MANDALAY RESORT GROUP
Form S-4
October 27, 2003

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As filed with the Securities and Exchange Commission on October 27, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

MANDALAY RESORT GROUP

(Exact name of registrant as specified in its charter)

Nevada	**7011**	**88-0121916**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

**3950 Las Vegas Boulevard South
Las Vegas, Nevada 89119
(702) 632-6700**

(Address, including zip code, telephone number, including area code, of registrant's principal executive offices)

**Yvette E. Landau
Vice President and General Counsel
3950 Las Vegas Boulevard South
Las Vegas, Nevada 89119
(702) 632-6700**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications to:

Howell J. Reeves
Wolf, Block, Schorr and Solis-Cohen LLP
1650 Arch Street, 22nd Floor
Philadelphia, Pennsylvania 19103
(215) 977-2000

**Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.**

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be Registered	Amount to be registered	Proposed maximum offering price per Note(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
6 1/2% Series B Senior Notes due 2009	$250,000,000	100%	$250,000,000	$20,225

(1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED OCTOBER 27, 2003

The information in this prospectus is not complete and may be changed. We may not sell or offer these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Offer to Exchange its 6 1/2% Senior Notes due 2009, Which Have Been Registered Under the Securities Act of 1933, for any and all of its Outstanding 6 1/2% Senior Notes due 2009

The Exchange Notes

The terms of the notes Mandalay Resort Group is issuing will be substantially identical to the outstanding notes that we issued on July 31, 2003, except for the elimination of some transfer restrictions, registration rights and liquidated damages provisions relating to the outstanding notes.

Interest on the notes will accrue at the rate of $6^{1}/_{2}$% per year, payable semi-annually in cash on each January 31 and July 31, beginning on January 31, 2004, and the notes will mature on July 31, 2009.

The notes will be unsecured senior obligations of Mandalay and will rank equal in right of payment with our existing and future unsecured senior indebtedness. The notes will effectively rank junior to all secured indebtedness of Mandalay and to all indebtedness and other liabilities of our subsidiaries.

We may redeem the notes at any time prior to their maturity at the redemption price described more fully in this prospectus.

Material Terms of the Exchange Offer

The exchange offer expires at 5:00 p.m., New York City time, on , 2003, unless extended. The maximum period of time the offer will remain open after the date of this prospectus, including any extentions of the expiration date, is 90 days.

Our completion of the exchange offer is subject to customary conditions, which we may waive.

Upon our completion of the exchange offer, all outstanding notes that are validly tendered and not withdrawn will be exchanged for an equal principal amount of notes that are registered under the Securities Act of 1933.

Tenders of outstanding notes may be withdrawn at any time prior to the expiration of the exchange offer.

The exchange of registered notes for outstanding notes will not be a taxable exchange for U.S. Federal income tax purposes.

We will not receive any proceeds from the exchange offer.

For a discussion of factors that you should consider before participating in this exchange offer, see "Risk Factors" beginning on page 15 of this prospectus.

Neither the Securities and Exchange Commission, the Nevada Gaming Commission, the Nevada State Gaming Control Board, the Mississippi Gaming Commission, the Michigan Gaming Control Board, the Illinois Gaming Board, nor any state securities commission or other gaming authority, has passed on the adequacy or accuracy of this prospectus or the investment merits of the notes offered hereby. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus as if we had authorized it. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which it relates, nor does this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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SUMMARY

The following summary highlights selected information from this document and may not contain all the information that may be important to you. You should read this entire prospectus, including the financial data and related notes and documents incorporated by reference in this prospectus, before making an investment decision. The terms "we," "our," and "us," as used in this prospectus, refer to Mandalay Resort Group and its majority owned subsidiaries as a combined entity, except where it is clear that the terms mean only Mandalay Resort Group. When we use the term "Mandalay," it refers only to Mandalay Resort Group. These terms, as used in this prospectus, do not include our unconsolidated joint ventures, unless the context otherwise requires. The term "old notes" refers to our outstanding 6$^1/_2$% Senior Notes due 2009 that we issued on July 31, 2003 and that have not been registered under the Securities Act of 1933. The term "exchange notes" refers to the 6$^1/_2$% Senior Notes due 2009 offered by this prospectus. The term "notes" refers to the old notes and the exchange notes collectively.

Mandalay Resort Group

Overview

We are one of the largest hotel-casino operators in the United States. Our operations consist of 12 wholly owned resorts in Nevada and Mississippi, as well as investments in four joint ventures with resorts in Nevada, Illinois and Michigan. Our resorts cater to a wide variety of customers and we strive to provide the best value in each of the market segments where we compete. We generate half of our net revenues from gaming activities, with hotel operations contributing approximately 25%.

We have the largest scaled hotel-casino resort development in Las Vegas, the world's largest gaming market where we generate approximately two-thirds of our operating income. This "Mandalay Mile" consists of three interconnected megaresorts on 230 acres, including our flagship property, Mandalay Bay. Mandalay Bay has become the best performer among our properties in this market, as it possesses amenities that appeal to higher-income customers. Strong demand from this segment of our customer base has permitted us greater pricing leverage, thus helping to drive results at this property. With the addition of our expanded convention center, an all-suites hotel tower and a retail center (each discussed more fully below), Mandalay Bay should continue to be the leading driver of future growth for our company.

Our operating results are highly dependent on the volume of customers visiting and staying at our resorts. This is particularly evident in our two principal revenue centers the casino and the hotel. The volume of casino activity is measured by "drop," which refers to amounts wagered by our customers. The amount of drop that we keep and that is recognized as casino revenue is referred to as our "win" or "hold." Meanwhile, revenue per available room, or REVPAR, is a key metric for our hotel business. REVPAR reflects both occupancy levels and room rates, each of which is impacted by customer demand, among other factors.

We have provided below information as of July 31, 2003 about our properties and those of the joint ventures in which we participate. Except as otherwise indicated, we wholly own and operate these properties.

Location/Property	Guest Rooms	Approximate Casino Square Footage	Slots(1)	Gaming Tables(2)	Parking Spaces
Las Vegas, Nevada					
Mandalay Bay(3)	3,643	135,000	2,002	127	7,000
Luxor	4,408	120,000	1,925	104	3,200
Excalibur	4,002	110,000	2,009	73	4,000
Circus Circus	3,744	109,000	2,039	73	4,700
Monte Carlo (50% Owned)	3,002	90,000	1,918	74	4,000
Slots-A-Fun		16,700	594	22	
Reno, Nevada					
Circus Circus	1,572	60,000	1,463	65	3,000
Silver Legacy (50% Owned)	1,711	85,000	1,922	77	1,800
Laughlin, Nevada					
Colorado Belle	1,226	64,000	1,268	38	1,700
Edgewater	1,450	44,000	1,139	40	2,300
Jean, Nevada					
Gold Strike	812	37,000	821	17	2,100
Nevada Landing	303	36,000	810	17	1,400
Henderson, Nevada					
Railroad Pass	120	21,000	355	7	600
Tunica County, Mississippi					
Gold Strike	1,149	48,000	1,395	49	1,400
Detroit, Michigan					
MotorCity (53.5% Owned)(4)		75,000	2,477	80	3,800
Elgin, Illinois					
Grand Victoria (50% Owned)		36,000	1,072	41	2,300
Total	27,142	1,086,700	23,209	904	43,300

(1) Includes slot machines and other coin-operated devices.

(2) Generally includes blackjack ("21"), craps, pai gow poker, Caribbean stud poker, wheel of fortune and roulette. Mandalay Bay, Luxor and MotorCity Casino also offer baccarat.

(3) This property, which opened March 2, 1999, includes a Four Seasons Hotel with 424 guest rooms that we own and Four Seasons Hotels Limited manages.

(4)

This property, which opened December 14, 1999, is being operated pending the construction of an expanded hotel-casino facility.

Property Descriptions

We are providing below additional information concerning the properties we, and the joint ventures in which we participate, own and operate.

Las Vegas, Nevada

Mandalay Bay. This property, including a recently completed convention and meeting complex, is located on approximately 95 acres on the Las Vegas Strip adjacent to our Luxor property and is the first major resort on the Las Vegas Strip to greet visitors arriving in Las Vegas on I-15, the primary thoroughfare between Las Vegas and southern California. The 43-story South Seas themed hotel-casino resort has approximately 3,700 guest rooms, including a Four Seasons Hotel with 424 guest rooms that provides visitors with a luxury "five diamond" hospitality experience. Mandalay Bay's attractions include an 11-acre tropical lagoon featuring a sand-and-surf beach, a three-quarter-mile lazy river ride and a

30,000 square-foot spa. The property features 13 restaurants, such as Charlie Palmer's Aureole, Wolfgang Puck's Trattoria Del Lupo, China Grill, rumjungle, Red Square, Red, White and Blue and Border Grill, as well as a House of Blues nightclub and restaurant, including its signature Foundation Room (situated on Mandalay Bay's top floor). Mandalay Bay offers multiple entertainment venues that include the Shark Reef at Mandalay Bay featuring sharks and rare sea predators, a 1,760-seat showroom where the Broadway hit "Mamma Mia!" opened February 3, 2003, the rumjungle nightclub and a 12,000-seat special events arena that features additional entertainment and sporting events.

In January 2003, we opened a new convention and meeting complex adjacent to the Mandalay Bay Conference Center. The new complex includes more than one million square feet of exhibit space. With this new building and the original conference center, Mandalay Bay now offers almost two million gross square feet of conference and exhibit space.

We are currently building a new 1,122-suite hotel tower christened THEhotel at Mandalay Bay. The 43-story tower will be located on the west side of the property. The new suites will average 750 square feet, among the largest room product in the Las Vegas market. The tower will also include meeting suites, a spa and fitness center, two restaurants and a lounge. We expect that the new suites will serve the demand generated by the new convention center. The tower broke ground during the third quarter last year, and should be completed in December 2003. The total cost of the new tower is estimated to be $230 million, excluding land, capitalized interest and preopening expenses. As of July 31, 2003, we had incurred costs of $102.6 million related to this project.

In October, we opened Mandalay Place, a retail center located between Mandalay Bay and Luxor. The center will eventually include approximately 90,000 square feet of retail space and approximately 40 stores and restaurants, including several upscale, internationally branded retailers. The cost is estimated to be approximately $40 million, excluding land, capitalized interest and preopening expenses. As of July 31, 2003, we had incurred costs of $31.0 million related to this project.

Luxor. This property is an Egyptian-themed hotel and casino complex situated on 64 acres of our Mandalay Mile, between Mandalay Bay and Excalibur. The resort features a 30-story pyramid and two 22-story hotel towers. Luxor offers 20,000 square feet of convention space, a 20,000-square-foot spa, a 1,200-seat showroom currently featuring the off-Broadway show "Blue Man Group," a nightclub, and food and entertainment venues on three different levels beneath a soaring hotel atrium. The pyramid's guest rooms can be reached from the four corners of the building by state-of-the-art "inclinators" that travel at a 39-degree angle. Above the pyramid's casino, the property offers a special format motion base ride and an IMAX 2D/3D theater. Luxor's other public areas include a buffet, eight restaurants including three gourmet restaurants, as well as a snack bar, a food court featuring national fast food franchises, several cocktail lounges and a variety of specialty shops.

