INNOSPEC INC.

FORM 10-K
(Annual Report)

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Address	8310 SOUTH VALLEY HIGHWAY SUITE 350 ENGLEWOOD, CO, 80112
Telephone	303-566-0528
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Industry	Specialty Chemicals
Sector	Basic Materials
Fiscal Year	12/31

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

FORM 10-K

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

For the fiscal year ended December 31, 2020

or

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

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
N/A	**N/A**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 files).

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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the most recently completed second fiscal quarter (June 30, 2020) was approximately $1,061 million, based on the closing price of the common shares on the NASDAQ on June 30, 2020. Shares of common stock held by each officer and director and by each beneficial owner who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of February 10, 2021, 24,598,689 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Innospec Inc.’s Proxy Statement for the Annual Meeting of Stockholders to be held on May 5, 2021 are incorporated by reference into Part III of this Form 10-K.

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CAUTIONARY STATEMENT RELATIVE TO FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS

This Form 10-K 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,” “plan,” “intend” 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, including, the effects of the COVID-19 pandemic, such as its duration, its unknown long-term economic impact, measures taken by governmental authorities to address it and the manner in which the pandemic may precipitate or exacerbate other risks and/or uncertainties, and our actual performance or results may differ materially from these forward-looking statements. 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.” 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

Item 1 Business

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

General

Innospec develops, manufactures, blends, markets and supplies specialty chemicals for use as fuel additives, ingredients for personal care, home care, agrochemical, metal extraction and other applications and oilfield chemicals. Our products are sold primarily to oil and gas exploration and production companies, oil refiners, fuel manufacturers and users, formulators of personal care, home care, agrochemical and metal extraction formulations, and other chemical and industrial companies throughout the world. Our Fuel Specialties business offers fuel additives to help improve fuel efficiency, boost engine performance and reduce harmful emissions. Our Performance Chemicals business provides effective technology-based solutions for our customers’ processes or products focused in the Personal Care, Home Care, Agrochemical and Metal Extraction markets. Our Oilfield Services business supplies drilling, completion and production chemicals which make exploration and production more effective, cost-efficient and environmentally friendly. Our Octane Additives business previously manufactured a fuel additive for use in automotive gasoline until it ceased trading on June 30, 2020.

Segment Information

The Company reports its financial performance based on the four reportable segments described as follows:

- Fuel Specialties
- Performance Chemicals
- Oilfield Services
- Octane Additives (ceased trading June 30, 2020)

The Fuel Specialties, Performance Chemicals and Oilfield Services segments operate in markets where we actively seek growth opportunities although their ultimate customers are different. The Octane Additives segment has ceased trading and is no longer a reporting segment from July 1, 2020, as reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

For financial information about each of our segments, see Note 3 of the Notes to the Consolidated Financial Statements.

Fuel Specialties

Our Fuel Specialties segment develops, manufactures, blends, markets and supplies a range of specialty chemical products used as additives to a wide range of fuels. These fuel additive products help improve fuel efficiency, boost engine performance and reduce harmful emissions; and are used in the efficient operation of automotive, marine and aviation engines, power station generators, and heating oil.

The segment has grown organically through our development of new products to address what we believe are the key drivers in demand for fuel additives. These drivers include increased demand for fuel, focus on fuel economy, changing engine technology and legislative developments. We have also devoted substantial resources towards the development of new and improved products that may be used to improve combustion efficiency.

Our customers in this segment include national oil companies, multinational oil companies and fuel retailers.

Performance Chemicals

Our Performance Chemicals segment provides effective technology-based solutions for our customers' processes or products focused in the Personal Care, Home Care, Agrochemical and Metal Extraction markets.

This segment has grown through acquisitions, and the development and marketing of innovative products. The focus for our Performance Chemicals segment is to develop high performance products from its technology base in a number of targeted markets.

Our customers in this segment include large multinational companies, manufacturers of personal care and household products and specialty chemical manufacturers operating in agrochemical, metal extraction and other industrial applications.

Oilfield Services

Our Oilfield Services segment develops and markets chemical solutions for fracturing, stimulation and completion operations, products for oil and gas production which aid flow assurance and maintain asset integrity and products to prevent loss of mud in drilling operations.

This segment had been growing strongly in recent years until the COVID-19 pandemic adversely impacted customer demand in 2020. We expect increased customer activity to return as the global demand for fuel increases and oil prices return to the pre-pandemic levels.

Our customers in this segment include multinational public and independent companies operating currently principally in the Americas.

Octane Additives

The Octane Additives segment has ceased trading and is no longer a reporting segment from July 1, 2020. Previously our Octane Additives segment produced tetra ethyl lead (“TEL”) for use in automotive gasoline and provided services in respect of environmental remediation to manage the cleanup of redundant TEL facilities as refineries completed the transition to unleaded gasoline. The expected activities to clean up redundant TEL facilities have been provided for in the second quarter of 2020.

Legacy costs related to these operations are now being recorded as operating expenses within corporate costs.

Strategy

Our strategy is to develop new and improved products and technologies to continue to strengthen and increase our market positions within our Fuel Specialties, Performance Chemicals and Oilfield Services segments. We also actively continue to assess potential strategic acquisitions, partnerships and other opportunities that would enhance and expand our customer offering. We focus on opportunities that would extend our technology base, geographical coverage or product portfolio. We believe that focusing on the Fuel Specialties, Performance Chemicals and Oilfield Services segments, in which the Company has existing experience, expertise and knowledge, provides opportunities for positive returns on investment with reduced operating risk. We also continue to develop our geographical footprint, consistent with the development of global markets.

Geographical Area Information

Financial information with respect to our domestic and foreign operations is contained in Note 3 of the Notes to the Consolidated Financial Statements.

Working Capital

The nature of our customers’ businesses generally requires us to hold appropriate amounts of inventory in order to be able to respond quickly to customers’ needs. We therefore require corresponding amounts of working capital for normal operations. We do not believe that this is materially different to our competitors, with the exception of cetane number improvers, in which case we maintain high enough levels of inventory, as required, to retain our position as market leader in sales of these products.

The purchase of large amounts of certain raw materials across all our segments can create some variations in working capital requirements, but these are planned and managed by the business.

We do not believe that our terms of sale, or purchase, differ markedly from those of our competitors.

Raw Materials and Product Supply

We use a variety of raw materials and chemicals in our manufacturing and blending processes and believe that sources for these are adequate for our current operations. Our major purchases are oleochemicals and derivatives, cetane number improvers, ethylene, various solvents, amines, alcohols, olefin and polyacrylamides.

These purchases account for a substantial portion of the Company's variable manufacturing costs. These materials are, with the exception of ethylene for our operations in Germany, readily available from more than one source. Although ethylene is, in theory, available from several sources, it is not permissible to transport ethylene by road in Germany. As a result, we source ethylene for our German operations via a direct pipeline from a neighboring site, making it effectively a single source. Ethylene is used as a primary raw material for our German operations in products representing approximately 4% of Innospec's sales.

We use long-term contracts (generally with fixed or formula-based costs) and advance bulk purchases to help ensure availability and continuity of supply, and to manage the risk of cost increases. From time to time, for some raw materials, the risk of cost increases is managed with commodity swaps.

We continue to monitor the situation and adjust our procurement strategies as we deem appropriate. The Company forecasts its raw material requirements substantially in advance, and seeks to build long-term relationships and contractual positions with supply partners to safeguard its raw material positions. In addition, the Company operates an extensive risk management program which seeks to source key raw materials from multiple sources and to develop suitable contingency plans.

Intellectual Property

Our intellectual property, including trademarks, patents and licenses, forms a significant part of the Company's competitive advantage, particularly in the Fuel Specialties, Oilfield Services and Performance Chemicals segments. The Company does not, however, consider its business as a whole to be dependent on any one trademark, patent or license.

The Company has a portfolio of trademarks and patents, both granted and in the application stage, covering products and processes in several jurisdictions. The majority of these patents were developed by the Company and, subject to maintenance obligations including the payment of renewal fees, have at least 10 years life remaining.

The trademark "Innospec and the Innospec device" in Classes 1, 2 and 4 of the "International Classification of Goods and Services for the Purposes of the Registration of Marks" are registered in all jurisdictions in which the Company has a significant market presence. The Company also has trademark registrations for certain product names in all jurisdictions in which it has a significant market presence.

We actively protect our inventions, new technologies, and product developments by filing patent applications and maintaining trade secrets. In addition, we vigorously participate in patent opposition proceedings around the world where necessary to secure a technology base free from infringement of intellectual property.

Competition

Certain markets in which the Company operates are subject to significant competition. The Company competes on the basis of a number of factors including, but not limited to, product quality and performance, specialized product lines, customer relationships and service, and regulatory expertize.

Fuel Specialties: Fuel Specialties is generally characterized by a small number of competitors, none of which hold a dominant position. We consider our competitive edge to be our proven technical development capacity, independence from major oil companies and strong long-term customer relationships. We believe we remain the world’s only producer of TEL for use in aviation gasoline, which we market as our AvTel product line.

Performance Chemicals: Within the Performance Chemicals segment we operate in the Personal Care, Home Care, Agrochemical and Metal Extraction markets which are highly fragmented, and the Company experiences substantial competition from a large number of multinational and specialty chemical suppliers in each geographical market. Our competitive position in these markets is based on us supplying a superior, diverse product portfolio which solves particular customer problems or enhances the performance of new or existing products. In a number of specialty chemicals markets, we also supply niche product lines, where we enjoy market-leading positions.

Oilfield Services: Our Oilfield Services segment is very fragmented and although there are a small number of very large competitors, there are also a large number of smaller players focused on specific technologies or regions. Our competitive strength is our proven technology, broad regional coverage and strong customer relationships.

Octane Additives: Production and sales of TEL for use in automotive gasoline have ceased and therefore Octane Additives is no longer a reporting segment from July 1, 2020.

Research, Development, Testing and Technical Support

Research, product/application development and technical support (“R&D”) provide the basis for the growth of our Fuel Specialties, Performance Chemicals and Oilfield Services segments. Accordingly, the Company’s R&D activity has been, and will continue to be, focused on the development of new products and formulations. Our R&D department provides technical support for all of our reporting segments. Expenditures to support R&D services were $30.9 million, $35.4 million and $33.4 million in 2020, 2019 and 2018, respectively.

We believe that our proven technical capabilities provide us with a significant competitive advantage. Our Performance Chemicals business has launched significant new mild surfactants based on isethionate and taurate chemistry which are well aligned with developing customer needs. In addition, the business has developed further formulations in emollients, silicones and surfactants for the personal care, homecare, agrochemical and metal extraction markets. Fuel Specialties has continued to innovate focused on bringing new technologies to market which reduce pollution and improve fuel economy, including detergents and cold flow improvers. In Oilfield Services, new technologies have been introduced to improve the hydrocarbon yield from customers' operations and to protect assets, including friction modifiers, biocide formulations and additives to improve drilling muds.

Health, Safety and Environmental Matters

We are subject to environmental laws in the countries in which we operate and conduct business. Management believes that the Company is in material compliance with applicable environmental laws and has made the necessary provisions for the continued costs of compliance with environmental laws.

Our principal site giving rise to environmental remediation liabilities is our Ellesmere Port manufacturing site in the United Kingdom. There are also environmental remediation liabilities on a much smaller scale in respect of our other manufacturing sites in the U.S. and Europe. At Ellesmere Port there is a continuing asset retirement program related to certain manufacturing units that have been closed.

We recognize environmental remediation 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. This involves anticipating the program of work and the associated future expected costs, and so involves the exercise of judgment by management. We regularly review the future expected costs of remediation and the current estimate is reflected in Note 13 of the Notes to the Consolidated Financial Statements.

The European Union ("E.U.") legislation known as the Registration, Evaluation and Authorization of Chemical Substances Regulations ("REACH") requires most of the substances in the Company's products to be registered with the European Chemicals Agency. Under this legislation the Company has to demonstrate that the substances it uses in its products are safe for use and appropriate for their intended purposes in the E.U.. During this registration and continual evaluation process, the Company incurs expense to test and register substances it manufactures or imports in the E.U..

Following the end of the Brexit transition process, on January 11, 2021 the United Kingdom ("U.K.") government introduced U.K. REACH with the same registration requirements for substances produced in or imported into the U.K.. Furthermore, globally, similar regulatory regimes to the E.U. and U.K. REACH are also entering into force or are being proposed in several other countries. These registration based regulatory regimes will result in increasing test expenses and registration fees to ensure Innospec products remain compliant with the appropriate regulations and can continue to be sold in these markets.

Employees and Human Capital Management

The Company had approximately 1900 employees in 24 countries as at December 31, 2020.

Human capital management is critical to Innospec's ongoing business success, which requires investing in our people. Our aim is to create a highly engaged and motivated workforce where employees are inspired by leadership, engaged in purpose-driven, meaningful work and have opportunities for growth and development.

An effective approach to human capital management requires that we invest in talent, development, culture and employee engagement. We aim to create an environment where our employees are encouraged to make positive contributions and fulfill their potential.

Diversity and Inclusion

Innospec aims to attract and retain the best people by ensuring that employment decisions are based on merit, performance and contribution to the Company. As part of our Global HR Policy, our diversity and equal opportunities policy ensures that current and prospective employees receive equal opportunities irrespective of gender, sexual orientation, race, color, ethnic or national origin, marital status, age, disability, religion or belief.

Available Information

Our corporate web site is www.innospec.com . We make available, free of charge, on or through this web site our annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the U.S. Securities and Exchange Commission ("SEC"). In addition, the SEC maintains an internet site at www.sec.gov that contains reports, proxy and information statements, and other information that we file electronically with the SEC and state the address of that site.

The Company routinely posts important information for investors on its web site (under Investors). The Company uses this web site as a means of disclosing material, non-public information and for complying with its disclosure obligations under SEC Regulation FD ("Fair Disclosure"). Accordingly, investors should monitor the Investors portion of the Company's web site, in addition to following the Company's press releases, SEC filings, public conference calls, presentations and webcasts.

Item 1A Risk Factors

The factors described below represent the principal risks associated with our business.

Global Conditions

The COVID-19 pandemic has had, and is expected to continue to have, an adverse impact on our business, results of operations, financial position and cash flows.

We have been closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it has and will impact our customers, employees, supply chain, and distribution network. The effects of COVID-19 on the global economic environment have impacted, and are expected to continue to impact, the results of the Company significantly, particularly with respect to reduced demand within our Fuel Specialties and Oilfield Services segments, and we are unable to predict the ultimate impact that it may have on our business, future results of operations, financial position or cash flows. The further extent to which our operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted. These include, but are not limited to, the availability and productivity of our employees, the duration and severity of the pandemic; government restrictions on businesses and individuals; the impact of the pandemic on our customers' businesses and the resulting demand for our products; the impact on our suppliers and supply chain network; the impact on global economies, including the possibility of recession and depression, and the timing and rate of economic recovery; the development of treatments and vaccines; and potential adverse effects on the financial markets.

The impact of COVID-19, as well as future pandemics or resurgences, may also exacerbate other risks discussed herein, any of which could have a material effect on us. This situation is changing rapidly and additional impacts that may occur are currently unknown.

Competition and market conditions may adversely affect our operating results.

In certain markets, our competitors are larger than us and may have greater access to financial, technological and other resources. As a result, competitors may be better able to adapt to changes in conditions in our industries, fluctuations in the costs of raw materials or changes in global economic conditions. Competitors may also be able to introduce new products with enhanced features that may cause a decline in the demand and sales of our products. Consolidation of customers or competitors, or economic problems of customers in our markets could cause a loss of market share for our products, place downward pressure on prices, result in payment delays or non-payment, or declining plant utilization rates. These risks could adversely impact our results of operations, financial position and cash flows.

Economic, political and operational developments related to the departure of the United Kingdom from the European Union may adversely affect our business.

The U.K. ceased to be a member of the E.U. on January 31, 2020 ("Brexit"). During a prescribed period, certain transitional arrangements were in effect, such that the U.K. continued to be treated, in most respects, as if it were still a member of the E.U., and generally remained subject to E.U. law. On December 24, 2020, the E.U. and the U.K. reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the E.U. and the U.K., including the E.U.-U.K. Trade and Cooperation Agreement (the “Agreement”). The Agreement itself is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the U.K.’s future economic, trading and legal relationships with the E.U. and with other countries. The departure of the U.K. from the E.U. Single Market and Customs Union (as well as all E.U. policies and international agreements) has ended free movement of goods between the U.K. and the E.U., creating non-tariff and quota barriers (such as customs checks at the borders between the E.U. and the U.K.) to trade in goods, resulting in increased disruption and cost to businesses and requiring adjustments to integrated E.U.- U.K. supply chains. Moreover, the free movement of persons, services and capital between the U.K. and the E.U. ended on January 1, 2021, which has meant the loss for U.K. suppliers of services of their automatic right to offer such services across the E.U..

The actual or potential consequences of the Agreement, and the associated uncertainty, could adversely affect economic and market conditions in the U.K., in the E.U. and its member states and elsewhere, and could contribute to instability in global financial markets. Until the level of disruption and additional cost to trading in goods and services and to the movement of persons and capital between the U.K. and the E.U. can be properly evaluated, it is not possible for us to determine the impact that the departure of the U.K. from the E.U. Single Market and Customs Union may have on us.

These developments may adversely impact our results of operations, financial position and cash flows.

Continuing adverse global economic conditions could materially affect our current and future businesses.

Global economic factors affecting our business include, but are not limited to, geopolitical instability in some markets, miles driven by passenger and commercial vehicles, legislation to control fuel quality, impact of alternative propulsion systems, consumer demand for premium personal care and cosmetic products, and oil and gas drilling and production rates. The availability, cost and terms of credit have been, and may continue to be, adversely affected by the foregoing factors and these circumstances have produced, and may in the future result in, illiquid markets and wider credit spreads, which may make it difficult or more expensive for us to obtain credit.

Demand for all of our products may be adversely impacted by the continuing impact of the COVID-19 pandemic which will continue to create uncertainty in the markets in 2021 and possibly beyond.

Continuing uncertainties in the U.S. and international markets and economies leading to a decline in business and consumer spending could adversely impact our results of operations, financial position and cash flows.

Domestic or international natural disasters, pandemics or terrorist attacks may disrupt our operations, decrease the demand for our products or otherwise have an adverse impact on our business.

Chemical related assets, and U.S. corporations such as us, may be at greater risk of future terrorist attacks than other possible targets in the U.S., the United Kingdom and throughout the world. Extraordinary events such as natural disasters and pandemics may negatively affect local economies, including those of our customers or suppliers. The occurrence and consequences of such events cannot be predicted, but they can adversely impact economic conditions in general and in our specific markets. The resulting damage from such events could include loss of life, severe injury and property damage or site closure. Any of these matters could adversely impact our results of operations, financial position and cash flows.

While Innospec maintains business continuity plans that are intended to allow it to continue operations or mitigate the effects of events that could disrupt its business, Innospec cannot provide assurances that its plans would fully protect it from all such events. In addition, insurance maintained by Innospec to protect against property damage, loss of business and other related consequences resulting from catastrophic events is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of Innospec's damages or damages to others in the event of a catastrophe. In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates.

Business Operations

We face risks related to our foreign operations that may adversely affect our business.

We serve global markets and operate in certain countries with political and economic instability, including the Middle East, Northern Africa, Asia-Pacific, Eastern Europe and South American regions. Our international operations are subject to numerous international business risks including, but not limited to, geopolitical and economic conditions, risk of expropriation, import and export restrictions, trade wars, exchange controls, national and regional labor strikes, high or unexpected taxes, government royalties and restrictions on repatriation of earnings or proceeds from liquidated assets of overseas subsidiaries. Any of these could have a material adverse impact on our results of operations, financial position and cash flows.

We may not be able to consummate, finance or successfully integrate future acquisitions, partnerships or other opportunities into our business, which could hinder our strategy or result in unanticipated expenses and losses.

Part of our strategy is to pursue strategic acquisitions, partnerships and other opportunities to complement and expand our existing business. The success of these transactions depends on our ability to efficiently complete transactions, integrate assets and personnel acquired in these transactions and apply our internal control processes to these acquired businesses. Consummating acquisitions, partnerships or other opportunities and integrating acquisitions involves considerable expense, resources and management time commitments, and our failure to manage these as intended could result in unanticipated expenses and losses. Post-acquisition integration may result in unforeseen difficulties and may deplete significant financial and management resources that could otherwise be available for the ongoing development or expansion of existing operations. Furthermore, we may not realize the benefits of an acquisition in the way we anticipated when we first entered the transaction. Any of these risks could adversely impact our results of operations, financial position and cash flows.

Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations.

Our future success will depend in substantial part on the continued services of our senior management. The loss of the services of one or more of our key executive personnel could affect the implementation of our business plan and result in reduced profitability. Our future success also depends on the continued ability to attract, develop, retain and motivate highly-qualified technical, sales and support staff. We cannot guarantee that we will be able to retain our key personnel or attract or retain qualified personnel in the future. If we are unsuccessful in our efforts in this regard, this could adversely impact our results of operations, financial position and cash flows.

An information technology system failure may adversely affect our business.

We rely on information technology systems to transact our business. Like other global companies, we have, from time to time, experienced threats to our data and systems. Although we have implemented administrative and technical controls and take protective actions to reduce the risk of cyber incidents and breaches of our information technology, and we endeavor to modify such procedures as circumstances warrant, such measures may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems.

Our systems, processes, software and network may be vulnerable to internal or external security breaches, computer viruses, malware or other malicious code or cyber-attack, catastrophic events, power interruptions, hardware failures, fire, natural disasters, human error, system failures and disruptions, and other events that could have security consequences. An information technology failure or disruption could prevent us from being able to process transactions with our customers, operate our manufacturing facilities, and properly report those transactions in a timely manner. Our information technology costs may increase to ensure the appropriate level of cyber security as we continuously adapt to the changing technological environment.

Whilst we have limited insurance coverage in place that may, subject to policy terms and conditions, cover certain aspects of cyber risks, this insurance coverage is subject to certain limitations and may not be applicable to a particular incident or otherwise be sufficient to cover all our losses beyond any coverage limitations. Furthermore, a significant or protracted information technology system failure may result in a material adverse effect on our results of operations, financial position and cash flows.

