UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-13879

INNOSPEC INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**98-0181725** (I.R.S. Employer Identification No.)
8310 South Valley Highway Suite 350 **Englewood**	
Colorado (Address of principal executive offices)	**80112** (Zip Code)

Registrant's telephone number, including area code: (303) 792 5554

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**IOSP**	**NASDAQ**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such file. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 31, 2024
Common Stock, par value $0.01	24,941,596

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CAUTIONARY STATEMENT RELATIVE TO FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Such forward-looking statements include statements (covered by words like “expects,” “estimates,” “anticipates,” “may,” “could,” “believes,” “feels,” “plans,” “intends,” “outlook” or similar words or expressions, for example) which relate to earnings, growth potential, operating performance, events or developments that we expect or anticipate will or may occur in the future. Although forward-looking statements are believed by management to be reasonable when made, they are subject to certain risks, uncertainties and assumptions, and our actual performance or results may differ materially from these forward-looking statements. Additional information regarding risks, uncertainties and assumptions relating to Innospec and affecting our business operations and prospects are described in Innospec’s Annual Report on Form 10-K for the year ended December 31, 2023, and other reports filed with the U.S. Securities and Exchange Commission ("SEC"). You are urged to review our discussion of risks and uncertainties that could cause actual results to differ from forward-looking statements under the heading “Risk Factors” in such reports. Innospec undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I FINANCIAL INFORMATION

Item 1 Condensed Consolidated Financial Statements

INNOSPEC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except share and per share data)	**2024**	**2023**	**2024**	**2023**
Net sales	$ 443.4	$ 464.1	$ 1,378.6	$ 1,454.1
Cost of goods sold	(319.3)	(326.9)	(971.9)	(1,018.7)
Gross profit	124.1	137.2	406.7	435.4
Operating expenses:				
Selling, general and administrative	(66.8)	(83.7)	(232.9)	(285.5)
Research and development	(11.1)	(11.6)	(35.1)	(32.8)
Adjustment to fair value of contingent consideration	(0.7)	—	(2.1)	—
Profit on disposal of property, plant and equipment	0.1	—	0.2	—
Total operating expenses	(78.5)	(95.3)	(269.9)	(318.3)
Operating income	45.6	41.9	136.8	117.1
Other income/(expense), net	(3.5)	4.8	0.1	11.2
Interest income, net	2.7	0.8	6.9	0.8
Income before income tax expense	44.8	47.5	143.8	129.1
Income tax expense	(11.4)	(8.3)	(37.8)	(27.8)
Net income	$ 33.4	$ 39.2	$ 106.0	$ 101.3
Earnings per share:				
Basic	$ 1.34	$ 1.58	$ 4.25	$ 4.08
Diluted	$ 1.33	$ 1.57	$ 4.22	$ 4.05
Weighted average shares outstanding (in thousands):				
Basic	24,941	24,866	24,926	24,845
Diluted	25,101	25,006	25,103	25,000

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

INNOSPEC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Net income	$ 33.4	$ 39.2	$ 106.0	101.3
Other comprehensive income/(loss):				
Changes in cumulative translation adjustment	14.4	(8.4)	0.4	(1.6)
Amortization of prior service cost	0.1	0.2	0.4	0.4
Amortization of actuarial net gains	(0.1)	(0.6)	(0.2)	(1.6)
Other comprehensive income/(loss), before tax	14.4	(8.8)	0.6	(2.8)
Tax related to cumulative translation adjustment	0.9	0.5	2.3	(0.2)
Tax related to other movements	—	0.1	(0.1)	0.3
Income tax income/(expense) related to other comprehensive income	0.9	0.6	2.2	0.1
Total comprehensive income	$ 48.7	$ 31.0	$ 108.8	$ 98.6

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

INNOSPEC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions, except share and per share data)	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 303.8	$ 203.7
Trade and other accounts receivable (less allowances of $9.5 million and $10.3 million respectively)	327.6	359.8
Inventories (less allowances of $34.9 million and $28.1 million respectively):		
Finished goods	221.1	215.7
Raw materials	98.2	84.4
Total inventories	319.3	300.1
Prepaid expenses	9.2	18.7
Prepaid income taxes	5.1	2.8
Other current assets	0.6	0.6
Total current assets	965.6	885.7
Net property, plant and equipment	278.2	268.3
Operating lease right-of-use assets	45.5	45.1
Goodwill	392.3	399.3
Other intangible assets	63.6	57.3
Deferred tax assets	10.5	10.4
Pension asset	38.1	35.1
Other non-current assets	3.9	6.2
Total assets	$ 1,797.7	$ 1,707.4
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 169.0	$ 163.6
Accrued liabilities	170.0	185.9
Current portion of operating lease liabilities	14.0	13.6
Current portion of plant closure provisions	4.6	4.6
Current portion of accrued income taxes	15.5	2.6
Current portion of unrecognized tax benefits	—	1.2
Total current liabilities	373.1	371.5
Operating lease liabilities, net of current portion	31.7	31.6
Plant closure provisions, net of current portion	58.7	57.0
Accrued income taxes, net of current portion	—	11.6
Unrecognized tax benefits	11.0	13.6
Deferred tax liabilities	35.8	33.5
Pension liabilities and post-employment benefits	13.3	13.3
Acquisition-related contingent consideration	21.5	23.4
Other non-current liabilities	5.0	2.3
Total liabilities	550.1	557.8
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	366.6	361.0
Treasury stock (4,612,904 and 4,686,511 shares at cost, respectively)	(93.4)	(94.3)
Retained earnings	1,115.2	1,028.2
Accumulated other comprehensive loss	(145.3)	(148.1)
Total Innospec stockholders' equity	1,243.4	1,147.1
Non-controlling interest	4.2	2.5
Total equity	1,247.6	1,149.6
Total liabilities and equity	$ 1,797.7	$ 1,707.4

