SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

Commission file number 1-2918

ASHLAND INC.
(a Kentucky corporation)

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

Telephone Number: (859) 815-3333

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

At July 31, 2002, there were 68,962,958 shares of Registrant's Common Stock outstanding. One Right to purchase one-thousandth of a share of Series A Participating Cumulative Preferred Stock accompanies each outstanding share of Registrant's Common Stock.

PART I - FINANCIAL INFORMATION

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

(In millions except per share data)	Three months ended June 30 2002	Three months ended June 30 2001	Nine months ended June 30 2002	Nine months ended June 30 2001
REVENUES				
Sales and operating revenues	$ 2,047	$ 2,053	$ 5,457	$ 5,590
Equity income	80	314	141	537
Other income	12	20	50	51
	2,139	2,387	5,648	6,178
COSTS AND EXPENSES				
Cost of sales and operating expenses	1,637	1,675	4,392	4,586
Selling, general and administrative expenses	311	283	861	814
Depreciation, depletion and amortization	54	60	161	178
	2,002	2,018	5,414	5,578
OPERATING INCOME	137	369	234	600
Net interest and other financial costs	(33)	(42)	(103)	(132)

INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	104	327	131	468
Income taxes	(39)	(130)	(49)	(187)
INCOME FROM CONTINUING OPERATIONS	65	197	82	281
Results from discontinued operations (net of income taxes)	-	-	-	25
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	65	197	82	306
Cumulative effect of accounting changes (net of income taxes)	-	-	(12)	(4)
NET INCOME	$ 65	$ 197	$ 70	$ 302
BASIC EARNINGS PER SHARE - Note A				
Income from continuing operations	$ .94	$ 2.82	$ 1.18	$ 4.04
Results from discontinued operations	-	-	-	.35
Cumulative effect of accounting changes	-	-	(.16)	(.06)
Net income	$ .94	$ 2.82	$ 1.02	$ 4.33
DILUTED EARNINGS PER SHARE - Note A				
Income from continuing operations	$ .93	$ 2.79	$ 1.16	$ 3.99
Results from discontinued operations	-	-	-	.35
Cumulative effect of accounting changes	-	-	(.16)	(.06)
Net income	$ .93	$ 2.79	$ 1.00	$ 4.28
DIVIDENDS PAID PER COMMON SHARE	$ .275	$ .275	$ .825	$ .825

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	June 30 2002	September 30 2001	June 30 2001
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 101	$ 236	$ 70
Accounts receivable	1,126	1,219	1,190
Allowance for doubtful accounts	(37)	(34)	(29)
Inventories - Note A	493	495	507
Deferred income taxes	123	126	124
Other current assets	129	171	176
	1,935	2,213	2,038
INVESTMENTS AND OTHER ASSETS			
Investment in Marathon Ashland Petroleum LLC (MAP)	2,406	2,387	2,377
Goodwill	518	528	547
Other noncurrent assets	392	377	406
	3,316	3,292	3,330
PROPERTY, PLANT AND EQUIPMENT			
Cost	3,101	3,030	2,984
Accumulated depreciation, depletion and amortization	(1,669)	(1,590)	(1,559)
	1,432	1,440	1,425
	$ 6,683	$ 6,945	$ 6,793
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Debt due within one year	$ 302	$ 85	$ 115
Trade and other payables	1,203	1,392	1,282
Income taxes	54	20	18
	1,559	1,497	1,415
NONCURRENT LIABILITIES			
Long-term debt (less current portion)	1,600	1,786	1,881
Employee benefit obligations	400	412	346
Deferred income taxes	272	440	377
Reserves of captive insurance companies	182	173	184
Other long-term liabilities and deferred credits	408	411	404
Commitments and contingencies - Note D			
	2,862	3,222	3,192
COMMON STOCKHOLDERS' EQUITY	2,262	2,226	2,186
	$ 6,683	$ 6,945	$ 6,793

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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

(In millions)	Common stock	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
BALANCE AT OCTOBER 1, 2000	$ 70	$ 388	$ 1,579	$ (72)	$1,965
Total comprehensive income (1)			302	(23)	279
Cash dividends			(57)		(57)
Issued common stock under stock incentive plans		17			17
Repurchase of common stock	(1)	(17)			(18)
BALANCE AT JUNE 30, 2001	$ 69	$ 388	$ 1,824	$ (95)	$2,186
BALANCE AT OCTOBER 1, 2001	$ 69	$ 363	$ 1,920	$ (126)	$2,226
Total comprehensive income (1)			70	18	88
Cash dividends			(57)		(57)
Issued common stock under stock incentive plans		16			16
Repurchase of common stock		(11)			(11)
BALANCE AT JUNE 30, 2002	$ 69	$ 368	$ 1,933	$ (108)	$2,262

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

(In millions)	Three months ended June 30 2002	Three months ended June 30 2001	Nine months ended June 30 2002	Nine months ended June 30 2001
Net income	$ 65	$ 197	$ 70	$ 302
Unrealized translation adjustments	26	(7)	17	(26)
Related tax benefit (expense)	(2)	-	1	3
Total comprehensive income	$ 89	$ 190	$ 88	$ 279

At June 30, 2002, the accumulated other comprehensive loss of $108 million (after tax) was comprised of net unrealized translation losses of $65 million and a minimum pension liability of $43 million.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(In millions)	Nine months ended June 30 2002	Nine months ended June 30 2001
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	$ 82	$ 281
Expense (income) not affecting cash		
Depreciation, depletion and amortization	161	178
Deferred income taxes	(102)	106
Equity income from affiliates	(141)	(537)
Distributions from equity affiliates	121	454
Change in operating assets and liabilities (1)	(100)	(50)
	21	432
CASH FLOWS FROM FINANCING		
Proceeds from issuance of long-term debt	-	52
Proceeds from issuance of common stock	11	11
Repayment of long-term debt	(58)	(90)
Repurchase of common stock	(11)	(18)
Increase (decrease) in short-term debt	85	(190)
Dividends paid	(57)	(57)
	(30)	(292)
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment	(138)	(144)
Purchase of operations - net of cash acquired	(12)	(82)
Proceeds from sale of operations	-	9
Other - net	2	(6)
	(148)	(223)
CASH USED BY CONTINUING OPERATIONS	(157)	(83)
Cash provided by discontinued operations - Note C	22	86
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(135)	3
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	236	67
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 101	$ 70

(1) Excludes changes resulting from operations acquired or sold.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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

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NOTE A - SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and Securities and Exchange Commission regulations. Although such statements are subject to any year-end audit adjustments which may be necessary, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with Ashland's Annual Report on Form 10-K for the fiscal year ended September 30, 2001. Results of operations for the periods ended June 30, 2002, are not necessarily indicative of results to be expected for the year ending September 30, 2002.

INVENTORIES

(In millions)	June 30 2002	September 30 2001	June 30 2001
Chemicals and plastics	$ 361	$ 374	$ 369
Construction materials	82	74	81
Petroleum products	55	54	60
Other products	53	57	64
Supplies	6	6	6
Excess of replacement costs over LIFO carrying values	(64)	(70)	(73)
	$ 493	$ 495	$ 507

EARNINGS PER SHARE

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

	Three months ended June 30		Nine months ended June 30	
(In millions except per share data)	2002	2001	2002	2001
NUMERATOR				
Numerator for basic and diluted EPS - Income from continuing operations	$ 65	$ 197	$ 82	$ 281
DENOMINATOR				
Denominator for basic EPS - Weighted average common shares outstanding	69	70	69	70
Common shares issuable upon exercise of stock options	1	1	1	-
Denominator for diluted EPS - Adjusted weighted average shares and assumed conversions	70	71	70	70
BASIC EPS FROM CONTINUING OPERATIONS	$ .94	$ 2.82	$ 1.18	$ 4.04
DILUTED EPS FROM CONTINUING OPERATIONS	$ .93	$ 2.79	$ 1.16	$ 3.99

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNTING CHANGE - FAS 133

In June 1998, the Financial Accounting Standards Board issued Statement No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities." FAS 133 was amended by two other statements and was required to be adopted in years beginning after June 15, 2000. Because of Ashland's minimal use of derivatives, FAS 133 did not have a significant effect on Ashland's financial position or results of operations when it was adopted on October 1, 2000. The adoption of FAS 133 by Marathon Ashland Petroleum LLC (MAP) on January 1, 2001, resulted in a $20 million pretax loss from the cumulative effect of this accounting change. Ashland's share of the pretax loss amounted to $7 million which, net of income tax benefits of $3 million, resulted in a loss of $4 million from the cumulative effect of this accounting change.

ACCOUNTING CHANGE - FAS 142

In June 2001, the Financial Accounting Standards Board issued Statement No. 142 (FAS 142), "Goodwill and Other Intangible Assets." Under FAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. As permitted, Ashland adopted the statement as of October 1, 2001, the beginning of its fiscal year.

