of 1994 compared to 1993, the average number of stores in operation in 1994 was actually down 4%, and operations of the newly-opened stores had not yet fully matured.

VALVOLINE

Valvoline had an extremely difficult year in 1995, operating just above break-even levels before unusual items, compared to 1994 when earnings of $52 million were achieved. Domestic motor oil earnings were down considerably, reflecting reductions in branded sales volumes, cost increases for additives and packaging materials, higher advertising and promotional expenses, and a continuing shift from packaged products to lower margin bulk sales. Due to competitive pressures, the higher costs could not be fully passed through in higher sales prices, particularly with respect to private label sales. Results from car care products (including Zerex antifreeze) were adversely affected by illegal imports of refrigerants, escalating costs for ethylene glycol and weak demand reflecting the unusually warm winter weather. Operating income from international operations was also down due to higher distribution costs, and aggressive advertising and promotional expenses to expand the European distributorships acquired in 1994. Although average car counts and ticket prices continued to improve, results from Valvoline Instant Oil Change (VIOC) were down due to increased labor and material costs. At September 30, 1995, VIOC operated 365 company-owned outlets, compared to 347 in 1994 and 341 in 1993. In addition, the VIOC franchising program continued to expand with 90 outlets open in 1995, compared to 75 in 1994 and 66 in 1993.

Valvoline had its second best year ever in 1994, with operating income of $52 million, compared to a record $56 million in 1993. The major factor in the decline was reduced margins on automotive refrigerants resulting from built-up customer inventories. Earnings from Valvoline's branded motor oil business were relatively unchanged as the effects of volume increases were largely offset by reduced margins associated with a continuing shift from packaged products to lower margin bulk sales, and by significant increases in raw material costs during the last half of 1994. International operations were up considerably, spurred in part by the acquisition of Valvoline distributorships in six European countries during 1994. Valvoline Instant Oil Change (VIOC) achieved higher earnings for the second straight year with continued improvements in average car counts and ticket prices.

CHEMICAL

For the fourth consecutive year, Ashland Chemical was the leading earnings contributor to Ashland's results. Operating income of $164 million before unusual items was up over 30% from 1994 results of $125 million and represented a third straight record year for Ashland Chemical. A strong performance from the petrochemical businesses was a key factor in the improvement. Exceptionally strong prices for methanol during the first half of the year, and higher sales volumes and margins for cumene were responsible for most of the petrochemical improvement. Operating income from methanol returned to more normal levels during the last half of 1995, declining $22 million from the earnings achieved during the first half of the fiscal year. Results from the distribution businesses were up nearly 25%, reflecting higher sales volumes. However, operating income from the specialty chemicals businesses was down 10% due to reduced margins for water treatment chemicals and foundry products.

Operating income from Ashland Chemical increased from $108 million in 1993 to $125 million in 1994, despite incurring increased environmental remediation costs. Earnings from the distribution businesses were up 22%, principally due to higher sales volumes for thermoplastics. Operating income from the specialty chemicals group increased 25%, with foundry products and water treatment chemicals leading an across the board improvement.

Results from petrochemicals were up 15%, with improvements in methanol margins more than offsetting the effects of production and weather-related problems on cumene results early in 1994.

APAC

Despite the sale of its Arizona operations in 1994, APAC construction companies achieved their second straight year of record results in 1995. Operating income amounted to $75 million in 1995, compared to $70 million in 1994, which included income of $9 million related to the Arizona operations. A strong backlog which enhanced revenues and margins from construction jobs, and close attention to costs and safety were primary factors in APAC's improvement.

APAC achieved earnings of $70 million in 1994, compared to $53 million in 1993. Each of its continuing operating regions achieved improvements on the strength of a higher quality backlog, better margins on construction materials and more favorable weather conditions. In addition, APAC's Arizona operations contributed operating income (including a gain on the sale of those operations) of $9 million, which was up from $6 million in 1993.

COAL

As a result of Ashland's acquisition of an additional 15% interest, Ashland Coal was consolidated in 1995. Prior to 1995, Ashland accounted for its investment in Ashland Coal on the equity method of accounting. On a comparable basis, operating income from Ashland Coal increased from $35 million in 1994 to $66 million in 1995. The improvement reflects increased productivity and cost reductions in 1995, combined with the adverse effects of the UMW strike (including the related aftereffects) on 1994 results. Such improvements more than offset the reduction in average sales prices resulting from the expiration of a sales contract in the December 1994 quarter and other contract changes.

EXPLORATION

Ashland Exploration incurred an operating loss of $2 million in 1995 before unusual items, compared to operating income of $28 million in 1994. Results from domestic operations were down $14 million, reflecting depressed natural gas prices. The effect of reduced prices was partially offset, however, by a 9% increase in natural gas production, in part reflecting the operations of Appalachian producing properties acquired in 1995. Foreign earnings were down $16 million, reflecting a combination of reduced profitability from the Nigerian operations, and increased exploration costs associated with Nigerian offshore blocks acquired under a 1992 production sharing agreement.

Ashland Exploration's operating income declined from $36 million in 1993 to $28 million in 1994. Operating income from domestic operations was down $19 million, resulting from reduced production and prices for both natural gas and crude oil, increased exploration expenses, and the favorable effect of a contract settlement that was included in results for 1993. Operating income from foreign operations improved by $11 million, reflecting lower exploration costs and improved results from crude oil trading activities. Such factors more than offset the effects of normal declines in Nigerian crude oil production as developed reserves continue to be depleted.

During 1995, Ashland Exploration entered into a settlement agreement with Columbia Gas Transmission to resolve claims involving natural gas sales contracts which were abrogated by Columbia in 1991. Columbia and its parent, Columbia Gas Systems, have filed reorganization plans including this agreement with the U.S. Bankruptcy Court in Delaware. The Court has approved the fairness of the settlement agreement and the disclosure statements allowing the reorganization plans to be voted on by creditors. Subject to the outcome of the voting process and various other approvals, the settlement agreement would provide for a $78 million payment to Ashland Exploration, of which 5% would be withheld by Columbia to be used to potentially satisfy the claims of non-settling producers.

GENERAL CORPORATE EXPENSES

Excluding unusual items, general corporate expenses were $87 million in 1995, $91 million in 1994 and $77 million in 1993. Expenses for 1994 included consulting fees and other expenses related to a corporate-wide cost control program and higher accruals for performance-based compensation. In addition, expenses for both 1994 and 1993 were reduced by income from the resolution of matters related to Ashland's former engineering subsidiaries.

OTHER INCOME (EXPENSE)

Interest expense (net of interest income) amounted to $171 million in 1995, $117 million in 1994 and $123 million in 1993. Adjusting for capitalized interest on refinery projects of $9 million in 1993, interest costs incurred amounted to $132 million that year. The changes in interest costs incurred during the last three years resulted principally from fluctuations in debt levels and, to a lesser extent, higher interest rates in 1995.

Results of Arch Mineral produced equity income of $2 million in 1995 before unusual items, compared to $7 million in 1994 and an equity loss of $10 million in 1993. The major factor in the fluctuations was the prolonged strike by the UMW which extended from April into December 1993 and had a significant effect on the comparability of results for both fiscal 1993 and 1994. Results for 1995 were negatively affected by weak demand for Illinois high-sulfur coal and by high mining costs resulting from unfavorable overburden ratios and adverse geological conditions at certain Appalachian operations.

As indicated previously, Ashland Coal was consolidated in 1995. Equity income from Ashland Coal for 1993 included a net gain of $20 million resulting from a favorable adjustment to income tax expense due to tax law changes, partially offset by a charge to increase the valuation allowance for certain prepaid royalties. Excluding this unusual gain, equity income from Ashland Coal amounted to $6 million in 1994, compared to $7 million in 1993. The UMW strike reduced Ashland Coal's earnings in both years.

FINANCIAL POSITION
LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and maintain investment grade ratings on its senior debt of Baa1 from Moody's and BBB from Standard & Poor's. Ashland has revolving credit agreements providing for up to $370 million in borrowings, none of which were in use at September 30, 1995. In addition, Ashland Coal has revolving credit agreements providing for up to $500 million in borrowings, of which $40 million was in use at September 30, 1995. At that date, Ashland could issue an additional $154 million in medium-term notes under a shelf registration should future opportunities or needs arise. Ashland and Ashland Coal also have access to various uncommitted lines of credit and commercial paper markets, and had short-term notes and commercial paper of $160 million outstanding at September 30, 1995. While certain debt agreements contain covenants restricting the amount by which Ashland can increase its indebtedness, such indebtedness could have been increased by up to $1.07 billion at September 30, 1995.

Cash and cash equivalents at September 30, 1995, were $52 million, compared to $40 million for 1994. Cash flows from operations, a major source of Ashland's liquidity, amounted to $500 million in 1995 (including $130 million from Ashland Coal), $454 million in 1994 and $250 million in 1993. Most of the unusual items which reduced earnings in 1995 were non-cash charges and therefore did not adversely affect cash flow. Cash flows from operations provided 85% of Ashland's capital requirements for net property additions and dividends during the last three years. The remainder of its capital requirements during this period, plus funds for acquisitions, have come from borrowings, the issuance of stock, and sales of operations.

Property additions amounted to $1.25 billion during the last three years and are summarized in the Information by Industry Segment on page 59. Expenditures by Ashland Petroleum amounted to over 50% of the total for 1993, as the refineries were upgraded to produce cleaner-burning fuels and to meet tougher environmental regulations. Accordingly, capital expenditures by Ashland's related energy and chemical businesses were curtailed during that year to meet the capital needs of the refineries. With the completion of various refinery units in 1993, investments in the energy and chemical businesses were accelerated, accounting for nearly 60% of Ashland's capital expenditures in 1994 and nearly 70% in 1995.

Long-term borrowings provided funds of $748 million during the last three years, including the issuance of $439 million of medium-term notes and $250 million of 8.80% senior debentures. The proceeds from long-term borrowings, as well as $293 million from the issuance of convertible preferred stock in 1993, were used to retire $536 million of long-term debt (scheduled maturities as well as refundings to reduce interest costs) and to partially fund capital expenditures and acquisitions. Cash flows were supplemented as necessary by the issuance of short-term notes and commercial paper.

Acquisitions (including operations acquired through the issuance of $41 million of Ashland common stock) amounted to $432 million since 1992, including $156 million for certain operations of Aristech Chemical Corporation and various other chemical companies, $110 million for an additional 15% interest in Ashland Coal, $69 million for Zerex and Valvoline's European distributorships, $68 million for Appalachian natural gas producing properties, and $24 million for various construction companies. Proceeds from the sale of operations generated $176 million during the last three years, including divestitures of APAC's Arizona operations, 80 SuperAmerica stores, various assets acquired in the 1991 acquisition of The Permian Corporation, and Ashland Petroleum's TPT inland waterways barge operation.

