

Basic Explanation of Tax Treatment of the Hercules Transaction

For U.S. federal income tax purposes the Ashland acquisition of Hercules was taxable to the Hercules shareholders. Hercules shareholders are deemed to have sold each share of their Hercules stock for the sum of: (1) cash in the amount of \$18.60 per share and (b) .093 share of Ashland stock. The closing price for Ashland stock on the date of the transaction was \$17.90 per share. The value of the Ashland shares received per Hercules share was \$1.66 (.093 Ashland shares times \$17.90 Ashland price per share). Therefore, Hercules shareholders are deemed to have sold their Hercules shares for \$18.60 in cash and Ashland stock worth \$1.66, for a total of \$20.26 per Hercules share. The Form 1099-B for the transaction will report the \$20.26 value of both the cash and the Ashland stock received by Hercules shareholders. Hercules shareholders take a cost basis (tax basis) of \$17.90 per share in the Ashland shares they received in the transaction. See below for a more detailed discussion of the tax treatment as described in the Form S-4.

Because the tax consequences to a particular Hercules shareholder may differ based on that shareholder's particular circumstances, each shareholder should consult his, her or its own tax advisor regarding the U.S. federal, state, local and foreign tax consequences of the merger.

Relevant Excerpt from Form S-4 Filed with the SEC (see pages 55-56 of Amended S-4 filed September 29, 2008)

Material U.S. Federal Income Tax Consequences

The following is a general discussion of certain material U.S. federal income tax consequences to Hercules shareholders who exchange their shares of Hercules common stock for shares of Ashland common stock and cash pursuant to the merger. This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended (which we refer to as the "Code"), existing and proposed U.S. Treasury regulations thereunder and current administrative rulings and court decisions, all as in effect on the date hereof. All of the foregoing authorities are subject to change, possibly on a retroactive basis, and any such change could affect the continuing validity of this discussion.

This discussion is limited to Hercules shareholders who hold their shares of Hercules common stock as capital assets for U.S. federal income tax purposes. This discussion does not consider the specific facts or circumstances that may be relevant to a particular Hercules shareholder, nor does this discussion consider any state, local or foreign tax consequences of the merger or any U.S. federal tax consequences other than U.S. federal income tax consequences. This discussion does not address U.S. federal income tax consequences to a Hercules shareholder who, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership, or a foreign trust or estate. Moreover, this discussion does not address U.S. federal income tax consequences to Hercules shareholders who may be subject to special treatment, including, without limitation:

- tax-exempt entities, dealers in securities or currencies, banks, other financial institutions or “financial services entities,” insurance companies, regulated investment companies, real estate investment trusts, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, certain expatriates or former long-term residents of the United States, or corporations that accumulate earnings to avoid U.S. federal income tax;
- persons whose functional currency is not the U.S. dollar, and persons who acquired Hercules common stock through the exercise of employee stock options, through a tax qualified retirement plan or otherwise as compensation;
- Hercules shareholders who receive cash for their shares of Hercules common stock pursuant to the exercise of appraisal rights;
- persons holding Hercules common stock as a part of a hedging, integrated, constructive sale or conversion transaction or a straddle or other risk-reduction transaction; and
- partnerships or other pass-through entities (or persons who hold Hercules shares through a partnership or other pass-through entity).

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds Hercules common stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Such partners are encouraged to consult their tax advisors regarding the specific tax consequences to them of the merger.

Hercules shareholders should consult their own tax advisors regarding the specific tax consequences to them of the merger, including the applicability and effect of U.S. federal, state, local, and foreign income and other tax laws in their particular circumstances.

Tax Consequences of the Merger Generally. The receipt of Ashland common stock and cash in exchange for Hercules common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. As a result, a Hercules shareholder will generally recognize capital gain or loss equal to the difference, if any, between (i) the sum of the fair market value of Ashland common stock (on the date of the merger) and the amount of cash received in the merger and (ii) such shareholder’s adjusted tax basis in the Hercules common stock exchanged for the Ashland common stock and cash. Capital gain or loss will be calculated separately for each block of shares of Hercules common stock (i.e., shares of Hercules common stock acquired at the same cost in a single transaction). Any capital gain or loss will be long-term capital gain or loss if the Hercules shareholder’s holding period for the Hercules common stock exchanged exceeds one year on the date of the merger. Certain non-corporate U.S. holders (including individuals) are eligible for preferential rates of U.S. income taxation in respect of long-

term capital gains. The deductibility of capital losses for U.S. federal income tax purposes is limited. Hercules shareholders who recognize a loss on the exchange of their Hercules common stock pursuant to the merger should consult their tax advisors regarding allowance of this loss. Your U.S. federal income tax basis in the Ashland common stock received in the merger will generally be equal to the fair market value of such common stock on the date of the merger. The holding period of the Ashland common stock received in the merger will commence on the day following the date of the merger.

Backup Withholding. Payments made in connection with the merger may be subject to backup withholding at a rate of 28% unless a Hercules shareholder holding Hercules common stock:

- timely provides Hercules (or its depository) with a correct taxpayer identification number (which, for an individual Hercules shareholder is the shareholder's social security number), certifies under penalties of perjury that such Hercules shareholder is not subject to backup withholding by completing the substitute Form W-9 included in the letter of transmittal, and otherwise complies with applicable requirements of the backup withholding rules; or
- is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, and otherwise complies with applicable requirements of the backup withholding rules.

A Hercules shareholder who does not provide a correct taxpayer identification number may be subject to penalties administered by the Internal Revenue Service. Hercules shareholders should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Backup withholding is not an additional tax. Any amount withheld from a Hercules shareholder under the backup withholding rules described above will generally be allowed as a refund or a credit against such shareholder's U.S. federal income tax liability, provided that timely filings are made with the Internal Revenue Service.

Because the tax consequences to a particular Hercules shareholder may differ based on that shareholder's particular circumstances, each shareholder should consult his, her or its own tax advisor regarding the U.S. federal, state, local and foreign tax consequences of the merger.