

innospec

Investor Presentation
Quarter 2, 2014
6th August 2014

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Forward-Looking Statements

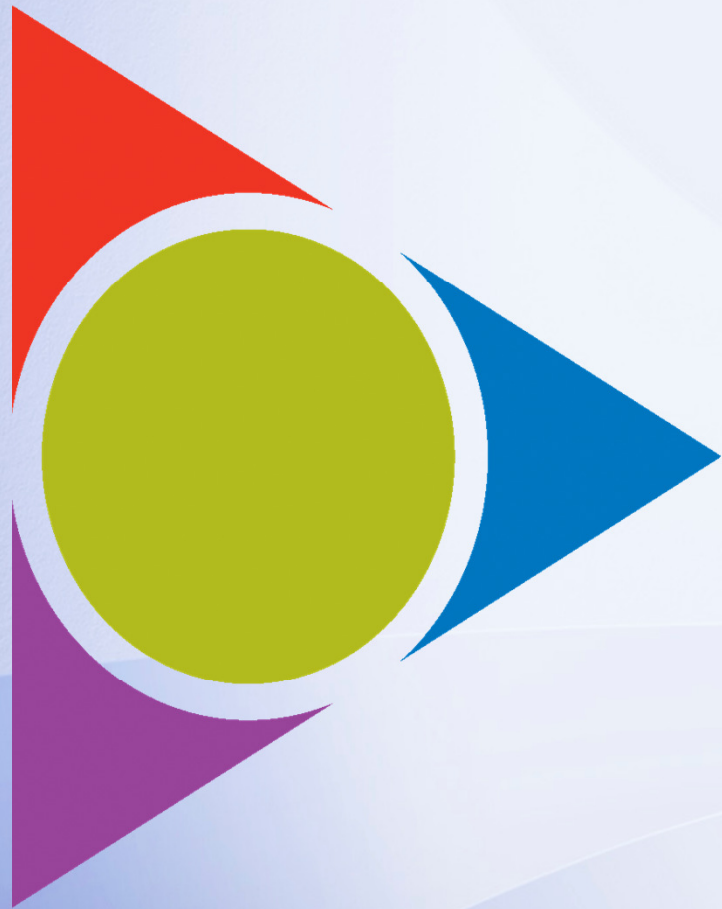
This presentation contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Such forward-looking statements include statements (covered by words like "expects," "estimates," "anticipates," "may," "believes" or similar words or expressions), for example, which relate to operating performance, events or developments that we expect or anticipate will or may occur in the future (including, without limitation, any of the Company's guidance in respect of sales, gross margins, pension liabilities and charges, net income, growth potential and other measures of financial performance). 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 the Company and affecting our business operations and prospects are described in the Company'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. The Company 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 foreign currency exchange losses and acquisition-related costs. 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

- ▶ Good second quarter with 20% revenue growth
- ▶ Fuel Specialties maintains growth momentum; Bachman acquisition continues to augment top-line growth
- ▶ Performance Chemicals driven by volume growth and margin strength in Personal Care markets and by Chemsil acquisition
- ▶ Business and financial strategies working according to plan
- ▶ Core businesses in excellent shape; Innospec well positioned for future growth



Financial Presentation

Ian Cleminson

*Executive Vice President &
Chief Financial Officer*

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Q2 2014 Consolidated Results

- Total revenues up 20% to \$221.3 million driven by strong contributions from growth in the core business and acquisitions
- GAAP EPS of \$0.75
- EBITDA increases 22% to \$31.6 million

	Q2 2013 \$m	Q2 2014 \$m	Growth %
Net sales	185.0	221.3	20%
Gross profit	59.4	68.6	15%
Gross margin	32.1%	31.0%	(1.1%)pt
Operating income *	22.6	25.3	12%
EBITDA	25.8	31.6	22%
EPS (diluted)	0.71	0.75	6%
EPS (adjusted)	0.75	0.77	3%

*Operating Income is before Impairment

Q2 2014 Fuel Specialties

- Revenue increased 15% to \$145.1 million
- Bachman acquisition contributed 16% to top-line growth
- Gross profit up 8% to \$43.9 million; gross margin of 30.3%

