INNOPHOS 2Q12 RESULTS CONFERENCE CALL

EDITED TRANSCRIPT

CALL HELD August 7, 2012

PARTICIPANTS

Corporate Participants

Mark Feuerbach – Vice President, Investor Relations, Treasury, Financial Planning & Analysis
Randolph Gress – Chairman, President & Chief Executive Officer
Neil Salmon – Chief Financial Officer & Vice President

Other Participants

Larry Solow – Analyst, CJS Securities, Inc.
Edward H. Yang – Analyst, Oppenheimer Securities
Chris Shaw – Analyst, Monness, Crespi, Hardt & Co., Inc.
Christopher W. Butler – Analyst, Sidoti & Co. LLC
Peter Cozzone – Analyst, KeyBanc Capital Markets

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Q2 2012 Innophos Earnings Conference Call. My name is Kim and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session. Please note that this conference is being recorded.

I would now like to turn the call over to Mr. Mark Feuerbach. Mr. Feuerbach, you may begin.

Mark Feuerbach, Vice President, Investor Relations, Treasury, Financial Planning & Analysis

Good morning and thank you for joining us today for Innophos' second quarter 2012 results. Joining me on the call today are Randy Gress, Chief Executive Officer, and Neil Salmon, Chief Financial Officer.

During the course of this call, management may make or reiterate forward-looking statements made in our August 5 press release regarding financial performance and future events. We will attempt to identify these statements by use of words such as expects, beliefs, anticipates, intends and other words that denote future events. These forward-looking statements are subject to material risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

We caution you to consider the important risks and other factors as set forth in the forward-looking statements section and in Item 1A Risk Factors in our annual reports on Form 10-K as filed with the SEC that could cause actual results to differ from those in the forward-looking statements made in this conference call. We will make a replay of this conference call available for a limited time over the telephone at the numbers set forth in our press release and via webcast available on the company Web site.

In addition, please note that the date of this conference call was August 7, 2012. Any forward-looking statements we may make today are based on assumptions that we believe to be reasonable as of this date and we undertake no obligation to update these statements.

Now, I would like to turn the call over to Randy Gress, CEO of Innophos. Randy?

Randolph Gress, Chairman, President & Chief Executive Officer

Thanks, Mark, and good morning, everyone. My opening comments will concentrate on second quarter performance and how we have continued to deliver on our strategic initiatives. Neil will then summarize our financial results and provide a look ahead to the third quarter and the balance of 2012, after which I will conclude with some final remarks and then we will take your questions.

Overall, for the company, we achieved net sales of $214 million in the second quarter, up 6% from last year with strong Specialty Phosphates revenue growth, offsetting a decline in sales of our GTSP co-product. These results were achieved in an environment in which challenging macroeconomic conditions undoubtedly contributed to a softening in market demand as the quarter progressed. We were, therefore, pleased with the strength of our Specialty Phosphates business and our ability to demonstrate continued growth.

We recorded second quarter diluted earnings per share of $0.81 excluding an $0.08 per share adjustment in the GTSP & Other segment, which Neil will discuss in more detail. This compares to $0.92 per share in the year-ago period, with lower earnings attributable entirely to lower profitability on our GTSP co-product sales.

Specialty Phosphates revenue was up 14% compared to the year-ago period, driven by both price and volume improvement and good results from Kelatron.

For the US and Canada, the second quarter saw both sequential and year-over-year volume improvement. While our US/Canada volumes were off from our expectations by about 2% to 3% due to softer demand, our new bioactive mineral ingredients business contributed to our performance in the quarter and our Mexico Specialty Phosphates volumes were up 7% from year-ago levels.

As a result, we maintained our Specialty Phosphates operating income above year-ago levels, despite lower market demand and significant raw material cost increases. So, overall, we are pleased with the performance of our Specialty Phosphates business.

That said, our business continues to deal with the effects of weak demand conditions in various segments in both food and industrial end markets, while we also saw some further limited reformulation away from STPP in the industrial cleaning applications market. Although we now expect market demand to be moderately lower for the rest of the year, we continue to project organic growth 2% to 3% better than the market trend, and so we expect to achieve organic growth of about 1% to 3% for the second half.

Ongoing success of our growth initiatives will be key to achieving these results. After including sales from our recent acquisitions, we are now targeting second half volume growth of 5% to 7% in comparison to the 3% achieved in the first half.