All of Ashland's recorded intangible assets are subject to amortization. These recorded intangible assets (included in other noncurrent assets) and the related amortization expense are not material to Ashland's consolidated financial position or results of operations, respectively.

Under FAS 142, a company is required to perform an initial impairment test of goodwill as of the date it adopts the Statement. The first step of that test compares the fair value of a reporting unit with its carrying amount to identify potential impairment. If the carrying value of a reporting unit exceeds its fair value, the second step of the test is then performed to measure the amount of any impairment. In the March 2002 quarter, Ashland completed the first step of its initial impairment test of goodwill as of October 1, 2001. As a result of that process, no potential impairments were identified, except with respect to goodwill of $14 million recognized by Ashland Distribution. The second step of the test related to the goodwill of Ashland Distribution was completed in the June 2002 quarter. The test indicated that the goodwill of Ashland Distribution was fully impaired and an impairment loss of $14 million ($12 million net of income taxes) was recorded as a cumulative effect of accounting change as of the beginning of fiscal 2002.

Following is a progression of goodwill by segment for the nine months ended June 30, 2002.

(In millions)	APAC	Ashland Distribution	Ashland Specialty Chemical	Valvoline	Total
Balance at October 1, 2001	$ 419	$ 14	$ 92	$ 3	$ 528
Goodwill acquired	-	-	1	2	3
Impairment losses	-	(14)	-	-	(14)
Currency translation adjustments	-	-	1	-	1
Balance at June 30, 2002	$ 419	$ -	$ 94	$ 5	$ 518

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	Three months ended June 30		Nine months ended June 30	
(In millions except per share data)	2002	2001	2002	2001
Reported income before cumulative effect of accounting changes	$ 65	$ 197	$ 82	$ 306
Add back: Goodwill amortization	-	9	-	26
Adjusted income before cumulative effect of accounting changes	$ 65	$ 206	$ 82	$ 332
Basic EPS before cumulative effect of accounting changes - as reported	$ .94	$ 2.82	$ 1.18	$ 4.39
Add back: Goodwill amortization	-	.13	-	.38
Basic EPS before cumulative effect of accounting changes - adjusted	$ .94	$ 2.95	$ 1.18	$ 4.77
Diluted EPS before cumulative effect of accounting changes - as reported	$ .93	$ 2.79	$ 1.16	$ 4.34
Add back: Goodwill amortization	-	.13	-	.38
Diluted EPS before cumulative effect of accounting changes - adjusted	$ .93	$ 2.92	$ 1.16	$ 4.72

NOTE B - UNCONSOLIDATED AFFILIATES

Ashland is required by Rule 3-09 of Regulation S-X to file separate financial statements for its significant unconsolidated affiliate, Marathon Ashland Petroleum LLC (MAP). Financial statements for MAP for the year ended December 31, 2001, were filed on a Form 10-K/A on March 14, 2002. Unaudited income statement information for MAP is shown below.

MAP is organized as a limited liability company that has elected to be taxed as a partnership. Therefore, each parent is responsible for income taxes applicable to its share of MAP's taxable income. The net income reflected below for MAP does not include any provision for income taxes that will be incurred by its parents.

	Three months ended June 30		Nine months ended June 30	
(In millions)	2002	2001	2002	2001
Sales and operating revenues	$ 6,775	$ 7,542	$ 17,823	$ 21,653
Income from operations	217	846	398	1,457
Income before cumulative effect of accounting change	214	843	391	1,456
Net income	214	843	391	1,436
Ashland's equity income	78	313	137	533

NOTE C - DISCONTINUED OPERATIONS

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

NOTE D - LITIGATION, CLAIMS AND CONTINGENCIES

ENVIRONMENTAL PROCEEDINGS

Ashland is subject to various federal, state and local environmental laws and regulations that require environmental assessment or remediation efforts (collectively environmental remediation) at multiple locations. At June 30, 2002, such locations included nearly 100 waste treatment or disposal sites where Ashland has been identified as a potentially responsible party under Superfund or similar state laws, approximately 130 current and former operating facilities (including certain operating facilities conveyed to MAP) and about 1,200 service station properties. Ashland's reserves for environmental remediation amounted to $164 million at June 30, 2002. Such amount reflects Ashland's estimate of the most likely costs that will be incurred over an extended period to remediate identified conditions for which the costs are reasonably estimable, without regard to any third-party recoveries.

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

None of the remediation locations is individually material to Ashland as its largest reserve for any site is under $10 million. As a result, Ashland's exposure to adverse developments with respect to any individual site is not expected to be material, and these sites are in various stages of the ongoing environmental remediation process.

ASBESTOS-RELATED LITIGATION

Ashland is subject to liabilities related to a significant number of claims alleging personal injury resulting from exposure to asbestos, primarily as a result of indemnification obligations relating to the 1990 sale of Riley Stoker Corporation, a former subsidiary. This former subsidiary had manufactured boilers using components that contained asbestos.

NOTE D - LITIGATION, CLAIMS AND CONTINGENCIES (continued)

ASBESTOS-RELATED LITIGATION (continued)

A summary of claims activity during the nine months ended June 30, 2002, and each of the fiscal years ended September 30, 2001, 2000, and 1999 is as follows:

(In thousands)	Nine months ended June 30,2002	Years ended September 30 2001	2000	1999
Open claims - beginning of period	167	118	93	78
New claims	34	52	37	24
Claims settled or dismissed	(47)	(3)	(12)	(9)
Open claims - end of period	154	167	118	93

Prior to insurance recoveries, the amounts spent on litigation defense and claim settlement totaled $34 million during the nine months ended June 30, 2002, and $15 million, $11 million, and $11 million during the fiscal years ended September 30, 2001, 2000, and 1999, respectively. Ashland expects to be reimbursed by insurance carriers for most of the litigation defense and claim settlement costs that have been or will be incurred for open claims. During the nine months ended June 30, 2002, Ashland recognized expense of $5 million related to asbestos claims. Ashland has coverage-in-place agreements with respect to the asbestos-related claims involving the former subsidiary with most of the insurance carriers that Ashland has identified as providing coverage, and pursuant to these agreements Ashland has received substantial payments to date. At June 30, 2002, Ashland has reserves of $28 million for asbestos liabilities that it does not expect to recover from its insurance carriers on open claims.

GENERAL

In addition to the matters described above, there are pending or threatened against Ashland and its current and former subsidiaries various claims, lawsuits and administrative proceedings. Such actions are with respect to commercial matters, product liability, toxic tort liability, and other environmental matters, which seek remedies or damages some of which are for substantial amounts. While these actions are being contested, their outcome is not predictable with assurance.

The uncertainties of asbestos claim litigation make it difficult to accurately predict the results of the ultimate resolution of asbestos claims. However, considering the foregoing and amounts already provided for, and given our historical litigation experience on resolved asbestos claims, the substantial amount of insurance coverage that Ashland has available from its insurance carriers and expected contributions from other responsible parties, Ashland does not believe that any liability resulting from environmental remediation, open asbestos-related claims or other legal proceedings will have a material adverse effect on its consolidated financial position, cash flows or liquidity.

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

(In millions)	Three months ended June 30 2002	Three months ended June 30 2001	Nine months ended June 30 2002	Nine months ended June 30 2001
REVENUES				
Sales and operating revenues				
APAC	$ 756	$ 745	$ 1,861	$ 1,750
Ashland Distribution	670	737	1,875	2,194
Ashland Specialty Chemical	340	318	952	933
Valvoline	305	276	833	784
Intersegment sales				
Ashland Distribution	(6)	(7)	(15)	(21)
Ashland Specialty Chemical	(18)	(16)	(48)	(49)
Valvoline	-	-	(1)	(1)
	2,047	2,053	5,457	5,590
Equity income				
Ashland Specialty Chemical	1	1	3	3
Valvoline	1	-	1	1
Refining and Marketing	78	313	137	533
	80	314	141	537
Other income				
APAC	2	7	8	12
Ashland Distribution	2	1	14	5
Ashland Specialty Chemical	5	5	17	20
Valvoline	2	1	4	4
Refining and Marketing	-	5	2	5
Corporate	1	1	5	5
	12	20	50	51
	$ 2,139	$ 2,387	$ 5,648	$ 6,178
OPERATING INCOME				
APAC	$ 42	$ 37	$ 64	$ 12
Ashland Distribution	3	13	8	37
Ashland Specialty Chemical	25	19	59	55
Valvoline	25	22	53	51
Refining and Marketing (1)	66	302	111	506
Corporate	(24)	(24)	(61)	(61)
	$ 137	$ 369	$ 234	$ 600

