

HERCULES INC  
Form 425  
October 28, 2008  
Filed by Ashland Inc.  
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Under the Securities Act of 1933

Subject Company  
Hercules Incorporated  
Commission File Number 333-152911

Fourth-Quarter Fiscal 2008 Earnings  
October 28, 2008  
Fourth-Quarter Fiscal 2008 Earnings  
October 28, 2008  
James J. O'Brien  
Chairman and Chief Executive Officer  
James J. O'Brien  
Chairman and Chief Executive Officer  
Lamar M. Chambers  
Sr. Vice President and Chief Financial Officer  
Lamar M. Chambers  
Sr. Vice President and Chief Financial Officer  
Eric N. Boni  
Director, Investor Relations  
Eric N. Boni  
Director, Investor Relations

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Forward-Looking Statements

This presentation 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. These statements include those made with respect to Ashland's operating performance and Ashland's acquisition of Hercules Inc. These expectations are based upon a number of assumptions, including those mentioned within this presentation. Performance 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). These risks and uncertainties may cause actual operating results to differ materially from those stated, projected or implied. Such risks and uncertainties with respect to Ashland's acquisition of Hercules include the possibility that the benefits anticipated from the Hercules transaction will not be fully realized; the possibility the transaction may not close, including as a result of failure to obtain the approval of Hercules stockholders; the possibility that financing may not be available on the terms committed; and other risks that are described in filings made by Ashland with the Securities and Exchange Commission (SEC) in connection with the proposed transaction. 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, uncertainties and risks affecting Ashland are contained in Ashland's periodic filings made with the SEC, including its Form 10-K for the fiscal year ended Sept. 30, 2007, and Forms 10-Q for the quarters ended Dec. 31, 2007, and March 31 and June 30, 2008, which are available on Ashland's Investor Relations website at [www.ashland.com/investors](http://www.ashland.com/investors) or the SEC's website at [www.sec.gov](http://www.sec.gov). Ashland undertakes no obligation to subsequently update or revise the forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation.

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Additional Information

In connection with the proposed transaction, Ashland filed a registration statement on Form S-4 (File No. 333-152911) with the SEC containing a proxy statement/prospectus. On Oct. 6, 2008, Ashland and Hercules mailed a definitive proxy statement/prospectus to Hercules' shareholders containing information about the merger. Investors and security holders are urged to read the registration statement on Form S-4 and the proxy statement/prospectus because they contain important information about the proposed transaction. Investors and security holders may obtain free copies of these documents and other documents filed with the SEC by contacting Ashland Investor Relations at (859) 815-4454 or Hercules Investor Relations at (302) 594-7151. Free copies may also be obtained from Ashland's Investor Relations website at [www.ashland.com/investors](http://www.ashland.com/investors), Hercules' website at [www.herc.com](http://www.herc.com) or the SEC's website at [www.sec.gov](http://www.sec.gov).

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4

Agenda

- Fiscal fourth-quarter preliminary results and business outlook
  - Ashland full-year highlights
    - Hercules update
    - Questions

Appendices

- Appendix A: Full-year fiscal 2008 preliminary results
    - Appendix B: Business profiles
    - Appendix C: Regulation G reconciliation
-

5

Fiscal Fourth Quarter 2008

Highlights

- Continued volatile raw materials cost environment and declining demand
  - Operating income versus September 2007
    - Increased 6 percent to \$27.8 million, as reported
    - Declined 41 percent to \$23.8 million, excluding key items<sup>1</sup>
- § Declines in Ashland Performance Materials, Ashland Water Technologies and Valvoline
- § Significant improvement of \$10.6 million at Ashland Distribution
  - EBITDA<sup>2</sup> decreased 11 percent to \$68 million
  - Tax provision adjustments unfavorably impacted EPS by approximately 30 cents per share
  - Continued reductions in operating-segment trade working capital as a percent of sales to 12.3 percent

<sup>1</sup> When adjusted for key items in both periods as noted on Slide 7 of this presentation.

<sup>2</sup> Operating income, plus depreciation and amortization.