Our GTSP & Other business recorded sales of $20 million, a decrease of 35% from the year-ago period. Profitability improved as expected versus the first quarter as fertilizer market prices improved moderately. However, they remain well below their year-ago levels, while market raw material costs remain high and have not yet adjusted by an equivalent amount. Overall, GTSP & Other was at breakeven in the quarter, down $5 million on last year, after excluding the prior-period adjustment.

Market conditions for phosphate fertilizers, in general, seem to have plateaued again after improving for most of the second quarter. Commentators are divided on whether the US drought and higher commodity food prices will lead to higher fertilizer demand and, therefore, higher prices or it's a deferral of demand until next year.

Our best view currently is that underlying GTSP performance, excluding the one-off items mentioned, will continue to hold steady, although you then need to consider the impact of higher mining and the scheduled maintenance outages in the second half.

Turning now to our growth initiatives, as I mentioned, we continued to see successful results from our first bolt-on acquisition of Kelatron Corporation. The first half of 2012 was strong for Kelatron, recording revenue growth well above 20% year-over-year. We have seen a combination of the strong product line and sales channel synergies that we anticipated and we remain excited about the future of this business.

Early in the third quarter, we completed our second acquisition in this space by acquiring AMT Labs, accompanied with highly complementary capabilities to Kelatron. The combination of Kelatron and AMT makes Innophos a leader in the high growth US bioactive mineral ingredients market.

Additionally, we continued to deliver on our geographic growth objectives. We have completed construction of our facility in China. The final pieces of equipment will be delivered shortly. And after we have commissioned the facility, we will begin the licensing process with the Chinese government. We expect commercial sale to start in early 2013 as the process for achieving our food ingredient license in China takes some months to complete. We also continue to work on a number of product enhancements and joint formulation projects with customers that will contribute to our ongoing target of above-market growth.

Having already achieved strong industry recognition for our product range in low sodium applications for baked goods, we are pleased with the progress we are making in other applications, particularly meat and seafood. Our announcement in June that we had achieved regulatory approval to sell Cal-Rise into the Canadian markets will support our growth in baked goods.

Meanwhile, our VersaCAL Clear calcium fortification product line continues to gain market acceptance, being launched in several new beverage products so far this year. We are also very pleased with our progress in growing the market for our Innovalt asphalt modifications technology. Challenging market conditions undoubtedly affect customers' decision making and the emphasis they put on trials and launching new products. However, I'm confident that we will continue to execute on further product line innovations and achieve the above-market growth we are targeting.

I'll now turn it over to Neil for some more detail on financial results in the quarter. Neil?

Neil Salmon, Chief Financial Officer & Vice President

Thanks, Randy. I'll recap Randy's comments on sales and business trends in order to put them in the context of our second quarter results and then provide a little more detail for the full year expectations Randy outlined.

Net sales for the second quarter of 2012 were $194 million from Specialty Phosphates and $20 million from GTSP & Other, resulting in a total of $214 million, a 6% increase over the second quarter of 2011. Compared to the second quarter last year, Specialty Phosphate prices and volumes were each up 7%, including a 3% volume benefit from the acquisitions of Kelatron.

The US and Canada Specialty Phosphate business recorded an 11% year-over-year increase in sales for the second quarter, driven by a 7% increase in prices. Volumes increased 4% when compared to the year-ago period, which included a 3% benefit from Kelatron.

Operating income at $20 million was $6 million lower from the year-ago period and $7 million lower sequentially. The sequential decline was due primarily as expected to the increase in raw material costs for which selling price increases had already been achieved in the 2012 first quarter.

As a result, second quarter 2012 operating income margin was lower at 14%, with our cost of goods sold now having fully caught up to recent market raw material cost levels in comparison to the last several quarters in which we have successfully achieved selling price increases ahead of the impact on cost of goods sold of higher market prices for raw materials.

The Mexico Specialty Phosphates business recorded a 24% increase in year-over-year sales, with prices up 7% and volumes higher by 17% versus the second quarter of 2011. These results were in comparison to a year-ago period that was affected by production restrictions, following a scheduled maintenance outage in the 2011 first quarter.

Operating income for Mexico Specialty Phosphates was $8 million, $7 million higher compared to the same period last year and up $2 million sequentially, giving an operating margin in the second quarter of 18%, up significantly on the year-ago period and also higher than the 12% we recorded in the third quarter.