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

ASHLAND INC. AND CONSOLIDATED SUBSIDIARIES
INFORMATION BY INDUSTRY SEGMENT

	Three months ended June 30		Nine months ended June 30	
	2002	2001	2002	2001
OPERATING INFORMATION				
APAC				
Construction backlog at June 30 (millions) (1)			$ 1,797	$ 1,746
Hot-mix asphalt production (million tons)	11.4	11.1	25.3	23.7
Aggregate production (million tons)	8.5	8.1	22.2	19.5
Ready-mix concrete production (thousand cubic yards)	565	607	1,537	1,590
Ashland Distribution (2)				
Sales per shipping day (millions)	$ 10.5	$ 11.0	$ 10.0	$ 11.4
Gross profit as a percent of sales	15.8%	15.5%	16.0%	15.9%
Ashland Specialty Chemical (2)				
Sales per shipping day (millions)	$ 5.3	$ 5.1	$ 5.1	$ 5.0
Gross profit as a percent of sales	37.1%	34.0%	36.0%	34.0%
Valvoline lubricant sales (million gallons)	52.5	44.6	142.0	128.8
Refining and Marketing (3)				
Crude oil refined (thousand barrels per day)	973	958	930	895
Refined products sold (thousand barrels per day) (4)	1,351	1,303	1,299	1,288
Refining and wholesale marketing margin (per barrel) (5)	$ 2.18	$ 7.72	$ 1.89	$ 5.05
Speedway SuperAmerica (SSA) (6)				
Retail outlets at June 30			2,081	2,177
Gasoline and distillate sales (million gallons)	911	893	2,679	2,671
Gross margin - gasoline and distillates (per gallon)	$ .1116	$ .1280	$ .1032	$ .1179
Merchandise sales (millions)	$ 612	$ 574	$ 1,736	$ 1,580
Merchandise margin (as a percent of sales)	25.5%	23.7%	24.5%	23.6%

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

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RESULTS OF OPERATIONS

CURRENT QUARTER - For the quarter ended June 30, 2002, Ashland recorded net income of $65 million, compared to $197 million for the quarter ended June 30, 2001. The most significant factor affecting the comparison was a sharp decline in operating income from refining and marketing compared to the record level of 2001. However, operating income from Ashland's wholly owned businesses was up slightly despite challenging conditions in many of our markets. APAC, Ashland Specialty Chemical and Valvoline all showed improvements, while Ashland Distribution continued to grapple with a difficult business climate.

YEAR-TO-DATE - For the nine months ended June 30, 2002, Ashland recorded net income of $70 million, compared to $302 million for the nine months ended June 30, 2001. Both periods included the cumulative effect of accounting changes and the 2001 period included results from discontinued operations as described in Notes A and C to the Condensed Consolidated Financial Statements. Income from continuing operations amounted to $82 million in the 2002 period, compared to $281 million in the 2001 period. Operating income declined $366 million from the record level recorded in the 2001 period, reflecting the same factors described in the current quarter comparison.

As described in Note A to the Condensed Consolidated Financial Statements, Ashland adopted FAS 142 effective October 1, 2001, which caused amortization of goodwill to cease. Goodwill amortization reduced operating income by $32 million and net income by $26 million for the nine months ended June 30, 2001. The reductions in operating income by segment were $19 million for APAC, $1 million for Ashland Distribution, $4 million for Ashland Specialty Chemical, $1 million for Valvoline and $7 million for Refining and Marketing.

APAC

CURRENT QUARTER - APAC's construction operations reported operating income of $42 million for the June 2002 quarter, compared to $37 million for the June 2001 quarter, which included a charge of $3 million to correct improper recognition of construction contract earnings at APAC's division in Manassas, Virginia. The improvement reflects higher earnings on construction jobs and increased profitability in APAC's asphalt plants. Net construction job revenue (total revenue less subcontract costs) increased 3% from the prior year period, while job margins averaged 6.6% in the June 2002 quarter compared to 5.2% in the 2001 period. Production of hot-mix asphalt increased 3%, while lower costs for production labor, fuel and power more than offset a slight increase in liquid asphalt costs. Nonamortization of goodwill increased APAC's operating income by $6 million, compared to the June 2001 quarter, but the benefit was more than offset by $7 million in expenses related to APAC's business process redesign initiative (Project PASS). APAC's construction backlog increased slightly to a June 30 record of $1.8 billion.

YEAR-TO-DATE - For the nine months ended June 30, 2002, APAC reported operating income of $64 million, compared to $12 million for the same period of 2001, which included $18 million in charges for the Manassas division described above. The improved results reflect more favorable weather conditions in the winter and spring periods compared to last year's extremely cold, wet weather. Total profitability in APAC's asphalt plants and construction jobs increased from last year's levels, reflecting higher production volumes and lower costs for liquid asphalt, fuel and power. Net construction job revenue increased 4%, hot-mix asphalt production was up 7% and aggregate production increased 14%. Nonamortization of goodwill increased operating income by $19 million compared to the prior year period, while costs of Project PASS were $11 million in the current year period.

ASHLAND DISTRIBUTION

CURRENT QUARTER - Ashland Distribution reported operating income of $3 million for the quarter ended June 30, 2002, compared to $13 million for the quarter ended June 30, 2001. Sales revenues declined 9% reflecting continued economic weakness and issues related to the ongoing implementation of a new enterprise resource planning system. Of all of Ashland's businesses, Ashland Distribution is the most sensitive to industrial output, which remains soft in comparison to prior years. However, on the positive side, monthly average sales per shipping day increased steadily during the quarter, reflecting a division-wide profitability enhancement program and vigorous efforts to improve service.

YEAR-TO-DATE - For the nine months ended June 30, 2002, Ashland Distribution reported operating income of $8 million, compared to $37 million for the same period of 2001. Sales revenues declined 15% reflecting the same factors described in the current quarter comparison. The 2002 period results include income of $7 million from the settlement of a sorbate class action antitrust suit.

ASHLAND SPECIALTY CHEMICAL

CURRENT QUARTER - For the quarter ended June 30, 2002, Ashland Specialty Chemical reported operating income of $25 million, compared to $19 million for the June 2001 quarter. The 32% increase reflects improved results from six of Ashland's seven specialty chemical businesses. The largest improvement came in composite polymers, which continues to benefit from last year's Neste acquisition. Foundry products, specialty polymers & adhesives, and electronic chemicals also showed significant improvements. Electronic chemicals continues to improve as the semiconductor industry recovers from the worldwide downturn which began to adversely affect results in last year's June quarter.

YEAR-TO-DATE - For the nine months ended June 30, 2002, Ashland Specialty Chemical reported operating income of $59 million, compared to $55 million for the first nine months of 2001. Again, six of the seven businesses are ahead of last year's results, with electronic chemicals being the exception. Composite polymers showed the largest improvement, followed by petrochemicals, specialty polymers & adhesives, and foundry products.

VALVOLINE

CURRENT QUARTER - For the quarter ended June 30, 2002, Valvoline reported operating income of $25 million, compared to $22 million for the June 2001 quarter. The 14% increase reflected healthy fundamentals in the core lubricants business, where volumes were good and sales of premium products, including MaxLife, were robust. Valvoline Instant Oil Change had a strong quarter, and results from international operations improved. R-12 sales were minimal during the quarter, reflecting reduced demand for this automotive refrigerant. Earnings from the sale of antifreeze suffered due to lower margins.

YEAR-TO-DATE - For the nine months ended June 30, 2002, Valvoline reported operating income of $53 million, compared to $51 million for the same period of 2001. The same factors described in the current quarter comparison are responsible for the improvement in the year-to-date results. Gross profit from sales of R-12 is down $12 million from last year. As a result, Valvoline now expects R-12 gross profit to be in the range of $1 million for fiscal 2002, compared to roughly $14 million in each of the last three years.

REFINING AND MARKETING

CURRENT QUARTER - Refining and Marketing, which consists primarily of equity income from Ashland's 38% ownership interest in Marathon Ashland Petroleum (MAP), reported operating income of $66 million for the quarter ended June 30, 2002, compared to $302 million for the June 2001 quarter. The $236 million decline reflects reduced refining margins compared to the exceptionally high level in the June 2001 quarter, which produced Ashland's best-ever quarter from Refining and Marketing. In this year's quarter, margins were squeezed by soft industry demand, particularly for diesel fuel, and high crude oil prices, especially for the type of heavier, sour crude oils that make up approximately 60% of MAP's crude oil slate. As a result, MAP's refining and wholesale marketing margin decreased $5.54 per barrel, which was the primary factor in the $243 million decline in Ashland's equity income from MAP's refining and wholesale marketing operations.

YEAR-TO-DATE - Operating income from Refining and Marketing amounted to $111 million for the nine months ended June 30, 2002, compared to the record-level $506 million for the nine months ended June 30, 2001. Ashland's equity income from MAP's refining and wholesale marketing operations declined $408 million, reflecting a $3.16 per barrel reduction in MAP's refining and wholesale marketing margin. Ashland's equity income from MAP's retail operations, including Speedway SuperAmerica and MAP's 50% interest in the Pilot Travel Center joint venture, increased $5 million reflecting increased merchandise volumes and margins.

