INNOPHOS PRESENTATION AT JEFFERIES 2013 GLOBAL INDUSTRIALS CONFERENCE

EDITED TRANSCRIPT

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PARTICIPANTS

Corporate Participants

Randolph E. Gress – Chairman of the Board, Chief Executive Officer, President & Director, Innophos Holdings, Inc.

MANAGEMENT DISCUSSION SECTION

Randolph Gress, Chairman, President & Chief Executive Officer
Good morning, everyone, and thank you for your interest in Innophos today. I'm Randy Gress, Chief Executive Officer of Innophos. Joining me today is Mark Feuerbach, Vice President, Investor Relations and currently serving as our Chief Financial Officer.

Before I get started, just a brief reminder of the usual Safe Harbor provisions, including a reminder that my presentation, including any forward-looking statements represents a summary of previous public disclosures rather than any updated guidance as of this date.

First, a brief overview of Innophos. We were formed as an independent company in 2004 and a carve-out from the French chemical group Rhodia initially as a private company owned by Bain Capital. Actually, we celebrated our ninth year anniversary a couple of days ago. We have been a public company since our 2006 IPO with Bain fully exiting by 2009. And I'm happy to say that we have generated total shareholder return of over 400% since our IPO.

Although our life as an independent entity is relatively short, we have a very long history in Specialty Phosphates with our origins dating back 100 years to the creation of phosphate manufacturing oriented to the markets we serve. Rhodia opted to spin out into Innophos just our U.S., Canadian and Mexican phosphate assets. So today, we are predominantly oriented to the North American market, but we are rapidly building a global presence as you will see in this presentation.

The Innophos of today is very different to the company launched on NASDAQ stock exchange almost seven years ago. This slide summarizes some of the key milestones. We rapidly paid down the heavy debt load that we inherited from our private equity days. And as you may have noted on my previous slide, our net debt is currently at a very comfortable one times EBITDA.

We have used our ongoing strong operating cash flow to invest for future growth while also significantly increasing cash returns to shareholders. We have transformed our Specialty Phosphates business including strengthening our supply chain, diversifying raw material supply and through a consistent focus on higher value-added products transformed our market presence to one primarily oriented to higher margin and more differentiated food and beverage applications.

And we continue to evolve our business into attractive adjacencies including our three recently acquired nutrition businesses where we are now positioned well within the highly attractive bioactive mineral ingredient business.

All of this has resulted in a step change improvement in profitability which we believe is sustainable for the long-term.

We are proud of our financial track record. Some highlights of which are shown here and we believe the strength of our strategic position in an attractive industry will underpin future results. We are the market leader in North America, we have transformed our Mexico business over recent years to be far more specialty-oriented and we have continued to invest in our supply chain.

Even though we have encountered unprecedented volatility in our raw materials over the last six years, our focus on pricing and the value we deliver to customers in our product offering and service have allowed us to offset significant changes in raw material prices through higher selling prices.

We believe we operate in an attractive industry with high barriers to entry, attractive growth opportunities and relatively stable end markets in which customers are seeking value-add from their suppliers through innovation and technical support.

Our primary focus as a business is on Specialty Phosphates which represents around 90% of our revenue. Specialty Phosphates is reported externally in two regions, U.S./Canada and Mexico with revenue split into three product groups.

The rather small supply chain diagram on the lower left-hand part of the slide shows how the product groups fit together. All phosphate manufacturing ultimately traces itself back to mined deposits of phosphate rock. Today, we don't mine our own phosphate rock, so our in-house supply chain begins in Mexico with imported phosphate rock. We convert that to fertilizer grade phosphoric acid, but it is at the next stage where our real value-add begins.

There are many fertilizer grade phosphoric acid producers, but there are only a handful of companies worldwide with the technology and capability to take this fertilizer grade product and purify it to the very exacting standards required to be successful in our food grade end markets. We do this in Mexico and also in Geismar, Louisiana where the fertilizer grade material is supplied by Potash Corp. under a long term supply arrangement. We also supplement our in-house produced purified phosphoric acid or PPA with purchases from Potash Corp.'s Aurora, North Carolina, PPA facility, also under a long term supply arrangement.

We sell some PPA direct to end customers representing just under 20% of our revenue, but the majority is then further converted into a very wide range of specialty phosphate ingredients. We make hundreds of different forms of Specialty Phosphates, often tailored to very specific customer requirements. And our prime focus, representing 60% of our revenue, is our specialty ingredient portfolio to which we have also recently added some non-phosphate technologies, as I will explain shortly.

The third specialty phosphate product group is now a much less significant piece of our business. Phosphates make excellent builders for laundry and dishwasher detergents, but the environmental impacts of excess phosphates in captive water systems such as the Great Lakes due mostly to fertilizer runoff, has led to move away from detergent phosphate use. We anticipated this and also saw better value opportunities in more differentiated end markets.

Today, only about 10% of our revenue is in these detergent grade products, down from about one quarter five years ago. The chart on the right illustrates this shift. We have achieved an 8% revenue CAGR over five years even though our sales of detergent grade products have fallen by almost half. This is due to our tremendous success of our targeted market strategy, achieving 15% revenue CAGR in the consumer-oriented applications of food, pharma, beverage and oral care, with this segment now representing about half of our total business.