Overall Specialty Phosphate operating income for the second quarter of 2012 was $29 million, $1 million above the prior-year quarter and $5 million lower sequentially, entirely as a result of the raw material cost catch-up that I mentioned, which also was the reason operating income margin at 15% was down 260 basis points sequentially.

Let me now turn to the adjustments we reported in the GTSP & Other segment for this quarter. During our review of the 2012 second quarter, we identified certain items in our financial statements related to 2011 through the 2012 first quarter that has not been correctly reported in those earlier quarters. We also revised our estimate for the effective contract terms on our raw material costs in 2012. We made these corrections in the 2012 second quarter within our GTSP & Other segment, which had the effect of increasing cost of goods sold by $2.7 million and decreasing net income by $1.8 million or $0.08 per share.

These adjustments are not material to the financial results of the current or previously issued annual or interim financial statements, nor do we expect them to be material to our full-year 2012 statements.

GTSP & Other revenue was $20 million compared to revenue of $31 million in the prior-year period. The lower revenue reflected lower market prices and lower volumes, although as is typical in this segment, the lower volume was entirely a function of the timing of individual shipments and overall GTSP volumes continue in line with expectation.

The segment reported an operating loss of $2.5 million, arising from the adjustments I just described. Excluding these adjustments, operating income for GTSP & Other was just about breakeven for the second quarter 2012, in line with our expectations.

Operating income was up $3 million sequentially, excluding the $7 million Rhodia settlement recorded in the 2012 first quarter, but $5 million below the second quarter 2011 due to lower fertilizer market prices and higher raw material costs.

Our effective tax rate was 33.4% for the second quarter of 2012, in line with our first quarter effective rates after excluding the Rhodia settlement, which was recorded as a discrete item for tax provision purposes. We continue to project a 33% to 34% underlying tax rate for 2012.

Overall, as Randy mentioned, we have seen a moderate decline in market demand during the second quarter in our core Specialty Phosphates business. Demand conditions weakened on a combination of some limited further STPP reformulation in North America, customer destocking particularly in international markets and lower demand in a few market segments. This was offset by good progress on targeted growth initiatives including excellent results from the recently acquired Kelatron business. As a result, we now expect organic volume growth of 1% to 3% at Specialty Phosphates in the second half of the year, while the benefits from the already completed acquisitions, including the recently announced AMT acquisition, should contribute a further 4% to revenue growth.

Specialty Phosphates selling prices were 9% higher in the first half versus the same period last year and improved moderately on a sequential basis. While we did not announce any price increases during the second quarter, we will continue to maintain a close watch on the markets and our raw material cost trends and will consider additional price increases as market conditions allow.

Market prices for Innophos' key raw materials of phosphate rock and sulfur were relatively unchanged through the second quarter. Prices for finished fertilizer products, including GTSP, increased sequentially during the second quarter before stabilizing again and remain significantly below their last year levels.

As a result of the current demand and pricing environment we have outlined, we currently expect underlying operating performance in both Specialty Phosphates and GTSP & Other to be similar in the third quarter compared to the adjusted second quarter.

In addition, scheduled maintenance outages in Mexico and the US, together with an increased level of mining activity as we continue to evaluate the quality of our mining concessions in Mexico are expected to result in a sequential increase in third and fourth quarter costs compared to the second quarter of approximately $2 million in each quarter, affecting GTSP & Other and Specialty Phosphates equally.

Turning to cash flow, our net debt in the second quarter 2012 decreased by $33 million to $63 million on strong operating cash flows, including the benefits of delivering on working capital reduction targets. Capital expenditures were $5 million in the 2012 second quarter. And as a result, for the 2012 full year, we expect expenditures to be in the $25 million to $30 million range. This is below our previous expectation of approximately $40 million as a result of delays to some projects stemming from changes in engineering specifications that's deferring some expenditure to 2013.

Investment continues to be focused on debottlenecking US, Canada and Mexico specialty ingredients facilities, expanding geographically, including the investment in China and enhancing Mexico's capabilities to process multiple grades of rock consistent with the company's supply chain diversification strategy.

Depreciation and amortization was $11 million for the 2012 second quarter, up $1 million compared to the prior-year period due to our ERP project that went live in the 2011 third quarter. For the 2012 full year, we expect depreciation and amortization to remain in line with 2011 levels as increases from the ERP project should be offset by decreases coming from 2004 step-up accounting when Innophos was formed.