Decline in our TEL business

The Octane Additives business has ceased trading and is no longer a reporting segment from July 1, 2020 as the production of TEL for use in motor gasoline has finished. Legacy costs related to these operations are now being recorded as operating expenses within corporate costs.

The continued sales of TEL for use in aviation fuel ("AvTel") are recorded within our Fuel Specialties business. The piston aviation industry has been, and is currently, researching a safe replacement fuel to replace leaded fuel. The Federal Aviation Administration program (Piston Aviation Fuels Initiative) has been established to identify a replacement and candidate fuels are at an early pre-screening stage. This process is currently suspended and anticipated to restart in 2021. The timescale beyond this stage is unclear, but the full testing program will, of necessity, be long and comprehensive.

While we expect that at some point in the future a replacement fuel will be identified, trialed and supplied to the industry, there is no currently available alternative. In addition, there is no clear timescale on the legislation of a replacement product. If a suitable product is identified and the use of leaded fuel is prohibited in piston aviation the Company's future operating income and cash flows from operating activities would be adversely impacted.

Failure to protect our intellectual property rights could adversely affect our future performance and cash flows.

Failure to maintain or protect our intellectual property rights may result in the loss of valuable technologies, or us having to pay other companies for infringing on their intellectual property rights. Measures taken by us to protect our intellectual property may be challenged, invalidated, circumvented or rendered unenforceable. In addition, international intellectual property laws may be more restrictive or may offer lower levels of protection than under U.S. law. We may also face patent infringement claims from our competitors which may result in substantial litigation costs, claims for damages or a tarnishing of our reputation even if we are successful in defending against these claims, which may cause our customers to switch to our competitors. Any of these events could adversely impact our results of operations, financial position and cash flows.

Industry Matters

Trends in oil and gas prices affect the level of exploration, development and production activity of our customers, and the demand for our services and products, which could have a material adverse impact on our business.

Demand for our services and products in our Oilfield Services business is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital spending by, oil and gas companies. The level of exploration, development and production activity is directly affected by trends in demand for and prices of oil and gas, which historically have been volatile and are likely to continue to be volatile.

Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty, and a variety of other economic and political factors that are beyond our control. Even the perception of longer-term lower oil and gas prices by oil and gas companies can similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Factors affecting the prices of oil and gas include the level of supply and demand for oil and gas, governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and gas reserves, weather conditions and natural disasters, worldwide political, military, and economic conditions, the level of oil and gas production by non-OPEC ("Organization of the Petroleum Exporting Countries") countries and the available excess production capacity within OPEC, the cost of producing and delivering oil and gas and potential acceleration of the development of alternative power generation, fuels and engine technologies. Any prolonged reduction in oil and gas prices will depress the immediate levels of exploration, development, and production activity which could have a material adverse impact on our results of operations, financial position and cash flows.

We could be adversely affected by technological changes in our industry.

Our ability to maintain or enhance our technological capabilities, develop and market products and applications that meet changing customer requirements, and successfully anticipate or respond to technological changes in a cost effective and timely manner will likely impact our future business success. We compete on a number of fronts including, but not limited to, product quality and performance. In the case of some of our products, our competitors are larger than us and may have greater access to financial, technological and other resources. Technological changes include, but are not limited to, the development of electric and hybrid vehicles, and the subsequent impact on the demand for gasoline and diesel. Our inability to maintain a technological edge, innovate and improve our products could cause a decline in the demand and sales of our products, and adversely impact our results of operations, financial position and cash flows.

Sharp and unexpected fluctuations in the cost of our raw materials and energy could adversely affect our profit margins.

We use a variety of raw materials, chemicals and energy in our manufacturing and blending processes. Many of these raw materials are derived from petrochemical-based and vegetable-based feedstocks which can be subject to periods of rapid and significant cost instability. These fluctuations in cost can be caused by political instability in oil producing nations and elsewhere, weather conditions or other factors influencing global supply and demand of these materials, over which we have little or no control. We use long-term contracts (generally with fixed or formula-based costs) and advance bulk purchases to help ensure availability and continuity of supply, and to manage the risk of cost increases. From time to time, we have entered into hedging arrangements for certain utilities and raw materials, but do not typically enter into hedging arrangements for all raw materials, chemicals or energy costs. If the costs of raw materials, chemicals or energy increase, and we are not able to pass on these cost increases to our customers, then profit margins and cash flows from operating activities would be adversely impacted. If raw material costs increase significantly, then our need for working capital could increase. Any of these risks could adversely impact our results of operations, financial position and cash flows.

Our business is subject to the risk of manufacturing disruptions, the occurrence of which would adversely affect our results of operations.

We are subject to hazards which are common to chemical manufacturing, blending, storage, handling and transportation. These hazards include fires, explosions, remediation, chemical spills and the release or discharge of toxic or hazardous substances together with the more generic risks of labor strikes or slowdowns, mechanical failure in scheduled downtime, extreme weather or transportation interruptions. These hazards could result in loss of life, severe injury, property damage, environmental contamination and temporary or permanent manufacturing cessation. Any of these factors could adversely impact our results of operations, financial position and cash flows.

Legal, Regulatory and Tax Matters

We are subject to extensive regulation of our international operations that could adversely affect our business and results of operations.

Due to our global operations, we are subject to many laws governing international commercial activity, conduct and relations, including those that prohibit improper payments to government officials, restrict where and with whom we can do business, and limit the products, software and technology that we can supply to certain countries and customers. These laws include, but are not limited to, the U.S. Foreign Corrupt Practices Act and United Kingdom Bribery Act, sanctions and assets control programs administered by the U.S. Department of the Treasury and/or the European Union from time to time, and the U.S. export control laws such as the regulations under the U.S. Export Administration Act, as well as similar laws and regulations in other countries relevant to our business operations. Violations of any of these laws or regulations, which are often complex in their application, may result in criminal or civil penalties that could have a material adverse effect on our results of operations, financial position and cash flows.

Our United Kingdom defined benefit pension plan could adversely impact our financial condition, results of operations and cash flows.

Movements in the underlying plan asset value and Projected Benefit Obligation (“PBO”) of our United Kingdom defined benefit pension plan are dependent on actual return on investments as well as our assumptions in respect of the discount rate, annual member mortality rates, future return on assets and future inflation. A change in any one of these assumptions could impact the plan asset value, PBO and pension credit recognized in the income statement. If future plan investment returns prove insufficient to meet future obligations, or should future obligations increase due to actuarial factors or changes in pension legislation, then we may be required to make additional cash contributions. These events could adversely impact our results of operations, financial position and cash flows.

We may have additional tax liabilities.

We are subject to income and other taxes in the U.S., the U.K., the E.U. and other jurisdictions. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. Significant judgment is required in estimating our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, any final determination pursuant to tax audits and any related litigation could be materially different to the amounts reflected in our consolidated financial statements. Should any tax authority disagree with our estimates and determine any additional tax liabilities, including interest and penalties for us, this could adversely impact our results of operations, financial position and cash flows.

Our products are subject to extensive government scrutiny and regulation.

We are subject to regulation by federal, state, local and foreign government authorities. In some cases, we need government approval of our products, manufacturing processes and facilities before we may sell certain products. Many products are required to be registered with the U.S. Environmental Protection Agency (EPA), with the European Chemicals Agency (ECHA) and with comparable government agencies elsewhere. We are also subject to ongoing reviews of our products, manufacturing processes and facilities by government authorities, and must also produce product data and comply with detailed regulatory requirements.

In order to obtain regulatory approval of certain new products we must, among other things, demonstrate that the product is appropriate and effective for its intended uses, that the product has been appropriately tested for safety and that we are capable of manufacturing the product in accordance with applicable regulations. This approval process can be costly, time consuming, and subject to unanticipated and significant delays. We cannot be sure that necessary approvals will be granted on a timely basis or at all. Any delay in obtaining, or any failure to obtain or maintain, these approvals would adversely affect our ability to introduce new products and to generate income from those products. New or stricter laws and regulations may be introduced that could result in additional compliance costs and prevent or inhibit the development, manufacture, distribution and sale of our products. Such outcomes could adversely impact our results of operations, financial position and cash flows.

Diverse chemical regulatory processes in different countries around the world might create complexity and additional cost. U.K. REACH, which was precipitated by the U.K.'s exit from the European Union is one such example.

Legal proceedings and other claims could impose substantial costs on us.

We are from time to time involved in legal proceedings that result from, and are incidental to, the conduct of our business, including employee and product liability claims. Although we maintain insurance to protect us against a variety of claims, if our insurance coverage is not adequate to cover such claims, then we may be required to pay directly for such liabilities. Such outcomes could adversely impact our results of operations, financial position and cash flows.

Environmental liabilities and compliance costs could have a substantial adverse impact on our results of operations.

We operate a number of manufacturing sites and are subject to extensive federal, state, local and foreign environmental, health and safety laws and regulations, including those relating to emissions to the air, discharges to land and water, and the generation, handling, treatment and disposal of hazardous waste and other materials on these sites. We operate under numerous environmental permits and licenses, many of which require periodic notification and renewal, which is not automatic. New or stricter laws and regulations could increase our compliance burden or costs and adversely affect our ability to develop, manufacture, blend, market and supply products.

Our operations, and the operations of prior owners of our sites, pose the risk of environmental contamination which may result in fines or criminal sanctions being imposed or require significant amounts in remediation payments.

We anticipate that certain manufacturing sites may cease production over time and on closure, will require safely decommissioning and some environmental remediation. The extent of our obligations will depend on the future use of the sites that are affected and the environmental laws in effect at the time. We currently have made a decommissioning and remediation provision in our consolidated financial statements based on current known obligations, anticipated plans for sites and existing environmental laws. If there were to be unexpected or unknown contamination at these sites, or future plans for the sites or environmental laws change, then current provisions may prove inadequate, which could adversely impact our results of operations, financial position and cash flows.

We may be exposed to certain regulatory and financial risks related to climate change

The outcome of new or potential legislation or regulation in the U.S. and other jurisdictions in which we operate may result in new or additional requirements, additional charges to fund energy efficiency activities, fees or restrictions on certain activities. Compliance with these initiatives may also result in additional costs to us, including, among other things, increased production costs, additional taxes, reduced emission allowances or additional restrictions on production or operations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Even without such regulation, increased public awareness and adverse publicity about potential impacts on climate change emanating from us or our industry could harm us. We may not be able to recover the cost of compliance with new or more stringent laws and regulations, which could adversely affect our business and negatively impact our growth. Furthermore, the potential impacts of climate change and related regulation on our customers are highly uncertain and may adversely affect us.

Key Third Party Relationships

Having a small number of significant customers may have a material adverse impact on our results of operations.

Our principal customers are oil and gas exploration and production companies, oil refiners, personal care companies, and other chemical and industrial companies. These industries are characterized by a concentration of a few large participants. The loss of a significant customer, a material reduction in demand by a significant customer or termination or non-renewal of a significant customer contract could adversely impact our results of operations, financial position and cash flows.

A disruption in the supply of raw materials or transportation services would have a material adverse impact on our results of operations.

Although we try to anticipate problems with supplies of raw materials or transportation services by building certain inventories of strategic importance, transport operations are exposed to various risks such as extreme weather conditions, natural disasters, technological problems, work stoppages as well as transportation regulations. If the Company experiences transportation problems, or if there are significant changes in the cost of these services, the Company may not be able to arrange efficient alternatives and timely means to obtain raw materials or ship finished products, which could adversely impact our results of operations, financial position and cash flows.

The inability of counterparties to meet their contractual obligations could have a substantial adverse impact on our results of operations.

We sell products to oil companies, oil and gas exploration and production companies and chemical companies throughout the world. Credit limits, ongoing credit evaluation and account monitoring procedures are used to minimize bad debt risk. Collateral is not generally required. We have in place a credit facility with a syndicate of banks. From time to time, we use derivatives, including interest rate swaps, commodity swaps and foreign currency forward exchange contracts, in the normal course of business to manage market risks. We enter into derivative instruments with a diversified group of major financial institutions in order to manage the exposure to non-performance of such instruments.

We remain subject to market and credit risks including the ability of counterparties to meet their contractual obligations and the potential non-performance of counterparties to deliver contracted commodities or services at the contracted price. The inability of counterparties to meet their contractual obligations could have an adverse impact on our results of operations, financial position and cash flows.

Finance and Investment

We are exposed to fluctuations in foreign currency exchange rates, which may adversely affect our results of operations.

We generate a portion of our revenues and incur some operating costs in currencies other than the U.S. dollar. In addition, the financial position and results of operations of some of our overseas subsidiaries are reported in the relevant local currency and then translated to U.S. dollars at the applicable currency exchange rates for inclusion in our consolidated financial statements. Fluctuations in these currency exchange rates affect the recorded levels of our assets and liabilities, results of operations and cash flows.

The primary exchange rate fluctuation exposures we have are with the European Union euro, British pound sterling and Brazilian real. Exchange rates between these currencies and the U.S. dollar have fluctuated in recent years and may continue to do so. We cannot accurately predict future exchange rate variability among these currencies or relative to the U.S. dollar. While we take steps to manage currency exchange rate exposure, including entering into hedging transactions, we cannot eliminate all exposure to future exchange rate variability. These exchange risks could adversely impact our results of operations, financial position and cash flows.

A high concentration of significant stockholders may have a material adverse impact on our stock price.

Approximately 51% of our common stock is held by five stockholders. A decision by any of these, or other substantial, stockholders to sell all or a significant part of its holding, or a sudden or unexpected disposition of our stock, could result in a significant decline in our stock price which could in turn adversely impact our ability to access equity markets which in turn could adversely impact our results of operations, financial position and cash flows.

Our amended and restated by-laws designate specific Delaware courts as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated by-laws (the "By-laws") provide that, unless we consent in writing to the selection of an alternative forum, the appropriate court within the State of Delaware is the sole and exclusive forum, to the fullest extent provided by law, for the following types of actions or proceedings:

- any derivative action or proceeding brought on behalf of the Corporation,
- any action asserting a claim of breach of a fiduciary duty owed by any director, officer, other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders,

- any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law ("DGCL"), the Certificate of Incorporation, the By-laws, or as to which the DGCL confers jurisdiction upon the Court of Chancery of the State of Delaware,
- any action asserting a claim governed by the internal affairs doctrine, or
- any other internal corporate claim as defined in Section 115 of the DGCL.

This includes, to the extent permitted by the federal securities laws, lawsuits asserting both state law claims and claims under the federal securities laws.

This forum selection provision in the By-laws may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. It is also possible that, notwithstanding the forum selection clause included in the By-laws, a court could rule that such a provision is inapplicable or unenforceable.

Application of the choice of forum provision may be limited in some instances by law. Section 27 of the Securities Exchange Act of 1934 ("Exchange Act") provides for exclusive federal court jurisdiction over Exchange Act claims. Accordingly, to the extent the exclusive forum provision is held to cover a shareholder derivative action asserting claims under the Exchange Act, such claims could not be brought in the Delaware Court of Chancery and would instead be within the jurisdiction of the federal district court for the District of Delaware. Section 22 of the Securities Act of 1933 ("Securities Act") creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Our stockholders will not be deemed by operation of our choice of forum provision to have waived our compliance with the federal securities laws and the regulations promulgated thereunder. The selection of legal jurisdiction for litigation claims may impact the outcome of legal proceedings which could impact our results of operations, financial position and cash flows.

The provisions of our revolving credit facility may restrict our ability to incur additional indebtedness or to otherwise expand our business.

Our revolving credit facility contains restrictive clauses which may limit our activities, and operational and financial flexibility. We may not be able to borrow under the revolving credit facility if an event of default under the terms of the facility occurs. An event of default under the credit facility includes a material adverse change to our assets, operations or financial condition, and certain other events. The revolving credit facility also contains a number of restrictions that limit our ability, among other things, and subject to certain limited exceptions, to incur additional indebtedness, pledge our assets as security, guarantee obligations of third parties, make investments, undergo a merger or consolidation, dispose of assets or materially change our line of business.

In addition, the revolving credit facility requires us to meet certain financial ratios, including ratios based on net debt to earnings before income tax, depreciation and amortization

(“EBITDA”) and net interest expense to EBITDA. Net debt, net interest expense and EBITDA are non-GAAP measures of liquidity defined in the credit facility. Our ability to meet these financial covenants depends upon the future successful operating performance of the business. If we fail to comply with financial covenants, we would be in default under the revolving credit facility and the maturity of our outstanding debt could be accelerated unless we were able to obtain waivers from our lenders. If we were found to be in default under the revolving credit facility, it could adversely impact our results of operations, financial position and cash flows.

Item 1B Unresolved Staff Comments

None.

Item 2 Properties

A summary of the Company's principal properties is shown in the following table. Each of these properties is owned by the Company except where otherwise noted:

Location	***Reporting Segment***	***Operations***
Englewood, Colorado (1)	Fuel Specialties and Performance Chemicals	Corporate Headquarters Business Teams Sales/Administration
Newark, Delaware (1)	Fuel Specialties	Research & Development
Herne, Germany	Fuel Specialties	Sales/Manufacturing/Administration Research & Development
Vernon, France	Fuel Specialties	Sales/Manufacturing/Administration Research & Development
Moscow, Russia (1)	Fuel Specialties	Sales/Administration
Leuna, Germany	Fuel Specialties	Sales/Manufacturing/Administration Research & Development
Ellesmere Port, United Kingdom	Fuel Specialties, Performance Chemicals and Octane Additives	European Headquarters Business Teams Sales/Manufacturing/Administration Research & Development Fuel Technology Center
Beijing, China (1)	Fuel Specialties and Performance Chemicals	Sales/Administration
Singapore (1)	Fuel Specialties and Performance Chemicals	Asia-Pacific Headquarters Business Teams Sales/Administration
Milan, Italy (1)	Fuel Specialties and Performance Chemicals	Sales/Administration
Rio de Janeiro, Brazil (1)	Fuel Specialties, Performance Chemicals and Oilfield Services	Sales/Administration
High Point, North Carolina	Performance Chemicals	Manufacturing/Administration Research & Development
Salisbury, North Carolina	Performance Chemicals	Manufacturing/Administration Research & Development
Chatsworth, California (1)	Performance Chemicals	Sales/Manufacturing/Administration
Saint Mihiel, France	Performance Chemicals	Manufacturing/Administration/Research & Development
Castiglione, Italy	Performance Chemicals	Manufacturing/Administration/Research & Development
Barcelona, Spain (1)	Performance Chemicals	Manufacturing/Administration/Research & Development

Location	*Reporting Segment*	*Operations*
Oklahoma City, Oklahoma	Oilfield Services	Sales/Manufacturing/Administration
Midland, Texas	Oilfield Services	Sales/Manufacturing/Administration
Pleasanton, Texas	Oilfield Services	Sales/Manufacturing/Administration
Sugar Land, Texas (1)	Oilfield Services	Sales/Administration/Research & Development
The Woodlands, Houston, Texas (1)	Oilfield Services	Sales/Administration/Research & Development
Williston, North Dakota	Oilfield Services	Sales/Warehouse
Casper, Wyoming (1)	Oilfield Services	Warehouse

(1) *Leased property*

Manufacturing Capacity

We believe that our plants and supply agreements are sufficient to meet current sales levels. Operating rates of the plants are generally flexible and varied with product mix and normal sales demand swings. We believe that all of our facilities are maintained to appropriate levels and in sufficient operating condition though there remains an ongoing need for maintenance and capital investment.

Item 3 Legal Proceedings

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 material pending legal proceedings to which the Company or any of its subsidiaries is a party, or of which any of the Company's 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 4 Mine Safety Disclosures

Not applicable.

PART II

Item 5 Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders

The Company’s common stock is listed on the NASDAQ under the symbol “IOSP.” As of February 10, 2021 there were 758 registered holders of the common stock.

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the fourth quarter of 2020.

Issuer Purchases of Equity Securities

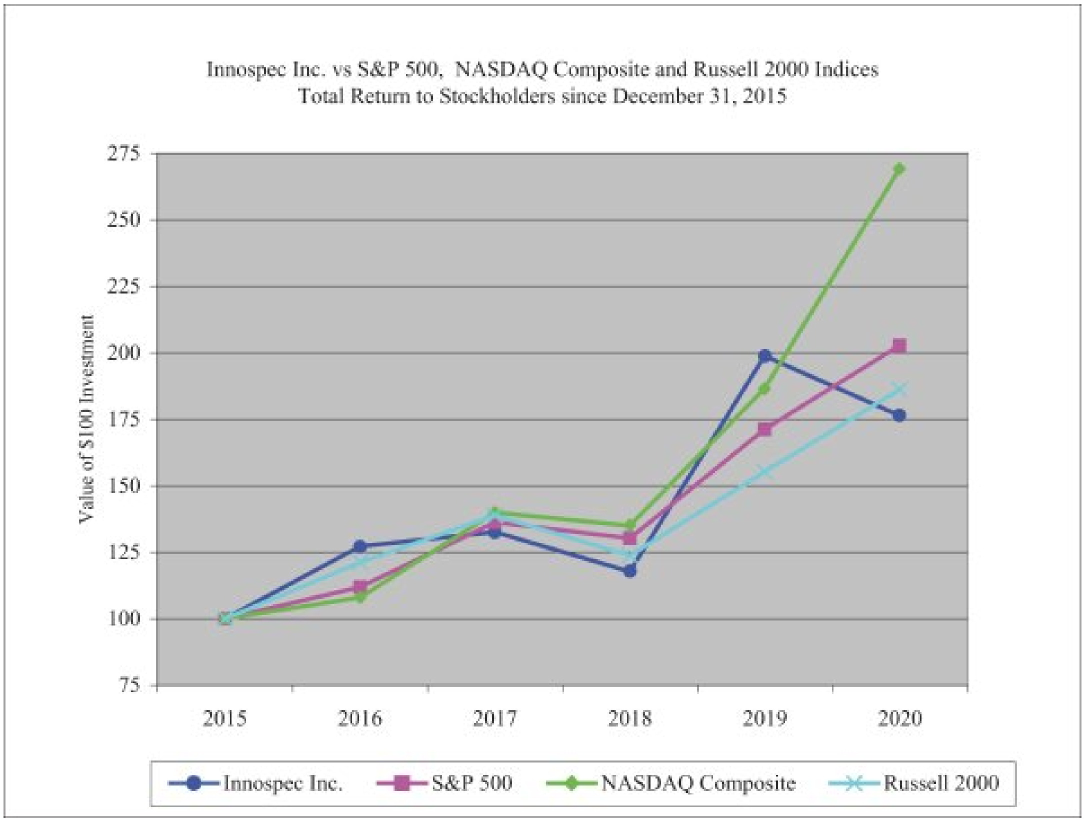
During 2020 the Company made no open market repurchases of our common stock.

