

innospec

Investor Presentation
Quarter 4, 2014
18th February 2015

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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, adjustment to fair value of contingent consideration 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, adjustment to fair value of contingent consideration, acquisition-related costs, foreign currency exchange (gains)/losses and 75th anniversary employee recognition. 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 4th Quarter Performance

- Record sales in fourth quarter with revenue up 20%; full year run-rate above \$1 billion
- Positive contributions from recent acquisitions support underlying growth from core businesses
- Fuel Specialties delivers solid, continued growth in Americas; strong contribution from Oilfield Specialties
- Softer quarter in Performance Chemicals due to year-end destocking and holiday plant shutdowns; order book for 2015 is robust
- Entering 2015 well-positioned financially with excellent momentum



Financial Presentation

Ian Cleminson

*Executive Vice President &
Chief Financial Officer*

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Q4 2014 Consolidated Results

- ▶ Total revenues up 20% to a record \$290.7 million
- ▶ Adjusted EPS of \$1.16 up 9%
- ▶ EBITDA increases 28% to \$49.5 million; operating income up 57%

	Q4 2013 \$m	Q4 2014 \$m	Growth %
Net sales	241.6	290.7	20%
Gross profit	74.6	94.1	26%
Gross margin	30.9%	32.4%	1.5%pt
Operating income *	26.9	42.1	57%
EBITDA	38.7	49.5	28%
EPS (diluted)	1.17	1.11	(5)%
EPS (adjusted)	1.06	1.16	9%

*Operating Income is before Impairment and Fair Value Adjustments

Q4 2014 Fuel Specialties

- ▶ Revenue increased 32% to \$216.8 million
- ▶ Solid sales growth in Americas; substantial contributions from acquisitions
- ▶ Gross profit up 37% to \$69.9 million; gross margin of 32.2%

	Q4 2013 \$m	Q4 2014 \$m	Growth %
Net sales	163.8	216.8	32%
Gross profit	51.0	69.9	37%
Gross margin	31.1%	32.2%	1.1%pt
Operating income	26.3	36.6	39%
EBITDA	29.2	40.8	40%

Q4 2014 Performance Chemicals

- ▶ Net sales of \$51.0 million fall 2% from 2013; EMEA revenues up 13%
- ▶ Larger year-end destocking and holiday plant shutdowns than in prior years
- ▶ Gross margin of 23.1%; gross profit of \$11.8 million

	Q4 2013 \$m	Q4 2014 \$m	Growth %
Net sales	52.2	51.0	(2)%
Gross profit	13.4	11.8	(12)%
Gross margin	25.7%	23.1%	(2.6%)pt
Operating income	6.5	4.7	(28)%
EBITDA	8.7	6.8	(22)%

Q4 2014 Octane Additives

- ▶ Net sales of \$22.9 million; operating income of \$10.6 million
- ▶ Gross margin increases to 54.1%
- ▶ EBITDA rises 22% to \$10.7 million

	Q4 2013 \$m	Q4 2014 \$m	Growth %
Net sales	25.6	22.9	(11)%
Gross profit	10.2	12.4	22%
Gross margin	39.8%	54.1%	14.3%pt
Operating income	8.5	10.6	25%
EBITDA	8.8	10.7	22%

Q4 2014 Corporate Items

- ▶ Corporate costs of \$9.0 million for the quarter
- ▶ Full year adjusted effective tax rate of 24.9%

	Q4 2013 \$m	Q4 2014 \$m
Corporate costs	(14.2)	(9.0)
Pension charge	(0.2)	(0.8)
Adjustment to fair value of contingent consideration	-	1.9
Full Year adjusted effective tax rate	15.9%	24.9%

Q4 2014 Balance Sheet

- ▶ Independence acquisition closed, requiring initial \$99.0 million payment
- ▶ Paid \$6.8 million semi-annual dividend, \$6.0 million under share repurchase program
- ▶ \$46.3 million of cash and cash equivalents as of December 31; total debt of \$141.6 million

