



## THE MARKET

The Australian market for automotive lubricants and car care products is changing. The increased cost to run and maintain a motor vehicle has influenced consumer behaviour. The majority of motorists are DIFM (Do-it-for-me) consumers, having their oil professionally changed as part of the car service at a car dealership or workshop. Extended car manufacturer warranties and the time and cost to service vehicles all influence the consumer's choice of service provider. The DIY (Do-it-yourself) market is relatively small in comparison. Consumers in the DIY market can be segmented into two broad groups: enthusiasts who enjoy tinkering with their car, and pragmatists who change the oil themselves in order to save money.

The automotive lubricant market is a mature market with volume expected to decline over time given that crankcase capacities are decreasing and service intervals are increasing. This change, along with more demanding manufacturer specifications designed to increase fuel economy and protect vital engine parts, is placing more pressure on the engine oil to perform than ever before and will increase the demand for premium, quality lubricants in the longer term in both market segments.

## ACHIEVEMENTS

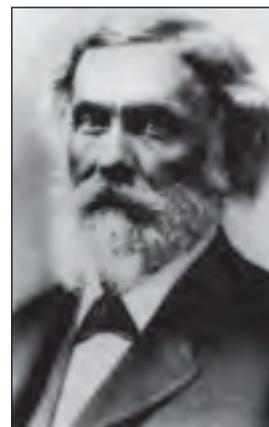
In a category where the consumer cannot taste, feel or interact with the product, the Valvoline brand is seen as a premium lubricant specialist and has earned a high level of consumer trust and advocacy. Valvoline has consistently grown its volume and share in a mature Australian

automotive lubricant market by seeking to understand its customers and developing new products and services to best serve them.

In the DIY category, Valvoline was the first to introduce the successful 6 litres Value Pack concept. In 1993 it also developed a packaging innovation by introducing the 8 litres oil drain pan. The pack initially was sold with 8 litres of engine oil. The packaging could later 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 and Valvoline was considered a product innovator. Valvoline was first to market professional grades of synthetic fortified lubricants differentiating these from its retail range under the Formula 5000 and ProBlend sub-brands. It also pioneered the marketing of premium synthetics in this channel by putting together programs where service attendants sold the benefits of synthetics to their customers and offered the option to upgrade their oil.

Today Valvoline is a leading supplier of premium engine oils into this market with the



majority of its resources focused on winning in the DIY channel. While its competitors are rationalising their service levels in this channel, Valvoline has increased service and sales support recognising that customer needs call for going beyond simply recommending and delivering the right engine oils. Thus Valvoline has positioned itself as a true business partner to these customers.

## HISTORY

Valvoline traces its beginnings to 1866, when an American physician, Dr. John Ellis, 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 1950s and is still part of Ashland's portfolio.

In Australia Valvoline was initially sold through

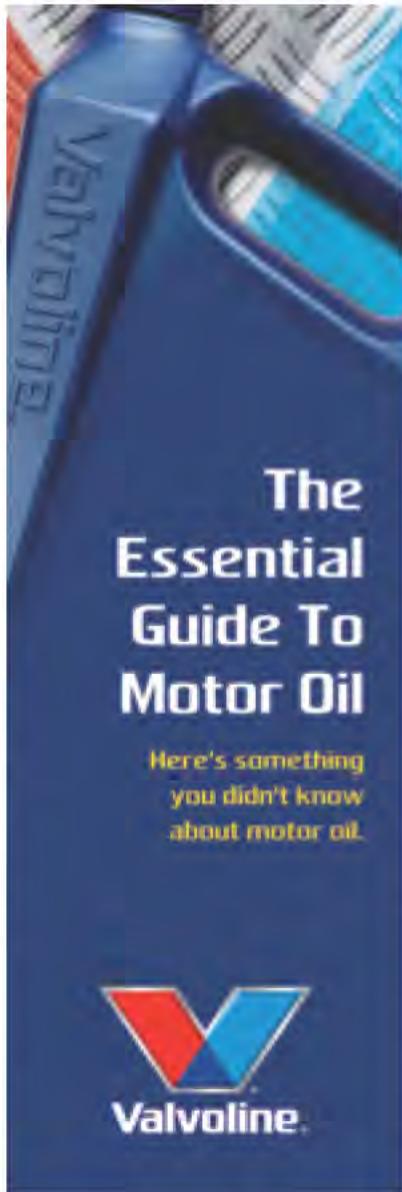
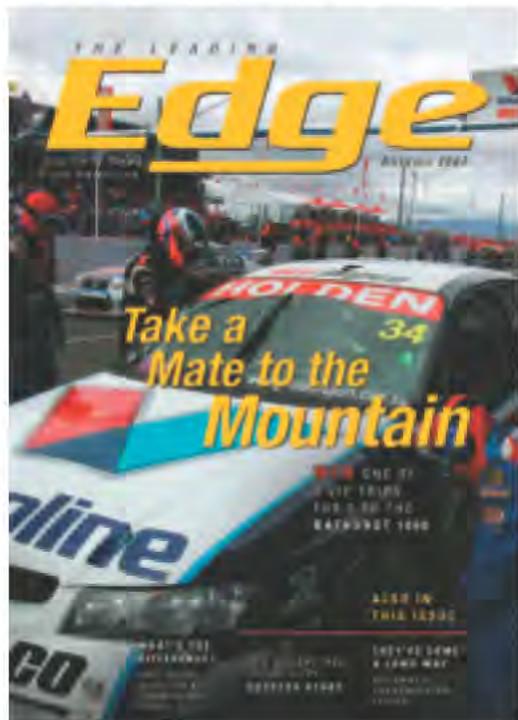