	Q2 2013 \$m	Q2 2014 \$m	Growth %
Net sales	126.2	145.1	15%
Gross profit	40.5	43.9	8%
Gross margin	32.1%	30.3%	(1.8%)pt
Operating income	19.2	17.5	(9)%
EBITDA	21.4	20.6	(4)%

Q2 2014 Performance Chemicals

- Net sales increase 33% to \$59.4 million; strong sales growth across all regions
- Acquisitions add 17% to sales growth
- Gross margin improves to 25.8%; gross profit rises 35%

	Q2 2013 \$m	Q2 2014 \$m	Growth %
Net sales	44.5	59.4	33%
Gross profit	11.3	15.3	35%
Gross margin	25.4%	25.8%	0.4%pt
Operating income	6.5	7.8	20%
EBITDA	7.6	10.1	33%

Q2 2014 Octane Additives

- As predicted, performance rebounded in Q2 with 17% increase in year-over-year sales
- Gross margin of 56.0% improved 2.9 points from last year
- Limited medium and long-term visibility

	Q2 2013 \$m	Q2 2014 \$m	Growth %
Net sales	14.3	16.8	17%
Gross profit	7.6	9.4	24%
Gross margin	53.1%	56.0%	2.9%pt
Operating income	6.1	8.3	36%
EBITDA	6.5	8.4	29%

Q2 2014 Corporate Items

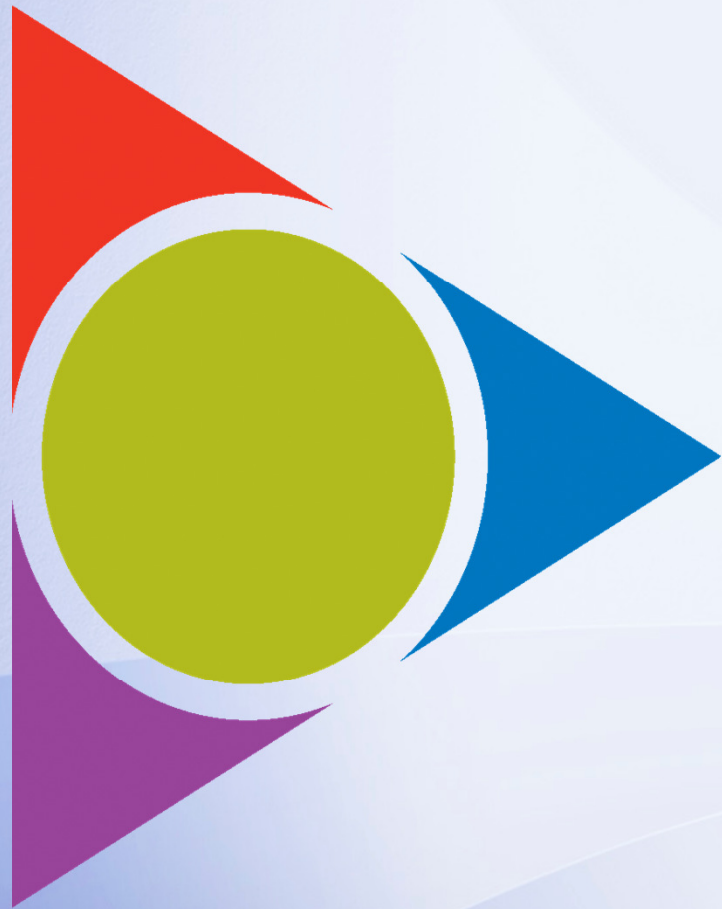
- ▶ Corporate costs of \$7.4 million for the quarter
- ▶ Effective tax rate of 22.3%, in line with full-year expectations

	Q2 2013 \$m	Q2 2014 \$m
Corporate costs	(8.5)	(7.4)
Pension charge	(0.7)	(0.9)
Effective tax rate	18.2%	22.3%

Q2 2014 Balance Sheet

- Closed quarter in net debt position of \$42.1 million
- Generated \$12.9 million in cash from operations
- \$97.4 in cash and cash equivalents as of June 30; total debt of \$139.5 million

	Q4 2013 \$m	Q2 2014 \$m
Total cash and cash equivalents	86.8	97.4
Total debt	(148.0)	(139.5)
Net debt	(61.2)	(42.1)
Total working capital	163.7	179.8