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6

Fiscal Fourth Quarter 2008  
Preliminary Financial Results

(in millions, except change)	Three months ended Sept. 30,		
	2008	2007	Fav./Unfav.)
Sales and operating revenue	2,216)	2,085)	6 %
Cost of sales	1,898)	1,740)	(9)%
Gross profit	318)	345)	(8)%
Gross profit percentage	14.4%	16.5%	(210) bp
Selling, general & administrative expenses	310)	338)	8)%
SG&A percentage	14.0%	16.2%	220) bp
Equity and other income	20)	19)	5 %
Operating income	28)	26)	8)%
Operating income percentage	1.3%	1.2%	10) bp
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$68)	\$76)	(11)%
EBITDA as a percent of sales	3.1%	3.6%	(50) bp
	\$		
	\$		

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7

Key Items Affecting Operating Income  
Comparisons

(in millions)	Three months ended Sept. 30,	
	2008	2007
Ashland Inc.		
Self-insurance reserve adjustment	\$ 11.3)	\$ 8.0)
Severance costs	(7.3)	—)
Non-North American entities reporting lag elimination	—)	5.2)
Litigation reserve adjustment	—)	(5.5)
Asset impairment - PathGuard® equipment	—)	(10.6)
Postretirement benefit obligation adjustment	—)	(11.3)
All other income	23.8)	40.4)
Total operating income	\$ 27.8)	\$ 26.2)

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8

Q4 FY 2007 vs. Q4 FY 2008  
Factors Impacting Operating Income

(\$ millions)

(8.2)

(14.0)

Q4 2007

Volume/

Mix

Q4 2008

Currency

Translation

Margin

3.0

26.2

27.8

SG&A

Expenses

2.2

0.4

Other

18.2

Key

Items



9

Fiscal Fourth Quarter 2008  
Preliminary Diluted Earnings Per Share

(in millions)	Three months ended Sept. 30,	
	2008	2007
Operating income	\$ 28)	\$ 26)
Loss on MAP Transaction	(3)	-)
Net interest and other financing income	2)	12)
Income from continuing operations before income taxes	27)	38)
Income tax expense	(28)	(6)
Income (loss) from continuing operations	(1)	32)
Loss from discontinued operations, net of income taxes	(9)	-)
Net income (loss)	(10)	32)
Diluted EPS from continuing operations	(.01)	.51)
Diluted EPS on net income	(.15)	.51)
Q4 effective tax rate	102.4%	16.2%
Full-year effective tax rate	32.9%	22.3%

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10

Fiscal Fourth Quarter 2008  
Components of Preliminary EPS

	Three months ended Sept. 30,	
Ashland Inc.	2008	2007
Self-insurance reserve adjustment	\$ .11)	\$ .08)
Severance costs	(.07)	—)
Tax provision adjustment <sup>1</sup>	(.30)	.04)
Non-North American entities reporting-lag elimination	—)	.05)
Litigation reserve adjustment	—)	(.05)
Asset impairments	—)	(.10)
Postretirement benefit obligation adjustment	—)	(.11)
All other diluted EPS from continuing operations	.25)	.60)
Diluted EPS from continuing operations	\$ (.01)	\$ .51)

<sup>1</sup>Difference between quarterly and full-year effective tax rates.

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11

Fiscal Fourth Quarter 2008

Operating Cash Flows

(in millions)	Three months ended Sept.	
	30, 2008	2007
Net income (loss)	\$ (10)	\$ 32)
Loss from discontinued operations	9)	-)
Adjustments for cash flows from operations:		
Depreciation and amortization	40)	50)
Deferred income taxes	24)	7)
Change in operating assets and liabilities <sup>1</sup>	68)	81)
Other	13)	11)
Cash flows from operating activities from cont. operations	144)	181)
Additions to property, plant and equipment	(87)	(52)
	\$ 57)	\$ 129)

<sup>1</sup>Excludes changes resulting from operations acquired or sold.

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12

Operating Segments - Accounts Receivable, Inventories Excluding LIFO Reserve,  
and Trade and Other Payables, Net, as a % of Trailing Three Months' Sales, Annualized\*

\* Excludes acquisitions made in June 2008 quarter.

