

innospec

Investor Presentation
Quarter 3, 2014
5th November 2014

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Forward-Looking Statements

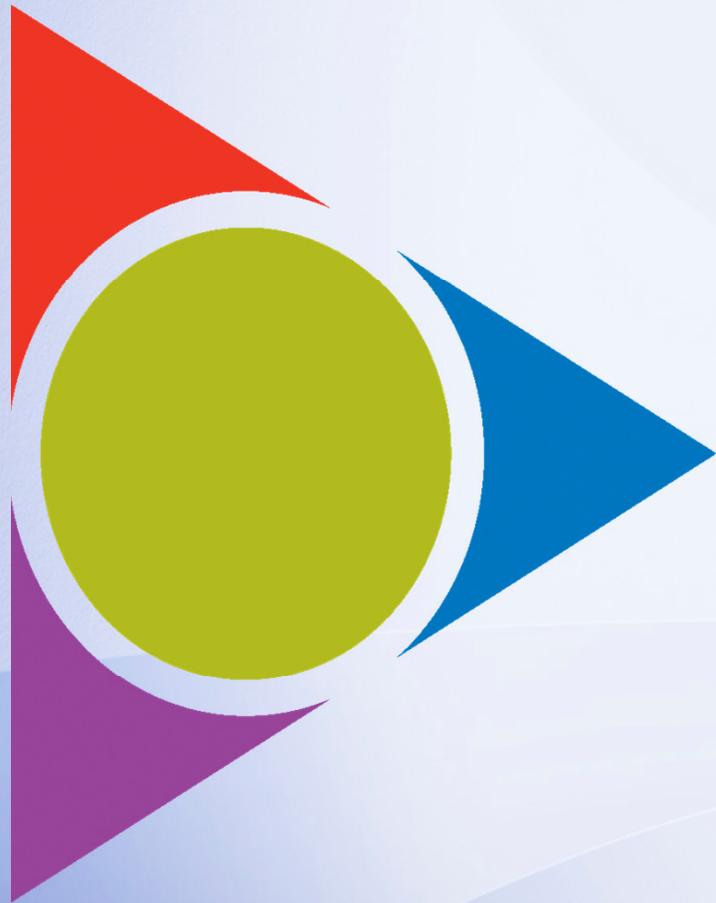
This presentation contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Such forward-looking statements include statements (covered by words like "expects," "estimates," "anticipates," "may," "believes" 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, 2013, 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 impairment of Octane Additives segment goodwill. Income before income taxes, net income and diluted EPS, excluding special items, per our consolidated financial statements are adjusted for the exclusion of adjustment of income tax provisions, acquisition-related costs and foreign currency exchange losses/(gains). 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 3rd Quarter Performance

- ▶ Solid third quarter results, with 18% revenue growth
- ▶ Fuel Specialties continues growth momentum in Americas; strong margin performance
- ▶ Performance Chemicals driven by new product pipeline, personal care volume strength and acquisitions
- ▶ Core businesses performing well, Innospec confident for future
- ▶ Business strategy working according to plan
- ▶ Acquisition of Independence Oilfield Chemicals; expands Innospec footprint to most U.S. energy basins



Financial Presentation

Ian Cleminson

*Executive Vice President &
Chief Financial Officer*

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Q3 2014 Consolidated Results

- ▶ Total revenues up 18% to \$228.2 million
- ▶ GAAP EPS of \$0.83
- ▶ EBITDA increases 38% to \$32.6 million

	Q3 2013 \$m	Q3 2014 \$m	Growth %
Net sales	192.8	228.2	18%
Gross profit	57.4	73.6	28%
Gross margin	29.8%	32.3%	2.5%pt
Operating income *	19.9	25.2	27%
EBITDA	23.6	32.6	38%
EPS (diluted)	0.58	0.83	43%
EPS (adjusted)	0.65	0.77	18%

*Operating Income is before Impairment

Q3 2014 Fuel Specialties

- Revenue increased 14% to \$156.1 million
- Solid contribution from Oilfield Specialties
- Gross profit up 25% to \$53.2 million; gross margin of 34.1%

	Q3 2013 \$m	Q3 2014 \$m	Growth %
Net sales	137.4	156.1	14%
Gross profit	42.6	53.2	25%
Gross margin	31.0%	34.1%	3.1%pt
Operating income	22.3	24.5	10%
EBITDA	24.4	27.4	12%