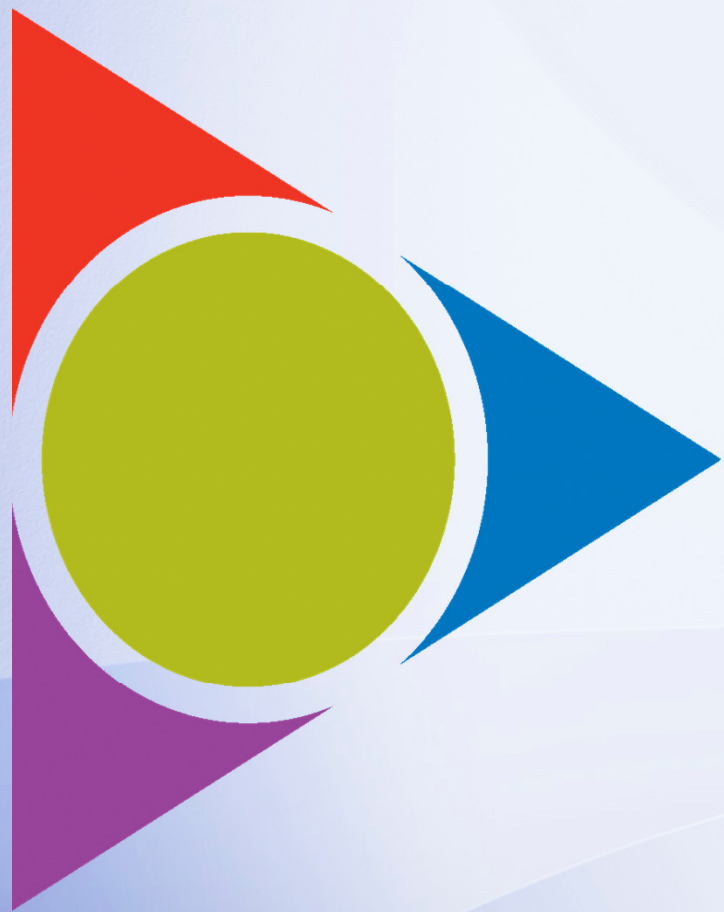
Concluding Comments

Patrick Williams
*President & Chief Executive
Officer*

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Additional Highlights

- ▶ Pleasing second quarter performance; fundamentals of core businesses remain strong
- ▶ Recent acquisitions are integrating smoothly and starting to deliver to our high expectations
- ▶ Added US Bank to the banking group – broaden the banking base
- ▶ Prudently evaluating prospective opportunities for continued acquisition growth in core businesses
- ▶ Strong liquidity and financial management; focus on technology, innovation and new product development
- ▶ Confident and well positioned for continued growth and profitability