The final product group, which is also split out as a separate reporting segment, is GTSP & Other. At about 10% of our business by revenue, this is a necessary piece of our economic model as it represents a value creation for co-product that arises in our Mexico acid purification process.

As a co-product, even at a breakeven operating income that contributes significant value to our overall profitability as it absorbs plant overhead instead of the alternative which would add cost to handle the material. However, it is not our core focus as a business.

I'll talk a little bit more about the GTSP later. This next slide demonstrates the point I made earlier about our ability to raise Specialty Phosphates selling prices to offset raw material cost inflation. This shows our Specialty Phosphates adjusted operating income per metric ton indexed to the first quarter 2006. During 2006 and 2007, we had stable profits but were below target levels. In 2008, there was a fertilizer boom and we raised our selling prices significantly due to the fact that approximately 80% of our key raw material contracts had lags of a year or more.

We had raw material cost that reflected 2007 market conditions; therefore, we achieved exceptional profits during 2008. In 2009, fertilizer market conditions reversed and we had to give back some selling price, while at the same time, be faced with increasing raw material cost that reflected 2008 market conditions. This put our Mexico business into a breakeven position for the year. However, our U.S. and Canada business was able to stabilize selling prices at about 40% higher than 2007 levels.

This contributed to a step change improvement in profits, one that we have since been able to maintain despite raw materials costs doubling from 2010 to 2012. You can see that our profits have been more stable from 2010 onwards. This is because we changed the majority of our raw material contracts to reset on a more frequent basis, typically quarterly, thus aligning with our selling price changes according to market conditions. We continue to operate with Specialty Phosphates operating income per metric ton that is about two to three times 2006 levels and believe this is sustainable going forward.

Let me now give you more insight into our products and the value we bring to our markets. This slide shows just a few of the very broad range of applications within which Specialty Phosphates are used. If you are new to this industry, you probably had no idea previously of how valuable and extensive an ingredient, phosphates in different forms can be. The next time you review ingredient labels at the supermarket, you will see phosphates as key ingredients in everything from baked goods, to processed meats, and dietary supplements. They are also key ingredients in a number of value-added industrial applications for example our very successful INNOVALT® product line which brings cost and performance benefits to the asphalt modification market.

Generally, the ingredients we supply bring very important functional or nutritional properties to the end products they are formulated into. But they typically provide this benefit at a very low cost relative to other ingredients. We focus on winning in the market through the value we bring and product performance, the quality of our technical support and our overall service. And we have put particular emphasis on innovating our product line to fit well with consumer trends. For example, reducing sodium content of processed foods and increasing nutritional content.

Our capital allocation priorities are shown here and I think we have been pretty consistent in applying these. First priority is to invest for growth. We would like to continue doing one or two bolt-on acquisitions a year and a bolt-on deal would likely be in the sub-$50 million in purchase price for a nutritional ingredients business.

We don't rule out larger deals but we have found the best opportunities so far at this scale. We are also moving into a period where a somewhat higher level of capital expenditure will be needed to complete our supply chain transformation and support our future growth. We estimate our maintenance capital expenditure to be around $20 million per year, well below our depreciation and amortization rate.

But for the next two to three years, we anticipate annual capital expenditures to average around $40 million and we will continue to look for attractive return, organic investment opportunities to support our future business.

Our expectation for 2013 capital expenditures is now $35 million to $40 million, due to the timing of some project start dates that will begin a bit later than originally planned. We also place significant importance on delivering shareholder value through cash returns. We have more than doubled our dividend in the last three years with two increases in 2012 alone.

We have also began a buyback program with an authorization of up to $50 million and the flexibility to vary our pace here depending on our capital requirements at any point in time. I would expect more of the same going forward, although the timing and pace of further increases in cash returns, will of course also take into consideration the investment opportunities we see.

We aim to supplement our organic growth strategy with acquisitions. Attractive targets need to meet either of our two main strategic goals and represent opportunities where we feel we'll comfortably earn returns above our cost of capital. The two strategic drivers for acquisitions are to extend our geographic presence in phosphates and to broaden our product portfolio into adjacent technologies and markets where we can build on our existing capability but increase the range of solutions we can provide to markets we already know well.

Our first goal, geographic expansion, can be met either organically or by acquisition. So far, we have found the better value opportunities in organic growth. We have just begun production at our new blend facility in China and we are significantly increasing our customer facing resources in Asia Pacific and this year, in Europe and South America.

Where acquisitions have contributed is to the second goal outlined here. We have made three bolt-on acquisitions since the fourth quarter of 2011: Kelatron, AMT, and right at the end of 2012, Triarco. Strong customer and sales channel synergies, both domestically and in emerging markets, enabled sales growth of nearly 20% for Kelatron in its' first year with Innophos as well as above-market growth rates for the three acquisitions in total for the first half of 2013. Combined, these businesses represent what I think will be a very valuable extension to our nutritional ingredients platform in what is an attractive market.