Excalibur. This property is a castle-themed hotel and casino complex situated on a 53-acre site immediately to the north of Luxor. Excalibur's public areas include a Renaissance fair, a medieval village, an amphitheater with a seating capacity of nearly 1,000 where nightly mock jousting tournaments and costume drama are presented, two dynamic motion theaters, various artisans' booths and medieval games of skill. In addition, Excalibur has a buffet restaurant, six themed restaurants, as well as several snack bars, cocktail lounges and a variety of specialty shops.

Circus Circus-Las Vegas. This property, which is our original resort, is a circus-themed hotel and casino complex situated on approximately 69 acres on the north end of the Las Vegas Strip. From a "Big Top" above the casino, Circus Circus-Las Vegas offers its guests a variety of circus acts performed daily, free of charge. A mezzanine area overlooking the casino has a circus midway with carnival-style games and an arcade that offers a variety of amusements and electronic games. Four specialty restaurants, a buffet, a coffee shop, four fast food snack bars, several cocktail bars and a variety of gift shops and specialty shops are also available to the guests at Circus Circus-Las Vegas. The

Adventuredome, covering approximately five acres, offers theme park entertainment that includes a high-speed, double-loop, double-corkscrew roller coaster, a coursing river flume ride on white-water rapids, an IMAX motion base ride, several rides and attractions designed for preschool age children, themed carnival-style midway games, a state-of-the-art arcade, a 65-foot waterfall, animated life-size dinosaurs, food kiosks and souvenir shops, all in a climate-controlled setting under a giant space-frame dome. Circus Circus-Las Vegas also offers accommodations for approximately 400 recreational vehicles at the property's Circusland Recreational Vehicle Park.

Monte Carlo (50%-owned). Through wholly owned entities, we are a 50% participant with a subsidiary of MGM MIRAGE in, and manage the operations of, Victoria Partners, a joint venture which owns Monte Carlo, a hotel and casino resort situated on 46 acres with approximately 600 feet of frontage on the Las Vegas Strip. Monte Carlo is situated between Bellagio, a 3,000-room resort owned and operated by MGM MIRAGE, and New York-New York, a 2,000-room hotel-casino resort owned by MGM MIRAGE. Monte Carlo's casino reflects a palatial style reminiscent of the *Belle Epoque*, the French Victorian architecture of the late 19th century. Amenities at Monte Carlo include three specialty restaurants, including the popular Andre's gourmet restaurant, a buffet, a coffee shop, a food court, a microbrewery which features live entertainment, approximately 15,000 square feet of meeting and banquet space, and tennis courts. A 1,200-seat replica of a plush vaudeville theater, including a balcony and proscenium arch, features an elaborately staged show of illusions with the world-renowned magician, Lance Burton.

Reno, Nevada

Circus Circus-Reno. This property is a circus-themed hotel and casino complex situated in downtown Reno, Nevada. Like its sister property in Las Vegas, Circus Circus-Reno offers its guests a variety of circus acts performed daily, free of charge. A mezzanine area has a circus midway with carnival-style games and an arcade that offers a variety of amusements and electronic games. The property also has two specialty restaurants, a buffet, a coffee shop, a deli/bakery, a fast food snack bar, cocktail lounges, a gift shop and specialty shops.

Silver Legacy (50%-owned). Through a wholly owned entity, we are a 50% participant with Eldorado Limited Liability Company in Circus and Eldorado Joint Venture, a joint venture which owns and operates Silver Legacy, a hotel-casino and entertainment complex situated on two city blocks in downtown Reno, Nevada. Silver Legacy is situated between Circus Circus-Reno and the Eldorado Hotel & Casino, which is owned and operated by an affiliate of our joint venture partner at Silver Legacy. Silver Legacy's casino and entertainment complex is connected at the mezzanine level with Circus Circus-Reno and the Eldorado by enclosed climate-controlled skyways above the streets between the respective properties. The property's exterior is themed to evoke images of historical Reno. Silver Legacy features four restaurants and several bars, a 25,000-square-foot special events center, custom retail shops, a health spa and an outdoor pool and sun deck. Circus and Eldorado Joint Venture's executive committee, which functions in a manner similar to a corporation's board of directors, is responsible for overseeing the performance of Silver Legacy's management. Under the terms of the joint venture agreement, we appoint three of the executive committee's five members.

Laughlin, Nevada

Colorado Belle. This property is situated on a 22-acre site on the bank of the Colorado River (with nearly 1,080 feet of river frontage) in Laughlin, Nevada. The Colorado Belle features a 600-foot replica of a Mississippi riverboat and also includes a buffet, a coffee shop, three specialty restaurants, a microbrewery, fast-food snack bars and cocktail lounges, as well as a gift shop and other specialty shops.

Edgewater. This property is situated on a 16-acre site adjacent to the Colorado Belle with nearly 1,640 feet of frontage on the Colorado River. Edgewater's facilities include a specialty restaurant, a coffee shop, a buffet, a snack bar and cocktail lounges.

Jean, Nevada

Jean is located between Las Vegas and southern California, approximately 25 miles south of Las Vegas and 12 miles north of the California-Nevada state line. Jean attracts gaming customers almost entirely from the large number of people traveling between Las Vegas and southern California on Interstate-15, the principal highway between Las Vegas and southern California, which passes directly through Jean.

Gold Strike. This property is an "Old West" themed hotel-casino located on approximately 51 acres of land on the east side of Interstate-15. The property has, among other amenities, a swimming pool and spa, several restaurants, a banquet center, a gift shop and an arcade. The casino has a stage bar with regularly scheduled live entertainment and a casino bar.

Nevada Landing. This property is a turn-of-the-century riverboat themed hotel-casino located on approximately 55 acres of land across Interstate-15 from Gold Strike. Nevada Landing includes a 70-seat Chinese restaurant, a full-service coffee shop, a buffet, a snack bar, a gift shop, a swimming pool and spa and a 300-guest banquet facility.

Henderson, Nevada

Henderson is a suburb located southeast of Las Vegas.

Railroad Pass. This property is situated on approximately 56 acres along US-93, the direct route between Las Vegas and Phoenix, Arizona. This property includes, among other amenities, two full-service restaurants, a buffet, a gift shop, two bars, a swimming pool and a banquet facility. In contrast with our other Nevada properties, Railroad Pass caters to local residents, particularly from Henderson.

Tunica County, Mississippi

Tunica County is located 20 miles south of Memphis, Tennessee on the Mississippi River. Tunica County attracts customers from Mississippi and surrounding states, including cities such as Memphis, Tennessee and Little Rock, Arkansas.

Gold Strike-Tunica. This property is a dockside casino situated on a 24-acre site along the Mississippi River in Tunica County, approximately three miles west of Mississippi State Highway 61 (a major north/south highway connecting Memphis with Tunica County) and 20 miles south of Memphis. The property features an 800-seat showroom, a coffee shop, a specialty restaurant, a buffet, a snack bar and several cocktail lounges. Gold Strike-Tunica is part of a three-casino development covering approximately 72 acres. The other two casinos are owned and operated by unaffiliated third parties. We also own an undivided one-half interest in an additional 388 acres of land which may be used for future development.

Detroit, Michigan

MotorCity Casino (53.5%-owned). On December 14, 1999, along with our joint venture partner, Atwater Casino Group, we opened MotorCity Casino, a casino facility in Detroit, Michigan. The casino includes approximately 75,000 square feet of casino space, five restaurants and a 3,800-space parking facility. Under a revised development agreement with the City of Detroit, MotorCity Casino is to be expanded at its current location by December 31, 2005, into a facility that will include approximately

400 hotel rooms, 100,000 square feet of casino space, a 1,200-seat theater, convention space, and additional restaurants, retail space and parking. We are committed to contribute 20% of the cost of the permanent facility in the form of an investment in the joint venture, and the joint venture will seek to borrow the balance of the cost. The cost of the additional facilities, excluding land, capitalized interest and preopening expenses, is currently estimated to be $275 million.

Various lawsuits have been filed in the state and federal courts challenging the constitutionality of the Detroit Casino Competitive Selection Process and the Michigan Gaming Control and Revenue Act, and seeking to appeal the issuance of a certificate of suitability to MotorCity Casino. No assurance can be given regarding the timing and outcome of these proceedings. An adverse ruling in any of these lawsuits could affect the joint venture's operation of the facility, as well as its ability to maintain its certificate of suitability and a casino license for its facility. All three casinos in Detroit are currently prevented from beginning construction of their new or expanded facilities as a result of one of these lawsuits.

Elgin, Illinois

Grand Victoria (50%-owned). Through wholly owned entities, we are a 50% participant with RBG, L.P. in a joint venture which owns Grand Victoria. Grand Victoria is a Victorian themed riverboat casino and land-based entertainment complex in Elgin, Illinois, a suburb approximately 40 miles northwest of downtown Chicago. The two-story vessel is 420 feet in length and 110 feet in width, and provides a maximum 80,000 square feet of casino space, approximately 36,000 square feet of which was being used as of July 31, 2003. The boat offers dockside gaming, which means its operation is conducted at dockside without cruising. The property also features a dockside complex that contains an approximately 83,000-square-foot pavilion with a buffet, a fine dining restaurant, a VIP lounge and a gift shop. Grand Victoria, which is strategically located in Elgin among the residential suburbs of Chicago, with nearby freeway access and direct train service from downtown Chicago, is located approximately 20 miles and 40 miles, respectively, from its nearest competitors in Aurora, Illinois and Joliet, Illinois, and holds one of only ten riverboat gaming licenses currently granted state-wide, nine of which are presently operational. Legislation in Illinois, which would allow a casino in Rosemont, approximately 16 miles from Grand Victoria, is being challenged in court. We manage the Grand Victoria, subject to the oversight of an executive committee which functions in a manner similar to a corporation's board of directors. Each joint venture partner is equally represented on the executive committee.

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Summary Financial Information

We have derived the following summary consolidated financial information for the fiscal year ended January 31, 1999 from the audited Consolidated Financial Statement included in Mandalay's Annual Report on Form 10-K for the fiscal year ended January 31, 1999, as amended. We have derived the following summary consolidated financial information for each of the four fiscal years ended January 31, 2000, 2001, 2002 and 2003 from Mandalay's reaudited Consolidated Financial Statements for each of the fiscal years ended January 31, 2000, 2001 and 2002 in Mandalay's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 6, 2003 (as amended on February 11, 2003) and the audited Consolidated Financial Statements included in Amendment No. 1 on Form 10-K/A to Mandalay Resort Group's Annual Report on Form 10-K for the fiscal year ended January 31, 2003, which are incorporated by reference in this prospectus. Our summary consolidated financial information presented in the table below as of and for the six months ended July 31, 2002 and 2003 is derived from the unaudited consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended July 31, 2003, which is incorporated by reference in this prospectus. However, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for these periods have been included. The results of operations for the six months ended July 31, 2003 may not be indicative of the results of operations for the full year. The table should be read together with our consolidated financial statements and accompanying notes, as well as management's discussion and analysis of results of operations and financial condition, all of which can be found in publicly available documents, including those incorporated by reference in this prospectus.