Q3 2014 Performance Chemicals

- ▶ Net sales increase 19% to \$57.0 million; strong sales growth across all regions
- ▶ Acquisitions add 11% to sales growth; volume growth in core Personal Care markets
- ▶ Gross margin improves to 24.0%; gross profit rises 23%

	Q3 2013 \$m	Q3 2014 \$m	Growth %
Net sales	47.9	57.0	19%
Gross profit	11.1	13.7	23%
Gross margin	23.2%	24.0%	0.8%pt
Operating income	5.6	6.6	18%
EBITDA	7.1	8.6	21%

Q3 2014 Octane Additives

- ▶ Net sales of \$15.1 million
- ▶ Gross margin of 44.4%
- ▶ Limited visibility for 2015

	Q3 2013 \$m	Q3 2014 \$m	Growth %
Net sales	7.5	15.1	101%
Gross profit	3.7	6.7	81%
Gross margin	49.3%	44.4%	(4.9%)pt
Operating income	2.1	4.9	133%
EBITDA	2.4	5.0	108%

Q3 2014 Corporate Items

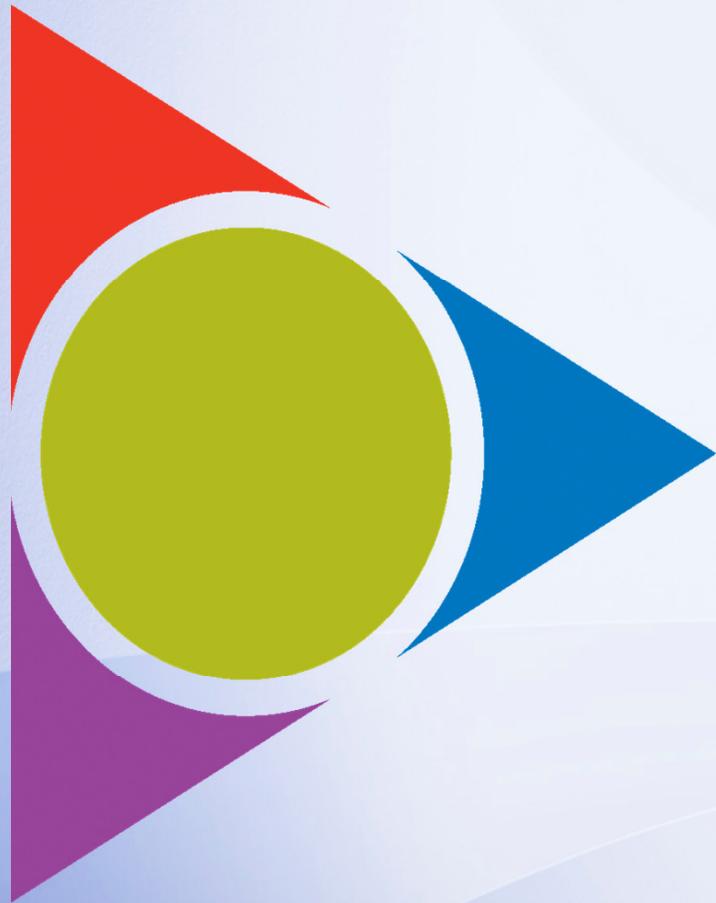
- ▶ Corporate costs of \$10.0 million for the quarter
- ▶ Third quarter effective tax rate of 18.1%; adjusted effective full-year tax rate anticipated to be 23%

	Q3 2013 \$m	Q3 2014 \$m
Corporate costs	(9.4)	(10.0)
Pension charge	(0.7)	(0.8)
Effective tax rate	23.5%	18.1%

Q3 2014 Balance Sheet

- Closed quarter in net debt position of \$19.7 million
- Generated \$25.2 million in cash from operations
- \$95.3 million in cash and cash equivalents as of September 30th, total debt of \$115.0 million

	Q4 2013 \$m	Q3 2014 \$m
Total cash and cash equivalents	86.8	95.3
Total debt	(148.0)	(115.0)
Net debt	(61.2)	(19.7)
Total working capital	163.7	175.9



