



Valvoline[™]

2016 Annual Report

150 YEARS
UNDER THE HOOD[™]

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Non-GAAP Measures:

This Annual Report includes several non-GAAP measures, including EBITDA, Adjusted EBITDA, free cash flow and Adjusted EBITDA margin. As further described in our 2016 Form 10-K, management believes the use of these non-GAAP measures assists investors in understanding the ongoing operating performance of Valvoline's business by presenting comparable financial results between periods. The non-GAAP information provided may not be consistent with the methodologies used by other companies, and should not be construed as an alternative to reported results determined in accordance with U.S. GAAP. All non-GAAP information has been reconciled with reported U.S. GAAP results in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our 2016 Form 10-K, which has been enclosed with this Annual Report and is available online on our website at <http://investors.valvoline.com/sec-filings>, and at the SEC's website, <http://www.sec.gov>.

Forward Looking Statements:

As further described in our 2016 Form 10-K, which has been enclosed with this Annual Report and is available on our website at <http://investors.valvoline.com/sec-filings>, and on the SEC's website, <http://www.sec.gov>, this Annual Report includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have identified some of these forward-looking statements with words such as "anticipates," "believes," "expects," "estimates," "is likely," "predicts," "projects," "forecasts," "may," "will," "should," and "intends" and the negative of these words or other comparable terminology. These statements are based on our expectations and assumptions as of the date such statements are made. You should not rely upon forward-looking statements as predictions of future events. Except as required by law, we undertake no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.



We are building the world's leading engine and automotive maintenance business by bringing "Hands On Expertise" for the benefit of our customers every day.

VALUES

- ✔ It all starts with our people
- ✔ Safety is always our priority
- ✔ We are committed to winning ... the right way
- ✔ We work hard, celebrate success and have fun
- ✔ We strive for greatness

VOW

Our vow is to bring "Hands On Expertise" for the benefit of our customers every day, moving the business forward with speed and excellence.

VISION

We are building the world's leading engine and automotive maintenance business. We will accelerate growth around the world by increasing our focus and investment in:

- ✔ The Valvoline™ brand, built on superior products and service
- ✔ The industry's best retail services model
- ✔ Technology that enables speed, innovation and increased efficiency in every aspect of our business
- ✔ Strong value-adding relationships with our channel partners

To Our Fellow Shareholders:

It all starts with our people

Our 150th year was a memorable one. In the midst of our separation from Ashland and transition to a stand-alone public company through a successful initial public offering, we also recorded our best year yet. In addition, we made significant investments in building our team and capabilities to position the company for long-term success.

Becoming a public company

On September 23, 2016, Valvoline became a public company. Our initial public offering – the fifth largest this year in the U.S. – raised \$759 million in equity capital and established a strong shareholder base. We also raised \$750 million in debt capital. It's no coincidence 'VW' is our stock ticker as our Three "V"s – Values, Vow and Vision – drive our culture and our plans to build the world's leading engine and automotive maintenance business.

Strong execution across the business

This past fiscal year we delivered against our major priorities. We gained market share in our Core North America business segment through increased distribution, effective marketing at key retail accounts and the expansion of our installer network. We recorded exceptionally strong same-store sales growth for our Valvoline Instant Oil ChangeSM platform while completing the acquisition of 89 Oil Can Henry's stores – our largest single acquisition ever. Our Core North America and Quick Lubes business segments continued to improve product mix. In fiscal 2016, Valvoline ranked as the #2 quick lube chain by number of stores and #3 motor oil brand in the DIY market.

As a truly global company, we serve customers in approximately 140 countries. Our International business segment has expanded



its presence in emerging markets, such as China, India and Mexico, growing volume by 8 percent relative to fiscal year 2015.

Building a foundation for accelerated growth

We are determined to leverage new opportunities and drive increasing value for our shareholders. Our team is now building a foundation for faster, sustainable growth by concentrating on four priorities:

1. Driving business results in each segment by growing market share, premium mix and unit margins.
2. Expanding our retail presence by growing Valvoline Instant Oil Change stores, both organically and through acquisitions.
3. Investing in digital marketing and infrastructure to engage directly with consumers, while strengthening our relationships with installer customers around the world.
4. Embracing a strong focus on managing our costs, ensuring we're investing in high-return projects and managing our balance sheet and capital allocation effectively.