Now, back to you Randy.

Randolph Gress, Chairman, President & Chief Executive Officer

Thanks, Neil. While the broader environment is turning out to be more challenging than we had anticipated earlier in the year, we continue to make good progress on the strategic growth objectives that position us for success in the longer term. We are gaining traction with our new products. We also continue to see good progress in developing customer relationships, particularly through the pursuit of innovative projects around new products, while leveraging our technical service expertise.

Overall, the substantial strategic progress we have made throughout the last five years continues to be strongly evident in the results we are delivering.

However, I believe we are only just beginning to realize the benefits of our strategic growth focus. While economic growth in Asia has been slowing recently, we still see strong long-term growth potential in this region and continue to be proactive in our investment strategy there. We also see our acquisitions in the strategic market segments paying immediate dividends in the form of higher volumes and synergies in the coming quarters.

While both Kelatron and AMT are relatively small additions, they are excellent examples of the benefits we see in our adjacency acquisition strategy. We believe we will achieve strong returns on our investment both through driving operational cost efficiencies and, more importantly, by using Innophos' market presence and focus on growth to bring significant sales channels benefits to both companies. While we cannot predict the timing of acquisitions, we are currently working on additional opportunities.

Finally, I am pleased with our ongoing strong cash flow generation. And while our first priority is to identify and deliver attractive returns from growth projects, we also expect ongoing improvement in cash returns to shareholders.

Thank you for listening and we will take your questions now. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now begin the question-and-answer session. [Operator Instructions] And at this time, we have a question from Larry Solow from CJS Securities. Please go ahead.

<Q – Larry Solow – CJS Securities, Inc.>: Good morning, guys.

<A – Randy Gress – Innophos Holdings, Inc.>: Hi, Larry.

<Q – Larry Solow – CJS Securities, Inc.>: I wonder if you could just maybe give a little more color on sort of the slowdown in growth. Is it across most of your food industrial which make up more than half of your [ph] sales (0:21:19) on the Specialty Phosphates, is that – is it spotty or is it just sort of across the board slowdown?

And then the follow-on to that is, with sort of slowing in volume through the quarter, it sounds like, what gives you the confidence that you could still get actually better growth in the coming two quarters if you achieve sort of 2% growth in the back half of the year, sort of the midpoint of your guidance?

<A – Randy Gress – Innophos Holdings, Inc.>: Well, Larry, for most market segments, we are seeing relatively stable demand, but there are pockets of weakness in various segments, which do include the meat and seafood. But then also in some of the industrial applications, we have seen some slowness with some further reformulation away from the STPP in the industrial and institutional cleaning markets.

I think if you take a look at what we have achieved with some of the strength of our products and applications in that service, we have been able to still show some progress on the growth side. And some examples we've given there have been the Cal-Rise which is a – helps in the baking, leavening with the sodium reduction. And also some of the uptake on the beverage side of our calcium fortification product there with VersaCAL Clear.

And then in addition to that, we still have some strength in our geographic expansion. So those combined, I think, still expecting that 2% to 3% growth here in the second half.

<Q – Larry Solow – CJS Securities, Inc.>: And if I could just follow-up on the STPP, what rough ballpark percent of revenue was that? Today, is it still sort of 10%-ish or has it fallen below that? And is there risks that this could continue to fall? Or do you – despite the quarterly drop, do you still think over the next few years it's not going to really fall out of bed further?

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. I think with the STPP market, yeah, we are roughly 10% of sales revenue there in the business. And you may recall that there were roughly – three quarters of that is from our Mexican operations and then Latin America, which is fairly stable, although there is the pressure there from the phosphates. But we have seen it fairly stable. So we expect that to continue in the medium term at that level. And then for the US, with that being a quarter of that 10% roughly, there is continued pressure. We expected some stability there, saw a little bit more reformulation. But in the near-term, expect that to be relatively stable too.

<Q – Larry Solow – CJS Securities, Inc.>: Okay, great. Thanks.

<A – Randy Gress – Innophos Holdings, Inc.>: Thanks, Larry.

Operator: Thank you. Our next question comes from Peter Cozzone on from KeyBanc Capital Markets. Please go ahead.

