SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

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

Telephone Number: (606) 329-3333

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

At April 30, 1997, there were 74,249,655 shares of Registrant's Common Stock outstanding. One Right to purchase one-thousandth of a share of Series A Participating Cumulative Preferred Stock accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL INFORMATION

ASHLAND INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Three months ended March 31		Six months ended March 31		
(In millions except per share data)	1997	1996	1997	1996	
REVENUES					
Sales and operating revenues (including excise taxes)	$ 3,226	$ 3,072	$ 6,653	$ 6,151	
Other	17	25	37	119	(1)
	3,243	3,097	6,690	6,270	
COSTS AND EXPENSES					
Cost of sales and operating expenses	2,497	2,396	5,168	4,746	
Excise taxes on products and merchandise	244	251	495	489	
Selling, general and administrative expenses	337	318	669	627	
Depreciation, depletion and amortization	113	99	217	200	
	3,191	3,064	6,549	6,062	
OPERATING INCOME	52	33	141	208	
OTHER INCOME (EXPENSE)					
Interest expense (net of interest income)	(42)	(42)	(82)	(86)	
Equity income	9	6	16	11	
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	19	(3)	75	133	
Income taxes	(7)	1	(23)	(42)	

Minority interest in earnings of subsidiaries	(5)	-	(9)	(6)
NET INCOME (LOSS)	7	(2)	43	85 (1)
Dividends on convertible preferred stock	(5)	(5)	(10)	(9)
INCOME (LOSS) AVAILABLE TO COMMON SHARES	$ 2	$ (7)	$ 33	$ 76
EARNINGS (LOSS) PER SHARE - Note E				
Primary	$ .03	$ (.11)	$ .50	$ 1.18 (1)
Assuming full dilution	$ .09	$ (.11)	$ .56	$ 1.15
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275	$ .55	$ .55

(1) Includes a gain of $73 million ($48 million or 74 cents a share after income taxes) resulting from the settlement of Ashland Exploration's claims in the bankruptcy reorganization of Columbia Gas Transmission and Columbia Gas Systems.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	March 31 1997	September 30 1996	March 31 1996
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 81	$ 77	$ 70
Accounts receivable	1,777	1,693	1,662
Allowance for doubtful accounts	(26)	(27)	(25)
Construction completed and in progress	17	50	19
Inventories - Note B	804	736	810
Deferred income taxes	99	112	89
Other current assets	147	99	112
	2,899	2,740	2,737
INVESTMENTS AND OTHER ASSETS			
Investments in and advances to unconsolidated affiliates	162	157	153
Investments of captive insurance companies	154	178	194
Cost in excess of net assets of companies acquired	138	120	104
Other noncurrent assets	395	359	410
	849	814	861
PROPERTY, PLANT AND EQUIPMENT			
Cost	7,476	7,374	7,159
Accumulated depreciation, depletion and amortization	(3,783)	(3,659)	(3,601)
	3,693	3,715	3,558
	$ 7,441	$ 7,269	$ 7,156
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 297	$ 203	$ 321
Trade and other payables	2,020	2,044	1,910
Income taxes	37	32	40
	2,354	2,279	2,271
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,852	1,784	1,749
Employee benefit obligations	632	613	630
Reserves of captive insurance companies	171	166	183
Deferred income taxes	85	64	33
Other long-term liabilities and deferred credits	356	375	404
Commitments and contingencies - Note C			
	3,096	3,002	2,999
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	179	174	176
STOCKHOLDERS' EQUITY			
Convertible preferred stock	-	293	293
Common stockholders' equity	1,812	1,521	1,417
	1,812	1,814	1,710
	$ 7,441	$ 7,269	$ 7,156

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

(In millions)	Preferred Stock	Common stock	Paid-in capital	Retained earnings	Loan to LESOP	Other	Total
BALANCE AT OCTOBER 1, 1995	$ 293	$ 64	$ 256	$ 1,063	$ (11)	$ (10)	$ 1,655
Net income				85			85
Dividends							
Preferred stock				(9)			(9)
Common stock				(35)			(35)
Issued common stock under stock incentive plans			4				4
LESOP loan repayment					11		11
Other changes						(1)	(1)
BALANCE AT MARCH 31, 1996	$ 293	$ 64	$ 260	$ 1,104	$ -	$ (11)	$ 1,710
BALANCE AT OCTOBER 1, 1996	$ 293	$ 64	$ 280	$ 1,185	$ -	$ (8)	$ 1,814
Net income				43			43
Dividends							
Preferred stock				(10)			(10)
Common stock				(35)			(35)
Issued common stock under							
Preferred stock conversion	(290)	9	281				-
Stock incentive plans		1	20				21
Employee savings plan			1				1
Preferred stock redemption	(3)						(3)
Other changes						(19)	(19)
BALANCE AT MARCH 31, 1997	$ -	$ 74	$ 582	$ 1,183	$ -	$ (27)	$ 1,812