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

INNOSPEC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended September 30, 2024	2023
Cash Flows from Operating Activities		
Net income	$ 106.0	$ 101.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32.6	29.1
Adjustment to fair value of contingent consideration	2.1	0.0
Deferred taxes	0.6	0.5
Profit on disposal of property, plant and equipment	(0.2)	0.0
Non-cash movements on defined benefit pension plans	(2.5)	(2.5)
Stock option compensation	6.4	5.9
Changes in assets and liabilities, net of effects of acquired and divested companies:		
Trade and other accounts receivable	33.5	29.5
Inventories	(17.6)	42.0
Prepaid expenses	9.6	6.5
Accounts payable and accrued liabilities	(13.6)	(57.2)
Plant closure provisions	—	(1.2)
Income taxes	1.5	(20.2)
Unrecognized tax benefits	(3.8)	0.7
Other assets and liabilities	4.2	0.5
Net cash provided by operating activities	158.8	134.9
Cash Flows from Investing Activities		
Capital expenditures	(29.3)	(45.2)
Internally developed software	(12.2)	(10.8)
Business combinations, net of cash acquired	(0.2)	—
Proceeds on disposal of property, plant and equipment	0.3	—
Net cash used in investing activities	(41.4)	(56.0)
Cash Flows from Financing Activities		
Non-controlling interest	1.7	0.3
Refinancing costs	(0.3)	(1.4)
Dividend paid	(19.0)	(17.2)
Issue of treasury stock	0.8	0.7
Repurchase of common stock	(0.7)	(1.0)
Net cash used in financing activities	(17.5)	(18.6)
Effect of foreign currency exchange rate changes on cash	0.2	(0.2)
Net change in cash and cash equivalents	100.1	60.1
Cash and cash equivalents at beginning of period	203.7	147.1
Cash and cash equivalents at end of period	$ 303.8	$ 207.2

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

INNOSPEC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance at December 31, 2023	$ 0.3	$ 361.0	$ (94.3)	$ 1,028.2	$ (148.1)	$ 2.5	$ 1,149.6
Net income				106.0			106.0
Dividend paid ($0.76 per share)				(19.0)			(19.0)
Changes in cumulative translation adjustment, net of tax					2.7		2.7
Share of net income						1.7	1.7
Treasury stock reissued		(0.8)	1.6				0.8
Treasury stock repurchased			(0.7)				(0.7)
Stock option compensation		6.4					6.4
Amortization of prior service cost, net of tax					0.3		0.3
Amortization of actuarial net gains, net of tax					(0.2)		(0.2)
Balance at September 30, 2024	$ 0.3	$ 366.6	$ (93.4)	$ 1,115.2	$ (145.3)	$ 4.2	$ 1,247.6

(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance at December 31, 2022	$ 0.3	$ 354.1	$ (95.4)	$ 924.2	$ (145.2)	$ 2.4	$ 1,040.4
Net income				101.3			101.3
Dividend paid ($0.69 per share)				(17.2)			(17.2)
Changes in cumulative translation adjustment, net of tax					(1.8)		(1.8)
Share of net income						0.3	0.3
Treasury stock reissued		(1.1)	2.2				1.1
Treasury stock repurchased			(1.0)				(1.0)
Stock option compensation		5.9					5.9
Amortization of prior service cost, net of tax					0.3		0.3
Amortization of actuarial net gains, net of tax					(1.2)		(1.2)
Balance at September 30, 2023	$ 0.3	$ 358.9	$ (94.2)	$ 1,008.3	$ (147.9)	$ 2.7	$ 1,128.1

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

INNOSPEC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance at June 30, 2024	$ 0.3	$ 364.5	$ (93.4)	$ 1,081.8	$ (160.6)	$ 3.3	$ 1,195.9
Net income				33.4			33.4
Changes in cumulative translation adjustment, net of tax					15.3		15.3
Share of net income						0.9	0.9
Treasury stock reissued		(0.1)	—				(0.1)
Treasury stock repurchased			—				0.0
Stock option compensation		2.2					2.2
Amortization of prior service cost, net of tax					—		0.0
Balance at September 30, 2024	$ 0.3	$ 366.6	$ (93.4)	$ 1,115.2	$ (145.3)	$ 4.2	$ 1,247.6

(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance at June 30, 2023	$ 0.3	$ 356.7	$ (94.2)	$ 969.1	$ (139.7)	$ 2.6	$ 1,094.8
Net income				39.2			39.2
Changes in cumulative translation adjustment, net of tax					(7.9)		(7.9)
Share of net income						0.1	0.1
Treasury stock reissued		0.2	0.1				0.3
Treasury stock repurchased			(0.1)				(0.1)
Stock option compensation		2.0					2.0
Amortization of prior service cost, net of tax					0.1		0.1
Amortization of actuarial net gains, net of tax					(0.4)		(0.4)
Balance at September 30, 2023	$ 0.3	$ 358.9	$ (94.2)	$ 1,008.3	$ (147.9)	$ 2.7	$ 1,128.1

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim condensed 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 condensed consolidated financial statements to be fairly stated. These condensed consolidated 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 for the year ended December 31, 2023, filed on February 14, 2024 (the "2023 Form 10-K").

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

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

NOTE 2 – SEGMENT REPORTING

The Company reports its financial performance based on three reportable segments, which are Performance Chemicals, Fuel Specialties and Oilfield Services.

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 September 30,		Nine Months Ended September 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Net Sales:				
Personal Care	$ 98.6	$ 97.0	$ 291.1	$ 263.8
Home Care	26.5	22.3	77.2	65.7
Other	38.5	25.9	116.2	94.9
Performance Chemicals	163.6	145.2	484.5	424.4
Refinery and Performance	120.9	126.0	375.1	394.6
Other	44.9	43.3	134.2	119.2
Fuel Specialties	165.8	169.3	509.3	513.8
Oilfield Services	114.0	149.6	384.8	515.9
	$ 443.4	$ 464.1	$ 1,378.6	$ 1,454.1
Operating income/(loss):				
Performance Chemicals	$ 20.0	$ 16.9	$ 62.3	$ 36.5
Fuel Specialties	30.9	27.6	94.7	77.1
Oilfield Services	7.1	16.4	31.3	60.3
Corporate costs	(11.8)	(19.0)	(49.6)	(56.8)
Adjustment to fair value of contingent consideration	(0.7)	—	(2.1)	—
Profit on disposal of property, plant and equipment	0.1	—	0.2	—
Total operating income	$ 45.6	$ 41.9	$ 136.8	$ 117.1

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 under the treasury stock method. Per share amounts are computed as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Numerator (in millions):				
Net income available to common stockholders	$ 33.4	$ 39.2	$ 106.0	$ 101.3
Denominator (in thousands):				
Weighted average common shares outstanding	24,941	24,866	24,926	24,845
Dilutive effect of stock options and awards	160	140	177	155
Denominator for diluted earnings per share	25,101	25,006	25,103	25,000
Net income per share, basic:	$ 1.34	$ 1.58	$ 4.25	$ 4.08
Net income per share, diluted:	$ 1.33	$ 1.57	$ 4.22	$ 4.05

In the three and nine months ended September 30, 2024, the average number of anti-dilutive options excluded from the calculation of diluted earnings per share were 10,436 and 10,436, respectively (three and nine months ended September 30, 2023 – 21,950 and 29,293, respectively).