<Q – Peter Cozzone – KeyBanc Capital Markets>: Good morning, guys.

<A – Randy Gress – Innophos Holdings, Inc.>: Hi, Peter.

<Q – Peter Cozzone – KeyBanc Capital Markets>: So debottlenecking of the more specialty lines continues to be a focus going forward. I'm just wondering, can you give us maybe a general idea of what run rates are currently on some of your more specially lines and maybe more broadly by region? I'm just trying to get an idea for the timing of the debottlenecking activity and then how quickly you could fill these up in kind of a normal growth environment?

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. Neill, can you address that please?

<A – Neil Salmon – Innophos Holdings, Inc.>: Yeah. And it's always tough for us to give a precise figure on capacity utilization and so forth because we are very fortunate of the situation of generally having some capability across our plants and through a continuous program of these kind of debottlenecking type investments, releasing sufficient capacity to support growth. So there is not – they're not projects that we'll see a step change in our growth profile and generally we'll look to continue delivering on our overall growth targets and continue to win through the value proposition of our products and make sure the capacity continues to be available to support that growth.

So the program is more in support of our stated growth objectives rather than leading to step change variations in the growth that we are delivering.

<Q – Peter Cozzone – KeyBanc Capital Markets>: Okay. And then of the incremental of $2 million in quarterly costs in the back half of the year here, how much of that would be re-occurring looking into 2013? And then, given the more uncertain macro environment, are there any areas where you be able to cut costs or drive productivity gains to kind of offset?

<A – Randy Gress – Innophos Holdings, Inc.>: So slightly more than half of the $4 million is related to the maintenance outages. We typically operate on the 18 months to two year schedule for those, so they should not recur in 2013. However, our expenditure on mining expenses is a little below the rate we had previously anticipated for this year. And although we haven't confirmed our 2013 plans, that may be a little bit higher than the amounts that we predicting for this year. But, certainly, the maintenance outage expenditure will not continue into next year. Certainly, yes, we retain a very strong control overall on our costs and they are coming in currently below our internal projections for the year. We would expect that to continue. And we do have some productivity-related investments within our capital plan. However, those are larger projects, so they typically take some quarters before we see the benefit of that. But certainly, as you would expect, we are keeping a very strong focus on, on the one hand, making sure we're still investing in key areas to support growth, but on the other, making sure our base operations are operating as productively as they can.

<Q – Peter Cozzone – KeyBanc Capital Markets>: And then just one more, if I may. In the Mexico specialty business, sequentially – operating margins up over 500 basis points sequentially, can you talk about the drivers there, maybe kind of bucket that? And what are the expectations? I guess, what is the underlying business kind of running at now as that's historically been a little bit lower margin than the US business?

<A – Neil Salmon – Innophos Holdings, Inc.>: Right. Mexico Specialty Phosphate margins will always be a little bit more variable because of the nature of the business. You're going to have more significant product mix effects on margin and also it's a less stable margin profile across the business. So difficult for me to break down too much the second versus first quarter. I think if you look at the average for the year, I think that's around 15% now. On the first quarter, I said that 12% was my view of the underlying margin of the business at that point, but we were aiming to improve it. I think we are making some improvements. But we're probably only, on an underlying basis, 1 point or 2 points above that 12% level. And I think the second quarter number, it's higher than we would expect to be the sustainable margin for that business at this point in time, but certainly we'll continue to focus on improving the margin profile of our Mexico business.

<Q – Peter Cozzone – KeyBanc Capital Markets>: Great. Thank you for the color.

Operator: Thank you. Our next question comes from Chris Butler from Sidoti & Company. Please go ahead.

<Q – Chris Butler – Sidoti & Co. LLC>: Hi. Good morning, everyone.

<A – Randy Gress – Innophos Holdings, Inc.>: Good morning, Chris.

<Q – Chris Butler – Sidoti & Co. LLC>: If we're looking at your US and Canada specialty business, back in the first quarter, you had indicated that there's going to be about $4 million to $6 million of additional cost that was primarily in US and Canada. The actual results are about $7 million down. You had pointed to weak demand, which I'm sure that was part of it, but could you speak to the profitability in this quarter as it compares to the first quarter?