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Six months ended March 31 1997	1996
CASH FLOWS FROM OPERATIONS		
Net income	$ 43	$ 85
Expense (income) not affecting cash		
Depreciation, depletion and amortization	217	200
Deferred income taxes	32	(14)
Other noncash items	4	15
Change in operating assets and liabilities (1)	(226)	(10)
	70	276
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	87	1
Proceeds from issuance of capital stock	14	4
Loan repayment from leveraged employee stock ownership plan	-	11
Repayment of long-term debt	(59)	(51)
Increase in short-term debt	135	21
Redemption of preferred stock	(3)	-
Dividends paid	(47)	(46)
	127	(60)
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(185)	(178)
Purchase of operations - net of cash acquired	(44)	(24)
Proceeds from sale of operations	1	1
Investment purchases (2)	(58)	(225)
Investment sales and maturities (2)	80	223
Other-net	13	5
	(193)	(198)
INCREASE IN CASH AND CASH EQUIVALENTS	4	18
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	77	52
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 81	$ 70

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

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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ASHLAND INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE A - GENERAL

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations, but are subject to any year-end audit adjustments which may be necessary. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 1996. Results of operations for the periods ended March 31, 1997, are not necessarily indicative of results to be expected for the year ending September 30, 1997.

NOTE B - INVENTORIES

(In millions)	March 31 1997	September 30 1996	March 31 1996
Crude oil	$ 373	$ 336	$ 342
Petroleum products	329	323	354
Chemicals	357	342	346
Other products	152	146	177
Materials and supplies	63	63	68
Excess of replacement costs over LIFO carrying values	(470)	(474)	(477)
	$ 804	$ 736	$ 810

NOTE C - LITIGATION, CLAIMS AND CONTINGENCIES

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

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

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

During 1996, the U.S. Environmental Protection Agency (EPA) notified Ashland that its three refineries would be subject to a comprehensive inspection of compliance with federal environmental laws and regulations. The third and final inspection was completed during the quarter ended December 31, 1996. Such inspections could result in sanctions, monetary penalties and further remedial expenditures. Also during 1996, Ashland arranged for an independent review of environmental compliance at its three refineries by an outside consulting firm, self-reported to the EPA a number of issues of non-compliance with applicable laws or regulations, and commenced a program to address these matters. Ashland is not in a position to determine what actions, if any, may be instituted and is similarly

NOTE C - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

uncertain at this time what additional remedial actions may be required or costs incurred. However, this matter is not expected to have a material adverse effect on Ashland's consolidated financial position.

In addition to environmental matters, Ashland and its subsidiaries are parties to numerous claims and lawsuits (some of which are for substantial amounts). While these actions are being contested, the outcome of individual matters is not predictable with assurance. Although any actual liability is not determinable as of March 31, 1997, Ashland believes that any liability resulting from these matters, after taking into consideration Ashland's insurance coverages and amounts already provided for, should not have a material adverse effect on Ashland's consolidated financial position.

NOTE D - ACQUISITIONS

During the six months ended March 31, 1997, Ashland Chemical acquired various distribution and specialty chemical businesses. These acquisitions were accounted for as purchases and did not have a significant effect on Ashland's consolidated financial statements.

NOTE E - COMPUTATION OF EARNINGS PER SHARE

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

The impact of the conversion on the computation of primary earnings per share was negligible for the periods ended March 31, 1997. For purposes of the fully-diluted computation, the preferred shares were assumed to be converted to common shares as of the beginning of the period in accordance with generally accepted accounting principles, despite the fact that the assumed conversion is anti-dilutive. If the shares had been assumed converted as of the beginning of the period for the primary computation, the resulting primary earnings per share would have been essentially equivalent to earnings per share assuming full dilution.

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	1997	1996	1997	1996
PRIMARY EARNINGS (LOSS) PER SHARE				
Income (loss) available to common shares				
Net income (loss)	$ 7	$ (2)	$ 43	$ 85
Dividends on convertible preferred stock	(5)	(5)	(10)	(9)
	$ 2	$ (7)	$ 33	$ 76
Average common shares and equivalents outstanding				
Average common shares outstanding	65	64	65	64
Common shares issuable upon exercise of stock options	1	-	1	-
	66	64	66	64
Earnings (loss) per share	$ .03	$ (.11)	$ .50	$ 1.18

NOTE E - COMPUTATION OF EARNINGS PER SHARE (continued)

	Three months ended March 31		Six months ended March 31	
(In millions except per share data)	1997	1996	1997	1996
EARNINGS (LOSS) PER SHARE ASSUMING FULL DILUTION				
Income (loss) available to common shares				
Net income (loss)	$ 7	$ (2)	$ 43	$ 85
Dividends on convertible preferred stock	-	(5)	-	-
Interest on convertible debentures (net of income taxes)	-	-	-	2
	$ 7	$ (7)	$ 43	$ 87
Average common shares and equivalents outstanding				
Average common shares outstanding	65	64	65	64
Common shares issuable upon				
Exercise of stock options	1	-	1	-
Conversion of debentures	-	-	-	3
Conversion of preferred stock	9	-	9	9
	75	64	75	76
Earnings (loss) per share	$ .09	$ (.11)	$ .56	$ 1.15