Investment purchases, sales and maturities relate primarily to the turnover in the debt securities held by Ashland's captive insurance companies. The net cash outflow related to these transactions in the last three years principally reflects the increase in the investment portfolios of these companies.

Working capital at September 30, 1995, was $481 million and liquid assets (cash, cash equivalents and accounts receivable) amounted to 78% of current liabilities at that date. Ashland's working capital is significantly affected by its use of the LIFO method of inventory valuation, which valued such inventories at $400 million below their replacement costs at September 30, 1995.

CAPITAL RESOURCES

Ashland's capital employed at September 30, 1995, consisted of debt (53%), deferred income taxes (1%), minority interest (5%), convertible preferred stock (7%) and common stockholders' equity (34%). Debt as a percent of capital employed increased from 48% at the end of 1994, reflecting the high level of acquisitions during 1995, as well as the consolidation of Ashland Coal's year-end debt of $228 million. Long-term debt for 1995 included $68 million of floating-rate debt and the interest rates on an additional $405 million of fixed-rate debt were converted to floating rates through interest rate swap agreements. As a result, interest costs in 1996 will fluctuate based on short-term interest rates on $473 million of Ashland's consolidated long-term debt, as well as on any short-term notes and commercial paper.

During fiscal 1996, Ashland anticipates capital expenditures of approximately $535 million. Ashland Petroleum's capital expenditures are expected to amount to about $180 million, with the remaining capital directed to growth opportunities in Ashland's related energy and chemical businesses. Ashland anticipates meeting its 1996 capital requirements for property additions and dividends from internally generated funds. Debt as a percent of Ashland's capital employed is expected to decline to around 50% during 1996.

At September 30, 1995, Ashland could issue up to an additional $49 million in common stock under a shelf registration. During 1995, 1.4 million shares were issued under this registration, generating net proceeds to Ashland of $51 million.

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 increasing regulations, Ashland believes that expenditures for environmental compliance will continue to have a significant effect on the conduct of its businesses. Although it cannot accurately predict how these developments will affect future operations and earnings, Ashland believes the nature and significance of its costs will be comparable to those of its competitors in the petroleum, chemical and extractive industries.

Capital expenditures for air, water and solid waste control facilities amounted to $44 million in 1995, $63 million in 1994 and $137 million in 1993. Based on current environmental regulations, Ashland anticipates such capital expenditures will amount to about $50 million in 1996. Ashland's environmental remediation and compliance costs amounted to $151 million in 1995, $140 million in 1994 and $148 million in 1993, and are expected to be in the range of $140 million in 1996. Such compliance costs do not include expenditures for additives, such as MTBE and ethanol, required to meet the reformulated gasoline and oxygenated fuel requirements.

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

OUTLOOK

Although refining margins are expected to remain volatile, key external factors look promising for the refining industry. The industry is currently operating at a high rate of capacity, with gasoline and distillate inventories down from last year's levels at this time. The economy is reasonably strong, inflation appears to be under control and economic growth continues at a modest pace. In addition, gasoline demand is up nearly 3% for the year and is expected to continue increasing over 1% annually for the rest of the decade, reflecting a leveling of fuel efficiency in the passenger car fleet, increasing sales of light-truck and sport-utility vehicles which average fewer miles per gallon than passenger cars, and an increasing number of vehicle miles traveled. And finally, the regulatory environment appears more relaxed with reforms remaining on the Congressional agenda which would require new regulations to include cost-benefit analyses.

During 1995, Ashland Petroleum was reorganized into four business units around its three refineries and Scurlock Permian. Results from its steps to improve profitability, including the reorganization to push decision-making closer to the marketplace, the elimination of 321 jobs, increased refining capacity resulting from prior investments and other efficiency measures are beginning to be realized. In addition, an aggressive program was begun in 1995 to revitalize marketing efforts under the Ashland brand name, focusing on jobber distribution. This program should result in a larger percentage of Ashland Petroleum's gasoline being sold under company brands and reduce its dependence on wholesale markets.

Since Ashland Petroleum's regulatory compliance expenditures have peaked for now, Ashland's discretionary cash flow position has improved, allowing it to accelerate its investment in related energy and chemical businesses. SuperAmerica has renewed its expansion efforts, expecting to build about 270 new stores over the next five years and expand its partnership program with fast-food chains. The new stores should increase SuperAmerica's share in strategic markets where it is already a leader, enabling it to distribute a growing percentage of Ashland Petroleum's gasoline production.

Ashland Chemical and APAC will continue to pursue growth through selective acquisitions. Ashland Chemical will continue to emphasize integrated marketing efforts targeting its North American customers and a growing

international sales base. Ashland Chemical is expecting another good year in 1996, despite methanol margins declining considerably from the exceptionally high levels experienced during the first half of 1995. Increased infrastructure spending and an expanding economy should continue to benefit APAC's efforts to build market position in existing markets and reduce costs. APAC's construction backlog is a record $672 million at September 30, 1995, reflecting increases in both the public and private sectors, and is expected to contain margins comparable to those included in last year's backlog.

After several years of aggressive growth, Valvoline is shifting its focus to reassessing its growth initiatives, reducing costs and rebuilding return on investment. Valvoline moved aggressively in the September quarter to reduce raw material and packaging costs and limit discretionary spending. Ashland Exploration's earnings will continue to be depressed until natural gas prices recover and its Nigerian reserves are replaced. In an effort to optimize cash flow, Ashland Exploration's natural gas drilling program was reduced during 1995. Exploratory work continues on two Nigerian blocks acquired in 1992 with drilling of two wells planned in 1996. During 1996, Ashland Exploration expects to resolve its claims against the Columbia Gas companies, with most of the settlement proceeds recognized as income.

Ashland Coal's results in 1996 will be adversely affected by the expiration of several high priced, high volume sales contracts and by price reopeners under other contracts. Numerous steps have been taken at its mines to control the effects of these price changes and increase profitability. While such steps will have favorable effects on earnings in 1996 and 1997, unfavorable market conditions are hindering Ashland Coal's efforts. As a result, earnings from Ashland Coal in 1996 will likely be down significantly from 1995. However, improved results are expected from Arch Mineral, which undertook a restructuring of operations in 1995 (including a staff reduction of about 120 positions), sold a group of small, non-strategic mines and idled an Illinois mine due to reduced demand for its high-sulfur coal. Arch will continue to have difficulty marketing its high-sulfur Illinois coal, but is working to increase its low-sulfur coal production and improve its market position.

EFFECTS OF INFLATION AND CHANGING PRICES

Ashland's financial statements are prepared on the historical cost method of accounting and, as a result, do not reflect changes in the dollar's purchasing power. Although annual inflation rates have been low in recent years, Ashland's results are still affected by the cumulative inflationary trend from prior years.

In the capital-intensive industries in which Ashland operates, replacement costs for its properties would generally exceed their historical costs. Accordingly, depreciation, depletion and amortization expense would be greater if it were based on current replacement costs. However, since replacement facilities would reflect technological improvements and changes in business strategies, such facilities would be expected to be more productive than existing facilities, mitigating somewhat the increased depreciation expense.

Ashland uses the last-in, first-out (LIFO) method to value a substantial portion of its inventories to provide a better matching of revenues with current costs. However, LIFO values such inventories below their replacement costs.

Monetary assets (such as cash, cash equivalents and accounts receivable) lose purchasing power as a result of inflation, while monetary liabilities (such as accounts payable and indebtedness) result in a gain because they can be settled with dollars of diminished purchasing power. Ashland's monetary liabilities exceed its monetary assets, which results in net purchasing power gains and provides a hedge against the effects of future inflation.

QUARTERLY FINANCIAL INFORMATION

The following table presents quarterly financial information and per share data relative to Ashland's common stock.

Quarters ended	December 31		March 31		June 30		September 30	
(In millions except per share data)	1994	1993	1995	1994	1995	1994	1995	1994
Sales and operating revenues	$2,924	$2,572	$2,735	$2,207	$3,256	$2,703	$3,252	$2,853
Operating income (loss)	91	120	4	68	109	72	(7)(1)	107(2)
Net income (loss)	35	58	(29)	33	48	44	(30)(1)	61(2)
Primary earnings (loss) per share	.50	.90	(.55)	.47	.69	.65	(.55)	.93
Common dividends per share	.275	.25	.275	.25	.275	.25	.275	.25
Market price per common share								
High	39-7/8	35-5/8	35-5/8	44-1/2	38-3/8	42-3/4	35-3/8	37-7/8
Low	31-1/4	31	31-5/8	34	33-1/2	33-1/2	32	33-1/4

(1) Charges for asset impairment write-downs under FAS 121 and early retirement and restructuring programs reduced operating income by $120 million and net income by $79 million in the quarter ended September 30, 1995.
(2) A net gain related to litigation matters increased operating income by $11 million and net income by $7 million in the quarter ended September 30, 1994.

Ashland Inc. and Subsidiaires
STATEMENTS OF CONSOLIDATED INCOME

Years Ended September 30 (In millions except per share data)	1995	1994	1993
REVENUES			
Sales and operating revenues (including excise taxes)	$12,167	$10,334	$10,199
Other	72	48	57
	12,239	10,382	10,256
COSTS AND EXPENSES			
Cost of sales and operating expenses	9,286	7,742	7,951
Excise taxes on products and merchandise	988	877	645
Selling, general and administrative expenses	1,205	1,021	993
Depreciation, depletion and amortization	471	295	293
General corporate expenses	91	80	77
	12,041	10,015	9,959
OPERATING INCOME	198	367	297
OTHER INCOME (EXPENSE)			
Interest expense (net of interest income) - Notes A and F	(171)	(117)	(123)
Equity income - Note D	7	22	26
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	34	272	200
Income taxes - Note H	13	(75)	(58)
Minority interest in earnings of subsidiaries	(23)	-	-
NET INCOME	24	197	142
Dividends on convertible preferred stock	(19)	(19)	(6)
Other deductions - net	-	-	(2)
INCOME AVAILABLE TO COMMON SHARES	$ 5	$ 178	$ 134
EARNINGS PER SHARE - NOTE A			
Primary	$ .08	$ 2.94	$ 2.26
Assuming full dilution	$ .08	$ 2.79	$ 2.20
AVERAGE COMMON SHARES AND EQUIVALENTS OUTSTANDING			
Primary	62	61	59
Assuming full dilution	63	72	66

See Notes to Consolidated Financial Statements.

