

innospec

Investor Presentation
Quarter 2, 2015
5th August 2015

Patrick Williams
*President & Chief Executive
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Forward-Looking Statements

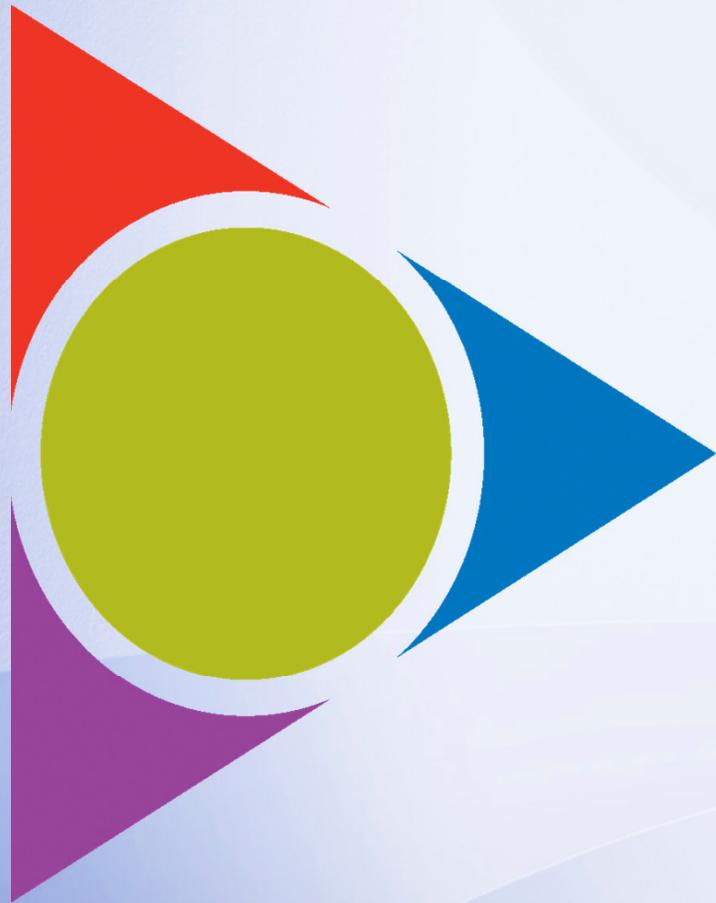
This presentation contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Such forward-looking statements include statements (covered by words like "expects," "estimates," "anticipates," "may," "believes," "feels" or similar words or expressions), for example, which relate to earnings, growth potential, operating performance, events or developments that we expect or anticipate will or may occur in the future. Although forward-looking statements are believed by management to be reasonable when made, they are subject to certain risks, uncertainties and assumptions, and our actual performance or results may differ materially from these forward-looking statements. Additional information regarding risks, uncertainties and assumptions relating to Innospec and affecting our business operations and prospects are described in Innospec's Annual Report on Form 10-K for the year ended December 31, 2014, and other reports filed with the U.S. Securities and Exchange Commission. You are urged to review our discussion of risks and uncertainties that could cause actual results to differ from forward-looking statements under the heading "Risk Factors" in such reports. Innospec undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Financial Measures

The information presented in this presentation includes financial measures that are not calculated or presented in accordance with Generally Accepted Accounting Principles in the United States (GAAP). These non-GAAP financial measures comprise EBITDA, income before income taxes excluding special items and net income excluding special items and related per share amounts. EBITDA is net income per our consolidated financial statements adjusted for the exclusion of charges for interest expense, net, income taxes, depreciation, amortization and adjustment to fair value of contingent consideration. Income before income taxes, net income and diluted EPS, excluding special items, per our consolidated financial statements are adjusted for the exclusion of adjustment to fair value of contingent consideration, foreign currency exchange losses and amortization of acquired intangible assets. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures are provided herein and in the appendices below. The Company believes that such non-GAAP financial measures provide useful information to investors and may assist them in evaluating the Company's underlying performance and identifying operating trends. In addition, management uses these non-GAAP financial measures internally to allocate resources and evaluate the performance of the Company's operations. While the Company believes that such measures are useful in evaluating the Company's performance, investors should not consider them to be a substitute for financial measures prepared in accordance with GAAP. In addition, these non-GAAP financial measures may differ from similarly-titled non-GAAP financial measures used by other companies and do not provide a comparable view of the Company's performance relative to other companies in similar industries. Management believes the most directly comparable GAAP financial measure is GAAP net income and has provided a reconciliation of EBITDA and net income excluding special items, and related per share amounts, to GAAP net income herein and in the appendices below.