NOTE 4 – GOODWILL

The following table summarizes the goodwill movements in the year:

(in millions)		Gross Cost
Opening balance at January 1, 2024	$	399.3
Adjustments		(3.4)
Exchange effect		(3.6)
Closing balance at September 30, 2024	$	392.3

In relation to the acquisition of QGP Química Geral S.A. (“QGP”) in December 2023, the fair value of the acquired net assets was revised in the second quarter of 2024. As a result of the remeasurement period adjustments, there was an increase of $3.4 million in the fair value of the net assets acquired, with a corresponding decrease to the acquired goodwill.

The measurement periods for the valuation of assets acquired and liabilities assumed ends as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available but does not exceed twelve months. We completed our alignment of the accounting policies and fair value adjustments in the second quarter and are not expecting further changes at this time.

The exchange effect for the nine months ended September 30, 2024 was $3.6 million relating to our Performance Chemicals segment.

NOTE 5 – OTHER INTANGIBLE ASSETS

The following table analyzes other intangible assets movements in the year:

(in millions)		2024
Gross cost at January 1	$	315.1
Additions		15.6
Exchange effect		1.6
Gross cost at September 30		332.3
Accumulated amortization at January 1		(257.8)
Amortization expense		(9.6)
Exchange effect		(1.3)
Accumulated amortization at September 30		(268.7)
Net book amount at September 30	$	63.6

The amortization expense for the nine months ended September 30, 2024 was $9.6 million (nine months ended September 30, 2023 – $8.0 million).

In relation to the acquisition of QGP in December 2023, management finalized the valuation of customer lists which has increased the intangible asset capitalized by $3.5 million in the second quarter of 2024. Management also revised the expected useful life of the customer lists from 10 years to 7 years.

In 2024, we have capitalized $12.1 million in relation to our internally developed software for a new Enterprise Resource Planning (“ERP”) system covering our EMEA and ASPAC regions. The expenses capitalized include the acquisition costs for the software as well as the external and internal costs of the development.

__NOTE 6 – PENSION AND POST EMPLOYMENT BENEFITS__

The Company maintains a defined benefit pension plan covering certain current and former employees in the United Kingdom (the “UK Plan”). The UK Plan is closed to future service accrual and has a large number of deferred and current pensioners. The assets of the UK Plan are predominantly insurance policies, operating as investment assets, covering all liabilities. This reduces the UK Plan’s potential reliance on the Company for future cash funding requirements.

On September 9, 2024, the Company entered into a Deed of Alteration and Agreement (the "Pension Deed") with the trustees of the UK Plan, covering a number of aspects including the Company notice to terminate the UK Plan and commencement of winding up and move to buy-out. The Company currently expects the trigger for final settlement accounting of the UK Plan to occur during the fourth quarter of 2024. As a consequence of the Pension Deed, the trustees have repaid $8.4 million of historical costs which the Company had incurred in relation to the UK Plan. The recovered costs have been included within the service credit in the table below.

The Company also maintains an unfunded defined benefit pension plan covering certain current and former employees in Germany (the “German plan”). The German plan is closed to new entrants and has no assets.

The net periodic benefit of these plans is shown in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Service credit/(cost)	$ 7.6	$ (0.9)	$ 5.9	$ (2.7)
Interest cost on projected benefit obligation	(4.8)	(5.1)	(14.1)	(15.0)
Expected return on plan assets	6.5	6.5	19.3	19.0
Amortization of prior service cost	(0.1)	(0.2)	(0.4)	(0.4)
Amortization of actuarial net gains	0.1	0.6	0.2	1.6
Net periodic benefit	$ 9.3	$ 0.9	$ 10.9	$ 2.5

The service cost has been recognized in selling, general and administrative expenses. All other items have been recognized within other income and expense. The amortization of prior service cost and actuarial net gains are a reclassification out of accumulated other comprehensive loss into other income and expense.

In addition, we have obligations for post-employment benefits in some of our other European businesses. As at September 30, 2024, we have recorded a liability of $4.2 million (December 31, 2023 – $4.2 million).

NOTE 7 – INCOME TAXES

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

(in millions)	Unrecognized Tax Benefits	Interest and Penalties	Total
Opening balance at January 1, 2024	$ 10.5	$ 4.3	$ 14.8
Increase for tax positions of prior periods	—	0.8	0.8
Decrease for settlement of tax positions	(3.3)	(1.3)	(4.6)
Closing balance at September 30, 2024	7.2	3.8	11.0
Current	—	—	—
Non-current	$ 7.2	$ 3.8	$ 11.0

All of the $11.0 million of unrecognized tax benefits, interest and penalties would impact our effective tax rate if recognized.

In 2021 a non-U.S. subsidiary, Innospec Limited, entered into a review by the U.K. tax authorities under the U.K.'s Profit Diversion Compliance Facility ("PDCF") in relation to the period 2017 to 2020 inclusive. The Company has determined that additional tax, interest and penalties totaling $1.2 million will arise as a consequence of the review. During the quarter ended September 30, 2024, the Company and the U.K. tax authorities reached agreement on this position, and the liability was settled. The liability which was agreed on ultimate settlement was consistent with the amount recorded as a liability, and this item has been released from unrecognized tax benefits and recognized in income taxes.

In 2018 the Company recorded an unrecognized tax benefit in relation to a potential adjustment that could arise as a consequence of the Tax Cuts and Jobs Act of 2017 ("Tax Act"), but for which retrospective adjustment to the filed 2017 U.S. federal income tax returns was not permissible. The Company has determined that additional tax, interest and penalties totaling $11.0 million may arise in relation to this item. This includes an increase in interest accrued of $0.8 million in the nine months to September 30, 2024. The Company believes that it is reasonably possible that there will be a decrease of $11.0 million unrecognized tax benefits during the fourth quarter of 2024 in relation to this item due to a lapse of the statute of limitations.

A non-U.S. subsidiary, Innospec Performance Chemicals Italia Srl, has been subject to an ongoing tax audit in relation to the period 2011 to 2014 inclusive. The Company had determined that additional tax, interest and penalties totaling $3.4 million will arise as a consequence of the tax audit. As any additional tax arising as a consequence of the tax audit is to be reimbursed by the previous owner under the terms of the sale and purchase agreement, an indemnification asset of the same amount is recorded in the financial statements to reflect this arrangement. During the quarter ended June 30, 2024, the Company submitted documentation to the tax authorities confirming its acceptance of the previously disputed position, and due to imminent settlement, this item was released from unrecognized tax benefits and recognized in accrued income taxes in that quarter.

As of September 30, 2024, the Company and its U.S. subsidiaries remain open to examination by the IRS for certain elements of 2017 year and for years 2020 onwards under the statute of limitations. The Company's subsidiaries in foreign tax jurisdictions are open to examination including Brazil (2019 onwards), Germany (2019 onwards), and the U.K. (2022 onwards).

NOTE 8 – LONG-TERM DEBT

As at September 30, 2024, and December 31, 2023, the Company had not drawn down on its revolving credit facility. During the first nine months of 2024 and 2023, the Company did not draw down or repay any borrowing on its revolving credit facility.