	Fiscal Year Ended January 31,					Six Months Ended July 31,	
	1999	2000	2001	2002	2003	2002	2003
	(dollars in thousands, except ratios and statistical measures)						
Statement of Operations Data (1):							
Net revenues (2)	$ 1,370,498	$ 1,926,278	$ 2,381,139	$ 2,348,512	$ 2,354,118	$ 1,214,256	$ 1,261,345
Income from operations	242,779	273,736	431,534	351,060	452,306	255,132	272,851
Pretax income	140,815	103,116	194,392	93,006	195,334	126,659	134,310
Net income (3)	85,198	42,163	119,700	53,044	115,603	78,192	86,382
Other Data:							
Capital expenditures	$ 671,547	$ 352,133	$ 110,220	$ 156,742	$ 300,532	$ 141,154	$ 346,002
Rooms (4)	27,118	27,118	27,118	27,142	27,142	27,142	27,142
Casino square footage (4)	1,030,700	1,086,700	1,086,700	1,086,700	1,086,700	1,086,700	1,086,700
Number of slot machines (4)	23,571	25,580	24,929	24,178	23,406	23,994	23,209
Number of table games (4)	921	1,014	991	945	932	945	904
Ratio of earnings to fixed charges (5)	1.62x	1.47x	1.85x	1.50x	1.91x	2.09x	2.39x

	As of July 31, 2003
	(dollars in thousands)
Balance Sheet Data:	
Cash and cash equivalents	$ 157,994
Total assets	4,642,762

	As of July 31, 2003
Long-term debt	3,021,566
Stockholders' equity	888,435

(1)
Mandalay Bay opened on March 2, 1999 and MotorCity Casino opened on December 14, 1999. Silver City, a small casino on the Las Vegas Strip, was operated under a lease which expired October 31, 1999.

(2)
During fiscal 2003, we reclassified equity in earnings of unconsolidated affiliates from revenues to a separate component within income from operations. Prior fiscal years have been reclassified to conform to the new presentation. This reclassification had no impact on previously reported income from operations or net income.

(3)
Net income includes charges for the cumulative effect of an accounting change of $1.9 million related to goodwill in fiscal 2003 and $22.0 million related to preopening expenses in fiscal 2000. In accordance with the adoption of Statement of

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Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") on February 1, 2002, Mandalay no longer amortizes goodwill. The following table presents our results for each of the four fiscal years ended January 31 as if the non-amortization provisions of SFAS 142 had been applied. All goodwill amortization was related to continuing operations.

	Fiscal Year Ended January 31,			
	1999	2000	2001	2002
	(dollars in thousands, except per share data)			
Net income as reported	$ 85,198	$ 42,163	$ 119,700	$ 53,044
Goodwill amortization adjustment	10,217	10,453	11,801	11,801
Adjusted net income	$ 95,415	$ 52,616	$ 131,501	$ 64,845
Basic net income per share as reported	$ 0.90	$ 0.47	$ 1.53	$ 0.73
Goodwill amortization adjustment	0.11	0.12	0.15	0.16
Adjusted basic net income per share	$ 1.01	$ 0.59	$ 1.68	$ 0.89
Diluted net income per share as reported	$ 0.90	$ 0.46	$ 1.50	$ 0.71
Goodwill amortization adjustment	0.11	0.11	0.15	0.16
Adjusted diluted net income per share	$ 1.01	$ 0.57	$ 1.65	$ 0.87

(4)
These items include 100% of Mandalay's joint venture properties. Mandalay acquired its 50% interest in the Grand Victoria, a then-operating riverboat casino in Elgin, Illinois, on June 1, 1995. Joint ventures in which Mandalay owns 50% interests opened Silver Legacy in Reno, Nevada on July 28, 1995 and Monte Carlo in Las Vegas, Nevada, on June 21, 1996. A joint venture in which Mandalay owns a 53.5% interest opened MotorCity Casino, a temporary casino in Detroit, Michigan, on December 14, 1999. The information as of January 31, 1999 includes figures for Mandalay Bay, which opened March 2, 1999. Silver City, a small casino on the Las Vegas Strip, was operated under a lease which expired October 31, 1999.

(5)

For purposes of determining the ratio of earnings to fixed charges, earnings are defined as net income before fixed charges, income taxes and minority interest, adjusted to exclude capitalized interest. Fixed charges consist of interest, whether expensed or capitalized, amorization of debt discount and issuance costs, Mandalay's proportionate share of the interest cost of 50%-owned ventures, and the estimated interest component of rental expense. Fixed charges for the six months ended July 31, 2003 do not include the loss on early extinguishment of debt of $6.3 million (net of related gain on swap terminations).

Executive Offices

Our executive offices are located at 3950 Las Vegas Boulevard South, Las Vegas, Nevada 89119. Our telephone number is (702) 632-6700.

Summary of the Exchange Offer

The Exchange Offer	We are offering to exchange $1,000 principal amount of our exchange notes for each $1,000 principal amount of old notes. As of the date of this prospectus, $250 million in aggregate principal amount of old notes are outstanding.
	We have registered the exchange notes under the Securities Act of 1933 and they are substantially identical to the old notes, except for the elimination of some transfer restrictions, registration rights and liquidated damages provisions relating to the old notes.
Accrued Interest on the Exchange Notes and the Old Notes	Interest on the exchange notes will accrue from the last interest payment date on which interest was paid on the old notes or, if no interest was paid on the old notes, from the date of issuance of the old notes, which was on July 31, 2003. Holders whose old notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the old notes.
No Minimum Condition	We are not conditioning the exchange offer on the tender of any minimum principal amount of old notes.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2003, unless we decide to extend the exchange offer.
Withdrawal Rights	You may withdraw your tender at any time prior to 5:00 p.m., New York City time, on the expiration date.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, which we may waive. We currently anticipate that each of the conditions will be satisfied and that we will not need to waive any conditions. We reserve the right to terminate or amend the exchange offer at any time before the expiration date if any of the conditions occurs. For additional information, see the section "The Exchange Offer" in this prospectus under the subheading "Certain Conditions to the Exchange Offer."
Procedures for Tendering Old Notes	If you are a holder of old notes who wishes to accept the exchange offer, you must:
	complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, and mail or otherwise deliver the letter of transmittal, together with your old notes, to the exchange agent at the address set forth in the section "The Exchange Offer" in this prospectus under the subheading "Exchange Agent"; or

	arrange for The Depository Trust Company to transmit certain required information, including an agent's message forming part of a book-entry transfer in which you agree to be bound by the terms of the letter of transmittal, to the exchange agent in connection with a book-entry transfer.
	By tendering your old notes in either manner, you will be representing among other things, that:
	the exchange notes you receive pursuant to the exchange offer are being acquired in the ordinary course of your business;
	you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes issued to you in the exchange offer; and
	you are not an "affiliate" of ours.
Special Procedures for Beneficial Owners	If you beneficially own old notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should contact the registered holder promptly and instruct it to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either arrange to have your old notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures	If you wish to tender your old notes and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedures for book-entry transfer cannot be completed on time, you may tender your old notes according to the guaranteed delivery procedures described in the section "The Exchange Offer" in this prospectus under the subheading "Procedures for Tendering Old Notes."
Acceptance of Old Notes and Delivery of Exchange Notes	We will accept for exchange all old notes which are properly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The exchange notes issued in the exchange offer will be delivered promptly following the expiration date. For additional information, see the section "The Exchange Offer" in this prospectus under the subheading "Acceptance of Old Notes for Exchange; Delivery of Exchange Notes."
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We will pay for our expenses incident to the exchange offer.

Federal Income Tax Consequences	The exchange of exchange notes for old notes in the exchange offer will not be a taxable event for federal income tax purposes. For additional information, see the section "Material Federal Income Tax Consequences of the Exchange" in this prospectus.
Effect on Holders of Old Notes	As a result of this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement dated as of July 31, 2003 among Mandalay Resort Group and Banc of America Securities LLC and each of the other initial purchasers named in the agreement and, accordingly, there will be no increase in the interest rate on the old notes. If you do not tender your old notes in the exchange offer:
	you will continue to hold the old notes and will be entitled to all the rights and limitations applicable to the old notes under the indenture governing the notes, except for any rights under the registration rights agreement that terminate as a result of the completion of the exchange offer; and
	you will not have any further exchange rights or, except for any rights under the

	registration rights agreement, any registration rights, and your old notes will continue to be subject to restrictions on transfer. Accordingly, the trading market for untendered old notes could be adversely affected.
Restrictions on Transferability of Old Notes following Completion of the Exchange Offer	Following the completion of the exchange offer, holders of any old notes that are not exchanged may sell those notes only in transactions which are exempt from the registration requirements of the Securities Act of 1933, or in a transaction pursuant to an effective registration statement, if we subsequently register the old notes. Except as required by the terms of the registration rights agreement, we do not intend to register any old notes that remain outstanding following completion of the exchange offer. See the section "The Exchange Offer" in this prospectus under the subheading "Shelf Registration Statement."
Exchange Agent	The Bank of New York is serving as exchange agent in connection with the exchange offer.

Summary of the Exchange Notes

Issuer	Mandalay Resort Group.
Total Amount of Exchange Notes Offered	Up to $250 million in principal amount of $6^1/_2$% senior notes due 2009.
Maturity	July 31, 2009.
Interest	$6^1/_2$% per year.
Interest Payment Dates	January 31 and July 31, beginning January 31, 2004.
Optional Redemption	Other than as permitted to comply with an order or other requirement of a gaming regulatory authority, Mandalay will not have the right to redeem the exchange notes prior to their maturity, except that, prior to maturity, Mandalay may redeem the exchange notes in whole but not in part at a redemption price equal to 100% of the principal amount of the exchange notes plus a make-whole premium described in the section "Description of the Exchange Notes" in this prospectus under the subheading "Optional Redemption."
Ranking	The exchange notes will be unsecured senior obligations and will rank equal in right of payment to our unsecured senior indebtedness. The exchange notes will rank senior in right of payment to our subordinated indebtedness. The exchange notes will effectively rank junior to all secured indebtedness of Mandalay and to all indebtedness and other liabilities of our subsidiaries.
Change of Control	If a change of control event occurs, each holder of exchange notes may require Mandalay to repurchase all or a portion of its exchange notes at a purchase price equal to 101% of the principal amount of the exchange notes, plus accrued interest.
Certain covenants	The indenture governing the exchange notes contains covenants that, among other things, limit our ability and, in certain instances, the ability of our subsidiaries, to:
	enter into sale and lease-back transactions;
	incur liens; and
	merge, consolidate or transfer all or substantially all of our assets.
	These covenants are subject to a number of important qualifications and exceptions. See the section "Description of the Exchange Notes" in this prospectus under the subheading "Additional Covenants of Mandalay."