<A – Neil Salmon – Innophos Holdings, Inc.>: Well, I think we said $4 million to $6 million for Specialty Phosphates in total and we said that impact was primarily affecting the US business. In fact, we had slightly higher raw material inflation in US business, which was offset by a little bit of benefit we're able to achieve in Mexico. So it actually panned out pretty much as expected. The number we gave was the total Specialty Phosphates number in the first quarter.

<Q – Chris Butler – Sidoti & Co. LLC>: So in that case, why was the US down $7 million? It seems that's – if that was a number that was – in total, we got much more than that just in the US and Canada for this quarter?

<A – Neil Salmon – Innophos Holdings, Inc.>: Well, we didn't go into a region by region expectation. But it was – we did anticipate somewhat higher inflation than the $4 million to $6 million in the US, offset by a little bit of benefit we're able – we're expecting to achieve in Mexico. So we got to the net figure that we were expecting.

<Q – Chris Butler – Sidoti & Co. LLC>: Okay. And looking at the profitability in US and Canada right now, there we should be fairly clean as far as contracts, raw material costs are fairly stable, is this a good baseline to be thinking about at this point?

<A – Neil Salmon – Innophos Holdings, Inc.>: Yes, I think so. The raw material costs have fully caught up to recent market levels. The one annual contract we have benchmarks the fourth quarter levels. So it's – the prices will pay under that contract. The next year will be determined by where the market is in the fourth quarter. And then the other piece of our US expenditure moves on about a three month to six month lag to market as I think we've discussed before.

<Q – Chris Butler – Sidoti & Co. LLC>: And as far as the maintenance in the back half of the year, is there anything unusual there as far as the size or timing or it just happened to be that you've got a couple of them lumped together back to back?

<A – Randy Gress – Innophos Holdings, Inc.>: Based on some of the performance within Mexico, we decided to pull forward some of the outages there and they are spread through the second half. So that's where we have the cost split roughly $2 million for each of the quarters.

<Q – Chris Butler – Sidoti & Co. LLC>: And can you speak to the delayed capital expenditures and whether that delayed some of the growth that you're expecting from regions like China?

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. For the delay on the capital expenditures, it's more of us doing some more thorough engineering and making sure the scope, so it's just a delay in the timing, not any impact on what we expect to do as far as support of our growth.

<A – Neil Salmon – Innophos Holdings, Inc.>: There is no delay in the China project. That's continued on track. So none of this refining has any effect on our short or next year growth expectations.

<Q – Chris Butler – Sidoti & Co. LLC>: Thank you for your time.

<A – Neil Salmon – Innophos Holdings, Inc.>: Thanks, Chris.

Operator: Thank you. Our next question comes from Edward Yang from Oppenheimer. Please go ahead.

<Q – Ed Yang – Oppenheimer Securities>: Hi. Good morning.

<A – Randy Gress – Innophos Holdings, Inc.>: Good morning, Ed.

<Q – Ed Yang – Oppenheimer Securities>: Sounds like the plant maintenance costs where they were planned, but how much of that – was that included in the prior guidance for 7% to 10% Specialty Phosphate operating income growth? Sounds like there was a little bit more than you expected there.

<A – Neil Salmon – Innophos Holdings, Inc.>: That's right, Ed. We've also cut back a little bit on mining. So again, if you remember about a year ago, we started talking about 2012 and we said we've had additional cost of $4 million related to mining expense and we're still at about that number. But, yes, we've had – we decided, as Randy mentioned, to bring forward a little the timing of the Mexico outage and that's offsetting what's now our reduced program and – or a revised program for our Mexico mining activity.

<Q – Ed Yang – Oppenheimer Securities>: Okay. Thanks for that, Neil. On the mining costs, the $2 million in incremental costs, this was above and beyond kind of a normal number that you're expecting and what was the number that you're budgeting for this year?

<A – Neil Salmon – Innophos Holdings, Inc.>: Well, our base level of spend is around $1 million, so that's in addition to the base level.

<Q – Ed Yang – Oppenheimer Securities>: So about $3 million in mining costs in 2012?

<A – Neil Salmon – Innophos Holdings, Inc.>: Yeah, yeah.

<Q – Ed Yang – Oppenheimer Securities>: Okay. That's about $0.09 in earnings probably, isn't that, just using kind of back-of-the-envelope numbers?

<A – Neil Salmon – Innophos Holdings, Inc.>: Yes.

<Q – Ed Yang – Oppenheimer Securities>: Is there a CapEx amount that's associated with the mining as well?