Oct '06

Dec '06

Mar '07

Jun '07

Sep '07

Dec '07

Mar '08

Jun '08

Operating Segment

Trade Working Capital

Sep '08

- Reduced trade working capital by 430 basis points  
during last nine months of fiscal 2008

18

17

16

15

14

13

12

11

10

%

13

Progress on cost-structure efficiency

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14

Fiscal Fourth Quarter 2008

Performance Summary

- Operating income down 41 percent, excluding key items
    - Generated \$144 million of cash flows from operating activities from continuing operations
  - Made substantial progress in reducing working capital
    - Exceeding forecast for cost-structure efficiencies
-

15

Key Items Affecting Operating Income  
Comparisons

(in millions)	Fiscal fourth quarter ended Sept. 30,	
	2008	2007
Ashland Performance Materials		
Severance costs	\$ (4.7)	\$ —
Non-North American entities reporting-lag elimination	—	2.1
Litigation reserve adjustment	—	(5.5)
Postretirement benefit obligation adjustment	—	(3.3)
All other income	6.3	13.9
Total operating income	\$ 1.6	\$ 7.2

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16

## Performance Materials

## Fiscal Fourth Quarter Summary

(in millions, except percentages)	Three months ended		
Preliminary	Sept. 30,		
	2008	2007	Favor./ (Unfav.)
Pounds/day <sup>1</sup>	5.2)	4.8)	8)%
Operating revenue <sup>2</sup>	\$ 427)	\$ 438)	(3)%
Gross profit as a % of sales <sup>1</sup>	14.6%	18.4%	(380) bp
Selling, general & admin. costs	\$ 65)	\$ 75)	13)%
Operating income	\$ 1.6)	\$ 7.2)	(78)%
Operating income as a % of sales	0.4%	1.6%	(120) bp
EBITDA	\$ 15)	\$ 18)	(17)%
EBITDA as a % of sales	3.5%	4.1%	(60) bp

<sup>1</sup> Excludes effect of non-North American financial-reporting-lag elimination in 2007.

<sup>2</sup> Includes \$56 million of revenue from non-North American financial-reporting-lag elimination in 2007.



17

(\$ millions)

2.6

(12.4)

Q4 2007

Volume/

Mix

Q4 2008

Currency

Translation

Margin

(0.8)

7.2

1.6

SG&A

Expenses

1.4

Other

2.0

Q4 FY 2007 versus Q4 FY 2008

Performance Materials

Factors Impacting Operating Income

- Continued significant weakness in North American residential construction and transportation markets

1.6

Key Items

18

Performance Materials

Outlook

- Getting our costs right
    - Should achieve approximately \$8 million in quarterly savings in Q1 '09 vs. Q1 '08
  - Mothballing certain North American manufacturing capacity and reducing hours of operation in Europe
  - Strong potential for raw material cost reductions, although little received to date
-

Key Items Affecting Operating Income  
Comparisons

(in millions)	Fiscal fourth quarter ended Sept. 30,	
	2008	2007
Ashland Distribution		
Non-North American entities reporting-lag elimination	\$ —)	\$ (0.9)
Postretirement benefit obligation adjustment	—)	(5.6)
All other income	12.6)	2.0)
Total operating income	\$ 12.6)	\$ (4.5)

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20

## Distribution

## Fiscal Fourth Quarter Summary

(in millions, except percentages) Preliminary	Three months ended Sept. 30,		
	2008	2007	Favor./ (Unfav.)
Pounds/day <sup>1</sup>	18.2)	19.6)	(7)%
Operating revenue <sup>2</sup>	\$ 1,151)	\$ 1,050)	10 %
Gross profit as a % of sales <sup>1</sup>	8.1%	7.0%	110 bp
Selling, general & admin. costs	\$ 82)	\$ 79)	(4)%
Operating income (loss)	\$ 12.6)	\$ (4.5)	N.D.
Operating income (loss) as a % of sales	1.1%	(0.4)%	150)bp
EBITDA	\$ 19)	\$ 3)	533)%
EBITDA as a % of sales	1.7%	0.3%	130)bp

<sup>1</sup> Excludes effect of non-North American financial-reporting-lag elimination in 2007.

<sup>2</sup> Includes \$46 million of revenue from non-North American financial-reporting-lag elimination in 2007.

21

- Volume declined 7 percent, including 12-percent reduction in Europe
- Unit gross profit increased 17 percent due to continued focus on pricing process improvement

(\$ millions)

29.2

Q4 2007

Currency

Translation

Margin

Q4 2008

Volume/

Mix

SG&A

Expenses

(6.2)

(4.5)

6.5

Other

(0.1)

(12.0)

12.6

Q4 FY 2007 versus Q4 FY 2008

Distribution

Factors Impacting Operating Income

Key

Items

(0.3)

22

Distribution

Selling Price, Cost and Gross Profit Trends

Gross

Profit

Price

& Cost

(cents/lb.)

