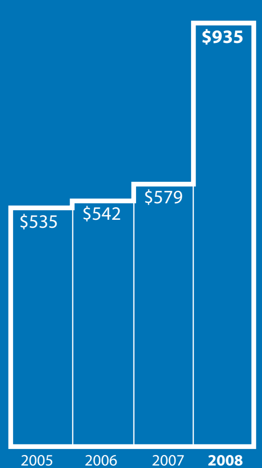
2008 Annual Report

Functionality First

About Innophos

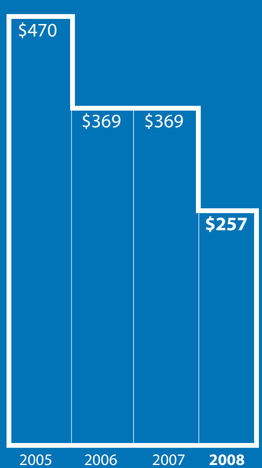
Phosphorus is an element essential for life. Innophos, a specialty phosphate producer, makes phosphate products that are both essential and present in our daily lives. Specialty phosphates improve the functionality and performance of many types of goods, both consumer and industrial. Innophos produces and sells phosphoric acid and phosphate compounds in the form of acids and salts which add functionality to its customers' products in a wide range of applications. Innophos works with its customers to provide the specialty phosphate products that meet their needs.

Revenues
(millions)

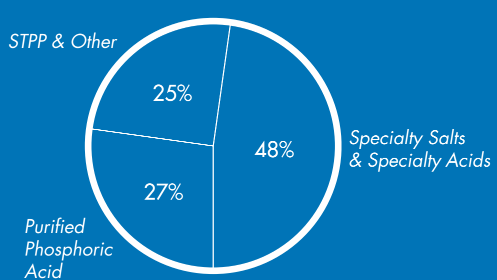


Operating Income
(millions)

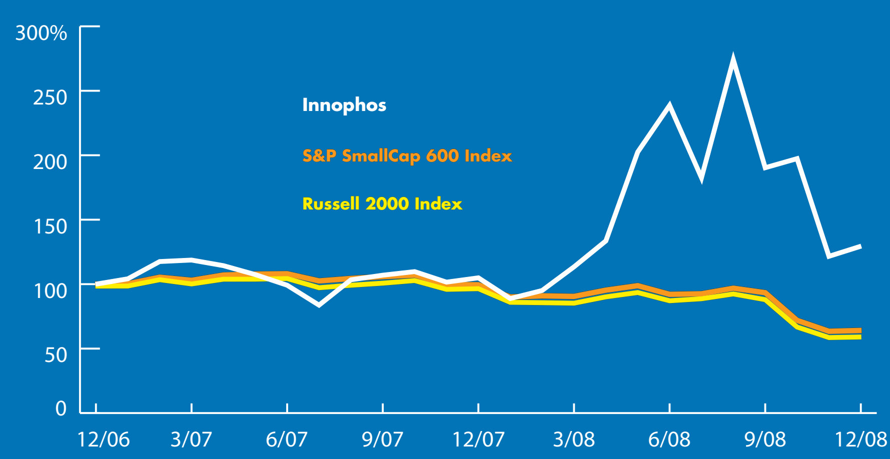
Net Debt
(millions)



Revenue by Product Line



Stock Performance



Dear Fellow Innophos Investors:

It is again my pleasure to report to you on the progress Innophos made this past year, to explain our goals for the coming year and how we plan to reach these goals.

In 2008 we enjoyed the benefit of the actions we took to anticipate market changes, through selling price increases, targeted investment in our business and strengthening our position with customers. As a result, we were able to continue to build on the goals we identified when the Company went public, including growing our profitability, reducing leverage, paying a dividend and continuing to position Innophos for future growth in the specialty phosphate industry.

An Extremely Profitable Year

Though we encountered a dynamic and rapidly changing business environment throughout 2008, full year results were exceptional. We saw a 61 percent increase in 2008 net sales at $935 million versus $579 million in 2007, as selling price increases positively affected revenue and income by $480 million across all product lines. In a rising raw materials cost environment, our core Specialty Salts & Specialty Acids business performed well, and volumes grew both domestically and internationally as we realized higher selling prices.

Innophos' raw material supply contracts buffered us from much of the 2008 rapid raw material price increases which occurred in sulfur and phosphate rock, and combined with the strong product selling price increases, helped us achieve operating and net income of $299 million and $207 million respectively — historic levels for the Company.