Ashland Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

September 30 (In millions)	1995	1994
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Note A	$ 52	$ 40
Accounts receivable (less allowances for doubtful accounts of $25 million in 1995 and $23 million in 1994)	1,575	1,323
Construction completed and in progress - at contract prices	42	55
Inventories - Note A	726	601
Deferred income taxes - Note H	90	71
Other current assets	90	81
	2,575	2,171
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to unconsolidated affiliates - Note D	145	291
Investments of captive insurance companies - Note A	192	181
Cost in excess of net assets of companies acquired (less accumulated amortization of $35 million in 1995 and $32 million in 1994)	107	80
Other noncurrent assets	403	276
	847	828
PROPERTY, PLANT AND EQUIPMENT		
Cost		
Petroleum	2,860	2,911
SuperAmerica	488	459
Valvoline	294	273
Chemical	737	633
APAC	566	528
Coal	972	-
Exploration (successful efforts method)	1,011	943
Corporate	150	151
	7,078	5,898
Accumulated depreciation, depletion and amortization	(3,508)	(3,082)
	3,570	2,816
	$6,992	$5,815

See Notes to Consolidated Financial Statements.

(In millions)	1995	1994
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Debt due within one year		
Notes payable to banks	$ 185	$ 57
Commercial paper	15	15
Current portion of long-term debt	72	61
Trade and other payables	1,778	1,520
Income taxes	44	35
	2,094	1,688
NONCURRENT LIABILITIES		
Long-term debt (less current portion) - Notes E and F	1,828	1,391
Employee benefit obligations - Note K	613	531
Reserves of captive insurance companies	169	173
Deferred income taxes - Note H	49	30
Other long-term liabilities and deferred credits	405	407
Commitments and contingencies - Notes F, G and L		
	3,064	2,532
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	179	-
STOCKHOLDERS' EQUITY - Notes E, I and J		
Preferred stock, no par value, 30 million shares authorized		
Convertible preferred stock, 6 million shares issued, $300 million liquidation value	293	293
Common stockholders' equity		
Common stock, par value $1.00 per share		
Authorized - 150 million shares		
Issued - 64 million shares in 1995 and 61 million shares in 1994	64	61
Paid-in capital	256	159
Retained earnings	1,063	1,126
Loan to leveraged employee stock ownership plan (LESOP)	(11)	(33)
Other	(10)	(11)
Total common stockholders' equity	1,362	1,302
	1,655	1,595
	$6,992	$5,815

Ashland Inc. and Subsidiaries
STATEMENTS OF CONSOLIDATED COMMON STOCKHOLDERS' EQUITY

(In millions)	Common stock	Paid-in capital	Retained earnings	Loan to LESOP	Prepaid contribution to LESOP	Other	Total
BALANCE AT OCTOBER 1, 1992	$60	$146	$ 931	$(34)	$(24)	$ 7	$1,086
Net income			142				142
Dividends							
Preferred stock			(6)				(6)
Common stock, $1.00 a share			(59)		(1)		(60)
Decrease in equity due to change in Ashland Coal capital structure		(6)					(6)
Issued common stock under stock incentive plans		2					2
Allocation of LESOP shares to participants					19		19
Other changes		1		1		(17)	(15)
BALANCE AT SEPTEMBER 30, 1993	60	143	1,008	(33)	(6)	(10)	1,162
Net income			197				197
Dividends							
Preferred stock			(19)				(19)
Common stock, $1.00 a share			(60)				(60)
Issued common stock under stock incentive plans	1	16					17
Allocation of LESOP shares to participants					6		6
Other changes						(1)	(1)
BALANCE AT SEPTEMBER 30, 1994	61	159	1,126	(33)	-	(11)	1,302
Net income			24				24
Dividends							
Preferred stock			(19)				(19)
Common stock, $1.10 a share			(68)				(68)
Issued common stock under							
Share offering program	2	49					51
Acquisition of operations of other companies	1	40					41
Stock incentive plans		7					7
LESOP loan repayments				22			22
Other changes		1				1	2
BALANCE AT SEPTEMBER 30, 1995	$64	$256	$1,063	$(11)	$ -	$(10)	$1,362

See Notes to Consolidated Financial Statements.

Ashland Inc. and Subsidiaries
STATEMENTS OF CONSOLIDATED CASH FLOWS

Years Ended September 30

(In millions)	1995	1994	1993
CASH FLOWS FROM OPERATIONS			
Net income	$ 24	$ 197	$ 142
Expense (income) not affecting cash			
Depreciation, depletion and amortization(1)	487	308	305
Deferred income taxes	(73)	2	14
Other noncash items	33	22	(27)
Change in operating assets and liabilities(2)	29	(75)	(184)
	500	454	250
CASH FLOWS FROM FINANCING			
Proceeds from issuance of long-term debt	330	77	341
Proceeds from issuance of capital stock	55(3)	17	295
Loan repayment from leveraged employee stock ownership plan	22	-	-
Repayment of long-term debt	(60)	(109)	(367)
Increase (decrease) in short-term debt	38	(5)	(159)
Dividends paid	(92)	(79)	(66)
	293	(99)	44
CASH FLOWS FROM INVESTMENT			
Additions to property, plant and equipment	(444)	(376)	(432)
Purchase of operations - net of cash acquired	(327)(3)	(62)	(2)
Proceeds from sale of operations	10	59	107
Investment purchases(4)	(725)	(335)	(451)
Investment sales and maturities(4)	704	335	440
Other - net	1	23	32
	(781)	(356)	(306)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12	(1)	(12)
Cash and cash equivalents - beginning of year	40	41	53
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 52	$ 40	$ 41
DECREASE (INCREASE) IN OPERATING ASSETS(2)			
Accounts receivable	$ (112)	$ (153)	$ 26
Construction completed and in progress	13	(3)	(13)
Inventories	(63)	(45)	67
Deferred income taxes	(7)	-	15
Other current assets	12	(7)	(8)
Investments and other assets	31	15	2
INCREASE (DECREASE) IN OPERATING LIABILITIES(2)			
Trade and other payables	169	95	(245)
Income taxes	4	(10)	(20)
Noncurrent liabilities	(18)	33	(8)
CHANGE IN OPERATING ASSETS AND LIABILITIES	$ 29	$ (75)	$ (184)

(1) Includes amounts charged to general corporate expenses.
(2) Excludes changes resulting from operations acquired or sold.
(3) Excludes $41 million of common stock issued in acquisitions.
(4) Represents primarily investment transactions of captive insurance companies.

See Notes to Consolidated Financial Statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES
GENERAL

The consolidated financial statements include the accounts of Ashland and its majority-owned subsidiaries. Investments in joint ventures and 20% to 50% owned affiliates are accounted for on the equity method. Since Ashland Coal, Inc. was consolidated in 1995 and accounted for on the equity method in 1994 and 1993 (see Note B), the comparability of various amounts included in Ashland's consolidated financial statements and the accompanying notes are affected.

The preparation of Ashland's consolidated financial statements in conformity with generally accepted accounting principles requires Ashland's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

INVENTORIES

(In millions)	1995	1994
Crude oil	$285	$243
Petroleum products	284	286
Chemicals and other products	491	421
Materials and supplies	66	46
Excess of replacement costs over LIFO carrying values	(400)	(395)
	$726	$601

Crude oil, petroleum products and chemicals with a replacement cost of approximately $741 million at September 30, 1995, and $705 million at September 30, 1994, are valued using the last-in, first-out (LIFO) method. The remaining inventories are stated generally at the lower of cost (using the first-in, first-out (FIFO) or average cost method) or market.

PROPERTY, PLANT AND EQUIPMENT

The cost of plant and equipment (other than capitalized lease acquisition, exploration and development costs) is depreciated by the straight-line method over the estimated useful lives of the assets. Oil and gas lease acquisition, exploration and development costs are accounted for using the successful efforts method. Coal lease acquisition and development costs which are recoverable are capitalized. Coal exploration costs are expensed as incurred. Capitalized costs are depleted by the units-of-production method over the estimated recoverable reserves.

Estimated costs of major refinery turnarounds are accrued, while other maintenance and repair costs are expensed as incurred. Maintenance and repair expense amounted to $355 million in 1995, $279 million in 1994 and $248 million in 1993.

ENVIRONMENTAL COSTS

Accruals for environmental costs are recognized when it is probable that a liability has been incurred and the amount of that liability can be reasonably estimated. Such costs are charged to expense if they relate to the remediation of conditions caused by past operations or are not expected to mitigate or prevent contamination from future operations. Accruals are recorded at undiscounted amounts based on experience, assessments and current technology without regard to any third-party recoveries, and are regularly adjusted as environmental assessments and remediation efforts proceed.

EARNINGS PER SHARE

Primary earnings per share is based on net income less preferred dividends divided by the average number of common shares and equivalents outstanding during the respective years. Shares of common stock issuable under stock options are treated as common stock equivalents when dilutive.

Earnings per share assuming full dilution begins with the primary earnings per share computation. Shares issuable upon conversion of the preferred stock and 6.75% subordinated debentures are added to average common shares and equivalents when dilutive. In such cases, net income is further adjusted by adding back preferred dividends and interest expense (net of tax) on these debentures.

DERIVATIVE INSTRUMENTS

Ashland uses commodity futures and option contracts to reduce its exposure to fluctuations in prices for crude oil, petroleum products and natural gas. Gains and losses on these contracts are deferred and accounted for as part of the transactions or activities being hedged.

Ashland uses interest rate swap agreements to obtain greater access to the lower borrowing costs normally available on floating-rate debt, while minimizing refunding risk through the issuance of long-term, fixed-rate debt. Periodic settlements under the swap agreements are recognized as adjustments of interest expense for the related periods.

ACCOUNTING CHANGES

Effective September 30, 1995, Ashland adopted Financial Accounting Standards Board Statement No. 121 (FAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." As a result, Ashland recorded charges of $83 million (included in depreciation, depletion and amortization) to write down certain assets to their fair value. These assets included an idle unit at Ashland Petroleum's Catlettsburg, Kentucky refinery, certain unused crude oil gathering pipelines of Scurlock Permian, various petroleum product marketing properties to be sold or shutdown, and various other assets. Fair value was based upon appraisals or estimates of discounted future cash flows, as appropriate. Operating income was reduced for each of the affected segments as follows: Petroleum ($68 million), Valvoline ($3 million), Chemical ($4 million), Exploration ($4 million) and general corporate expenses ($4 million). In addition, Arch Mineral adopted FAS 121 and recorded a charge to write down certain idle facilities, decreasing Ashland's equity income by $3 million. The adoption of FAS 121 reduced Ashland's net income by $54 million or $.86 per share.

OTHER

Cash equivalents include highly liquid investments maturing within three months after purchase. Investments of captive insurance companies are primarily foreign corporate and government debt obligations and are carried at market value plus accrued interest, with foreign currency exposures hedged through forward contracts.