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23

Distribution

Outlook

- Difficult market conditions likely to continue
  - Severe product cost volatility, with select commodities starting to decline
  - Building and construction, automotive, and marine markets remain challenging
    - Demand will continue to soften in our primary markets
  - Volume will be driven by overall U.S. industrial production
    - European demand also starting to fall
    - Credit crisis impacting small manufacturers
  - Margins will be pressured by extreme cost volatility and softening demand
    - Improved pricing practices have enabled margin expansion over last three quarters
-

24

Key Items Affecting Operating Income  
Comparisons

(in millions)	Fiscal fourth quarter ended Sept. 30,	
	2008	2007
Valvoline		
Postretirement benefit obligation adjustment	\$ —)	\$ (0.9)
All other income	13.1)	18.8)
Total operating income	\$ 13.1)	\$ 17.9)

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25

## Valvoline

## Fiscal Fourth Quarter Summary

Preliminary (in millions, except percentages)	Three months ended		
	Sept. 30,		
	2008	2007	Favor./ (Unfav.)
Lubricant gallons <sup>1</sup>	43.5)	43.3)	-)%
Operating revenue <sup>1</sup>	\$ 454)	\$ 384)	18 %
Gross profit as a % of sales <sup>1</sup>	19.2%	24.6%	(540) bp
Selling, general & admin. costs	\$ 77)	\$ 79)	3)%
Operating income	\$ 13.1)	\$ 17.9)	(27)%
Operating income as a % of sales	2.9%	4.7%	(180) bp
EBITDA	\$ 21))	\$ 26)	(19)%
EBITDA as a % of sales	4.6%	6.8%	(220) bp

<sup>1</sup> Non-North American financial-reporting-lag elimination had no significant impact in fourth-quarter 2007.

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26

Valvoline

Operating Income Performance Factors

(\$ millions)

- Margin decrease driven by higher raw materials costs
- SG&A improvement due primarily to lower advertising

expenses

Q4 2007

Volume/

Mix

Q4 2008

Currency

Translation

Margin

SG&A

Expenses

Q4 FY 2007 versus Q4 FY 2008

17.9

1.8

(10.6)

0.4

0.3

13.1

0.9

Other

2.4

Key Items

27

Valvoline

Outlook

- Price increases through September should enable gross profit to improve on a per-unit basis to levels approximating Q1 - Q3 2008
  - Base oil market expected to remain tight into the second quarter with potential cost relief later in 2009
  - Soft market demand experienced in 2008 is likely to persist in 2009 despite lower gasoline prices
-

28

Key Items Affecting Operating Income  
Comparisons

(in millions)	Fiscal fourth quarter ended Sept. 30,	
	2008	2007
Ashland Water Technologies		
Severance costs	\$ (2.6)	\$ —
Non-North American entities reporting-lag elimination	—	4.0
Asset impairments	—	(10.6)
Postretirement benefit obligation adjustment	—	(1.5)
All other income (loss)	(3.3)	6.6
Total operating loss	\$ (5.9)	\$ (1.5)

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29

## Water Technologies

## Fiscal Fourth Quarter Summary

Preliminary	(in millions, except percentages) Three months ended		
	Sept. 30,		
	2008	2007	Favor./ (Unfav.)
Operating revenue <sup>1</sup>	\$ 226)	\$ 249)	(9) %
Gross profit as a % of sales <sup>2</sup>	32.9%	39.7%	(680) bp
Selling, general & admin. costs	\$ 81)	\$ 100)	19)%
Operating loss	\$ (5.9)	\$ (1.5)	N.D.
Operating loss as a % of sales	(2.6)%	(0.6)%	(200) bp
EBITDA	\$ 1)	\$ 17)	(94)%
EBITDA as a % of sales	0.4%	6.8%	(640) bp

<sup>1</sup> Includes \$42 million of revenue from non-North American financial-reporting-lag elimination in 2007.

<sup>2</sup> Excludes effect of non-North American financial-reporting-lag elimination in 2007.

