

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): January 26, 2004

ASHLAND INC.

(Exact name of registrant as specified in its charter)

Kentucky

(State or other jurisdiction of incorporation)

1-2918

(Commission File Number)

61-0122250

(I.R.S. Employer
Identification No.)

50 E. RiverCenter Boulevard, Covington, Kentucky
(Address of principal executive offices)

41012-0391
(Zip Code)

P.O. Box 391, Covington, Kentucky
(Mailing Address)

41012-0391
(Zip Code)

Registrant's telephone number, including area code (859) 815-3333

Item 7. Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated January 26, 2004

Item 12. Results of Operations and Financial Condition

On January 26, 2004, Ashland Inc. reported its first quarter fiscal 2004 results, which are discussed in more detail in the press release attached hereto as Exhibit 99.1. This information is furnished in accordance with Securities and Exchange Commission Release No. 33-8216.

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: January 26, 2004

/s/ J. Marvin Quin

Name: J. Marvin Quin
Title: Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

99.1 Press Release dated January 26, 2004

FOR FURTHER INFORMATION:

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FOR IMMEDIATE RELEASE
January 26, 2004

ASHLAND INC. REPORTS
DECEMBER QUARTER EARNINGS

Covington, Ky. - The following was issued today by Ashland Inc. (NYSE:ASH):

FISCAL 2004: FIRST QUARTER HIGHLIGHTS

- o December quarter income recovered sharply due to stronger performance from wholly owned businesses.
- - Sales increased 11 percent.
- - Operating income increased 188 percent.
- o Results from refining and marketing were tempered by increased crude oil costs.

In millions except earnings per share	Quarter ended December 31	
	2003	2002
Operating income	\$ 92	\$ 32
Income (loss) from continuing operations	\$ 39	\$ (1)
Net income (loss)	\$ 34	\$ (92)
Diluted earnings (loss) per share:		
Income (loss) from continuing operations	\$.56	\$ (.02)
Net income (loss)	\$.49	\$ (1.35)

Ashland Inc. today reported net income of \$34 million, or 49 cents a share, for the quarter ended December 31, 2003, the first quarter of the company's 2004 fiscal year. These results compared to a net loss of \$92 million, or \$1.35 a share, for the first quarter of 2003. Ashland's income from continuing operations for the first quarter of 2004 amounted to \$39 million, or 56 cents a share, compared to a loss of \$1 million, or 2 cents a share, for the

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quarter a year ago. The difference between net income and income from continuing operations results primarily from reserves for asbestos liabilities.

"Our performance during the December quarter was very encouraging," said James J. O'Brien, Ashland Inc. chairman and chief executive officer. "In fiscal 2003, we focused on changing the way we run our businesses. In fiscal 2004, we are focusing on execution of our strategies. As our first quarter performance shows, we are growing sales volumes while lowering selling, general and administrative expenses.

"The overall performance of our wholly owned businesses demonstrates the strength of our corporate strategy," O'Brien said. "Ashland Paving And Construction (APAC), Ashland Specialty Chemical, Ashland Distribution and Valvoline continued to lower fixed costs and increase revenues. APAC also benefited from closer-to-normal weather, which enabled construction efficiencies and higher asphalt production."

REVIEW OF OPERATIONS

Commenting on operations, O'Brien noted that results from APAC improved significantly compared to the December quarter a year ago. Operating income was \$30 million versus near break-even results in 2003. Net construction job revenues increased 20 percent, while asphalt production was up 18 percent. Lower equipment costs coupled with the positive impact of other cost-reduction efforts also contributed to APAC's improved performance. Construction backlog, or jobs awarded but not yet completed, was \$1.7 billion at the end of the quarter, a level comparable to a year ago.

APAC will continue to focus on improving its operating performance in fiscal 2004. As was recently announced, Garry M. Higdem was named senior vice president of Ashland Inc. and president of APAC effective January 12, 2004. Higdem will utilize his background in construction management, large projects and branch operations to continue APAC's strategic progress and to leverage its strong construction capabilities with both small and large projects.

Operating income for Ashland Specialty Chemical rose 77 percent to \$23 million. Increased profits were driven by improved sales volumes in its thermoset resins business and strong revenues from its water treatment

group. Specialty Chemical's strong first quarter performance is due in part to its continuing penetration of high value markets, such as foundry

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sleeves, cultured marble for the construction industry, clear label adhesives and pathogen control in waterborne systems.

Valvoline reported a record December quarter with operating income of \$20 million, compared to \$15 million in the 2003 quarter. Valvoline-branded lubricant sales volumes improved 5 percent on the strength of a 20-percent increase in premium product sales volumes. Valvoline Instant Oil Change (VIOC) also had an all-time record quarter. Operating income rose 49 percent due in part to a 9-percent increase in revenues from transmission, cooling, fuel and air quality system services and a 7-percent increase in premium lubricant oil changes.

Ashland Distribution continues to improve results with operating income up 44 percent to \$13 million. Successful efforts to lower costs contributed to the division's performance. Ashland Distribution also demonstrated its ability to grow faster than its markets with sales per shipping day up by 9 percent, and sales volumes up by 6 percent.