Innospec – Summary of 2nd Quarter Performance

- Strong financial performance in the quarter with operating income up 22%
- Positive growth in core business areas, driven by new technology, richer sales mix, higher margin business, and new client wins
- Fuel Specialties performance continues to grow despite foreign exchange impacts; new customer wins and strong gross profit levels
- Core Personal Care business grew 10% with good performance from new and existing products
- Company performing to its strategic plan in key markets; well-positioned entering second half for solid full-year performance



Financial Presentation

Ian Cleminson

*Executive Vice President &
Chief Financial Officer*

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Q2 2015 Consolidated Results

- Total revenues up 10% to \$242.9 million
- Adjusted non-GAAP EPS of \$1.02 up 16%
- EBITDA increases 10% to \$34.7 million; operating income up 22%

	Q2 2014 \$m	Q2 2015 \$m	Growth %
Net sales	221.3	242.9	10%
Gross profit	68.6	87.5	28%
Gross margin	31.0%	36.0%	5.0%pt
Operating income *	25.3	30.8	22%
EBITDA	31.6	34.7	10%
EPS (diluted)	0.75	1.40	87%
EPS (adjusted)	0.88	1.02	16%

*Operating Income is before Fair Value Adjustments

Q2 2015 Fuel Specialties

- Revenue increased 26% to \$182.3 million
- Gross profit up 57% to \$68.9 million with a gross margin of 37.8%
- EMEA sales grew 6% despite adverse currency impact

	Q2 2014 \$m	Q2 2015 \$m	Growth %
Net sales	145.1	182.3	26%
Gross profit	43.9	68.9	57%
Gross margin	30.3%	37.8%	7.5%pt
Operating income	17.5	27.8	59%
EBITDA	20.6	33.0	60%

Q2 2015 Performance Chemicals

- ▶ Net sales of \$54.1 million were down 9% from Q2 2014
- ▶ Gross margin of 27.4%; gross profit of \$14.8 million
- ▶ Increased sales in high-margin Personal Care products

	Q2 2014 \$m	Q2 2015 \$m	Growth %
Net sales	59.4	54.1	(9)%
Gross profit	15.3	14.8	(3)%
Gross margin	25.8%	27.4%	1.6%pt
Operating income	7.8	7.5	(4)%
EBITDA	10.1	9.4	(7)%

Q2 2015 Octane Additives

- ▶ Net sales of \$6.5 million due to the balance of a Q1 order delivered during Q2; operating income of \$2.8 million
- ▶ Gross margin increased to 58.5%
- ▶ EBITDA of \$2.9 million

	Q2 2014 \$m	Q2 2015 \$m	Growth %
Net sales	16.8	6.5	(61)%
Gross profit	9.4	3.8	(60)%
Gross margin	56.0%	58.5%	2.5%pt
Operating income	8.3	2.8	(66)%
EBITDA	8.4	2.9	(65)%