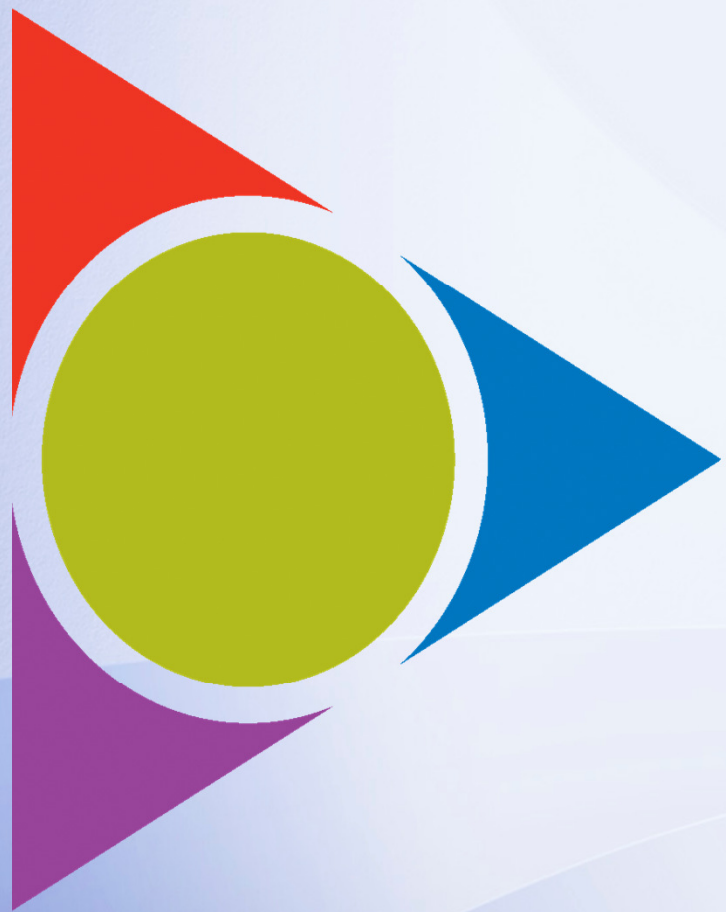


Your opportunity to
ask questions

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Final Comments

- Thank you



Appendix

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Innospec Income Statement - Quarter 2

	Q2 2013 \$m	Q2 2014 \$m	Variance Pr. Yr. \$m
Net sales	185.0	221.3	36.3
Sales growth	3.6%	19.6%	N/A
Gross profit	59.4	68.6	9.2
Gross margin	32.1%	31.0%	(1.1%)pt
SAR expenses	(36.8)	(43.3)	(6.5)
Operating income pre impairment	22.6	25.3	2.7
Operating margin	12.2%	11.4%	(0.8%)pt
Impairment of Octane Additives segment goodwill	(0.3)	-	0.3
Interest expense, net	(0.4)	(0.8)	(0.4)
Other net expense	(1.0)	(0.7)	0.3
Income before income taxes	20.9	23.8	2.9
Income taxes	(3.8)	(5.3)	(1.5)
Net income	17.1	18.5	1.4
EBITDA	25.8	31.6	5.8
EBITDA margin	13.9%	14.3%	0.4%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	384.4	442.0	57.6
Sales growth	1.3%	15.0%	N/A
Gross profit	123.2	134.3	11.1
Gross margin	32.0%	30.4%	(1.6%)pt
SAR expenses	(78.1)	(91.0)	(12.9)
Operating income pre impairment	45.1	43.3	(1.8)
Operating margin	11.7%	9.8%	(1.9%)pt
Impairment of Octane Additives segment goodwill	(0.6)	-	0.6
Interest expense, net	(0.7)	(1.7)	(1.0)
Other net income	-	1.2	1.2
Income before income taxes	43.8	42.8	(1.0)
Income taxes	(8.7)	(7.4)	1.3
Net income	35.1	35.4	0.3
EBITDA	53.7	58.7	5.0
EBITDA margin	14.0%	13.3%	(0.7%)pt

Fuel Specialties - Quarter 2

	Q2 2013 \$m	Q2 2014 \$m	Variance Pr. Yr. \$m
Net sales	126.2	145.1	18.9
Sales growth	10.2%	15.0%	N/A
Gross profit	40.5	43.9	3.4
Gross margin	32.1%	30.3%	(1.8%)pt
Selling	(12.2)	(17.8)	(5.6)
Administrative	(4.7)	(4.2)	0.5
Research	(4.4)	(4.4)	-
SAR expenses	(21.3)	(26.4)	(5.1)
SAR %	(16.9%)	(18.2%)	(1.3%)pt
Operating income	19.2	17.5	(1.7)
Operating income margin	15.2%	12.1%	(3.1%)pt
EBITDA	21.4	20.6	(0.8)
EBITDA margin	17.0%	14.2%	(2.8%)pt

Fuel Specialties - YTD

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	266.2	309.3	43.1
Sales growth	8.6%	16.2%	N/A
Gross profit	87.5	95.9	8.4
Gross margin	32.9%	31.0%	(1.9%)pt
Selling	(25.3)	(35.2)	(9.9)
Administrative	(9.1)	(8.3)	0.8
Research	(9.0)	(9.1)	(0.1)
SAR expenses	(43.4)	(52.6)	(9.2)
SAR %	(16.3%)	(17.0%)	(0.7%)pt
Operating income	44.1	43.3	(0.8)
Operating income margin	16.6%	14.0%	(2.6%)pt
EBITDA	48.5	49.8	1.3
EBITDA margin	18.2%	16.1%	(2.1%)pt