We also maintained a focus on business growth toward higher-margin end markets within our core businesses, supplying the food, beverage and pharmaceutical end markets, generally more defensive and stable sectors in times of economic uncertainty. Innophos has been and remains a leader among a small and consolidated group of providers to these end markets.

Randy Gress
Chief Executive Officer & Chairman

2008 Business Investment

During the year we continued to upgrade our Chicago Heights facility to Q7a manufacturing standards to support the growth of our high margin pharmaceutical excipient business. Since terminating the pharma sales agency agreement with Rhodia in 2007, we have become the only US specialty phosphate producer to reach this advanced stage of Q7a compliance. This work will continue in 2009 to support our global leadership position in calcium phosphate-based pharmaceutical excipients. We also invested to improve the manufacturing flexibility of our Chicago Heights calciums product line, which supports the pharma, food and beverage, and oral care businesses. At Port Maitland we upgraded our technical sodium tripolyphosphate (STPP) production capacity to produce food grade leavening salts ahead of the planned 2010 elimination of STPP from consumer automatic dishwasher detergents in the U.S. and Canada. Finally, we increased capacity by investing in our Waterway plant's packaging line in order to improve service to our food, beverage and industrial customers.

Within our food products business, we continue to focus on identifying and meeting market needs. For example, we have developed and commercialized new products to help customers meet consumer demand for healthy alternatives like sodium reduction in packaged foods and vitamin fortifying products. In addition to providing the critical functionality that our customers need, we work with them to make sure that these healthy alternative products offer similar overall performance, with little or no change in color or taste. Cakes made with CAL-RISE® reduce overall sodium content by 35%, while our calcium fortification product for clear drinks, VersaCAL®, offers calcium and phosphorus, both necessary for bone health, without affecting color or flavor. It is this level of functionality — the product of our technical know-how, combined with excellent customer service and reliable supply — that makes our offering competitive.

Strengthening our Balance Sheet

The cash that the Company generated in this exceptional year enabled us to significantly improve liquidity and reduce our debt. Net debt fell from $369 million at the end of 2007 to $257 million at the end of 2008, and we exited 2008 with $125 million of cash, approximately equivalent to our outstanding bank debt. In March we used part of this cash to pay off $54 million of our bank debt. In 2008 we also increased working capital and are targeting to convert a significant amount of that working capital to cash during 2009 and early 2010. The cash generated from this effort is expected to be similar in magnitude to our holding company note balance. These notes mature in 2012. From a liquidity perspective, our multi-year efforts to strengthen our balance sheet have reduced the Company's exposure to refinancing risk and should allow Innophos to operate without a need to access credit markets until 2014, when our senior bonds mature.

While 2008 returns were exceptional and 2009 is presenting different challenges, in the longer term, our goal is to maintain margins at superior levels and continue to generate strong free cash flow.

Accumulating cash was an important decision in 2008 as the overall economic environment became much more challenging in the fourth quarter. Like other companies with exposure to industrial and fertilizer demand, we saw some impact on revenues. With regard to commodity raw materials inputs, the situation has been changing rapidly.

Looking Ahead

In response to anticipated cost increases in phosphate rock, the Company remains focused on running efficiently and reducing costs, particularly in its manufacturing operations. We are currently benefiting from declining sulfur, energy and transportation costs, and we expect to continue to work to optimize business performance while mitigating uncertainties such as the 2009 price of phosphate rock for Mexico. Our goal in managing these changes is to run the business profitably, maintain market share in our core business, and continue to incrementally grow production of the most profitable specialty phosphate products that deliver the functionality and value that our customers have come to depend on through many decades.

During the fourth quarter competition increased due to various factors. In 2009 we expect to continue to respond proactively to any increase in overall market competitiveness to maintain Innophos' strong market position in its core business. This means continuing to focus on the critical functionality that our products offer to customers, while providing the high levels of service and technical knowledge that sets our offering apart.

We are planning 2009 capital expenditures for critical projects that maintain the flexibility and efficiency that we need in the current dynamic market environment, while supporting our longer-term focus on higher margin end markets. We expect to spend roughly $30 million, slightly higher than prior years, on projects such as continuing the upgrade of the calciums product lines at the Chicago Heights facility to maintain our leadership position in this area. We will also be modifying our Coatzacoalcos, Mexico plant to convert technical grade phosphoric acid production now used in the detergency market to food grade purified phosphoric acid. This is similar to the transition we did at the Port Maitland facility in 2008 where we converted technical grade capacity to food grade capability. We are also looking at several incremental opportunities in the production of food and pharmaceutical grade phosphates worldwide, and are considering ways to secure a secondary supply of phosphate rock and other sources of raw materials to strengthen our supply chain. Finally, in order to continue to gain greater supply chain efficiencies organization-wide, while improving the reliability of supply and customer service levels, we will also be launching improvements to our information systems.