Q2 2015 Corporate Items

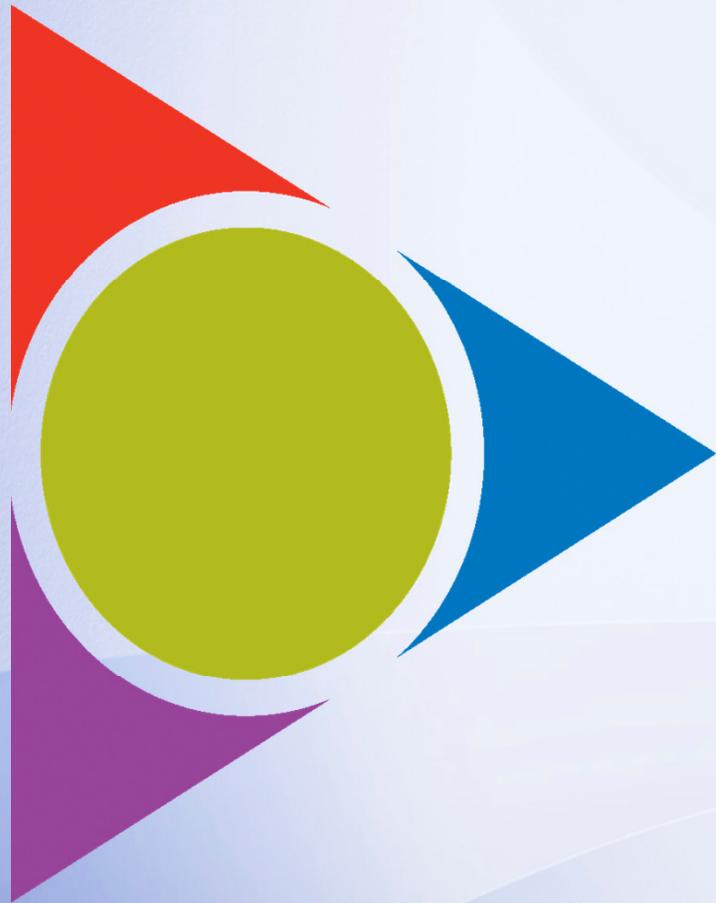
- ▶ Corporate costs of \$7.4 million for the quarter
- ▶ Second quarter adjusted effective tax rate of 26.9%

	Q2 2014 \$m	Q2 2015 \$m
Corporate costs	(7.4)	(7.4)
Pension (charge)/credit	(0.9)	0.1
Adjustment to fair value of contingent consideration	-	26.6
Effective tax rate	22.3%	33.4%
Adjusted effective tax rate	22.3%	26.9%

Q2 2015 Cash Flow/Balance Sheet

- ▶ \$70.9 million of cash and cash equivalents as of June 30, 2015; total debt of \$142.0 million
- ▶ Paid \$5.1 million to retire 114,064 shares under share repurchase program

	Q4 2014 \$m	Q2 2015 \$m
Total cash and cash equivalents	46.3	70.9
Total debt	(141.6)	(142.0)
Net debt	(95.3)	(71.1)
Total working capital	192.7	186.5