Performance Chemicals - Quarter 2

	Q2 2013 \$m	Q2 2014 \$m	Variance Pr. Yr. \$m
Net sales	44.5	59.4	14.9
Sales growth	(0.9%)	33.5%	N/A
Gross profit	11.3	15.3	4.0
Gross margin	25.4%	25.8%	0.4%pt
Selling	(1.8)	(4.0)	(2.2)
Administrative	(2.1)	(2.3)	(0.2)
Research	(0.9)	(1.2)	(0.3)
SAR expenses	(4.8)	(7.5)	(2.7)
SAR %	(10.8%)	(12.6%)	(1.8%)pt
Operating income	6.5	7.8	1.3
Operating income margin	14.6%	13.1%	(1.5%)pt
EBITDA	7.6	10.1	2.5
EBITDA margin	17.1%	17.0%	(0.1%)pt

Performance Chemicals - YTD

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	92.3	115.5	23.2
Sales growth	1.0%	25.1%	N/A
Gross profit	21.8	28.9	7.1
Gross margin	23.6%	25.0%	1.4%pt
Selling	(3.9)	(7.7)	(3.8)
Administrative	(4.5)	(4.7)	(0.2)
Research	(1.9)	(2.2)	(0.3)
SAR expenses	(10.3)	(14.6)	(4.3)
SAR %	(11.2%)	(12.6%)	(1.4%)pt
Operating income	11.5	14.3	2.8
Operating income margin	12.5%	12.4%	(0.1%)pt
EBITDA	13.9	18.8	4.9
EBITDA margin	15.1%	16.3%	1.2%pt

Octane Additives - Quarter 2

	Q2 2013 \$m	Q2 2014 \$m	Variance Pr. Yr. \$m
Net sales	14.3	16.8	2.5
Sales growth	(25.1%)	17.5%	N/A
Gross profit	7.6	9.4	1.8
Gross margin	53.1%	56.0%	2.9%pt
Selling	(0.4)	(0.4)	-
Administrative	(1.1)	(0.7)	0.4
SAR expenses	(1.5)	(1.1)	0.4
SAR %	(10.5%)	(6.5%)	4.0%pt
Operating income	6.1	8.3	2.2
Operating income margin	42.7%	49.4%	6.7%pt
EBITDA	6.5	8.4	1.9
EBITDA margin	45.5%	50.0%	4.5%pt

Octane Additives - YTD

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	25.9	17.2	(8.7)
Sales growth	(39.3%)	(33.6%)	N/A
Gross profit	13.9	9.5	(4.4)
Gross margin	53.7%	55.2%	1.5%pt
Selling	(0.8)	(0.9)	(0.1)
Administrative	(2.2)	(1.5)	0.7
SAR expenses	(3.0)	(2.4)	0.6
SAR %	(11.6%)	(14.0%)	(2.4%)pt
Operating income	10.9	7.1	(3.8)
Operating income margin	42.1%	41.3%	(0.8%)pt
EBITDA	11.6	7.3	(4.3)
EBITDA margin	44.8%	42.4%	(2.4%)pt

GAAP Reconciliation EBITDA - Quarter 2

	Q2 2013 \$m	Q2 2014 \$m
Net income	17.1	18.5
Interest expense, net	0.4	0.8
Income taxes	3.8	5.3
Depreciation and amortization	4.2	7.0
Impairment of Octane Additives segment goodwill	0.3	-
EBITDA	25.8	31.6

GAAP Reconciliation EBITDA - YTD

	2013 \$m	2014 \$m
Net Income	35.1	35.4
Interest expense, net	0.7	1.7
Income taxes	8.7	7.4
Depreciation and amortization	8.6	14.2
Impairment of Octane Additives segment goodwill	0.6	-
EBITDA	53.7	58.7

GAAP Reconciliation: Net income excluding special items - Quarter 2

	Q2 2013			Q2 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	20.9	17.1	0.71	23.8	18.5	0.75
Foreign currency exchange losses	1.0	0.8	0.03	0.8	0.6	0.02
Acquisition-related costs	0.2	0.2	0.01	-	-	-
Adjusted non-GAAP amounts	22.1	18.1	0.75	24.6	19.1	0.77