ASHLAND INC. AND SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

	Three months ended March 31		Six months ended March 31	
(Dollars in millions except as noted)	1997	1996	1997	1996
SALES AND OPERATING REVENUES				
Refining and Marketing (1)	$ 1,609	$ 1,577	$ 3,361	$ 3,021
Valvoline	267	265	530	540
Chemical	982	909	1,939	1,795
APAC	191	181	496	510
Coal	163	139	313	303
Exploration	73	66	152	122
Intersegment sales	(59)	(65)	(138)	(140)
	$ 3,226	$ 3,072	$ 6,653	$ 6,151
OPERATING INCOME				
Refining and Marketing (1)	$ (12)	$ (10)	$ 2	$ 19
Valvoline	24	8	37	20
Chemical	33	43	67	81
APAC	-	-	18	23
Coal	17	6	29	23
Exploration	4	10	16	89
General corporate expenses	(14)	(24)	(28)	(47)
	$ 52	$ 33	$ 141	$ 208
EQUITY INCOME				
Arch Mineral Corporation	$ 5	$ 4	$ 10	$ 5
Other	4	2	6	6
	$ 9	$ 6	$ 16	$ 11
OPERATING INFORMATION				
Refining and Marketing (1)				
Refining inputs (thousand barrels per day) (2)	335.1	342.6	354.1	360.5
Value of products manufactured per barrel	$ 26.57	$ 23.58	$ 27.77	$ 22.78
Input cost per barrel	22.88	19.85	23.88	18.88
Refining margin per barrel	$ 3.69	$ 3.73	$ 3.89	$ 3.90
Refined product sales (thousand barrels per day)				
Wholesale sales to				
Ashland brand retail jobbers	22.8	17.7	23.5	15.2
Other wholesale customers (3)	263.2	281.7	282.8	292.9
SuperAmerica retail system	73.7	71.0	75.1	73.1
Total refined product sales	359.7	370.4	381.4	381.2
SuperAmerica merchandise sales	$ 138	$ 134	$ 282	$ 273
Valvoline lubricant sales (thousand barrels per day) (3)	18.1	17.8	18.1	19.1
APAC construction backlog				
At end of period	$ 654	$ 664	$ 654	$ 664
Increase (decrease) during period	$ 90	$ 48	$ 7	$ (8)
Ashland Coal, Inc. (4)				
Tons sold (millions)	6.4	5.2	12.2	11.2
Sales price per ton	$ 25.50	$ 26.57	$ 25.56	$ 26.97
Arch Mineral Corporation (4)				
Tons sold (millions)	7.5	7.3	15.3	14.2
Sales price per ton	$ 25.36	$ 24.95	$ 25.17	$ 25.39
Exploration				
Net daily production				
Natural gas (million cubic feet) (3)	132.9	113.5	119.2	112.3
Nigerian crude oil (thousand barrels)	17.0	17.3	17.3	17.7
Sales price				
Natural gas (per thousand cubic feet)	$ 2.84	$ 2.88	$ 2.94	$ 2.53
Nigerian crude oil (per barrel)	$ 20.89	$ 18.17	$ 22.09	$ 17.16

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

RESULTS OF OPERATIONS

Current Quarter - Ashland recorded net income of $7 million for the three months ended March 31, 1997, compared to a net loss of $2 million for the same period last year. Operating income equaled $52 million in the current quarter compared to $33 million in last year's second quarter. The increase in earnings was due primarily to substantial improvements from Valvoline and Ashland Coal, which were partially offset by declines in the Chemical, Exploration, and Refining and Marketing segments.

Year-to-Date - Ashland recorded net income of $43 million for the six months ended March 31, 1997. This compares to net income of $85 million for last year's first half, which included operating income of $73 million ($48 million after income taxes) from the settlement of Ashland Exploration's claims in the bankruptcy reorganization of Columbia Gas Transmission and Columbia Gas Systems. Excluding the non-recurring gain in the prior year, net income improved from prior-year levels, due primarily to increased operating income for Valvoline and Ashland Coal. These improvements were partially offset by lower results from Refining and Marketing, Chemical, and APAC.