The Company continues to have available a $250.0 million multicurrency revolving credit facility (the "Facility") until May 30, 2027. The Facility contains an accordion feature whereby the Company may elect to increase the total available borrowings by an aggregate amount of up to $125.0 million.

Effective as of May 20, 2024, the termination date of the Facility was extended from May 30, 2027 to May 31, 2028 in accordance with the terms of the Company's multicurrency revolving facility agreement (the "Facility Agreement"). No other terms of the Facility Agreement or the Facility were modified. The Company paid a customary extension fee in connection with the extension of the Facility as contemplated by the Facility Agreement.

As at September 30, 2024, the deferred finance costs of $1.2 million (December 31, 2023 - $1.2 million) related to the arrangement of the credit facility, are included within other current and non-current assets at the balance sheet dates.

NOTE 9 – PLANT CLOSURE PROVISIONS

The Company has continuing plans to remediate manufacturing facilities at sites around the world as and when those operations are expected to cease, or we are required to decommission the sites according to local laws and regulations. The liability for estimated plant closure costs includes costs for environmental remediation liabilities and asset retirement obligations.

The principal site giving rise to asset retirement obligations is the manufacturing site at Ellesmere Port in the United Kingdom. There are also asset retirement obligations and environmental remediation liabilities on a much smaller scale in respect of other manufacturing sites.

Movements in the provisions are summarized as follows:

(in millions)		**2024**
Total at January 1	$	61.6
Charge for the period		2.6
Utilized in the period		(2.6)
Exchange effect		1.7
Total at September 30		63.3
Due within one year		(4.6)
Due after one year	$	58.7

The charge for the nine months ended September 30, 2024, was $2.6 million (nine months ended September 30, 2023 – $2.7 million). The current year charge represents the accounting accretion only, with no changes for the expected cost and scope of future remediation activities. Amounts due within one year refer to provisions where expenditure is expected to arise within one year of the balance sheet date.

NOTE 10 – FAIR VALUE MEASUREMENTS

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

(in millions)	September 30, 2024 Carrying Amount	September 30, 2024 Fair Value	December 31, 2023 Carrying Amount	December 31, 2023 Fair Value
Assets				
Derivatives (Level 1 measurement):				
Other current and non-current assets:				
Emissions Trading Scheme credits	4.2	4.2	4.8	4.8
Foreign currency forward exchange contracts	0.3	0.3	—	—
Liabilities				
Derivatives (Level 1 measurement):				
Other current and non-current liabilities:				
Foreign currency forward exchange contracts	—	—	1.0	1.0
Non-financial liabilities (Level 3 measurement):				
Acquisition-related contingent consideration	21.5	21.5	23.4	23.4

The following methods and assumptions were used to estimate the fair values:

Emissions Trading Scheme credits: The fair value is determined by the open market pricing at the end of the reporting period.

Foreign currency forward exchange contracts: The fair value of derivatives relating to foreign currency forward exchange contracts are derived from current settlement prices and comparable contracts using current assumptions. 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.

Acquisition-related contingent consideration: Contingent consideration payable in cash is discounted to its fair value at each balance sheet date. Where contingent consideration is dependent upon pre-determined financial targets, an estimate of the fair value of the likely consideration payable is made at each balance sheet date. The contingent consideration payable has been calculated based on the latest forecast.

NOTE 11 – DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

The Company enters into various foreign currency forward exchange contracts to minimize currency exchange rate exposure from expected future cash flows. As at September 30, 2024, the contracts have maturity dates of up to twelve months 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 nine months of 2024 was a loss of $1.1 million (first nine months of 2023 – a loss of $1.2 million). The gain or loss has been recorded in other income or expense.

NOTE 12 – CONTINGENCIES

Legal matters

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, and employee and product liability claims.

As reported in the 2023 Form 10-K, we have incurred financial losses and lodged a civil and criminal legal claim related to a misappropriation of inventory in Brazil. As at the time of filing, there have been no significant developments to report in relation to the claims being made. Consistent with prior quarters, a corresponding asset for the potential legal or insurance recoveries has not been recorded for the resulting financial losses arising from this matter.

In addition, unrelated to the Brazil matter, in the unlikely event there are an unexpectedly large number of individual claims or proceedings with an adverse resolution, this could in the aggregate have a material adverse effect on the 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 September 30, 2024, such guarantees which are not recognized as liabilities in the condensed consolidated financial statements amounted to $7.1 million (December 31, 2023 - $6.2 million). The remaining terms of the fixed maturity guarantees are up to 8 years, with some further guarantees having no fixed expiry date.

Under the terms of the guarantee arrangements, generally the Company would be required to perform the obligations should the affiliated company fail to fulfill 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 – STOCK-BASED COMPENSATION PLANS

The compensation cost recorded for stock options for the three months ended September 30, 2024 and 2023 was $2.2 million and $2.0 million, respectively. The compensation cost recorded for stock equivalent units for the three months ended September 30, 2024 and 2023 was $0.7 million and $2.0 million, respectively.

The compensation cost recorded for stock options for the first nine months of 2024 and 2023 was $6.4 million and $5.9 million, respectively. The compensation cost recorded for stock equivalent units for the first nine months of 2024 and 2023 was $4.8 million and $7.1 million, respectively.

The following table summarizes the transactions of the Company's share-based compensation plans for the nine months ended September 30, 2024.

	Number of shares		Weighted Average Grant-Date Fair Value
Nonvested at December 31, 2023	652,891	$	75.2
Granted	139,867	$	130.3
Vested	(184,170)	$	86.7
Forfeited	(15,539)	$	82.2
Nonvested at September 30, 2024	593,049	$	84.4

For the awards granted with market conditions, a Monte Carlo model has been used to calculate the grant-date fair value. For all other awards granted, a fair market value methodology has been used to calculate the grant-date fair value.

The awards granted with market conditions include a performance measure for Innospec's total shareholder return as compared to a peer group of companies. This measure can result in a maximum 130% vesting for the number of stock options granted. The maximum potential vesting has been reflected in the grant-date fair value calculation, but not reflected for the number of awards granted, as shown in the table above. All other awards granted in the quarter have similar vesting conditions to those granted in the previous periods.

As of September 30, 2024, there was $23.5 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 1.9 years.

NOTE 14 – RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE LOSS

Reclassifications out of accumulated other comprehensive loss ("AOCL") for the first nine months of 2024 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 cost	$	0.4	See [1] below
Amortization of actuarial net gains		(0.2)	See [1] below
		0.2	Total before tax
		(0.1)	Income tax expense
Total reclassifications	$	0.1	Net of tax

[1]These items are included in other income and expense. See Note 6 of the Notes to the Condensed Consolidated Financial Statements for additional information.