CORPORATE

Corporate expenses were essentially unchanged from last year for both the quarter and year-to-date periods.

NET INTEREST AND OTHER FINANCIAL COSTS

For the quarter ended June 30, 2002, net interest and other financial costs totaled $33 million, compared to $42 million for the June 2001 quarter. For the year-to-date, net interest and other financial costs amounted to $103 million in the 2002 period, compared to $132 million in the 2001 period. The decline reflects lower average debt levels and, to a lesser extent, reduced interest rates on floating rate obligations.

DISCONTINUED OPERATIONS

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

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

In the March 2001 quarter, Ashland recognized an after-tax loss of $4 million from MAP's adoption of FAS 133. In the December 2001 quarter, Ashland recognized an after-tax loss of $12 million from its adoption of FAS 142. See Note A to the Condensed Consolidated Financial Statements for descriptions of these two accounting changes.

FINANCIAL POSITION

LIQUIDITY

Ashland's financial position has enabled it to obtain capital for its financing needs and to maintain investment grade ratings on its senior debt of Baa2 from Moody's and BBB from Standard & Poor's. Ashland has two revolving credit agreements providing for up to $425 million in borrowings, neither of which has been used. Under a shelf registration, at June 30, 2002, Ashland could also issue an additional $600 million in debt and equity securities should future opportunities or needs arise. On August 1, 2002, Ashland issued $55 million in medium-term notes under this shelf registration, thereby reducing the remaining capacity to $545 million. Furthermore, Ashland has access to various uncommitted lines of credit and commercial paper markets. While the revolving credit agreements contain a covenant limiting new borrowings based on its stockholders' equity, Ashland could have increased its borrowings (including any borrowings under these agreements) by up to $1.5 billion at June 30, 2002. Additional permissible borrowings are increased (decreased) by 150% of any increase (decrease) in Ashland's stockholders' equity.

Cash flows from operations, a major source of Ashland's liquidity, amounted to $21 million for the nine months ended June 30, 2002, compared to $432 million for the nine months ended June 30, 2001. The decrease principally reflects decreased cash distributions from MAP ($119 million in 2002, compared to $451 million in 2001). In addition, the 2002 period included the negative effects of a $100 million increase in operating assets and liabilities versus a $50 million increase in the 2001 period. Ashland's capital requirements for net property additions and dividends exceeded cash flows from operations by $177 million for the nine months ended June 30, 2002, and were funded with cash equivalents and short-term borrowings.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is a widely accepted financial indicator of a company's ability to incur and service debt. Ashland's EBITDA, which represents operating income plus depreciation, depletion and amortization (each excluding unusual items), amounted to $395 million for the nine months ended June 30, 2002, compared to $778 million for the nine months ended June 30, 2001. EBITDA should not be considered in isolation or as an alternative to net income, operating income, cash flows from operations, or a measure of a company's profitability, liquidity or performance under generally accepted accounting principles.

At June 30, 2002, working capital (excluding debt due within one year) amounted to $678 million, compared to $801 million at September 30, 2001, and $738 million at June 30, 2001. Ashland's working capital is affected by its use of the LIFO method of inventory valuation. That method valued inventories below their replacement costs by $64 million at June 30, 2002, $70 million at September 30, 2001, and $73 million at June 30, 2001. Liquid assets (cash, cash equivalents and accounts receivable) amounted to 76% of current liabilities at June 30, 2002, compared to 95% at September 30, 2001, and 87% at June 30, 2001.

CAPITAL RESOURCES

For the nine months ended June 30, 2002, property additions amounted to $138 million, compared to $144 million for the same period last year. Property additions and cash dividends for the remainder of fiscal 2002 are estimated at $97 million and $19 million. At June 30, 2002, Ashland had remaining authority to purchase 3.6 million shares of its common stock in the open market. The number of shares ultimately purchased and the prices Ashland will pay for its stock are subject to periodic review by management. Ashland anticipates meeting the majority of its remaining 2002 capital requirements for property additions, CAPITAL RESOURCES (continued)

dividends and scheduled debt repayments of $27 million from internally generated funds. However, external financing may be necessary to supplement these needs or provide funds for acquisitions or purchases of common stock.

At June 30, 2002, Ashland's debt level amounted to $1.9 billion, compared to $1.9 billion at September 30, 2001, and $2 billion at June 30, 2001. Debt as a percent of capital employed amounted to 46% at June 30, 2002, compared to 46% at September 30, 2001, and 48% at June 30, 2001. At June 30, 2002, Ashland's long-term debt included $141 million of floating-rate obligations, and the interest rates on an additional $153 million of fixed-rate, medium-term notes were effectively converted to floating rates through interest rate swap agreements. In addition, Ashland's costs under its sale of receivables program and various operating leases are based on the floating-rate interest costs on $263 million of third-party debt underlying those transactions. As a result, Ashland was exposed to fluctuations in short-term interest rates on $557 million of debt obligations at June 30, 2002.

ENVIRONMENTAL AND ASBESTOS-RELATED MATTERS

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

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

Ashland is subject to liabilities related to a significant number of claims alleging personal injury resulting from exposure to asbestos, primarily as a result of indemnification obligations relating to the 1990 sale of Riley Stoker Corporation, a former subsidiary. This former subsidiary had manufactured boilers using components that contained asbestos. See Note D to the Condensed Consolidated Financial Statements for information about asbestos reserves, the number of claims, and litigation defense and claim settlement costs.

The uncertainties of asbestos claim litigation make it difficult to accurately predict the results of the ultimate resolution of asbestos claims. However, considering the foregoing and amounts already provided for, and given our historical litigation experience on resolved asbestos claims, the substantial amount of insurance coverage that Ashland has available from its insurance carriers and expected contributions from other responsible parties, Ashland does not believe that any liability resulting from environmental

ENVIRONMENTAL AND ASBESTOS-RELATED MATTERS (continued)

remediation, open asbestos-related claims or other legal proceedings will have a material adverse effect on its consolidated financial position, cash flows or liquidity.

OUTLOOK

Looking ahead to the remainder of fiscal 2002, MAP is a solid performer in excellent competitive position. Its results should improve as market conditions strengthen, although results for the September 2002 quarter are expected to be well below the record level achieved in fiscal 2001. However, world crude oil markets remain extremely volatile, and refining margins are subject to significant, unpredictable swings. While most of its operations are performing well, Valvoline's operating income in fiscal 2002 should be slightly less than 2001 due to weak R-12 refrigerant sales. Although operating income from APAC will likely be below the $120 million to $140 million range projected earlier, results for the year are expected to roughly double the severely depressed level of 2001, when APAC's operating income amounted to $55 million. Improvements in Ashland's chemical businesses, particularly in the distribution business, are tied to economic recovery. Although 2002 earnings from Ashland Specialty Chemical should be up substantially compared to last year, the decline in operating income from Ashland Distribution will likely more than offset this gain.

CONVERSION TO THE EURO

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

FORWARD LOOKING STATEMENTS

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ENVIRONMENTAL PROCEEDINGS - As of June 30, 2002, Ashland has been identified as a "potentially responsible party" ("PRP") under Superfund or similar state laws for potential joint and several liability for clean-up costs in connection with alleged releases of hazardous substances associated with 97 waste treatment or disposal sites. These sites are currently subject to ongoing investigation and remedial activities, overseen by the EPA or a state agency, in which Ashland is typically participating as a member of a PRP group. Generally, the type of relief sought includes remediation of contaminated soil and/or groundwater, reimbursement for past costs of site clean-up and administrative oversight, and/or long-term monitoring of environmental conditions at the sites. The ultimate costs are not predictable with assurance. Based on its experience with site remediation, its analysis of the specific hazardous substances at issue, the existence of other financially viable PRPs and its current estimates of investigatory, clean-up and monitoring costs at each site, Ashland does not believe that any liability at these sites, either individually or in the aggregate, will have a material adverse effect on its consolidated financial position, cash flows or liquidity. For additional information regarding environmental matters and reserves, see "Management's Discussion and Analysis - Environmental Matters" and Note D of Notes to Condensed Consolidated Financial Statements.

ASBESTOS-RELATED LITIGATION - Ashland is subject to liabilities related to a significant number of claims alleging personal injury resulting from exposure to asbestos, primarily as a result of indemnification obligations relating to the 1990 sale of Riley Stoker Corporation, a former subsidiary. This former subsidiary had manufactured boilers using components that contained asbestos.