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Comparison of the Old Notes and the Exchange Notes	Exchange notes will be identical to the old notes except that
	the old notes are, and following the exchange offer will be, subject to the restrictions on transfer described above under "Summary of the Exchange Offer" opposite the caption "Restrictions on Transferability of Old Notes following Completion of the Exchange Offer" compared with the more limited transfer restrictions applicable to the exchange notes described below opposite the caption "Resales of Exchange Notes;" and
	any exchange notes acquired in exchange for old notes by any holder other than a broker-dealer will cease to be entitled to be included in any shelf registration statement we may become obligated to file under the registration rights agreement and will cease to be entitled to any liquidated damages we may become obligated to pay on account of our failure to comply with the terms of the registration rights agreement with respect to a shelf registration statement. See the section "The Exchange Offer" in this prospectus under the subheadings "Shelf Registration Statement" and "Liquidated Damages."
Resales of Exchange Notes	Based on interpretations by the staff of the Securities and Exchange Commission as set forth in interpretive letters addressed to third parties in other transactions, we believe that the exchange notes issued pursuant to the exchange offer may be offered for resale, resold and otherwise transferred by a holder, other than any holder who is a broker-dealer or an "affiliate" of ours within the meaning of Rule 405 of the Securities Act of 1933, without further compliance with the registration and prospectus delivery requirements of the Securities Act of 1933, provided that:
	the exchange notes are acquired in the ordinary course of the holder's business; and
	the holder is not participating and has no arrangement or understanding with any person to participate, in a distribution of the exchange notes.
	However, any holder who is:
	an "affiliate" of ours;
	who has an arrangement or understanding with respect to the distribution of the exchange notes to be acquired pursuant to the exchange offer; or
	any broker-dealer who purchased old notes from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act of 1933,
	could not rely on the applicable interpretations of the staff and must comply with the registration and prospectus delivery

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	requirements of the Securities Act of 1933. A broker-dealer who holds old notes that were acquired for its own account as a result of market-making or other trading activities may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933 and must, therefore, deliver a

	prospectus meeting the requirements of the Securities Act of 1933 in connection with any resale of exchange notes. Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where the broker-dealer acquired the old notes as a result of market-making activities or other trading activities, must acknowledge, as provided in the letter of transmittal, that it will deliver a prospectus in connection with any resale of the exchange notes. For more detailed information, see the section "Plan of Distribution" in this prospectus.

Risk Factors

See the section "Risk Factors" in this prospectus for a discussion of the factors you should carefully consider before deciding to invest in the exchange notes, including factors affecting forward-looking statements.

RISK FACTORS

You should carefully consider the following factors in addition to the other information set forth in this prospectus before making an investment in the exchange notes.

Risks Relating to Mandalay Resort Group

Our substantial indebtedness could adversely affect our financial results and prevent us from fulfilling our obligations under the notes.

We have a significant amount of indebtedness. As of July 31, 2003, we had total consolidated indebtedness of approximately $3.0 billion and stockholders' equity of approximately $0.9 billion. As of the date of this prospectus, we have a total of $ million outstanding under our $1.1 billion revolving credit and term loan facilities and $145 million outstanding under an equipment financing agreement pursuant to which, subject to certain conditions, we may borrow up to an additional $105 million on or before December 31, 2003. In addition, Mandalay is a party to keep-well agreements relating to an existing joint venture in which we have an interest, and may become a party to other keep-well agreements relating to the same or other joint ventures in which we have or may acquire an interest. These agreements may require us to make additional cash contributions.

The notes do not restrict our ability to borrow substantial additional funds on a secured or unsecured basis in the future nor do they provide holders any protection should we be involved in transactions that increase our leverage. If we add new indebtedness to our anticipated debt levels following the date of this prospectus, it could increase the related risks that we face.

Our high level of indebtedness could have important consequences to you, such as:

- limiting our ability to obtain additional financing to fund our growth strategy, working capital, capital expenditures, debt service, acquisitions or other obligations, including our obligations with respect to the notes;
- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a significant portion of these funds to make principal and interest payments on our indebtedness;
- increasing our interest expense if there is a rise in interest rates, because a significant portion of our borrowings are and will continue to be under our credit facilities and, as such, the rates are of short-term duration (typically 1 to 90 days) that require ongoing refunding of advances under the revolving credit facility and resetting of rates under the term loan facility at then current rates of interest;

causing our failure to comply with the financial and restrictive covenants contained in the agreements and indentures governing our indebtedness which could cause a default under our other debt or the notes and which, if not cured or waived, could have a material adverse effect on us;

limiting our ability to compete with others who are not as highly leveraged, including our ability to explore business opportunities; and

limiting our ability to react to changing market conditions, changes in our industry and economic downturns.

If we do not generate sufficient cash from our operations to make scheduled payments on the notes or to meet our other obligations and/or our joint venture obligations, we will need to take one or more actions including the refinancing of our debt, obtaining additional financing, selling assets, obtaining additional equity capital, or reducing or delaying capital expenditures. We cannot assure you

that our business will generate cash flow or th-family:Times New Roman" SIZE="2">

Total current liabilities

125.5 155.6

Long-term debt, net of current portion

134.2 142.7

Plant closure provisions, net of current portion

26.8 26.2

Unrecognized tax benefits, net of current portion

9.0 6.2

Deferred tax liabilities, net of current portion

10.9 9.5

Pension liabilities

33.0 39.0

Acquisition-related contingent consideration

4.8 4.6

Other non-current liabilities

0.2 0.3

Deferred income, net of current portion

1.1 1.2

Total liabilities

345.5 385.3

Stockholders equity:

Common stock, $0.01 par value, authorized 40,000,000 shares, issued 29,554,500 shares

0.3 0.3

Additional paid-in capital

310.1 308.8

Treasury stock (5,141,057 and 5,207,947 shares at cost, respectively)	(72.9)	(73.3)
Retained earnings	356.3	327.5
Accumulated other comprehensive loss	(152.5)	(153.9)
Total stockholders equity	441.3	409.4
Total liabilities and stockholders equity	$786.8	$794.7

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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INNOSPEC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in millions)	**Six Months Ended June 30 2014**	**2013**
Cash Flows from Operating Activities		
Net income	$ 35.4	$ 35.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14.6	8.8
Impairment of Octane Additives segment goodwill	0.0	0.6
Deferred taxes	0.8	0.7
Excess tax benefit from stock-based payment arrangements	(0.6)	(2.0)
Cash contributions to defined benefit pension plans	(5.8)	(5.4)
Non-cash expense of defined benefit pension plans	2.0	1.7
Stock option compensation	1.2	1.4
Changes in assets and liabilities, net of effects of acquired and divested companies:		
Trade and other accounts receivable	18.6	27.4
Inventories	(13.3)	(12.5)
Prepaid expenses	2.0	1.8
Accounts payable and accrued liabilities	(22.9)	(13.8)
Accrued income taxes	6.3	(5.8)
Plant closure provisions	(0.8)	0.3
Unrecognized tax benefits	(4.0)	(0.4)
Other non-current assets and liabilities	0.3	(0.3)
Net cash provided by operating activities	33.8	37.6
Cash Flows from Investing Activities		
Capital expenditures	(6.0)	(4.9)
Business combinations, net of cash acquired	0.3	0.6
Internally developed software and other costs	(3.0)	(3.8)
Proceeds on disposal of property, plant and equipment	0.1	0.0
Purchase of short-term investments	(3.3)	(3.0)
Sale of short-term investments	4.1	3.5
Net cash provided by/(used in) investing activities	(7.8)	(7.6)
Cash Flows from Financing Activities		
Proceeds from revolving credit facility	0.0	21.0
Repayments of revolving credit facility	(8.0)	(18.0)
Repayments of term loans	(0.5)	0.0
Excess tax benefit from stock-based payment arrangements	0.6	2.0
Dividend paid	(6.6)	0.0
Issue of treasury stock	0.4	0.7
Repurchase of common stock	(0.8)	(3.1)
Net cash provided by/(used in) financing activities	(14.9)	2.6
Effect of foreign currency exchange rate changes on cash	0.1	(0.3)
Net change in cash and cash equivalents	11.2	32.3
Cash and cash equivalents at beginning of period	80.2	22.4

Cash and cash equivalents at end of period	$ 91.4	$ 54.7

Amortization of deferred finance costs of $0.4 million (2013 $0.2 million) are included in depreciation and amortization in the cash flow statement but in interest expense in the income statement.

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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INNOSPEC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(Unaudited)

(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
Balance at December 31, 2013	$ 0.3	$ 308.8	$ (73.3)	$ 327.5	$ (153.9)	$ 409.4
Net income				35.4		35.4
Dividend paid ($0.27 per share)				(6.6)		(6.6)
Changes in cumulative translation adjustment					(0.2)	(0.2)
Treasury stock re-issued		(0.5)	1.2			0.7
Treasury stock repurchased			(0.8)			(0.8)
Excess tax benefit from stock-based payment arrangements		0.6				0.6
Stock option compensation		1.2				1.2
Amortization of prior service credit, net of tax					(0.6)	(0.6)
Amortization of actuarial net losses, net of tax					2.2	2.2
Balance at June 30, 2014	$ 0.3	$ 310.1	$ (72.9)	$ 356.3	$ (152.5)	$ 441.3

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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INNOSPEC INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X under the Securities Exchange Act of 1934. Accordingly, they do not include all the information and notes necessary for a comprehensive presentation of financial position, results of operations and cash flows.

It is our opinion, however, that all adjustments (consisting of normal, recurring adjustments, unless otherwise disclosed) have been made which are necessary for the financial statements to be fairly stated. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K filed on February 13, 2014.

The results for the interim period covered by this report are not necessarily indicative of the results to be expected for the full year.

We have reclassified certain prior period amounts to conform to the current period presentation.

When we use the terms the Corporation, Company, Registrant, we, us and our, we are referring to Innospec Inc. and its consolidated subs (Innospec) unless otherwise indicated or the context otherwise requires.

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NOTE 2 SEGMENTAL REPORTING

Innospec divides its business into three segments for management and reporting purposes: Fuel Specialties, Performance Chemicals and Octane Additives. The Fuel Specialties and Performance Chemicals segments operate in markets where we actively seek growth opportunities although their ultimate customers are different. The Octane Additives segment continues to decline and as expected as our one remaining customer transitions to unleaded fuel.

The Company evaluates the performance of its segments based on operating income. The following table analyzes sales and other financial information by the Company s reportable segments:

	Three Months Ended June 30		Six Months Ended June 30	
(in millions)	**2014**	**2013**	**2014**	**2013**
Net sales:				
Fuel Specialties	$ 145.1	$ 126.2	$ 309.3	$ 266.2
Performance Chemicals	59.4	44.5	115.5	92.3
Octane Additives	16.8	14.3	17.2	25.9
	$ 221.3	$ 185.0	$ 442.0	$ 384.4
Gross profit:				
Fuel Specialties	$ 43.9	$ 40.5	$ 95.9	$ 87.5
Performance Chemicals	15.3	11.3	28.9	21.8
Octane Additives	9.4	7.6	9.5	13.9
	$ 68.6	$ 59.4	$ 134.3	$ 123.2
Operating income:				
Fuel Specialties	$ 17.5	$ 19.2	$ 43.3	$ 44.1
Performance Chemicals	7.8	6.5	14.3	11.5
Octane Additives	8.3	6.1	7.1	10.9
Pension charge	(0.9)	(0.7)	(1.7)	(1.4)
Corporate costs	(7.4)	(8.5)	(19.7)	(20.0)
Impairment of Octane Additives segment goodwill	0.0	(0.3)	0.0	(0.6)
Total operating income	$ 25.3	$ 22.3	$ 43.3	$ 44.5

Restructuring charges separately disclosed in prior periods have been reclassified to corporate costs. We have reclassified the prior period amounts to conform to the current period presentation.

The pension charge relates to the United Kingdom defined benefit pension plan which is closed to future service accrual. The charges related to our other much smaller pension arrangements in the U.S. and overseas are included in the segment and income statement captions consistent with the related employees costs.