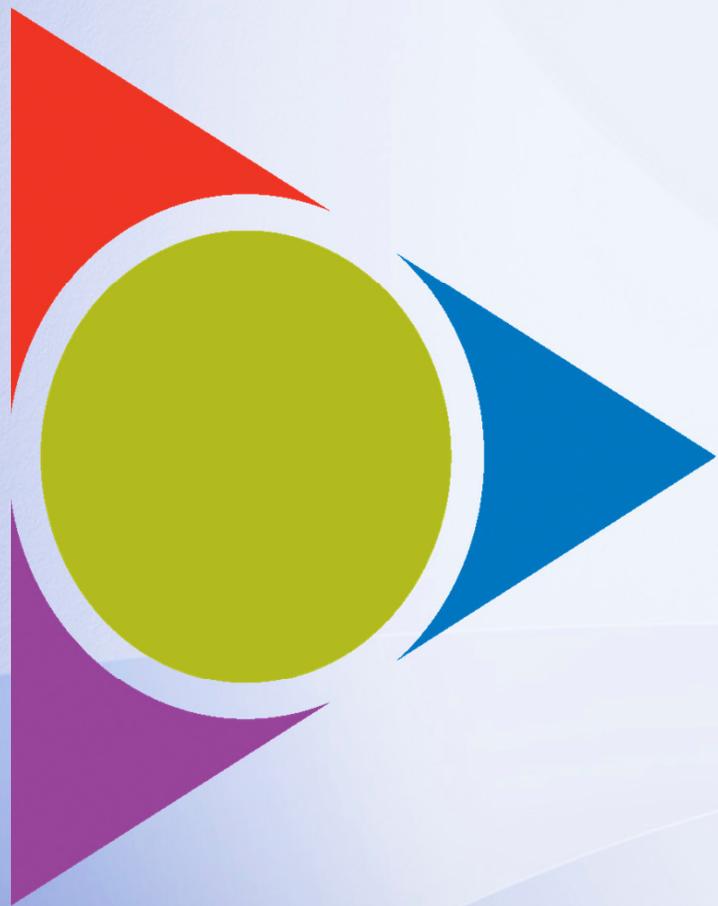
Concluding Comments

Patrick Williams
*President & Chief Executive
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Additional Highlights

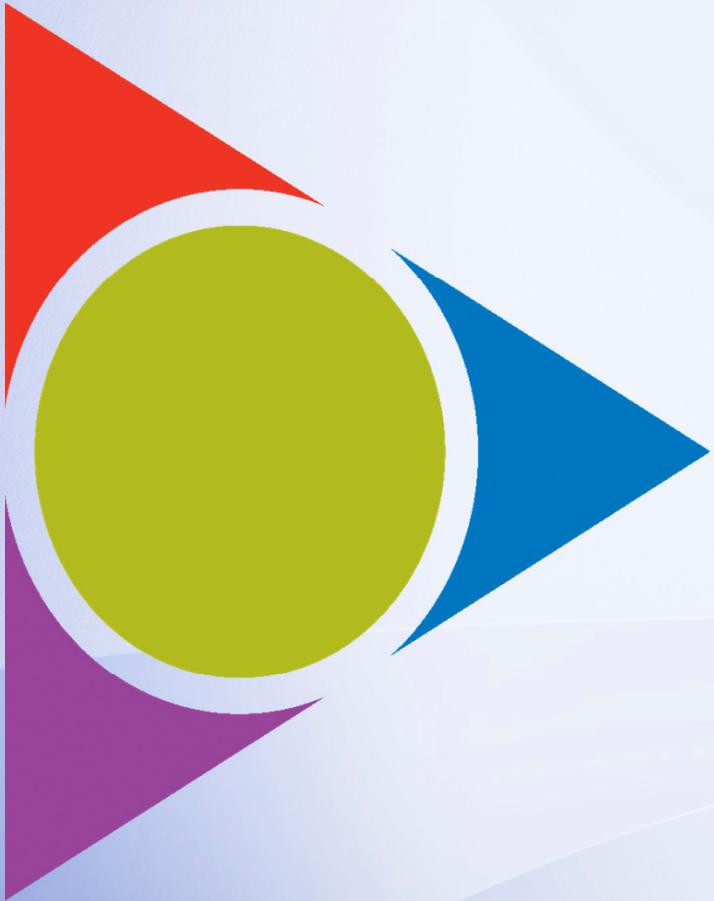
- ▶ Company results above our expectations
 - ▶ Both in revenue and profitability
- ▶ Business continues to be a healthy cash generator
- ▶ Richer sales mix and new technology throughout core businesses driving improved gross profit and higher margins
- ▶ Personal Care business delivered double digit sales growth
- ▶ Well positioned to seize new growth opportunities
 - ▶ Both Organic and Acquisitions
- ▶ Continued strong balance sheet



Your opportunity to
ask questions

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Final Comments



Appendix

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Innospec Income Statement - Quarter 2