Changes in AOCL for the first nine months of 2024, net of tax, were:

(in millions)		Defined Benefit Pension Plan Items		Cumulative Translation Adjustments		Total
Balance at December 31, 2023	$	(77.2)	$	(70.9)	$	(148.1)
Other comprehensive income/(loss) before reclassifications		—		2.7		2.7
Amounts reclassified from AOCL		0.1		—		0.1
Total other comprehensive income/(loss)		0.1		2.7		2.8
Balance at September 30, 2024	$	(77.1)	$	(68.2)	$	(145.3)

Reclassifications out of AOCL for the first nine months of 2023 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 cost	$	0.4	See (1) below
Amortization of actuarial net gains		(1.6)	See (1) below
		(1.2)	Total before tax
		0.3	Income tax expense
Total reclassifications	$	(0.9)	Net of tax

(1)These items are included in other income and expense. See Note 6 of the Notes to the Condensed Consolidated Financial Statements for additional information.

Changes in AOCL for the first nine months of 2023, net of tax, were:

(in millions)		Defined Benefit Pension Plan Items		Cumulative Translation Adjustments		Total
Balance at December 31, 2022	$	(58.4)	$	(86.8)	$	(145.2)
Other comprehensive income/(loss) before reclassifications		—		(1.8)		(1.8)
Amounts reclassified from AOCL		(0.9)		—		(0.9)
Total other comprehensive income/(loss)		(0.9)		(1.8)		(2.7)
Balance at September 30, 2023	$	(59.3)	$	(88.6)	$	(147.9)

NOTE 15 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company has reviewed recently issued accounting pronouncements and concluded there were no matters relevant to the Company’s financial statements.

NOTE 16 – RELATED PARTY TRANSACTIONS

Mr. Patrick S. Williams has been an executive director of the Company since April 2009 and has been a non-executive director of AdvanSix Inc. ("AdvanSix"), a chemicals manufacturer, since February 2020. In the first nine months of 2024 the Company did not purchase any product from AdvanSix (first nine months of 2023 – $0.3 million). As at September 30, 2024, the Company owed nil to AdvanSix (December 31, 2023 – nil).

Mr. Robert I. Paller was a non-executive director of the Company since November 1, 2009 until May 10, 2024, when he did not stand for re-election to the board. The Company has retained and continues to retain Smith, Gambrell & Russell, LLP (“SGR”), a law firm with which Mr. Paller holds a position. From January 1st until May 10th, 2024 the Company incurred fees from SGR of $0.2 million (first nine months of 2023 – $0.2 million). As at September 30, 2024, the Company owed nil to SGR (December 31, 2023 – nil).

Mr. David F. Landless has been a non-executive director of the Company since January 1, 2016 and is a non-executive director of Ausurus Group Limited which owns European Metal Recycling Limited (“EMR”). The Company has sold scrap metal to EMR in the first nine months of 2024 for a value of less than $0.1 million (first nine months of 2023 – $0.1 million). A tendering process is operated periodically to select the best buyer for the sale of scrap metal by the Company. As at September 30, 2024, EMR owed nil for scrap metal purchased from the Company (December 31, 2023 – nil).

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three and Nine Months Ended September 30, 2024

This discussion should be read in conjunction with our unaudited interim condensed 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 plant closure provisions, pensions, income taxes and goodwill. These policies have been discussed in the Company's 2023 Form 10-K.

RESULTS OF OPERATIONS

The Company reports its financial performance based on three reportable segments, which are Performance Chemicals, Fuel Specialties and Oilfield Services.

The following table provides sales, gross profit and operating income by reporting segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Net sales:				
Performance Chemicals	$ 163.6	$ 145.2	$ 484.5	$ 424.4
Fuel Specialties	165.8	169.3	509.3	513.8
Oilfield Services	114.0	149.6	384.8	515.9
	$ 443.4	$ 464.1	$ 1,378.6	$ 1,454.1
Gross profit:				
Performance Chemicals	$ 36.1	$ 30.3	$ 110.0	$ 76.4
Fuel Specialties	55.7	53.0	173.9	155.2
Oilfield Services	32.3	53.9	122.8	203.8
	$ 124.1	$ 137.2	$ 406.7	$ 435.4
Operating income/(loss):				
Performance Chemicals	$ 20.0	$ 16.9	$ 62.3	$ 36.5
Fuel Specialties	30.9	27.6	94.7	77.1
Oilfield Services	7.1	16.4	31.3	60.3
Corporate costs	(11.8)	(19.0)	(49.6)	(56.8)
Adjustment to fair value of contingent consideration	(0.7)	—	(2.1)	—
Profit on disposal of property, plant and equipment	0.1	—	0.2	—
Total operating income	$ 45.6	$ 41.9	$ 136.8	$ 117.1

Three Months Ended September 30, 2024

The following table shows the changes in sales, gross profit and operating expenses by reporting segment for the three months ended September 30, 2024, and the three months ended September 30, 2023:

(in millions, except ratios)	Three Months Ended September 30, 2024	2023	Change	
Net sales:				
Performance Chemicals	$ 163.6	$ 145.2	$ 18.4	+13%
Fuel Specialties	165.8	169.3	(3.5)	-2%
Oilfield Services	114.0	149.6	(35.6)	-24%
	$ 443.4	$ 464.1	$ (20.7)	-4%
Gross profit:				
Performance Chemicals	$ 36.1	$ 30.3	$ 5.8	+19%
Fuel Specialties	55.7	53.0	2.7	+5%
Oilfield Services	32.3	53.9	(21.6)	-40%
	$ 124.1	$ 137.2	$ (13.1)	-10%
Gross margin (%):				
Performance Chemicals	*22.1*	*20.9*	*+1.2*	
Fuel Specialties	*33.6*	*31.3*	*+2.3*	
Oilfield Services	*28.3*	*36.0*	*-7.7*	
Aggregate	***28.0***	***29.6***	***-1.6***	
Operating expenses:				
Performance Chemicals	$ (16.1)	$ (13.4)	$ (2.7)	+20%
Fuel Specialties	(24.8)	(25.4)	0.6	-2%
Oilfield Services	(25.2)	(37.5)	12.3	-33%
Corporate costs	(11.8)	(19.0)	7.2	-38%
Adjustment to fair value of contingent consideration	(0.7)	—	(0.7)	n/a
Profit on disposal of property, plant and equipment	0.1	—	0.1	n/a
	$ (78.5)	$ (95.3)	$ 16.8	-18%

Performance Chemicals

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

	Three Months Ended September 30, 2024			
Change (%)	**Americas**	**EMEA**	**ASPAC**	**Total**
Volume	+9	+9	+17	+9
Acquisition	—	—	—	+8
Price and product mix	-6	-3	-3	-4
Exchange rates	—	—	—	—
	+3	+6	+14	+13

Higher sales volumes for all our regions were driven by increased demand for our personal care and home care products resulting from higher consumer demand, in particular for lower priced higher volume products. The acquisition of the QGP business has also delivered increased volumes year over year. All our regions recorded an adverse price and product mix due to lower selling prices, driven by lower raw material costs, together with the greater demand from consumers for lower priced products.