	Q4 2013 \$m	Q4 2014 \$m
Total cash and cash equivalents	86.8	46.3
Total debt	(148.0)	(141.6)
Net debt	(61.2)	(95.3)
Total working capital	163.7	192.7



Concluding Comments

Patrick Williams
*President & Chief Executive
Officer*

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Additional Highlights

- ▶ Pleased with fourth quarter and full year performance
- ▶ Core businesses and acquired businesses met or exceeded expectations and delivered exceptional cash inflows
- ▶ Poised to take prudent advantage of opportunities of distressed assets in the energy market; exploring complementary acquisitions in Personal Care sector
- ▶ Closed Independence acquisition for \$99.0 million, buyback of nearly 138,000 shares, paid \$6.8 million dividend in fourth quarter
- ▶ Healthy balance sheet; strong cash flow; Innospec confidently positioned for the future

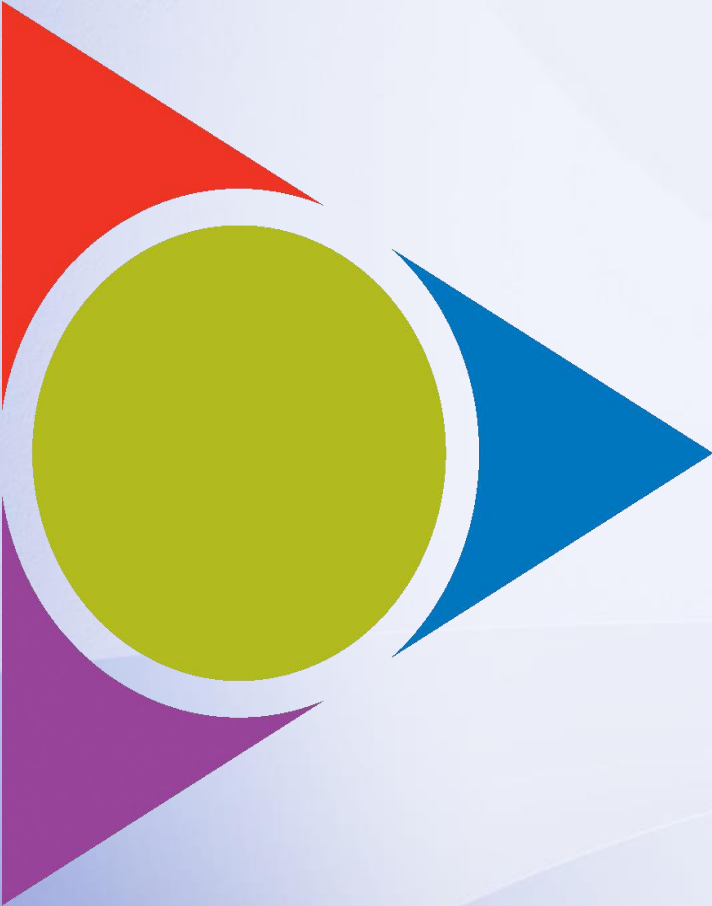


Your opportunity to
ask questions

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Final Comments

- ▶ Thank you for your interest
- ▶ Our next call will be in May 2015
- ▶ Have a good day



Appendix

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Innospec Income Statement - Quarter 4

	Q4 2013 \$m	Q4 2014 \$m	Variance Pr. Yr. \$m
Net sales	241.6	290.7	49.1
Sales growth	13.1%	20.3%	N/A
Gross profit	74.6	94.1	19.5
Gross margin	30.9%	32.4%	1.5%pt
SAR expenses	(47.7)	(52.0)	(4.3)
Operating income	26.9	42.1	15.2
Operating margin	11.1%	14.5%	3.4%pt
Adjustment to fair value of contingent consideration	-	1.9	1.9
Impairment of Octane Additives segment goodwill	(0.3)	-	0.3
Interest expense, net	(0.8)	(0.9)	(0.1)
Other net income/(expense)	4.9	(0.4)	(5.3)
Income before income taxes	30.7	42.7	12.0
Income taxes	(2.0)	(14.8)	(12.8)
Net income	28.7	27.9	(0.8)
EBITDA	38.7	49.5	10.8
EBITDA margin	16.0%	17.0%	1.0%pt