While 2008 returns were exceptional and 2009 is presenting different challenges, in the longer term, our goal is to maintain margins at superior levels and continue to generate strong free cash flow.

Finally, I want to congratulate and thank our employees, on whose continued excellent performance our customers and stakeholders depend. This year they contributed their skills and commitment to producing the best results in Innophos' history. They will help us to build on our strengths in the future, to remain a leader in diverse markets, getting closer to our customers through our experience and technical expertise. They have maintained an excellent safety record, allowing us to be a good neighbor to our communities while assuring a high quality supply of products to our customers who need and value the functionality we provide.

Sincerely,

Officers, Directors and Key Employees

Innophos Executive Officers and Key Employees

Randolph Gress
Chief Executive Officer & President

Charles Brodheim
Corporate Controller

Louis Calvarin
Vice President, Operations

Alfredo Celis
Finance Director,
Innophos Mexicana S.A. de C.V.

William Farran
Vice President, General Counsel
& Corporate Secretary

Mark Feuerbach
Vice President, Treasury,
Financial Planning & Analysis

Joseph Golowski
Vice President, Sales

José Ramon González
General Director,
Innophos Mexicana S.A. de C.V.

Wilma Harris
Vice President, Human Resources

Richard Heyse
Vice President & Chief Financial Officer

Russell Kemp
Vice President, Research & Development

Michael Lovrich
Vice President, Supply Chain

Mark Thurston
Vice President, Corporate Strategy &
Worldwide Business Development

Tim Treinen
Vice President, Phosphate Business

Board of Directors

Gary Cappeline
Lead Independent Director,
Chair Compensation Committee

Amado Cavazos
Director

Randolph Gress
Chairman of the Board & Director

Linda Myrick
Director, Chair Nominating &
Governance Committee

Karen Osar
Director, Chair Audit Committee

John Steitz
Director

Stephen Zide
Director

Mexico Management Team

José Ramon González
General Director

Alfredo Becker
Commercial &
Institutional Relations Director

Victor Boy
Technology Director

Francisco Carrera
HR & Communication Director

Alfredo Celis
Finance Director

Fernando Cervantes
Manufacturing Director

Roberto Robledo
Supply Chain Director

Hector Serrano
Deputy General Counsel

Continuing to focus on high margin products

Offering healthy alternatives

While the Company's food and beverage ingredients continue to underpin classic brand formulations, its work with food and beverage industry customers on new product development is focused on helping them anticipate market trends and fulfill the needs of their customers. Consumers want healthy alternatives, and Innophos customers in the food and beverage industry want to find better ways to meet that demand with tasty and nutritious new products and variations on classic products. Innophos products help its customers deliver healthy, delicious and nutritious foods and beverages with little or no change in taste or overall formulation cost.

Consumers are looking for low-sodium food and beverage choices in response to evolving dietary and medical guidelines. Medical professionals and consumer advocacy groups internationally have begun lobbying government regulators to reduce dietary sodium, because many studies show that dietary sodium can lead to increases in heart disease related to hypertension. Innophos helps food and beverage manufacturers respond to consumer interest in sodium reduction by developing no-sodium food and beverage phosphates. Because these products replace some or all sodium with calcium or potassium, they can offer the added benefit of mineral fortification.

Innophos offers a group of products that help reduce sodium in a variety of food and beverage applications without compromising taste. For example, CAL-RISE®, the sodium-free, calcium-based leavening acid, is an important ingredient in reduced-sodium and no sodium baking formulations for baked goods. Replacing sodium-based leavening acids with CAL-RISE reduces sodium by as much as 25 percent overall and increases calcium substantially without compromising taste, performance, or overall formulation cost.