Income related to construction contracts is generally recognized by the units-of-production method, which is a variation of the percentage-of-completion method. Any anticipated losses on such contracts are charged against operations as soon as such losses are estimable.

Costs in excess of net assets of companies acquired are amortized by the straight-line method over periods generally ranging from 10 to 40 years, with an average remaining life of 15 years.

Research and development costs are expensed as incurred ($24 million in 1995, $23 million in 1994 and $21 million in 1993).

Interest is capitalized on projects where construction of an asset takes considerable time and entails substantial expenditures. Capitalized interest amounted to $9 million in 1993 and was not significant in 1995 and 1994.

Certain prior year amounts have been reclassified in the consolidated financial statements to conform with 1995 classifications.

NOTE B - ACQUISITIONS AND DIVESTITURES
ACQUISITIONS

In February 1995, Ashland purchased from Saarbergwerke AG all of Ashland Coal's Class B Preferred Stock for $110 million. The purchase increased Ashland's ownership of Ashland Coal from 39 percent to 54 percent. As a result of this transaction, Ashland Coal has been consolidated into Ashland's financial statements retroactive to October 1, 1994. Ashland's investment in Ashland Coal previously had been accounted for on the equity method.

Also during 1995, Ashland acquired the unsaturated polyester resins, polyester distribution and maleic anhydride businesses of Aristech Chemical Corporation, the Zerex(R) antifreeze product line, the northern West Virginia assets of two natural gas producers, and various other chemical and construction businesses. These acquisitions and several smaller acquisitions completed in various segments during the last three years were generally accounted for as purchases and did not have a significant effect on Ashland's consolidated financial statements.

DIVESTITURES

In 1994, Ashland sold APAC's Arizona operations. In 1993, Ashland sold various operations, including its TPT inland waterways barge operation, the Thunderbird crude oil common carrier pipeline system in Montana and Wyoming, and 80 SuperAmerica stores in Florida and other non-strategic areas outside markets served by Ashland Petroleum's refineries. In addition, several other smaller operations engaged in petroleum, chemical and construction activities were sold. Except for a pretax gain of $15 million on the sale of TPT in 1993, the divestitures discussed above and several smaller divestitures completed in various segments during the last three years did not have a significant effect on Ashland's consolidated financial statements.

NOTE C - INFORMATION BY INDUSTRY SEGMENT

Ashland's operations are conducted primarily in the United States and are managed along industry segments, which include Petroleum, SuperAmerica, Valvoline, Chemical, APAC, Coal and Exploration. Information by industry segment is shown on pages 58 and 59.

Petroleum operations are conducted by Ashland Petroleum, one of the nation's largest independent petroleum refiners. In addition to supplying petroleum products to SuperAmerica, Valvoline, Ashland Chemical and APAC, Ashland Petroleum is a leading supplier of petroleum products to the transportation and commercial fleet industries, other industrial customers and independent marketers (including dealers operating under the Ashland(R) brand name). Principal products include gasoline, distillates and kerosene, asphalt, jet and turbine fuel, lubricants, and heavy fuel oils. Ashland Petroleum also gathers and transports crude oil and petroleum products in connection with its refining and wholesale marketing operations and markets crude oil through Scurlock Permian.

SuperAmerica includes Ashland's retail gasoline and merchandise marketing operations, including the SuperAmerica(R) chain of high-volume retail stores. Gasoline and merchandise are also sold from outlets operated by SuperAmerica under the Rich(R) brand name. Operations are conducted primarily in the Ohio Valley and Upper Midwest.

Valvoline is a marketer of automotive and industrial oils, automotive chemicals, antifreeze, filters, rust preventives and coolants with sales in more than 140 countries. In addition, Valvoline is engaged in the "fast oil change" business through outlets operating under the Valvoline Instant Oil Change(R) and Valvoline Rapid Oil Change(R) names, and provides environmental services for the collection of used oil, antifreeze and filters.

Chemical businesses are managed by Ashland Chemical, which distributes industrial chemicals, solvents, thermoplastics and resins, and fiberglass materials. Ashland Chemical also manufactures a wide variety of specialty chemicals and certain petrochemicals. Major specialty chemicals include foundry products, water treatment and marine service chemicals, specialty polymers and adhesives, unsaturated polyester resins, and high-purity electronic and laboratory chemicals. Principal petrochemicals include cumene, toluene, xylene, aromatic and aliphatic solvents, propylene, maleic anhydride and methanol.

APAC performs contract construction work including highway paving and repair, excavation and grading, and bridge and sewer construction. APAC also produces asphaltic and ready-mix concrete, crushed stone and other aggregate, concrete block and certain specialized construction materials in thirteen southern states.

Coal operations are conducted by 54% owned, publicly traded Ashland Coal, Inc., which produces low-sulfur bituminous coal in central Appalachia for sale to domestic and foreign electric utility and industrial markets. Ashland also holds a 50% equity interest in Arch Mineral Corporation (see Note D). Arch Mineral produces metallurgical and steam coal from surface and deep mines in Illinois, Kentucky, West Virginia and Wyoming for sale to utility and steel companies. Both Ashland Coal and Arch Mineral market coal mined by independent producers.

Exploration operations are conducted by Ashland Exploration, which is engaged in crude oil and natural gas production in the eastern and Gulf Coast areas of the United States and crude oil production in Nigeria.

Certain information with respect to foreign operations follows.

	Total assets		Income before income taxes		
(In millions)	1995	1994	1995	1994	1993
Foreign operations					
Petroleum	$ 30	$ -	$ 4	$ 1	$ 2
Valvoline	124	106	3	10	6
Chemical	302	220	42	28	27
Exploration	36	46	9	22	14
	$492	$372	$58	$61	$49

NOTE D - UNCONSOLIDATED AFFILIATES

Affiliated companies accounted for on the equity method include: Arch Mineral Corporation (a 50% owned coal company); LOOP INC. and LOCAP INC. (18.6% and 21.4% owned corporate joint ventures operating a deepwater offshore port and related pipeline facilities in the Gulf of Mexico); and various other companies. Prior to 1995, Ashland Coal, Inc. was less than 50% owned and accounted for on the equity method (see Note B). Summarized financial information reported by these affiliates and a summary of the amounts recorded in Ashland's consolidated financial statements follow.

(In millions)	Ashland Coal, Inc.	Arch Mineral Corporation	LOOP INC. and LOCAP INC.	Other	Total
SEPTEMBER 30, 1995					
Financial position					
Current assets		$ 148	$ 27	$ 238	
Current liabilities		(134)	(91)	(130)	
Working capital		14	(64)	108	
Noncurrent assets		790	633	202	
Noncurrent liabilities		(693)	(506)	(101)	
Stockholders' equity		$ 111	$ 63	$ 209	
Results of operations					
Sales and operating revenues		$ 714	$ 119	$ 775	
Gross profit		50	36	193	
Net income (loss)		(8)(1)	4	29	
Amounts recorded by Ashland					
Investments and advances		63	12	70	$ 145
Equity income (loss)		(4)	1	10	7
Dividends received		3	1	8	12
SEPTEMBER 30, 1994					
Financial position					
Current assets	$ 119	$ 173	$ 36	$ 204	
Current liabilities	(110)	(132)	(86)	(123)	
Working capital	9	41	(50)	81	
Noncurrent assets	721	797	638	203	
Noncurrent liabilities	(373)	(713)	(525)	(96)	
Stockholders' equity	$ 357	$ 125	$ 63	$ 188	
Results of operations					
Sales and operating revenues	$ 561	$ 641	$ 149	$ 701	
Gross profit	71	60	54	172	
Net income	17	14	15	14	
Amounts recorded by Ashland					
Investments and advances	138	70	12	71	$ 291
Equity income	6	7	3	6	22
Dividends received	3	-	-	5	8
SEPTEMBER 30, 1993					
Results of operations					
Sales and operating revenues	$ 550	$ 485	$ 143	$ 654	
Gross profit (loss)	58	(13)	49	154	
Net income (loss)	41(2)	(20)	9	17	
Amounts recorded by Ashland					
Equity income (loss)	27	(10)	2	7	$ 26
Dividends received	3	4	1	6	14

(1) Includes a charge of $12 million resulting from asset impairment write-downs under FAS 121 and provisions for early retirement and restructuring programs.

(2) Includes a net gain of $44 million resulting from a favorable adjustment to income tax expense due to tax law changes, partially offset by a charge to increase the valuation allowance for certain prepaid royalties. Also includes a net charge of $19 million for the cumulative effect of the adoption of FAS 106 and FAS 109, which was recorded by Ashland in 1992.

Ashland's retained earnings include $92 million of undistributed earnings from unconsolidated affiliates accounted for on the equity method.

NOTE E - LONG-TERM DEBT

(In millions)	1995	1994
Senior debt of Ashland		
Medium-term notes, due 1996-2025, interest at an average rate of 8.5% at September 30, 1995 (5.8% to 10.4%)	$ 895	$ 661
8.80% debentures, due 2012	250	250
11.125% sinking fund debentures, due 2017	200	200
Pollution control and industrial revenue bonds, due 1996 to 2022, interest at an average rate of 6.6% at September 30, 1995 (4.2% to 8.1%)	217	162
Note payable to bank for financing of leveraged employee stock ownership plan, due 1996, interest at a combination of an adjusted certificate of deposit rate and 76% of the prime rate (5.7% at September 30, 1995)	11	33
Other	23	22
	1,596	1,328
6.75% convertible subordinated debentures, due 2014, convertible into common stock at $51.34 per share	124	124
Debt of Ashland Coal, Inc. not guaranteed by Ashland		
9.78% senior notes, due 1997-2000	101	-
9.66% senior notes, due 2001-2006	54	-
8.92% senior notes, due 1996	22	-
Other	3	-
	1,900	1,452
Current portion of long-term debt	(72)	(61)
	$1,828	$1,391

Aggregate maturities of long-term debt are $72 million in 1996, $104 million in 1997, $74 million in 1998, $73 million in 1999 and $66 million in 2000. Excluded from such maturities are $38 million of floating rate pollution control and industrial revenue bonds, due between 2003 and 2009. These bonds are subject to early redemptions at the bondholders' option, but generally not before 1997.

Ashland has various revolving credit agreements totaling $370 million under which no borrowings were outstanding at September 30, 1995. The agreement providing for $320 million in borrowings expires on February 9, 2000, while the agreements providing for $50 million in borrowings expire on February 23, 1996. In addition, Ashland Coal has revolving credit agreements which expire on November 15, 1999, providing for up to $500 million in borrowings, of which $40 million was in use at September 30, 1995.