A summary of claims activity during the nine months ended June 30, 2002, and each of the fiscal years ended September 30, 2001, 2000, and 1999 is as follows:

	Nine months ended	Years ended September 30		
(In thousands)	June 30, 2002	2001	2000	1999
Open claims - beginning of period	167	118	93	78
New claims	34	52	37	24
Claims settled or dismissed	(47)	(3)	(12)	(9)
Open claims - end of period	154	167	118	93

Prior to insurance recoveries, the amounts spent on litigation defense and claim settlement totaled $34 million during the nine months ended June 30, 2002, and $15 million, $11 million, and $11 million during the fiscal years ended September 30, 2001, 2000, and 1999, respectively. Ashland expects to be reimbursed by insurance carriers for most of the litigation defense and claim settlement costs that have been or will be incurred for open claims. During the nine months ended June 30, 2002, Ashland recognized expense of $5 million related to asbestos claims. Ashland has coverage-in-place agreements with respect to the asbestos-related claims involving the former subsidiary with most of the insurance carriers that Ashland has identified as providing coverage, and pursuant to these agreements Ashland has received substantial payments to date.

At June 30, 2002, Ashland has reserves of $28 million for asbestos liabilities that it does not expect to recover from its insurance carriers on open claims. The uncertainties of asbestos claim litigation make it difficult to accurately predict the results of the ultimate resolution of asbestos claims. However, considering the foregoing and given our historical litigation experience on resolved asbestos claims and the substantial amount of insurance coverage that Ashland has available from its insurance carriers, Ashland does not believe that its pending and reasonably anticipated liabilities in connection with open asbestos-related claims will have a material adverse effect on its consolidated financial position, cash flows or liquidity.

OTHER PROCEEDINGS - In addition to the matters described above, there are pending or threatened against Ashland and its current and former subsidiaries various claims, lawsuits and administrative proceedings. Such actions are with respect to commercial matters, product liability, toxic tort liability, and other environmental matters, which seek remedies or damages some of which are for substantial amounts. While these actions are being contested, their outcome is not predictable with assurance. Ashland does not believe that any liability resulting from these actions after taking into consideration expected recoveries from insurers, contributions by other responsible parties and amounts already provided for, will have a material adverse effect on its consolidated financial position, cash flows or liquidity.

ITEM 5. OTHER INFORMATION

On August 2, 2002, Ashland announced that Paul W. Chellgren, Chairman and Chief Executive Officer, has elected to retire effective November 15, 2002. Mr. Chellgren and Ashland's Board of Directors mutually agreed that he would retire because of a violation of a company human resources policy. The policy was not related in any way to the financial affairs or operations of Ashland. The Board felt it was in the best interest of Ashland for Mr. Chellgren to retire in November to allow for a smooth and orderly transition.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3(i) Third Restated Articles of Incorporation of Ashland Inc.
- 12 Ashland Inc. Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends
- 99.1 Certificate of Paul W. Chellgren, Chief Executive Officer of Ashland Inc.
- 99.2 Certificate of J. Marvin Quin, Chief Financial Officer of Ashland Inc.

(b) Reports on Form 8-K

A report on Form 8-K was filed on August 2, 2002 to report that Paul W. Chellgren, Chief Executive Officer and Chairman of the Board of Ashland, has elected to retire effective November 15, 2002.

SIGNATURES

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

Ashland Inc.

(Registrant)

Date: August 7, 2002

/s/ J. Marvin Quin

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

EXHIBIT INDEX

Exhibit No.	Description
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12	Ashland Inc. Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
99.1	Certificate of Paul W. Chellgren, Chief Executive Officer of Ashland Inc.
99.2	Certificate of J. Marvin Quin, Chief Financial Officer of Ashland Inc.

(ASHLAND LOGO)

ASHLAND INC.

THIRD RESTATED ARTICLES OF INCORPORATION

As Effective July 17, 2002

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RECORDING DATA
THIRD RESTATED ARTICLES OF INCORPORATION
ASHLAND INC.

Document	Date Filed in Office of Secretary of State of Kentucky	Date Recorded in Office of County Court Clerk	Number of Shares Authorized - Explanation
1.Third Restated Articles of Incorporation	July 17, 2002	Kenton Co., KY - July 18, 2002, Arts.of Inc., Book C1125, Page 234;	30,000,000 shares Cumulative Preferred Stock, including 500,000 shares of Series A Participating Cumulative Preferred Stock; 300,000,000 shares Common Stock, par Value $1.00 per share

THIRD RESTATED ARTICLES OF INCORPORATION
OF
ASHLAND INC.

Pursuant to Section 271B.10-070 of the Kentucky Business Corporation Act, Ashland Inc., pursuant to a resolution duly adopted by its Board of Directors, hereby adopts the following Third Restated Articles of Incorporation (hereinafter called the "Articles of Incorporation"):

ARTICLE I

The name of the corporation is Ashland Inc. (hereinafter called the "Company" or the "Corporation").

ARTICLE II

The purpose for which the Company is organized is the transaction of any or all lawful businesses for which corporations may be organized under the Kentucky Business Corporation Act, or any act amendatory thereof, supplemental thereto or substituted therefor (hereinafter called the "Act"), and to do all things necessary, convenient, proper or desirable in connection with or incident to any of the Company's businesses.

ARTICLE III

A. The Company shall have all the powers conferred upon a corporation organized under the Act and shall have all powers necessary, convenient or desirable in order to fulfill and further the purpose of the Company.

B. The Company shall have the power to purchase shares of the stock of the Company to the extent of unreserved and unrestricted capital and earned surplus of the Company and to any greater extent permitted by the Act.

C. The Board of Directors of the Company may distribute to the shareholders of the Company a portion of the Company's assets, in cash or property, out of capital surplus of the Company and from any other source permitted by the Act.

ARTICLE IV

A. The aggregate number of shares which the Company is authorized to issue is 30,000,000 shares of Cumulative Preferred Stock (hereinafter called the "Preferred Stock"), and 300,000,000 shares of Common Stock, par value $1.00 per share (hereinafter called the "Common Stock").

B. Preferred Stock

(1) To the extent permitted by the Act, the Board of Directors is authorized, by resolution, to cause the Preferred Stock to be divided into and issued from time to time in one or more series and to fix and determine the designation and number of shares, and the relative rights and preferences of the shares, of each such series, and to change shares of one series that have been redeemed or reacquired into shares of another series.

(2) All shares of Preferred Stock shall rank equally and be identical in all respects except as to the relative rights and preferences of any series fixed and determined by the Board of Directors, which may vary to the extent permitted by the Act.

(3) The Preferred Stock shall be preferred over the Common Stock as to payment of dividends. Before any dividends or distributions (other than dividends or distributions payable in Common Stock) on the Common Stock shall be declared and set apart for payment or paid, the holders of shares of each series of Preferred Stock shall be entitled to receive dividends (either in cash, shares of Common Stock or Preferred Stock, or otherwise) when, as and if declared by the Board of Directors, at the rate and on the date or dates fixed in the resolution adopted by the Board of Directors establishing such series, and no more. With respect to each series of Preferred Stock, the dividends on each share of such series shall be cumulative from the date of issue of such share unless some other date is fixed in the resolution adopted by the Board of Directors establishing such series. Accruals of dividends shall not bear interest.

(4) The Preferred Stock shall be preferred over the Common Stock as to assets so that the holders of each series of Preferred Stock shall be entitled to be paid, upon the voluntary or involuntary liquidation, dissolution or winding up of the Company and before any distribution is made to the holders of Common Stock, the amount fixed in the resolution adopted by the Board of Directors establishing such series, but in such case the holders of such series of Preferred Stock shall not be entitled to any other or further payment. If upon any such liquidation, dissolution or winding up of the Company its net assets shall be insufficient to permit the payment in full of the respective amounts to which the holders of all outstanding Preferred Stock are entitled, the entire remaining net assets of the Company shall be distributed among the holders of each series of Preferred Stock in amounts proportionate to the full amounts to which the holders of each such series are respectively so entitled. For purposes of this paragraph (4), the voluntary sale, lease, exchange or transfer of all or substantially all of the Company's property or assets to, or its consolidation or merger with, one or more corporations shall not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Company.

(5) All shares of any series of Preferred Stock shall be redeemable to the extent permitted by the Act and fixed in the resolution adopted by the Board of Directors establishing such series. All shares of any series of Preferred Stock shall be convertible into shares of Common Stock or into shares of any other series of Preferred Stock to the extent permitted by the Act and fixed in the resolution adopted by the Board of Directors establishing such series.

(6) Unless otherwise provided herein or by the Act, or unless otherwise provided in the resolution adopted by the Board of Directors establishing any series of Preferred Stock, the holders of shares of Preferred Stock shall be entitled to one vote for each share of Preferred Stock held by them on all matters properly presented to shareholders, the holders of Common Stock and the holders of all series of Preferred Stock voting together as one class.