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The following table presents a summary of the depreciation and amortization charges incurred by the Company s reportable segments:

(in millions)	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Depreciation:				
Fuel Specialties	$ 1.0	$ 0.6	$ 2.2	$ 1.2
Performance Chemicals	1.0	0.8	1.9	1.7
Octane Additives	0.1	0.2	0.2	0.4
Corporate	0.5	0.5	1.1	1.1
	$ 2.6	$ 2.1	$ 5.4	$ 4.4
Amortization:				
Fuel Specialties	$ 2.1	$ 1.6	$ 4.3	$ 3.2
Performance Chemicals	1.3	0.3	2.6	0.7
Octane Additives	0.0	0.2	0.0	0.3
Corporate	1.0	0.0	1.9	0.0
	$ 4.4	$ 2.1	$ 8.8	$ 4.2

NOTE 3 EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the effect of options that are dilutive and outstanding during the period. Per share amounts are computed as follows:

	Three Months Ended June 30 2014	Three Months Ended June 30 2013	Six Months Ended June 30 2014	Six Months Ended June 30 2013
Numerator (in millions):				
Net income available to common stockholders	$ 18.5	$ 17.1	$ 35.4	$ 35.1
Denominator (in thousands):				
Weighted average common shares outstanding	24,401	23,528	24,382	23,466
Dilutive effect of stock options and awards	271	529	250	607
Denominator for diluted earnings per share	24,672	24,057	24,632	24,073
Net income per share, basic:	$ 0.76	$ 0.73	$ 1.45	$ 1.50
Net income per share, diluted:	$ 0.75	$ 0.71	$ 1.44	$ 1.46

In the three and six months ended June 30, 2014, the average number of anti-dilutive options excluded from the calculation of diluted earnings per share were 16,097 and 8,049, respectively. In the three and six months ended June 30, 2013, the average number of anti-dilutive options excluded from the calculation of diluted earnings per share were nil and 10,527, respectively.

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NOTE 4 GOODWILL

The following table summarizes the goodwill movement year on year:

(in millions)	Six Months Ended June 30 2014	2013
At January 1:		
Gross cost [1]	$ 424.4	$ 384.2
Accumulated impairment losses	(236.5)	(235.2)
Net book amount	$ 187.9	$ 149.0
Exchange effect	(0.1)	(0.1)
Adjustments to purchase price allocation	0.3	0.4
Impairment losses	0.0	(0.6)
At June 30:		
Gross cost [1]	$ 424.6	$ 384.5
Accumulated impairment losses	(236.5)	(235.8)
Net book amount	$ 188.1	$ 148.7

[1] Gross cost for 2014 and 2013 is net of $298.5 million of historical accumulated amortization.

The Bachman Group Companies Acquisition

On November 4, 2013, the Company acquired 100% of the voting equity interests in Bachman Services, Inc., Specialty Intermediates, Inc., Bachman Production Specialties, Inc. and Bachman Drilling & Production Specialties, Inc. (collectively Bachman). Bachman provide chemicals and services to the oil and gas industry and are based in Oklahoma City, Oklahoma. We purchased Bachman for a cash consideration of $45.8 million and by the issuance of 319,953 shares of unregistered Innospec Inc. common stock to the previous owners with a fair value of approximately $15 million, based on the Innospec share price on the closing date. We acquired the businesses in order to move us towards critical mass, and bring both good technology and market positioning in the oilfield specialties sector which forms part of our Fuel Specialties segment.

The following table summarizes the calculations of the total purchase price and the allocation of the purchase price to the assets acquired and liabilities assumed for Bachman:

(in millions)	Bachman
Other intangible assets	$ 25.9
Goodwill	23.2
Deferred tax on intangibles	(7.6)
Other net assets acquired, excluding cash of $2.0 million	17.0
Purchase price, net of cash acquired	$ 58.5

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In the second quarter of 2014, a $0.3 million reduction in the purchase price was agreed with the previous owners of Bachman in respect of post-closing working capital adjustments, resulting in a corresponding reduction in other net assets acquired. In addition we have now finalized the calculations of the fair values of assets acquired and liabilities assumed in the acquisition of Bachman, resulting in a further $0.3 million reduction in other net assets and a corresponding increase in goodwill.

Bachman, and the associated goodwill, are included within our Fuel Specialties segment for management and reporting purposes.

NOTE 5 OTHER INTANGIBLE ASSETS

The following table summarizes the other intangible assets movement year on year:

	Six Months Ended June 30	
(in millions)	**2014**	**2013**
Gross cost at January 1	$ 175.5	$ 106.2
Capitalization of internally developed software and other costs	3.0	3.8
Exchange effect	0.1	0.0
Gross cost at June 30	178.6	110.0
Accumulated amortization at January 1	(48.7)	(37.6)
Amortization expense	(8.8)	(4.2)
Exchange effect	0.0	(0.1)
Accumulated amortization at June 30	(57.5)	(41.9)
Net book amount at June 30	$ 121.1	$ 68.1

Capitalization of internally developed software and other costs

We are continuing with the implementation of a new, company-wide, information system platform. At June 30, 2014, we had capitalized $22.5 million (2013 $13.9 million) in relation to this internally developed software.

Amortization expense

	Six Months Ended June 30	
(in millions)	**2014**	**2013**
Product rights	$ (1.9)	$ 0.0
Brand names	(0.3)	0.0
Technology	(1.2)	(1.0)
Customer relationships	(2.5)	(1.8)
Patents	(0.2)	(0.2)
Internally developed software	(1.9)	0.0
Non-compete agreements	(0.4)	(0.4)
Marketing related	(0.4)	(0.8)
Total	$ (8.8)	$ (4.2)

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NOTE 6 PENSION PLANS

The Company maintains a defined benefit pension plan (the Plan) covering a number of its current and former employees in the United Kingdom, although it does also have other much smaller pension arrangements in the U.S. and overseas. The Plan is closed to future service accrual but has a large number of deferred and current pensioners

	Three Months Ended June 30		Six Months Ended June 30	
(in millions)	**2014**	**2013**	**2014**	**2013**
Plan net pension credit/(charge):				
Service cost	$ (0.4)	$ (0.4)	$ (0.8)	$ (0.8)
Interest cost on projected benefit obligation	(8.8)	(7.7)	(17.5)	(15.6)
Expected return on plan assets	9.4	8.7	18.7	17.7
Amortization of prior service credit	0.3	0.3	0.7	0.6
Amortization of actuarial net losses	(1.4)	(1.6)	(2.8)	(3.3)
	$ (0.9)	$ (0.7)	$ (1.7)	$ (1.4)

The amortization of prior service credit and actuarial net losses is a reclassification out of accumulated other comprehensive income/(loss) into selling, general and administrative expenses.

NOTE 7 INCOME TAXES

A roll-forward of unrecognized tax benefits and associated accrued interest and penalties is as follows:

(in millions)	**Interest and Penalties**	**Unrecognized Tax Benefits**	**Total**
Opening balance at January 1, 2014	$ 1.1	$ 11.9	$ 13.0
Reductions for tax positions of prior periods	(0.4)	(3.6)	(4.0)
Closing balance at June 30, 2014	0.7	8.3	9.0
Current	0.0	0.0	0.0
Non-current	$ 0.7	$ 8.3	$ 9.0

All of the unrecognized tax benefits, interest and penalties, would impact our effective tax rate if recognized.

We recognize accrued interest and penalties associated with uncertain tax positions as part of income taxes in our consolidated statements of income.

The Company or one of its subsidiaries files income tax returns with the U.S. federal government, and various state and foreign jurisdictions. As previously disclosed, as at December 31, 2013, the Company and its U.S. subsidiaries were subject to tax audits in the U.S. On March 6, 2014, the federal income tax examination by the IRS for 2009 was effectively settled. The additional tax cost was nominal and resulted in a reduction of $3.6 million in unrecognized tax benefits and a reduction of $0.4 million in associated interest and penalties in the first quarter of 2014.

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The Company and its U.S. subsidiaries remain open to examination by the IRS for years 2010 onwards. The Company s subsidiaries in foreign tax jurisdictions are open to examination including France (2012 onwards), Germany (2010 onwards), Switzerland (2012 onwards) and the United Kingdom (2012 onwards).

The Company is in a position to control whether or not to repatriate foreign earnings and we intend to permanently reinvest earnings overseas to fund overseas subsidiaries. No taxes have been provided for on the unremitted earnings of our overseas subsidiaries as any tax basis differences relating to investments in these overseas subsidiaries are considered to be permanent in duration. The amount of unremitted earnings at December 31, 2013 and 2012 was approximately $605 million and $717 million, respectively. If these earnings are remitted, additional taxes could result after offsetting foreign income taxes paid although the calculation of the additional taxes is not practical at this time.

NOTE 8 LONG-TERM DEBT

Long-term debt consists of the following:

(in millions)	June 30, 2014	December 31, 2013
Revolving credit facility	$ 134.0	$ 142.0
Promissory note	5.0	5.0
Other long-term debt	0.5	1.0
	139.5	148.0
Less current portion	(5.3)	(5.3)
	$ 134.2	$ 142.7

On July 31, 2014 the Company increased its borrowing capacity by $20 million such that its credit facility now provides for borrowings by us of up to $200 million until it expires on December 14, 2016 and may be drawn down in full in the U.S.

NOTE 9 PLANT CLOSURE PROVISIONS

The liability for estimated closure costs of Innospec s manufacturing facilities includes costs for decontamination and environmental remediation activities (remediation). The principal site giving rise to remediation liabilities is the manufacturing site at Ellesmere Port in the United Kingdom. There are also remediation liabilities on a much smaller scale in respect of our other manufacturing sites in the U.S. and Europe.

Movements in the provisions for the six months ended June 30 are summarized as follows:

		2014		2013
(in millions)	Severance	Remediation	Total	Total
Total at January 1	$ 1.0	$ 31.4	$ 32.4	$ 30.4
Charge for the period	0.0	1.4	1.4	1.3
Utilized in the period	0.0	(1.2)	(1.2)	(1.0)
Released in the period	(1.0)	0.0	(1.0)	0.0
Total at June 30	0.0	31.6	31.6	30.7
Due within one year	0.0	(4.8)	(4.8)	(3.7)
Due after one year	$ 0.0	$ 26.8	$ 26.8	$ 27.0

Amounts due within one year refer to provisions where expenditure is expected to arise within one year of the balance sheet date. A severance provision which is no longer required has been released to the income statement in the second quarter of 2014. Remediation costs are recognized in cost of goods sold.

Remediation

The remediation provision represents the Company s liability for environmental liabilities and asset retirement obligations. The charge for the period represents the accretion expense recognized in the first six months of 2014.

We recognize environmental liabilities when they are probable and costs can be reasonably estimated, and asset retirement obligations when there is a legal obligation and costs can be reasonably estimated. The Company has to anticipate the program of work required and the associated future expected costs, and comply with environmental legislation in the countries in which it operates or has operated in. The Company views the costs of vacating our Ellesmere Port site as contingent upon if and when it vacates the site because there is no present intention to do so. The Company has further determined that, due to the uncertain product life of TEL particularly in the market for aviation gasoline and other products being manufactured on the site, there are uncertainties as to the probability and timing of the expected costs. Such uncertainties have been considered in estimating the provision.

NOTE 10 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes a mid-market pricing convention for valuing the majority of its assets and liabilities measured and reported at fair value. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observability of those inputs. The Company gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. In the first six months of 2014, the Company evaluated the fair value hierarchy levels assigned to its assets and liabilities, and concluded that there should be no transfers into or out of Levels 1, 2 and 3.