On November 6, 2018 the Company announced that its board of directors had approved a share repurchase program for the repurchase of up to $100 million of Innospec’s common stock over the following three years. During the year ended December 31, 2020, no shares of our common stock were repurchased by the Company under this share repurchase program.

During the quarter ended December 31, 2020 the company did not purchase any of its common stock in connection with the exercising of stock options by employees.

Stock Price Performance Graph

The graph below compares the cumulative total return to stockholders on the common stock of the Corporation, S&P 500 Index, NASDAQ Composite Index and Russell 2000 Index since December 31, 2015, assuming a $100 investment and the re-investment of any dividends thereafter. Historical stock price performance should not be relied upon as an indication of future stock price performance.



Value of $100 Investment made December 31, 2015*

	2015	2016	2017	2018	2019	2020
Innospec Inc.	$ 100.00	$ 127.36	$ 132.70	$ 117.76	$ 199.17	$ 176.70
S&P 500 Index	100.00	111.96	136.40	130.42	171.49	203.04
NASDAQ Composite Index	100.00	108.09	140.12	135.09	186.79	269.70
Russell 2000 Index	$ 100.00	$ 121.31	$ 139.08	$ 123.76	$ 155.35	$ 186.36

* Excludes purchase commissions.

Item 6 Selected Financial Data

FINANCIAL HIGHLIGHTS

(in millions, except financial ratios, share and per share data)	2020	2019	2018	2017	2016
Summary of performance:					
Net sales	$1,193.1	$1,513.3	$1,476.9	$1,306.8	$ 883.4
Operating income	33.7	149.9	133.5	125.0	98.2
Income before income taxes	39.7	150.4	131.6	128.1	103.1
Income taxes	(11.0)	(38.2)	(46.6)	(66.3)	(21.8)
Net income	28.7	112.2	85.0	61.8	81.3
Net income attributable to Innospec Inc.	28.7	112.2	85.0	61.8	81.3
Net cash provided by operating activities	$ 145.9	$ 161.6	$ 104.9	$ 82.7	$ 105.5
Financial position at year end:					
Total assets	$1,397.4	$1,468.8	$1,473.4	$1,410.2	$1,181.4
Long-term debt including finance leases (including current portion)	0.6	60.1	210.9	224.3	273.3
Cash, cash equivalents, and short-term investments	105.3	75.7	123.1	90.2	101.9
Total equity	$ 944.9	$ 918.9	$ 825.5	$ 794.3	$ 653.8
Financial ratios:					
Net income attributable to Innospec Inc. as a percentage of net sales	2.4	7.4	5.8	4.7	9.2
Effective tax rate as a percentage [(1)]	27.7	25.4	35.4	51.8	21.1
Current ratio [(2)]	2.3	2.1	2.2	2.1	2.4
Share data:					
Earnings per share attributable to Innospec Inc.					
– Basic	$ 1.17	$ 4.58	$ 3.48	$ 2.56	$ 3.39
– Diluted	$ 1.16	$ 4.54	$ 3.45	$ 2.52	$ 3.33
Dividend paid per share	$ 1.04	$ 1.02	$ 0.89	$ 0.77	$ 0.67
Shares outstanding (basic, thousands)					
– At year end	24,596	24,507	24,434	24,350	24,071
– Average during year	24,563	24,482	24,401	24,148	23,998

(1) *The effective tax rate is calculated as income taxes as a percentage of income before income taxes. Income taxes are impacted in 2017 by the provisional estimates recorded in respect of the Tax Cuts and Jobs Act of 2017 ("Tax Act"), and in 2018 by the finalization and recording of additional taxes due as a consequence of the Tax Act. Income taxes in 2019 and 2020 are calculated under the new legislation of the Tax Act.*

(2) *Current ratio is defined as current assets divided by current liabilities.*

QUARTERLY SUMMARY

(in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020				
Net sales	$ 372.3	$ 244.9	$ 265.1	$ 310.8
Gross profit	113.9	59.1	78.7	91.0
Operating income	40.9	(53.4)	16.8	29.4
Net income	33.1	(39.7)	12.7	22.6
Net cash provided by operating activities	$ 2.4	$ 29.8	$ 55.5	$ 58.2
Per common share:				
Earnings – basic	$ 1.35	$ (1.62)	$ 0.52	$ 0.92
– diluted	$ 1.34	$ (1.62)	$ 0.51	$ 0.91
2019				
Net sales	$ 388.3	$ 362.4	$ 371.9	$ 390.7
Gross profit	117.8	111.1	119.1	118.2
Operating income	36.2	31.7	38.2	43.8
Net income	28.7	22.3	30.1	31.1
Net cash provided by operating activities	$ 13.2	$ 50.0	$ 40.0	$ 58.4
Per common share:				
Earnings – basic	$ 1.17	$ 0.91	$ 1.23	$ 1.27
– diluted	$ 1.17	$ 0.90	$ 1.22	$ 1.26

Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

EXECUTIVE OVERVIEW

For much of 2020, customer demand was adversely impacted by the COVID-19 pandemic and the unprecedented collapse in demand for crude oil. The low point of the year for the decline in customer demand was the second quarter and all of our businesses have been showing some recovery since that time, although they have not yet returned to pre-pandemic levels.

We also successfully navigated a number of world trade disputes which threatened to have a negative impact on our business.

Performance Chemicals continued its organic growth driven by new product development and the development of new customers in the personal care, home care, agrochemical and metal extraction markets.

Both Fuel Specialties and Oilfield Services suffered from the dramatic drop in demand. In Oilfield Services, we responded by making substantial cuts in costs to reflect the reduced customer activity levels. We believe that both markets were showing signs of good recovery by the end of the year.

The Octane Additives business concluded its trading with its last customer for motor gasoline during the year, as its sole customer completed their transition to unleaded fuel.

CRITICAL ACCOUNTING ESTIMATES

Note 2 of the Notes to the Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of the consolidated financial statements.

Environmental Liabilities

We are subject to environmental laws in the countries in which we conduct business. Ellesmere Port in the United Kingdom is our principal site giving rise to environmental remediation liabilities associated with the production of TEL. There are also environmental remediation liabilities on a much smaller scale in respect of our other manufacturing sites in the U.S. and Europe. At Ellesmere Port there is a continuing asset retirement program related to certain manufacturing units that have been closed.

Remediation provisions at December 31, 2020 amounted to $58.5 million and relate principally to our Ellesmere Port site in the United Kingdom. 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. We develop these assumptions utilizing the latest information available together with recent costs. While we believe our assumptions for environmental liabilities are reasonable, they are subjective judgements and it is possible that variations in any of the assumptions will result in materially different calculations to the liabilities we have reported.

Income Taxes

We are subject to income and other taxes in the U.S., the U.K., the E.U. and other jurisdictions. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied.

The calculation of our tax liabilities involves evaluating uncertainties in the application of accounting principles and complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be required. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary.

We also recognize tax benefits to the extent that it is more likely than not that our positions will be sustained, based on technical merits of the position, when challenged by the taxing authorities. To the extent that we prevail in matters for which liabilities have been established or are required to pay amounts in excess of the liabilities recorded in our financial statements, our effective tax rate in a given period may be materially affected. An unfavourable tax settlement may require cash payments and result in an increase in our effective tax rate in the year of resolution. We report interest and penalties related to uncertain tax positions as income taxes. For additional information regarding uncertain income tax positions, see Note 11 of the Notes to the Consolidated Financial Statements.

Pensions

The Company maintains a defined benefit pension plan covering a number of its current and former employees in the United Kingdom. The Company also has other smaller pension arrangements in the U.S. and overseas as disclosed in Note10 of the Notes to the Consolidated Financial Statements. The United Kingdom plan is closed to future service accrual, but has a large number of deferred and current pensioners.

Movements in the United Kingdom’s underlying plan asset value and Projected Benefit Obligation (“PBO”) are dependent on actual return on investments as well as our assumptions in respect of the discount rate, annual member mortality rates, future return on assets and future inflation. A change in any one of these assumptions could impact the plan asset value, PBO and pension charge recognized in the income statement. Such changes could adversely impact our results of operations and financial position. For example, a 0.25% change in the discount rate assumption would change the PBO by approximately $26 million while the net pension credit for 2020 would change by approximately $0.4 million. A 0.25% change in the level of price inflation assumption would change the PBO by approximately $19 million and the net pension credit for 2021 would change by approximately $1.2 million.

Further information is provided in Note 10 of the Notes to the Consolidated Financial Statements.

Goodwill

The Company's reporting units, the level at which goodwill is assessed for potential impairment, are consistent with the reportable segments. The components in each segment (including products, markets and competitors) have similar economic characteristics and the segments, therefore, reflect the lowest level at which operations and cash flows can be sufficiently distinguished, operationally and for financial reporting purposes, from the rest of the Company.

To test for impairment the Company performs a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a segment is less than the carrying amount prior to performing the quantitative goodwill impairment test. Factors utilized in the qualitative assessment process include macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and Company specific events.

If a quantitative test is required, we assess the fair value based on projected post-tax cash flows discounted at the Company's weighted average cost of capital. These fair value techniques require management judgment and estimates including revenue growth rates, projected operating margins, changes in working capital and discount rates. We would develop these assumptions by considering recent financial performance and trends and industry growth estimates. While we believe our assumptions for impairment assessments are reasonable, they are subjective judgments, and it is possible that variations in any of the assumptions will result in materially different calculations of any potential impairment charges.

At December 31, 2020 we had $371.2 million of goodwill relating to our Fuel Specialties, Performance Chemicals and Oilfield Services segments. Due to the triggering events of the COVID-19 pandemic and the reduction in oil prices and their impact on our business, we performed a step one impairment review at June 30, 2020. The impairment assessment indicated the fair values substantially exceeded the carrying values for all operating segments. Despite this, due to a significant downturn in one of the entities, we performed a further assessment of the intangible assets of that entity, which resulted in an impairment of $19.8 million at June 30, 2020.

Property, Plant and Equipment and Other Intangible Assets (Net of Depreciation and Amortization, respectively)

As at December 31, 2020 we had $210.8 million of property, plant and equipment and $75.3 million of other intangible assets (net of depreciation and amortization, respectively), that are discussed in Notes 6 and 8 of the Notes to the Consolidated Financial Statements, respectively. These long-lived assets relate to all of our reporting segments and are being amortized or depreciated straight-line over periods of up to 17 years in respect of the other intangible assets and up to 25 years in respect of the property, plant and equipment.

We continually assess the markets and products related to these long-lived assets, as well as their specific carrying values, and have concluded that these carrying values, and amortization and depreciation periods, remain appropriate.

Impact of COVID-19 Pandemic and Current Economic Environment

The Company's results have been adversely impacted in 2020, due to the COVID-19 pandemic and the global economic environment.

Fuel Specialties have been impacted by reduced demand stemming from the reduction in freight transport and passenger miles and the widespread grounding of aircraft for a large part of the year. We have seen some improvement in the fourth quarter as travel has begun to increase, but demand has not returned to the pre-COVID-19 levels. We expect demand will continue to improve in 2021, to the extent global economic activity recovers, subject to the continuation of the current lockdowns in Europe in particular and the potential for future lockdowns or restrictions around the world related to the spread of new COVID variants.

Performance Chemicals have experienced little overall impact from the pandemic as increased demand for certain products linked to health, hygiene and cleaning outweighed some lost revenues linked to the short-term shutdown of some of our customers manufacturing facilities.

Oilfield Services have been heavily impacted by the reduction in oil exploration and production as the wider industry reacts to the reduction in demand and low oil price. We have seen some improvement in the second half of the year from increasing demand and the benefit from the reduction in headcount that occurred in the second quarter. We do not know how long this downturn will last and the rate of recovery will depend heavily on the rate and extent to which the government restrictions on movement are lifted and not re-imposed.

Our manufacturing facilities have continued to operate with only some minor interruption, and we expect them to continue to do so. We have implemented flexible working, including working from home for our employees where possible, in line with advice and rules in each of the jurisdictions in which we operate. Additional costs have been incurred to ensure our manufacturing and administrative facilities are COVID safe for our employees. While these costs have not been significant to date there may be increased costs in the future, if further safety restrictions are required. Raw material sourcing has not been significantly impacted and we do not expect that to change over the remainder of the year. Logistics are operating with some delays but our products are currently being delivered to our customers.

We believe that our financial position remains strong. We expect to have sufficient access to capital if needed, including our $250 million revolving credit facility we entered into in September 2019, and we do not anticipate any issues with meeting the covenants for our debt agreements. We have extended this facility by a further twelve months until September 2024, during the third quarter of 2020. Our major capital projects are continuing to progress as planned.

As we operate in the chemical industry, we continue to be focused on protecting the health and safety of our employees and have procedures in place at each of our operating facilities to help ensure their well-being.

We do not know how long the pandemic and current economic environment will continue and while we have made estimates as to potential impacts on our financial position and operations, the ultimate impact on our business will depend on many factors which are very difficult to predict with certainty and substantially beyond our control.

RESULTS OF OPERATIONS

The following table provides operating income by reporting segment:

(in millions)	2020	2019	2018
Net sales:			
Fuel Specialties	$ 512.7	$ 583.7	$ 574.5
Performance Chemicals	425.4	428.7	468.1
Oilfield Services	255.0	479.9	400.6
Octane Additives	0.0	21.0	33.7
	$1.193.1	$1,513.3	$1,476.9
Gross profit:			
Fuel Specialties	$ 160.3	$ 204.5	$ 195.0
Performance Chemicals	103.8	100.1	97.5
Oilfield Services	80.8	159.9	130.4
Octane Additives	(2.2)	1.7	12.1
	$ 342.7	$ 466.2	$ 435.0
Operating income:			
Fuel Specialties	$ 84.5	$ 116.6	$ 116.3
Performance Chemicals	54.8	48.7	44.7
Oilfield Services	(9.5)	39.7	22.1
Octane Additives	(2.8)	(0.7)	9.9
Corporate costs	(52.2)	(54.4)	(52.4)
Restructuring charge	(21.3)	0.0	(7.1)
Impairment of intangible assets	(19.8)	0.0	0.0
Total operating income	$ 33.7	$ 149.9	$ 133.5
Other income, net	$ 7.8	$ 5.3	$ 5.0
Interest expense, net	(1.8)	(4.8)	(6.9)
Income before income taxes	39.7	150.4	131.6
Income taxes	(11.0)	(38.2)	(46.6)
Net income	$ 28.7	$ 112.2	$ 85.0

Results of Operations – Fiscal 2020 compared to Fiscal 2019:

(in millions, except ratios)	2020	2019	Change	
Net sales:				
Fuel Specialties	$ 512.7	$ 583.7	$ (71.0)	-12%
Performance Chemicals	425.4	428.7	(3.3)	-1%
Oilfield Services	255.0	479.9	(224.9)	-47%
Octane Additives	0.0	21.0	(21.0)	-100%
	$1,193.1	$1,513.3	$(320.2)	-21%
Gross profit:				
Fuel Specialties	$ 160.3	$ 204.5	(44.2)	-22%
Performance Chemicals	103.8	100.1	3.7	+4%
Oilfield Services	80.8	159.9	(79.1)	-49%
Octane Additives	(2.2)	1.7	(3.9)	-229%
	$ 342.7	$ 466.2	(123.5)	-26%
Gross margin (%):				
Fuel Specialties	*31.3*	*35.0*	*-3.7*	
Performance Chemicals	*24.4*	*23.3*	*1.1*	
Oilfield Services	*31.7*	*33.3*	*-1.6*	
Octane Additives	*0.0*	*8.1*	*-8.1*	
Aggregate	***28.7***	***30.8***	***-2.1***	
Operating expenses:				
Fuel Specialties	$ (75.8)	$ (87.9)	$ 12.1	-14%
Performance Chemicals	(49.0)	(51.4)	2.4	-5%
Oilfield Services	(90.3)	(120.2)	29.9	-25%
Octane Additives	(0.6)	(2.4)	1.8	-75%
Corporate costs	(52.2)	(54.4)	2.2	-4%
Restructuring charge	(21.3)	0.0	(21.3)	n/a
Impairment of intangible assets	(19.8)	0.0	(19.8)	n/a
	$ (309.0)	$ (316.3)	$ 7.3	-2%

Financial information with respect to our domestic and foreign operations is contained in Note 3 of the Notes to the Consolidated Financial Statements.

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 (%)	Americas	EMEA	ASPAC	AvTel	Total
Volume	-7	-8	-11	+11	-7
Price and product mix	-1	-7	-10	-19	-6
Exchange rates	0	+2	0	0	+1
	-8	-13	-21	-8	-12

Volumes in all our regions have suffered from the adverse impact of the COVID-19 pandemic, which has reduced the global demand for fuel additive products. During the second half of 2020, we have seen customer demand recovering steadily as lockdowns in countries around the world have been eased. However, the reintroduction of lockdowns for European countries in January 2021 could slow the return of customer demand to the pre-pandemic level. Price and product mix in all our regions was adverse due to lower sales of our higher margin products. AvTel volumes were higher than the prior year due to variations in the demand from customers, being offset by an adverse price and product mix. EMEA benefitted from favorable exchange rate movements year over year, due to a strengthening of the British pound sterling and the European Union euro against the U.S. dollar.

Gross margin: the year over year decrease of 3.7 percentage points was driven by the impact of the COVID-19 pandemic reducing demand for our higher margin products, together with adverse raw material costs and higher provisions for slow moving inventory.

Operating expenses: the year over year decrease of $12.1 million was due to cost savings as a result of the COVID-19 pandemic, including lower travel and entertainment costs, together with lower personnel related performance-based remuneration due to a decrease in share-based compensation accruals linked to the Innospec share price.

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:

Change (%)	Americas	EMEA	ASPAC	Total
Volume	+13	-1	+14	+4
Price and product mix	-12	-4	+3	-6
Exchange rates	0	+2	+1	+1
	+1	-3	+18	-1

Higher volumes in the Americas and ASPAC were driven by increased demand for our Personal Care and Home Care products. Volumes were lower in EMEA primarily due to lower demand for Home Care products. The Americas and EMEA suffered an adverse price and product mix due to increased sales of lower priced products due largely to lower raw material costs. ASPAC benefitted from a favorable price and product mix due to increased sales of higher priced products. EMEA and ASPAC benefitted from favorable exchange rate movements year over year, due to a strengthening of the British pound sterling and the European Union euro against the U.S. dollar.

Gross margin: the year over year increase of 1.1 percentage points was due to a richer sales mix, the continued benefit of margin improvement projects and the timing of pricing movements for certain raw materials.

Operating expenses: the year over year decrease of $2.4 million was driven by lower personnel related performance-based remuneration due to a decrease in the share-based compensation accruals linked to the Innospec share price, together with cost savings as a result of the COVID-19 pandemic, including lower travel and entertainment costs.

Oilfield Services

Net sales: the year over year decrease of $224.9 million, or 47 percent, was primarily due to a collapse of customer activity for the U.S. onshore market, as a result of the COVID-19 pandemic reducing world-wide demand together with the depressed price of crude oil. The previously expected recovery in the U.S. completions market has been delayed, however the Company has seen an improvement in the demand for crude oil in the second half of 2020 leading to higher sales for our production and drag reducing agent products.

Gross margin: the year over year decrease of 1.6 percentage points was primarily due to significant inventory adjustments in the second quarter of 2020 as a result of the collapse in demand, being partly offset by margin improvements in the second half of the year due to a favorable sales mix and management cost control initiatives.

Operating expenses: the year over year decrease of $29.9 million was driven by the right-sizing of the operations to adjust for the reduction in demand caused by the COVID-19 pandemic, together with lower accruals for long-term performance-based incentive plans due to a decrease in share-based compensation accruals linked to the Innospec share price.

Octane Additives

The Octane Additives business ceased trading and is no longer a reporting segment from July 1, 2020 as the production of TEL for use in motor gasoline has finished. Legacy costs related to these operations have now been recorded as operating expenses within corporate costs.

Prior to July 1, 2020 net sales were nil in 2020 compared to $21.0 million in the prior year; the gross loss was $2.2 million in 2020 compared to a $1.7 million gross profit in the prior year; operating expenses were $0.6 million in 2020 compared to $2.4 million in the prior year.

Other Income Statement Captions

Corporate costs: the year over year decrease of $2.2 million was driven by lower accruals for long-term performance-based incentive plans due to the impact of the COVID-19 pandemic on the group's profit performance together with a decrease in the share-based compensation accruals linked to the Innospec share price. There has also been a reduction in travel and entertainment expenses resulting from the COVID-19 pandemic restrictions on local and international travel. The decrease in costs was partly offset by $4.2 million of acquisition related costs in 2020; the inclusion of legacy costs related to the now closed Octane Additives segment of $2.5 million; and higher spending on information technology following the network security incident in the second quarter of 2019.

Restructuring charge: was $21.3 million related to the cessation of production and sales of TEL for use in motor gasoline. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for further information.

Impairment of intangible assets: was $19.8 million related to acquired intangible assets in our Oilfield Services segment. See Note 9 of the Notes to the Condensed Consolidated Financial Statements for further information.

Other net income/(expense): for 2020 and 2019, includes the following:

	2020	2019	Change
United Kingdom pension credit	$ 6.2	$ 7.7	$ (1.5)
German pension charge	(0.9)	(0.5)	(0.4)
Foreign exchange gains/(losses) on translation	4.0	(1.3)	5.3
Foreign currency forward contracts losses	(1.5)	(0.6)	(0.9)
	$ 7.8	$ 5.3	$ 2.5

Interest expense, net: was $1.8 million for 2020 compared to $4.8 million in the prior year, driven by lower average net debt as the business generated cash inflows.