(7) So long as any shares of Preferred Stock are outstanding, the Company shall not:

(a) Redeem, purchase or otherwise acquire any shares of Common Stock if at the time of making such redemption, purchase or acquisition, the Company shall be in default with respect to any dividends accrued on, or any obligation to retire, shares of Preferred Stock.

(b) Without the affirmative vote or consent of the holders of at least 662/3% of the number of shares of Preferred Stock at the time outstanding, voting or consenting (as the case may be) separately as a class without regard to series, given in person or by proxy, either in writing or by resolution adopted at a meeting called for the purpose, (i) create any class of stock ranking prior to the Preferred Stock as to dividends or upon liquidation or increase the authorized number of shares of any such class of stock or (ii) alter or change any of the provisions of these Articles of Incorporation so as adversely to affect the relative rights and preferences of the Preferred Stock or (iii) increase the authorized number of shares of Preferred Stock.

(c) Without the affirmative vote or consent of the holders of at lease 662/3% of the number of shares of any series of Preferred Stock at the time outstanding, voting or consenting (as the case may be) separately as a series, given in person or by proxy, either in writing or by resolution adopted at a meeting called for the purpose, alter or change any of the provisions of these Articles of Incorporation so as adversely to affect the relative rights and preferences of such series.

(8) Series A Participating Cumulative Preferred Stock

I. DESIGNATION AND NUMBER OF SHARES. This series of the Cumulative Preferred Stock shall be designated as "Series A Participating Cumulative Preferred Stock" (the "Series A Preferred Stock"). The number of shares initially issuable as the Series A Preferred Stock shall be 500,000; provided, however, that, if more than a total of 500,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of May 16, 1996, between the Corporation and Harris Trust and Savings Bank, as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, pursuant to Section 271B.10-060 of the Kentucky Business Corporation Act, shall direct by resolution or resolutions that Articles of Amendment of the Articles of Incorporation of the Corporation be properly executed and filed with the Secretary of State of Kentucky providing for the total number of shares issuable as Series A Preferred Stock to be increased (to the extent that the Articles of Incorporation then permit) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

II. DIVIDENDS OR DISTRIBUTIONS. (a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Corporation ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of the Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, (i) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series A Preferred Stock, in the amount of $.01 per whole share (rounded to the nearest cent), less the amount of all cash dividends declared on the Series A Preferred Stock pursuant to the following clause (ii) since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock (the total of which shall not, in any event, be less than zero) and (ii) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of non-cash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Corporation shall simultaneously pay or make on each outstanding whole share of Series A Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 1,000; provided, however, that, if at any time after May 16, 1996, the Corporation shall (x) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (y) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (z) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then, in each such event, the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of

Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further, that, if at any time after May 16, 1996, the Corporation shall issue any shares of its capital stock in a merger, share exchange, reclassification, or change of the outstanding shares of Common Stock, then, in each such event, the Formula Number shall be appropriately adjusted to reflect such merger, share exchange, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, share exchange, reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in Section (2) (a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $.01 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series A Preferred Stock; provided, however, that dividends on such shares that are originally issued after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series A Preferred Stock that are originally issued prior to the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend on the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding and entitled to receive such dividends.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock, unless, in each case, the dividend required by this Section (2) to be declared on the Series A Preferred Stock shall have been declared and paid.

(e) The holders of the shares of Series A Preferred Stock shall not be entitled to receive any dividends or other distributions, except as provided herein.

III. VOTING RIGHTS. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Each holder of Series A Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each share of Series A Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied by the maximum number of votes per share which any holder of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one voting group for the election of directors of the Corporation and on all other matters submitted to a vote of shareholders of the Corporation.

(c) If, at the time of any annual meeting of shareholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series A Preferred Stock, voting separately as a voting group to the exclusion of the holders of Common Stock, shall be entitled at said meeting of shareholders (and at each subsequent annual meeting of shareholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Corporation, the holders of any Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock equal to the Formula Number. Until the default in payments of all dividends that permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, either with or without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast such number of votes as are required by law for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled only by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate to the extent permitted by law, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section (3) (c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.

(d) Except as provided herein, in Section 11 or by applicable law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

IV. CERTAIN RESTRICTIONS. (a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section (2) are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

V. LIQUIDATION RIGHTS. Upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, no distribution shall be made (a) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (i) $.01 per whole share or (ii) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (b) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

VI. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation merger, share exchange, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then, in any such case, the then outstanding shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 6 and Section 2 appear to apply to a transaction, this Section 6 will control.

VII. NO REDEMPTION; NO SINKING FUND. (a) The shares of Series A Preferred Stock shall not be subject to redemption by the Corporation or at the option of any holder of Series A Preferred Stock; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock.

(b) The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

VIII. RANKING. The Series A Preferred Stock shall rank junior to all other series of Preferred Stock of the Corporation, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

IX. FRACTIONAL SHARES. The Series A Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one-thousandth (1/1,000) of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series A Preferred Stock, may elect (a) to make a cash payment as provided in the Rights Agreement for fractions of a a share other than one-thousandth (1/1,000) of a share or any integral multiple thereof or (b) to issue depository receipts evidencing such authorized fraction of a share of Series A Preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series A Preferred Stock.

X. REACQUIRED SHARES. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancelation become authorized but unissued shares of Preferred Stock, without par value, of the Corporation, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

XI. AMENDMENT. None of the powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock as provided herein or in the Articles of Incorporation shall be amended in any manner that would alter or change the powers, preferences, rights or privileges of the holders of Series A Preferred Stock so as to affect such holders adversely without the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Series A Preferred Stock, voting as a separate voting group; provided, however, that no such amendment approved by the holders of at least 66-2/3% of the outstanding shares of Series A Preferred Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series A Preferred Stock originally issued upon exercise of a Right after the time of such approval without the approval of such holder.

C. Common Stock

(1) The holders of Common Stock of the Company shall be entitled to one vote for each share of Common Stock held by them on all matters properly presented to shareholders, except as otherwise provided herein or by the Act.

(2) Subject to the preferential rights of Preferred Stock set forth herein or in the resolution adopted by the Board of Directors establishing any series of Preferred Stock, such dividends (either in cash, shares of Common Stock or Preferred Stock, or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time in accordance with the Act.

D. No holder of shares of any class of stock of the Company shall have any preemptive right to subscribe to stock, obligations, warrants, subscription rights or other securities of the Company of any class, whether now or hereafter authorized.

ARTICLE V

The Company shall have perpetual existence.

ARTICLE VI

Subject to the restriction that the number of directors shall not be less than the number required by the laws of the Commonwealth of Kentucky, the number of directors may be fixed, from time to time, pursuant to the By-laws of the Company.

The members of the Board of Directors (other than those who may be elected by the holders of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of these Articles of Incorporation or of such class or series of stock) shall be classified (so long as the Board of Directors shall consist of at least nine members pursuant to the By-laws), with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the By-laws of the Company, one class to be originally elected for a term expiring at the annual meeting of the shareholders to be held in 1987, another class to be originally elected for a term expiring at the annual meeting of the shareholders to be held in 1988, and another class to be originally elected for a term expiring at the annual meeting of the shareholders to be held in 1989, with each class to hold office until the successors of such class are elected and qualified. At each annual meeting of the shareholders, the date of which shall be fixed by or pursuant to the By-laws of the Company, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

Subject to any requirements of law and the rights of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of these Articles of Incorporation or of such class or series of stock (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series), the affirmative vote of the holders of 80% or more of the voting power of the then outstanding voting stock of the Company, voting together as a single class, shall be required to remove any director without cause. For purposes of this Article VI, "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Company, other than any such failure resulting from incapacity due to physical or mental illness, or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Company. As used in these Articles of Incorporation, "voting stock" shall mean shares of capital stock of the Company entitled to vote generally in an election of directors.

Subject to any requirements of law and the rights of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of these Articles of Incorporation or of such class or series of stock, newly created directorships resulting from any increase in the number of directors may be filled by the Board of Directors, or as otherwise provided in the By-laws, and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall only be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, or as otherwise provided in the By-laws. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successors shall have been elected and qualified.

ARTICLE VII

In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors is expressly authorized to:

A. adopt any By-laws that the Board of Directors may deem necessary or desirable for the efficient conduct of the affairs of the Company, including, but not limited to, provisions governing the conduct of, and the matters which may properly be brought before, annual or special meetings of the shareholders and provisions specifying the manner and extent to which prior notice shall be given of the submission of proposals to be considered at any such meeting or of nominations for election of directors to be held at any such meeting; and

B. repeal, alter or amend the By-laws.

In addition to any requirements of law and any other provisions of these Articles of Incorporation or the terms of any class or series of capital stock having a preference over the Common Stock as to dividends or upon liquidation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series), the affirmative vote of the holders of 80% or more of the voting power of the then outstanding voting stock of the Company, voting together as a single class, shall be required to amend, alter or repeal any provision of the By-laws.