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The following table presents the carrying amount and fair values of the Company s assets and liabilities measured on a recurring basis:

	June 30, 2014		December 31, 2013	
(in millions)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Non-derivatives:				
Cash and cash equivalents	$ 91.4	$ 91.4	$ 80.2	$ 80.2
Short-term investments	6.0	6.0	6.6	6.6
Derivatives (Level 1 measurement):				
Other non-current assets:				
Foreign currency forward exchange contracts	0.4	0.4	1.0	1.0
Liabilities				
Non-derivatives:				
Long-term debt (including current portion)	$ 139.5	$ 139.5	$ 148.0	$ 148.0
Non-financial liabilities (Level 3 measurement):				
Stock equivalent units	7.6	7.6	12.1	12.1
Acquisition-related contingent consideration	4.8	4.8	4.6	4.6

Foreign currency forward exchange contracts primarily relate to contracts entered into to hedge future known transactions or hedge balance sheet net cash positions. The movements in the carrying amounts and fair values of these contracts are largely due to changes in exchange rates against the U.S. dollar.

NOTE 11 DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The Company has limited involvement with derivative instruments and does not trade them. The Company does use derivatives to manage certain interest rate, foreign currency exchange rate and raw material cost exposures, as the need arises. As at June 30, 2014 and December 31, 2013 the Company did not hold any interest rate or raw material derivatives.

The Company enters into various foreign currency forward exchange contracts to minimize currency exchange rate exposure from expected future cash flows. As at June 30, 2014 the contracts have maturity dates of up to one year at the date of inception. These foreign currency forward exchange contracts have not been designated as hedging instruments, and their impact on the income statement for the first six months of 2014 was a loss of $0.7 million.

The Company sells a range of Fuel Specialties, Performance Chemicals and Octane Additives products to major oil refineries, oil & gas exploration and production companies and chemical companies throughout the world. Credit limits, ongoing credit evaluation and account monitoring procedures are intended to minimize bad debt risk. Collateral is not generally required.

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NOTE 12 COMMITMENTS AND CONTINGENCIES

Jalal Bezee Mejel Al-Gaood & Partner litigation

On September 19, 2012, a claim was filed in the High Court of Justice in the United Kingdom by Jalal Bezee Mejel Al-Gaood & Partner and Future Agencies Company Limited (collectively JAG) against the Company, Innospec Limited and a former employee of Innospec Limited. JAG was the former Iraq distributor for Afton Chemicals Limited, a subsidiary of NewMarket Corporation, from at least 2005 until termination of that relationship in 2011. The stated claim, inclusive of costs and expenses, is for up to $42.3 million and relates to alleged loss of profits for JAG s business in Iraq between 2004 and 2010. The Company believes that the allegations in the JAG claim are without merit and has defended vigorously its interests through trial. On June 26, 2014 the trial was completed and the Company is awaiting the final judgment which the Company does not anticipate receiving until October 2014.

Other legal matters

While we are involved from time to time in claims and legal proceedings that result from, and are incidental to, the conduct of our business including business and commercial litigation, employee and product liability claims, there are no other material pending legal proceedings to which the Company or any of its subsidiaries is a party, or of which any of their property is subject. It is possible, however, that an adverse resolution of an unexpectedly large number of such individual claims or proceedings could in the aggregate have a material adverse effect on results of operations for a particular year or quarter.

Guarantees

The Company and certain of the Company s consolidated subsidiaries are contingently liable for certain obligations of affiliated companies primarily in the form of guarantees of debt and performance under contracts entered into as a normal business practice. This includes guarantees of non-U.S. excise taxes and customs duties. As at June 30, 2014, such contingent liabilities which are not recognized as liabilities in the consolidated financial statements amounted to $7.6 million.

Under the terms of the guarantee arrangements, generally the Company would be required to perform should the affiliated company fail to fulfil its obligations under the arrangements. In some cases, the guarantee arrangements have recourse provisions that would enable the Company to recover any payments made under the terms of the guarantees from securities held of the guaranteed parties assets.

The Company and its affiliates have numerous long-term sales and purchase commitments in their various business activities, which are expected to be fulfilled with no adverse consequences material to the Company.

NOTE 13 STOCKHOLDERS EQUITY AND STOCK-BASED COMPENSATION PLANS

At June 30, 2014, the Company had authorized common stock of 40,000,000 shares (December 31, 2013 40,000,000). Issued shares at June 30, 2014, were 29,554,500 (December 31, 2013 29,554,500) and treasury stock amounted to 5,141,057 shares (December 31, 2013 5,207,947).

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The Company grants stock options and stock equivalent units (SEUs) from time to time as a long-term performance incentive. In certain cases the grants are subject to performance conditions such as the Company s stock price. Where performance conditions apply the Monte Carlo simulation model is used to determine the fair values. Otherwise the Black-Scholes model is used to determine the fair values.

Stock option plans

The Company has four active stock option plans, two of which provide for the grant of stock options to employees and one provides for the grant of stock options to non-employee directors. The fourth plan is a savings plan which provides for the grant of stock options to all Company employees provided they commit to make regular savings over a pre-defined period which can then be used to purchase common stock upon vesting of the options. The stock options have discrete vesting periods which range from 24 months to 6 years and in all cases stock options granted expire within 10 years of the date of grant. All grants are at the sole discretion of the Compensation Committee of the Board of Directors. Grants may be priced at market value or at a premium or discount (including at no cost). The aggregate number of shares of common stock reserved for issuance which can be granted under the plans is 2,640,000.

The following table summarizes the transactions of the Company s stock option plans for the six months ended June 30, 2014:

		Number of Options	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2013		447,390	$ 7.33	
Granted	at discount	55,176	$ 0.00	$ 33.44
	at market value	21,542	$ 46.03	$ 14.18
Exercised		(85,642)	$ 5.01	
Forfeited		(8,420)	$ 6.99	
Outstanding at June 30, 2014		430,046	$ 8.80	

At June 30, 2014, there were 146,861 stock options that were exercisable, of which 59,001 had performance conditions attached.

The Company s policy is to issue shares from treasury stock to holders of stock options who exercise those options, but if sufficient treasury stock is not available, the Company will issue previously unissued shares of stock to holders of stock options who exercise options.

The total compensation cost for the first six months of 2014 was $1.2 million (2013 $1.4 million). The total intrinsic value of options exercised in the first six months of 2014 was $0.7 million (2013 $2.4 million).

The total compensation cost related to non-vested stock options not yet recognized at June 30, 2014 was $3.2 million and this cost is expected to be recognized over the weighted-average period of 2.12 years.

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Stock equivalent units

SEUs have discrete vesting periods which range from 11 months to 4 years and in all cases SEUs granted expire within 10 years of the date of grant. Grants may be priced at market value or at a premium or discount (including at no cost). There is no limit to the number of SEUs that can be granted. The liability for SEUs is located in accrued liabilities in the consolidated balance sheets until they are cash settled.

The following table summarizes the transactions of the Company s SEUs for the six months ended June 30, 2014:

		Number of SEUs	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2013		403,262	$ 3.64	
Granted	at discount	48,213	$ 0.00	$ 33.04
	at market value	7,147	$ 46.03	$ 14.18
Exercised		(143,850)	$ 5.44	
Forfeited		(5,597)	$ 6.60	
Outstanding at June 30, 2014		309,175	$ 3.25	

At June 30, 2014 there were 97,593 SEUs that are exercisable, of which 85,645 had performance conditions attached.

The charges for SEUs are spread over the life of the award subject to a revaluation to fair value each quarter. The revaluation may result in a charge or a credit to the income statement in the quarter dependent upon our share price and other performance criteria.

The total compensation cost for the first six months of 2014 was $1.0 million (2013 $3.9 million). The total intrinsic value of SEUs exercised in the first six months of 2014 was $3.0 million (2013 $1.8 million).

The weighted-average remaining vesting period of non-vested SEUs is 1.47 years.

Long-term incentive plan

In the first quarter of 2014, Innospec granted a long-term incentive plan to reward selected executives with a cash bonus for delivering exceptional performance. One of the elements of the plan is payable only if the Innospec share performance matches or out-performs that of competitors, as measured by the Russell 2000 Index, over the performance period January 1, 2014 to December 31, 2016. The maximum cash bonus payable under this element of the plan is $3 million and is accounted for as share-based compensation. As such, the fair value of these liability cash-settled long-term incentives is calculated on a quarterly basis. The fair value is calculated using a Monte Carlo model and is summarized as follows:

(in millions)	**2014**
Balance at January 1	$ 0.0
Compensation charge for the period	0.1
Balance at June 30	$ 0.1

The following assumptions were used in the Monte Carlo model at June 30, 2014:

	2014
Dividend yield	1.20%
Volatility of Innospec s share price	34.26%
Risk free interest rate	0.88%

NOTE 14 RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Reclassifications out of accumulated other comprehensive loss for the first six months of 2014 were:

(in millions) Details about AOCL Components	Amount Reclassified from AOCL	Affected Line Item in the Statement where Net Income is Presented
Defined benefit pension plan items:		
Amortization of prior service credit	$ (0.7)	See [1] below
Amortization of actuarial net losses	2.8	See [1] below
	2.1	Total before tax
	(0.5)	Income tax expense
	1.6	Net of tax
Total reclassifications	$ 1.6	Net of tax

(1) These items are included in the computation of net periodic pension cost. See Note 6 for additional information.

Changes in accumulated other comprehensive loss for the first six months of 2014, net of tax, were:

(in millions)	Defined Benefit Pension Plan Items	Cumulative Translation Adjustments	Total
Balance at December 31, 2013	$ (120.2)	$ (33.7)	$ (153.9)
Other comprehensive income/(loss) before reclassifications	0.0	(0.2)	(0.2)
Amounts reclassified from AOCL	1.6	0.0	1.6
Total other comprehensive income/(loss)	1.6	(0.2)	1.4
Balance at June 30, 2014	$ (118.6)	$ (33.9)	$ (152.5)

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NOTE 15 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU 2014-09 is effective for annual periods, and interim periods within those years, beginning after December 15, 2016. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11), which requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, similar tax loss, or a tax credit carryforward. To the extent the tax benefit is not available at the reporting date under the governing tax law or if the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented as a liability and not combined with deferred tax assets. ASU 2013-11 is effective for annual periods, and interim periods within those years, beginning after December 15, 2013. The amendments are to be applied to all unrecognized tax benefits that exist as of the effective date and may be applied retrospectively to each prior reporting period presented. The implementation of the amended accounting guidance has not had a material impact on our consolidated financial statements.

NOTE 16 RELATED PARTY TRANSACTIONS

Mr. Robert I. Paller has been a non-executive director of the Company since November 1, 2009. The Company has retained and continues to retain Smith, Gambrell & Russell, LLP (SGR), a law firm with which Mr. Paller holds a position. In the first six months of 2014 the Company incurred fees payable to SGR of $0.2 million (2013 full year $1.0 million). As at June 30, 2014, the amount due to SGR from the Company was $0.1 million (December 31, 2013 $0.2 million).

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Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations for the Three and Six Months Ended June 30, 2014

This discussion should be read in conjunction with our unaudited interim consolidated financial statements and the notes thereto.