Income taxes: The effective tax rate was 27.7% and 25.4% in 2020 and 2019, respectively. The adjusted effective tax rate, once adjusted for the items set out in the following table, was 23.5% in 2020 compared with 22.6% in 2019. 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.

(in millions, except ratios)	2020	2019
Income before income taxes	$39.7	$150.4
Adjustment for stock compensation	5.8	6.6
Indemnification asset regarding tax audit	0.2	(1.6)
Restructuring charge	21.3	0.0
Impairment of acquired intangible assets	19.8	0.0
Legacy cost of closed operations	2.5	0.0
Acquisition costs	4.2	0.0
Adjusted income before income taxes	$93.5	$155.4
Income taxes	$11.0	$ 38.2
Adjustment of income tax provisions	0.7	(2.5)
Tax on stock compensation	1.7	0.9
Tax on restructuring charge	4.3	0.0
Tax on impairment of acquired intangible asset	4.6	0.0
Tax on site closure provision	0.0	(0.7)
Tax loss on distribution	0.4	1.2
Change in UK statutory tax rate	(2.7)	0.0
Tax on legacy cost of closed operations	0.5	0.0
Tax on acquisition costs	0.9	0.0
Other discrete items	0.6	(2.0)
Adjusted income taxes	$22.0	$ 35.1
GAAP effective tax rate	27.7%	25.4%
Adjusted effective tax rate	23.5%	22.6%

The most significant factors impacting on our effective tax rate in 2020 are explained in Note 11 of the Notes to the Consolidated Financial Statements.

Results of Operations – Fiscal 2019 compared to Fiscal 2018:

(in millions, except ratios)	2019	2018	Change	
Net sales:				
Fuel Specialties	$ 583.7	$ 574.5	$ 9.2	+2%
Performance Chemicals	428.7	468.1	(39.4)	-8%
Oilfield Services	479.9	400.6	79.3	+20%
Octane Additives	21.0	33.7	(12.7)	-38%
	$1,513.3	$1,476.9	$ 36.4	+2%
Gross profit:				
Fuel Specialties	$ 204.5	$ 195.0	$ 9.5	+5%
Performance Chemicals	100.1	97.5	2.6	+3%
Oilfield Services	159.9	130.4	29.5	+23%
Octane Additives	1.7	12.1	(10.4)	-86%
	$ 466.2	$ 435.0	$ 31.2	+7%
Gross margin (%):				
Fuel Specialties	*35.0*	*33.9*	*+1.1*	
Performance Chemicals	*23.3*	*20.8*	*+2.5*	
Oilfield Services	*33.3*	*32.6*	*+0.7*	
Octane Additives	*8.1*	*35.9*	*-27.8*	
Aggregate	***30.8***	***29.5***	***+1.3***	
Operating expenses:				
Fuel Specialties	$ (87.9)	$ (78.7)	$ (9.2)	+12%
Performance Chemicals	(51.4)	(52.8)	1.4	-3%
Oilfield Services	(120.2)	(108.3)	(11.9)	+11%
Octane Additives	(2.4)	(2.2)	(0.2)	+9%
Corporate costs	(54.4)	(52.4)	(2.0)	+4%
Restructuring charge	0.0	(7.1)	7.1	-100%
	$ (316.3)	$ (301.5)	$(14.8)	+5%

Financial information with respect to our domestic and foreign operations is contained in Note 3 of the Notes to the Consolidated Financial Statements.

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 (%)	Americas	EMEA	ASPAC	AvTel	Total
Volume	-8	+4	+3	+52	+3
Price and product mix	+6	+4	+8	-37	+3
Exchange rates	0	-8	-1	0	-4
	-2	0	+10	+15	+2

Lower volumes in the Americas were primarily driven by a specific issue in the second half of 2019 related to disruption from one supplier. Volumes in EMEA and ASPAC were higher, driven by increased demand for our products and technology. Price and product mix in the Americas, EMEA and ASPAC benefited from increased sales of higher margin products. AvTel volumes were higher than the prior year due to variations in the demand from customers, partly offset by an adverse price and product mix. EMEA and ASPAC were negatively impacted by exchange rate movements year over year, driven by a weakening of the British pound sterling and the European Union euro against the U.S. dollar.

Gross margin: the year on year increase of 1.1 percentage points benefitted from an improvement in the mix of product sales.

Operating expenses: the year on year increase of $9.2 million was driven by increased selling expenses including higher agents' commissions and higher personnel related performance-based remuneration due to increased share-based compensation accruals.

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:

Change (%)	Americas	EMEA	ASPAC	Total
Volume	-3	-4	+16	-3
Price and product mix	+4	-4	-9	-2
Exchange rates	0	-5	-3	-3
	+1	-13	+4	-8

Lower volumes in the Americas and EMEA were driven by a customer taking some volume in-house. Higher volumes in ASPAC were driven by increased demand for our Personal Care products, partly offset by an adverse price and product mix. Price and product mix in the Americas benefitted from increased sales of higher margin products, while EMEA was adversely impacted by lower raw material prices driving lower selling prices for certain products. EMEA and ASPAC were negatively impacted by exchange rate movements year over year, due to a weakening of the British pound sterling and the European Union euro against the U.S. dollar.

Gross margin: the year on year increase of 2.5 percentage points was driven by an improved sales mix, lower raw material prices and the continued benefit of several improvement projects.

Operating expenses: the year on year decrease of $1.4 million was primarily due to the benefit of a weaker European Union euro against the U.S. dollar and lower costs as a result of the closure of our operation in Belgium in the prior year.

Oilfield Services

Net sales: the year on year increase of $79.3 million, or 20 percent, was due to improved customer activity in stimulation and production driving increased demand for our technology and customer service. Sales of higher margin products have benefited the price and product mix.

Gross margin: the year on year increase of 0.7 percentage points was due to an improved customer and product mix leading to increased sales of higher margin products.

Operating expenses: the year on year increase of $11.9 million was driven by higher selling and technical support expenses required to deliver the increase in customer demand.

Octane Additives

Net sales: were $21.0 million for 2019 compared to $33.7 million in 2018. Reduced sales are in line with our expectations as the one remaining customer moves closer to completing their transition to unleaded fuel.

Gross margin: the year on year decrease of 27.8 percentage points was due to lower production volumes spread over the predominantly fixed cost of manufacturing operations.

Operating expenses: the year on year increase of $0.2 million was principally due to higher year-end provisions for personnel related performance-based remuneration.

Other Income Statement Captions

Corporate costs: the year on year increase of $2.0 million primarily relates to higher personnel related performance-based remuneration including higher share-based compensation accruals; partly offset by a reduction for the amortization of our internally developed software following the completed amortization of our first deployment to the Americas which ended in the third quarter of 2018, together with the benefit of a weakening of the British pound sterling against the U.S. dollar for our United Kingdom cost base.

Restructuring charge: there was no charge in 2019 compared to a charge of $7.1 million in the prior year related to the closure costs, including redundancies and onerous leases, for our operation in Belgium.

Other net income/(expense): for 2019 and 2018, includes the following:

	2019	2018	Change
United Kingdom pension credit	$ 7.7	$ 6.3	$ 1.4
German pension charge	(0.5)	(0.6)	0.1
Foreign exchange losses on translation	(1.3)	(5.9)	4.6
Foreign currency forward contracts (losses)/gains	(0.6)	5.2	(5.8)
	$ 5.3	$ 5.0	$ 0.3

Interest expense, net: was $4.8 million for 2019 compared to $6.9 million in the prior year, driven by lower average net debt as the business generated cash inflows.

Income taxes: The effective tax rate was 25.4% and 35.4% in 2019 and 2018, respectively. The adjusted effective tax rate, once adjusted for the items set out in the following table, was 22.6% in 2019 compared with 23.7% in 2018. 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.

(in millions, except ratios)	**2019**	**2018**
Income before income taxes	$150.4	$131.6
Adjustment for stock compensation	6.6	4.8
Indemnification asset regarding tax audit	(1.6)	(1.2)
Site closure provision	0.0	6.8
Adjusted income before income taxes	$155.4	$142.0
Income taxes	$ 38.2	$ 46.6
Adjustment of income tax provisions	(2.5)	(1.8)
Tax on stock compensation	0.9	0.2
Tax Cuts & Jobs Act 2017 impact	0.0	(12.3)
Tax on site closure provision	(0.7)	1.9
Tax loss on distribution	1.2	0.0
Other discrete items	(2.0)	(0.9)
Adjusted income taxes	$ 35.1	$ 33.7
GAAP effective tax rate	25.4%	35.4%
Adjusted effective tax rate	22.6%	23.7%

The most significant factor impacting our adjusted effective tax rate in 2019 relates to the adjustment of income tax provisions. During 2019, the Company recorded additional tax and interest arising as a consequence of the tax audit into Innospec Performance Chemicals Italia Srl. This item had a negative impact on the effective tax rate, which has been subsequently excluded in determining the adjusted effective tax rate. We note that any finally determined tax liabilities would be reimbursed by the previous owner under the terms of the sale and purchase agreement.

The most significant factor impacting our adjusted effective tax rate in 2018 is the recognized implications of the Tax Act.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, being the Tax Act. On the same date, SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provided guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete their accounting under ASC 740, Income Taxes. Our accounting for the impact of the Tax Act under SAB 118 was completed in 2018.

The deemed repatriation transition tax (“Transition Tax”) is a tax on certain previously untaxed accumulated earnings and profits (“E&P”) of the Company’s non-U.S. subsidiaries. At December 31, 2017, we were able to reasonably estimate the Transition Tax and recorded a provisional Transition Tax obligation of $47.7 million. On the basis of revised E&P computations that were completed in 2018, we adjusted our Transition Tax estimate to $61.1 million. Net of related consequential impacts recorded in our 2017 U.S. federal income tax return, we recorded an additional $12.3 million income tax expense in the fourth quarter of 2018.

LIQUIDITY AND FINANCIAL CONDITION

Working Capital

In 2020 our working capital decreased by $13.0 million, while our adjusted working capital decreased by $47.5 million. The difference is primarily due to the exclusion of the increase in our cash and cash equivalents, together with the exclusion of the decrease for the current portion of our income taxes liability.

The Company believes that adjusted working capital, a non-GAAP financial measure, 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)	2020	2019
Total current assets	$ 566.2	$ 630.3
Total current liabilities	(252.4)	(303.5)
Working capital	313.8	326.8
Less cash and cash equivalents	(105.3)	(75.7)
Less prepaid income taxes	(4.2)	(2.5)
Less other current assets	(0.4)	(0.8)
Add back current portion of accrued income taxes	5.5	10.3
Add back current portion of finance leases	0.5	1.0
Add back current portion of plant closure provisions	6.6	5.6
Add back current portion of operating lease liabilities	11.3	10.6
Adjusted working capital	$ 227.8	$ 275.3

We had a $70.6 million decrease in trade and other accounts receivable primarily driven by the decline in sales in our Fuel Specialties and Oilfield Services segments as a result of the

COVID-19 pandemic. Days' sales outstanding in our Fuel Specialties segment remained unchanged at 52 days; decreased in our Performance Chemicals segment from 64 days to 60 days; and decreased from 66 days to 63 days in our Oilfield Services segment.

We had a $24.6 million decrease in inventories, net of a $4.9 million increase in allowances, as we managed inventory levels in anticipation of increased demand that we expect in 2021. Days' sales in inventory in our Fuel Specialties segment increased from 97 days to 117 days; decreased in our Performance Chemicals segment from 66 days to 58 days; and increased from 71 days to 95 days in our Oilfield Services segment.

Prepaid expenses increased $0.2 million, from $14.7 million to $14.9 million.

We had a $47.5 million decrease in accounts payable and accrued liabilities primarily due to lower production activity to align with reduced customer demand, together with lower accruals for share-based payments linked to the decrease in the Innospec share price during the year. Creditor days (including goods received not invoiced) in our Fuel Specialties segment decreased from 52 days to 34 days; decreased in our Performance Chemicals segment from 54 days to 48 days; and increased from 43 days to 49 days in our Oilfield Services segment.

Operating Cash Flows

We generated cash from operating activities of $145.9 million in 2020 compared to cash inflows of $161.6 million in 2019. The reduction in cash generated from operating activities was primarily related to the adverse impact of COVID-19 and the fall in oil prices on customer activity and the timing of payments for income taxes.

Cash

At December 31, 2020 and 2019, we had cash and cash equivalents of $105.3 million and $75.7 million, respectively, of which $52.5 million and $57.9 million, respectively, were held by non-U.S. subsidiaries principally in the United Kingdom.

The increase in cash and cash equivalents in 2020 of $29.6 million was primarily driven by the cash inflows from operating activities including our reductions in working capital, being partly offset by the repayment of $60.0 million of our revolving credit facility together with the normal investments in capital projects and the payment of our semi-annual dividends.

Debt

As at December 31, 2020, the Company had repaid all of its borrowings under the revolving credit facility and as a result, the related deferred finance costs of $1.3 million are now included within other current and non-current assets at the balance sheet date.

On September 16, 2020, Innospec and certain of its subsidiaries agreed to extend the term of its revolving credit facility, as described below, until September 25, 2024. The costs of $0.3 million for extending the term have been capitalized on the balance sheet, which are being amortized over the expected life of the facility.

On September 30, 2019 the Company repaid its pre-existing term loan and revolving credit facility that had been amended and restated on December 14, 2016, and replaced this borrowing with the new credit facility. As a result, refinancing costs of $1.5 million were capitalized which are being amortized over the expected life of the facility.

On September 26, 2019, Innospec and certain of its subsidiaries entered into a new agreement for a $250.0 million revolving credit facility until September 25, 2023 with an option to request an extension to the facility for a further year. The facility also 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.

The revolving credit facility contains terms which, if breached, would result in it becoming repayable on demand. It requires, among other matters, compliance with the following financial covenant ratios measured on a quarterly basis: (1) our ratio of net debt to EBITDA must not be greater than 3.0:1.0 and (2) our ratio of EBITDA to net interest must not be less than 4.0:1.0 Management has determined that the Company has not breached these covenants and does not expect to breach these covenants for the next 12 months.

The revolving credit facility contains restrictions which may limit our activities, and operational and financial flexibility. We may not be able to borrow if an event of default is outstanding, which includes a material adverse change to our assets, operations or financial condition. The credit facility contains a number of restrictions that limit our ability, among other things, and subject to certain limited exceptions, to incur additional indebtedness, pledge our assets as security, guarantee obligations of third parties, make investments, effect a merger or consolidation, dispose of assets, or materially change our line of business.

At December 31, 2020, we had no debt outstanding under the revolving credit facility and $0.6 million of obligations under finance leases relating to certain fixed assets within our Fuel Specialties and Oilfield Services segments.

At December 31, 2020, our maturity profile of long-term debt and finance leases is set out below:

(in millions)	
2021	$ 0.5
2022	0.1
2023	0.0
2024	0.0
Total debt	0.6
Current portion of long-term debt and finance leases	(0.1)
Long-term debt and finance leases, net of current portion	$ 0.5

Outlook

During the early part of 2020, we focused on growing our business and on developing a strong pipeline of what we believe to be promising organic growth projects to support future growth.

For the rest of the year, while we have continued this strategy, we have also had to deal with the impacts of the COVID-19 pandemic and the collapse in crude oil prices. These events created unprecedented demand destruction.

However, our financial performance in this difficult environment, combined with our strong balance sheet and financial prudence have been the solid foundation on which we have been able to weather this storm. Indeed, we ended the year with a very strong net cash position and we had no requirement to call on additional financial support from our banks during the pandemic. We believe this financial strength means that we are well-placed to resource growth projects – both organic and acquisitive.

We believe that our long-term strategy remains valid and this has been supported by the recovery in markets towards the end of 2020.

While we are optimistic for prospects in 2021 and beyond, we are also cautious given the current circumstances. The global pandemic is not yet under control and has the potential to adversely impact demand in the near term.

We will continue our strategy of investing in R&D to continuously improve our products and technology. When these innovations are combined with high quality customer service, we are confident that we have a solid foundation of future organic growth.

We also remain active in corporate development, and we enter 2021 with balance sheet strength which gives us the ability to participate in appropriate acquisition opportunities as they arise.

Contractual Commitments

The following represents contractual commitments at December 31, 2020 and the effect of those obligations on future cash flows:

(in millions)	Total	2021	2022-23	2024-25	Thereafter
Operating activities					
Remediation payments	58.5	6.6	9.4	7.1	35.4
Operating lease commitments	40.2	11.3	17.3	8.9	2.7
Raw material purchase obligations	19.7	3.8	7.8	8.1	0.0
Interest payments on debt	3.4	0.9	1.8	0.7	0.0
Investing activities					
Capital commitments	14.7	14.7	0.0	0.0	0.0
Financing activities					
Long-term debt obligations	0.0	0.0	0.0	0.0	0.0
Finance leases	0.6	0.5	0.1	0.0	0.0
Total	$137.1	$37.8	$ 36.4	$ 24.8	$ 38.1

Operating activities

Remediation payments represent those cash flows that the Company is currently obligated to pay in respect of environmental remediation of current and former facilities. It does not include any discretionary remediation costs that the Company may choose to incur.

Operating lease commitments relate primarily to right-of-use assets at third party manufacturing facilities, office space, motor vehicles and various items of computer and office equipment which are expected to be renewed and replaced in the normal course of business.

Raw material purchase obligations relate to certain long-term raw material contracts which stipulate fixed or minimum quantities to be purchased; fixed, minimum or variable cost provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancellable without penalty.

The estimated payments included in the table above reflect the variable interest charge on long-term debt obligations. Estimated commitment fees are also included and interest income is excluded.

Due to the uncertainty regarding the nature of tax audits, particularly those which are not currently underway, it is not meaningful to predict the outcome of obligations related to unrecognized tax benefits. Further disclosure is provided in Note 11 of the Notes to the Consolidated Financial Statements.

Investing activities

Capital commitments relate to certain capital projects that the Company has committed to undertake.

Financing activities

On September 16, 2020, Innospec and certain of its subsidiaries agreed to extend the term of its revolving credit facility, as described below, until September 25, 2024.

On September 30, 2019 the Company repaid its pre-existing term loan and revolving credit facility that had been amended and restated on December 14, 2016, and replaced this borrowing with the new credit facility.

On September 26, 2019, Innospec and certain of its subsidiaries entered into a new agreement for a $250.0 million revolving credit facility until September 25, 2023 with an option to request an extension to the facility for a further year. The facility also 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.

Finance leases relate to the financing of certain fixed assets in our Fuel Specialties and Oilfield Services segments.

Environmental Matters and Plant Closures

Under certain environmental laws the Company is responsible for the remediation of hazardous substances or wastes at currently or formerly owned or operated properties.

As most of our manufacturing operations have been conducted outside the U.S., we expect that liability pertaining to the investigation and remediation of contaminated properties is likely to be determined under non-U.S. law.

We evaluate costs for remediation, decontamination and demolition projects on a regular basis. Full provision is made for those costs to which we are committed under environmental laws amounting to $58.5 million at December 31, 2020. Remediation expenditure utilizing these provisions was $4.1 million, $4.4 million and $3.1 million in the years 2020, 2019 and 2018, respectively.

Item 7A 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.

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 may use 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.

Interest Rate Risk

From time to time, the Company uses interest rate swaps to manage interest rate exposure. As at December 31, 2020 the Company had cash and cash equivalents of $105.3 million, and long-term debt and finance leases of $0.6 million (including current portion). Long-term debt comprises a $250.0 million revolving credit facility available to the Company. The credit facilities carry an interest rate based on U.S. dollar LIBOR plus a margin of between 1.05% and 2.30% which is dependent on the Company's ratio of net debt to EBITDA. Net debt and EBITDA are non-GAAP measures of liquidity defined in the credit facility.

At December 31, 2020, $0.0 million was drawn under the revolving credit facility.

The Company previously entered into interest rate swap contracts to reduce interest rate risk on its core debt. As at December 31, 2020 and December 31, 2019, there were no interest rate swaps in place with all swaps having been settled during the year. As at December 31, 2018, there were interest rate swaps with a notional value of $132.5 million in place. Interest rate swaps were in place to hedge interest rate risk on the term loan for a notional value that matched the repayment profile of the term loan.

The Company has $0.6 million long-term debt and finance leases (including the current portion) which is offset by $105.3 million cash and cash equivalents. The interest payable on long-term debt (excluding the margin) exceeds the interest receivable on positive cash balances. On a gross basis, assuming no additional interest on the cash balances and after deducting interest rate hedging, a hypothetical absolute change of 1% in U.S. base interest rates for a one-year period would impact net income and cash flows by approximately $0.0 million before tax. On a net basis, assuming additional interest on the cash balances, a hypothetical absolute change of 1% in U.S. base interest rates for a one-year period would impact net income and cash flows by approximately $1.1 million before tax.

The above does not consider the effect of interest or exchange rate changes on overall activity nor management action to mitigate such changes. As at December 31, 2020, Innospec did not have any interest rate swaps to mitigate the risk identified above.

Exchange Rate Risk

The Company generates an element of its revenues and incurs some operating costs in currencies other than the U.S. dollar. The reporting currency of the Company is the U.S. dollar.

The Company evaluates the functional currency of each reporting unit according to the economic environment in which it operates. Several major subsidiaries of the Company operating outside of the U.S. have the U.S. dollar as their functional currency due to the nature of the markets in which they operate. In addition, the financial position and results of operations of some of our overseas subsidiaries are reported in the relevant local currency and then translated to U.S. dollars at the applicable currency exchange rate for inclusion in our consolidated financial statements.

The primary foreign currencies in which we have exchange rate fluctuation exposure are the European Union euro, British pound sterling and Brazilian Real. Changes in exchange rates between these foreign currencies and the U.S. dollar will affect the recorded levels of our assets and liabilities, to the extent that such figures reflect the inclusion of foreign assets and liabilities which are translated into U.S. dollars for presentation in our consolidated financial statements, as well as our results of operations.