EBITDA margin represents EBITDA as a percentage of net sales

Innospec Income Statement – Full Year

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	818.8	960.9	142.1
Sales growth	5.5%	17.4%	N/A
Gross profit	255.2	302.0	46.8
Gross margin	31.2%	31.4%	0.2%pt
SAR expenses	(163.3)	(191.4)	(28.1)
Operating income	91.9	110.6	18.7
Operating margin	11.2%	11.5%	0.3%pt
Adjustment to fair value of contingent consideration	-	1.9	1.9
Impairment of Octane Additives segment goodwill	(1.3)	-	1.3
Interest expense, net	(1.9)	(3.4)	(1.5)
Other net income	4.1	1.8	(2.3)
Income before income taxes	92.8	110.9	18.1
Income taxes	(15.0)	(26.8)	(11.8)
Net income	77.8	84.1	6.3
EBITDA	116.0	140.8	24.8
EBITDA margin	14.2%	14.7%	0.5%pt

Fuel Specialties - Quarter 4

	Q4 2013 \$m	Q4 2014 \$m	Variance Pr. Yr. \$m
Net sales	163.8	216.8	53.0
Sales growth	5.7%	32.4%	N/A
Gross profit	51.0	69.9	18.9
Gross margin	31.1%	32.2%	1.1%pt
Selling	(17.1)	(24.4)	(7.3)
Administrative	(3.8)	(4.6)	(0.8)
Research	(3.8)	(4.3)	(0.5)
SAR expenses	(24.7)	(33.3)	(8.6)
SAR %	(15.1%)	(15.4%)	(0.3%)pt
Operating income	26.3	36.6	10.3
Operating income margin	16.1%	16.9%	0.8%pt
EBITDA	29.2	40.8	11.6
EBITDA margin	17.8%	18.8%	1.0%pt

Fuel Specialties – Full Year

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	567.4	682.2	114.8
Sales growth	7.6%	20.2%	N/A
Gross profit	181.1	219.0	37.9
Gross margin	31.9%	32.1%	0.2%pt
Selling	(54.6)	(79.7)	(25.1)
Administrative	(16.3)	(16.5)	(0.2)
Research	(17.5)	(18.4)	(0.9)
SAR expenses	(88.4)	(114.6)	(26.2)
SAR %	(15.6%)	(16.8%)	(1.2%)pt
Operating income	92.7	104.4	11.7
Operating income margin	16.3%	15.3%	(1.0%)pt
EBITDA	102.1	118.0	15.9
EBITDA margin	18.0%	17.3%	(0.7%)pt

Performance Chemicals - Quarter 4

	Q4 2013 \$m	Q4 2014 \$m	Variance Pr. Yr. \$m
Net sales	52.2	51.0	(1.2)
Sales growth	26.1%	(2.3%)	N/A
Gross profit	13.4	11.8	(1.6)
Gross margin	25.7%	23.1%	(2.6%)pt
Selling	(3.4)	(3.8)	(0.4)
Administrative	(2.7)	(2.7)	-
Research	(0.8)	(0.6)	0.2
SAR expenses	(6.9)	(7.1)	(0.2)
SAR %	(13.2%)	(13.9%)	(0.7%)pt
Operating income	6.5	4.7	(1.8)
Operating income margin	12.5%	9.2%	(3.3%)pt
EBITDA	8.7	6.8	(1.9)
EBITDA margin	16.7%	13.3%	(3.4%)pt

Performance Chemicals – Full Year

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	192.4	223.5	31.1
Sales growth	7.1%	16.2%	N/A
Gross profit	46.3	54.4	8.1
Gross margin	24.1%	24.3%	0.2%pt
Selling	(10.6)	(15.1)	(4.5)
Administrative	(8.4)	(9.9)	(1.5)
Research	(3.7)	(3.8)	(0.1)
SAR expenses	(22.7)	(28.8)	(6.1)
SAR %	(11.8%)	(12.9%)	(1.1%)pt
Operating income	23.6	25.6	2.0
Operating income margin	12.3%	11.5%	(0.8%)pt
EBITDA	29.7	34.2	4.5
EBITDA margin	15.4%	15.3%	(0.1%)pt