Innophos food scientists have identified and are working

Diana Jaramillo
Innophos Scientist

FOCUS:
BAKING SCIENCE

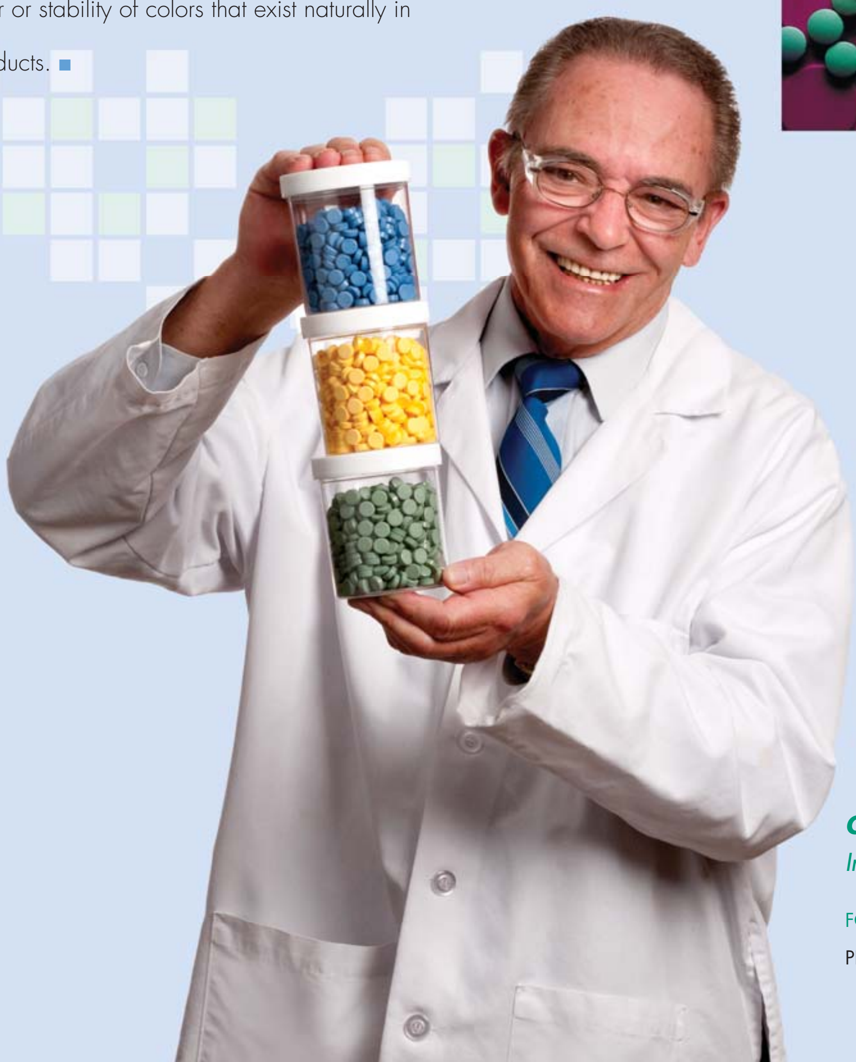
on other potential growth products where significant sodium reduction is possible. For example, Curavis® So-Lo 93 lowers overall sodium 30 percent in many types of deli meats.

Innophos is also helping to make its customers' products more nutritious. VersaCAL® Clear calcium fortification of clear liquids also demonstrates how Innophos scientists and product technology experts help the Company's customers find ways to make their products more compelling to the consumer — Innophos was the first company to develop a highly soluble calcium phosphate for clear beverages like juices and sports beverages. VersaCAL Clear provides both calcium and phosphorus, two fortifying minerals necessary for developing and maintaining good bone health, and does not affect the appearance, clean flavor or stability of colors that exist naturally in fruit- or vegetable-based products. ■

Maintaining pharma leadership

Since launching the sales and marketing capability of its pharmaceutical ingredient business on a global basis in 2007, Innophos has become the global calcium phosphate excipient leader.

During 2009 Innophos will continue in the final steps toward Q7a certification. This achievement will confirm the Innophos Chicago Heights plant as the only US specialty phosphate facility to meet the exacting certification standards used by the US Food and Drug Administration and other national regulators of the pharmaceutical industry. ■



George Harmsen
Innophos Scientist

FOCUS:
PHARMACEUTICAL EXCIPIENTS

Branding better performance

Innophos has developed and commercialized INNOVALT®, a line of asphalt additives that increase asphalt performance while decreasing the overall cost of road production by improving asphalt formulations so roads last longer. INNOVALT's industry-leading brand recognition is based on the technical expertise Innophos offers to its customers, helping them to create the optimum formulation from both a performance and cost standpoint for the mix of materials, amount of traffic and the climate of their project location. Patent protection for much of the product range is another reason why customers recognize and choose INNOVALT.