ARTICLE VIII

A. A higher than majority vote of shareholders for certain Business Combinations shall be required as follows:

(1) In addition to any affirmative vote otherwise required by law or these Articles of Incorporation or the terms of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series) and except as otherwise expressly provided in Section B of this Article VIII:

(a) any merger or consolidation of the Company or any Subsidiary with an Interested Shareholder or with any other corporation, whether or not itself an Interested Shareholder, which is, or after such merger or consolidation would be, an Affiliate of an Interested Shareholder who was an Interested Shareholder prior to the transaction;

(b) any sale, lease, transfer, or other disposition, other than in the ordinary course of business, in one transaction or a series of transactions in any twelve-month period, to any Interested Shareholder or any Affiliate of an Interested Shareholder, other than the Company or any Subsidiary, of any assets of the Company or any Subsidiary having, measured at the time the transaction or transactions are approved by the Board of Directors, an aggregate book value as of the end of the Company's most recently ended fiscal quarter of 5% or more of the total market value of the outstanding stock of the Company or of its net worth as of the end of its most recently ended fiscal quarter;

(c) the issuance or transfer by the Company or any Subsidiary, in one transaction or a series of transactions in any twelve-month period, of any equity securities of the Company or any Subsidiary which have an aggregate market value of 5% or more of the total market value of the outstanding stock of the Company, determined as of the end of the Company's most recently ended fiscal quarter prior to the first such issuance or transfer, to any Interested Shareholder or any Affiliate of any Interested Shareholder, other than the Company or any Subsidiary, except pursuant to the exercise of warrants or rights to purchase securities offered pro rata to all holders of the Company's voting stock or any other method affording substantially proportionate treatment to the holders of voting stock;

(d) the adoption of any plan or proposal for the liquidation or dissolution of the Company in which anything other than cash will be received by an Interested Shareholder or any Affiliate of an Interested Shareholder; or

(e) any reclassification of securities, including any reverse stock split; any recapitalization of the Company; any merger or consolidation of the Company with any Subsidiary; or any other transaction which has the effect, directly or indirectly, in one transaction or a series of transactions, of increasing by 5% or more the proportionate amount of the outstanding shares of any class of equity securities of the Company or any Subsidiary which is directly or indirectly beneficially owned by any Interested Shareholder or any Affiliate of any Interested Shareholder;

shall require the recommendation of the Board of Directors and the affirmative vote of the holders of at least (i) 80% of the voting power of the then outstanding voting stock of the Company, voting together as a single class, and (ii) two-thirds of the voting power of the then outstanding voting stock other than voting stock beneficially owned by the Interested Shareholder who is, or whose Affiliate is, a party to the Business Combination or by an Affiliate or Associate of such Interested Shareholder, voting together as a single class.

(2) The term "Business Combination" as used in this Article VIII shall mean any transaction which is referred to in any one or more of clauses (a) through (e) of paragraph (1) of Section A of this Article VIII.

B. The provisions of Section A of this Article VIII shall not be applicable to any Business Combination, and such Business Combination shall require only such affirmative vote (if any) as is required by law, any other provision of these Articles of Incorporation or the terms of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation, if all conditions specified in either of the following paragraphs (1) or (2) are met:

(1) The Business Combination shall have been approved by resolution by a majority of the Continuing Directors at a meeting of the Board of Directors at which a quorum consisting of at least a majority of the then Continuing Directors was present; or

(2) All the following five conditions have been met:

(a) The aggregate amount of the cash and the market value as of the Valuation Date of consideration other than cash to be received per share by holders of Common Stock in such Business Combination is at least equal to the highest of the following:

(i) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of Common Stock (a) within the two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) the market value per share of Common Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iii) the price per share equal to the market value per share of Common Stock determined pursuant to clause (ii) immediately preceding, multiplied by the fraction resulting from (a) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date, over (b) the market value per share of Common Stock on the first day in such two-year period on which the Interested Shareholder acquired any shares of Common Stock.

(b) The aggregate amount of the cash and the market value as of the Valuation Date of consideration other than cash to be received per share by holders of shares of any class or series of outstanding stock other than Common Stock is at least equal to the highest of the following, whether or not the Interested Shareholder has previously acquired any shares of a particular class or series of stock:

(i) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of such class of stock acquired by it (a) within the two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) the highest preferential amount per share to which the holders of shares of such class of stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company;

(iii) the market value per share of such class of stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iv) the price per share equal to the market value per share of such class of stock determined pursuant to clause (iii) immediately preceding, multiplied by the fraction resulting from (a) the highest per share price, including any brokerage commissions, transfer taxes and soliciting dealers' fees, paid by the Interested Shareholder for any shares of any class of voting stock acquired by it within the two-year period immediately prior to the Announcement Date over (b) the market value per share of the same class of voting stock on the first day in such two-year period on which the Interested Shareholder acquired any shares or the same class of voting stock.

(c) In making any price calculation under paragraph (2) of this Section B, appropriate adjustments shall be made to reflect any reclassification or stock split (including any reverse stock split), stock dividend, recapitalization or any similar transaction which has the effect of increasing or reducing the number of outstanding shares of the stock. The consideration to be received by holders of any class or series of outstanding stock is to be in cash or in the same form as the Interested Shareholder has previously paid for shares of the same class or series of stock. If the Interested Shareholder has paid for shares of any class of stock with varying forms of consideration, the form of consideration for such class of stock shall be either in cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by it.

(d) After the Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:

(i) there shall have been no failure to declare and pay at the regular date thereof any full periodic dividends, whether or not cumulative, on any outstanding Preferred Stock of the Company or other capital stock entitled to a preference over the Common Stock as to dividends or upon liquidation;

(ii) there shall have been no reduction in the annual rate of dividends paid on the Common Stock, except as necessary to reflect any subdivision of the Common Stock, and no failure to increase the annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or other similar transaction which has the effect of reducing the number of outstanding shares of Common Stock; and

(iii) the Interested Shareholder did not become the beneficial owner of any additional shares of stock of the Company except as part of the transaction which resulted in such Interested Shareholder or by virtue of proportionate stock splits or stock dividends.

The provisions of clauses (i) and (ii) immediately preceding shall not apply if neither an Interested Shareholder nor any Affiliate or Associate of an Interested Shareholder voted as a director of the Company in a manner inconsistent with such clauses and the Interested Shareholder, within ten days after any act or failure to act inconsistent with such clauses, notifies the Board of Directors of the Company in writing that the Interested Shareholder disapproves thereof and requests in good faith that the Board of Directors rectify such act or failure to act.

(e) After the Interested Shareholder has become an Interested Shareholder, the Interested Shareholder shall not have received the benefit, directly or indirectly, except proportionately as a shareholder, of any loans, advance, guarantees, pledges or other financial assistance provided by the Company or any Subsidiary, whether in anticipation of or in connection with such Business Combination or otherwise.

C. For purposes of this Article VIII:

(1) "AFFILIATE" OR "ASSOCIATE" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 1, 1985 (the term "registrant" in such Rule 12b-2 meaning in this case the Company).

(2) "ANNOUNCEMENT DATE" means the first general public announcement of the proposal or intention to make a proposal of the Business Combination or its first communication generally to shareholders of the Company, whichever is earlier.

(3) "BENEFICIAL OWNER" when used with respect to any voting stock, means a person who, individually or with any Affiliate or Associate has:

(i) the right to acquire voting stock, whether such right is exercisable immediately or only after the passage of time and whether or not such right is exercisable only after specified conditions are met pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise;

(ii) the right to vote voting stock pursuant to any agreement, arrangement, or understanding; or

(iii) any agreement, arrangements, or understanding for the purpose of acquiring, holding, voting or disposing of voting stock with any other person who beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, such shares of voting stock.

(4) "CONTINUING DIRECTOR" means any member of the Board of Directors who is not an Affiliate or Associate of an Interested Shareholder or any of its Affiliates, other than the Company or any Subsidiary, and who was a director of the Company prior to the time the Interested Shareholder became an Interested Shareholder, and any other member of the Board of Directors who is not an Affiliate or Associate of an Interested Director or any of its Affiliates, other than the Company or any Subsidiary, and was recommended or elected by a majority of the Continuing Directors at a meeting at which a quorum consisting of a majority of the Continuing Directors is present.

(5) "DETERMINATION DATE" means the date on which an Interested Shareholder first became an Interested Shareholder.

(6) "EQUITY SECURITY" means:

(a) any stock or similar security, certificate of interest, or participation in any profit-sharing agreement, voting trust certificate, or certificate of deposit for the foregoing;

(b) any security convertible, with or without consideration, into an equity security, or any warrant or other security carrying any right to subscribe to or purchase an equity security; or

(c) any put, call, straddle, or other option, right or privilege of acquiring an equity security from or selling an equity security to another without being bound to do so.