Certain debt agreements contain covenants restricting dividends, share repurchases and other distributions with respect to Ashland's capital stock, as well as covenants limiting new borrowings. At September 30, 1995, distributions with respect to Ashland's capital stock were restricted to $634 million and additional debt was limited to $1.07 billion.

Interest payments on all indebtedness amounted to $163 million in 1995, $119 million in 1994 and $131 million in 1993. The weighted average interest rate on short-term borrowings outstanding was 6.0% at September 30, 1995, and 5.1% at September 30, 1994.

NOTE F - FINANCIAL INSTRUMENTS

Ashland uses interest rate swap agreements to obtain greater access to the lower borrowing costs normally available on floating-rate debt, while minimizing refunding risk through the issuance of long-term, fixed-rate debt. At September 30, 1995, Ashland had unleveraged swap agreements with a notional principal amount of $405 million which were used to convert fixed rates on certain debt, including the 8.80% debentures and various medium-term notes, to variable rates. The variable rates are generally adjusted quarterly or semiannually based on London Interbank Offered Rates (LIBOR), but may be fixed for longer terms using forward rate agreements. At September 30, 1995, Ashland was receiving a weighted-average fixed interest rate of 5.4% and paying a weighted-average variable interest rate of 6.0%, calculated on the notional amount. Notional amounts do not quantify risk or represent assets or liabilities of Ashland, but are used in the determination of cash settlements under the agreements. The terms remaining on Ashland's swaps range from 13 to 60 months, with a weighted-average remaining life of 33 months.

Interest expense was reduced by an insignificant amount in 1995, $9 million in 1994 and $8 million in 1993 resulting from settlements under these agreements. Ashland is exposed to credit losses from counterparty nonperformance, but does not anticipate any losses from its agreements, all of which are with major financial institutions. The estimated fair value of Ashland's swaps amounted to a net liability of $5 million at September 30, 1995, compared to a net liability of $15 million at September 30, 1994. This decline in the liability was more than offset by the increase in the fair value of the related fixed-rate indebtedness. Under its current swap agreements, Ashland's annual interest expense in 1996 will change by about $4 million for each 1% change in LIBOR.

The carrying amounts and fair values of Ashland's significant financial instruments at September 30, 1995 and 1994 are shown below. The fair values of cash and cash equivalents, notes payable to banks and commercial paper approximate their carrying amounts. The fair values of investments of captive insurance companies are based on quoted market prices plus accrued interest. The fair values of long-term debt are based on quoted market prices or, if market prices are not available, the present values of the underlying cash flows discounted at Ashland's incremental borrowing rates. The fair values of interest rate swaps are based on quoted market prices, which reflect the present values of the difference between estimated future variable-rate payments and future fixed-rate receipts.

	1995		1994	
(In millions)	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	$ 52	$ 52	$ 40	$ 40
Investments of captive insurance companies	192	192	181	181
Liabilities				
Notes payable to banks and commercial paper	200	200	72	72
Long-term debt (including current portion)	1,900	2,090	1,452	1,517
Interest rate swaps	-	5	-	15

NOTE G - LEASES AND OTHER COMMITMENTS
LEASES

Ashland and its subsidiaries are lessees in noncancelable leasing agreements for office buildings, warehouses, pipelines, transportation and marine equipment, storage facilities, retail outlets, manufacturing facilities and other equipment and properties which expire at various dates. Capitalized lease obligations are not significant and are included in long-term debt. Future minimum rental payments at September 30, 1995, and rental expense under operating leases follow.

(In millions)

Future minimum rental payments	
1996	$ 82
1997	76
1998	66
1999	49
2000	46
Later years	222
	$541

Rental expense	1995	1994	1993
Minimum rentals (including rentals under short-term leases)	$142	$113	$111
Contingent rentals	10	12	11
Sublease rental income	(18)	(12)	(17)
	$134	$113	$105

In addition, Ashland Coal has entered into various noncancelable royalty lease agreements under which future minimum payments are approximately $23 million annually through 2000 and $212 million in the aggregate thereafter.

OTHER COMMITMENTS

Under agreements with LOOP and LOCAP (see Note D), Ashland is obligated, based upon its equity ownership, to provide a portion of the total debt service and defined operating and administrative costs of these joint ventures. This annual obligation is reduced by transportation charges paid by Ashland and by a pro rata portion of transportation charges paid by third parties who are not equity participants. If, after each obligor's requirements have been satisfied, the joint ventures are unable to meet cash requirements, Ashland is obligated to advance its pro rata share of the deficiency. All funds provided to these joint ventures are used as advances against future transportation charges. At September 30, 1995, all advances made to LOOP and LOCAP by Ashland had been applied against transportation charges. Transportation charges incurred amounted to $21 million in 1995, $24 million in 1994 and $21 million in 1993. At September 30, 1995, Ashland's contingent liability for its share of the indebtedness of LOOP and LOCAP secured by throughput and deficiency agreements amounted to approximately $94 million.

Ashland Coal owns 17.5% of a joint venture operating a coal loading and storage facility at Newport News, Virginia. Venture partners are required to pay their share of the venture's costs in relation to their ownership (for fixed operating costs and debt service) or facility usage (for variable operating costs). Ashland Coal's share of such payments amounted to $3 million annually in 1995, 1994 and 1993. Future payments for fixed operating costs and debt service are estimated to approximate $3 million annually through 2015 and $26 million in 2016. Additionally, Ashland is contingently liable for a guarantee relating to the office building currently occupied by Ashland Coal. At September 30, 1995, such obligation has a present value of approximately $7 million.

Ashland is contingently liable for up to $16 million of borrowings under a revolving credit agreement of AECOM Technology Corporation, an unconsolidated affiliate. Ashland's guaranteed portion of outstanding borrowings under this agreement amounted to $8 million at September 30, 1995.

NOTE H - INCOME TAXES

A summary of the provision for income taxes follows. The 1993 provision was not significantly affected by tax legislation that, among other things, increased the federal income tax rate 1%, effective January 1, 1993.

(In millions)	1995	1994	1993
Current(1)			
Federal	$ 38	$ 56	$ 24
State	11	8	13
Foreign	11	9	7
	60	73	44
Deferred	(73)	2	14
	$(13)	$ 75	$ 58

(1) Income tax payments amounted to $54 million in 1995, $71 million in 1994 and $42 million in 1993.

Deferred income taxes are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences which give rise to significant deferred tax assets (liabilities) follow.

(In millions)	1995	1994
Employee benefit obligations	$250	$205
Environmental, insurance and litigation reserves	126	116
Alternative minimum tax credit carryforwards	75	23
Uncollectible accounts receivable	18	17
Compensated absences	15	10
Other items	47	65
Total deferred tax assets	531	436
Property, plant and equipment	(445)	(372)
Undistributed equity income	(17)	(16)
Prepaid royalties	(17)	-
Coal supply agreements	(11)	-
Other items	-	(7)
Total deferred tax liabilities	(490)	(395)
Net deferred tax asset	$ 41	$ 41

The U.S. and foreign components of income before income taxes and a reconciliation of the normal statutory federal income tax with the provision for income taxes follow.

(In millions)	1995	1994	1993
Income before income taxes and minority interest			
United States	$(24)	$211	$151
Foreign	58	61	49
	$ 34	$272	$200
Income taxes computed at U.S. statutory rates	$ 12	$ 95	$ 70
Increase (decrease) in amount computed resulting from			
Equity income	(2)	(7)	(6)
State income taxes	5	6	9
Net impact of foreign results	(5)	(7)	(7)
Non-conventional fuel credit	(10)	(10)	(9)
Percentage depletion allowance	(12)	-	-
Other items	(1)	(2)	1
Income taxes	$(13)	$ 75	$ 58

The Internal Revenue Service (IRS) has examined Ashland's consolidated U.S. income tax returns through 1991. As a result of its examinations, the IRS has proposed adjustments, certain of which are being contested by Ashland. Ashland believes it has adequately provided for any income taxes and related interest which may ultimately be paid on contested issues.

NOTE I - CAPITAL STOCK

In May 1993, Ashland sold six million shares of cumulative convertible preferred stock priced at $50 per share. Net proceeds, after fees and expenses, totaled $293 million and were used to reduce debt. The shares have no voting rights and are entitled to cumulative annual dividends of $3.125 per share. They have liquidation preferences equal to $50 per share plus accrued and unpaid dividends, and are convertible at any time at the option of the holders into 1.546 shares of Ashland common stock. The preferred shares are redeemable at the option of Ashland at $51.88 per share beginning March 25, 1997, and declining gradually to $50 per share by March 15, 2003, plus accrued and unpaid dividends to the redemption date.

Under Ashland's Shareholder Rights Plan, each common share is accompanied by one-half of a Right to purchase one-tenth share of preferred stock for $120 (the "Exercise Price"). Each one-tenth share of preferred stock will be entitled to dividends and to vote on an equivalent basis with two common shares. The Rights are not exercisable or detachable from the common shares until 10 days after any party acquires 15% or more (or announces a tender offer for 20% or more) of Ashland's common stock. If any party acquires 20% or more of Ashland's common stock or acquires Ashland in a business combination, each Right (other than those held by the acquiring party) will entitle the holder to purchase stock of Ashland or the acquiring company having a market value of two times the Exercise Price. The Rights expire on May 15, 1996, and can be redeemed at any time prior to becoming exercisable.

At September 30, 1995, 10 million shares of cumulative preferred stock are reserved for potential issuance under the Shareholder Rights Plan. At September 30, 1995, 17 million common shares are reserved for conversion of debentures and preferred stock and for issuance under outstanding stock options.

NOTE J - STOCK OWNERSHIP PLANS
LEVERAGED EMPLOYEE STOCK OWNERSHIP PLAN

During 1986, Ashland established a leveraged employee stock ownership plan (LESOP) to cover the majority of its salaried employees. LESOP purchases of Ashland common stock that year were generally funded through a loan from Ashland, of which the remaining principal at September 30, 1986, amounted to $246 million. In 1987, Ashland contributed excess assets recovered from certain company pension plans to the LESOP and prepaid $212 million of the remaining principal. Because one-half of employees' LESOP accounts serve to fund future benefits paid by certain pension plans, one-half of the funds used to prepay the LESOP debt was accounted for by Ashland as a prepaid LESOP contribution.

Ashland common shares held by the LESOP related to the contribution of excess pension assets were allocated to employees' accounts over an eight-year period ending September 30, 1994. The remaining shares are being allocated as the loan to the LESOP is repaid. The projected costs of the LESOP (including the prepaid contribution, projected dividends on the related unallocated shares and projected future contributions) are being expensed on a pro rata basis as the original shares are allocated to employees. This expense totaled $14 million in 1995 and $18 million annually in 1994 and 1993. Additional contributions from Ashland were not required through September 30, 1994, since dividends on unallocated shares exceeded interest and administrative costs, with the excess used to prepay portions of the remaining principal on the loan. Contributions from Ashland in 1995 amounted to $22 million.