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

	Three months ended March 31		Six months ended March 31	
(In Millions)	1997	1996	1997	1996
OPERATING INCOME				
Refining and Marketing	$ (8)	$ (10)	$ 11	$ 19
Valvoline	25	8	40	20
Chemical	36	43	72	81
APAC	1	-	21	23
Coal	17	6	29	23
Exploration	4	10	17	89
General corporate expenses	(23)	(24)	(49)	(47)
	$ 52	$ 33	$ 141	$ 208

REFINING AND MARKETING

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

Current Quarter - Refining and Marketing reported an operating loss of $12 million for the March 1997 quarter versus a loss of $10 million for the March 1996 quarter. The decline was primarily the result of heavy flooding in the Ohio Valley which limited the ability to ship product on the river at a time when margins were strengthening. Also negatively impacting current quarter results were higher average input costs, expenses related to previously announced staff reductions for Ashland Petroleum and increased corporate G&A allocations. Partially offsetting these negative factors were lower refining expenses and higher retail gasoline and merchandise sales volumes and margins.

Year-to-Date - Refining and Marketing reported operating income of $2 million for the six months ended March 31, 1997, compared to $19 million for the first six months of fiscal 1996. In addition to the flooding, the increased corporate G&A allocations and the expenses of the staff reductions discussed previously, Scurlock Permian was adversely affected by lower margins on crude oil sales, reflecting increased competition in the domestic crude oil markets. In addition, SuperAmerica experienced a softening in retail gasoline margins and higher operating costs. These negative factors

REFINING AND MARKETING (CONTINUED)

were partially offset by a reduction in refining expenses and higher retail gasoline and merchandise volumes.

The Ashland brand jobber program continues to expand with the opening of 63 more units during the first six months of the year, bringing the total number of units to 548 at March 31, 1997, compared to 286 at March 31, 1996. SuperAmerica continued its expansion also, opening 16 new and 7 rebuilt units to bring the total number of units to 757 at March 31, 1997, including 634 SuperAmerica stores and 123 Rich outlets. At March 31, 1996, there were 625 SuperAmerica stores and 100 Rich outlets in operation.

Ashland's Refining and Marketing operations will be greatly affected by the announced transaction between Ashland and USX's Marathon group. See "Profitability Improvement Plan" on page 14 and Exhibit 99 - Press Release dated May 15, 1997.

VALVOLINE

Current Quarter - Valvoline reported record operating income of $24 million for the quarter ended March 31, 1997, compared to $8 million for the quarter ended March 31, 1996. The U.S. lubricant business was the leading contributor to earnings, reflecting improved motor oil margins and increased market share. The sale of R-12 automotive refrigerant, no longer produced in the United States, was another strong profit contributor, reflecting significantly stronger prices. The Zerex(R) antifreeze business also showed improvement, reflecting higher margins, while First Recovery benefited from higher used oil collection revenues.

Year-to-Date - Operating income of $37 million for the first six months of fiscal 1997 was also a record for Valvoline, and was a considerable improvement over the $20 million recorded in the same period last year. The increase generally reflects the same factors discussed in the quarterly comparison above.

CHEMICAL

Current Quarter - Ashland Chemical was the leading earnings contributor for the quarter, with $33 million of operating income, compared to $43 million for the same period a year ago. The decrease was due to lower results from certain distribution and specialty chemical product lines and higher corporate G&A allocations. The General Polymers plastics distribution business reported record second quarter results and foundry products also showed improvement. However, these improvements were more than offset by declines in other product lines, especially industrial chemicals and solvents, which experienced decreased margins due to rising material costs. Drew Marine is down due to reduced sales in a very competitive market.

Year-to-Date - Ashland Chemical's operating income for the six months ended March 31, 1997, amounted to $67 million, compared to $81 million for the first six months of fiscal 1996. Record results for General Polymers, foundry products, specialty polymers and adhesives, and electronic chemicals were more than offset by declines in other product lines. Industrial chemicals and solvents and Drew Marine are down due to the reasons discussed in the quarterly comparison, while petrochemicals are down due to decreased margins for solvents and maleic anhydride, resulting from higher raw material costs.

APAC

Current Quarter - For the second quarter of fiscal 1997, APAC's construction operations reported slightly better than break-even results despite the normal winter slowdown in construction activity. Similar results were reported for the March 1996 quarter.

Year-to-Date - For the six months ended March 31, 1997, APAC reported operating income of $18 million, compared to $23 million for the same period last year. The decline was the result of adverse weather conditions in several of APAC's operating areas in the December 1996 quarter, a gain on an aggregate property sale in the December 1995 quarter, and increased corporate G&A allocations during the current year. The construction backlog at March 31, 1997, amounted to $654 million, compared to $664 million at March 31, 1996.

COAL

Current Quarter - Operating income for Ashland Coal nearly tripled to $17 million for the March 1997 quarter, compared to $6 million for the March 1996 quarter, despite decreased sales realizations per ton. The improvement was driven by record volumes and record low mining costs resulting from the relocation of two major draglines and more favorable overburden ratios.

Year-to-Date - Operating income for Ashland Coal increased to $29 million for the six months ended March 31, 1997, compared to $23 million for the same period last year. The increase was generally due to the same factors discussed in the quarterly comparison.