Nutritional ingredients are a major focus of both our customers in the core food and beverage space as well as the more specialist providers of nutritional ingredients targeted at sports nutrition or dietary supplementation.

We are focused on building a product portfolio in the parts of the market where we think there is a long-term growth potential and also solid scientific backing for the nutritional benefits of the ingredients we supply.

The European Food Standards Agency has recently done a lot of work sifting through the various claims made for various ingredients and dismissing many of them as unfounded. However, in the area of mineral supplementation, the science stands up to scrutiny and we think this area will be an increasing focus of manufacturers and consumers. The benefits of calcium and potassium fortification are already well known and we participate in these markets through our calcium and potassium phosphates.

However, attention is now increasingly being put on other minerals such as magnesium, chromium, selenium where the phosphate form may not be the best dietary delivery mechanism. With Kelatron and AMT, we can now manufacture a wide range of minerals in multiple forms with the key being to make them easy to absorb into the body during digestion. This is a key market which has performed well even in the tougher economic conditions of the last few years and which we think is set for the long term in the high single-digits.

We also believe strength in these new products will bring benefits to our core phosphate business. Our position at some specialty manufacturers of sports nutrition, for example, has already strengthened from these acquisitions. Our increased knowledge of these different product technologies is supporting innovation across our business in food and industrial markets.

My next slide gives a bit more specific information on our recent performance and for our 2013 expectations. I've organized my comments under the three key drivers that we expect to support organic growth going forward. We anticipate a long-term growth rate for market demand of 2% to 3% and we aim to grow at double that rate, with innovation-led growth and growth into new markets outside of our historical North American focus sharing about equal weight in achieving that goal.

Unfortunately, in 2012 and through the first half of 2013, despite making significant underlying progress and strengthening our position for growth, we did not achieve our targeted headline growth number as a result of weaker than anticipated market conditions accentuated by an unusually severe year-end destocking phenomenon followed by production issues at our Coatzacoalcos Mexico plant caused by premature equipment failure that we began to fix in the first quarter in order to complete it by mid-May.

This affected our results considerably for the first half of 2013 from lower sales due to product availability, higher maintenance cost and lower production yields. Our short-term production improvement program drove an improving trend throughout the second quarter resulting in our Coatzacoalcos facility operating at its' expected production rate with good performance for the entire month of June which showed a significant improvement in production and yields compared to our first quarter results.

Our U.S. and Canada business recorded its strongest volume in more than three years during the second quarter and combined with the expected improvement in the Mexico operations and modest market growth is expected to result in a year-over-year Specialty Phosphates volume growth for the second half 2013 within our 4% to 6% long-term target range. Second half Specialty Phosphates operating income is expected to be 15%, the same level we achieved in the second quarter 2013 on an adjusted basis.

Some brief comments now on GTSP before I conclude with our balance sheet. GTSP, or granular triple super-phosphate, is a fertilizer co-product that arises in Mexico as part of our purification process. We are a very small player in phosphate fertilizers and our margin on GTSP is dependent on the spread between world market prices for finished phosphate fertilizers and the key raw materials of phosphate, rock and sulfur.

Unusually, since the beginning of 2012 this spread has been significantly reduced over historical levels. Finished fertilizer prices were significantly lower on average in 2012 versus 2011. The market prices for the raw materials did not vary significantly. This is largely explained by supply/demand conditions, by phosphate rock remaining relatively firm despite soft conditions for finished fertilizers.

There has been just enough temporary supply disruption to producers in countries affected by the Arab spring up risings to allow the major producers to keep world prices high. We think this is a temporary phenomenon and there is significant activity around the world to bring new phosphate rock deposits to market including our own exploration efforts in Mexico.

So we expect supply/demand conditions to move more in our favor over the medium term. However, it is difficult to predict when these effects start to establish themselves. The typical spring acceleration in market fertilizer prices did not happen with market pricing ending in the second quarter below first quarter levels on weak market demand. So our best short term view for GTSP is that it will continue to operate at a small loss at least through the third quarter of 2013 with no clear visibility beyond that.

Turning now to our balance sheet, you can see the substantial progress made through 2011 in reducing net debt while substantially improving returns on capital. 2012 saw the balance sheet being deployed to support growth. Two acquisitions during the year, an increased dividend and a stepped up capital program were almost fully funded by operating cash flow with only a $30 million increase in net debt required; leaving us at a very comfortable debt level.

I should also note that at the end of 2012, we increased and extended the maturities on our credit facility, reducing our margin over LIBOR by 75 basis points, while also swapping out our LIBOR exposure on $100 million of floating rate debt to a five-year fixed rate of less than 1%. Let me conclude then with a summary of the key elements of our strategy which will be the foundation for continued strong performance into the future.

We are targeting growth through product innovation and geographic expansion, organically and through acquisition. We will maintain and improve our margins through the value of our products and the strength of our business mix. We will further strengthen our already attractive strategic position, particularly by continuing to enhance our industry-leading supply chain. And we expect continued strong cash flows supporting growth investment as well as cash returns to shareholders.

Thank you for your attention, and I look forward to your questions in our breakout session.