This is an exciting year for Valvoline. I look forward to updating you on our progress as a new public company.

Sincerely,

A handwritten signature in black ink, appearing to read 'Samuel J. Mitchell, Jr.', written in a cursive style.

Samuel J. Mitchell, Jr.
Chief Executive Officer



Our Successful Initial Public Offering



On September 22, 2015, Ashland Inc. announced a planned separation into two independent public companies, Ashland Global Holdings Inc. and Valvoline Inc. We believe the separation provides a number of benefits to our business, including:

- ✔ Improved strategic and operational flexibility
- ✔ Increased focus of our business operations
- ✔ Establishing an industry-specific shareholder base
- ✔ Allowing us to adopt a capital structure, and investment and dividend policies best suited to our business and financial profile

34.5 million shares of VWV sold
\$759 million in capital raised
5th largest U.S. IPO of 2016
VWV IPO value: \$4.8B

One year to the day after the separation announcement, Valvoline – an iconic 150 year old brand – executed an initial public offering, raising \$759 million and shortly thereafter reporting record fourth quarter and fiscal 2016 earnings. The initial public offering was

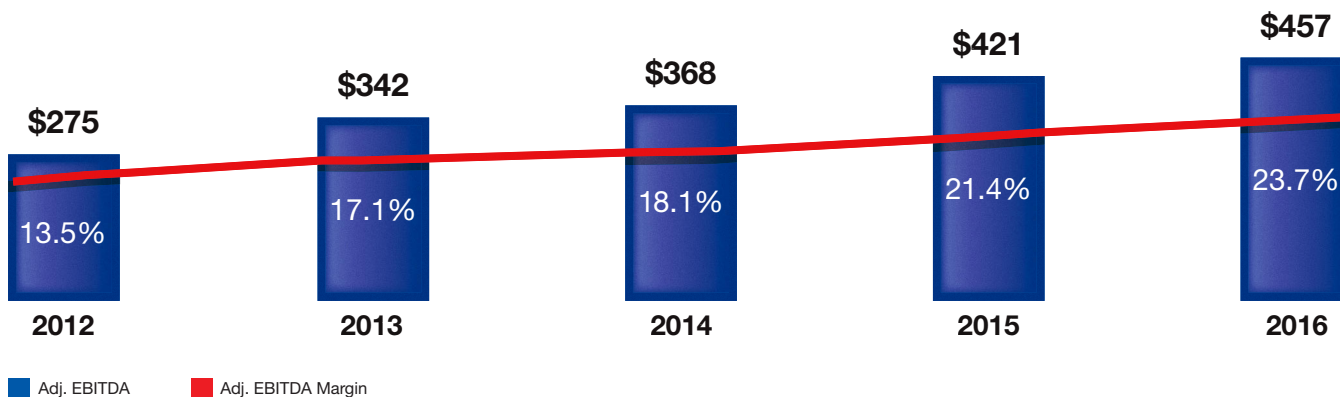
the largest in September and the fifth largest in the United States thus far in 2016.

Ashland currently owns approximately 83 percent of Valvoline Inc. shares. On November 8, 2016, Ashland announced its intention to (subject to market and other conditions) distribute the remaining Valvoline Inc. shares following the release of both Ashland’s and Valvoline’s fiscal 2017 second quarter earnings results.