EXPLORATION

Current Quarter - Ashland's exploration segment reported operating income of $4 million for the second fiscal quarter of 1997, compared to $10 million for the 1996 quarter. The decline was due to a charge of $8 million resulting from litigation settlement and remediation expenses related to certain nonproducing properties. During the quarter, natural gas production increased 17% to 133 million cubic feet a day, as new wells from the Vermilion 410 and 389 blocks in the Gulf of Mexico began producing.

Year-to-Date - For the first six months of fiscal 1997, the exploration segment reported operating income of $16 million, compared to $89 million for the same period last year. Excluding the previously mentioned $73 million Columbia Gas settlement from last year's results, and the $8 million in litigation and remediation expenses discussed above from the current year's results, operating income was up $8 million for the first six months. The improvement reflects a 16% increase in natural gas prices and a 6% increase in natural gas volumes resulting from the new Gulf of Mexico production discussed above.

GENERAL CORPORATE EXPENSES

General corporate expenses, excluding the impact of the increased G&A allocations to the operating divisions, were $23 million in the current quarter, compared to $24 million in the prior year's quarter. Comparable amounts for the six months periods were $49 million for 1997 versus $47 million for 1996. The year-to-date increase reflects higher consulting fees.

OTHER INCOME (EXPENSE)

For the six months ended March 31, 1997, interest expense (net of interest income) totaled $82 million, compared to $86 million for the 1996 period. The decline reflected a decrease in the average outstanding debt level during the December quarter and lower interest rates resulting from certain long-term debt refinancings.

Equity income from Arch Mineral for the quarter ended March 31, 1997, amounted to $5 million, compared to $4 million for the March 1996 quarter. Equity income from Arch for the six months ended March 31, 1997, amounted to $10 million, compared to $5 million for the same period last year. The increases in both comparisons resulted from higher sales and production tonnage and reduced SG&A and interest costs. The increases in sales and production tonnage reflect increased sales commitments at Arch of Illinois and excellent mining conditions at Arch of Kentucky.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt. On February 3, 1997, Moody's Investors Service lowered the rating on Ashland's senior debt from Baa1 to Baa2, a level equivalent to the company's BBB senior debt rating from Standard & Poor's. Ashland has a revolving credit agreement providing for up to $320 million in borrowings, under which no borrowings were outstanding at March 31, 1997. At that date, Ashland Coal also had revolving credit agreements providing for up to $500 million in borrowings, of which $15 million was in use. Under a shelf registration, Ashland can issue an additional $220 million in medium-term notes should future opportunities or needs arise. Ashland and Ashland Coal also have access to various uncommitted lines of credit and commercial paper markets, under which short-term notes and commercial paper of $237 million were outstanding at March 31, 1997.

Cash flows from operations, a major source of Ashland's liquidity, amounted to $70 million for the six months ended March 31, 1997, compared to $276 million for the six months ended March 31, 1996. This decrease was attributed primarily to the decreased level of earnings, including the effect of the Columbia settlement, and increased working capital requirements.

Working capital at March 31 1997, was $545 million, compared to $461 million at September 30, 1996, and $466 million at March 31, 1996. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 78% of current liabilities at March 31, 1997, and 76% at September 30, 1996. Ashland's working capital is significantly affected by its use of the LIFO method of inventory valuation, which valued inventories $470 million below their replacement costs at March 31, 1997.

CAPITAL RESOURCES

For the six months ended March 31, 1997, property additions amounted to $185 million, compared to $178 million for the same period last year. Property additions (including exploration costs and geophysical expenses) and cash dividends for the remainder of fiscal 1997 are estimated at $334 million and $43 million, respectively. Ashland anticipates meeting its remaining 1997 capital requirements for property additions, dividends and $26 million in contractual maturities of long-term debt from internally generated funds.

Ashland's capital employed at March 31, 1997, consisted of debt (51%), deferred income taxes (2%), minority interest (4%), and common stockholders' equity (43%). Debt as a percent of capital employed was 51% at March 31, 1997, compared to 49% at September 30, 1996. At March 31, 1997, long-term debt included $48 million of floating-rate debt, and the interest rates on an additional $485 million of fixed-rate debt had been converted to floating rates through interest rate swap agreements.

ENVIRONMENTAL MATTERS

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

ENVIRONMENTAL MATTERS (continued)

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

During 1996, the U.S. Environmental Protection Agency (EPA) notified Ashland that its three refineries would be subject to a comprehensive inspection of compliance with federal environmental laws and regulations. The third and final inspection was completed during the quarter ended December 31, 1996. Such inspections could result in sanctions, monetary penalties and further remedial expenditures.

Also during 1996, Ashland arranged for an independent review of environmental compliance at its three refineries by an outside consulting firm, self-reported to the EPA a number of issues of non-compliance with applicable laws or regulations, and commenced a program to address these matters. Ashland is not in a position to determine what actions, if any, may be instituted and is similarly uncertain at this time what additional remedial actions may be required or costs incurred. However, this matter is not expected to have a material adverse effect on Ashland's consolidated financial position.