various distributors dating back to 1901. In 1960 Valvoline set up a branch in Australia and took over the business from the Carrigan Brothers. In 1964 Valvoline became an incorporated company with Ashland holding 50 percent share and the balance owned by Total and Boral. In 1980 the Australian operation became 100 percent owned by Ashland and it was then that significant investment in building the Valvoline brand in Australia took place. Valvoline owns and operates a manufacturing plant in Sydney and sales branches throughout Australia.

In 1998 Valvoline established its Commercial and Industrial division in Australia. The company is working with many leading OEMs and has a strategic relationship with Cummins Engine Company worldwide producing Cummins-specified lubricants for their warranty program for both on-road and off-road engines.

#### THE PRODUCT

Much has changed since Valvoline's founder produced his first barrels of "cylinder oil" for use in industrial steam 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 100 countries. Valvoline markets a comprehensive range of motor oils including full synthetic, synthetic blends and high performance racing formulations. It also markets a complete range of automotive aftermarket products including premium 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

When Valvoline opened a state-of-the-art new product development lab in 1999, the goal was to have 25 percent of earnings come from new products. Today it is well on its way to achieving this goal with 20 percent of its revenue in Australia generated from new products and services, thanks to the teamwork taking place among the Sales, Marketing and

Technical groups. Valvoline demonstrated that strong marketing, combined with innovative technical capabilities could result in breakthrough products such as MaxLife, DuraBlend and SynPower motor oils, patented coolant technology which has been adopted by leading OEMs around the world – and products such as Eagle One's NanoWax.

In 2006 Valvoline launched Valvoline Learning Solutions, an online learning facility for retail and workshop customers providing the much-needed technical training for them to keep abreast of the changing market.

#### PROMOTION

While products and technology might change over the years, the Valvoline message has been remarkably consistent. The brand's long association with John Laws and the tagline, "Valvoline, You Know What I Mean," consistently resonates with consumers and scores high on recall.

Valvoline's association with motorsport sponsorship is part of its high performance heritage. It's on the race track where Valvoline fulfils its promise of performance and Valvoline has a strong presence in both national and international motorsports.

In marketing to the DIFM channel, Valvoline have taken a partnership approach with workshops in developing programs that help up-sell premium lubricants such as DuraBlend, Max Life 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 selling the features and benefits of premium products.

#### BRAND VALUES

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. Valvoline is dedicated to developing its people through a culture that values teamwork, excellence and personal growth.

#### 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 100 countries around the world.
- Valvoline.com was the first website in the motor oil category. Valvoline was the first motor oil marketer on the web and continues to lead the way in using technology to reach its customers.
- Valvoline's flagship New Product Development Lab, complete with the latest and most technically advanced equipment for product development and testing in both automotive and industrial fields, ensures that Valvoline remains at the cutting edge of technology.
- Valvoline's latest product innovation for extending vehicle life, MaxLife, won 2001 Lubricants World "Product of the Year," and MaxLife ATF won the same award in 2002.
- Valvoline has its own online learning academy, Valvoline Learning Solutions.
- Valvoline Australia is a major financial contributor and participant in the AIP Lube Oil Used Plastic Bottle Recycling program.
- Valvoline parent company Ashland Inc. (NYSE: ASH), is a diversified, global chemical company, providing quality products, services and solutions to customers in more than 100 countries. A FORTUNE 500\* company, it operates through four divisions: Ashland Performance Materials, Ashland Distribution, Valvoline and Ashland Water Technologies. To learn more about Ashland, visit [www.ashland.com](http://www.ashland.com).

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