



THE MARKET

The majority of Australian car owners now get their oil changed by a professional mechanic, according to the latest research. This dramatic swing towards DIFM (Do-it-for-me) has been at the expense of the traditional DIY (Do-it-yourself) market. The growth in new car sales, and with it the increase in extended warranties, has influenced consumer behaviour. The increase in the number of women purchasing and maintaining vehicles has dramatically increased the DIFM market as well. Australia's aging population has also contributed to the swing as they opt for professional changes rather than doing it themselves.

Although the DIY (retail) market represents a smaller percentage of the car population, demand for packaged motor oil is still a significant segment where the consumer is directly involved in the motor oil purchase decision. Motor oil is the number one traffic generator for the automotive category ahead of batteries, seat covers and sound.

The automotive lubricant market is a mature one with volume expected to decline over time as crankcase capacities decrease and service intervals increase. This change is placing more pressure on the engine oil to perform than ever before and will increase the demand for premium, quality lubricants in both markets in the longer term.

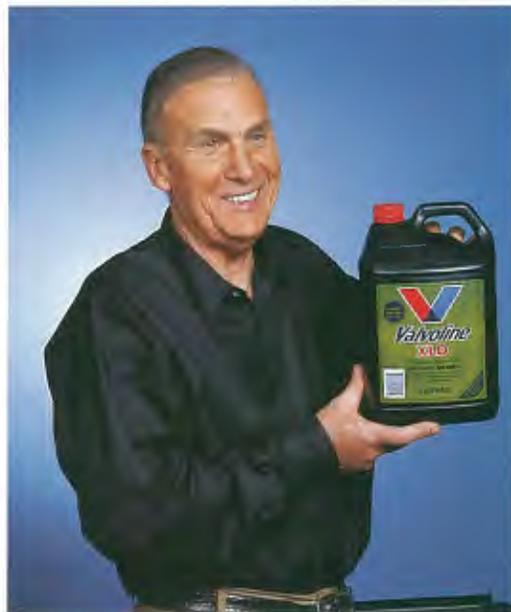


ACHIEVEMENTS

Valvoline enjoys a high level of brand awareness and brand loyalty. Since the 1980s, Valvoline has consistently grown its volume and share in a mature Australian automotive lubricant market through the use of aggressive advertising and promotion programs specifically developed for the DIY and DIFM channels.

Valvoline has achieved this growth through its key strategy of offering superior value to consumers. In the DIY category, Valvoline was the first to introduce the successful 6 litre Value Pack concept. In 1993, it also developed a packaging innovation by introducing the 8 litre oil drain pan. The pack was initially sold with eight litres of engine oil. The bottle could be re-used as a drain pan and storage device for used oil.

Prior to Valvoline's growth in importance in the DIY category, its heritage lay in the DIFM channel as it was considered a boutique oil brand. Valvoline was the first oil company to introduce a range of synthetic fortified lubricants under the Formula



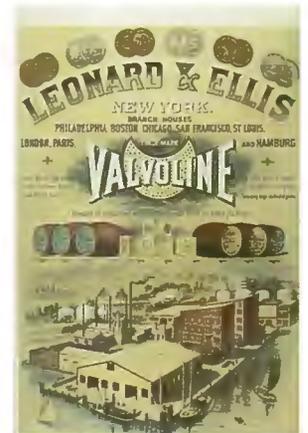
5000 and ProBlend sub-brands which were marketed as premium 'professional' grades for the DIFM channel.

HISTORY

Valvoline traces its beginnings to 1865, when Dr. John Ellis turned his attention to pharmacology and became fascinated with various claims relating to the medicinal value of crude oil. Although he quickly concluded that the medicinal claims were unfounded, Ellis became consumed with the notion

that it might be possible to create a machinery lubricant from the crude oil. Ellis built the world's first mineral lubricating refinery in Binghamton, New York. Eight years later, in 1873, the product that he called Binghamton Cylinder Oil was given the first mineral lubricating trademark ever registered: Valvoline.

In the 1930s, Valvoline introduced the first ever all-season, all-purpose gear lubricant which became the first lubricating oil for diesel and peak loads in gasoline engines. In 1940, Valvoline became the first company to offer an unconditional



money-back guarantee on its motor oil. Valvoline was acquired by Ashland Oil in the late 1940s and is still part of Ashland's portfolio.

In Australia, Valvoline was sold through various distributors as early as 1901. In 1960, Valvoline set up a branch in Australia and took over the business from the Carrigan Brothers. In 1964, Valvoline became an incorporated company with Ashland holding 50 per cent share and the balance owned by Total and Boral. In 1980, the Australian operation



became 100 per cent owned by Ashland and it was only then that significant investment in building the Valvoline brand in Australia took place.