<A – Neil Salmon – Innophos Holdings, Inc.>: No. Because we're not currently working with confirmed resources for the NI 43-101 certification, we have to record this as expense. Certainly, in our view, it's more of an investment than an expense item, but accounting standards require us to expense. Once we get to NI 43-101, which should be in next year sometime according to the current schedule, then we – that would potentially change the way we recorded future investment going forward.

<Q – Ed Yang – Oppenheimer Securities>: Got you.

<A – Neil Salmon – Innophos Holdings, Inc.>: [indiscernible] (0:35:34) we would also, at that point, be revisiting to what extent we continue with this project, so consider involving others as the full development of these reserves would be quite a significant investment, as we've discussed previously.

<Q – Ed Yang – Oppenheimer Securities>: Got you. Got you. Considering what you've done in terms of strengthening your rock sourcing, maybe this is a question for Randy, how would you place the priority of, again, exploring these concessions? Is this just kind of a nice option to have? It does seem like it is impacting your income statement somewhat or is it something that you feel is strategically important that is going to pay some nice financial returns going forward?

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. I think in the past, we have said that we've gotten comfortable with our rock sourcing as we've been able to diversify the sourcing that we have and continue to invest to ensure the capability and flexibility going forward. I think as far as the investment in the mining, it's an opportunity that presented itself. And I think based on what we know could prove valuable in the future as – which is why we're spending this money to the exploration and valuation here.

<Q – Ed Yang – Oppenheimer Securities>: Okay. And GTSP, any expectations there for 2013? I think your long-term assumption was earnings somewhere between $10 million to $15 million in operating income from GTSP. This year, it's going to be a loss. Are you expecting next year that GTSP will kind of make the normal kind of amount of money that you expect?

<A – Randy Gress – Innophos Holdings, Inc.>: Neil, you want to address that?

<A – Neil Salmon – Innophos Holdings, Inc.>: I think the reason we're seeing lower margins than typical at GTSP is that disconnect between finished fertilizer prices and raw material market prices, which has continued for longer so far this year than we expected. In the past, the spread between market prices for the raw materials and the finished products has always reasserted itself. We expect that to be the case this time as well. It's difficult to predict when it will happen there. But, yes, we would expect GTSP to return to a more normal earning level at some point in the future. But there's no clear indication in market trends at the moment of when that will be.

<Q – Ed Yang – Oppenheimer Securities>: Okay. Thank you for your time.

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. Thanks, Ed.

Operator Thank you. Our next question comes from Chris Shaw from Monness, Crespi. Please go ahead.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: Yeah. Good morning, guys. How are you doing?

<A – Neil Salmon – Innophos Holdings, Inc.>: Hi, Chris.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: I'd like to go back to the US margins. I understand we were expecting the increased raw material cost sequentially and now that we're sort of caught up with pricing and raw materials, this margin is the lowest I think you've done for a while except for the quarter with the ERP issues. Is there anything else in there? Have you switched some higher margin business to Mexico or have the AMT and Kelatron acquisitions brought down margins or the ERP system itself, that added some cost? It just seems lower than I would have expected.

<A – Neil Salmon – Innophos Holdings, Inc.>: So, Chris, I think – yeah, we kind of focus our comments on the overall Specialty Phosphates margin because you're right that there is some effect between the two businesses of some of the items you described, including ERP costs which are carried by the US business. So, yeah, we look at it on a total Specially Phosphates business. And I think the other point I'd make is we've always said that our percent margin would be lower in a high raw material cost environment because of the dilutive effect of an inflated revenue number. And so, if you go back over the last couple of years to before this current period of raw material inflation and rolled forward to today, then I think you'll see that change in the percent margin number is pretty much what you would expect, given our target of offsetting raw material cost inflation in dollar terms.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: Yes. So even managing for dollar margins then?

<A – Neil Salmon – Innophos Holdings, Inc.>: Well, that's been our minimum goal and I think still one that we've achieved over this last couple-year period of inflation, yes.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: Then since, basically – I guess starting in 2009, has it basically been – have you been ahead on pricing the whole time? Has it been an inflationary period that whole time?