The Company's objective in managing the exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility associated with foreign currency exchange rate changes. Accordingly, the Company enters into various contracts that change in value as foreign currency exchange rates change to protect the U.S. dollar value of its existing foreign currency denominated assets, liabilities, commitments, and cash flows. The Company also uses foreign currency forward exchange contracts to offset a portion of the Company's exposure to certain foreign currency denominated revenues so that gains and losses on these contracts offset changes in the U.S. dollar value of the related foreign currency denominated revenues. The objective of the hedging program is to reduce earnings and cash flow volatility related to changes in foreign currency exchange rates.

The trading of our Fuel Specialties, Performance Chemicals and Oilfield Services segments is inherently naturally hedged and accordingly changes in exchange rates would not be material to our earnings or financial position. The cost base of our corporate costs, however, are largely denominated in British pound sterling. A 5% strengthening in the U.S. dollar against British pound sterling would increase reported operating income by approximately $1.4 million for a one-year period excluding the impact of any foreign currency forward exchange contracts. Where a 5% strengthening of the U.S. dollar has been used as an illustration, a 5% weakening would be expected to have the opposite effect on operating income.

Raw Material Cost Risk

We use a variety of raw materials, chemicals and energy in our manufacturing and blending processes. Many of the raw materials that we use are derived from petrochemical-based and vegetable-based feedstocks which can be subject to periods of rapid and significant cost instability. These fluctuations in cost can be caused by political instability in oil producing nations and elsewhere, or other factors influencing global supply and demand of these materials, over which we have no or little control. We use long-term contracts (generally with fixed or formula-based costs) and advance bulk purchases to help ensure availability and continuity of supply, and to manage the risk of cost increases. From time to time we enter into hedging arrangements for certain raw materials, but do not typically enter into hedging arrangements for all raw materials, chemicals or energy costs. Should the costs of raw materials, chemicals or energy increase, and should we not be able to pass on these cost increases to our customers, then operating margins and cash flows from operating activities would be adversely impacted. Should raw material costs increase significantly, then the Company’s need for working capital could similarly increase. Any of these risks could adversely impact our results of operations, financial position and cash flows.

Item 8 Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Innospec Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Innospec Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the two years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 **,** and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Plant Closure Provision

As described in Notes 2 and 13 to the consolidated financial statements, at December 31, 2020 there is a provision in place for $58.5 million relating to the Company's legal responsibility for the remediation of hazardous substances or wastes at currently or formerly owned or operated properties, with the principal site giving rise to environmental remediation liabilities being the manufacturing site at Ellesmere Port in the United Kingdom. The Company must comply with environmental legislation in the countries in which it operates or has operated and annually reassesses the program of work required. This included management developing estimates and assumptions relating to the cost and timing of performing the remediation work. Management used specialists to develop these estimates. Costs of future obligations are discounted to their present values using the Company's credit-adjusted risk-free rate.

The principal considerations for our determination that performing procedures relating to the plant closure provision is a critical audit matter are that there were significant estimates and assumptions made by management over the valuation of the plant closure provision. This, in turn led to a high degree of auditor judgment, subjectivity and effort in evaluating management's assumptions including (i) the program of work required and the costs of performing that work; (ii) the timing of performing the remediation work; and (iii) the credit-adjusted risk-free rate used to discount the future obligations. Professionals with specialized skill and knowledge were used to assist in performing procedures (i) and (ii) and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of the plant closure provision. These procedures also included, among others, (i) the use of professionals with specialized skill and knowledge to assist in testing management's process for determining the plant closure provision. This included evaluating the appropriateness of the valuation method and the reasonableness of significant assumptions, including the assessment of the program of work required, cost, and timing assumptions developed by management's specialists; (ii) evaluating the scope, competency, and objectivity of management's specialists based on the work they were engaged to perform; and (iii) evaluating the credit-adjusted risk-free rate applied to calculate the present value of the future obligations.

PricewaterhouseCoopers LLP (signed)
Manchester, United Kingdom
February 17, 2021.

We have served as the Company's auditor since 2019.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Innospec Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of income, comprehensive income, cash flows and equity of Innospec, Inc. and subsidiaries (the Company) for the year ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations of the Company and its cash flows for the year ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

KPMG LLP

We served as the Company's auditor from 2011 to 2019.

Manchester, United Kingdom
February 20, 2019

CONSOLIDATED STATEMENTS OF INCOME
(in millions, except share and per share data)

	Years ended December 31		
	2020	2019	2018
Net sales	$1,193.1	$ 1,513.3	$ 1,476.9
Cost of goods sold	(850.4)	(1,047.1)	(1,041.9)
Gross profit	342.7	466.2	435.0
Operating expenses:			
Selling, general and administrative	(237.0)	(280.9)	(261.0)
Research and development	(30.9)	(35.4)	(33.4)
Restructuring charge	(21.3)	0.0	(7.1)
Impairment of intangible assets	(19.8)	0.0	0.0
Total operating expenses	(309.0)	(316.3)	(301.5)
Operating income	33.7	149.9	133.5
Other income, net	7.8	5.3	5.0
Interest expense, net	(1.8)	(4.8)	(6.9)
Income before income tax expense	39.7	150.4	131.6
Income tax expense	(11.0)	(38.2)	(46.6)
Net income	$ 28.7	$ 112.2	$ 85.0
Earnings per share:			
Basic	$ 1.17	$ 4.58	$ 3.48
Diluted	$ 1.16	$ 4.54	$ 3.45
Weighted average shares outstanding (in thousands):			
Basic	24,563	24,482	24,401
Diluted	24,779	24,728	24,603

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

Total comprehensive income for the years ended December 31	2020	2019	2018
Net income	$28.7	$112.2	$ 85.0
Changes in cumulative translation adjustment, net of tax of $ 3.9 million, $(0.3) million and $2.7 million, respectively	23.7	(6.0)	(22.6)
Changes in derivative instruments, net of tax of $0.0 million, $(0.4) million and $(0.1) million, respectively	0.0	(1.5)	0.3
Amortization of prior service credit, net of tax of $0.1 million, $0.2 million and $0.2 million, respectively	(0.4)	(0.7)	(0.9)
Amortization of actuarial net losses, net of tax of $(0.2) million, $0.0 million and $(0.3) million, respectively	1.5	0.0	1.7
Actuarial net (losses)/gains arising during the year, net of tax of $1.9 million, $(2.2) million and $3.3 million, respectively	(7.7)	9.5	(15.7)
Total comprehensive income	$45.8	$113.5	$ 47.8

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)

	At December 31	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 105.3	$ 75.7
Trade and other accounts receivable (less allowances of $4.5 million and $3.8 million, respectively)	221.4	292.0
Inventories (less allowances of $19.4 million and $14.5 million, respectively):		
Finished goods	156.3	173.9
Raw materials	63.7	70.7
Total inventories	220.0	244.6
Prepaid expenses	14.9	14.7
Prepaid income taxes	4.2	2.5
Other current assets	0.4	0.8
Total current assets	566.2	630.3
Net property, plant and equipment	210.8	198.7
Operating leases right-of-use assets	40.1	32.4
Goodwill	371.2	363.0
Other intangible assets	75.3	113.5
Deferred tax assets	7.6	9.1
Pension asset	118.0	115.9
Other non-current assets	8.2	5.9
Total assets	$1,397.4	$1,468.8
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 98.7	$ 122.0
Accrued liabilities	129.8	154.0
Current portion of finance leases	0.5	1.0
Current portion of plant closure provisions	6.6	5.6
Current portion of accrued income taxes	5.5	10.3
Current portion of operating lease liabilities	11.3	10.6
Total current liabilities	252.4	303.5
Long-term debt, net of current portion	0.0	58.6
Finance leases, net of current portion	0.1	0.5
Operating lease liabilities, net of current portion	28.9	21.9
Plant closure provisions, net of current portion	51.9	43.7
Accrued income taxes, net of current portion	32.4	36.2
Unrecognized tax benefits, net of current portion	16.0	16.4
Deferred tax liabilities	46.9	49.6
Pension liabilities and post-employment benefits	20.5	17.8
Other non-current liabilities	3.4	1.7
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	336.1	330.4
Treasury stock (4,958,599 and 5,047,278 shares at cost, respectively)	(93.3)	(93.3)
Retained earnings	758.6	755.5
Accumulated other comprehensive loss	(57.3)	(74.4)
Total Innospec stockholders' equity	944.4	918.5
Non-controlling interest	0.5	0.4
Total equity	944.9	918.9
Total liabilities and equity	$1,397.4	$1,468.8

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years ended December 31		
	2020	2019	2018
Cash Flows from Operating Activities			
Net income	$ 28.7	$ 112.2	$ 85.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	46.0	47.6	49.6
Impairment of intangible assets	19.8	0.0	0.0
Impairment of tangible assets	2.0	0.0	0.0
Deferred tax (benefit)/expense	(2.5)	(0.8)	5.5
Cash contributions to defined benefit pension plans	0.0	(0.4)	(1.0)
Non-cash income of defined benefit pension plans	(4.0)	(6.1)	(4.3)
Stock option compensation	5.8	6.6	4.9
Changes in assets and liabilities, net of effects of acquired and divested companies:			
Trade and other accounts receivable	74.4	(18.2)	(40.1)
Inventories	25.5	2.4	(42.2)
Prepaid expenses	(1.0)	(3.1)	0.5
Accounts payable and accrued liabilities	(45.9)	23.2	38.4
Accrued income taxes	(10.3)	(2.4)	(6.1)
Plant closure provisions	8.5	0.0	3.6
Unrecognized tax benefits	(0.4)	2.5	11.5
Other assets and liabilities	(0.7)	(1.9)	(0.4)
Net cash provided by operating activities	145.9	161.6	104.9
Cash Flows from Investing Activities			
Capital expenditures	(29.7)	(29.9)	(28.9)
Business combinations, net of cash acquired	0.0	0.0	(5.4)
Internally developed software	0.0	(1.1)	(1.2)
Net cash used in investing activities	(29.7)	(31.0)	(35.5)
Cash Flows from Financing Activities			
Non-controlling interest	0.1	0.0	0.0
Proceeds from revolving credit facility	15.0	105.5	10.0
Repayments of revolving credit facility	(75.0)	(171.5)	(5.0)
Repayment of term loans	0.0	(82.5)	(16.5)
Repayment of finance leases	(1.1)	(1.7)	(2.7)
Refinancing costs	(0.3)	(1.5)	0.0
Dividend paid	(25.6)	(25.0)	(21.7)
Issue of treasury stock	2.2	1.2	1.1
Repurchase of common stock	(2.1)	(2.4)	(1.4)
Net cash used in financing activities	(86.8)	(177.9)	(36.2)
Effect of foreign currency exchange rate changes on cash	0.2	(0.1)	(0.3)
Net change in cash and cash equivalents	29.6	(47.4)	32.9
Cash and cash equivalents at beginning of year	75.7	123.1	90.2
Cash and cash equivalents at end of year	$ 105.3	$ 75.7	$ 123.1

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EQUITY
(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, 2017	$ 0.3	$ 320.4	$ (93.3)	$ 605.0	$ (38.5)	$ 0.4	$ 794.3
Net income				85.0			85.0
Dividend paid ($0.89 per share)				(21.7)			(21.7)
Changes in cumulative translation adjustment, net of tax					(22.6)		(22.6)
Share of net income						0.1	0.1
Change in derivative instruments, net of tax					0.3		0.3
Treasury stock re-issued		(0.4)	1.9				1.5
Treasury stock repurchased			(1.4)				(1.4)
Stock option compensation		4.9					4.9
Amortization of prior service credit, net of tax					(0.9)		(0.9)
Amortization of actuarial net losses, net of tax					1.7		1.7
Actuarial net losses arising during the year, net of tax					(15.7)		(15.7)
Balance at December 31, 2018	$ 0.3	$ 324.9	$ (92.8)	$ 668.3	$ (75.7)	$ 0.5	$ 825.5
Net income				112.2			112.2
Dividend paid ($1.02 per share)				(25.0)			(25.0)
Changes in cumulative translation adjustment, net of tax					(6.0)		(6.0)
Share of net income						(0.1)	(0.1)
Changes in derivative instruments, net of tax					(1.5)		(1.5)
Treasury stock re-issued		(1.1)	1.9				0.8
Treasury stock repurchased			(2.4)				(2.4)
Stock option compensation		6.6					6.6
Amortization of prior service credit, net of tax					(0.7)		(0.7)
Actuarial net gains arising during the year, net of tax					9.5		9.5
Balance at December 31, 2019	$ 0.3	$ 330.4	$ (93.3)	$ 755.5	$ (74.4)	$ 0.4	$ 918.9
Net income				28.7			28.7
Dividend paid ($1.04 per share)				(25.6)			(25.6)
Changes in cumulative translation adjustment, net of tax					23.7		23.7
Share of net income						0.1	0.1
Treasury stock re-issued		(0.1)	2.1				2.0
Treasury stock repurchased			(2.1)				(2.1)
Stock option compensation		5.8					5.8
Amortization of prior service credit, net of tax					(0.4)		(0.4)
Amortization of actuarial net losses, net of tax					1.5		1.5
Actuarial net gains arising during the year, net of tax					(7.7)		(7.7)
Balance at December 31, 2020	$ 0.3	$ 336.1	$ (93.3)	$ 758.6	$ (57.3)	$ 0.5	$ 944.9

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operation s

Innospec develops, manufactures, blends, markets and supplies fuel additives, oilfield chemicals, personal care products and other specialty chemicals. Our products are sold primarily to oil and gas exploration and production companies, oil refiners, personal care and home care companies, formulators of agrochemical and metal extraction preparations and other chemical and industrial companies throughout the world. Our fuel additives help improve fuel efficiency, boost engine performance and reduce harmful emissions. Our Performance Chemicals business provides effective technology-based solutions for our customers' processes or products focused in the Personal Care, Home Care, Agrochemical and Metal Extraction markets. Our Oilfield Services business supplies drilling and production chemicals which make exploration and production more cost-efficient, and more environmentally friendly. Our Octane Additives business manufactures a fuel additive for use in automotive gasoline and provides services in respect of environmental remediation. Our principal reportable segments are Fuel Specialties, Performance Chemicals, Oilfield Services and Octane Additives (ceased trading June 30, 2020).

Note 2. Accounting Policies

Basis of preparation: The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America on a going concern basis and include all subsidiaries of the Company where the Company has a controlling financial interest. All significant intercompany accounts and balances have been eliminated upon consolidation. In accordance with GAAP in the United States of America, the results of operations of an acquired or disposed business are included or excluded from the consolidated financial statements from the date of acquisition or disposal.

Use of estimates: The preparation of the consolidated financial statements, in accordance with GAAP in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition: Our revenues are primarily derived from the manufacture and sale of specialty chemicals. We recognize revenue when control of the product is transferred to our customer and for an amount that reflects the consideration we expect to collect from the customer. Control is generally transferred to the customer when title transfers (which may include physical possession by the customer), we have a right to payment from the customer, the customer has accepted the product, and the customer has assumed the risks and rewards of ownership. We have supplier managed inventory arrangements with some of our customers to facilitate on-demand product availability. In some cases, the inventory resides at a customer site, although title has not transferred, we are not entitled to payment, and we have not invoiced for the product. We have evaluated the contract terms under these arrangements and have determined that control transfers when the customer uses the product, at which time revenue is recognized. Our contracts generally include one performance obligation, which is providing specialty chemicals. The performance obligation is satisfied at a point in time when products are shipped, delivered, or consumed by the customer, depending on the underlying contracts.

While some of our customers have payment terms beyond 30 days, we do not provide extended payment terms of a year or more, nor do our contracts include a financing component. Some of our contracts include variable consideration in the form of rebates. We record rebates at the point of sale as a reduction in sales when we can reasonably estimate the amount of the rebate. The estimates are based on our best judgment at the time of sale, which includes anticipated as well as historical performance.

Taxes assessed by a governmental authority which are concurrent with sales to our customers, including sales, use, value-added, and revenue-related excise taxes, are collected by us from the customer and are not included in net sales, but are reflected in accrued liabilities until remitted to the appropriate governmental authority. When we are responsible for shipping and handling costs after title has transferred, we account for those as fulfilment costs and include them in cost of goods sold.

Components of net sales: All amounts billed to customers relating to shipping and handling are classified as net sales. Shipping and handling costs incurred by the Company are classified as cost of goods sold.

Components of cost of goods sold: Cost of goods sold is comprised of raw material costs including inbound freight, duty and non-recoverable taxes, inbound handling costs associated with the receipt of raw materials, packaging materials, manufacturing costs including labor costs, maintenance and utility costs, plant and engineering overheads, amortization expense for certain other intangible assets, warehousing and outbound shipping costs and handling costs. Inventory losses and provisions and the costs of customer claims are also recognized in the cost of goods line item.

Components of selling, general and administrative expenses: Selling expenses comprise the costs of the direct sales force, and the sales management and customer service departments required to support them. It also comprises commission charges, the costs of sales conferences and trade shows, the cost of advertising and promotions, amortization expense for certain other intangible assets, and the cost of bad and doubtful debts. General and administrative expenses comprise the cost of support functions including accounting, human resources, information technology and the cost of group functions including corporate management, finance, tax, treasury, investor relations and legal departments. Provision of management's best estimate of legal and settlement costs for litigation in which the Company is involved is accounted for in the administrative expense line item.

Research and development expenses: Research, development and testing costs are expensed to the income statement as incurred.

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.

Foreign currencies: The Company's policy is that foreign exchange differences arising on the translation of the balance sheets of entities that have functional currencies other than the U.S. dollar are taken to a separate equity reserve, the cumulative translation adjustment. In entities where the U.S. dollar is the functional currency no gains or losses on translation occur, and gains or losses on monetary assets relating to currencies other than the U.S. dollar are taken to the income statement in other income/(expense), net. Gains and losses on intercompany foreign currency loans which are long-term in nature, which the Company does not intend to settle in the foreseeable future, are also recorded in accumulated other comprehensive loss. Other foreign exchange gains or losses are also included in other income, net in the income statement.

Stock-based compensation plans: The Company accounts for employee stock options and stock equivalent units under the fair value method. Stock options are fair valued at the grant date and the fair value is recognized straight-line over the vesting period of the option. Stock equivalent units are fair valued at each balance sheet date and the fair value is spread over the remaining vesting period of the unit.

Business combinations: The acquisition method of accounting requires that we recognize the assets acquired and liabilities assumed at their acquisition date fair values. Goodwill is measured as the excess of consideration transferred over the acquisition date net fair values of the assets acquired and the liabilities assumed.

The determination of the fair values of certain assets and liabilities are usually based on significant estimates provided by management, such as forecast revenue or profit. In determining the fair value of intangible assets, an income approach is generally used and may incorporate the use of a discounted cash flow method. In applying the discounted cash flow method, the estimated future cash flows and residual values for each intangible asset are discounted to a present value using a discount rate appropriate to the business being acquired. These cash flow projections are based on management's estimates of economic and market conditions including revenue growth rates, operating margins, capital expenditures and working capital requirements.

Cash equivalents: Investment securities with maturities of three months or less when purchased are considered to be cash equivalents.

Trade and other accounts receivable: The Company records trade and other accounts receivable at net realizable value and maintains allowances for customers not making required payments. The Company determines the adequacy of allowances by periodically evaluating each customer receivable considering our customer's financial condition, credit history and current economic conditions.

Credit losses: With an effective date of January 1, 2020, we have applied Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (ASC Topic 326). This replaces the incurred loss impairment methodology under previous GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The standard was adopted using prospective application and principally impacts the allowance for trade and other accounts receivables. Upon adoption, there was no adjustment made to opening retained earnings as at January 1, 2020. As a result of implementing the standard, the Company did not recognize any material change to the allowance within trade and other accounts receivable as at January 1, 2020. Trade and other accounts receivable are shown net of a $4.5 million allowance at December 31 , 2020. The allowance remains immaterial to the financial statements.

The Company is exposed to credit losses primarily through sales of products. The Company's expected loss allowance methodology for trade and other accounts receivable is developed using historical collection experience, current and future economic and market conditions and a review of the current status of customers' receivables. Due to the short-term nature of such receivables, the estimate of accounts receivable amounts that may not be collected is based on aging of the accounts receivable balances and the financial condition of customers. Additionally, a further allowance is included to account for the Company's historic track record of credit losses, for balances which are not aged sufficiently to be considered under the aging based approach.

The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted.

Inventories: Inventories are stated at the lower of cost (FIFO method) or market value. Cost includes materials, labor and an appropriate proportion of plant overheads. The Company accrues volume discounts where it is probable that the required volume will be attained and the amount can be reasonably estimated. The discounts are recorded as a reduction in the cost of materials based on projected purchases over the period of the agreement. Inventories are adjusted for estimated obsolescence and written down to market value based on estimates of future demand and market conditions.

Property, plant and equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method and is allocated between cost of goods sold and operating expenses. The cost of additions and improvements are capitalized. Maintenance and repairs are charged to expenses as incurred. When assets are sold or retired the associated cost and accumulated depreciation are removed from the consolidated financial statements and any related gain or loss is included in earnings. The estimated useful lives of the major classes of depreciable assets are as follows:

Buildings	7 to 25 years
Equipment	3 to 10 years

Goodwill: Goodwill is deemed to have an indefinite life and is subject to at least annual impairment assessments at the reporting unit level. The Company considers that its reporting units are consistent with its reportable segments. The components in each segment (including products, markets and competitors) have similar economic characteristics and the segments, therefore, reflect the lowest level at which operations and cash flows can be sufficiently distinguished, operationally and for financial reporting purposes, from the rest of the Company.

Initially we perform a qualitative assessment to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a segment is less than the carrying amount prior to performing a quantitative goodwill impairment test. The annual measurement date for impairment assessment of the goodwill relating to the Fuel Specialties, Performance Chemicals and Oilfield Services segments is December 31 each year. Factors utilized in the qualitative assessment process include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and Company specific events.

If a quantitative test is required, we assess the fair value based on projected post-tax cash flows discounted at the Company's weighted average cost of capital. These fair value techniques require management judgment and estimates including revenue growth rates, projected operating margins, changes in working capital and discount rates. We would develop these assumptions by considering recent financial performance and industry growth estimates.

O *ther intangible assets:* Other intangible assets are deemed to have finite lives and are amortized using the straight-line method over their estimated useful lives. The Company capitalizes software development costs as intangible assets, including licenses, subsequent to the establishment of technological feasibility. These assets are tested for potential impairment when events occur or circumstances change, which suggest an impairment may have occurred.