STOCK INCENTIVE PLANS

Ashland has stock incentive plans under which key employees or directors can purchase shares of common stock under stock options or restricted stock awards. Stock options are granted to employees at a price equal to the fair market value of the stock on the date of grant and become exercisable over periods of one to three years. Unexercised options lapse 10 years after the date of grant. Restricted stock awards entitle employees or directors to purchase shares at a nominal cost, to vote such shares and to receive any dividends thereon. However, such shares are subject to forfeiture upon termination of service before the restriction period ends.

	1995		1994		1993	
(In thousands except per share data)	Common shares	Price range per share	Common shares	Price range per share	Common shares	Price range per share
Options outstanding - beginning of year(1)	4,697	$14-1/4 - 41	4,504	$13-3/8 - 41	3,918	$13-3/8 - 41
Options granted	839	33 - 33-7/8	860	35-7/8 - 37-1/2	934	24-5/8 - 33-1/8
Options exercised	(164)	14-1/4 - 35-5/8	(639)	13-3/8 - 41	(81)	13-3/8 - 33-3/8
Options canceled	(150)	23-7/8 - 41	(28)	23-7/8 - 41	(267)	23-7/8 - 41
Options outstanding - end of year(1)	5,222	$23-7/8 - 41	4,697	$14-1/4 - 41	4,504	$13-3/8 - 41
Options exercisable - end of year	3,777	$23-7/8 - 41	3,242	$14-1/4 - 41	3,080	$13-3/8 - 41

(1) Shares of common stock available for issuance under options or awards amounted to 4,236,000 at September 30, 1995, and 2,295,000 at October 1, 1994.

NOTE K - EMPLOYEE BENEFIT PLANS
PENSION PLANS

Ashland sponsors pension plans which cover substantially all employees, other than union employees covered by multiemployer pension plans under collective bargaining agreements. Benefits under Ashland's plans generally are based on the employee's years of service and compensation during the years immediately preceding retirement.For certain plans, such benefits are expected to come in part from one-half of employees' leveraged employee stock ownership (LESOP) accounts. Ashland determines the level of contributions to its pension plans annually and contributes amounts within allowable limitations imposed by Internal Revenue Service regulations. Ashland contributed the maximum tax-deductible contributions to its pension plans in 1995, 1994 and 1993. The following tables detail the funded status of the plans and the components of pension expense. A discount rate of 7.5% and an assumed rate of salary increases of 5% were used in determining the actuarial present value of projected benefit obligations at September 30, 1995 (8% and 5% at September 30, 1994).

	1995		1994	
(In millions)	Plans with assets in excess of ABO	Plans with ABO in excess of assets	Plans with assets in excess of ABO	Plans with ABO in excess of assets
Plan assets at fair value (primarily listed stocks and bonds)	$ 14	$290	$ 36	$185
Accumulated benefit obligations (ABO)				
Vested	13	289	30	188
Nonvested	1	69	5	44
	14	358	35	232
Plan assets less than (in excess of) ABO	-	68(1)	(1)	47
Provision for future salary increases	1	162	12	131
Deferred pension costs	(3)	(63)	(8)	(40)
Net (prepaid) accrued pension costs(2)	$ (2)	$167	$ 3	$138
Components of deferred pension costs				
Unrecognized transition gain	$ -	$ 9	$ 3	$ 10
Unrecognized net loss	(2)	(93)	(10)	(63)
Unrecognized prior service costs	(1)	(9)	(1)	(9)
Recognition of minimum liability	-	30	-	22
	$ (3)	$(63)	$ (8)	$(40)

(In millions)	1995	1994	1993
Components of pension expense			
Service cost	$ 23	$ 24	$ 26
Interest cost	34	29	28
Actual investment (gain) loss on plan assets	(51)	7	(24)
Deferred investment gain (loss)(3)	30	(27)	10
Other amortization and deferral	1	4	5
Enhanced retirement program pension cost	15	-	-
	$ 52	$ 37	$ 45

(1) Includes unfunded ABO of $62 million for non-qualified supplemental pension plans.
(2) Amounts are recorded in various asset and liability accounts on Ashland's consolidated balance sheets.
(3) The expected long-term rate of return on plan assets was 9%.

OTHER POSTRETIREMENT BENEFIT PLANS

Ashland sponsors several unfunded benefit plans which provide health care and life insurance benefits for eligible employees who retire from active service or are disabled. The health care plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. The life insurance plans are generally noncontributory. Ashland funds the costs of these plans on a pay-as-you-go basis.

During 1993, Ashland amended nearly all of its retiree health care plans to place a cap on the company's contributions and to adopt a cost-sharing method based upon a retiree's years of service. The cap limits the company's contribution to average retiree per capita health care costs for 1992 (net of direct retiree contributions), increasing thereafter by up to 4.5% per year. If per capita health care costs increase by more than 4.5% per year, the additional costs will be paid by retirees through higher contributions. As a result, the accumulated postretirement benefit obligation (APBO) for retiree health care plans was reduced by $197 million as of October 1, 1992.

The following tables detail the status of the plans and the components of postretirement benefit expense. The APBO was determined using a discount rate of 7.5% at September 30, 1995, and 8% at September 30, 1994. Under the amended plan, the assumed annual rate of increase in the per capita cost is 4.5%.

(In millions)	1995 Health care	1995 Life insurance	1994 Health care	1994 Life insurance	1993 Health care	1993 Life insurance
Accumulated postretirement benefit obligations (APBO)						
Retired or disabled employees	$146	$26	$ 93	$19		
Fully eligible active plan participants	33	4	38	5		
Other active plan participants	123	5	86	5		
	302	35	217	29		
Unrecognized net loss	(2)	(4)	(17)	-		
Unrecognized plan amendment credit	129	6	158	8		
Accrued other postretirement benefit costs	$429	$37	$358	$37		
Components of other postretirement benefit expense						
Service cost	$ 12	$ 1	$ 7	$ 1	$ 6	$ 1
Interest cost	20	2	16	2	16	2
Amortization and deferral (principally plan amendment credit)	(15)	(1)	(15)	(1)	(17)	(1)
	$ 17	$ 2	$ 8	$ 2	$ 5	$ 2

OTHER PLANS

Certain union employees are covered under multiemployer defined benefit pension plans administered by unions. Amounts charged to pension expense and contributed to the plans were $2 million in 1995 and $1 million annually in 1994 and 1993.

Ashland sponsors various savings plans to assist eligible employees in providing for retirement or other future needs. Ashland matches employee contributions up to 6% of their qualified earnings at a rate of 70% (20% for LESOP participants). Ashland's contributions amounted to $9 million in 1995 and $7 million annually in 1994 and 1993.

NOTE L - LITIGATION, CLAIMS AND CONTINGENCIES

Ashland is subject to various federal, state and local environmental laws and regulations which require remediation efforts at multiple locations, including operating facilities, previously owned or operated facilities, and Superfund or other waste sites. Consistent with its accounting policy for environmental costs, Ashland's reserves for environmental assessments and remediation efforts amounted to $174 million at September 30, 1995, and $167 million at September 30, 1994. Such amounts reflect Ashland's most likely estimates of the costs which will be incurred over an extended period to remediate identified environmental conditions for which costs are reasonably estimable.

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

Ashland has numerous insurance policies that provide coverage at various levels for environmental costs. Ashland is currently involved in negotiations concerning the amount of insurance coverage for environmental costs under some of these policies. In addition, various costs of remediation efforts related to underground storage tanks are eligible for reimbursement from state administered funds. Probable recoveries related to certain costs incurred or expected to be incurred in future years are included in other noncurrent assets.

In addition, Ashland and its subsidiaries are parties to numerous claims and lawsuits (some of which are for substantial amounts). While these actions are being contested, the outcome of individual matters is not predictable with assurance. Although any actual liability is not determinable as of September 30, 1995, Ashland believes that any liability resulting from these matters, after taking into consideration Ashland's insurance coverages and amounts provided for, should not have a material adverse effect on Ashland's consolidated financial position.

During 1995, Ashland Exploration entered into a settlement agreement with Columbia Gas Transmission to resolve claims involving natural gas sales contracts which were abrogated by Columbia in 1991. Columbia and its parent, Columbia Gas Systems, have filed reorganization plans including this agreement with the U.S. Bankruptcy Court in Delaware. The Court has approved the fairness of the settlement agreement and the disclosure statements allowing the reorganization plans to be voted on by creditors. Subject to the outcome of the voting process and various other approvals, the settlement agreement would provide for a $78 million payment to Ashland Exploration, of which 5% would be withheld by Columbia to be used to potentially satisfy the claims of non-settling producers. Payment is expected to be received in 1996, with most of the settlement proceeds recognized as income.

Ashland Inc. and Subsidiaries
FIVE YEAR SELECTED FINANCIAL INFORMATION

Years Ended September 30

(In millions except per share data)	1995	1994	1993	1992	1991
SUMMARY OF OPERATIONS					
Revenues					
Sales and operating revenues (including excise taxes)	$12,167	$10,334	$10,199	$10,211	$9,867
Other	72	48	57	40	56
Costs and expenses					
Cost of sales and operating expenses	(9,286)	(7,742)	(7,951)	(8,210)	(7,725)
Excise taxes on products and merchandise	(988)	(877)	(645)	(659)	(620)
Selling, general and administrative expenses	(1,205)	(1,021)	(993)	(1,023)	(926)
Depreciation, depletion and amortization	(471)	(295)	(293)	(290)	(265)
General corporate expenses	(91)	(80)	(77)	(132)	(93)
Operating income (loss)	198	367	297	(63)	294
Other income (expense)					
Interest expense (net of interest income)	(171)	(117)	(123)	(128)	(115)
Equity income	7	22	26	33	14
Income (loss) before income taxes, minority interest and the cumulative effect of accounting changes	34	272	200	(158)	193
Income taxes	13	(75)	(58)	90	(48)
Minority interest in earnings of subsidiaries	(23)	-	-	-	-
Income (loss) before the cumulative effect of accounting changes	24	197	142	(68)	145
Cumulative effect of accounting changes	-	-	-	(268)	-
Net income (loss)	$ 24	$ 197	$ 142	$ (336)	$ 145
BALANCE SHEET INFORMATION					
Working capital					
Current assets	$ 2,575	$ 2,171	$ 1,973	$ 2,110	$ 2,119
Current liabilities	2,094	1,688	1,619	2,046	1,823
	$ 481	$ 483	$ 354	$ 64	$ 296
Total assets	$ 6,992	$ 5,815	$ 5,552	$ 5,668	$ 5,449
Capital employed					
Debt due within one year	$ 272	$ 133	$ 159	$ 306	$ 195
Long-term debt (less current portion)	1,828	1,391	1,399	1,444	1,337
Deferred income taxes	49	30	44	59	312
Minority interest in consolidated subsidiaries	179	-	-	-	-
Convertible preferred stock	293	293	293	-	-
Common stockholders' equity	1,362	1,302	1,162	1,086	1,444
	$ 3,983	$ 3,149	$ 3,057	$ 2,895	$ 3,288
CASH FLOW INFORMATION					
Cash flows from operations	$ 500	$ 454	$ 250	$ 398	$ 473
Additions to property, plant and equipment	444	376	432	504	445
Dividends	92	79	66	60	58
COMMON STOCK INFORMATION					
Primary earnings (loss) per share	$ .08	$ 2.94	$ 2.26	$ (1.18)(1)	$ 2.56
Dividends per share	1.10	1.00	1.00	1.00	1.00

(1) Excludes the cumulative effect of accounting changes of $(4.57) per share.