PROFITABILITY IMPROVEMENT PLAN

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

- REDUCING CAPITAL EXPENDITURES FOR REFINING. These are being limited to $100 million for fiscal 1997, below projected depreciation, and totaled $43 million for the first six months.

- AGGRESSIVELY REVIEWING OPTIONS FOR STRATEGIC ALLIANCES FOR ASHLAND'S REFINING AND MARKETING OPERATIONS. On May 15, 1997, Ashland and USX Corporation announced the signing of a Letter of Intent between Ashland and USX's Marathon group to pursue a combination of the major elements of Marathon and Ashland's refining, marketing and transportation operations. Under the terms of the Letter of Intent, Marathon will have a 62 percent ownership interest, and Ashland will have a 38 percent ownership interest, in the new limited liability joint venture company, which has not yet been named. Exploration, production and chemical businesses are not to be a part of the new company's assets. Also excluded from the transaction are Ashland's Valvoline and APAC road construction divisions. Certain equity investments of both companies are also excluded. Ashland's refinery-produced petrochemicals will be a part of the new company. It is anticipated that the new company will not assume debt of either Marathon or Ashland. The transaction is subject to the negotiation and execution of definitive documents and a closing of the transaction is targeted for calendar year-end. The anticipated combination requires the approval of the Boards of Directors of Ashland, Marathon and USX and of certain governmental agencies, as well as the satisfactory conclusion of due diligence by the parties. See Exhibit 99 - Press Release dated May 15, 1997.

- EVALUATING STRATEGIC ALTERNATIVES FOR ASHLAND'S EXPLORATION DIVISION. As previously announced, Ashland has filed a registration statement for a proposed initial public offering (IPO) of these operations, now known as Blazer Energy Corp. The IPO is a viable option, but Ashland is also evaluating other alternatives, including an outright sale, in an effort to produce the best value for its shareholders.

PROFITABILITY IMPROVEMENT PLAN (continued)

- INCREASING CAPITAL EMPLOYED IN ASHLAND CHEMICAL, THE APAC HIGHWAY CONSTRUCTION GROUP AND VALVOLINE. Ashland has invested $43 million in seven acquisitions in Ashland Chemical during the first six months of the year. These acquisitions help expand Ashland's distribution and specialty chemical businesses in the United States and also broaden their growing global presence.

- IMPLEMENTING A COMMON STOCK REPURCHASE PROGRAM. In December, Ashland's board approved a plan to repurchase up to one million shares of Ashland common stock annually to offset dilution due to company benefit programs. No purchases have occurred to date under this program.

In another major development, on April 4, 1997, Ashland Coal, Inc. and Arch Mineral Corporation jointly announced the execution of a definitive agreement to merge their companies into a publicly traded company to be known as Arch Coal, Inc. The merger will create the sixth largest coal company in the United States by sales tons. Ashland currently owns 57% of Ashland Coal and 50% of Arch Mineral and will own about 54% of Arch Coal. Following the completion of the transaction, which is expected to occur on or about June 30, 1997, Arch Coal will be consolidated in Ashland's financial statements.

In March 1997, Ashland called the outstanding shares of its $3.125 Cumulative Convertible Preferred Stock. There were 6 million shares in the series, each convertible into 1.546 shares of Ashland Common Stock, plus cash for fractional shares. Almost 99% of the series was submitted for conversion to common stock by the March 31 deadline. The remaining shares were redeemed at a price of $51.88 per share plus 19.1 cents per share of accrued and unpaid dividends. The conversions further strengthen Ashland's balance sheet and, based on current common dividend payments, should provide annual cash savings of about $8.5 million.

FORWARD LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although Ashland believes that its expectations are based on reasonable assumptions, it cannot assure that the expectations contained in such statements will be achieved. Important factors which could cause actual results to differ materially from those contained in such statements are discussed in Note A to the Consolidated Financial Statements under risks and uncertainties in Ashland's Annual Report for the fiscal year ended September 30, 1996. Other factors and risks affecting Ashland's revenues and operations are contained in Ashland's Form 10-K for the fiscal year ended September 30, 1996, which is on file with the Securities and Exchange Commission.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Environmental Proceedings - (1) As of March 31, 1997, Ashland was subject to 78 notices received from the USEPA and similar state agencies identifying Ashland as a "potentially responsible party" ("PRP") under Superfund or similar state laws for potential joint and several liability for cleanup costs in connection with alleged releases of hazardous substances from various waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the USEPA or a state agency in accordance with procedures established under regulations, in which Ashland may be participating as a member of various PRP groups. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for the costs of site cleanup or oversight expended, and/or long-term monitoring of environmental conditions at the sites. Ashland carefully monitors the investigatory and remedial activity at many of these sites. Based on its experience with site remediation, its familiarity with current environmental laws and regulations, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland believes that its liability at these sites, either individually or in the aggregate, after taking into account established reserves, will not have a material adverse effect on Ashland's consolidated financial position, cash flow or liquidity, but could have a material adverse effect on results of operations in a particular quarter or fiscal year. Estimated costs for these matters are recognized in accordance with generally accepted accounting principles governing probability and the ability to reasonably estimate future costs. For additional information regarding Superfund, see "Miscellaneous - Governmental Regulation and Action-Environmental Protection."