In order to facilitate testing for potential impairment the Company groups together assets at the lowest possible level for which cash flow information is available. Undiscounted future cash flows expected to result from the asset groups are compared with the carrying value of the assets and, if such cash flows are lower, an impairment loss may be recognized. The amount of the impairment loss is the difference between the fair value and the carrying value of the assets. Fair values are determined using post-tax cash flows discounted at the Company's weighted average cost of capital. If events occur or circumstances change it may cause a reduction in the periods over which the assets are amortized, or result in a non-cash impairment of their carrying value. A reduction in the amortization periods would have no impact on cash flows.

The estimated useful lives of the major classes of assets are as follows:

Technology	10 to 17 years
Customer lists	10 to 15 years
Brand names	5 to 10 years
Product rights	9 to 10 years
Internally developed software	3 to 5 years
Marketing related	11 years

Leases: With an effective date of January 1, 2019 we have applied Accounting Standards Update (ASU) 2016-02, Revision to Lease Accounting, ASC Topic 842 which replaces ASC Topic 840, Leases. ASU 2016-02 requires lessees to recognize a right-of-use ("ROU") asset and a lease liability for all of their leases (other than leases that meet the definition of a short-term lease).

The standard was adopted using a modified retrospective transition method, with the Company electing not to adjust comparative periods. We have taken the election not to apply the requirements to short-term leases and have taken the election not to separate related non-lease components from lease components.

The standard had a material impact on our consolidated balance sheet as at December 31, 2019, but did not have an impact on our consolidated income statements. The most significant impact was the recognition of ROU assets and lease liabilities and the related deferred taxes thereon for operating leases, while our accounting for finance leases remained substantially unchanged. Operating lease liabilities recognized under the new standard are not considered to be debt.

We determine if an arrangement is a lease at inception. The present value of the future lease payments for operating leases is included in operating lease ROU assets, and operating lease liabilities (current and non-current) on our consolidated balance sheet at December 31, 2020. The carrying value of assets under finance leases is included in property, plant and equipment and finance lease liabilities (current and non-current) on our consolidated balance sheet at December 31, 2020.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of future lease payments over the remaining lease term. Very few of our leases have renewal options or early termination break clauses, but where they do we have assessed the term of the lease based on any options being exercised only if they are reasonably certain. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at point of recognition in determining the present value of future payments.

The operating lease ROU asset excludes lease incentives and initial direct costs incurred. Lease expense for lease payments is recognized on a straight-line basis over the lease term unless payments are variable per the agreement. Where we have lease payments linked to an index or inflationary rate, this rate has been used to value the asset and liability at the inception of the lease. If the payments are not linked to a specific index or inflationary rate, but can vary during the term of the agreement, they have been included at their actual value for each future period. In some circumstances the future expected payments may be dependent on other factors, for example production volumes, in which case we have used the minimum future expected payments to value the asset.

We do not recognize a ROU asset or operating lease liability for short-term leases (with a length of one year or less), and any associated cost is recognized, as incurred, through the income statement.

Deferred finance costs: The costs relating to debt financing are capitalized are amortized using the effective interest method over the expected life of the debt financing facility. The amortization charge is included in interest expense in the income statement.

Impairment of long-lived assets: The Company reviews the carrying value of its long-lived assets, including buildings and equipment, whenever changes in circumstances suggest that the carrying values may be impaired. In order to facilitate this test the Company groups together assets at the lowest possible level for which cash flow information is available. Undiscounted future cash flows expected to result from the asset groups are compared with the carrying value of the asset groups and if they are lower an impairment loss may be recognized. The amount of the impairment loss is the difference between the fair value and the carrying value of the asset groups. Fair values are determined using post-tax cash flows discounted at the Company's weighted average cost of capital.

Derivative instruments: From time to time, the Company uses various derivative instruments including forward currency contracts, options, interest rate swaps and commodity swaps to manage certain exposures. These instruments are entered into under the Company's corporate risk management policy to minimize exposure and are not for speculative trading purposes. The Company recognizes all derivatives as either current or non-current assets or liabilities in the consolidated balance sheet and measures those instruments at fair value. Changes in the fair value of derivatives that are not designated as hedges, or do not meet the requirements for hedge accounting, are recognized in earnings. Derivatives which are designated as hedges are tested for effectiveness on a quarterly basis, and marked to market. The ineffective portion of the derivative's change in value is recognized in earnings. The effective portion is recognized in other comprehensive income until the hedged item is recognized in earnings.

Environmental compliance and remediation: Environmental compliance costs include ongoing maintenance, monitoring and similar costs. We recognize environmental liabilities when they are probable and the costs can be reasonably estimated, and asset retirement obligations when there is a legal obligation and the costs can be reasonably estimated. The vast majority of our plant closure provision relates to our Ellesmere Port site in the United Kingdom.

The Company must comply with environmental legislation in the countries in which it operates or has operated in and annually reassesses the program of work required. This includes estimating the credit-adjusted risk free rate and the timing and cost of performing the remediation work. Management use specialists to develop these estimates and assumptions utilizing the latest information available together with experience of recent costs. While we believe our assumptions for environmental liabilities are reasonable, they are subjective judgements and it is possible that variations in any of the assumptions will result in materially different calculations to the liabilities we have reported. Costs of future obligations are discounted to their present values using the Company's credit-adjusted risk-free rate.

Pension plans and other post-employment benefits: The Company recognizes the funded status of defined benefit post-retirement plans on the consolidated balance sheets and changes in the funded status in comprehensive income. The measurement date of the plan's funded status is the same as the Company's fiscal year-end. The service costs are recognized as employees render the services necessary to earn the post-employment benefits. Prior service costs and credits and actuarial gains and losses are amortized over the average remaining life expectancy of the inactive participants using the corridor method.

Movements in the underlying plan asset value and Projected Benefit Obligation ("PBO") are dependent on actual return on investments as well as our assumptions in respect of the discount rate, annual member mortality rates, future return on assets and future inflation.

Income taxes: The Company provides for income taxes by recognizing deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the relevant tax bases of the assets and liabilities. The Company then evaluates the need for a valuation allowance to reduce deferred tax assets to the amount more likely than not to be realized. The effect on deferred taxes of a change in tax rates is recognized in the period that includes the enactment date. The Company recognizes the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company recognizes accrued interest and penalties associated with unrecognized tax benefits as part of income taxes in our consolidated statements of income.

Note 3. Segment Reporting and Geographical Area Data

The Fuel Specialties, Performance Chemicals and Oilfield Services segments operate in markets where we actively seek growth opportunities although their ultimate customers are different. The Octane Additives segment ceased trading and is no longer a reporting segment from July 1, 2020, as reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

Our Fuel Specialties segment develops, manufactures, blends, markets and supplies a range of specialty chemicals products used as additives to a wide range of fuels.

Our Performance Chemicals segment provides effective technology-based solutions for our customers' processes or products focused in the Personal Care, Home Care, Agrochemical and Metal Extraction markets.

Our Oilfield Services segment develops and markets chemical solutions for fracturing, stimulation and stimulation operations, products for oil and gas production which aid flow assurance and maintain asset integrity and products to prevent loss of mud in drilling operations.

The Octane Additives business has ceased trading and is no longer a reporting segment from July 1, 2020 as the production of TEL for use in motor gasoline has finished. Legacy costs related to these operations are now being recorded as operating expenses within corporate costs.

There are no significant customers with sales greater than 10% of our net group sales in the last three financial years.

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:

(in millions)	2020	2019	2018
Net Sales:			
Refinery and Performance	$ 372.9	$ 427.9	$ 432.1
Other	139.8	155.8	142.4
Fuel Specialties	512.7	583.7	574.5
Personal Care	231.4	228.0	241.4
Home Care	87.0	93.4	109.1
Other	107.0	107.3	117.6
Performance Chemicals	425.4	428.7	468.1
Oilfield Services	255.0	479.9	400.6
Octane Additives	0.0	21.0	33.7
	$ 1,193.1	$ 1,513.3	$ 1,476.9

(in millions)	2020	2019	2018
Gross profit:			
Fuel Specialties	$ 160.3	$ 204.5	$ 195.0
Performance Chemicals	103.8	100.1	97.5
Oilfield Services	80.8	159.9	130.4
Octane Additives	(2.2)	1.7	12.1
	$ 342.7	$ 466.2	$ 435.0
Operating income/(expense):			
Fuel Specialties	$ 84.5	$ 116.6	$ 116.3
Performance Chemicals	54.8	48.7	44.7
Oilfield Services	(9.5)	39.7	22.1
Octane Additives	(2.8)	(0.7)	9.9
Corporate costs	(52.2)	(54.4)	(52.4)
Restructuring charge	(21.3)	0.0	(7.1)
Impairment of intangible assets	(19.8)	0.0	0.0
Total operating income	$ 33.7	$ 149.9	$ 133.5
Identifiable assets at year end:			
Fuel Specialties	$ 509.7	$ 499.7	$ 470.5
Performance Chemicals	391.5	383.3	463.9
Oilfield Services	210.8	316.8	296.1
Octane Additives	0.0	24.2	39.6
Corporate	285.4	244.8	203.3
	$1,397.4	$1,468.8	$1,473.4

Identifiable assets relating to our tetra ethyl lead ("TEL") operations are included within our Fuel Specialties segment in 2020 and in our Octane Additives segment in 2019 and 2018, as shown in the table above. Octane Additives ceased trading on June 30, 2020 and is no longer a reporting segment after that date. As a result, it is now appropriate to report the identifiable assets relating to the remaining TEL production within Fuel Specialties from July 1, 2020. Our TEL operations historically produced TEL for automotive gasoline, which is reported in our Octane Additives segment for the years presented above, and for our AvTel product line, which is reported in our Fuel Specialties segment.

The Company includes within the corporate costs line item the costs of:

- managing the Group as a company with securities listed on the NASDAQ and registered with the SEC;
- the President/CEO's office, group finance, group human resources, group legal and compliance counsel, and investor relations;
- running the corporate offices in the U.S. and Europe;
- the corporate development function since they do not relate to the current trading activities of our other reporting segments; and
- the corporate share of the information technology, product technology, safety, health, environment, accounting and human resources departments.

The following tables analyze sales and other financial information by location:

(in millions)	2020	2019	2018
Net sales by source:			
United States & North America	$ 642.4	$ 897.2	$ 803.1
United Kingdom	689.1	810.9	797.5
Rest of Europe	83.4	115.7	143.7
Rest of World	45.6	47.8	29.5
Sales between areas	(267.4)	(358.3)	(296.9)
	$1,193.1	$1,513.3	$1,476.9
Income before income taxes:			
United States & North America	$ 0.0	$ 53.9	$ 37.1
United Kingdom	16.9	67.0	59.5
Rest of Europe	19.7	27.2	32.8
Rest of World	3.1	2.3	2.2
	$ 39.7	$ 150.4	$ 131.6
Long-lived assets at year end:			
United States & North America	$ 141.0	$ 156.0	$ 148.6
United Kingdom	61.3	70.4	71.6
Rest of Europe	123.2	116.6	112.2
Rest of World	0.2	0.3	0.3
	$ 325.7	$ 343.3	$ 332.7

(in millions)	2020	2019	2018
Identifiable assets at year end:			
United States & North America	$ 368.8	$ 419.5	$ 402.5
United Kingdom	455.8	487.2	504.7
Rest of Europe	171.0	163.2	173.1
Rest of World	30.6	35.9	28.2
Goodwill	371.2	363.0	364.9
	$ 1,397.4	$ 1,468.8	$ 1,473.4

Sales by geographical area are reported by source, being where the transactions originated. Intercompany sales are priced using an appropriate pricing methodology and are eliminated in the consolidated financial statements.

Identifiable assets are those directly associated with the operations of the geographical area.

Goodwill has not been allocated by geographical location on the grounds that it would be impracticable to do so.

Note 4. 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:

	2020	2019	2018
Numerator (in millions):			
Net income available to common stockholders	$ 28.7	$ 112.2	$ 85.0
Denominator (in thousands):			
Weighted average common shares outstanding	24,563	24,482	24,401
Dilutive effect of stock options and awards	216	246	202
Denominator for diluted earnings per share	24,779	24,728	24,603
Net income per share, basic:	$ 1.17	$ 4.58	$ 3.48
Net income per share, diluted:	$ 1.16	$ 4.54	$ 3.45

In 2020, 2019 and 2018 the average number of anti-dilutive options excluded from the calculation of diluted earnings per share were 17,980, 6,270 and 0 respectively.

Note 5. Restructuring

During 2020, the Company recorded a charge of $21.3 million for the restructuring of its Octane Additives segment in line with the end of the manufacturing and sale of TEL for use in motor gasoline. As a result, the Octane Additives segment ceased trading and is no longer a reporting segment from July 1, 2020. Production of TEL will continue for sales to the aviation market ("AvTel"), as reported within our Fuel Specialties segment.

The restructuring charge comprise s the future committed costs of environmental monitoring of $2.0 million, remediation of facilities of $7.5 million, contract termination costs o f $7.2 million, impairment of tangible assets of $2.0 million and costs of redundancy due to the down-sizing of the TEL operations of $2.6 million. During the year ended December 31 , 2020 the utilization and the unwinding of the discounting was not material.

Note 6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

(in millions)	2020	2019
Land	$ 21.6	$ 19.8
Buildings	65.5	60.0
Equipment	349.9	330.7
Work in progress	27.5	19.0
	464.5	429.5
Less accumulated depreciation and impairment	(253.7)	(230.8)
	$ 210.8	$ 198.7

Of the total net book value of equipment at December 31, 2020 $1.0 million (2019 – $1.8 million) are in respect of assets held under finance leases.

Depreciation charges were $24.7 million, $23.6 million and $22.6 million in 2020, 2019 and 2018, respectively.

An impairment charge of $2.0 million was incurred in 2020 as a result of the Octane Additives segment ceasing to trade on June 30, 2020.

Note 7. Leases

We have operating and finance leases for toll manufacturing facilities, warehouse storage, land, buildings, plant and equipment. Our leases have remaining lease terms of up to 10 years, some of which include options to terminate the leases within 1 year.

The components of lease expense were as follows:

(in millions)	Twelve Months Ended December 31 2020	Twelve Months Ended December 31 2019
Finance lease cost:		
Amortization of right-of-use assets	$ 1.0	$ 1.7
Interest on lease liabilities	0.0	0.0
Total finance lease cost	1.0	1.7
Operating lease cost	12.8	12.1
Short-term lease cost	3.2	2.5
Variable lease cost	0.3	0.3
Total lease cost	$ 17.3	$ 16.6

Supplemental cash flow information related to leases is as follows:

(in millions)	Twelve Months Ended December 31 2020	Twelve Months Ended December 31 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 15.9	$ 14.3
Operating cash flows from finance leases	1.2	2.1
Finance cash flows from finance leases	0.0	0.0
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	$ 5.7	$ 4.3
Finance leases	0.0	0.0

Supplemental balance sheet information related to leases is as follows:

(in millions except lease term and discount rate)	December 31 2020	December 31 2019
Operating leases:		
Operating lease right-of-use assets	$ 40.1	$ 32.4
Current portion of operating lease liabilities	$ 11.3	$ 10.6
Operating lease liabilities, net of current portion	28.9	21.9
Total operating lease liabilities	$ 40.2	$ 32.5
Finance leases:		
Property, plant and equipment at cost	$ 9.0	$ 9.9
Accumulated depreciation	(8.0)	(8.1)
Net property, plant and equipment	$ 1.0	$ 1.8
Current portion of finance leases	$ 0.5	$ 1.0
Finance leases, net of current portion	0.1	0.5
Total finance lease liabilities	$ 0.6	$ 1.5
Weighted average remaining lease term:		
Operating leases	4.1 years	3.3 years
Finance leases	1.1 years	1.7 years
Weighted average discount rate:		
Operating leases	3.0%	3.1%
Finance leases	2.6%	2.4%

Maturities of lease liabilities were as follows as at December 31, 2020:

(in millions)	Operating Leases	Finance Leases
Within one year	$ 11.4	$ 0.5
Year two	9.4	0.1
Year three	8.2	0.0
Year four	5.5	0.0
Year five	3.8	0.0
Thereafter	4.6	0.0
Total lease payments	42.9	0.6
Less imputed interest	(2.7)	0.0
Total	$ 40.2	$ 0.6

As of December 31, 2020, additional operating and finance leases that have not yet commenced are $ 0.0 million.

Future lease payment for all non-cancellable operating and finance leases as of December 31, 2019 were as follows:

(in millions)	Operating Leases	Finance Leases
Within one year	$ 10.8	$ 1.1
Year two	9.1	0.4
Year three	5.8	0.1
Year four	4.4	0.0
Year five	2.1	0.0
Thereafter	2.5	0.0
Total lease payments	34.7	1.6
Less imputed interest	(2.2)	(0.1)
Total	$ 32.5	$ 1.5

As of December 31, 2019, additional operating and finance leases that have not yet commenced are $ 0.0 million.

Note 8. Goodwill

The following table analyzes goodwill movement for 2020 and 2019.

(in millions)	Fuel Specialties	Performance Chemicals	Oilfield Services	Octane Additives	Total
At December 31, 2018					
Gross cost [(1)]	$ 207.9	$ 112.2	$ 44.8	$ 236.5	$ 601.4
Accumulated impairment losses	0.0	0.0	0.0	(236.5)	(236.5)
Net book amount	$ 207.9	$ 112.2	$ 44.8	$ 0.0	$ 364.9
Exchange effect	(0.2)	(1.7)	0.0	0.0	(1.9)
At December 31, 2019					
Gross cost [(1)]	$ 207.7	$ 110.5	$ 44.8	$ 236.5	$ 599.5
Accumulated impairment losses	0.0	0.0	0.0	(236.5)	(236.5)
Net book amount	$ 207.7	$ 110.5	$ 44.8	$ 0.0	$ 363.0
Exchange effect	0.2	8.0	0.0	0.0	8.2
At December 31, 2020					
Gross cost [(1)]	$ 207.9	$ 118.5	$ 44.8	$ 0.0	$ 371.2
Accumulated impairment losses	0.0	0.0	0.0	0.0	0.0
Net book amount	$ 207.9	$ 118.5	$ 44.8	$ 0.0	$ 371.2

(1) *Gross cost is net of $8.7 million, $0.3 million and $289.5 million of historical accumulated amortization in respect of the Fuel Specialties, Performance Chemicals and Octane Additives reporting segments, respectively.*

The Company's reporting units, the level at which goodwill is tested for impairment, are consistent with the reportable segments: Fuel Specialties, Performance Chemicals and Oilfield Services. The Octane Additives segment has ceased trading and is no longer a reporting segment from July 1, 2020, as reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020. As a result the gross cost and the accumulated impairment losses have been written down to nil.

The components in each segment (including products, markets and competitors) have similar economic characteristics and the segments, therefore, reflect the lowest level at which operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The Company assesses goodwill for impairment on at least an annual basis, initially based on a qualitative assessment to determine whether it is more likely than not that the fair value of a segment is less than the carrying amount. If a potential impairment is identified then an impairment test is performed.

The Company performed its annual impairment assessment in respect of goodwill as at December 31, 2020, 2019 and 2018. Our impairment assessment concluded that there had been no impairment of goodwill in respect of those reporting units. Due to the triggering events of the COVID-19 pandemic and the reduction in oil prices and their impact on our business, we performed a step one impairment review at June 30, 2020. The impairment assessment indicated the fair values substantially exceeded the carrying values for all operating segments.

We believe that where appropriate the assumptions used in our impairment assessments are reasonable, but that they are judgmental, and variations in any of the assumptions may result in materially different calculations of any potential impairment charges.

Note 9. Other Intangible Assets

Other intangible assets comprise the following:

(in millions)	2020	2019
Gross cost at January 1	$ 294.8	$ 294.6
Additions	0.0	1.1
Exchange effect	4.1	(0.9)
Gross cost at December 31	298.9	294.8
Accumulated amortization at January 1	(181.3)	(158.3)
Amortization expense	(20.9)	(23.0)
Impairment	(19.8)	0.0
Exchange effect	(1.6)	0.0
Accumulated amortization at December 31	(223.6)	(181.3)
Net book amount at December 31	$ 75.3	$ 113.5

Amortization expense

The amortization expense was $20.9 million, $23.0 million and $26.3 million in 2020, 2019 and 2018, respectively. Excluding the impact of foreign exchange translation on the balance sheet, $2.9 million, $3.4 million and $3.4 million of amortization, respectively, was recognized in cost of goods sold, and the remainder was recognized in selling, general and administrative expenses.

During the quarter ended June 30, 2020, the Company performed an impairment review over the assets of each operating segment. This indicated the fair values substantially exceeded the carrying values for all operating segments. Further, the Company also performed an impairment review over each of the businesses within the Oilfield Services segment, as a result of reduction in demand for drilling related products. A discounted cash flow analysis was performed to determine the fair value of the assets. This indicated that the intangible assets arising from the acquisition of Strata Control Services Inc. were impaired. The impaired assets relate to technology ($10.0 million) and customer relationships ($9.8 million). There was no impairment indicated on the other businesses within the Oilfield Services operating segment.

The net book amount by category of other intangible assets is shown in the following table:

(in millions)	December 31 2020	December 31 2019
Product rights	$ 6.3	$ 10.1
Brand names	2.3	2.9
Technology	19.8	32.6
Customer relationships	44.2	60.8
Internally developed software	2.7	7.1
	$ 75.3	$ 113.5

Future amortization expense is estimated to be as follows for the next five years:

(in millions)	
2021	$15.9
2022	$14.3
2023	$10.9
2024	$10.2
2025	$ 7.2

Note 10. Pension and Post-Employment Benefits

United Kingdom plan

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. The Projected Benefit Obligation ("PBO") is based on final salary and years of credited service reduced by social security benefits according to a plan formula. Normal retirement age is 65 but provisions are made for early retirement. The Plan's assets are invested by several investment management companies in funds holding United Kingdom and overseas equities, United Kingdom and overseas fixed interest securities, index linked securities, property unit trusts and cash or cash equivalents. The trustees' investment policy is to seek to achieve specified objectives through investing in a suitable mixture of real and monetary assets. The trustees recognize that the returns on real assets, while expected to be greater over the long-term than those on monetary assets, are likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Plan to meet its liabilities at an acceptable level of risk for the trustees and an acceptable level of cost to the Company.