Today, Valvoline owns and operates a manufacturing plant in Sydney and thirteen branches Australia wide. It also has over sixty rural agents and distributors.

THE PRODUCT

Much has changed since Valvoline's founder produced his first barrels of 'cylinder oil' for use in industrial engines, but one thing that has not changed is Valvoline's commitment to quality. Today, Valvoline is a leading supplier of high quality, high performance automotive and industrial lubricants in more than 140 countries. Valvoline markets a comprehensive range of motor oils including full synthetic, synthetic blends and boutique racing formulations. It also markets a complete range of automotive aftermarket products including high performance gear oils, transmission fluids, greases and other lubricating products.

Valvoline has been able to successfully leverage its strong brand beyond lubricants into other areas of 'under bonnet' products including automotive chemicals and filters. It also markets automotive chemicals under the Pyroil brand name and automotive appearance products under the Eagle One brand name.

RECENT DEVELOPMENTS

In 1998, Valvoline introduced a complete range of high quality automotive filters into the market. The consumer response was fantastic. Many retailers reported that their sales ratio of oil to filters had in fact increased when they merchandised Valvoline alongside the filter market leader. Each year since the launch, Valvoline has achieved double digit growth and still regards this business as being in its infancy.

When Valvoline opened its state-of-the-art new product development lab in 1999, its goal was to have 25 percent of its earnings come from new products. Today, it is well on its way to achieving this goal, thanks to the teamwork and cooperation taking place between marketing and the new lab. Valvoline has demonstrated the powerful combination of strong marketing and technical teams with its successful new products like MaxLife Motor Oil and SynPower Oils and Chemicals.

PROMOTION

Valvoline's aggressive advertising campaigns in the



1990s with John Laws were responsible for the brand's growth in sales and awareness. 'Valvoline, You Know What I Mean' remains in the minds of consumers and has high levels of consumer recall. During the early '90s, when John Laws had switched brands of fly spray, Valvoline played on this with an ad campaign where John referred to changing his oil regularly, but never changing his brand of oil. The John Laws TV campaign led to Valvoline XLD becoming Valvoline's hero product.

Valvoline's association with motorsport sponsorship is part of its heritage. It is on the race track where Valvoline fulfils its promise of performance. Valvoline has a strong presence in both local and international race events. Valvoline recently celebrated its win at Bathurst 2000 which resulted in fantastic Australian press exposure.

In the DIY market, Valvoline has conducted many interesting promotions. In the early '90s, large lottery-type promotions with exotic prizes were very successful with as many as 80,000 entries received for 'The Great Escape' Promotion. In recent times, it has been the instant win type promotions that have had the greatest response. In 1999, Valvoline was the first motor

oil company to conduct an instant win under the cap promotion. In 2000, the company took its consumers to the movies with over 2000 double passes to see the popular *Gone In Sixty Seconds*.

In the DIFM channel, Valvoline has taken a partnership approach with the installers in developing programs that help up-sell to its premium lubricants such

as ProBlend, DuraBlend, MaxLife and SynPower. As engines become more sophisticated and driver habits place more stress on the engine, the mechanic or service attendant can be instrumental in personally selling the features and benefits of using premium products. This is a luxury not always available in the DIY channel, where consumers are on their own.

BRAND VALUES

The Valvoline brand values are driven by the company vision. Valvoline is committed to building premium brands and businesses. It is committed to providing superior value to consumers. It is also committed to creating unique business solutions that enable business partners to succeed with Valvoline. Valvoline is dedicated to developing its people through a culture that values teamwork, excellence and personal growth. The Valvoline Vision refers to a new word that Valvoline wants to own, and it is "Premiumness." The Valvoline Vision ends with a powerful statement. "Premiumness" Is Our Business. Winning Is Our Passion.

THINGS YOU DIDN'T KNOW ABOUT VALVOLINE

- Valvoline is the oldest trademark in the entire petroleum industry, in fact Valvoline's founder Dr John Ellis produced America's first crude-based lubricating oil in 1866.
- Valvoline products have had a variety of looks over the years, but the name has not changed in more than a century.
- Valvoline is sold in more than 140 countries around the world.
- Valvoline.com was the first website in the motor oil category. Valvoline continues to lead the way, using technology to reach its customers.
- Valvoline recently opened its new flagship Product Development Lab in KY, USA. It boasts the latest and most technically advanced equipment for product development and testing in both automotive and industrial fields, ensuring that Valvoline remains at the cutting edge of technology.
- Valvoline's latest product innovation, Valvoline MaxLife, won 2001 Lubricants World Product Of The Year.