Financial Highlights¹

Fiscal Years Ended September 30	2014	2015	2016
Sales	\$2,041	\$1,967	\$1,929
Operating income	\$264	\$323	\$431
Earnings before interest, taxes, depreciation and amortization (EBITDA) ²	\$301	\$335	\$468
Net income	\$173	\$196	\$273
Adjusted EBITDA ²	\$368	\$421	\$457
Diluted earnings per share	N/A	N/A	\$1.33
Free cash flow ²	\$133	\$285	\$245
Additions to property, plant and equipment	\$37	\$45	\$66
Number of common shares outstanding (in millions)	N/A	N/A	204.5
Same-store sales growth ³	5.2%	7.7%	7.5%
Valvoline Instant Oil Change store count ³	922	942	1,068

Consistent Growth and Margin Expansion in Adjusted EBITDA²



1. In millions of USD except for earnings per share.
 2. EBITDA, Adjusted EBITDA and free cash flow are non-GAAP metrics. For a reconciliation of these metrics to net income and cash flows provided by operating activities, respectively, for each of the periods presented, see our 2016 Form 10-K, which has been enclosed with this Annual Report and is available online on our website at <http://investors.valvoline.com/sec-filings>, and at the SEC's website, <http://www.sec.gov>.
 3. System-wide store locations, including Company-owned and Franchise stores.

Key Drivers to our Financial Performance

- ✓ Shift in product mix toward premium products, particularly in Core North America
- ✓ Ten consecutive years of Valvoline Instant Oil Change same-store sales growth
- ✓ Consistent volume and profit growth in international markets
- ✓ Proactive product pricing and raw material cost management

Our Story

Valvoline Inc. (NYSE: VV) is one of the most recognized and respected premium consumer brands in the global automotive lubricant industry.

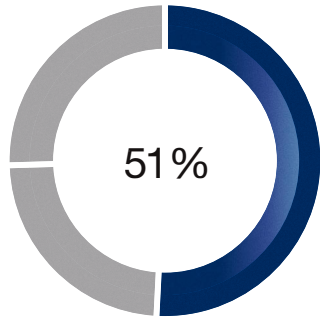
Established in 1866, our heritage spans 150 years, during which we have become known across multiple channels for our high-quality products and superior levels of service. We have significant positions in the United States in all of the key lubricant sales channels, and also have a growing international presence with our products sold in approximately 140 countries.

With our recent successful operational separation from Ashland and subsequent IPO in September 2016, we are a standalone public company with a strong vision: to build the world's leading engine and automotive maintenance business by bringing hands-on expertise for the benefit of our customers every day.

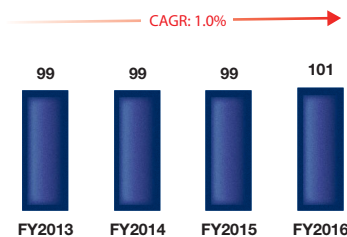
Our premium branded product and service offerings provide our customers with solutions that address a wide variety of needs. In addition to our iconic Valvoline-branded passenger car motor oils and other automotive lubricant products, we provide an array of lubricants used in heavy duty equipment, as well as automotive chemicals and fluids designed to help improve engine performance and lifespan.

In the United States and Canada, as of the end of fiscal 2016, our products were sold to consumers through more than 30,000 retail outlets, to installer customers in over 12,000 locations, and 1,068 franchised and company-owned Valvoline Instant Oil Change quick lube centers. Around the world, we serve our customer base through an extensive sales force and technical support organization, allowing us to leverage our technology portfolio and customer relationships globally, while meeting customer demands locally.

Core North America

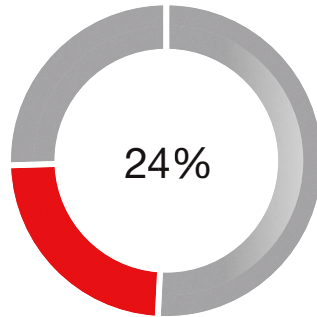


FY2016 Sales Contribution

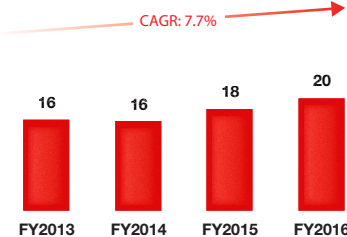


Lubricant Gallons
(in millions)