In 2020, the Company contributed $0.0 million (2019 – $0.4 million) in cash to the Plan in accordance with an agreement with the trustees.

The net service cost for the twelve months ended December 31, 2020 was $1.2 million (twelve months ended December 31, 2019 – $0.9 million and twelve months ended December 31, 2018 – 1.2 million) and has been recognized in selling, general and administrative expenses within corporate costs. The following table shows the income statement effect recognized within other income, net:

(in millions)	2020	2019	2018
Plan net pension (credit)/charge:			
Interest cost on PBO	$ 11.2	$ 15.2	$ 15.0
Expected return on plan assets	(17.8)	(22.0)	(22.2)
Amortization of prior service credit	(0.5)	(0.9)	(1.1)
Amortization of actuarial net losses	0.9	0.0	2.0
	$ (6.2)	$ (7.7)	$ (6.3)
Plan assumptions at December 31, (%):			
Discount rate	1.36	1.95	2.78
Inflation rate	2.35	2.25	2.25
Rate of return on plan assets – overall on bid-value	2.00	2.50	3.05
Plan asset allocation by category (%):			
Debt securities and insurance contracts	86	86	83
Equity securities and real estate	10	10	12
Cash	4	4	5
	100	100	100

The discount rate used represents the annualized yield based on a cash flow matched methodology with reference to an AA corporate bond spot curve and having regard to the duration of the Plan's liabilities. The model used to develop the discount rate for the year ending December 31, 2019 has been updated for the year ending December 31, 2020. Management's experts have used the same data source as the prior year for the bond rate used to determine the discount rate, however this data source now uses inputs from a different range of categories of bonds. The impact of this change has resulted in an increase of 0.13% in the discount rate assumption, which has resulted in a reduction to the Pension Benefit Obligation of around $14 million.

The inflation rate is derived using a similar cash flow matched methodology as used for the discount rate but having regard to the difference between yields on fixed interest and index linked United Kingdom government gilts.

A 0.25% change in the discount rate assumption would change the PBO at December 31, 2020 by approximately $26 million and the net pension credit for 2021 would change by approximately $0.4 million. A 0.25% change in the level of price inflation assumption would change the PBO at December 31, 2020 by approximately $19 million and the net pension credit for 2021 by approximately $1.2 million.

Movements in PBO and fair value of Plan assets are as follows:

(in millions)	2020	2019
Change in PBO:		
Opening balance	$701.0	$643.2
Interest cost	11.2	15.2
Service cost	1.2	0.9
Benefits paid	(45.5)	(42.1)
Plan amendments	5.5	0.0
Actuarial losses	61.1	57.7
Exchange effect	24.2	26.1
Closing balance	$758.7	$701.0
Fair value of plan assets:		
Opening balance	$816.9	$739.1
Benefits paid	(45.5)	(42.1)
Actual contributions by employer	0.0	0.4
Actual return on assets	77.6	89.1
Exchange effect	27.7	30.4
Closing balance	$876.7	$816.9

The current investment strategy of the Plan is to obtain an asset allocation of approximately 85% debt securities and insurance contracts and 15% equity securities and real estate in order to achieve a more predictable return on assets.

The Plan holds approximately 11% (December 31, 2019 – 12%) of the Plan’s assets in debt securities issued by non-US governments and government agencies. No more than 5% of the Plan’s assets were invested in any one individual company’s investment funds.

For the vast majority of assets, a market approach is adopted to assess the fair value of the assets, with the inputs being the quoted market prices for the actual securities held in the relevant fund.

Debt securities

Fixed income securities are valued based on quotations received from independent pricing services or from dealers who make markets in such securities and are classified as Level 1. Corporate debt securities are classified as Level 2 in line with the industry standard.

Equity backed securities

Common and preferred stock for which market prices are readily available at the measurement date are valued at the last reported sale price or official closing price on the primary market or exchange on which they are actively traded. Other financial derivatives are classified as level 2 and certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been categorized with a hierarchy.

Other asset backed securities

The Company has invested in insurance contracts, known as buy-in contracts. The value of the insurance contract is based on significant unobservable inputs including plan participant medical data, in addition to observable inputs which include expected return on assets and estimated value premium. Therefore, we have classified the contracts as Level 3 investments. Fair value estimates are provided by external parties and are subsequently reviewed and approved by management.

The Company also invests in real estate as a low risk asset backed security, classified as Level 1.

The fair values of pension assets by level of input were as follows:

(in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At December 31, 2020				
Debt securities :				
Debt securities issued by non-U.S. governments and government agencies	$ 99.5	$	$	$ 99.5
Corporate debt securities		488.0		488.0
Equity backed securities:				
Other financial derivatives		(2.3)		(2.3)
Investments measured at net asset value (1)				51.0
Other asset backed securities:				
Insurance contracts			167.4	167.4
Real estate	40.2			40.2
Total assets at fair value	139.7	485.7	167.4	843.8
Cash	32.9			32.9
Total plan assets	$ 172.6	$ 485.7	$ 167.4	$876.7

(in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At December 31, 2019				
Debt securities:				
Debt securities issued by non-U.S. governments and government agencies	$ 98.4	$	$	$ 98.4
Corporate debt securities		445.9		445.9
Equity backed securities:				
Other financial derivatives		(3.7)		(3.7)
Investments measured at net asset value [1]				46.8
Other asset backed securities:				
Insurance contracts			157.9	157.9
Real estate	41.7			41.7
Total assets at fair value	140.1	442.2	157.9	787.0
Cash	29.9			29.9
Total plan assets	$ 170.0	$ 442.2	$ 157.9	$816.9

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been categorized in the fair value table with a hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The reconciliation of the fair value of the Plan assets measured using significant unobservable inputs was as follows:

(in millions)	Other Assets
Balance at December 31, 2018	$142.5
Realized/unrealized gains/(losses):	
Relating to assets still held at the reporting date	16.0
Purchases, issuances and settlements	(6.5)
Exchange effect	5.9
Balance at December 31, 2019	$157.9
Realized/unrealized gains/(losses):	
Relating to assets still held at the reporting date	10.8
Purchases, issuances and settlements	(6.6)
Exchange effect	5.3
Balance at December 31, 2020	$167.4

The projected net service cost for the year ending December 31, 2021 is $1.6 million and will be recognized in selling, general and administrative expenses. The following net pension credit will be recognized in other income and expense:

(in millions)	
Interest cost on PBO	$ 7.5
Expected return on plan assets	(15.4)
Amortization of prior service credit	0.3
Amortization of actuarial net losses	1.6
	$ (6.0)

In total, there will be a net pension credit of $4.4 million to the Innospec's net income for the year ending December 31, 2021.

The following benefit payments are expected to be made:

(in millions)	
2021	$ 43.9
2022	$ 36.9
2023	$ 35.9
2024	$ 36.1
2025	$ 35.8
2026-2030	$172.0

German plan

The Company also maintains an unfunded defined benefit pension plan covering a number of its current and former employees in Germany (the "German plan"). The German plan is closed to new entrants and has no assets.

The net service cost for the German plan for the twelve months ended December 31, 2020 was $0.1 million (twelve months ended December 31, 2019 – $0.1 million and twelve months ended December 31, 2018 – $0.2 million). The following table shows the income statement effect recognized within other income and expense:

(in millions)	2020	2019	2018
Plan net pension charge:			
Interest cost on PBO	$0.1	$0.2	$0.2
Amortization of actuarial net loss	0.8	0.3	0.4
	$0.9	$0.5	$0.6

Plan assumptions at December 31, (%):			
Discount rate	0.40	0.80	1.90
Inflation rate	1.50	1.75	1.75
Rate of increase in compensation levels	2.75	2.75	2.75

Movements in PBO of the German plan are as follows:

(in millions)	**2020**	**2019**
Change in PBO:		
Opening balance	$13.3	$11.3
Service cost	0.1	0.1
Interest cost	0.1	0.2
Benefits paid	(0.3)	(0.3)
Actuarial losses	0.8	2.2
Exchange effect	1.2	(0.2)
Closing balance	$15.2	$13.3

Other plans

As at December 31, 2020, we have post-employment obligations in our European businesses with a liability of $5.3 million (December 31, 2019 – $4.5 million). For the year ended December 31, 2020 we have recognized an actuarial loss of $0.2 million in other comprehensive loss in relation to the Performance Chemicals pension in France.

Company contributions to defined contribution schemes during 2020 were $10.3 million (2019 – $10.4 million).

Note 11. Income Taxes

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

(in millions)	Unrecognised Tax Benefits	Interest and Penalties	Total
Opening balance at January 1, 2018	$ 2.2	$ 0.3	$ 2.5
Additions for tax positions of prior periods	11.7	0.4	12.1
Reductions due to lapsed statute of limitations	(0.5)	(0.1)	(0.6)
Closing balance at 31 December, 2018	13.4	0.6	14.0
Current	0.0	0.0	0.0
Non-current	$ 13.4	$ 0.6	$14.0
Opening balance at January 1, 2019	$ 13.4	$ 0.6	$14.0
Additions for tax positions of prior periods	1.0	1.4	2.4
Closing balance at 31 December, 2019	14.4	2.0	16.4
Current	0.0	0.0	0.0
Non-current	$ 14.4	$ 2.0	$16.4
Opening balance at January 1, 2020	$ 14.4	$ 2.0	$16.4
Reductions for tax positions of prior periods	(1.2)	(0.2)	(1.4)
Additions for tax positions of prior periods	0.4	0.6	1.0
Closing balance at 31 December, 2020	13.6	2.4	16.0
Current	0.0	0.0	0.0
Non-current	$ 13.6	$ 2.4	$16.0

All of the $16.0 million of unrecognised tax benefits would impact our effective tax rate if recognised.

As previously disclosed, a non-US subsidiary, Innospec Performance Chemicals Italia Srl , is subject to an ongoing tax audit in relation to the period 2011 to 2014 inclusive. The Company has determined that additional tax, interest and penalties totaling $3.4 million may arise as a consequence of the tax audit. This includes a reduction in interest accrued of $0.2 million and an increase for foreign exchange movements of $0.2 million recorded during 2020. As any additional tax arising as a consequence of the tax audit would 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.

As previously disclosed, in 2018 the Company recorded an unrecognized tax benefit in relation to a potential adjustment that could arise as a consequence of the 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 $12.4 million may arise in relation to this item. This includes an increase in interest accrued of $0.7 million during 2020.

As previously disclosed, in 2015 the Company recorded an unrecognized tax benefit of $1.2 million in relation to additional tax that could have arisen if a historical impairment in value of certain of the Company's non-U.S. subsidiaries was reversed upon challenge by the tax authorities. During 2020, the Company released the provision of $1.2 million in full, together with accrued interest of $0.2 million thereon, following a review of the value of the Company's investments that confirmed the historical impairment in value undertaken in 2005 was appropriate.

Other non-significant items, inclusive of interest and penalties, total $0.2 million.

The Company and its U.S. subsidiaries remain open to examination by the IRS for years 2017 onwards under the statute of limitations. The Company's subsidiaries in foreign tax jurisdictions are open to examination including Spain (2016 onwards), France (2017 onwards), Germany (2018 onwards), Switzerland (2018 onwards) and the U.K. (2018 onwards).

The sources of income before income taxes were as follows:

(in millions)	2020	2019	2018
Domestic	$ (0.7)	$ 52.4	$ 37.1
Foreign	40.4	98.0	94.5
	$39.7	$150.4	$131.6

The components of income tax expense are summarized as follows:

(in millions)	2020	2019	2018
Current:			
Federal	$ 6.1	$13.8	$12.5
State and local	0.5	2.3	2.0
Foreign	6.8	22.9	26.6
	13.4	39.0	41.1
Deferred:			
Federal	(2.8)	(3.0)	4.2
State and local	(0.4)	(0.5)	0.3
Foreign	0.8	2.7	1.0
	(2.4)	(0.8)	5.5
	$11.0	$38.2	$46.6

Cash payments for income taxes were $23.4 million, $37.6 million and $35.4 million during 2020, 2019 and 2018, respectively.

The effective tax rate varies from the U.S. federal statutory rate because of the factors indicated below:

(in percent)	2020	2019	2018
Statutory rate	21.0%	21.0%	21.0%
Foreign income inclusions	7.1	0.3	0.7
Foreign tax rate differential	4.2	(0.3)	(0.8)
Tax charge/(credit) from previous years	3.7	1.8	0.7
Net charge/(credit) from unrecognized tax benefits	(1.7)	1.1	0.3
Foreign currency transactions	(4.5)	(1.0)	1.2
Effect of U.S. tax law change	0.0	0.6	9.3
Tax on unremitted earnings	0.3	(0.1)	0.9
Non-deductible foreign interest	0.7	0.8	1.3
Change in UK statutory tax rate	6.9	0.0	0.0
State and local taxes	1.5	1.4	1.2
US incentive for foreign derived intangible income	(1.5)	(0.5)	(1.0)
Innovation incentives – current year	(4.9)	(0.6)	(0.6)
Innovation incentives – prior years	(5.3)	0.0	0.0
Non-deductible officer compensation	1.8	0.2	0.4
Other items and adjustments, net	(1.6)	0.7	0.8
	27.7%	25.4%	35.4%

The mix of taxable profits generated in the different geographical jurisdictions in which the Group operates continues to have a significant impact on the effective tax rate. In 2020, a significant proportion of the Group's profits were generated by non-U.S. subsidiaries located in higher tax jurisdictions, which negatively impacted on the tax rate.

Foreign income inclusions arise each year from certain types of income earned overseas being taxable under U.S. tax regulations. Foreign tax credits can fully or partially offset these incremental U.S. taxes from foreign income inclusions. The utilization of foreign tax credits varies year on year as this is dependent on a number of variable factors which are difficult to predict and may prevent offset. The effective tax rate is negatively impacted by the net impact of foreign inclusions post foreign tax credit usage in 2020.

The 2020 effective tax rate was negatively impacted by the change in tax estimates for 2019 when compared to finalized positions as determined for the purpose of filing tax returns.

An increase in the enacted income tax rate in the UK on the Company's deferred tax liabilities, which increased the 2020 tax charge by $2.7 million, had a negative impact on the effective tax rate.

The effective tax was also positively impacted by increased claims for innovation reliefs in the UK and the US. This reduced the tax charge in 2020 by $4.0 million.

As a consequence of the Company having operations outside of the U.S., it is exposed to foreign currency fluctuations. These have a positive effect on the effective tax rate in 2020.

Other items do not have a material impact on the effective tax rate.

Details of deferred tax assets and liabilities are analyzed as follows:

(in millions)	2020	2019
Deferred tax assets:		
Stock compensation	$ 5.3	$ 6.7
Net operating loss carry forwards	9.8	7.3
Other intangible assets	10.6	6.0
Accretion expense	3.2	3.3
Restructuring provision	1.4	0.0
Foreign tax credits	2.0	3.6
Operating lease liabilities	9.2	7.4
Other	6.9	5.9
Subtotal	48.4	40.2
Less valuation allowance	(1.1)	(0.8)
Total net deferred tax assets	$ 47.3	$ 39.4
Deferred tax liabilities:		
Property, plant and equipment	$(21.3)	$(19.5)
Intangible assets including goodwill	(28.3)	(28.1)
Pension asset	(20.5)	(18.2)
Investment impairment recapture	0.0	(1.0)
Customer relationships	(4.4)	(4.2)
Unremitted overseas earnings	(2.0)	(1.0)
Right-of-use assets	(9.2)	(7.4)
Other	(0.9)	(0.5)
Total deferred tax liabilities	$(86.6)	$(79.9)
Net deferred tax liability	$(39.3)	$(40.5)
Deferred tax assets	$ 7.6	$ 9.1
Deferred tax liabilities	(46.9)	(49.6)
	$(39.3)	$(40.5)

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred in certain jurisdictions over the three-year period ended December 31, 2020. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2020, a valuation allowance of $1.1 million has been recorded to recognise only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carry forward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

Gross net operating loss carry forwards of $67.1 million result in a deferred tax asset of $8.7 million, net of valuation allowances. The net operating loss carry forwards arose in the U.S. and in five of the Company's foreign subsidiaries. Net operating loss carry forwards of $36.5 million arose in the U.S. It is expected that sufficient taxable profits will be generated in the U.S. against which $10.7 million of State net operating loss carry forwards can be relieved before their expiration in the period 2031 to 2040. The remaining U.S. State net operating losses and all U.S. Federal net operating losses can be carried forward indefinitely without expiration. Net operating loss carry forwards of $30.6 million arose in five of the Company's foreign subsidiaries, of which $1.3 million were generated in 2020 . It is expected that sufficient taxable profits will be generated against which $24.4 million of these net operating loss carry forwards can be relieved. These losses can be carried forward indefinitely without expiration.

Note 12. Long-Term Debt

Long-term debt consists of the following:

(in millions)	2020	2019
Revolving credit facility	$0.0	$60.0
Term loan	0.0	0.0
Deferred finance costs	0.0	(1.4)
	0.0	58.6
Less current portion	0.0	0.0
	$0.0	$58.6

As at December 31, 2020, the Company had repaid all of its borrowings under the revolving credit facility and as a result, the related deferred finance costs of $1.3 million are now included within other current and non-current assets at the balance sheet date.

On September 16, 2020, Innospec and certain of its subsidiaries agreed to extend the term of its revolving credit facility, as described below, until September 25, 2024. The costs of $0.3 million for extending the term have been capitalized on the balance sheet, which are being amortized over the expected life of the facility.

On September 30, 2019 the Company repaid its pre-existing term loan and revolving credit facility that had been amended and restated on December 14, 2016, and replaced this borrowing with the current credit facility, as described below. As a result, refinancing costs of $1.5 million were capitalized which are being amortized over the expected life of the facility.

On September 26, 2019, Innospec and certain of its subsidiaries entered into a new agreement for a $250.0 million revolving credit facility until September 25, 2023 with an option to request an extension to the facility for a further year. The facility also 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.

(in millions)	2020	2019
Gross cost at January 1	$ 1.5	$ 2.7
Capitalized in the year	0.3	1.5
Written down in the year	0.0	(2.7)
	1.8	1.5
Accumulated amortization at January 1	$(0.1)	$(1.8)
Amortization in the year	(0.4)	(1.0)
Amortization written down in the year	0.0	2.7
	$(0.5)	$(0.1)
Net book value at December 31	$ 1.3	$ 1.4

Amortization expense was $0.4 million, $1.0 million and $0.7 million in 2020, 2019 and 2018, respectively. The charge is included in interest expense, see Note 2 of the Notes to the Consolidated Financial Statements.

The obligations of the Company under the credit facility are secured obligations and guaranteed by certain subsidiaries of the Company. Amounts available under the revolving facility may be borrowed in U.S. dollars, Euros, British pounds and other freely convertible currencies.

The Company's credit facility contains restrictive clauses which may constrain our activities and limit our operational and financial flexibility. The facility obliges the lenders to comply with a request for utilization of finance unless there is an event of default outstanding. Events of default are defined in the credit facility and include a material adverse change to our assets, operations or financial condition. The facility contains a number of restrictions that limit our ability, amongst other things, and subject to certain limited exceptions, to incur additional indebtedness, pledge our assets as security, guarantee obligations of third parties, make investments, undergo a merger or consolidation, dispose of assets, or materially change our line of business.

In addition, the credit facility contains terms which, if breached, would result in it becoming repayable on demand. It requires, among other matters, compliance with the following financial covenant ratios measured on a quarterly basis: (1) the ratio of net debt to EBITDA shall not be greater than 3.0:1 and (2) the ratio of EBITDA to net interest shall not be less than 4.0:1. Management has determined that the Company has not breached these covenants throughout the period to December 31, 2020 and does not expect to breach these covenants for the next 12 months.

The weighted average rate of interest on borrowings was 2.20% at December 31, 2020 and 3.14% at December 31, 2019. Payments of interest on long-term debt were $0.8 million, $4.8 million and $6.5 million in 2020, 2019 and 2018, respectively.

The net cash outflows in respect of refinancing costs were $0.3 million, $1.5 million and $0.0 million in 2020, 2019 and 2018, respectively.

Note 13. Plant Closure Provisions

The Company has continuing plans to close some of its manufacturing facilities at sites around the world as and when those operations are expected to be decommissioned. The liability for estimated closure costs of Innospec’s manufacturing facilities includes costs for decontamination and environmental remediation activities (“remediation”).

As a result, the principal site giving rise to remediation liabilities is the manufacturing site at Ellesmere Port in the United Kingdom, which management believes is the last ongoing manufacturer of TEL. 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 are summarized as follows:

(in millions)	2020	2019	2018
Total at January 1	$49.3	$49.5	$46.1
Charge for the period excluding restructuring	5.1	4.4	6.8
Restructuring (see Note 5)	7.5	0.0	0.0
Utilized in the period	(4.1)	(4.4)	(3.1)
Exchange effect	0.7	(0.2)	(0.3)
Total at December 31	58.5	49.3	49.5
Due within one year	(6.6)	(5.6)	(5.9)
Due after one year	$51.9	$43.7	$43.6

Amounts due within one year refer to provisions where expenditure is expected to arise within one year of the balance sheet date. Remediation costs are recognized in cost of goods sold.

The provisions for remediation represent the Company's liability for environmental liabilities and asset retirement obligations. The charge for the period in 2020 represents the accretion expense recognized of $3.7 million and a further $1.4 million primarily in respect of changes in the expected cost and scope of future remediation activities.

The Octane Additives segment ceased trading and is no longer a reporting segment from July 1, 2020. As a result, there has been a one-off charge of $7.5 million for the restructuring activities related to the legacy production of TEL for use in motor gasoline.

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.

Remediation expenditure utilized provisions of $4.1 million, $4.4 million and $3.1 million in 2020, 2019 and 2018, respectively.

Note 14. 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 2019, 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.