(2) On March 19, 1996, after consultation with the USEPA, the Kentucky Division for Air Quality issued a finding that Ashland had not demonstrated compliance with certain air regulations regarding volatile organic compounds at its Catlettsburg, Kentucky refinery, and referred the matter to USEPA - Region IV for formal enforcement action. Ashland filed a petition requesting a hearing before a Kentucky administrative hearing officer on the merits of the matter. The hearing is scheduled for July 1997. Separately, the USEPA issued a Notice of Violation to Ashland regarding this matter.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 Financial Data Schedule
99 Press Release dated May 15, 1997

(b) Reports on Form 8-K

None

SIGNATURES

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

Ashland Inc.
(Registrant)

Date May 15, 1997 /s/ Kenneth L. Aulen

Administrative Vice President and Controller
(Chief Accounting Officer)

Date May 15, 1997 /s/ Thomas L. Feazell

Senior Vice President,
General Counsel and Secretary

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ASHLAND INC.'S 2ND QUARTER 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-Q.
1,000,000

6-MOS
SEP-30-1997
MAR-31-1997
81
0
1,777
26
804
2,899
7,476
3,783
7,441
2,354
1,852
74
0
0
1,738
7,441
6,653
6,690
5,880
5,880
669
0
82
59
23
43
0
0
0
43
.50
.56

NEWS FROM ASHLAND

FOR FURTHER INFORMATION:

USX	Ashland Inc.
William E. Kesler	Dan Lacy
(412) 433-6870	(606) 329-3148

FOR IMMEDIATE RELEASE
May 15, 1997

USX-Marathon Group
and Ashland Inc.
Pursue New Venture

Pittsburgh, Pa. -- USX Corporation and Ashland Inc. today announced the signing of a letter of intent to pursue a combination of the major elements of USX's Marathon Group and Ashland's refining, marketing and transportation operations. Under its terms, USX-Marathon will have a 62 percent ownership, and Ashland will have a 38 percent ownership in a joint venture which is expected to be formed following regulatory reviews and execution of definitive agreements and approval by the boards of USX and Ashland.

In making this announcement, USX Chairman Thomas J. Usher said, "The goal of this joint venture is to create a competitive enterprise which capitalizes on the strengths and complementary assets of both companies. Market conditions have dictated that new approaches be explored to improve performance and growth opportunities. Our collective focus will be to build upon the strengths of each company to further improve our competitiveness and return to our shareholders."

Ashland Chairman and CEO Paul W. Chellgren added, "The petroleum refining and marketing industry in the United States is undergoing a rapid transformation based on the need to improve profitability, create new efficiencies and better serve customers and shareholders. The combination of Ashland's and Marathon's refining and marketing business will create a stronger, more efficient company with greater prospects for long-term job creation and better ability to provide enhanced shareholder and customer value."

Marathon and Ashland have agreed that exploration, production and chemical businesses are not to be a part of the new venture. Other exclusions include Ashland's Valvoline division, along with equity investments in certain pipelines for both companies. Ashland's refinery-produced petrochemicals will become part of the joint venture.

The joint venture's headquarters will be located in Findlay, Ohio, and J. L. "Corky" Frank, currently Marathon's executive vice president, refining, marketing and transportation, will be named president of the yet unnamed entity. Ashland's Duane Gilliam, currently Ashland Petroleum executive vice president, will be appointed as executive vice president for the joint venture. Current plans are to maintain the existing brand identification for each company. Marathon markets under the Marathon brand name and through its Emro marketing company brands: Speedway, Bonded, Starvin' Marvin, United, Gastown, Wake Up and Kwik Sak. Ashland brands include Ashland, SuperAmerica and Rich Oil. Future decisions on brand identification or consolidation may be undertaken by the new company.

Usher and Chellgren emphasized that prospective synergies will be defined over the next several months. It is expected that the joint venture will be able to achieve substantial benefits largely by pursuing operational efficiencies and integrating the strengths of their business processes, management systems and administrative support functions. These efficiencies are not premised on the closure of major operating facilities; however, future decisions in this regard will be governed by business conditions and the needs of the joint venture consistent with the achievement of its business plan. The principal aim of the joint venture is to develop the most efficient and competitive organization for the new company with consideration for the communities in which it operates. As the new company structure is formed, there will likely be workforce reductions and job reassignments, but the long term growth potential of this combined entity could provide future employment opportunities. Chellgren and Usher added, "Combining the strengths of our supply, distribution and marketing systems and capitalizing on our mutual experience will serve our stockholders well in the long run."