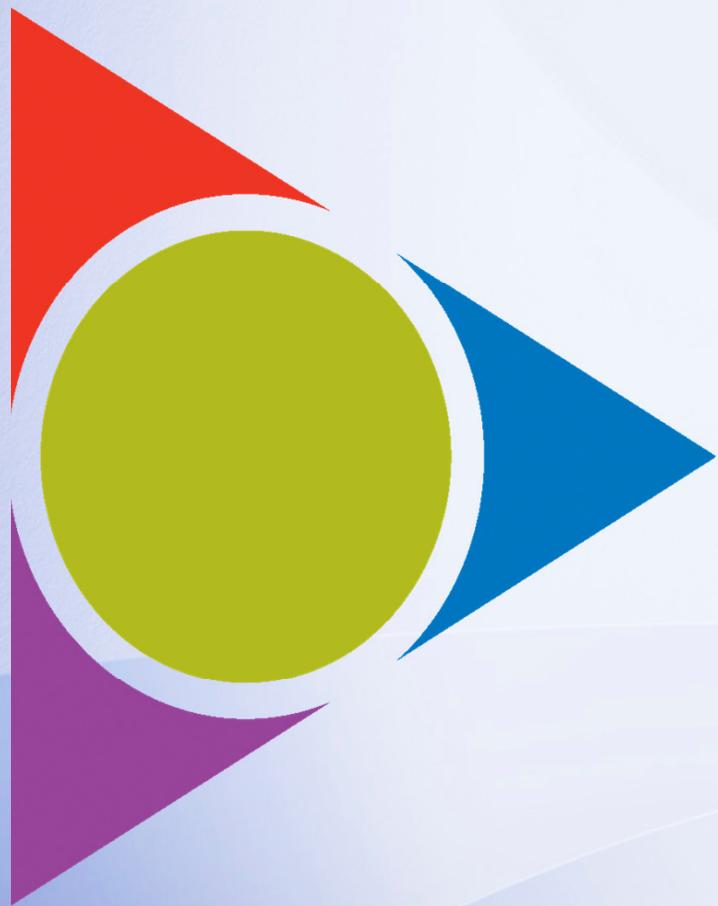
Concluding Comments

Patrick Williams
*President & Chief Executive
Officer*

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Additional Highlights

- ▶ Core businesses on track; acquisitions performing to our high expectations
- ▶ Continued focus on prospective acquisitions in Personal Care market; prudently evaluating appropriate opportunities
- ▶ Expanded biannual dividend to \$0.28; committed to returning value to shareholders
- ▶ Strong balance sheet; healthy cash flows from operations
- ▶ Independence acquisition will give Oilfield Specialties business new technology, expanded footprint, solid management team
- ▶ Innospec well positioned for continued success and profitability

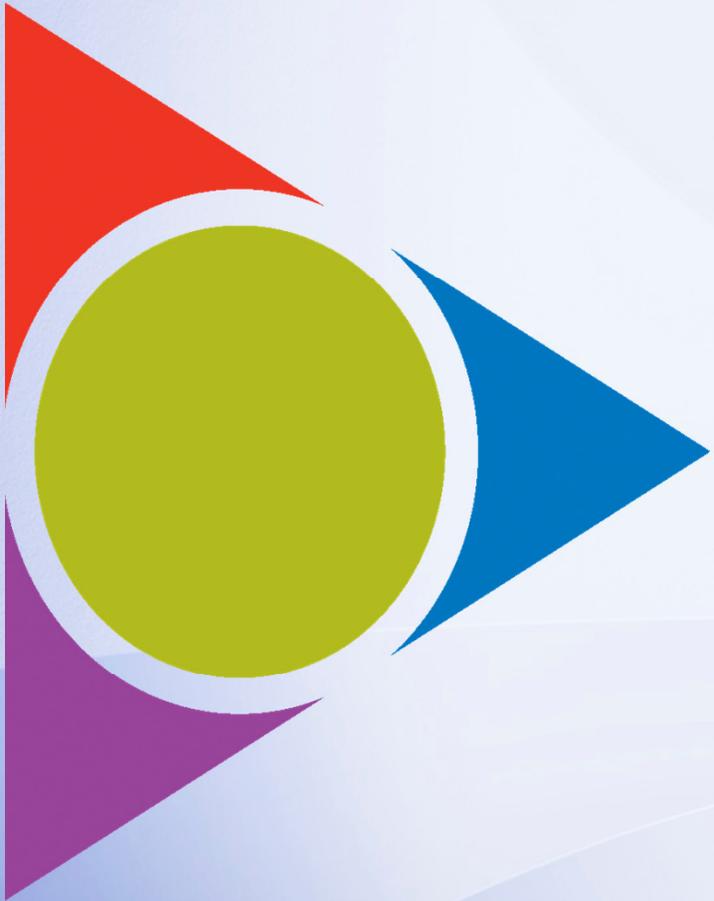


Your opportunity to
ask questions

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Final Comments

- Thank you



Appendix

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Innospec Income Statement - Quarter 3