	Q2 2014 \$m	Q2 2015 \$m	Variance Pr. Yr. \$m
Net sales	221.3	242.9	21.6
Sales growth	19.6%	9.8%	N/A
Gross profit	68.6	87.5	18.9
Gross margin	31.0%	36.0%	5.0%pt
SAR expenses	(43.3)	(56.7)	(13.4)
Operating income	25.3	30.8	5.5
Operating margin	11.4%	12.7%	1.3%pt
Adjustment to fair value of contingent consideration	-	26.6	26.6
Interest expense, net	(0.8)	(0.9)	(0.1)
Other net expense	(0.7)	(4.7)	(4.0)
Income before income taxes	23.8	51.8	28.0
Income taxes	(5.3)	(17.3)	(12.0)
Net income	18.5	34.5	16.0
EBITDA	31.6	34.7	3.1
EBITDA margin	14.3%	14.3%	-

EBITDA margin represents EBITDA as a percentage of net sales

Innospec Income Statement -YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	442.0	512.1	70.1
Sales growth	15.0%	15.9%	N/A
Gross profit	134.3	169.3	35.0
Gross margin	30.4%	33.1%	2.7%pt
SAR expenses	(91.0)	(111.6)	(20.6)
Operating income	43.3	57.7	14.4
Operating margin	9.8%	11.3%	1.5%pt
Adjustment to fair value of contingent consideration	-	23.1	23.1
Interest expense, net	(1.7)	(1.9)	(0.2)
Other net income/(expense)	1.2	(3.2)	(4.4)
Income before income taxes	42.8	75.7	32.9
Income taxes	(7.4)	(23.3)	(15.9)
Net income	35.4	52.4	17.0
EBITDA	58.7	71.4	12.7
EBITDA margin	13.3%	13.9%	0.6%pt

Fuel Specialties - Quarter 2

	Q2 2014 \$m	Q2 2015 \$m	Variance Pr. Yr. \$m
Net sales	145.1	182.3	37.2
Sales growth	15.0%	25.6%	N/A
Gross profit	43.9	68.9	25.0
Gross margin	30.3%	37.8%	7.5%pt
Selling	(17.8)	(29.4)	(11.6)
Administrative	(4.2)	(6.4)	(2.2)
Research	(4.4)	(5.3)	(0.9)
SAR expenses	(26.4)	(41.1)	(14.7)
SAR %	(18.2%)	(22.5%)	(4.3%)pt
Operating income	17.5	27.8	10.3
Operating income margin	12.1%	15.2%	3.1%pt
EBITDA	20.6	33.0	12.4
EBITDA margin	14.2%	18.1%	3.9%pt

Fuel Specialties - YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	309.3	381.7	72.4
Sales growth	16.2%	23.4%	N/A
Gross profit	95.9	130.4	34.5
Gross margin	31.0%	34.2%	3.2%pt
Selling	(35.2)	(55.3)	(20.1)
Administrative	(8.3)	(13.5)	(5.2)
Research	(9.1)	(10.3)	(1.2)
SAR expenses	(52.6)	(79.1)	(26.5)
SAR %	(17.0%)	(20.7%)	(3.7%)pt
Operating income	43.3	51.3	8.0
Operating income margin	14.0%	13.4%	(0.6%)pt
EBITDA	49.8	61.6	11.8
EBITDA margin	16.1%	16.1%	-

Performance Chemicals - Quarter 2

	Q2 2014 \$m	Q2 2015 \$m	Variance Pr. Yr. \$m
Net sales	59.4	54.1	(5.3)
Sales growth	33.5%	(8.9%)	N/A
Gross profit	15.3	14.8	(0.5)
Gross margin	25.8%	27.4%	1.6%pt
Selling	(4.0)	(3.9)	0.1
Administrative	(2.3)	(2.2)	0.1
Research	(1.2)	(1.2)	-
SAR expenses	(7.5)	(7.3)	0.2
SAR %	(12.6%)	(13.5%)	(0.9%)pt
Operating income	7.8	7.5	(0.3)
Operating income margin	13.1%	13.9%	0.8%pt
EBITDA	10.1	9.4	(0.7)
EBITDA margin	17.0%	17.4%	0.4%pt