(7) "INTERESTED SHAREHOLDER" means any person, other than the Company or any Subsidiary, who:

(a) is the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting stock of the Company; or

(b) is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding voting stock of the Company.

For the purpose of determining whether a person is an Interested Shareholder, the number of shares of voting stock deemed to be outstanding shall include shares deemed owned by the person through application of paragraph (3) of this Section C but shall not include any other shares of voting stock which may be issuable pursuant to any agreement, arrangement, or understanding, or upon exercise of conversion rights, warrants or options, or otherwise. Furthermore, any such beneficial ownership or voting power arising solely out of a trustee or custodial relationship of any person in connection with a Company "employee benefit or stock plan" shall be excluded for purposes of determining whether or not any such person is an Interested Stockholder. For purposes hereof, the term "employee benefit or stock plan" of the Company shall mean any option, bonus, appreciation, profit sharing, retirement, incentive, thrift, employee stock ownership, dividend reinvestment, savings or similar plan of the Company.

(8) "MARKET VALUE" means:

(a) in the case of stock, the highest closing sale price during the 30 calendar day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange listed stocks, or, if such stock is not quoted on such Composite Tape, on the New York Stock Exchange, or if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30 calendar day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors at a meeting of the Board of Directors at which a quorum consisting of at least a majority of the then Continuing Directors is present; and

(b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors at a meeting of the Board of Directors at which a quorum consisting of at least a majority of the then Continuing Directors is present.

(9) "SUBSIDIARY" means any corporation of which voting stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by the Company.

(10) "VALUATION DATE" means:

(a) for a Business Combination voted upon by shareholders, the later of the day prior to the date of the shareholders' vote or the date 20 business days prior to the consummation of the Business Combination; and

(b) for a Business Combination not voted upon by shareholders, the date of the consummation of the Business Combination.

(11) "VOTING STOCK" means shares of capital stock of the Company entitled to vote generally in an election of directors.

D. In addition to any requirements of law and any other provisions of these Articles of Incorporation or the terms of any class or series of capital stock of the Company entitled to a preference over the Common Stock as to dividends or upon liquidation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series), the affirmative vote of

(1) the holders of at least 80% of the voting power of the then outstanding voting stock of the Company, voting together as a single class, and

(2) the holders of at least two-thirds of the voting power of the then outstanding voting stock of the Company other than the Interested Shareholder, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision inconsistent with, this Article VIII.

ARTICLE IX

In addition to any requirements of law and any other provisions of these Articles of Incorporation or the terms of any class or series of capital stock of the Company having a preference over the Common Stock as to dividends or upon liquidation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the terms of such class or series), the affirmative vote of the holders of 80% or more of the voting power of the then outstanding voting stock of the Company, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision inconsistent with, this Article IX or Article VI or VII of these Articles of Incorporation. Subject to the foregoing provisions of this Article IX and Section D of Article VIII, the Company reserves the right from time to time to amend, alter, change, add to or repeal any provision contained in these Articles of Incorporation in any manner now or hereafter prescribed by law and in these Articles of Incorporation, and all rights and powers at any time conferred upon shareholders, directors and officers of the Company by these Articles of Incorporation or any amendment thereof are subject to the provisions of this Article IX and Section D of Article VIII.

ARTICLE X

Notwithstanding any right to indemnification provided by the Act to any director, officer, employee or agent of the Company, the Company may, but shall not be required to, to the maximum extent permitted by law, indemnify any such person against costs and expenses (including but not limited to attorneys' fees) and any liabilities (including but not limited to judgments, fines, penalties and settlements) paid by or imposed against any such person in connection with any actual or threatened claim, action, suit or proceeding, whether civil, criminal, administrative, legislative, investigative or other (including any appeal relating thereto) and whether made or brought by or in the right of the Company or otherwise, in which any such person is involved, whether as a party, witness, or otherwise, because he or she is or was a director, officer, employee or agent of the

Company or a director, officer, partner, trustee, employee or agent of any other corporation, partnership, employee benefit plan or other entity.

The indemnification authorized by this Article X shall not supersede or be exclusive of any other right of indemnification which any such person may have or hereafter acquire under any provision of these Articles or the By-laws of the Company, agreement, vote of shareholders or disinterested directors or otherwise. The Company may take such steps as may be deemed appropriate by the Board of Directors to provide indemnification to any such person, including, without limitation, entering into contracts for indemnification between the Company and individual directors, officers, employees or agents which may provide rights to indemnification which are broader or otherwise different than the rights authorized by this Article. The Company may take such steps as may be deemed appropriate by the Board of Directors to secure, subject to the occurrence of such conditions or events as may be determined by the Board of Directors, the payment of such amounts as are required to effect any indemnification permitted or authorized by this Article, including, without limitation, purchasing and maintaining insurance, creating a trust fund, granting security interests or using other means (including, without limitation, irrevocable letters of credit).

Any amendment or repeal of this Article X shall operate prospectively only and shall not affect any action taken, or failure to act, by the Company or any such person prior to such amendment or repeal.

ARTICLE XI

No director shall be personally liable to the Company or its shareholders for monetary damages for breach of his duties as a director except to the extent that the applicable law from time to time in effect shall provide that such liability may not be eliminated or limited.

Neither the amendment nor repeal of this Article XI shall affect the liability of any director of the Company with respect to any act or failure to act which occurred prior to such amendment or repeal.

This Article XI is not intended to eliminate or limit any protection otherwise available to the directors of the Company.

The foregoing Third Restated Articles of Incorporation correctly set forth without change the corresponding provisions sequentially renumbered of the Second Restated Articles of Incorporation as heretofore amended, and supersede the Second Restated Articles of Incorporation and all amendments thereto.

Dated: July 17, 2002

Ashland Inc.

By: /s/ David L. Hausrath
Vice President

Commonwealth of Kentucky

ss.:

County of Kenton

I, a notary public, do hereby certify that on this 17th day of July, 2002, personally appeared before me David L. Hausrath, who, being duly sworn, declared that he is the Vice President of Ashland Inc., that he signed the foregoing document as such, and that the statements contained therein are true.

My commission expires: (Notary Stamp)

Catholeen C. Dailey
Notary Public, Kentucky, State-At-Large
My Commission Expires May 24, 2003

/s/ Catholeen C. Dailey
Notary Public

Prepared by Linda L. Foss
50 E. RiverCenter Boulevard
Covington, Kentucky

/s/ Linda L. Foss

EXHIBIT 12

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

	Years Ended September 30					Nine Months Ended June 30	
	1997	1998	1999	2000	2001	2001	2002
EARNINGS							
Income from continuing operations	$ 169	$ 178	$ 291	$ 292	$ 406	$ 281	$ 82
Income taxes	125	114	193	191	275	187	49
Interest expense	148	133	141	189	160	124	100
Interest portion of rental expense	48	40	35	39	41	29	27
Amortization of deferred debt expense	1	1	1	2	2	1	1
Undistributed earnings of unconsolidated affiliates	(6)	(62)	(11)	(112)	(90)	(83)	(20)
Earnings of significant affiliates*	7	-	-	-	-	-	-
	$ 492	$ 404	$ 650	$ 601	$ 794	$ 539	$ 239
FIXED CHARGES							
Interest expense	$ 148	$ 133	$ 141	$ 189	$ 160	$ 124	$ 100
Interest portion of rental expense	48	40	35	39	41	29	27
Amortization of deferred debt expense	1	1	1	2	2	1	1
Capitalized interest	1	-	-	-	-	-	-
Fixed charges of significant affiliates*	5	-	-	-	-	-	-
	$ 203	$ 174	$ 177	$ 230	$ 203	$ 154	$ 128
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS							
Preferred dividend requirements	$ 9	$ -	$ -	$ -	$ -	$ -	$ -
Ratio of pretax to net income**	1.74	-	-	-	-	-	-
Preferred dividends on a pretax basis	17	-	-	-	-	-	-
Fixed charges	203	174	177	230	203	154	128
	$ 220	$ 174	$ 177	$ 230	$ 203	$ 154	$ 128
RATIO OF EARNINGS TO FIXED CHARGES	2.42	2.32	3.67	2.61	3.91	3.51	1.86
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	2.24	2.32	3.67	2.61	3.91	3.51	1.86

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

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

Exhibit 99.1

ASHLAND INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ashland Inc. (the "Company") on Form 10-Q for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul W. Chellgren, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul W. Chellgren
- ---------------------------------
Paul W. Chellgren
Chief Executive Officer
August 7, 2002

Exhibit 99.2

ASHLAND INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ashland Inc. (the "Company") on Form 10-Q for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Marvin Quin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Marvin Quin
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J. Marvin Quin
Chief Financial Officer
August 7, 2002