Ashland Inc. and Subsidiaries
FIVE YEAR INFORMATION BY INDUSTRY SEGMENT

Years Ended September 30

(In millions)	1995	1994	1993	1992	1991
SALES AND OPERATING REVENUES					
Petroleum	$ 5,050	$ 4,666	$ 4,752	$ 4,848	$ 4,877
SuperAmerica	1,788	1,706	1,785	1,888	1,948
Valvoline	1,113	1,000	938	900	793
Chemical	3,551	2,885	2,586	2,488	2,285
APAC	1,123	1,101	1,116	1,043	1,019
Coal(1)	610	-	-	-	-
Exploration	198	199	247	262	323
Intersegment sales(2)					
Petroleum	(1,228)	(1,193)	(1,195)	(1,182)	(1,335)
Other	(38)	(30)	(30)	(36)	(43)
	$12,167	$10,334	$10,199	$10,211	$ 9,867
OPERATING INCOME (LOSS)					
Petroleum	$ (54)	$ 113	$ 56(3)	$ (125)	$ 138
SuperAmerica	53	59	65	1	30
Valvoline	(4)	52	56	50	39
Total Refining and Marketing Group	(5)	224	177	(74)	207
Chemical	159	125	108	81	98
APAC	75	70	53	45	41
Coal(1)	66	-	-	-	-
Exploration	(6)	28	36	17	41
General corporate expenses	(91)	(80)(4)	(77)	(132)	(93)
	$ 198(5)	$ 367	$ 297	$ (63)(6)	$ 294
IDENTIFIABLE ASSETS					
Petroleum	$ 2,258	$ 2,259	$ 2,240	$ 2,296	$ 2,274
SuperAmerica	401	398	364	446	437
Valvoline	603	532	430	402	377
Chemical	1,372	1,122	958	999	834
APAC	433	404	440	437	434
Coal(1)	928	-	-	-	-
Exploration	424	374	375	361	337
Corporate(7)	573	726	745	727	756
	$ 6,992	$ 5,815	$ 5,552	$ 5,668	$ 5,449

(In millions)	1995	1994	1993	1992	1991
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT					
Petroleum	$136	$155	$230	$273	$249
SuperAmerica	47	39	25	37	37
Valvoline	25	25	21	19	14
Chemical	76	61	51	47	41
APAC	47	45	43	42	36
Coal(1)	58	-	-	-	-
Exploration	45	41	42	67	60
Corporate	10	10	20	19	8
	$444	$376	$432	$504	$445
DEPRECIATION, DEPLETION AND AMORTIZATION					
Petroleum	$204	$134	$127	$125	$103
SuperAmerica	29	27	28	31	31
Valvoline	24	19	18	17	16
Chemical	58	43	42	43	41
APAC	42	40	44	45	48
Coal(1)	72	-	-	-	-
Exploration	41	33	34	28	26
Corporate	17	12	12	13	14
	$487(8)	$308	$305	$302	$279

(1) Amounts relate to Ashland Coal which was consolidated in 1995.
(2) Intersegment sales are accounted for at prices which approximate market value.
(3) Includes a gain of $15 million on the sale of TPT, an inland waterways barge operation.
(4) Includes a net gain of $11 million related to litigation matters.
(5) Includes charges for unusual items totaling $120 million, consisting of asset impairment write-downs of $83 million under FAS 121 and provisions of $37 million for early retirement and restructuring programs. The combined effect of these items reduced operating income for each of the segments as follows: Petroleum ($102 million), Valvoline ($5 million), Chemical ($5 million), Exploration ($4 million) and general corporate expenses ($4 million).
(6) Includes charges for unusual items totaling $208 million consisting of provisions for a voluntary enhanced retirement program ($31 million); various asset write-downs including properties held for sale and assets of discontinued operations ($64 million); future environmental cleanup costs ($41 million); reserves for future costs associated with certain custom boilers built by a former engineering subsidiary and other matters ($38 million); and the current year effect of the adoption of a new accounting standard for postretirement benefits ($34 million). The combined effect of all of these items reduced operating income for each of the segments as follows: Petroleum ($89 million), SuperAmerica ($28 million), Valvoline ($2 million), Chemical ($15 million), APAC ($9 million), Exploration ($16 million) and general corporate expenses ($49 million).
(7) Includes principally cash, cash equivalents, investments in and advances to unconsolidated affiliates and investments of captive insurance companies.
(8) Includes charges of $83 million for asset impairment write-downs which increased depreciation, depletion and amortization for each of the segments as follows: Petroleum ($68 million), Valvoline ($3 million), Chemical ($4 million), Exploration ($4 million) and Corporate ($4 million).

Ashland Inc. and Subsidiaries
SUPPLEMENTAL OIL AND GAS INFORMATION

OIL AND GAS RESERVES, REVENUES AND COSTS

The following tables summarize Ashland's (1) crude oil and natural gas reserves, (2) results of operations from oil and gas producing and marketing activities, (3) costs incurred, both capitalized and expensed, in oil and gas producing activities, and (4) capitalized costs for oil and gas producing activities, along with the related accumulated depreciation, depletion and amortization. U.S. crude oil and natural gas reserves are reported net of royalties and interests owned by others. Foreign crude oil reserves relate to reserves available to Ashland, as producer, under a long-term contract with the Nigerian National Petroleum Corporation. Reserves reported in the table are estimated and are subject to future revisions.

	1995			1994			1993		
	U. S.	Foreign	Total	U. S.	Foreign	Total	U. S.	Foreign	Total
CRUDE OIL RESERVES (millions of barrels)									
Proved developed and undeveloped reserves									
Beginning of year	.9	7.6	8.5	1.4	7.7	9.1	1.6	13.3	14.9
Revisions of previous estimates	.2	12.3	12.5	(.1)	6.7	6.6	.2	2.3	2.5
Extensions and discoveries	-	1.4	1.4	-	-	-	-	-	-
Purchases (net of sales) of reserves in place	.4	-	.4	(.1)	-	(.1)	-	-	-
Production	(.2)	(6.9)	(7.1)	(.3)	(6.8)	(7.1)	(.4)	(7.9)	(8.3)
End of year	1.3	14.4	15.7	.9	7.6	8.5	1.4	7.7	9.1
Proved developed reserves									
Beginning of year	.9	7.6	8.5	1.3	7.7	9.0	1.5	13.3	14.8
End of year	1.3	14.4	15.7	.9	7.6	8.5	1.3	7.7	9.0
NATURAL GAS RESERVES (billions of cubic feet)									
Proved developed and undeveloped reserves									
Beginning of year	349.2			455.5			463.9		
Revisions of previous estimates	90.7			(98.2)			4.9		
Extensions and discoveries	21.2			25.9			19.4		
Purchases (net of sales) of reserves in place	83.8			.4			3.5		
Production	(37.5)			(34.4)			(36.2)		
End of year	507.4			349.2			455.5		
Proved developed reserves									
Beginning of year	320.5			352.0			346.5		
End of year	427.3			320.5			352.0		
RESULTS OF OPERATIONS (in millions)									
Revenues									
Sales to third parties	$ 86	$110	$196	$ 96	$ 99	$195	$106	$135	$241
Intersegment sales(1)	2	-	2	4	-	4	6	-	6
	88	110	198	100	99	199	112	135	247
Costs and expenses									
Production (lifting) costs(2)	(27)	(49)	(76)	(24)	(90)	(114)	(25)	(60)	(85)
Exploration expenses	(11)	(27)	(38)	(13)	(1)	(14)	(8)	(10)	(18)
Depreciation, depletion, amortization and valuation provisions	(41)	(1)	(42)	(34)	(1)	(35)	(33)	(3)	(36)
Other costs(3)	(24)	(1)	(25)	(25)	(2)	(27)	(23)	(5)	(28)
Income and foreign exploration taxes	16	(23)	(7)	7	19	26	-	(44)	(44)
	$ 1	$ 9	$ 10	$ 11	$ 24	$ 35	$ 23	$ 13	$ 36
COSTS INCURRED (in millions)									
Property acquisition costs									
Proved properties	$ 69	$ -	$ 69	$ 1	$ -	$ 1	$ 3	$ -	$ 3
Unproved properties	2	-	2	2	-	2	2	-	2
Exploration costs	17	31	48	19	1	20	10	10	20
Development costs	30	10	40	32	2	34	35	2	37
CAPITALIZED COSTS (in millions)									
Proved properties	$584	$400	$984	$494	$392	$886			
Unproved properties	11	1	12	45	1	46			
	595	401	996	539	393	932			
Accumulated depreciation, depletion and amortization	(226)	(392)	(618)	(231)	(392)	(623)			
	$369	$ 9	$378	$308	$ 1	$309			

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO OIL AND GAS RESERVES

The following tables summarize discounted future net cash flows and changes in such flows in accordance with Financial Accounting Standards Board Statement No. 69 (FAS 69), "Disclosures about Oil and Gas Producing Activities." Under the guidelines of FAS 69, estimated future cash flows are determined based on current prices for crude oil and natural gas, estimated production of proved crude oil and natural gas reserves, estimated future production and development costs of those reserves based on current costs and economic conditions, and estimated future income and foreign exploration taxes based on taxing arrangements in effect at year-end. Such cash flows are then discounted using the prescribed 10% rate.

Many other assumptions could have been made which may have resulted in significantly different estimates. Ashland does not rely upon these estimates in making investment and operating decisions. Furthermore, Ashland does not represent that such estimates are indicative of its expected future cash flows or the current value of its reserves. Since gas prices utilized in deriving these estimates are based on conditions that existed at September 30 and are usually different than prices that exist at calendar year-end due to seasonal fluctuations in the natural gas market, the estimates may not be comparable to those of other companies with different fiscal year-ends. Prices can also vary significantly at the same point in time from year to year due to a variety of factors. The average gas price used in the discounted future net cash flow calculations was based on $1.64 per million BTU at Henry Hub for 1995 and $1.48 for 1994.