<A – Neil Salmon – Innophos Holdings, Inc.>: Yes, pretty much. Costs started moving up during 2010. And it would normally be the case in an inflationary market that will be ahead because we generally increase our prices in line with market conditions. You know our raw material costs somewhat lag to market conditions.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: Okay. That makes some sense. And then just to go back to the charges in GTSP where you took to reviewing, I guess, last year's numbers. I am not sure if I fully understand that. Is it a LIFO adjustment there or was something else, something that didn't require restating prior periods?

<A – Neil Salmon – Innophos Holdings, Inc.>: It's not LIFO adjustment. It's – the details are somewhat complicated, but it was a reconciliation issue that arose immediately after the E1 go-live which was not identified in the year-end close that should have been and was only identified in the 2012 second quarter. And then also some adjustments that I mentioned too. Both the amounts, we should have provided for in 2011 and through the current quarters on the contract terms and how they impact final prices we pay for our raw materials. But no, not a LIFO adjustment.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: And just to get back to the one annual contract you have, is that – as of now, would you – where raw materials currently are at market price, would that expected to be up or down, with a reset right now?

<A – Randy Gress – Innophos Holdings, Inc.>: It would be a bit lower if it's to reset right now. But the key will be what the fourth quarter prices will be. We don't have a clear market expectation.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: And, sorry, one quick last one, you said you were trimming your – maybe your investment in the mining concessions, is that reflecting anything that you've seen so far there or just prudence?

<A – Randy Gress – Innophos Holdings, Inc.>: It's just more on – the balance would be spend we have to do in the second half with our maintenance outages.

<Q – Chris Shaw – Monness, Crespi, Hardt & Co., Inc.>: Okay. Thank you.

<A – Randy Gress – Innophos Holdings, Inc.>: Thanks, Chris.

Operator: Thank you. [Operator Instructions] And at this time we have a follow-up from Larry Solow from CJS Securities. Please go ahead.

<Q – Larry Solow – CJS Securities, Inc.>: Could you give a little more color on – I know you briefly touched on it on the acquisition of AMT, I guess, which just closed couple of weeks ago. It sounds like – it's about a little bit less than the Kelatron size, is that fair to say? Could you talk about that and then some of the real estate that you acquired with it and what the plans are to do with that?

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. With the acquisition of AMT, we're looking at total revenues of roughly $30 million. So it's comparable in size. And I think as far as the – the growth potential, we saw some good performance within the Kelatron business. And I think with the AMT, we're expecting some greater synergies, I guess, in three areas. One is – or a couple in the operational side of things because we think we have a good asset as well as some good technologies there within AMT. And then also leveraging the overall commercial channels that we have with both the existing Innophos business as well as what we've established with Kelatron.

<Q – Larry Solow – CJS Securities, Inc.>: Is the AMT business, has that been growing? Kelatron has been growing pretty nicely in the double-digit ranges? Is AMT also growing or is it sort of more of a synergistic acquisition that could accelerate growth with Kelatron and under your umbrella?

<A – Randy Gress – Innophos Holdings, Inc.>: Well, overall, we do expect just the base market to be growing. I think I have a forecast more in the high single-digit area. And based on our increased focus in combining the businesses, we expect to do a combined performance better than that.

<A – Randy Gress – Innophos Holdings, Inc.>: And so the real estate, is that – did that – did you have to purchase that? Was that sort of a packaged deal? Any plans for that? What's the deal with that?

<A – Randy Gress – Innophos Holdings, Inc.>: What we have there is the base plant and facility and then there is some additional production capability that we could expand into, if necessary.

<Q – Larry Solow – CJS Securities, Inc.>: Okay. And then just lastly, on China, I think you said it's sort of on target. Has that facility opened up yet?

<A – Randy Gress – Innophos Holdings, Inc.>: No, as I was saying, we completed the construction. We still have a few pieces of equipment that we're expecting delivery here shortly. And again, with the overall sales, based on the permitting requirements, we'd expect in early 2013.

<Q – Larry Solow – CJS Securities, Inc.>: Great. Okay, thank you very much.

<A – Randy Gress – Innophos Holdings, Inc.>: Yeah. Thank you, Larry.

Operator: Thank you. This concludes the time we have for the question-and-answer session. I'll now turn the call back to Mr. Randy Gress for closing remarks.

Randolph Gress, Chairman, President & Chief Executive Officer

Well, I'd like to thank everyone for joining us today and we certainly appreciate your interest in Innophos. We look forward to speaking to you next quarter when we report the third quarter results. Thank you.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.