Quick Lubes

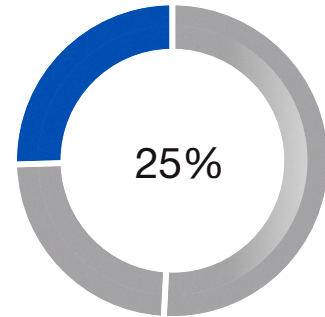


FY2016 Sales Contribution

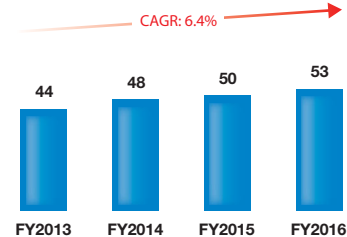


Lubricant Gallons
(in millions)

International



FY2016 Sales Contribution



Lubricant Gallons
(in millions)

Core North America Segment

Valvoline's Core North America business segment sells lubricants and other maintenance products through two primary sales channels. Do-It-Yourself (DIY) consumers in the automobile maintenance industry are reached through more than 30,000 retail outlets, including AutoZone, Advance Auto Parts, O'Reilly Auto Parts and other large retailers. Do-It-For-Me (DIFM) consumers are serviced by car dealers, general repair shops and independent quick lube chains, in over 12,000 locations in the United States and Canada.

In fiscal 2016, Core North America reported volume gains in a number of its channels, including the DIY and heavy duty markets due to expanded distribution and strong marketing and promotion campaigns. Core North America reported fiscal 2016 growth in operating income of 6 percent.

How we win in the marketplace

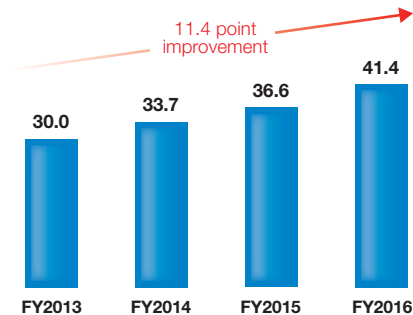
We develop strong retailer and installer relationships by capitalizing on the strength of the Valvoline brand and our culture of bringing hands-on expertise for the benefit of our customers every day.

These relationships are built on three core elements:

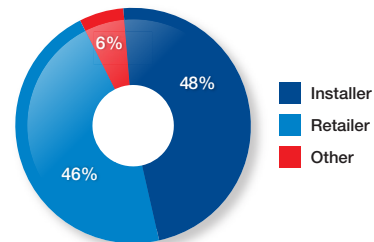
1. Our commitment to high quality products
2. Effective consumer marketing
3. Customer support to improve retailer and installer profitability, including category management, training and supply chain capabilities

We are investing in marketing programs that directly target our highest-potential consumer segments – including DIY enthusiasts, grassroots racers and automotive professionals – to drive both trial and loyalty. Increasingly, we see opportunities to leverage technology and data analytics to strengthen both our brand equity and partnership with customers.

Premium Mix
(percent of U.S. Branded Volume)



FY2016 Lubricant Volume by Channel



Quick Lubes Segment

Valvoline’s Quick Lubes business segment targets the passenger car and light truck quick lube market through approximately 1,070 company-owned and franchised Valvoline Instant Oil ChangeSM (“VIOC”) stores, where customers receive preventive maintenance services – including full-service oil changes and OEM mileage-based services. In 2016, VIOC completed its 200 millionth oil change and achieved its 10th consecutive year of same store sales growth. Valvoline also offers its Express Care quick lube platform for independent operators who purchase Valvoline products and display its brand.

Quick Lubes reported fiscal 2016 growth in lubricant volume, sales and operating income of 16 percent, 16 percent and 23 percent, respectively.

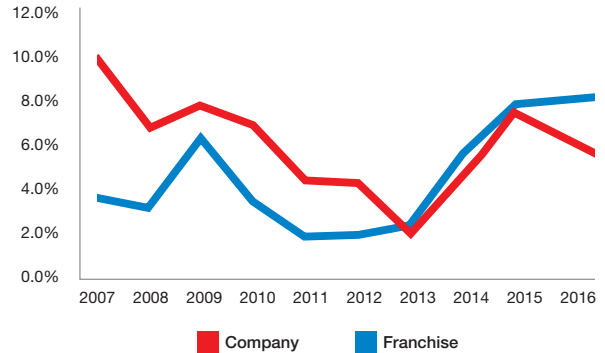
How we win in the marketplace

The reason we win is because of our people. Our industry-leading VIOC model is built to deliver a quick, easy and trusted experience for every customer, every day. The model is based on these core principles:

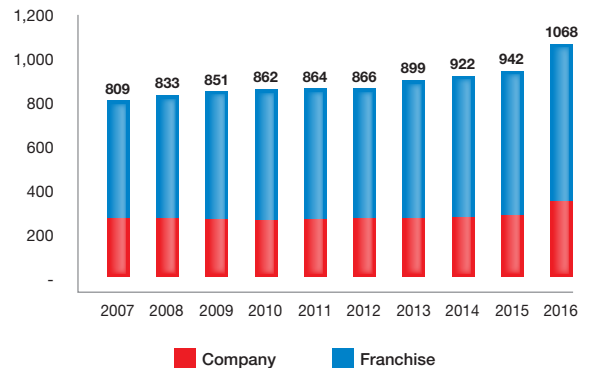
1. An unwavering commitment to acquiring, developing and protecting superior talent
2. Taking a hands-on approach to operating our stores, serving our customers and supporting our franchisees
3. Using our proprietary tools, including point-of-sale technology, SuperProTM Management System and digital marketing platforms

This proven business model gives us the confidence to grow the VIOC system more aggressively into high-growth, underserved areas of the U.S. through ground-up development and opportunistic acquisitions that further enhance our geographic footprint.

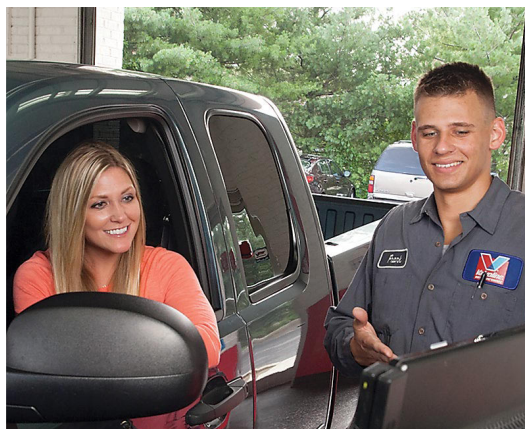
10 Consecutive Years of Same-Store Sales Growth (%)¹



VIOC Store Count (units)



1. We have historically determined same-store sales growth on a fiscal year basis, with new stores excluded from the metric until the completion of their first full fiscal year in operation.



International Segment

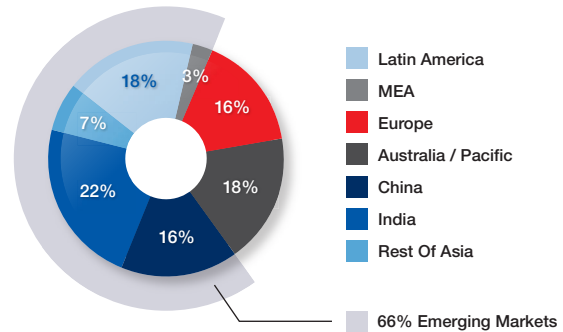
Valvoline's International business segment sells products for both consumer and commercial vehicles and equipment in approximately 140 countries, including key markets such as China, India, Europe, Latin America and Australia Pacific. The company uses wholly-owned affiliates, joint ventures and independent distributors to help market its products and services internationally.

International reported fiscal 2016 growth in lubricant volume of 6 percent, which included lubricant volume growth of 8 percent in emerging markets.²