Discounted future net cash flows (in millions)	U. S.	Foreign	Total
SEPTEMBER 30, 1995			
Future cash inflows	$1,060	228	$1,288
Future production (lifting) costs	(505)	59)	(664)
Future development costs	(58)	16)	(74)
Future income and foreign exploration taxes	(33)	33)	(66)
	464	20	484
Annual 10% discount	(212)	(3)	(215)
	$ 252	$ 17	$ 269
SEPTEMBER 30, 1994			
Future cash inflows	$ 691	$ 124	$ 815
Future production (lifting) costs	(315)	(80)	(395)
Future development costs	(22)	(9)	(31)
Future income and foreign exploration taxes	(17)	(24)	(41)
	337	11	348
Annual 10% discount	(140)	(1)	(141)
	$ 197	$ 10	$ 207

Changes in discounted future net cash flows (in millions)	1995 U. S.	1995 Foreign	1995 Total	1994 U. S.	1994 Foreign	1994 Total	1993 U. S.	1993 Foreign	1993 Total
Net change due to extensions and discoveries	$ 25	$ 6	$ 31	$ 21	$ -	$ 21	$ 20	$ -	$ 20
Sales of oil and gas produced - net of production (lifting) costs	(61)	(61)	(122)	(76)	(9)	(85)	(87)	(75)	(162)
Changes in prices	24	24	48	(186)	(3)	(189)	(35)	(25)	(60)
Previously estimated development costs incurred	7	35	42	24	2	26	38	2	40
Net change due to revisions of previous estimates of reserves	7	46	53	(17)	34	17	3	7	10
Purchases (net of sales) of reserves in place	40	-	40	-	-	-	3	-	3
Accretion of 10% discount	20	1	21	31	1	32	33	2	35
Other - net(4)	(9)	(40)	(49)	33	(11)	22	(16)	1	(15)
Net change in income and foreign exploration taxes	2	(4)	(2)	59	(13)	46	14	71	85
	55	7	62	(111)	1	(110)	(27)	(17)	(44)
Discounted future net cash flows Beginning of year	197	10	207	308	9	317	335	26	361
End of year	$252	$ 17	$269	$197	$ 10	$207	$ 308	$ 9	$ 317

(1) Intersegment sales are accounted for at prices which approximate market value.
(2) Includes only costs incurred to operate and maintain wells, related equipment and facilities.
(3) Includes results of crude oil trading.
(4) Includes changes in future production and development costs and changes in the timing of future production.

EXHIBIT 21

LIST OF SUBSIDIARIES

Subsidiaries of Ashland Inc. ("AI") at October 1, 1995 included the companies listed below. Ashland has numerous unconsolidated affiliates, which are primarily accounted for on the equity method, and majority-owned consolidated subsidiaries in addition to the companies listed below. Such affiliates and subsidiaries are not listed below since they would not constitute a significant subsidiary considered in the aggregate as a single entity.

Company	Jurisdiction of Incorporation	Immediate Parent*
AECOM Technology Corporation	Delaware	ATEC 19%
APAC-Alabama, Inc	Delaware	AHI
APAC-Arkansas, Inc	Delaware	AHI
APAC-Carolina, Inc	Delaware	AHI
APAC-Florida, Inc	Delaware	AHI
APAC-Georgia, Inc	Georgia	AHI
APAC Holdings, Inc. ("AHI")	Delaware	AI
APAC, Inc	Delaware	AHI
APAC-Kansas, Inc	Delaware	AHI
APAC-Mississippi, Inc	Delaware	AHI
APAC-Oklahoma, Inc	Delaware	AHI
APAC-Tennessee, Inc	Delaware	AHI
APAC-Texas, Inc	Delaware	AHI
APAC-Virginia, Inc	Delaware	AHI
Arch Mineral Corporation	Delaware	AI 50%
Ashland Chemical Canada Ltd	Alberta, Canada	AI
Ashland Coal, Inc	Delaware	AI 54%
Ashland Crude Marketing, Inc	Delaware	AII
Ashland Crude Trading, Inc	Delaware	AI
Ashland Exploration, Inc	Delaware	AI
Ashland Foundry International, Inc	Delaware	AI
Ashland Nigerian Development Company ("ANDC")	Delaware	AII
Ashland of Nigeria, Ltd. ("ANL")	Delaware	AII
Ashland Oil (Nigeria) Company Ultd	Nigeria	ANL 50%-ANDC 50%
Ashland Overseas Investments, Inc. ("AII")	Delaware	AI
Ashland Pipe Line Company ("APL")	Ohio	AI
Ashland Plastics International, Inc	Delaware	AI
Ashland Scurlock Permian Canada, Ltd	Alberta, Canada	SPC
Ash Property, Inc	Ohio	AI
Ashmont Insurance Company, Inc. ("AIC")	Vermont	AI
ATEC, Inc. ("ATEC")	Delaware	AI
Bluegrass Insurance Company Limited	Bermuda	AIC
Bluegrass International Insurance Limited	Bermuda	AIC
Drew Chemical Corporation ("DCC")	Delaware	AI
Iberia Ashland Chemical S.A	Spain	AI 70%
Mid-Valley Supply Co	Kentucky	AI
Ohio River Pipe Line Company	Delaware	APL
Scurlock Permian Corporation ("SPC")	Kentucky	AI
Valvoline (Australia) Pty. Ltd	Australia	VHI
Valvoline Canada Ltd	Ontario, Canada	VHI
Valvoline Holdings, Inc. ("VHI")	Delaware	AI

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*100% of the voting securities are owned by the immediate parent except as otherwise indicated.

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-52125) pertaining to the Ashland Inc. Deferred Compensation and Stock Incentive Plan for Non-Employee Directors, in the Registration Statement (Form S-8 No. 2-95022) pertaining to the Ashland Inc. Amended Stock Incentive Plan for Key Employees, in the Registration Statement (Form S-8 No. 33-7501) pertaining to the Ashland Inc. Employee Savings Plan, in the Registration Statement (Form S-8 No. 33-26101) pertaining to the Ashland Inc. Long-Term Incentive Plan, in the Registration Statement (Form S-8 No. 33-55922) pertaining to the Ashland Inc. 1993 Stock Incentive Plan, in the Registration Statement (Form S-8 No. 33-49907) pertaining to the Ashland Inc. Leveraged Employee Stock Ownership Plan, in the Registration Statement (Form S-8 No. 33-62901) pertaining to the Ashland Inc. Deferred Compensation Plan, and in the Registration Statement (Form S-3 No. 33-57011) as amended by Post-Effective Amendment No. 1, pertaining to the U.S. $200,000,000 Ashland Inc. Medium-Term Notes, Series G, and 3,000,000 shares of Ashland Inc. common stock, and the related Prospectus, of our report dated November 1, 1995, with respect to the consolidated financial statements and schedule of Ashland Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended September 30, 1995.

Ernst & Young LLP

November 28, 1995

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned Directors and Officers of ASHLAND INC., a Kentucky corporation, which is about to file an Annual Report on Form 10-K with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, hereby constitutes and appoints JOHN R. HALL, PAUL W. CHELLGREN, THOMAS L. FEAZELL, JAMES G. STEPHENSON and DAVID L. HAUSRATH, and each of them, his true and lawful attorneys-in-fact and agents, with full power to act without the others to sign and file such Annual Report and the exhibits thereto and any and all other documents in connection therewith with the Securities and Exchange Commission, and to do and perform any and all acts and things requisite and necessary to be done in connection with the foregoing as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Dated: November 2, 1995

/s/ John R. Hall	/s/ Ralph E. Gomory
John R. Hall, Chairman of the Board of Directors, Chief Executive Officer and Director	Ralph E. Gomory, Director
/s/ Paul W. Chellgren	/s/ Mannie L. Jackson
Paul W. Chellgren, President, Chief Operating Officer and Director	Mannie L. Jackson, Director
/s/ J. Marvin Quin	/s/ Patrick F. Noonan
J. Marvin Quin, Chief Financial Officer and Senior Vice President	Patrick F. Noonan, Director
/s/ Jack S. Blanton	/s/ Jane C. Pfeiffer
Jack S. Blanton, Director	Jane C. Pfeiffer, Director
/s/ Thomas E. Bolger	/s/ James R. Rinehart
Thomas E. Bolger, Director	James R. Rinehart, Director
/s/ Samuel C. Butler	/s/ Michael D. Rose
Samuel C. Butler, Director	Michael D. Rose, Director
/s/ Frank C. Carlucci	/s/ William L. Rouse, Jr.
Frank C. Carlucci, Director	William L. Rouse, Jr., Director
/s/ James B. Farley	/s/ Robert B. Stobaugh
James B. Farley, Director	Robert B. Stobaugh, Director
Edmund B. Fitzgerald, Director	James W. Vandeveer, Director

EXCERPT FROM
MINUTES OF DIRECTORS' MEETING
ASHLAND INC.
November 2, 1995

RESOLVED, that the Corporation's Annual Report to the Securities and Exchange Commission ("SEC") on Form 10-K (the "Form 10-K") in the form previously circulated to the Board in preparation for the meeting be, and it hereby is, approved with such changes as the Chairman of the Board, the President, any Vice President, the Secretary and David L. Hausrath ("Authorized Persons") shall approve, the execution and filing of the Form 10-K with the SEC to be conclusive evidence of such approval; provided, however, that without derogating from the binding effect of the above, it is understood than an Authorized Person shall cause the distribution prior to the filing with the SEC, of a copy of such Form 10-K to the directors in substantially that form which is to be filed with the SEC and that each director's oral concurrence with respect to such form shall be obtained prior to the filing with the SEC;

FURTHER RESOLVED, that the Authorized Persons be, and each of them hereby is, authorized to file with the SEC the Form 10-K and any amendments thereto on Form 10-K/A and/or any other applicable form; and

FURTHER RESOLVED, that the Authorized Persons be, and each of them hereby is, authorized and directed to take such other action as may be necessary and proper to implement the foregoing resolutions.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM ASHLAND INC.'S ANNUAL REPORT TO SHAREHOLDERS FOR
THE FISCAL YEAR ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH ANNUAL REPORT.
1,000,000
YEAR
SEP-30-1995
SEP-30-1995
52
0
1,600
25
726
2,575
7,078
3,508
6,992
2,094
1,828
64
0
293
1,298
6,992
12,167
12,239
10,745
10,745
1,296
9
171
27
(13)
24
0
0
0
24
.08
.08