With $27.5 billion earmarked for state road and bridge building and modernization in the 2009 US federal stimulus package, along with a growing government focus on green solutions, INNOVALT has the potential to become an increasingly important pavement component. It increases the usefulness of green road materials such as recycled rubber, thereby making these solutions more cost effective, helping states and their contractors better compete for these funds. ■

Duplex Philistin
Innophos Senior Scientist

FOCUS:
ANALYTICAL CHEMISTRY,
INCLUDING ASPHALT MATERIALS

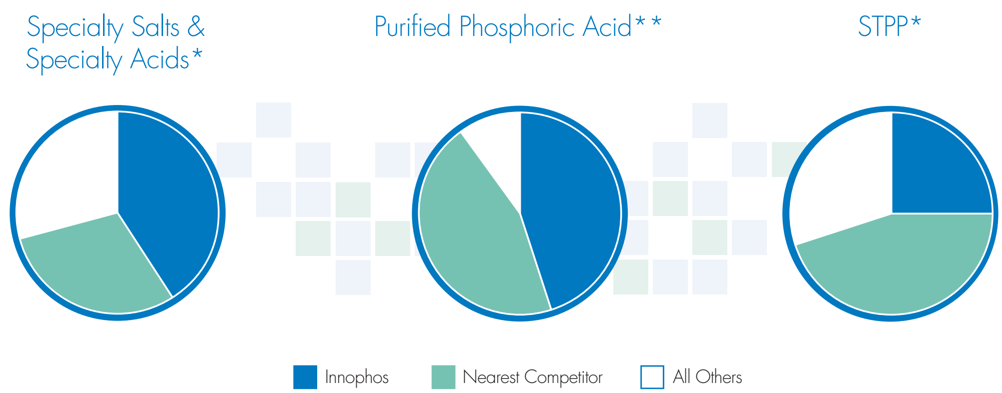
Making progress on corporate goals

Maintaining market share by being there for valued customers

In 2008 Innophos remained a leader in the markets in which it competes, with a limited number of players in most of these consolidated specialty phosphate end markets. High levels of customer service and technical support are two important ways Innophos differentiates its products from the competition. Innophos is committed in 2009 to retaining its market leading position in the end markets it has identified as core, defensive markets.

2008 North American Product Line Market Share

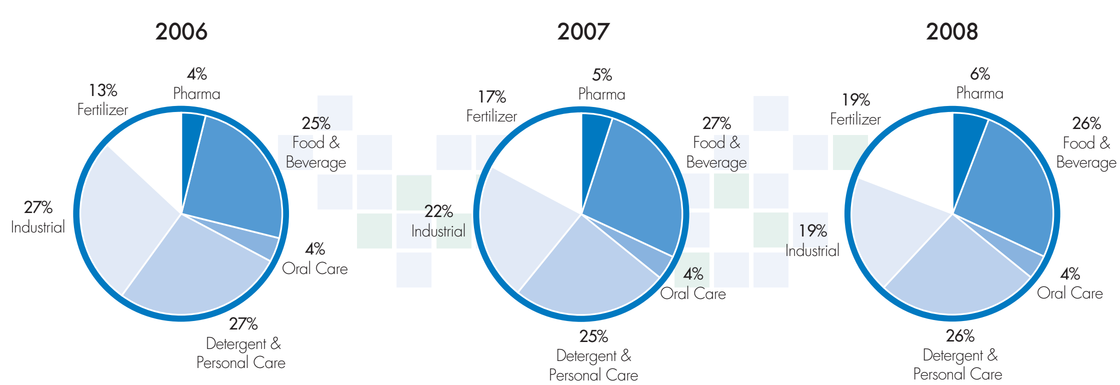
(Management Estimates)
*Based on Sales Volume
**Based on Production



Targeting more profitable end markets

The Company's core defensive end markets include pharmaceutical excipients and food and beverage additives. These markets are served by Innophos' food and pharmaceutical-grade specialty salts and specialty acids products. With competition generally limited to a few highly specialized players in the majority of these markets, these products are often characterized by proprietary and specialized formulations, long-term customer relationships and long qualifying times for inclusion in customers' products. In the cases of both pharmaceutical and food production, capital investment in facilities and manufacturing certifications is also required.

2006 – 2008 Revenue by End Market



Highly Defensive *Commodity*

Successfully exiting the LBO phase; still focused on reducing leverage

Innophos markedly decreased net debt in 2008, from $369 million to $257 million at the end of the year, in addition to maintaining significantly increased working capital. In doing so, Innophos made progress toward its goal of reducing net debt to a level where the Company is no longer considered highly leveraged.