CRITICAL ACCOUNTING ESTIMATES

The policies and estimates that the Company considers the most critical in terms of complexity and subjectivity of assessment are those related to contingencies, environmental liabilities, pensions, deferred tax and uncertain income tax positions, goodwill, and other intangible assets (net of amortization) and property, plant and equipment. These policies have been discussed in the Company s 2013 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The following table provides operating income by reporting segment:

	Three Months Ended June 30		Six Months Ended June 30	
(in millions)	**2014**	**2013**	**2014**	**2013**
Net sales:				
Fuel Specialties	$ 145.1	$ 126.2	$ 309.3	$ 266.2
Performance Chemicals	59.4	44.5	115.5	92.3
Octane Additives	16.8	14.3	17.2	25.9
	$ 221.3	$ 185.0	$ 442.0	$ 384.4
Gross profit:				
Fuel Specialties	$ 43.9	$ 40.5	$ 95.9	$ 87.5
Performance Chemicals	15.3	11.3	28.9	21.8
Octane Additives	9.4	7.6	9.5	13.9
	$ 68.6	$ 59.4	$ 134.3	$ 123.2
Operating income:				
Fuel Specialties	$ 17.5	$ 19.2	$ 43.3	$ 44.1
Performance Chemicals	7.8	6.5	14.3	11.5
Octane Additives	8.3	6.1	7.1	10.9
Pension charge	(0.9)	(0.7)	(1.7)	(1.4)
Corporate costs	(7.4)	(8.5)	(19.7)	(20.0)
Impairment of Octane Additives segment goodwill	0.0	(0.3)	0.0	(0.6)
Total operating income	$ 25.3	$ 22.3	$ 43.3	$ 44.5

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(in millions, except ratios)	Three Months Ended June 30 2014	2013	Change	
Net sales:				
Fuel Specialties	$ 145.1	$ 126.2	$ 18.9	+15%
Performance Chemicals	59.4	44.5	14.9	+33%
Octane Additives	16.8	14.3	2.5	+17%
	$ 221.3	$ 185.0	$ 36.3	+20%
Gross profit:				
Fuel Specialties	$ 43.9	$ 40.5	$ 3.4	+8%
Performance Chemicals	15.3	11.3	4.0	+35%
Octane Additives	9.4	7.6	1.8	+24%
	$ 68.6	$ 59.4	$ 9.2	+15%
Gross margin (%):				
Fuel Specialties	30.3	32.1	1.8	
Performance Chemicals	25.8	25.4	+0.4	
Octane Additives	56.0	53.1	+2.9	
Aggregate	31.0	32.1	1.1	
Operating expenses:				
Fuel Specialties	$ (26.4)	$ (21.3)	$ (5.1)	+24%
Performance Chemicals	(7.5)	(4.8)	(2.7)	+56%
Octane Additives	(1.1)	(1.5)	0.4	27%
Pension charge	(0.9)	(0.7)	(0.2)	+29%
Corporate costs	(7.4)	(8.5)	1.1	13%
	$ (43.3)	$ (36.8)	$ (6.5)	+18%

Fuel Specialties

Net sales: the table below details the components which comprise the year on year change in net sales spread across the markets in which we operate:

Change (%)	Three Months Ended June 30, 2014 Americas	EMEA	ASPAC	Avtel	Total
Volume	+9	21	15	+2	8
Price and product mix	+7	+3	3	+21	+5
Exchange rates	0	+5	+1	0	+2
Acquisitions	+43	0	0	0	+16
	+59	13	17	+23	+15

Americas saw an increase in volumes in the second quarter of 2014 as a result of higher demand, while benefiting from an improved price and product mix. Acquisitions in the Americas, relating to Bachman, generated additional sales compared to 2013. EMEA volumes decreased from the prior year due to weaker trading conditions and the impact of government sanctions related to Russia, partly offset by an improved price and product mix. EMEA benefited from favorable exchange rates driven primarily by a strengthening of the European Union euro against the U.S. dollar. Volumes were lower in ASPAC due to the loss of a contract in 2013 which offset increased underlying volumes, combined

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with an adverse price and product mix as a result of lower sales of higher margin products. Avtel volumes increased due to the timing of shipments to customers as opposed to any change in the long-term outlook for that market, while the price and product mix benefited from a favorable customer mix.

Gross margin: the year on year decrease of 1.8 percentage points primarily reflected lower sales of higher margin products and an adverse price and product mix in ASPAC.

Operating expenses: the year on year increase of 24%, or $5.1 million, was primarily due to $5.8 million of additional costs for the Bachman businesses; partly offset by a $0.7 million decrease in other expenses.

Performance Chemicals

Net sales: the table below details the components which comprise the year on year change in net sales spread across the markets in which we operate:

	Three Months Ended June 30, 2014			
Change (%)	**Americas**	**EMEA**	**ASPAC**	**Total**
Volume	1	+31	+16	+14
Price and product mix	0	3	2	2
Exchange rates	+1	+9	+3	+4
Acquisitions	+36	0	0	+17
	+36	+37	+17	+33

Increased Personal Care volumes in the Americas were offset by lower volumes in Fragrance Ingredients and for an industrial product. Acquisitions in the Americas, relating to Chemsil and Chemtec, generated additional sales compared to 2013. Volumes in EMEA were higher including continuing increases for Personal Care and Fragrance Ingredients volumes, combined with an adverse price and product mix. ASPAC volumes were higher primarily in Personal Care, partially offset by an adverse price and product mix. All our markets benefited from favorable exchange rates driven by a strengthening of the European Union euro and the British pound sterling against the U.S. dollar.

Gross margin: the year on year increase of 0.4 percentage points primarily reflected a richer sales mix driven by a greater proportion of sales from our high-margin Personal Care market, including our Chemsil business.

Operating expenses: the year on year increase of 56%, or $2.7 million, was primarily in respect of $2.1 million of additional costs for our Chemsil and Chemtec businesses, together with a $0.6 million increase in other costs, principally due to the phasing of expenditure year over year.

Octane Additives

Net sales: increased by 17%, primarily due to the timing of shipments with our one remaining customer.

Gross margin: the year on year increase of 2.9 percentage points was principally due to favorable pricing variances.

Operating expenses: the year on year decrease of $0.4 million was due to the efficient management of the cost base.

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Other Income Statement Captions

Pension charge: is non-cash, and was a $0.9 million net charge in 2014 compared to $0.7 million net charge in 2013.

Corporate costs: the year on year decrease of 13%, or $1.1 million, related to $2.0 million lower legal, professional and other expenses; the release of a $0.8 million restructuring provision which is no longer required; a $0.2 million reduction in insurance claims; partly offset by $1.0 million higher costs for amortization of the new information system platform; and $0.9 million higher personnel-related compensation costs, primarily due to higher accruals for share-based compensation expense together with accruals for the new cash-based long-term incentive plan in 2014.

Impairment of Octane Additives segment goodwill: was $0.0 million in 2014 and $0.3 million in 2013, following the final impairment charge in the fourth quarter of 2013.

Other net income/(expense): other net expense of $0.7 million primarily related to losses of $0.7 million on foreign currency forward exchange contracts. In 2013, other net expense of $1.0 million primarily related to losses on translation of net assets denominated in non-functional currencies in our European businesses, partly offset by net foreign exchange gains on foreign currency forward exchange contracts.

Interest expense, net: was $0.8 million in 2014 and $0.4 million in 2013 due to the higher level of borrowing during the quarter, used primarily to fund our acquisition activity in the second half of 2013.

Income taxes: the effective tax rate was 22.3% and 18.2% in the second quarter of 2014 and 2013, respectively. The effective tax rate increased by 4.1 percentage points primarily due to the second quarter of 2014 benefiting to a lesser extent from the positive impact of taxable profits in different geographical locations than a year ago.

	Three Months Ended June 30	
(in millions)	**2014**	**2013**
Income before income taxes	$ 23.8	$ 20.9
Income taxes	$ 5.3	$ 3.8
GAAP effective tax rate	22.3%	18.2%

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(in millions, except ratios)	Six Months Ended June 30 2014	2013	Change	
Net sales:				
Fuel Specialties	$ 309.3	$ 266.2	$ 43.1	+16%
Performance Chemicals	115.5	92.3	23.2	+25%
Octane Additives	17.2	25.9	(8.7)	34%
	$ 442.0	$ 384.4	$ 57.6	+15%
Gross profit:				
Fuel Specialties	$ 95.9	$ 87.5	$ 8.4	+10%
Performance Chemicals	28.9	21.8	7.1	+33%
Octane Additives	9.5	13.9	(4.4)	32%
	$ 134.3	$ 123.2	$ 11.1	+9%
Gross margin (%):				
Fuel Specialties	31.0	32.9	1.9	
Performance Chemicals	25.0	23.6	+1.4	
Octane Additives	55.2	53.7	+1.5	
Aggregate	30.4	32.0	1.6	
Operating expenses:				
Fuel Specialties	$ (52.6)	$ (43.4)	$ (9.2)	+21%
Performance Chemicals	(14.6)	(10.3)	(4.3)	+42%
Octane Additives	(2.4)	(3.0)	0.6	20%
Pension charge	(1.7)	(1.4)	(0.3)	+21%
Corporate costs	(19.7)	(20.0)	0.3	2%
	$ (91.0)	$ (78.1)	$ (12.9)	+17%

Fuel Specialties

Net sales: the table below details the components which comprise the year on year change in net sales spread across the markets in which we operate:

Change (%)	Six Months Ended June 30, 2014 Americas	EMEA	ASPAC	Avtel	Total
Volume	+10	-9	8	7	2
Price and product mix	+3	+3	9	+5	+2
Exchange rates	0	+5	0	0	+2
Acquisitions	+37	0	0	0	+14
	+50	1	17	2	+16

Americas saw an increase in volumes in the first half of 2014 as a result of higher demand, while benefiting from an improved price and product mix. Acquisitions in the Americas, relating to Bachman, generated additional sales compared to 2013. EMEA volumes decreased from the prior year due to weaker trading conditions and the impact of government sanctions related to Russia, partly offset by an improved price and product mix. EMEA benefited from favorable exchange rates driven primarily by a strengthening of the European Union euro against the U.S. dollar. Volumes were lower in ASPAC due to the loss of a contract in 2013 which offset increased underlying volumes, combined

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with an adverse price and product mix as a result of lower sales of higher margin products. Avtel volumes decreased due to the timing of shipments to customers as opposed to any change in the long-term outlook for that market, while the price and product mix benefited from an improved customer mix.

Gross margin: the year on year decrease of 1.9 percentage points primarily reflected lower sales of higher margin products and an adverse price and product mix in ASPAC.

Operating expenses: the year on year increase of 21%, or $9.2 million, was due to $11.1 million of additional costs for the Bachman businesses; offset by a $0.9 million decrease in personnel-related compensation costs, partly due to lower accruals for share-based compensation expense; and a $1.0 million decrease in other expenses.

Performance Chemicals

Net sales: the table below details the components which comprise the year on year change in net sales spread across the markets in which we operate:

	Six Months Ended June 30, 2014			
Change (%)	**Americas**	**EMEA**	**ASPAC**	**Total**
Volume	8	+17	+21	+6
Price and product mix	0	0	3	1
Exchange rates	+1	+6	+3	+3
Acquisitions	+36	0	0	+17
	+29	+23	+21	+25

Volumes in the Americas were lower, primarily due to lower volumes in Fragrance Ingredients and for an industrial product partly offset by increased Personal Care volumes. Acquisitions in the Americas, relating to Chemsil and Chemtec, generated additional sales compared to 2013. Volumes in EMEA were higher than the prior year, primarily due to higher volumes in Personal Care and Fragrance Ingredients. ASPAC volumes were higher in Personal Care and Fragrance Ingredients, partially offset by an adverse price and product mix. All our markets benefited from favorable exchange rates driven primarily by a strengthening of the European Union euro and the British pound sterling against the U.S. dollar.