	Q3 2013 \$m	Q3 2014 \$m	Variance Pr. Yr. \$m
Net sales	192.8	228.2	35.4
Sales growth	5.1%	18.4%	N/A
Gross profit	57.4	73.6	16.2
Gross margin	29.8%	32.3%	2.5%pt
SAR expenses	(37.5)	(48.4)	(10.9)
Operating income pre impairment	19.9	25.2	5.3
Operating margin	10.3%	11.0%	0.7%pt
Impairment of Octane Additives segment goodwill	(0.4)	-	0.4
Interest expense, net	(0.4)	(0.8)	(0.4)
Other net (expense)/income	(0.8)	1.0	1.8
Income before income taxes	18.3	25.4	7.1
Income taxes	(4.3)	(4.6)	(0.3)
Net income	14.0	20.8	6.8
EBITDA	23.6	32.6	9.0
EBITDA margin	12.2%	14.3%	2.1%pt

EBITDA margin represents EBITDA as a percentage of net sales

Innospec Income Statement - YTD

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	577.2	670.2	93.0
Sales growth	2.6%	16.1%	N/A
Gross profit	180.6	207.9	27.3
Gross margin	31.3%	31.0%	(0.3%)pt
SAR expenses	(115.6)	(139.4)	(23.8)
Operating income pre impairment	65.0	68.5	3.5
Operating margin	11.3%	10.2%	(1.1%)pt
Impairment of Octane Additives segment goodwill	(1.0)	-	1.0
Interest expense, net	(1.1)	(2.5)	(1.4)
Other net (expense)/income	(0.8)	2.2	3.0
Income before income taxes	62.1	68.2	6.1
Income taxes	(13.0)	(12.0)	1.0
Net income	49.1	56.2	7.1
EBITDA	77.3	91.3	14.0
EBITDA margin	13.4%	13.6%	0.2%pt

Fuel Specialties - Quarter 3

	Q3 2013 \$m	Q3 2014 \$m	Variance Pr. Yr. \$m
Net sales	137.4	156.1	18.7
Sales growth	8.2%	13.6%	N/A
Gross profit	42.6	53.2	10.6
Gross margin	31.0%	34.1%	3.1%pt
Selling	(12.2)	(20.1)	(7.9)
Administrative	(3.4)	(3.6)	(0.2)
Research	(4.7)	(5.0)	(0.3)
SAR expenses	(20.3)	(28.7)	(8.4)
SAR %	(14.8%)	(18.4%)	(3.6%)pt
Operating income	22.3	24.5	2.2
Operating income margin	16.2%	15.7%	(0.5%)pt
EBITDA	24.4	27.4	3.0
EBITDA margin	17.8%	17.6%	(0.2%)pt

Fuel Specialties - YTD

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	403.6	465.4	61.8
Sales growth	8.4%	15.3%	N/A
Gross profit	130.1	149.1	19.0
Gross margin	32.2%	32.0%	(0.2%)pt
Selling	(37.5)	(55.3)	(17.8)
Administrative	(12.5)	(11.9)	0.6
Research	(13.7)	(14.1)	(0.4)
SAR expenses	(63.7)	(81.3)	(17.6)
SAR %	(15.8%)	(17.5%)	(1.7%)pt
Operating income	66.4	67.8	1.4
Operating income margin	16.5%	14.6%	(1.9%)pt
EBITDA	72.9	77.2	4.3
EBITDA margin	18.1%	16.6%	(1.5%)pt