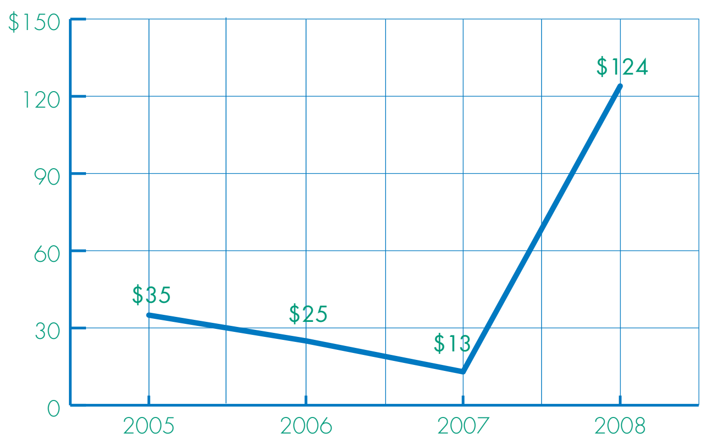
Improved cash generation in 2008

Innophos has been a steady cash flow generator, but 2008 was a standout year.

Cash provided by operating activities increased 229% to $143 million.

Free Cash Flow Generation

(millions)



Committed to providing the best value to stakeholders

In response to the dynamic environment encountered in 2008 which has become increasingly challenging early in 2009, Innophos has retained financial flexibility in order to seek the highest returns on cash which keep the Company stable and profitable, including paying down debt, paying a dividend, and continuing to direct investment into the most stable and high margin products of its specialty phosphate portfolio.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC, 20549

FORM 10-K

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

For the fiscal year ended December 31, 2008

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

For the transition period from ______ to ______

INNOPHOS HOLDINGS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	**001-33124**	**20-1380758**
(state or other jurisdiction of incorporation)	**(Commission File number)**	**(IRS Employer Identification No.)**

259 Prospect Plains Road
Cranbury, New Jersey 08512
(Address of Principal Executive Officer, including Zip Code)

(609) 495-2495
(Registrants' Telephone Number, Including Area Code)

Not Applicable
(Former name or former address, if changed since last report)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.001 per share..	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definition of "accelerated filer," "large 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 ☐

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant was approximately $482.4 million as of June 30, 2008, the last business day of the Registrant's most recently completed second quarter (based on the NASDAQ National Market closing price on that date).

As of February 27, 2009, the registrant had 21,127,755 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated By Reference In Part No.
Portions of Innophos Holdings, Inc. Proxy Statement to be filed for its Annual Meeting of Stockholders to be held June 2, 2009	III (Items 10, 11, 12, 13 and 14)

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FORWARD-LOOKING STATEMENTS

Certain information set forth in this report contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as “believes,” “expects,” “may,” “will,” “should,” or “anticipates,” or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation, management’s examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but there can be no assurance that management’s expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. Unless required by law, we undertake no obligation to update or revise forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. The following are among the factors that could cause actual results to differ materially from the forward-looking statements. There may be other factors, including those discussed elsewhere in this report, which may cause our actual results to differ materially from the forward-looking statements. Any forward-looking statements should be considered in light of the risk factors specified in this Form 10-K.

Unless the context otherwise indicates, all references in this report to the “Company,” “Innophos,” “we,” “us” or “our” or similar words are to Innophos Holdings, Inc. and its consolidated subsidiaries. Innophos Holdings, Inc. is a Delaware corporation and was incorporated July 15, 2004.