Gross margin: the year over year increase of 1.2 percentage points was due to margins returning to a more normalized level when compared to the depressed margins in the prior year. Margins have benefited from raw materials pricing reductions in the current year, combining with the favorable impact for our manufacturing efficiency due to the higher production volumes.

Operating expenses: increased $2.7 million year over year due to higher selling expenses, increased amortization for the acquired intangible assets relating to our QGP acquisition and higher performance-related remuneration accruals.

Fuel Specialties

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

	Three Months Ended September 30, 2024				
Change (%)	**Americas**	**EMEA**	**ASPAC**	**AvGas**	**Total**
Volume	+7	+4	+1	-26	+2
Price and product mix	-5	-4	-9	—	-4
Exchange rates	—	+1	—	—	—
	+2	+1	-8	-26	-2

Sales volumes in all our regions have increased year over year due to increased demand from customers. Price and product mix was adverse in all our regions, with a favorable sales mix being offset by lower pricing resulting from lower raw material costs. AvGas volumes were lower than the prior year due to variations in the demand from customers.

Gross margin: the year over year increase of 2.3 percentage points was driven by an improved sales mix from increased sales of higher margin products, together with the easing of raw material and other inflationary pressures.

Operating expenses: the year over year decrease of $0.6 million was primarily due to lower provisions for doubtful debts.

Oilfield Services

Net sales: have decreased year over year by $35.6 million, or 24 percent, with the majority of our customer activity concentrated in the Americas region. Sales volumes were adversely impacted by significantly lower production chemical activity in 2024. Management expects to see lower sales volumes continuing in production chemicals for the remainder of 2024, with the potential for demand to recover over the near-term, combined with the potential for growth opportunities for our other oilfield markets.

Gross margin: the year over year decrease of 7.7 percentage points was due to an unfavorable sales mix as customer demand has weakened.

Operating expenses: the year over year decrease of $12.3 million was driven by the lower customer service costs and commissions related to the reduced demand from certain customers.

Other Income Statement Captions

Corporate costs: the year over year decrease of $7.2 million was primarily due to the $8.4 million recovery of historical costs which the Company incurred relating to our defined benefit pension scheme in the U.K., being partly offset by higher performance-related remuneration accruals.

Other net income/(expense): for the third quarter of 2024 and 2023, included the following:

(in millions)	2024	2023	Change
Net pension credit	$ 1.7	$ 1.8	$ (0.1)
Profit attributable to non-controlling interests	(0.9)	(0.2)	(0.7)
Foreign exchange gains/(losses) on translation	(7.1)	2.8	(9.9)
Foreign currency forward contracts gains/(losses)	2.8	0.4	2.4
	$ (3.5)	$ 4.8	$ (8.3)

Interest income/(expense), net: in the third quarter of 2024 was $2.7 million of income compared to $0.8 million of income in the third quarter of 2023, driven by the higher interest income being earned in 2024 for our increasing cash balances.

Income taxes: the effective tax rate was 25.4% and 17.5% in the third quarter of 2024 and 2023, respectively. The adjusted effective tax rate, once adjusted for the items set out in the following table, was 24.6% in 2024 compared with 17.6% in 2023. The 7.0 percentage points increase in the adjusted effective rate was primarily due to the geographical mix of profits and the prior year comparatives being significantly impacted by foreign currency fluctuations. 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.

The following table shows a reconciliation of the GAAP effective tax charge to the adjusted effective tax charge:

	Three Months Ended September 30,	
(in millions)	2024	2023
Income before income taxes	$ 44.8	$ 47.5
Indemnification asset regarding tax audit	—	0.1
Adjustment for stock compensation	2.2	2.0
Acquisition costs	—	0.3
Adjustment to fair value of contingent consideration	0.7	—
Legacy costs of closed operations	1.0	0.7
Adjusted income before income taxes	$ 48.7	$ 50.6
Income taxes	$ 11.4	$ 8.3
Tax on stock compensation	(0.2)	0.2
Adjustment of income tax provision	(0.9)	0.1
Tax on acquisition costs	—	0.1
Tax on legacy cost of closed operations	0.2	0.2
Tax on adjustment to fair value of contingent consideration	0.2	—
Adjustments to tax charge of prior periods	1.3	—
Adjusted income taxes	$ 12.0	$ 8.9
GAAP effective tax rate	25.4%	17.5%
Adjusted effective tax rate	24.6%	17.6%

Nine Months Ended September 30, 2024

The following table shows the changes in sales, gross profit and operating expenses by reporting segment for the nine months ended September 30, 2024, and the nine months ended September 30, 2023:

(in millions, except ratios)	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Change	
Net sales:				
Performance Chemicals	$ 484.5	$ 424.4	$ 60.1	+14%
Fuel Specialties	509.3	513.8	(4.5)	-1%
Oilfield Services	384.8	515.9	(131.1)	-25%
	$ 1,378.6	$ 1,454.1	$ (75.5)	-5%
Gross profit:				
Performance Chemicals	$ 110.0	$ 76.4	$ 33.6	+44%
Fuel Specialties	173.9	155.2	18.7	+12%
Oilfield Services	122.8	203.8	(81.0)	-40%
	$ 406.7	$ 435.4	$ (28.7)	-7%
Gross margin (%):				
Performance Chemicals	*22.7*	*18.0*	*+4.7*	
Fuel Specialties	*34.1*	*30.2*	*+3.9*	
Oilfield Services	*31.9*	*39.5*	*-7.6*	
Aggregate	***29.5***	***29.9***	*-0.4*	
Operating expenses:				
Performance Chemicals	$ (47.7)	$ (39.9)	$ (7.8)	+20%
Fuel Specialties	(79.2)	(78.1)	(1.1)	+1%
Oilfield Services	(91.5)	(143.5)	52.0	-36%
Corporate costs	(49.6)	(56.8)	7.2	-13%
Adjustment to fair value of contingent consideration	(2.1)	—	(2.1)	n/a
Profit on disposal of property, plant and equipment	0.2	—	0.2	n/a
	$ (269.9)	$ (318.3)	$ 48.4	-15%

Performance Chemicals

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

Change (%)	Nine Months Ended September 30, 2024 Americas	EMEA	ASPAC	Total
Volume	+23	+12	+21	+16
Acquisition	—	—	—	+7
Price and product mix	-11	-9	-8	-9
Exchange rates	—	—	—	—
	+12	+3	+13	+14

Higher sales volumes for all our regions were driven by increased demand for our personal care and home care products resulting from higher consumer demand, in particular for lower priced higher volume products. The acquisition of the QGP business has also delivered increased volumes year over year. All our regions recorded an adverse price and product mix due to lower selling prices, driven by lower raw material costs, together with the greater demand from consumers for lower priced products.

