



THE MARKET

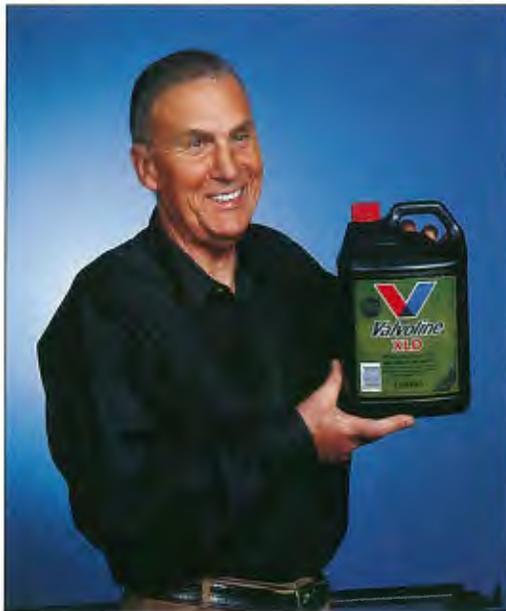
Times are changing for Australian car owners. Consumer research has shown that most of them now have their car's oil changed by a professional mechanic. This dramatic swing towards DIFM (Do-it-for-me) has been at the expense of the traditional DIY (Do-it-yourself) market. The growth in new car sales and the increase in extended warranties have clearly influenced this. So has the increase in the number of women purchasing - and maintaining - their own vehicles. If that wasn't enough, Australia's aging population has also contributed to the swing as they opt for professional attention to their car rather than doing it themselves.

But motor oil is still the number one traffic generator for the automotive category ahead of batteries, seat covers and sound. The DIY (retail) market might represent a smaller percentage of the car population, but demand for packaged motor oil is still a significant segment whenever the consumer is directly involved in making the purchasing decision.

Crankcase capacities are decreasing and service intervals are increasing, so the automotive lubricant market is a mature one. Volume is expected to decline over time. This change is making it more important than ever that the engine oil does its job well. In the long term it will inevitably increase the demand for premium, quality lubricants in both markets.

ACHIEVEMENTS

In a category where the customer can not taste, feel or interact with the product, the Valvoline brand is seen as a 'lubricant specialist' and has earned a high level of consumer trust. The brand is known for its high quality products and enjoys a high level of brand loyalty.



Valvoline has achieved its outstanding growth by offering superior value to consumers. In the DIY category, Valvoline was the first to introduce the successful six litre Value Pack. In 1993, it launched another packaging innovation - the eight litre oil drain pan. The bottle could be re-used as a drain pan and storage device for used oil.

In future, major volume growth is expected to once again come from the DIFM channel as well as the commercial and industrial markets. Valvoline set up special divisions in 1998 in Australia to deal with the latter two. The company is working with the Cummins Engine Company worldwide to produce outstanding, cutting-edge on-road and off-road engine and other lubrication products.

When Valvoline opened its state-of-the-art new product development laboratory 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 between marketing and the laboratory. 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.



HISTORY

Valvoline had its beginning in 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.

Valvoline introduced the first ever all-season, all-purpose gear lubricant back in the 1930s. This 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.

Valvoline was sold in Australia, through various distributors, as far back as 1901. In 1960, Valvoline set up a branch in Australia and took over the business from the Carrigan Brothers. Today, Valvoline owns



and operates a manufacturing plant in Sydney and thirteen branches Australia wide. It also has more than 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.

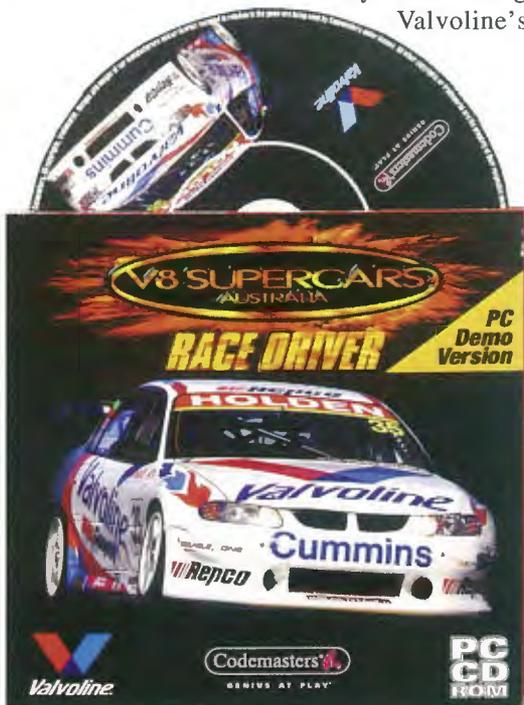
Valvoline has been successful in leveraging its strong brand beyond lubricants into other areas of 'under bonnet' products including automotive chemicals and filters. In 1998, Valvoline introduced a complete range of high quality automotive filters into the market. The consumer response was fantastic. Many retailers reported that their sales ratio of oil to filters had actually increased when they merchandised Valvoline alongside the filter market leader. Valvoline also markets automotive chemicals under the SynPower and Pyroil brand names and automotive appearance products under the Eagle One brand name.

RECENT DEVELOPMENTS

Valvoline continues to launch new and innovative high quality products. Valvoline MaxLife Automatic Transmission Fluid was the first fluid specifically designed for higher mileage transmissions, while Valvoline VR1 Racing Engine oil was created for high-revving, high performance Japanese engines.

The company's cutting-edge coolant technology has been adopted by leading original equipment manufacturers (OEM) around the world.

They are using Valvoline's



products not only to deliver longer drain intervals but also to offer superior protection. Recent products along these lines include Valvoline G-05 Coolant and Valvoline Heavy-Duty Extended Life Coolant, both carrying OEM approval.

The filter business, meanwhile, continues to grow. The filters offer customers a high quality product with a natural fit with the engine oil. Valvoline has invested in the best product technology and packaging and projects a high quality image in the market.

PROMOTION

The basic promotional philosophy is to invest in the brand with a consistent advertising message. Over time this has built Valvoline into the great brand it is.

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.

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. Steve Williams, Kiwi race car driver and caddy for golfing great Tiger Woods, is proudly sponsored by Valvoline, both on the race car track and on the golf circuit. This sponsorship has captured the attention of the sporting world and

Valvoline has enjoyed world wide exposure as a result.

In the DIY market, Valvoline has conducted many exciting promotions. During the recent Instant Win V8 Super Car Game promotion, every customer received a sample of a new game featuring the Valvoline Car. This was a joint promotion, leveraging two marketing budgets to reach a common audience – the motor sport fan. Valvoline added value to the oil and the marketers of the game gained access to Valvoline customers, producing a great result for both partners and consumers.

Uniquely, Valvoline can cross-promote oil and filters. One recent example of this highly successful strategy was the \$4 Oil and Filter Cash Back Deal.

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

Valvoline's 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 as well as 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, which is "Premiumness." The Valvoline Vision ends with a powerful statement - "Premiumness" Is Our Business. Winning Is Our Passion.

www.valvoline.com.au

THINGS YOU DIDN'T KNOW ABOUT VALVOLINE

- Valvoline's founder Dr John Ellis produced America's first crude-based lubricating oil in 1866 and Valvoline is the oldest trademark in the entire petroleum industry.
- 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's flagship Product Development Lab in KY, USA 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 MaxLife Motor Oil won 2001 Lubricants World Product Of The Year, and MaxLife ATF won the same award in 2002.