30

(\$ millions)

Q4 2007

Sales/Mix

Q4 2008

Currency

Translation

Margin

SG&A

Expenses

Other

Q4 FY 2007 versus Q4 FY 2008

- Experiencing significant margin erosion due to raw material increases
- Beginning to realize benefits of cost structure changes and discipline in SG&A reductions

Water Technologies

Factors Impacting Operating Income

(1.5)

2.8

(14.8)

1.2

0.4

0.5

5.5

(5.9)

Key Items

31

Water Technologies

Outlook

- Getting our costs right
    - Reduced sales, marketing, technical, administrative and plant headcount
  - Opportunity to renegotiate contract pricing in Q1 '09
    - High percentage of contracts up for renewal
  - Integration into Hercules Paper Technologies
    - Reporting in Q1 will be on a combined basis
-

32

## Fiscal 2008 Summary

(in millions, except percentages) Preliminary	12 months ended Sept. 30,		
	2008	2007	Favor./ (Unfav.)
Operating revenue	\$ 8,381)	\$ 7,785)	8 %
Gross profit as a % of sales	15.8%	17.2%	(140) bp
Operating income	\$ 213)	\$ 216)	(1)%
Operating income as a % of sales	2.5%	2.8%	(30) bp
EBITDA	\$ 358)	\$ 349)	3)%
EBITDA as a % of sales	4.3%	4.5%	(20) bp
Return on investment	6.1%	8.0%	(190) bp

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33

Ashland Inc.

Fiscal 2008 EBITDA Summary

- EBITDA increased 3 percent over FY2007
    - Performance Materials down 25 percent
      - Distribution up 19 percent
    - Valvoline just 2 percent below 2007 record
  - § Record annual operating income for Valvoline Instant Oil Change and Valvoline International
    - Water Technologies down 16 percent
-

34

Ashland Inc.

Fiscal 2008 Highlights

- Initiated cost-structure efficiency program
  - Generated cash flows from operating activities from continuing operations in fiscal 2008 of \$478 million versus \$189 million in fiscal 2007
  - Operating-segment trade working capital decrease of 300 basis points to 12.3 percent of sales
  - Hercules Inc. transaction announced
-

35

Hercules Update

- All regulatory approvals received
    - Hercules shareholder vote Nov. 5
    - Anticipated close Nov. 13
  - Continue to work with banks on structure and terms of the committed financing
  - Synergies expected at high end of original estimates
    - \$120 million annually
    - \$80 million run-rate by 1-year anniversary
    - Integration expenses still being determined
  - Creates a major, global specialty chemicals company with ~75 percent of EBITDA derived from specialty chemicals
  - Reduces earnings volatility, improves profitability and strengthens cash flow generation
-

Appendix A  
Fiscal 2008 Preliminary Results  
Appendix A  
Fiscal 2008 Preliminary Results

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37

Fiscal 2008

## Preliminary Financial Results

(in millions, except change)	Three months ended Sept. 30,		
	2008	2007	Fav./Unfav.)
Sales and operating revenue	8,381	7,785	8 %
Cost of sales	7,056	6,447	(9)%
Gross profit	1,325	1,338	(1)%
Gross profit percentage	15.8%	17.2%	(140) bp
Selling, general & administrative expenses	1,166	1,171	-)%
SG&A percentage	13.9%	15.0%	110) bp
Equity and other income	54	49	10 %
Operating income	213	216	(1)%
Operating income percentage	2.5%	2.8%	(30) bp
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$358	\$349	3)%
EBITDA as a percent of sales	4.3%	4.5%	(20) bp
	\$		
	\$		

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38

Fiscal 2008

## Preliminary Diluted Earnings Per Share

(in millions)	Twelve months ended Sept. 30,	
	2008	2007
Operating income	\$ 213)	\$ 216)
Gain (loss) on MAP Transaction	20)	(3)
Net interest and other financing income	28)	46)
Income from continuing operations before income taxes	261)	259)
Income tax expense	(86)	(58)
Income from continuing operations	175)	201)
Income (loss) from discontinued operations, net of income taxes	(8)	29)
Net income	167)	230)
Diluted EPS from continuing operations	2.76)	3.15)
Diluted EPS on net income	2.63)	3.60)
Full-year effective tax rate	32.9%	22.3%

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Appendix B  
Business Profiles  
Appendix B  
Business Profiles

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40

Ashland Performance Materials  
A global leader in specialty chemicals

North  
America  
North  
America

45%

45%

Europe

36%

Latin

America/

Other -

9%

Trans-  
portation

Trans-  
portation

24%

24%

Ind.