Performance Chemicals - YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	115.5	111.7	(3.8)
Sales growth	25.1%	(3.3%)	N/A
Gross profit	28.9	29.3	0.4
Gross margin	25.0%	26.2%	1.2%pt
Selling	(7.7)	(7.7)	-
Administrative	(4.7)	(5.3)	(0.6)
Research	(2.2)	(2.4)	(0.2)
SAR expenses	(14.6)	(15.4)	(0.8)
SAR %	(12.6%)	(13.8%)	(1.2%)pt
Operating income	14.3	13.9	(0.4)
Operating income margin	12.4%	12.4%	-
EBITDA	18.8	17.6	(1.2)
EBITDA margin	16.3%	15.8%	(0.5%)pt

Octane Additives - Quarter 2

	Q2 2014 \$m	Q2 2015 \$m	Variance Pr. Yr. \$m
Net sales	16.8	6.5	(10.3)
Sales growth	17.5%	(61.3%)	N/A
Gross profit	9.4	3.8	(5.6)
Gross margin	56.0%	58.5%	2.5%pt
Selling	(0.4)	(0.4)	-
Administrative	(0.7)	(0.6)	0.1
SAR expenses	(1.1)	(1.0)	0.1
SAR %	(6.5%)	(15.4%)	(8.9%)pt
Operating income	8.3	2.8	(5.5)
Operating income margin	49.4%	43.1%	(6.3%)pt
EBITDA	8.4	2.9	(5.5)
EBITDA margin	50.0%	44.6%	(5.4%)pt

Octane Additives – YTD

	2014 \$m	2015 \$m	Variance Pr. Yr. \$m
Net sales	17.2	18.7	1.5
Sales growth	(33.6%)	8.7%	N/A
Gross profit	9.5	9.6	0.1
Gross margin	55.2%	51.3%	(3.9%)pt
Selling	(0.9)	(0.7)	0.2
Administrative	(1.5)	(1.0)	0.5
SAR expenses	(2.4)	(1.7)	0.7
SAR %	(14.0%)	(9.1%)	4.9%pt
Operating income	7.1	7.9	0.8
Operating income margin	41.3%	42.2%	0.9%pt
EBITDA	7.3	8.1	0.8
EBITDA margin	42.4%	43.3%	0.9%pt

GAAP Reconciliation EBITDA - Quarter 2

	Q2 2014 \$m	Q2 2015 \$m
Net income	18.5	34.5
Interest expense, net	0.8	0.9
Income taxes	5.3	17.3
Depreciation and amortization	7.0	8.6
Adjustment to fair value of contingent consideration	-	(26.6)
EBITDA	31.6	34.7

GAAP Reconciliation EBITDA - YTD

	2014 \$m	2015 \$m
Net Income	35.4	52.4
Interest expense, net	1.7	1.9
Income taxes	7.4	23.3
Depreciation and amortization	14.2	16.9
Adjustment to fair value of contingent consideration	-	(23.1)
EBITDA	58.7	71.4

GAAP Reconciliation: Net income excluding special items - Quarter 2

	Q2 2014			Q2 2015		
	<i>Income before income taxes</i>	<i>Net income</i>	<i>Diluted EPS</i>	<i>Income before income taxes</i>	<i>Net income</i>	<i>Diluted EPS</i>
	\$m	\$m	\$	\$m	\$m	\$
Reported GAAP amounts	23.8	18.5	0.75	51.8	34.5	1.40
Adjustment to fair value of contingent consideration	-	-	-	(26.6)	(16.1)	(0.65)
Foreign currency exchange losses	0.7	0.6	0.02	4.7	3.5	0.14
Amortization of acquired intangible assets	3.4	2.6	0.11	4.3	3.2	0.13
Adjusted non-GAAP amounts	27.9	21.7	0.88	34.2	25.1	1.02