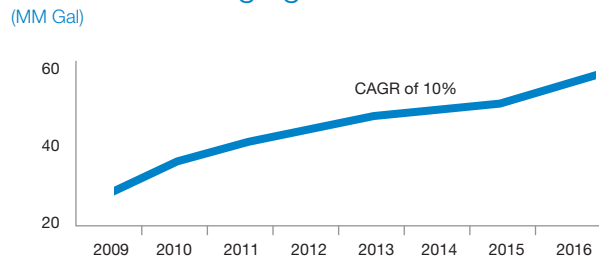
How we win in the marketplace

Historically, our growth has been based on building stronger channels to market. We will continue to do that, while also increasingly improving our value proposition to end users, leveraging our hands-on expertise to make our customers more successful. In the light duty market segments (passenger car and motorcycle), this means helping installers improve their bottom line by providing product training and marketing assistance to improve their premium mix (similar to Core North America) and bring more customers in the door. In the heavy duty market segments (mining/construction and on-road transportation), this means lowering their cost of operating equipment through improved equipment durability, extended drains and better fuel economy. In both segments, our partnership with key original equipment manufacturers (OEMs) – such as Cummins – gives us ready-made channels and an essential point of differentiation in the non-OEM channels. Since 2009, Valvoline has consistently gained market share by putting all of these factors together.

FY 2016 Sales Breakdown¹



Valvoline Emerging Markets Sales Volume^{1,2}



1. Includes unconsolidated joint ventures.

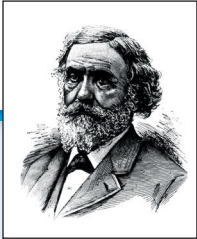
2. Emerging Markets consist of all countries outside of the U.S., Canada, Australia and Europe.



Our Commitment to Innovation

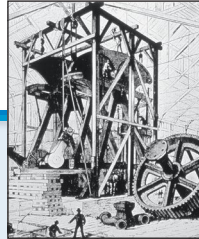
We introduced our motor oil back in 1866 and we've been reinventing it ever since.

Today, Valvoline is still one of only a few automotive lubricant companies to operate an engine lab and maintain industry-standard testing capabilities onsite.



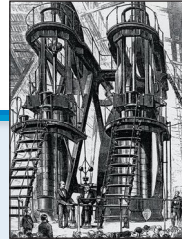
1866

Initially interested in potential medicinal benefits of crude oil, Dr. John Ellis discovers its lubricating properties. He establishes a refinery called the Continuous Oil Refining Company, officially renamed Valvoline™ two years later.



1873

Seeking protection of his products, Ellis trademarks Valvoline.



1876

Valvoline lubricates Corliss engines used to power the Centennial Exposition in Philadelphia, the first World Fair in the United States. Valvoline is awarded the Medal for Excellence.



1895

Valvoline lubricates the winner of America's first auto race.



1945

During WWII, Valvoline was widely used in Allied Vehicles.



1954

Valvoline introduces All-Climate™ Motor Oil, which eliminates the need for seasonal motor oils.



1965

Valvoline introduces Valvoline High Performance Racing Motor Oil – still the best-selling racing oil of all time.



1986

Valvoline acquires Rapid Oil Change™. In 1987, the chain is renamed Valvoline Instant Oil Change™.



2000

MaxLife™, the first motor oil specifically formulated for higher mileage engines, is launched to meet the needs of cars over 75,000 miles.

100 MILLION



2005

Valvoline™ Instant Oil Change performs its 100 millionth oil change.



2013

Valvoline International has trademarks in 166 countries and reaches 80 million gallons with sales exceeding \$800 million, making Valvoline a truly global brand.¹



2016

Valvoline introduces Full Synthetic High Mileage with MaxLife Technology™.

150 YEARS

UNDER THE HOOD™

Board of Directors

William A. Wulfsohn ^(a)
Non-Executive Chairman and Director,
Valvoline Inc.
Chairman and Chief Executive Officer,
Ashland Global Holdings Inc.;

Samuel J. Mitchell, Jr. ^(a)
Chief Executive Officer and Director,
Valvoline Inc.

Richard J. Freeland ^(2,3)
President and Chief Operating Officer,
Cummins Inc.

Stephen F. Kirk ^(2,3b)
Former Senior Vice President
and Chief Operating Officer,
The Lubrizol Corporation

Stephen E. Macadam ^(2,3)
President and Chief Executive Officer,
EnPro Industries, Inc.

Vada O. Manager ^(1,2b,3)
President and Chief Executive Officer
of Manager Global Consulting Group and
Senior Counselor, APCO Worldwide

Charles M. Sonstebly ^(1b,2,3)
Vice Chairman, The Michaels Companies
and Chairman, Darden Restaurants

Mary J. Twinem ^(1,2,3)
Former Executive Vice President and Chief
Financial Officer, Buffalo Wild Wings, Inc.