Constr.

27%

Revenue  
by Geography

Revenue

by Market

For the Fiscal Year Ended Sept. 30, 2008

Revenue: \$1.6 billion

EBITDA\*: \$94 million

EBITDA\* Margin: 5.8%

Res.

Constr.

14%

Infra-  
structure

15%

Marine - 9%

Asia/

Pacific - 10%

\* See Appendix C for EBITDA reconciliation.



Ashland Distribution

A leading North American chemicals and plastics distributor

Chemicals

Chemicals

47%

47%

Plastics

41%

Environmental

Service/Other -

2%

Construction

Construction

24%

24%

Other

15%

Revenue

by Product

Line

Revenue

by Market

Trans-

portation

15%

Paint & Coatings - 10%

Medical - 6%

Marine - 4%

Com-

posites

10%

Chemical Mfg.

- 11%

Retail

Consumer - 8%

Personal

Care - 7%

For the Fiscal Year Ended Sept. 30, 2008

Revenue: \$4.4 billion

EBITDA\*: \$75 million

EBITDA\* Margin: 1.7%

\* See Appendix C for EBITDA reconciliation.

Valvoline: A leading worldwide marketer of premium-branded automotive lubricants and chemicals

Lubricants

80%

Filters - 3%

Valvoline

Int'l - 23%

Valvoline

Int'l - 23%

Do-It-

Yourself

35%

Business Overview

- Retail auto parts stores and mass merchandisers who sell to

Customers consumers; installers, such as car dealers and quick lubes; distributors

- Valvoline® lubricants and automotive chemicals

- MaxLife® lubricants for high-mileage vehicles

Products/ · SynPower® synthetic motor oil

Services · Eagle One® and Car Brite® appearance products

- Zerex® antifreeze

- Valvoline Instant Oil Change® service

Market · Do-It-Yourself (DIY)

Channels · Do-It-For-Me (DIFM)

- Valvoline International

Revenue

by Product Line

Revenue

by Market Channel

Do-It-

For-Me

37%

DIFM:

Installer channel

23%

Specialty/

Other - 5%

DIFM:

Valvoline Instant

Oil Change - 14%

Chemicals - 6%

Appearance

products - 3%

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Antifreeze - 8%

For the Fiscal Year Ended Sept. 30, 2008

Revenue: \$1.7 billion

EBITDA\*: \$115 million

EBITDA\* Margin: 6.9%

\* See Appendix C for EBITDA reconciliation.

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43

Ashland Water Technologies

A major global supplier to the water treatment industry

North

America

30%

Latin America/

Other - 5%

Marine

15%

Marine

15%

Industrial

42%

Business Overview

- Automotive
- Municipal wastewater treatment
- Pulp and paper processing
- Paint and coatings
- Adhesives
- Printing inks
- Commercial and institutional building management
- Merchant marine
- Chemicals and consulting services for utility water treatment
- Process water treatments
- Technical products and shipboard services for the merchant marine and cruise ship industry

Customers/  
Markets

Products/  
Services

Revenue  
by Geography  
Revenue  
by Business Unit

E&PS

43%

Asia/  
Pacific

17%

Europe

48%

For the Fiscal Year Ended Sept.30, 2008

Revenue: \$0.9 billion

EBITDA\*: \$36 million

EBITDA\* Margin: 4.0%

\* See Appendix C for EBITDA reconciliation.







Appendix C  
Regulation G Reconciliations  
Appendix C  
Regulation G Reconciliations

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Regulation G: Reconciliation of Operating  
Income to Adjusted EBITDA

The information provided in this presentation regarding adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) does not conform to generally accepted accounting principles (GAAP) and should not be construed as an alternative to the reported results determined in accordance with GAAP. Management has included this non-GAAP information to assist in understanding the operating performance of the Company and its operating segments. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information is reconciled with reported GAAP results in the financials that follow in this Appendix.

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48

Ashland Inc. Fiscal Fourth Quarter  
Regulation G: Reconciliation of Operating Income  
to EBITDA  
(in millions)

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49

Ashland Inc. Fiscal Year Ended Sept. 30  
Regulation G: Reconciliation of Operating Income  
to EBITDA  
(in millions)

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Hercules Inc. 12 Months Ended Sept. 30, 2008  
Regulation G: Reconciliation of Operating  
Income to Adjusted EBITDA

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