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

(in millions)	December 31, 2020 Carrying Amount	December 31, 2020 Fair Value	December 31, 2019 Carrying Amount	December 31, 2019 Fair Value
Assets				
Non-derivatives:				
Cash and cash equivalents	$ 105.3	$105.3	$ 75.7	$75.7
Derivatives (Level 1 measurement):				
Other current and non-current assets:				
Foreign currency forward exchange contracts	0.0	0.0	0.8	0.8
Liabilities				
Non-derivatives:				
Long-term debt (including current portion)	$ 0.0	$ 0.0	$ 58.6	$58.6
Finance leases (including current portion)	0.6	0.6	1.5	1.5
Derivatives (Level 1 measurement):				
Other current liabilities:				
Foreign currency forward exchange contracts	0.5	0.5	0.0	0.0
Non-financial liabilities (Level 3 measurement):				
Stock equivalent units	17.2	17.2	24.6	24.6

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

Cash and cash equivalents: The carrying amount approximates fair value because of the short-term maturities of such instruments.

Long-term debt and finance leases: Long-term debt principally comprises the revolving credit facility, which is shown net of deferred finance costs that have been capitalized. The fair value of long-term debt approximates to the carrying value. Finance leases relate to certain fixed assets in our Fuel Specialties and Oilfield Services segments. The carrying amount of long-term debt and finance leases approximates to the fair value.

Derivatives: The fair value of derivatives relating to foreign currency forward exchange contracts and interest rate swaps 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. Interest rate swaps in the prior year related to contracts taken out to hedge interest rate risk on a portion of our long-term debt.

Stock equivalent units: The fair values of stock equivalent units are calculated at each balance sheet date using either the Black-Scholes or Monte Carlo method.

Note 15. 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.

The Company previously entered into interest rate swap contracts to reduce interest rate risk on its core debt. As at December 31, 2020 and at December 31, 2019, there were no interest rate swaps in place with all swaps having been settled during 2019. Interest rate swaps were previously in place to hedge interest rate risk on the term loan for a notional value that matched the repayment profile of the term loan. The interest rate swaps in the prior years were designated as hedging instruments, and their impact on other comprehensive loss for 2019 was a loss of $1.9 million.

The Company enters into various foreign currency forward exchange contracts to minimize currency exchange rate exposure from expected future cash flows. As at December 31, 2020, foreign currency forward exchange contracts with a notional value of $127.2 million were in place (December 31, 2019 $108.9 million), with maturity dates of up to one year from 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 2020 was a loss of $1.5 million (2019 – gain $1.5 million).

As at December 31, 2020 and December 31, 2019 the Company did not hold any raw material derivatives.

The Company sells a range of specialty chemicals to major oil refiners 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.

Note 16. Commitments and Contingencies

Environmental remediation obligations

Commitments in respect of environmental remediation obligations are disclosed in Note 13 of the Notes to the Consolidated Financial Statements.

Capital commitments

The estimated additional cost to complete work in progress at December 31, 2020 is $14.7 million (2019 – $4.0 million).

Contingencies

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 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 items 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 December 31, 2020, such guarantees which are not recognized as liabilities in the consolidated financial statements amounted to $9.9 million (December 31, 2019 – $4.7 million). The remaining terms of the fixed maturity guarantees vary from 1 month to 3 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 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 17. Stockholders' Equity

	Common Stock			Treasury Stock		
(number of shares in thousands)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
At January 1	29,554.5	29,554.5	29,554.5	5,047	5,121	5,204
Exercise of options	0	0	0	(109)	(104)	(103)
Stock purchases	0	0	0	21	30	20
At December 31	29,554.5	29,554.5	29,554.5	4,959	5,047	5,121

At December 31, 2020, the Company had authorized common stock of 40,000,000 shares (2019 – 40,000,000).

Note 18. Stock-Based Compensation Plans

Stock option plans

The Company has two stock option plans, the Omnibus Long-Term Incentive Plan and the ShareSave Plan 2008 under which it currently grants awards. The stock options have vesting periods ranging from 2 to 5 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. The aggregate number of shares of common stock reserved for issuance which can be granted under the plans is 2,550,000.

In the fourth quarter of 2020, a number of stock options that were granted to 14 employees in February 2018 were modified to extend the vesting period by two years. The incremental compensation cost resulting from the modifications was $2.4 million, resulting from the performance targets that were not achieved in 2020 being extended to a future period.

The fair value of stock options is measured on the grant date using either the Black-Scholes model, or in cases where performance criteria are dependent upon external factors such as the Company's stock price, using a Monte Carlo model. The following weighted average assumptions were used to determine the grant-date fair value of options:

	2020	2019	2018
Dividend yield	1.18%	1.09%	1.11%
Expected life	5 years	5 years	5 years
Volatility	27.0%	26.8%	25.6%
Risk free interest rate	1.13%	2.48%	2.74%

The following table summarizes the transactions of the Company's stock option plans for the year ended December 31, 2020:

	Number of Options	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2019	504,459	$ 33.05	$ 41.35
Granted – at discount	63,950	$ 1.11	$ 76.80
– at market value	10,419	$ 95.70	$ 18.69
Exercised	(108,518)	$ 20.31	$ 45.17
Forfeited	(27,417)	$ 41.93	$ 36.41
Outstanding at December 31, 2020	442,893	$ 32.49	$ 45.31

At December 31, 2020, there were 42,657 stock options that were exercisable, 15,611 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 stock option compensation cost for 2020, 2019 and 2018 was $5.8 million, $6.6 million and $4.9 million, respectively. The total intrinsic value of options exercised in 2020, 2019 and 2018 was $4.9 million, $3.5 million and $3.2 million, respectively.

The total compensation cost related to non-vested stock options not yet recognized at December 31, 2020 was $6.8 million and this cost is expected to be recognized over the weighted-average period of 1.59 years.

In 2020, the Company recorded a current tax benefit of $1.6 million in respect of stock option compensation (2019 – $1.5 million). This amount is inclusive of excess tax benefits.

Forfeits are accounted for as an adjustment to the charge in the period in which the forfeits occur.

Stock equivalent units

The Company awards Stock Equivalent Units ("SEUs") from time to time as a long-term performance incentive. SEUs are cash settled equity instruments conditional on certain performance criteria and linked to the Innospec Inc. share price. SEUs have vesting periods ranging from 2 to 5 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. There is no limit to the number of SEUs that can be granted. As at December 31, 2020 the liability for SEUs of $17.2 million is included in accrued liabilities in the consolidated balance sheets until they are cash settled.

In the fourth quarter of 2020, a number of SEUs that were granted to 61 employees in February 2018 were modified to extend the vesting period by two years.   The adjusted compensation cost resulting from the modifications has been recognised by the fair valuation at the balance sheet date based on the extended vesting period.

The fair value of SEUs is measured at the balance sheet date using either the Black-Scholes model, or in cases where performance criteria are dependent upon external factors such as the Company's stock price, using a Monte Carlo model. The following assumptions were used to determine the fair value of SEUs at the balance sheet dates:

	2020	2019	2018
Dividend yield	1.15%	0.99%	1.44%
Expected life	5 years	5 years	5 years
Volatility	39.9%	26.6%	27.2%
Risk free interest rate	0.17%	1.62%	2.46%

The following table summarizes the transactions of the Company's SEUs for the year ended December 31, 2020:

	Number of SEUs	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2019	390,816	$ 3.69	$ 59.91
Granted – at discount	113,107	$ 0.00	$ 76.63
– at market value	3,634	$ 95.70	$ 18.69
Exercised	(93,057)	$ 0.82	$ 60.04
Forfeited	(24,336)	$ 0.60	$ 65.99
Outstanding at December 31, 2020	390,164	$ 4.35	$ 63.96

At December 31, 2020, there were 53,146 SEUs that were exercisable, 46,614 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 SEU compensation cost for 2020, 2019 and 2018 was $1.9 million, $20.1 million and $5.7 million, respectively. The total intrinsic value of SEUs exercised in 2020, 2019 and 2018 was $6.3 million, $7.3 million and $2.7 million, respectively.

The weighted-average remaining vesting period of non-vested SEUs is 1.98 years.

Forfeits are accounted for as an adjustment to the charge in the period in which the forfeits occur.

Note 19. Reclassifications out of Accumulated Other Comprehensive Loss

Reclassifications out of accumulated other comprehensive loss for 2020 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	$ (0.5)	See (1) below
Amortization of actuarial net losses	1.7	See (1) below
	1.2	Total before tax
	(0.1)	Income tax expense
Total reclassifications	$ 1.1	Net of tax

(1) *These items are included in the computation of net periodic pension cost. See Note 9 of the Notes to the Consolidated Financial Statements for additional information.*

Changes in accumulated other comprehensive loss for 2020, net of tax, were:

(in millions)	Defined Benefit Pension Plan Items	Cumulative Translation Adjustments	Total
Balance at December 31, 2019	$ (9.3)	$ (65.1)	$(74.4)
Other comprehensive income before reclassifications	0.0	23.7	23.7
Amounts reclassified from AOCL	1.1	0.0	1.1
Actuarial net gains arising during the year	(7.7)	0.0	(7.7)
Net current period other comprehensive income	(6.6)	23.7	17.1
Balance at December 31, 2020	$ (15.9)	$ (41.4)	$(57.3)

Note 20. Recently Issued Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). This removes certain exceptions to the general principles in Topic 740 and improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, with early adoption permitted. The Company will be applying this ASU from January 1, 2021. We are currently evaluating the impact of adopting this new accounting guidance on our consolidated financial statements, including accounting policies, processes and systems, but we do not expect adoption will have a material impact on the Company's disclosures.

Note 21. 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, a chemicals manufacturer, since February 2020. In 2020 the Company purchased product from AdvanSix for $ 0.3 million. As at December 31, 2020, the Company owed $ 0.0 million to AdvanSix.

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 2020, 2019 and 2018 the Company incurred fees payable to SGR of $ 0.8 million, $ 0.5 million and $ 0.3 million, respectively. As at December 31, 2020 the Company owed $ 0.1 million to SGR (December 31, 2019 – $0.0 million).

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 2020 for a value of $ 0.2 million (2019 – $ 0.4 million; 2018 – $ 0.3 million). A tendering process is operated periodically to select the best buyer for the sale of scrap metal by the Company. As at December 31, 2020 EMR owed $ 0.0 million (December 31, 2019 – $ 0.0 million).

Note 22. Subsequent Events

The Company has evaluated subsequent events through the date that the consolidated financial statements were issued, and has concluded that no additional disclosures are required in relation to events subsequent to the balance sheet date.

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A 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 December 31, 2020.

Management's Report on Internal Control Over Financial Reporting

Our management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (within the meaning of Rule 13a-15(f) under the Securities Exchange Act of 1934). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Due to its inherent limitations, management does not believe that internal control over financial reporting will prevent or detect all errors or fraud. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on criteria in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission the evaluation of our management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company did maintain effective internal control over financial reporting as of December 31, 2020.

Our independent registered public accounting firm PricewaterhouseCoopers LLP, has audited our consolidated financial statements and the effectiveness of our internal control over financial reporting as of December 31, 2020. Their report is included in Item 8 of this Annual Report on Form 10-K.

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 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, have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B Other Information

None.

PART III

Item 10 Directors, Executive Officers and Corporate Governance

The information set forth under the headings "Election of two Class II Directors," "Ratification of the election of one Class I Director," "Information about the Executive Officers" and "Delinquent Section 16(a) Reports" in the Proxy Statement for the Annual Meeting of Stockholders to be held on May 5, 2021 ("the Proxy Statement") is incorporated herein by reference.

The Board of Directors has adopted a Code of Conduct that applies to the Company's directors, officers and employees, including the Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer. Any stockholder who would like to receive a copy of our Code of Conduct, our Corporate Governance Guidelines or any charters of our Board's committees may obtain them without charge by writing to the General Counsel and Chief Compliance Officer, Innospec Inc., 8310 South Valley Highway, Suite 350, Englewood, Colorado, 80112, e-mail investor@innospec.com . These and other documents can also be accessed via the Company's web site, www.innospec.com .

The Company intends to disclose on its web site www.innospec.com any amendments to, or waivers from, its' Code of Conduct that are required to be publicly disclosed pursuant to the rules of the SEC or Nasdaq.

Information regarding the Audit Committee of the Board of Directors, including membership and requisite financial expertise, set forth under the headings "Corporate Governance – Board Committees – Audit Committee" in the Proxy Statement is incorporated herein by reference.

Information regarding the procedures by which stockholders may recommend nominees to the Board of Directors set forth under the heading "Corporate Governance – Identifying and Evaluating Nominees for Director" in the Proxy Statement is incorporated herein by reference.

Item 11 Executive Compensation

The information set forth under the headings "Executive Compensation," "Corporate Governance – Board Committees – Compensation Committee – Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in the Proxy Statement is incorporated herein by reference.

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the heading "Who Owns Our Stock? Information about our Common Stock Ownership" in the Proxy Statement is incorporated herein by reference.

Shares Authorized for Issuance Under Equity Compensation Plans

The information set forth in the table under the heading "Equity Compensation Plans" in the Proxy Statement is incorporated herein by reference.

Item 13 Certain Relationships and Related Transactions, and Director Independence

The information set forth under the headings "Corporate Governance – Related Person Transactions and Relationships," "Corporate Governance – Related Person Transactions Approval Policy" and "Corporate Governance – Director Independence" in the Proxy Statement is incorporated herein by reference.

Item 14 Principal Accountant Fees and Services

Information regarding fees and services related to the Company's independent registered public accounting firms, PricewaterhouseCoopers LLP and KPMG LLP, is provided under the heading "Principal Accountant Fees and Services" in the Proxy Statement and is incorporated herein by reference. Information regarding the Audit Committee's pre-approval policies and procedures is provided under the heading "Audit Committee Pre-approval Policies and Procedures" in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15 Exhibits and Financial Statement Schedules

(1) Financial Statements

The Consolidated Financial Statements (including notes) of Innospec Inc. and its subsidiaries, together with the report of PricewaterhouseCoopers LLP dated February 17, 2021, are set forth in Item 8.

(2) Financial Statement Schedules

Financial statement schedules have been omitted since they are either included in the financial statements, not applicable or not required.

(3) Exhibits

2.1	Amended and Restated Share and Asset Purchase Agreement, dated as of December 22, 2016, by and between Huntsman Investments (Netherlands) B.V. and Innospec International Ltd (Incorporated by reference to Exhibit 2.1 of the Company's Form 8-K on January 3, 2017).
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 of the Company's Form 10-K on February 19, 2020).
3.2	Amended and Restated By-laws of the Company (Incorporated by reference to Exhibit 3.1 of the Company's Form 8-K on November 13, 2015).
3.3	Innospec Inc. 2018 Omnibus Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed May 10, 2018).
3.4	Innospec Inc. ShareSave Plan 2008 (as amended and restated) (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed May 10, 2018).
4.1	Description of Common Stock (Incorporated by reference to Exhibit 4.1 of the Company's Form 10-K on February 19, 2020).
10.1	Executive Service Agreement of Mr. Philip J. Boon dated June 1, 2009 (Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K on May 27, 2009). *
10.2	Contract of Employment, Mr. Ian McRobbie (Incorporated by reference to Exhibit 10.23 of the Company's Form 10-K on March 28, 2003). *

10.3	Contract of Employment, Dr. Catherine Hessner (Incorporated by reference to Exhibit 10.26 of the Company's Form 10-K on March 31, 2005). *
10.4	Contract of Employment, Mr. Patrick Williams, dated October 11, 2005, (Incorporated by reference to Exhibit 99.1 of the Company's Form 8-K on October 12, 2005) and Executive Service Agreement dated April 2, 2009. (Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K on April 3, 2009). *
10.5	Contract of Employment, Mr. Ian Cleminson, dated June 30, 2006 (Incorporated by reference to Exhibit 99.2 of the Company's Form 8-K on June 30, 2006). *
10.6	Innospec Inc. Performance Related Stock Option Plan 2008 (Incorporated by reference to Appendix A of the Company's Proxy Statement on April 1, 2011). *
10.7	Innospec Inc. Company Share Option Plan 2008 (Incorporated by reference to Appendix B of the Company's Proxy Statement on April 1, 2011). *
10.8	Innospec Inc. Non-Employee Directors' Stock Option Plan 2008 (Incorporated by reference to Appendix C of the Company's Proxy Statement on April 1, 2011). *
10.9	Innospec Inc. ShareSave Plan 2008 (Incorporated by reference to Appendix D of the Company's Proxy Statement on March 31, 2008). *
10.10	Innospec Inc. Executive Co-Investment Stock Plan 2004, as amended by the First Amendment 2006 (Incorporated by reference to Exhibit 10.10 of the Company's Form 10-K on February 17, 2012). *
10.11	Contract of Employment, Mr. David E. Williams, dated September 17, 2009 (Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K on September 14, 2009). *
10.12	Form of Indemnification Agreement for individual who is an officer (Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on February 27, 2014).
10.13	Form of Indemnification Agreement for individual who is a director (Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on February 27, 2014).

10.14	Form of Indemnification Agreement for individual who is an officer and director (Incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on February 27, 2014).
10.15	Employment contract for Brian Watt (Incorporated by Reference to Exhibit 10.4 of the Company's Form 10-Q filed on May 7, 2014). *
10.16	Innospec Inc. 2014 Long-Term Incentive Plan (Incorporated by Reference to Exhibit 10.5 of the Company's Form 10-Q filed on May 7, 2014). *
10.17	Executive Service Letter to Mr. Philip J. Boon dated October 15, 2015 (Incorporated by reference to Exhibit 10.24 of the Company's Form 10-K on February 17, 2016). *
10.18	$250,000,000 Multicurrency Revolving Facility Agreement with various lenders dated September 26, 2019 (Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K on September 30, 2019).
10.19	Innospec Inc. 2018 Omnibus Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed May 10, 2018).
10.20	Innospec Inc. ShareSave Plan 2008 (as amended and restated) (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed May 10, 2018)
10.21	Extension Request for Multicurrency Revolving Facility Agreement and Confirmation (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed October 6, 2020)
16	Letter regarding change in certifying accountant dated April 10, 2019 (Incorporated by reference to Exhibit 16.1 of the Company's Form 8-K filed April 11, 2019).
21.1	Principal Subsidiaries of the Registrant (filed herewith).
23.1	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP (filed herewith).
23.2	Consent of Independent Registered Public Accounting Firm, KPMG LLP (filed herewith).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	XBRL Instance Document and Related Items.
104	Cover Page Interactive Data File – The cover page XBRL tags are embedded within the inline XBRL document.

* Denotes a management contract or compensatory plan.

Item 16 Form 10-K Summary

Not Applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 17, 2021	By:	/s/ PATRICK S. WILLIAMS Patrick S. Williams President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of February 17, 2021:

/s/ MILTON C. BLACKMORE Milton C. Blackmore	Chairman and Director
/s/ PATRICK S. WILLIAMS Patrick S. Williams	President and Chief Executive Officer (Principal Executive Officer); Director
/s/ IAN P. CLEMINSON Ian P. Cleminson	Executive Vice President and Chief Financial Officer
/s/ GRAEME BLAIR Graeme Blair	Head of Group Finance (Principal Accounting Officer)
/s/ KELLER ARNOLD Keller Arnold	Director
/s/ DAVID F. LANDLESS David F. Landless	Director
/s/ LAWRENCE J. PADFIELD Lawrence J. Padfield	Director
/s/ ROBERT I. PALLER Robert I. Paller	Director
/s/ CLAUDIA POCCIA Claudia Poccia	Director

EXHIBIT 21.1 PRINCIPAL SUBSIDIARIES OF THE REGISTRANT

Innospec Active Chemicals LLC (USA)
Innospec Deutschland GmbH (Germany)
Innospec Finance Limited (U.K.)
Innospec France SA (France)
Innospec Fuel Specialties LLC (USA)
Innospec Holdings Limited (U.K.)
Innospec International Limited (U.K.)
Innospec Trading Limited (U.K.)
Innospec Developments Limited (U.K.)
Innospec Leuna GmbH (Germany)
Innospec Limited (U.K.)
Innospec Oil Field Chemicals LLC (USA)
Innospec International Holdings LLC (USA)
Independence Oilfield Chemicals LLC (USA)
Innospec Performance Chemicals Europe Limited (U.K.)
Innospec Performance Chemicals Spain S.L. (Spain)
Innospec Performance Chemicals Italia s.r.l (Italy)
Innospec Saint-Mihiel SAS (France)
Innospec Canada Limited (Canada)
Bachman Services, Inc. (USA)
BioSuite LLC (USA)
Innospec Strata Holdings, LLC (USA)
Strata Control Services, Inc. (USA)
Chemsil Silicones, Inc. (USA)
Chemtec Chemical Co. (USA)
Innospec Russ OOO (Russia)
Innospec Chemicals Beijing Limited (China)
Innospec Do Brasil Limited (Brazil)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-225518, 333-131687, 333-124139, 333-174050, 333-174439 and 333-42252) of Innospec Inc. of our report dated February 17, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Manchester, United Kingdom
February 17, 2021

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Innospec, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-225518, 333-131687, 333-124139, 333-174050 and 333-174439) on Form S-8 of Innospec Inc. of our report dated February 20, 2019, with respect to the consolidated statements of income, comprehensive income, cash flows and equity of Innospec, Inc. and subsidiaries (the Company) for the year ended December 31, 2018, and the related notes, which report appears in the December 31, 2020 annual report on Form 10-K of Innospec, Inc.

/s/ KPMG LLP
Manchester, United Kingdom
February 17, 2021

CERTIFICATION OF PATRICK S. WILLIAMS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick S. Williams, certify that:

1. I have reviewed this annual report on Form 10-K 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
February 17, 2021

CERTIFICATION OF IAN P. CLEMINSON PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ian P. Cleminson, certify that:

1. I have reviewed this annual report on Form 10-K 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
February 17, 2021

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Innospec Inc. (the "Company") for the period ended December 31, 2020 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 results of operations of the Company.

/s/ PATRICK S. WILLIAMS
Patrick S. Williams
President and Chief Executive Officer
February 17, 2021

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Innospec Inc. (the “Company”) for the period ended December 31, 2020 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 results of operations of the Company.

/s/ IAN P. CLEMINSON
Ian P. Cleminson
Executive Vice President and Chief Financial Officer
February 17, 2021

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.