Performance Chemicals - Quarter 3

	Q3 2013 \$m	Q3 2014 \$m	Variance Pr. Yr. \$m
Net sales	47.9	57.0	9.1
Sales growth	2.4%	19.0%	N/A
Gross profit	11.1	13.7	2.6
Gross margin	23.2%	24.0%	0.8%pt
Selling	(3.3)	(3.6)	(0.3)
Administrative	(1.2)	(2.5)	(1.3)
Research	(1.0)	(1.0)	-
SAR expenses	(5.5)	(7.1)	(1.6)
SAR %	(11.5%)	(12.5%)	(1.0%)pt
Operating income	5.6	6.6	1.0
Operating income margin	11.7%	11.6%	(0.1%)pt
EBITDA	7.1	8.6	1.5
EBITDA margin	14.8%	15.1%	0.3%pt

Performance Chemicals - YTD

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	140.2	172.5	32.3
Sales growth	1.4%	23.0%	N/A
Gross profit	32.9	42.6	9.7
Gross margin	23.5%	24.7%	1.2%pt
Selling	(7.2)	(11.3)	(4.1)
Administrative	(5.7)	(7.2)	(1.5)
Research	(2.9)	(3.2)	(0.3)
SAR expenses	(15.8)	(21.7)	(5.9)
SAR %	(11.3%)	(12.6%)	(1.3%)pt
Operating income	17.1	20.9	3.8
Operating income margin	12.2%	12.1%	(0.1%)pt
EBITDA	21.0	27.4	6.4
EBITDA margin	15.0%	15.9%	0.9%pt

Octane Additives - Quarter 3

	Q3 2013 \$m	Q3 2014 \$m	Variance Pr. Yr. \$m
Net sales	7.5	15.1	7.6
Sales growth	21.9%	101.3%	N/A
Gross profit	3.7	6.7	3.0
Gross margin	49.3%	44.4%	(4.9%)pt
Selling	(0.4)	(0.5)	(0.1)
Administrative	(1.2)	(1.3)	(0.1)
SAR expenses	(1.6)	(1.8)	(0.2)
SAR %	(21.3%)	(11.9%)	9.4%pt
Operating income	2.1	4.9	2.8
Operating income margin	28.0%	32.5%	4.5%pt
EBITDA	2.4	5.0	2.6
EBITDA margin	32.0%	33.1%	1.1%pt

Octane Additives - YTD

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	33.4	32.3	(1.1)
Sales growth	(36.1%)	(3.3%)	N/A
Gross profit	17.6	16.2	(1.4)
Gross margin	52.7%	50.2%	(2.5%)pt
Selling	(1.2)	(1.4)	(0.2)
Administrative	(3.4)	(2.8)	0.6
SAR expenses	(4.6)	(4.2)	0.4
SAR %	(13.8%)	(13.0%)	0.8%pt
Operating income	13.0	12.0	(1.0)
Operating income margin	38.9%	37.2%	(1.7%)pt
EBITDA	14.0	12.3	(1.7)
EBITDA margin	41.9%	38.1%	(3.8%)pt

GAAP Reconciliation EBITDA - Quarter 3

	Q3 2013 \$m	Q3 2014 \$m
Net income	14.0	20.8
Interest expense, net	0.4	0.8
Income taxes	4.3	4.6
Depreciation and amortization	4.5	6.4
Impairment of Octane Additives segment goodwill	0.4	-
EBITDA	23.6	32.6

GAAP Reconciliation EBITDA - YTD

	2013 \$m	2014 \$m
Net income	49.1	56.2
Interest expense, net	1.1	2.5
Income taxes	13.0	12.0
Depreciation and amortization	13.1	20.6
Impairment of Octane Additives segment goodwill	1.0	-
EBITDA	77.3	91.3

GAAP Reconciliation: Net income excluding special items - Quarter 3

	Q3 2013			Q3 2014		
	<i>Income before income taxes</i> \$m	<i>Net income</i> \$m	<i>Diluted EPS</i> \$	<i>Income before income taxes</i> \$m	<i>Net income</i> \$m	<i>Diluted EPS</i> \$
Reported GAAP amounts	18.3	14.0	0.58	25.4	20.8	0.83
Adjustment of income tax provisions	0.1	0.1	-	(1.8)	(1.8)	(0.07)
Acquisition-related costs	1.3	1.0	0.04	1.3	1.0	0.04
Foreign currency exchange losses/(gains)	0.8	0.6	0.03	(1.0)	(0.8)	(0.03)
Adjusted non-GAAP amounts	20.5	15.7	0.65	23.9	19.2	0.77