Ashland's operating income from refining and marketing was \$26 million compared to \$24 million last year. Results from Marathon Ashland Petroleum LLC (MAP) improved primarily due to less planned maintenance during the December quarter, enabling MAP to process about 8 million more barrels of crude oil and other feedstocks. However, the increased volumes were offset by a sharp increase in crude oil costs during December, which resulted in lower margins, particularly in MAP's primary Midwest market.

"Overall, our businesses performed well this quarter," O'Brien said. "We continue to take steps towards our goal of top-quartile performance versus our industry peers."

In other corporate developments, debt was reduced by \$40 million in the December quarter. The company also met the goals previously announced in its Top-Quartile Cost Structure Program, including the reduction of 400 positions before the end of November 2003.

Today at 11:00 a.m. (EST), Ashland will provide a live audio webcast of its quarterly conference call with securities analysts. The webcast will be accessible through Ashland's Investor Relations website, www.ashland.com/investors. Following the live event, an archived version of the webcast will be available on the Ashland website for 12 months. Minimum requirements to listen to the webcast include the free Windows MediaPlayer software and a 28.8 Kbps connection to the Internet.

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Ashland Inc. (NYSE:ASH) is a Fortune 500 transportation construction, chemical and petroleum company providing products, services and customer solutions throughout the world. Through the dedication of our employees, we are "The Who In How Things Work(TM)." Find us at www.ashland.com.

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This news release contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, with respect to Ashland's operating performance and earnings. These estimates are based upon a number of assumptions, including those mentioned within this news release. 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, cost of raw materials, and legal proceedings and claims (including environmental and asbestos matters). Although Ashland believes its expectations are based on reasonable assumptions, it cannot assure the expectations reflected herein will be achieved. This forward-looking information may prove to be inaccurate and actual results may differ significantly from those anticipated 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 Ashland's Form 10-K for the fiscal year ended Sept. 30, 2003. Ashland undertakes no obligation to subsequently update or revise the forward-looking statements made in this news release to reflect events or circumstances after the date of this release.

(TM) Trademark, Ashland Inc.

Ashland Inc. and Consolidated Subsidiaries
 STATEMENTS OF CONSOLIDATED INCOME
 (In millions except per share data - unaudited)

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	Three months ended December 31	
	2003	2002
REVENUES		
Sales and operating revenues	\$ 1,923	\$ 1,738
Equity income	38	35
Other income	13	18
	-----	-----
	1,974	1,791
COSTS AND EXPENSES		
Cost of sales and operating expenses	1,518	1,373
Selling, general and administrative expenses	316	334
Depreciation, depletion and amortization	48	52
	-----	-----
	1,882	1,759
OPERATING INCOME		
Net interest and other financial costs	92	32
	(30)	(32)
	-----	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	62	-
Income taxes	(23)	(1)
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS	39	(1)
Results from discontinued operations (net of income taxes)	(5)	(91)
	-----	-----
NET INCOME (LOSS)	\$ 34	\$ (92)
	=====	=====
DILUTED EARNINGS (LOSS) PER SHARE		
Income (loss) from continuing operations	\$.56	\$ (.02)
Results from discontinued operations	(.07)	(1.33)
	-----	-----
Net income (loss)	\$.49	\$ (1.35)
	=====	=====
AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS		
	69	68
SALES AND OPERATING REVENUES		
APAC	\$ 650	\$ 558
Ashland Distribution	696	637
Ashland Specialty Chemical	311	283
Valvoline	290	281
Intersegment sales	(24)	(21)
	-----	-----
	\$ 1,923	\$ 1,738
	=====	=====
OPERATING INCOME		
APAC	\$ 30	\$ -
Ashland Distribution	13	9
Ashland Specialty Chemical	23	13
Valvoline	20	15
Refining and Marketing (a)	26	24
Corporate	(20)	(29)
	-----	-----
	\$ 92	\$ 32
	=====	=====

(a) Includes Ashland's equity income from Marathon Ashland Petroleum LLC (MAP), amortization related to Ashland's excess investment in MAP, and other activities associated with refining and marketing.

	December 31	
	2003	2002
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 201	\$ 119
Accounts receivable	1,045	939
Inventories	483	474
Deferred income taxes	110	83
Current assets of discontinued operations held for sale	-	201
Other current assets	103	89
	-----	-----
	1,942	1,905
Investments and other assets		
Investment in Marathon Ashland Petroleum LLC (MAP)	2,335	2,300
Goodwill	527	511
Asbestos insurance receivable (noncurrent portion)	403	402
Other noncurrent assets	355	328
	-----	-----
	3,620	3,541
Property, plant and equipment		
Cost	2,999	2,917
Accumulated depreciation, depletion and amortization	(1,780)	(1,653)
	-----	-----
	1,219	1,264
	-----	-----
	\$ 6,781	\$ 6,710
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Debt due within one year	\$ 145	\$ 228
Trade and other payables	1,123	1,022
Current liabilities of discontinued operations held for sale	-	34
Income taxes	56	22
	-----	-----
	1,324	1,306
Noncurrent liabilities		
Long-term debt (less current portion)	1,429	1,598
Employee benefit obligations	399	518
Deferred income taxes	221	150
Reserves of captive insurance companies	173	174
Asbestos litigation reserve (noncurrent portion)	562	525
Other long-term liabilities and deferred credits	355	364
	-----	-----
	3,139	3,329
Common stockholders' equity	2,318	2,075
	-----	-----
	\$ 6,781	\$ 6,710
	=====	=====