Committees

- (1) Audit
- (2) Governance and Nominating
- (3) Compensation
- (a) Officer/Director
- (b) Committee Chair

Executive Officers

Samuel J. Mitchell, Jr.
Chief Executive Officer and Director,
Valvoline Inc.

Mary E. Meixelsperger
Chief Financial Officer

Thomas A. Gerrald II
Senior Vice President, Core North America

Frances E. Lockwood
Chief Technology Officer

Heidi J. Matheys
Chief Marketing Officer

Craig A. Moughler
Senior Vice President, International and
Product Supply

Julie M. O'Daniel
General Counsel and Corporate Secretary

Anthony R. Puckett
President, Quick Lubes

Victor T. Rios
Chief Information Officer and
Chief Digital Officer

David J. Scheve
Chief Accounting Officer and Controller

Sara K. Stensrud
Chief People and Communications Officer

Corporate Officers

William L. Fite II
Chief Audit Executive

Jason L. Thompson
Treasurer

Issa O. Yesufu
Assistant Secretary

Corporate Governance

Valvoline is governed by an 8-member board of directors, six of whom are independent directors under New York Stock Exchange (NYSE) guidelines. The board operates the following committees, all of which consist entirely of outside directors: Audit; Compensation; and Governance and Nominating. Valvoline's Chief Executive Officer (CEO) and Chief Financial Officer have each submitted certifications concerning the accuracy of financial and other information in Valvoline's annual report on Form 10-K, as required by the Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications are filed as exhibits to Valvoline's 2016 annual report on Form 10-K. In addition, the NYSE requires that the CEO of listed companies annually certify that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. Valvoline's CEO, Samuel J. Mitchell, Jr., will provide Valvoline's certification following the company's first annual meeting of shareholders scheduled for January 24, 2017.

Shareholder Information

Financial Information

Valvoline Inc.'s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as well as any beneficial ownership reports of officers and directors filed electronically on Forms 3, 4 and 5, will be made available at valvoline.com after they are filed with the Securities and Exchange Commission.

Paper copies are also available upon request and at no charge. Requests for these and other shareholder and security analyst inquiries should be directed to:

Jason L. Thompson
Investor Relations
Valvoline Inc.
P.O. Box 14000
Lexington, KY 40512-9987

Ticker Symbol: VVV

Fiscal 2016 closing stock prices per common share:

High:	\$23.98	09/26/2016
Low:	\$23.10	09/23/2016
Year-end:	\$23.49	09/30/2016

Annual Meeting

The annual shareholders' meeting will be held at the Metropolitan Club in Covington, KY, at 11:00 a.m. EST, Tuesday, January 24, 2017. The annual report and proxy materials will be mailed to shareholders on January 3, 2017, along with instructions for viewing proxy materials online.

Stock Information

Valvoline Inc. is incorporated under the laws of the Commonwealth of Kentucky. Valvoline common stock is listed on the New York Stock Exchange.

Questions regarding shareholder accounts or dividends should be directed to Valvoline's transfer agent and registrar:

Wells Fargo Shareowner Services
1110 Centre Point Curve, Suite 101
Mendota Heights, MN 55120

Mailing Address:

Wells Fargo Shareowner Services
P.O. Box 64874
St. Paul, MN 55164

Phone: +1 800 468 9716 toll-free (U.S.)
+1 651 450 4064 (non-U.S.)

Web: www.shareowneronline.com

Dividends

Valvoline's current quarterly cash dividend is 4.9 cents per share.

Valvoline offers electronic deposit of dividend checks. For more information, please contact Wells Fargo Shareowner Services at:
+1 800 468 9716
+1 651 450 4064 (non-U.S.)

Independent Registered Public Accounting Firm

Ernst & Young LLP
312 Walnut Street
Suite 1900
Cincinnati, Ohio 45202

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Senior Director, Communications
T: +1 859 357 3235
E: vschirmer@valvoline.com

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