Gross margin: the year over year increase of 4.7 percentage points was due to margins returning to a more normalized level when compared to the depressed margins in the prior year. Margins have benefited from raw materials pricing reductions in the current year, combining with the favorable impact for our manufacturing efficiency due to the higher production volumes.

Operating expenses: increased $7.8 million year over year due to higher selling expenses, increased amortization for the acquired intangible assets relating to our QGP acquisition, increased spending on research and development and higher performance-related remuneration accruals.

Fuel Specialties

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

	Nine Months Ended September 30, 2024				
Change (%)	**Americas**	**EMEA**	**ASPAC**	**AvGas**	**Total**
Volume	+9	+7	+3	+4	+7
Price and product mix	-12	-7	-3	+9	-8
Exchange rates	—	—	—	—	—
	-3	—	—	+13	-1

Sales volumes in all our regions have increased year over year due to increased demand from customers. Price and product mix was adverse in all our regions, with a favorable sales mix being offset by lower pricing resulting from lower raw material costs. AvGas volumes were higher than the prior year due to variations in the demand from customers, together with a favorable price and product mix due to a higher proportion of sales being made to higher margin customers.

Gross margin: the year over year increase of 3.9 percentage points was driven by an improved sales mix from increased sales of higher margin products, together with the easing of raw material and other inflationary pressures and the adverse impact of the Brazil inventory misappropriation and associated costs of exiting the trading relationship in the prior year.

Operating expenses: the year over year increase of $1.1 million is due to higher research and development expenditure and higher performance-related remuneration accruals, being partly offset by lower provisions for doubtful debts.

Oilfield Services

Net sales: have decreased year over year by $131.1 million, or 25 percent, with the majority of our customer activity concentrated in the Americas region. Sales volumes were adversely impacted by significantly lower production chemical activity in 2024. Management expects to see lower sales volumes continuing in production chemicals for the remainder of 2024, with the potential for demand to recover over the near-term, combined with the potential for growth opportunities for our other oilfield markets.

Gross margin: the year over year decrease of 7.6 percentage points was due to an unfavorable sales mix as customer demand has weakened.

Operating expenses: the year over year decrease of $52.0 million was driven by the lower customer service costs and commissions related to the reduced demand from certain customers, together with lower provisions for doubtful debts and lower performance related remuneration accruals.

Other Income Statement Captions

Corporate costs: the year over year decrease of $7.2 million was primarily driven by the $8.4 million recovery of historical costs which the Company incurred relating to our defined benefit pension scheme in the U.K., together with a reduction for acquisition related costs, being partly offset by higher information technology investment and the adverse impact of inflationary increases year over year.

Other net income/(expense): for the first nine months of 2024 and 2023, included the following:

(in millions)	2024	2023	Change
Net pension credit	$ 5.0	$ 5.2	$ (0.2)
Profit attributable to non-controlling interests	(1.7)	$ (0.1)	(1.6)
Foreign exchange gains/(losses) on translation	(2.1)	7.3	(9.4)
Foreign currency forward contracts gains/(losses)	(1.1)	(1.2)	0.1
	$ 0.1	$ 11.2	$ (11.1)

Interest income/(expense), net: in the first nine months of 2024 was $6.9 million of income, compared to $0.8 million of income in the first nine months of 2023. Interest income from our cash balances has increased over recent periods due to higher central bank interest rates together with the increases in our cash balances.

Income taxes: the effective tax rate was 26.3% and 21.5% in the first nine months of 2024 and 2023, respectively. The adjusted effective tax rate, once adjusted for the items set out in the following table, was 25.7% in 2024 compared with 21.4% in 2023. The 4.3 percentage points increase in the adjusted effective rate was primarily due to the geographical mix of profits and the prior year comparatives being significantly impacted by foreign currency fluctuations. 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.

The following table shows a reconciliation of the GAAP effective tax charge to the adjusted effective tax charge:

	Nine Months Ended September 30,	
(in millions)	2024	2023
Income before income taxes	$ 143.8	$ 129.1
Indemnification asset regarding tax audit	0.1	—
Adjustment for stock compensation	6.4	5.9
Acquisition costs	—	1.8
Adjustment to fair value of contingent consideration	2.1	—
Legacy cost of closed operations	2.6	2.4
Adjusted income before income taxes	$ 155.0	$ 139.2
Income taxes	$ 37.8	$ 27.8
Tax on stock compensation	(0.1)	0.2
Adjustment of income tax provision	(3.8)	0.7
Tax on acquisition costs	—	0.5
Tax on legacy cost of closed operations	0.6	0.6
Tax on adjustment to fair value of contingent consideration	0.7	—
Adjustments to tax charge of prior periods	4.7	—
Adjusted income taxes	$ 39.9	$ 29.8
GAAP effective tax rate	26.3%	21.5%
Adjusted effective tax rate	25.7%	21.4%

LIQUIDITY AND FINANCIAL CONDITION

Working Capital

In the first nine months of 2024 our working capital increased by $78.3 million, while our adjusted working capital decreased by $12.0 million. The difference is primarily due to the exclusion of the increases for cash and cash equivalents, together with the changes for prepaid income taxes and the current portion of accrued income taxes.

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 working capital in 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)	September 30, 2024	December 31, 2023
Total current assets	$ 965.6	$ 885.7
Total current liabilities	(373.1)	(371.5)
Working capital	592.5	514.2
Less cash and cash equivalents	(303.8)	(203.7)
Less prepaid income taxes	(5.1)	(2.8)
Less other current assets	(0.6)	(0.6)
Add back current portion of accrued income taxes	15.5	2.6
Add back current portion of plant closure provisions	4.6	4.6
Add back current portion of operating lease liabilities	14.0	13.6
Add back current portion of unrecognized tax benefits	—	1.2
Adjusted working capital	$ 317.1	$ 329.1

We had a $32.2 million decrease in trade and other accounts receivable driven by positive cash collections and lower sales in our Oilfield segment. Days' sales outstanding decreased in our Performance Chemicals segment from 64 days to 61 days; increased from 55 days to 57 days in our Fuel Specialties segment; and increased from 55 days to 70 days in our Oilfield Services segment.