	Three months ended December 31	
	2003	2002
CASH FLOWS FROM OPERATIONS		
Income (loss) from continuing operations	\$ 39	\$ (1)
Expense (income) not affecting cash		
Depreciation, depletion and amortization (a)	48	52
Deferred income taxes	21	14
Equity income from affiliates	(38)	(35)
Distributions from equity affiliates	148	82
Change in operating assets and liabilities (b)	(150)	(57)
	68	55
CASH FLOWS FROM FINANCING		
Proceeds from issuance of common stock	17	1
Repayment of long-term debt	(38)	(45)
Increase in short-term debt	-	64
Dividends paid	(19)	(19)
	(40)	1
CASH FLOWS FROM INVESTMENT		
Additions to property, plant and equipment (a)	(53)	(23)
Purchase of operations - net of cash acquired	-	(5)
Proceeds from sale of operations	-	5
Other - net	9	-
	(44)	(23)
CASH PROVIDED (USED) BY CONTINUING OPERATIONS	(16)	33
Cash used by discontinued operations	(6)	(4)
	(22)	29
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (22)	\$ 29
DEPRECIATION, DEPLETION AND AMORTIZATION		
APAC	\$ 25	\$ 28
Ashland Distribution	4	5
Ashland Specialty Chemical	10	10
Valvoline	6	6
Corporate	3	3
	\$ 48	\$ 52
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
APAC	\$ 5	\$ 10
Ashland Distribution	1	2
Ashland Specialty Chemical	10	6
Valvoline	3	4
Corporate	34	1
	\$ 53	\$ 23

(a) Excludes amounts related to equity affiliates. Ashland's 38 percent share of MAP's DD&A was \$37 million in 2003 and \$35 million in 2002, and its share of MAP's capital expenditures was \$109 million in 2003 and \$118 million in 2002.

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

	Three months ended December 31	
	2003	2002
APAC		
Construction backlog at December 31 (millions) (a)	\$ 1,659	\$ 1,697
Net construction job revenues (millions) (b)	\$ 366	\$ 304
Hot-mix asphalt production (million tons)	8.4	7.1
Aggregate production (million tons)	6.8	7.1
Ready-mix concrete production (million cubic yards)	0.5	0.5
ASHLAND DISTRIBUTION (c)		
Sales per shipping day (millions)	\$ 11.2	\$ 10.3
Gross profit as a percent of sales	14.9%	15.9%
ASHLAND SPECIALTY CHEMICAL (c)		
Sales per shipping day (millions)	\$ 5.0	\$ 4.6
Gross profit as a percent of sales	33.5%	34.9%
VALVOLINE		
Lubricant sales (million gallons)	43.7	44.3
Premium lubricants (percent of U.S. branded volumes)	19.3%	16.9%
REFINING AND MARKETING (d)		
Refinery runs (thousand barrels per day)		
Crude oil refined	899	831
Other charge and blend stocks	184	163
Refined product yields (thousand barrels per day)		
Gasoline	612	565
Distillates	296	278
Asphalt	68	64
Other	116	90
Total	1,092	997
Refined product sales (thousand barrels per day) (e)	1,355	1,306
Refining and wholesale marketing margin (per barrel) (f)	\$ 1.71	\$ 1.93
Speedway SuperAmerica (SSA)		
Retail outlets at December 31	1,775	2,006
Gasoline and distillate sales (million gallons)	806	897
Gross margin - gasoline and distillates (per gallon)	\$.1145	\$.1010
Merchandise sales (millions) (g)	\$ 547	\$ 583
Merchandise margin (as a percent of sales)	24.8%	24.1%

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- (a) Includes APAC's proportionate share of the backlog of unconsolidated joint ventures.
- (b) Total construction job revenues, less subcontract costs.
- (c) Sales are defined as sales and operating revenues. Gross profit is defined as sales and operating revenues, less cost of sales and operating expenses, and depreciation and amortization relative to manufacturing assets.
- (d) Amounts represent 100% of MAP's operations, in which Ashland owns a 38% interest.
- (e) Total average daily volume of all refined product sales to MAP's wholesale, branded and retail (SSA) customers.
- (f) Sales revenue less cost of refinery inputs, purchased products and manufacturing expenses, including depreciation.
- (g) Effective January 1, 2003, SSA adopted EITF 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor," which requires rebates from vendors to be recorded as reductions to cost of sales. Rebates from vendors recorded in SSA merchandise sales for periods prior to January 1, 2003 have not been restated and included \$46 million in the three months ended December 31, 2002.