Marathon Oil Company is part of the USX-Marathon Group (NYSE:MRO), a unit of USX Corporation. Ashland Inc. (NYSE:ASH) is a large energy and chemical company engaged in petroleum refining and marketing; coal; highway construction; and oil and gas exploration and production.

This press release contains forward-looking statements concerning the future benefits which may be realized from a combination of the Marathon and Ashland refining, marketing and transportation operations. The realization of these benefits is dependent upon the execution of a definitive agreement; receipt of government approvals; the success with which the integration of the operations, management systems and business processes is accomplished; and the business conditions prevailing in the markets to be served by the combined operations. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, USX has included in Form 10-Q for the period ended March 31, 1997, and Ashland Inc. has included in its Annual Report and Form 10-K for the fiscal year ended September 30, 1996, meaningful cautionary statements identifying important factors, but not necessarily all factors, that could cause actual results to differ materially from those set forth in the forward-looking statements.

For more information on Marathon, see its website at www.marathon.com or www.usx.com For more information on Ashland, see its website at www.ashland.com

Marathon/Ashland Fact Sheet

May 15, 1997
TOTAL ASSETS OF PROPOSED COMPANY
FACT SHEET

MARATHON FACTS	ASHLAND FACTS	FACTS ON PROPOSED COMPANY
HEADQUARTERS	HEADQUARTERS	HEADQUARTERS
Marathon Oil Company P.O. Box 3128 Houston, TX 77253-3128 (713) 629-6600 Phone (713) 871-0728 FAX	Ashland Petroleum Company P.O. Box 391 Ashland, KY 41114 (606) 329-3333 Phone (606) 329-4795 FAX	JOINT VENTURE (To be named) Findlay, Ohio MANAGEMENT: J. L. Corky Frank, President Duane Gilliam, Executive Vice President
MARATHON REFINERIES (4)	ASHLAND REFINERIES (3)	PROPOSED COMPANY REFINERIES (7)
Garyville, La. Capacity: 255,000 bpd		Garyville, La. Capacity: 255,000 bpd
	Catlettsburg, Ky. Capacity: 220,000 bpd	Catlettsburg, Kentucky Capacity: 220,000 bpd
Robinson, Ill. Capacity: 180,000 bpd		Robinson, Ill. Capacity: 180,000 bpd
	St. Paul Park, Minn. Capacity: 70,000 bpd	St. Paul Park, Minn. Capacity: 70,000 bpd
Texas City, Texas Capacity: 70,000 bpd		Texas City, Texas Capacity: 70,000 bpd
	Canton, Ohio Capacity: 65,000 bpd	Canton, Ohio Capacity: 65,000 bpd
Detroit, Mich. Capacity: 70,000 bpd		Detroit, Mich. Capacity: 70,000 bpd
TOTAL MARATHON CAPACITY: 575,000 bpd	TOTAL ASHLAND CAPACITY: 355,000 bpd	TOTAL COMBINED CAPACITY: 930,000 bpd
MARATHON Percent of U.S. Capacity: 3.7%	ASHLAND Percent of U.S. Capacity: 2.3%	PERCENT OF U.S. CAPACITY: 6%

Marathon/Ashland Fact Sheet
May 15, 1997

MARATHON FACTS	ASHLAND FACTS	FACTS ON PROPOSED COMPANY
TERMINALS	TERMINALS	TERMINALS
51 light product and asphalt terminals in Midwest and Southeast	34 light product and asphalt terminals	85 light product and asphalt terminals. One light product facility in Niles, Mich., is jointly owned by both Marathon and Ashland.
RETAIL MARKETING	RETAIL MARKETING	RETAIL MARKETING
Approximately 3,980 outlets in 17 states, including Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Michigan, Mississippi, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia and Wisconsin.	Approximately 1,420 outlets in 11 states, including Illinois, Indiana, Kentucky, Minnesota, North Dakota, Ohio, Pennsylvania, South Dakota, Virginia, West Virginia and Wisconsin.	Approximately 5,400 outlets in 20 states, including Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, North Carolina, North Dakota, Ohio, Pennsylvania, South Carolina, South Dakota, Tennessee, Virginia, West Virginia and Wisconsin.
PIPELINE	PIPELINE	PIPELINE
Owns, leases or has ownership interest in 5,142 miles of pipeline that will be included in this joint venture. This includes 1,052 miles of crude oil gathering lines, 1,761 miles of crude oil trunk lines and 2,329 miles of product lines.	Owns, leases or has ownership interest in 5,790 miles of pipeline in 13 states. This includes 2,287 miles of crude oil gathering lines, 2,987 miles of crude oil trunk lines, 475 miles of product lines and 41 miles of natural gas liquid lines.	Most of Marathon's and Ashland's pipeline holdings will go to the joint venture, with some relatively minor exclusions. Marathon's 11.1% interest in Capline and certain other equity pipeline interests are not included. Ashland's 21.6% interest in Capline, the large pipeline that transports crude oil from St. James, La., to Patoka, Ill., is included in the joint venture.