PART I

ITEM 1. BUSINESS

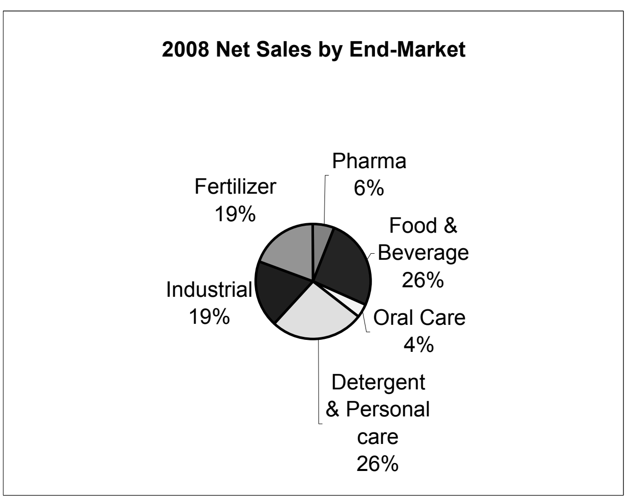
Our Company

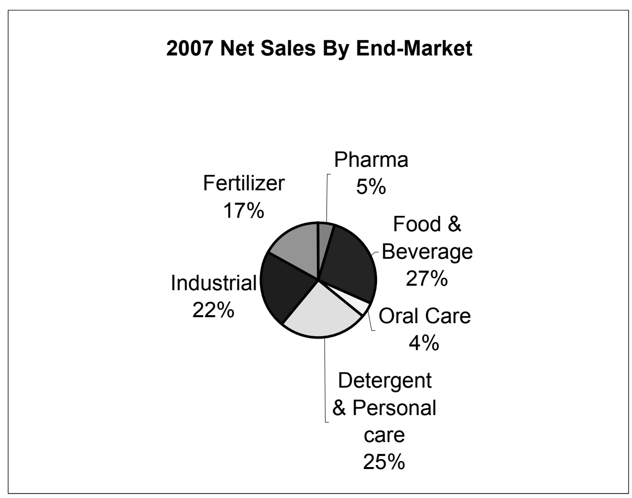
Innophos is a leading North American producer of specialty phosphates. Many specialty phosphates are application-specific compounds engineered to meet customer performance requirements. Specialty phosphates are often critical to the taste, texture and performance of foods, beverages, pharmaceuticals, oral care products and other applications. For example, specialty phosphates act as flavor enhancers in beverages, electrolytes in sports drinks, texture additives in cheeses, leavening agents in baked goods, calcium and phosphorus sources for nutritional supplements, pharmaceutical excipients and cleaning agents in toothpaste.

Our products are essential to the performance of our customers' end products. In the case of food, beverage and pharmaceutical excipients, our production facilities must comply with the standards of the U.S. Food and Drug Administration, or FDA, or the U.S. Department of Agriculture, or USDA. We maintain long-standing relationships, most spanning decades, with a number of blue-chip customers. We work closely with these and our other customers to design products that meet application-specific performance and quality requirements. Customers are often reluctant to switch specialty phosphate suppliers due to the low cost of specialty phosphates relative to customers' total product cost, and the high functional value of specialty phosphates in customers' products. In addition, new suppliers face significant barriers to entry related to production technology, capital cost and logistics. For example, we estimate that building a large-scale specialty phosphate facility similar to our Coatzacoalcos, Mexico facility would require capital investment in excess of $300 million and would require three-to-four year lead times. Furthermore, transportation costs and the logistical challenges of providing just-in-time delivery limit the ability of many imported products to service the North American marketplace effectively.

Innophos commenced operations as an independent company in August 2004 after purchasing our North American specialty phosphates business from affiliates of Rhodia, S.A. In November 2006, we completed an initial public offering and listed our Common Stock for trading on the NASDAQ Stock Market under the symbol "IPHS".

For the years ended December 31, 2008 and 2007, we generated net sales of $934.8 million and $579.0 million, respectively.





Our Product Lines

We have three principal product lines: (i) Specialty Salts and Specialty Acids, (ii) Purified Phosphoric Acid, and (iii) Technical Sodium Tripolyphosphate (STPP) & Other Products. Our products serve diverse end-use markets which historically have exhibited stable demand growth.

Our three product lines are highlighted below:

Specialty Salts and Specialty Acids:

- Specialty Salts are used in food, beverage and pharmaceutical applications, for example as flavor enhancers in beverages, electrolytes in sports drinks, texture modifiers in cheeses, leavening agents in baked goods, calcium and phosphorus sources for nutritional supplements, pharmaceutical excipients, and cleaning agents in toothpaste as well as to control lead in water treatment systems.

- Specialty Acids are used in industrial applications such as asphalt modification and petrochemical catalysis.

Purified Phosphoric Acid:

Purified Phosphoric Acid is used as an input to Specialty Salts, Specialty Acids and STPP and also in water and metal treatment applications.

Technical Grade Sodium Tripolyphosphate (STPP) & Other Products:

- STPP is used in detergent applications such as automatic dishwashing, commercial/industrial detergents and (outside the U.S.) consumer laundry detergents.
- Other Products include co-product phosphate fertilizers produced in tandem with Purified Phosphoric Acid in Mexico.

Our Industry

The North American marketplaces for each of our product lines have seen consolidation to two primary suppliers and several secondary suppliers. We consider the two key suppliers in each product category to be: (i) our Company and Israel Chemicals Limited, or ICL, which acquired Astaris in 2005, in Specialty Salts and Specialty Acids; (ii) our Company and Potash Corporation of Saskatchewan Inc., or PCS, in Purified Phosphoric Acid; and (iii) our Company and Mexichem in Technical STPP. The production of specialty phosphates begins with phosphate rock, which can be processed in two alternative ways to produce Purified Phosphoric Acid (PPA): (i) the thermal acid method, in which elemental phosphorus is combusted in a furnace and subsequently hydrated to produce purified phosphoric acid; or (ii) the purified wet acid method (PWA), in which mined phosphate rock is reacted with sulfuric acid to produce merchant green acid (agricultural grade phosphoric acid), which is then purified through solvent-based extraction into purified phosphoric acid. The conversion of merchant green acid into purified phosphoric acid (PPA) is a technically complex and a capital-intensive process.