Octane Additives - Quarter 4

	Q4 2013 \$m	Q4 2014 \$m	Variance Pr. Yr. \$m
Net sales	25.6	22.9	(2.7)
Sales growth	48.0%	(10.5%)	N/A
Gross profit	10.2	12.4	2.2
Gross margin	39.8%	54.1%	14.3%pt
Selling	(0.5)	(0.5)	-
Administrative	(1.2)	(1.3)	(0.1)
SAR expenses	(1.7)	(1.8)	(0.1)
SAR %	(6.6%)	(7.9%)	(1.3%)pt
Operating income	8.5	10.6	2.1
Operating income margin	33.2%	46.3%	13.1%pt
EBITDA	8.8	10.7	1.9
EBITDA margin	34.4%	46.7%	12.3%pt

Octane Additives – Full Year

	2013 \$m	2014 \$m	Variance Pr. Yr. \$m
Net sales	59.0	55.2	(3.8)
Sales growth	(15.2%)	(6.4%)	N/A
Gross profit	27.8	28.6	0.8
Gross margin	47.1%	51.8%	4.7%pt
Selling	(1.7)	(1.9)	(0.2)
Administrative	(4.6)	(4.1)	0.5
SAR expenses	(6.3)	(6.0)	0.3
SAR %	(10.7%)	(10.9%)	(0.2%)pt
Operating income	21.5	22.6	1.1
Operating income margin	36.4%	40.9%	4.5%pt
EBITDA	22.8	23.0	0.2
EBITDA margin	38.6%	41.7%	3.1%pt

GAAP Reconciliation EBITDA - Quarter 4

	Q4 2013 \$m	Q4 2014 \$m
Net income	28.7	27.9
Interest expense, net	0.8	0.9
Income taxes	2.0	14.8
Depreciation and amortization	6.9	7.8
Adjustment to fair value of contingent consideration	-	(1.9)
Impairment of Octane Additives segment goodwill	0.3	-
EBITDA	38.7	49.5

GAAP Reconciliation EBITDA – Full Year

	2013 \$m	2014 \$m
Net Income	77.8	84.1
Interest expense, net	1.9	3.4
Income taxes	15.0	26.8
Depreciation and amortization	20.0	28.4
Adjustment to fair value of contingent consideration	-	(1.9)
Impairment of Octane Additives segment goodwill	1.3	-
EBITDA	116.0	140.8

GAAP Reconciliation: Net income excluding special items - Quarter 4

	Q4 2013			Q4 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	30.7	28.7	1.17	42.7	27.9	1.11
Adjustment of income tax provisions	0.1	0.1	-	2.0	2.0	0.08
Adjustment to fair value of contingent consideration	-	-	-	(1.9)	(1.4)	(0.06)
Acquisition-related costs	0.3	0.2	0.01	0.5	0.4	0.02
Foreign currency exchange (gains)/losses	(4.9)	(4.1)	(0.17)	0.4	0.3	0.01
75th anniversary employee recognition	1.6	1.3	0.05	-	-	-
Adjusted non-GAAP amounts	27.8	26.2	1.06	43.7	29.2	1.16

GAAP Reconciliation: Net income excluding special items – Full Year

	2013			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	92.8	77.8	3.22	110.9	84.1	3.38
Adjustment of income tax provisions	0.2	0.2	0.01	(1.9)	(1.9)	(0.07)
Adjustment to fair value of contingent consideration	-	-	-	(1.9)	(1.4)	(0.06)
Foreign currency exchange gains	(4.1)	(3.5)	(0.15)	(1.8)	(1.4)	(0.06)
Acquisition-related costs	1.8	1.5	0.06	1.8	1.4	0.06
75th anniversary employee recognition	1.6	1.3	0.05	-	-	-
Adjusted non-GAAP amounts	92.3	77.3	3.19	107.1	80.8	3.25