We had a $19.2 million increase in inventories, including a $6.8 million increase in allowances, driven primarily by higher levels of raw materials together with higher levels of finished goods in advance of the expected sales increases in the fourth quarter. The Company continues to maintain inventory levels necessary to manage the risk of potential supply chain disruption for certain key raw materials, especially in our Fuel Specialties segment. Days' sales in inventory in our Performance Chemicals segment increased from 62 days to 64 days; increased from 121 days to 149 days in our Fuel Specialties segment; and increased from 48 days to 64 days in our Oilfield Services segment.

Prepaid expenses decreased $9.5 million, from $18.7 million to $9.2 million, primarily due to the normal expensing of prepaid invoices.

We had a $10.5 million decrease in accounts payable and accrued liabilities, which was dependent on the timing of payments for each of our reporting segments and combined with the lower sales in our Oilfield segment. Creditor days (including goods received not invoiced) have increased in our Performance Chemicals segment from 45 days to 48 days; increased from 41 days to 57 days in our Fuel Specialties segment; and increased from 48 days to 55 days in our Oilfield Services segment. The increases for creditor days have been impacted by the timing of sales and cost of sales in the quarter, when using a countback methodology.

Operating Cash Flows

We generated cash from operating activities of $158.8 million in the first nine months of 2024 compared to $134.9 million in the first nine months of 2023. The increase in cash generated from operating activities was related to increased operating income and favorable income tax changes year over year, being partly offset by less favorable working capital cash flows primarily related to the increased inventory levels needed to secure the supply of certain raw materials.

Cash

At September 30, 2024 and December 31, 2023, we had cash and cash equivalents of $303.8 million and $203.7 million, respectively, of which $128.2 million and $59.8 million, respectively, were held by non-U.S. subsidiaries principally in the United Kingdom.

The increase in cash and cash equivalents of $100.1 million for the first nine months of 2024 was driven by our positive trading cash flow, being partly offset by our continued investments in capital projects and the payment of our semi-annual dividend.

Debt

We continue to have available a $250.0 million multicurrency revolving credit facility (the “Facility”), which contains an accordion feature whereby we may elect to increase the total available borrowings by an aggregate amount of up to $125.0 million. Effective as of May 20, 2024, the termination date of the Facility was extended from May 30, 2027 to May 31, 2028 in accordance with the terms of our multicurrency revolving facility agreement (the “Facility Agreement”). No other terms of the Facility Agreement or the Facility were modified. We paid a customary extension fee in connection with the extension of the Facility as contemplated by the Facility Agreement.

At September 30, 2024, and December 31, 2023, we had no debt outstanding under the revolving credit facility and no obligations were outstanding under finance leases. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for additional information.

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 major 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.

From time to time, 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.

The Company offers fixed prices for some long-term sales contracts. As manufacturing and raw material costs are subject to variability, the Company, from time to time, 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 2023 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 September 30, 2024, to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

The Company is continuously seeking to improve the efficiency and effectiveness of its operations and of its internal control over financial reporting. This is intended to result in refinements to processes throughout the Company.

As previously disclosed, we are continuing with the development of a new, company-wide, information system platform which began in 2022. The new platform provider is well established in the market. The implementation is a phased, risk-managed, site deployment following a multistage user acceptance program with the existing platform providing a fallback position. We implemented the new platform for a number of our sites across EMEA and ASPAC in the third quarter of 2024. In connection with this implementation, the Company has updated its internal controls over financial reporting, as necessary, to accommodate modifications to its business processes and accounting procedures.

There were no changes to our 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, 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

Legal matters

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.

As reported in the 2023 Form 10-K, we have incurred financial losses and lodged a civil and criminal legal claim related to a misappropriation of inventory in Brazil. As at the time of filing, there have been no significant developments to report in relation to the claims being made. Consistent with prior quarters, a corresponding asset for the potential legal or insurance recoveries has not been recorded for the resulting financial losses arising from this matter.

In addition, unrelated to the Brazil matter, in the unlikely event there are an unexpectedly large number of individual claims or proceedings with an adverse resolution, this could in the aggregate have a material adverse effect on the results of operations for a particular year or quarter.

Item 1A Risk Factors

Information regarding risk factors that could have a material impact on our results of operations or financial condition are described under “Risk Factors” in Item 1A of Part I of our 2023 Form 10-K. In management’s view, there have been no material changes in the risk factors facing the Company as disclosed in those SEC filings.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

There have been no unregistered sales of equity securities.

During the quarter ended September 30, 2024, the Company did not purchase any of its common stock as part of its share repurchase program announced on February 15, 2022. The repurchase program allows for up to $50 million of the Company’s common stock to be repurchased in the open market over a three-year period commencing on February 16, 2022.

During the quarter ended September 30, 2024, the company did not repurchase its common stock in connection with the exercising of stock options by directors and employees.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not applicable.

Item 5 Other Information

(a), (b), and (c) – None.

Item 6 Exhibits

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 Item - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
104	Cover Page Interactive Data File – The cover page XBRL tags are embedded within the inline XBRL document.

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.

		INNOSPEC INC.
		Registrant
Date: November 6, 2024	By	/s/ PATRICK S. WILLIAMS
		Patrick S. Williams **President and Chief Executive Officer**
Date: November 6, 2024	By	***/s/*** IAN P. CLEMINSON
		Ian P. Cleminson **Executive Vice President and Chief Financial Officer**

Exhibit 31.1

CERTIFICATION BY PATRICK S. WILLIAMS PURSUANT TO
SECURITIES EXCHANGE ACT 1934 RULE 13a-14 and 15d-14

I, Patrick S. Williams, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Innospec Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and

15d-15(f)) for the registrant and have:

a)designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d)disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a)all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b)any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PATRICK S. WILLIAMS
Patrick S. Williams
President and Chief Executive Officer
November 6, 2024

Exhibit 31.2

CERTIFICATION BY IAN P. CLEMINSON PURSUANT TO SECURITIES EXCHANGE ACT 1934 RULE 13a-14 and 15d-14

I, Ian P. Cleminson, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Innospec Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a)designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d)disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a)all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b)any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ IAN P. CLEMINSON
Ian P. Cleminson
Executive Vice President and Chief Financial Officer
November 6, 2024

Exhibit 32.1

Section 1350 Certification

by Patrick S. Williams

In connection with the Quarterly Report on Form 10-Q of Innospec Inc. (the “Company”) for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patrick S. Williams, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ PATRICK S. WILLIAMS
Patrick S. Williams
President and Chief Executive Officer
November 6, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of this Report or as a separate disclosure document.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request.

Exhibit 32.2

Section 1350 Certification

by Ian P. Cleminson

In connection with the Quarterly Report on Form 10-Q of Innospec Inc. (the “Company”) for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ian P. Cleminson, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ IAN P. CLEMINSON
Executive Vice President and Chief Financial Officer
Ian P. Cleminson
November 6, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of this Report or as a separate disclosure document.

A signed original of this written statement required by 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request.