Gross margin: the year on year increase of 1.4 percentage points primarily reflected a richer sales mix driven by a greater proportion of sales from our Personal Care market, including our Chemsil business.

Operating expenses: the year on year increase of 42%, or $4.3 million, was primarily in respect of $4.2 million of additional costs for our Chemsil and Chemtec businesses, together with a $0.1 million increase in other costs.

Octane Additives

Net sales: decreased by 34%, primarily due to the timing of shipments and declining demand with our one remaining customer.

Gross margin: the year on year increase of 1.5 percentage points was principally due to favorable pricing variances.

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Operating expenses: the year on year decrease of $0.6 million was due to the efficient management of the cost base.

Other Income Statement Captions

Pension charge: is non-cash, and was a $1.7 million net charge in 2014 compared to $1.4 million net charge in 2013.

Corporate costs: the year on year decrease of 2%, or $0.3 million, related to $1.3 million lower personnel-related compensation costs, primarily due to lower accruals for share-based compensation expense together with accruals for the new cash-based long-term incentive plan in 2014; the release of a $0.8 million restructuring provision which is no longer required; $1.4 million lower legal, professional and other expenses; partly offset by $1.9 million higher costs for amortization of the new information system platform; and $1.3 million of provisions for insurance claims.

Impairment of Octane Additives segment goodwill: was $0.0 million in 2014 and $0.6 million in 2013, following the final impairment charge in the fourth quarter of 2013.

Other net income/(expense): other net income of $1.2 million primarily related to gains of $1.8 million on translation of net assets denominated in non-functional currencies in our European businesses, partly offset by losses of $0.7 million on foreign currency forward exchange contracts. In 2013, other net expense of $0.0 million primarily related to losses on translation of net assets denominated in non-functional currencies in our European businesses, equally offset by net foreign exchange gains on foreign currency forward exchange contracts.

Interest expense, net: was $1.7 million in 2014 and $0.7 million in 2013 due to the higher level of borrowing during 2014, used primarily to fund our acquisition activity in the second half of 2013.

Income taxes: the effective tax rate was 17.3% and 19.9% in the first six months of 2014 and 2013, respectively. The adjusted effective tax rate, once adjusted for non-recurring items relating to the adjustment of income tax provisions, increased by 1.6 percentage points primarily due to the second quarter of 2014 benefiting to a lesser extent from the positive impact of taxable profits in different geographical locations. The Company believes that this adjusted effective tax rate, a non-GAAP financial measure, provides useful information to investors and may assist them in evaluating the Company s underlying performance and identifying operating trends. In addition, management uses this non-GAAP financial measure internally to evaluate the performance of the Company s operations and for planning and forecasting in subsequent periods.

	Six Months Ended June 30	
(in millions)	**2014**	**2013**
Income before income taxes	$ 42.8	$ 43.8
Income taxes	$ 7.4	$ 8.7
Add back adjustment of income tax positions	2.2	0.4
	$ 9.6	$ 9.1
GAAP effective tax rate	17.3%	19.9%
Adjusted effective tax rate	22.4%	20.8%

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LIQUIDITY AND FINANCIAL CONDITION

Working Capital

The Company believes that adjusted working capital, a non-GAAP financial measure, (defined by the Company as trade and other accounts receivable, inventories, prepaid expenses, accounts payable and accrued liabilities rather than total current assets less total current liabilities) provides useful information to investors in evaluating the Company s underlying performance and identifying operating trends. Management uses this non-GAAP financial measure internally to allocate resources and evaluate the performance of the Company s operations. Items excluded from the adjusted working capital calculation are listed in the table below and represent factors which do not fluctuate in line with the day to day working capital needs of the business.

(in millions)	**June 30, 2014**	**December 31, 2013**
Total current assets	$ 405.9	$ 407.4
Total current liabilities	(125.5)	(155.6)
Working capital	280.4	251.8
Less cash and cash equivalents	(91.4)	(80.2)
Less short-term investments	(6.0)	(6.6)
Less current portion of deferred tax assets	(8.7)	(8.7)
Less prepaid income taxes	(5.1)	(11.4)
Add back current portion of long-term debt	5.3	5.3
Add back current portion of plant closure provisions	4.8	6.2
Add back current portion of unrecognized tax benefits	0.0	6.8
Add back current portion of deferred tax liabilities	0.2	0.2
Add back current portion of deferred income	0.3	0.3
Adjusted working capital	$ 179.8	$ 163.7

In 2014 our adjusted working capital increased by $16.1 million, compared to a $7.1 million decrease in the first six months of 2013, primarily due to the timing of large shipments in the second quarter of 2014; higher working capital requirements in our recently acquired businesses; and higher payments to external suppliers subsequent to the year end.

The $17.8 million decrease in trade and other accounts receivable is primarily reflected in our Fuel Specialties and Octane Additives segments, with sales for the second quarter of 2014 being $20.3 million lower than the fourth quarter of 2013 across all our segments. Days sales outstanding in our Fuel Specialties segment decreased from 49 days to 44 days, whilst they increased slightly from 51 days to 52 days in our Performance Chemicals segment.

The $13.9 million increase in inventories is primarily due to increased inventories across all our segments, as we build inventory ahead of our sales increasing through the third and fourth quarters. Days sales in inventory in our Fuel Specialties segment increased from 79 days to 93 days, whilst declining in our Performance Chemicals segment over the same period from 96 days to 92 days.

Prepaid expenses decreased $1.9 million from $5.8 million to $3.9 million, related to the expensing of prepaid costs during the first six months, consistent with the prior year.

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The $21.9 million decrease in accounts payable and accrued liabilities primarily reflects payments to external suppliers subsequent to the year end, together with payments for personnel-related compensation. Creditor days in our Fuel Specialties segment decreased from 32 days to 29 days and in our Performance Chemicals segment decreased from 42 days to a more normal 25 days.

Operating Cash Flows

We generated cash from operating activities of $33.8 million in 2014 compared to $37.6 million in 2013. Year over year cash from operating activities has primarily been impacted by cash outflows for our working capital requirements and significant movements in taxes. In 2014 our working capital requirements increased by $15.6 million, compared to a $2.9 million increase in 2013.

Cash

At June 30, 2014 and December 31, 2013 we had cash and cash equivalents of $91.4 million and $80.2 million, respectively, of which $63.3 million and $73.3 million, respectively, were held by non-U.S. subsidiaries principally in the United Kingdom. The Company is in a position to control whether or not to repatriate foreign earnings and intends to reinvest earnings to fund overseas subsidiaries. We currently do not expect to make a further repatriation in the foreseeable future and hence have not provided for future income taxes on the cash held by overseas subsidiaries. If circumstances were to change that would cause these earnings to be repatriated an additional U.S. tax liability could be incurred, and we continue to monitor this position.

Short-term investments

At June 30, 2014 and December 31, 2013, we had short-term investments of $6.0 million and $6.6 million, respectively.

Debt

At June 30, 2014, the Company had debt outstanding of $134.0 million under its credit facility, a $5.0 million promissory note and $0.5 million of debt financing within our acquired Bachman businesses. On July 31, 2014 the Company increased its borrowing capacity by $20 million such that its credit facility now provides for borrowings by us of up to $200 million until it expires on December 14, 2016 and may be drawn down in full in the U.S.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

The Company uses floating rate debt to finance its global operations. The Company is subject to business risks inherent in non-U.S. activities, including political and economic uncertainty, import and export limitations, and market risk related to changes in interest rates and foreign currency exchange rates. The political and economic risks are mitigated by the stability of the countries in which the Company s largest operations are located. Credit limits, ongoing credit evaluation and account monitoring procedures are used to minimize bad debt risk. Collateral is not generally required.

The Company uses derivatives, including interest rate swaps, commodity swaps and foreign currency forward exchange contracts, in the normal course of business to manage market risks. The derivatives used in hedging activities are considered risk management tools and are not used for trading purposes. In addition, the Company enters into derivative instruments with a diversified group of major financial institutions in order to manage the exposure to non-performance of such instruments. The Company s objective in managing the exposure to changes in interest rates is to limit the impact of such changes on earnings and cash flows and to lower overall borrowing costs. The Company s objective in managing the exposure to changes in foreign currency exchange rates is to reduce volatility on earnings and cash flows associated with such changes.

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The Company offers fixed prices for some long-term sales contracts. As manufacturing and raw material costs are subject to variability the Company uses commodity swaps to hedge the cost of some raw materials thus reducing volatility on earnings and cash flows. The derivatives are considered risk management tools and are not used for trading purposes. The Company s objective is to manage its exposure to fluctuating costs of raw materials.

The Company s exposure to market risk has been discussed in the Company s 2013 Annual Report on Form 10-K and there have been no significant changes since that time.

Item 4 Controls and Procedures
Evaluation of Disclosure Controls and Procedures

Based on an evaluation carried out as of the end of the period covered by this report, under the supervision and with the participation of our management, our Chief Executive Officer and our Chief Financial Officer concluded that the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) were effective as of June 30, 2014.

Changes in Internal Controls over Financial Reporting

The Company is continuously seeking to improve the efficiency and effectiveness of its operations and of its internal controls. This is intended to result in refinements to processes throughout the Company. There were no changes in the Company s internal control over financial reporting, which were identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 Legal Proceedings
Jalal Bezee Mejel Al-Gaood & Partner litigation

On September 19, 2012, a claim was filed in the High Court of Justice in the United Kingdom by Jalal Bezee Mejel Al-Gaood & Partner and Future Agencies Company Limited (collectively JAG) against the Company, Innospec Limited and a former employee of Innospec Limited. JAG was the former Iraq distributor for Afton Chemicals Limited, a subsidiary of NewMarket Corporation, from at least 2005 until termination of that relationship in 2011. The stated claim, inclusive of costs and expenses, is for up to $42.3 million and relates to alleged loss of profits for JAG s business in Iraq between 2004 and 2010. The Company believes that the allegations in the JAG claim are without merit and has defended vigorously its interests through trial. On June 26, 2014 the trial was completed and the Company is awaiting the final judgment which the Company does not anticipate receiving until October 2014.

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Other legal matters

While we are involved from time to time in claims and legal proceedings that result from, and are incidental to, the conduct of our business including business and commercial litigation, employee and product liability claims, there are no other material pending legal proceedings to which the Company or any of its subsidiaries is a party, or of which any of their property is subject. It is possible, however, that an adverse resolution of an unexpectedly large number of such individual claims or proceedings could in the aggregate have a material adverse effect on results of operations for a particular year or quarter.

Item 1A Risk Factors

Information regarding risk factors appears in Item 1A of the Company s 2013 Annual Report on Form 10-K and, in management s view, there have been no material changes in the risk factors facing the Company since that time.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of equity securities, nor any purchases of equity securities by the issuer in the quarter ended June 30, 2014.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not applicable.

Item 5 Other Information

None.

Item 6 Exhibits

10.1	Increase Confirmation Letter, dated July 31, 2014, among the Company, certain subsidiaries of the Company, and U.S. Bank N.A. (1).
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	XBRL Instance Document and Related Items.

(1) Incorporated by reference to the Form 8-K previously filed on July 31, 2014.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 6, 2014	By /s/	PATRICK S. WILLIAMS **Patrick S. Williams** **President and Chief Executive Officer**
Date: August 6, 2014	By /s/	IAN P. CLEMINSON **Ian P. Cleminson** **Executive Vice President and Chief Financial Officer**