The thermal acid method of production is based on the electrolytic production of elemental phosphorus and is therefore electricity intensive, while phosphoric acid made by the purified wet acid process requires the use of significant amounts of sulfuric acid. The relative overall costs of the two methods depend on the availability and cost of their component processes, electricity and coke for the former and sulfur for the latter. Purified phosphoric acid is reacted with appropriate mineral salts or inorganic compounds to produce various specialty phosphate salts or STPP as required. We currently use purified acid manufactured via the wet acid process for all of our Specialty Salts and Specialty Acids manufacturing needs.

Key Product Lines

Specialty Salts and Specialty Acids

Specialty Salts and Specialty Acids are the most highly engineered products in our portfolio. There are a wide range of application-specific products, such as abrasives in toothpaste and electrolytes in sports drinks that take advantage of the physical and chemical properties of phosphates to satisfy specific end-market needs. The result of long term product development efforts has been the creation of a wide range of finished product applications across a number of markets including the food and beverage, pharmaceutical and consumer product markets.

The table below presents a list of the main Specialty Salts and Specialty Acids sold by us in 2008:

Product	Description/End-Use Application
Sodium Aluminum Phosphate, Acidic and Basic (“SALP”)	Premier leavening agent for baking mixes, cakes, self-rising flours, baking powders, batter & breadings (acidic). Improves melting properties of cheese (basic).
Sodium Acid PyroPhosphate (“SAPP”)	Leavening agent for baking powders, doughnuts, and biscuits; inhibits browning in potatoes; provides moisture and color retention in poultry and meat.
Sodium HexaMetaPhosphate (“SHMP”)	Water treatment applications; anti-microbial and sequestrant in beverages; cheese emulsifier; improves tenderness in meat, seafood and poultry applications.
Monocalcium Phosphate (“MCP”)	Leavening agent in double-acting baking powder; acidulant; buffering agent.

Product	Description/End-Use Application
Dicalcium Phosphate (“DCP”)	Toothpaste abrasive; leavening agent; calcium fortification.
Tricalcium Phosphate (“TCP”)	Calcium and phosphorus fortifier in food and beverage applications (e.g., orange juice, cereals, and cheese); flow aid; additive in expandable polystyrene.
Pharma Calcium Phosphates (“A-Tab®”, “Di-Tab®”, “Tri-Tab®”)	Excipients in vitamins, minerals, nutritional supplements and pharmaceuticals.
Ammonium Phosphates (“MAP”, “DAP”)	High-end fertilizer products for horticultural use; flame retardant; cigarette additives; culture nutrient.
Potassium Phosphates (“TKPP”, “DKP”, “MKP”, “KTPP”)	Water treatment; sports drinks; buffering agent; improves tenderness in meat, seafood and poultry applications; horticulture applications.
Specialty Acids (e.g., Polyacid, High Purity)	Additive improving performance properties of asphalt; electronic applications.
Sodium Blends (e.g., Sodium Tripolyphosphate (STPP (food grade)))	Ingredient improving yield, tenderness, shelf life, moisture and color retention in meat, seafood and poultry applications.
Other (Sodium Bicarbonate, Calcium Acid Pyrophosphate (“CAPP”), Tetrasodium Pyrophosphate (“TSPP”), Mono, Di, & Trisodium Phosphates (“MSP”, “DSP”, “TSP”))	Baking powders; gelling agent in puddings; cheese emulsifiers.

Each salt or acid derivative typically has a number of different applications and end uses. For example, DCP can be used both as a leavening agent in bakery products and as an abrasive in oral care products. However, several food grade salts are unique to the end user in their particular finished product application. Manufacturers often work directly with customers to tailor products to their required specifications.

Our major competitor in the downstream Specialty Salts and Specialty Acids is ICL Performance Products.

Purified Phosphoric Acid

Purified Phosphoric Acid (PPA) is a higher-purity form of phosphoric acid, distinct from the agricultural-grade merchant green phosphoric acid used in fertilizer production. PPA is used to manufacture specialty phosphate salts and acids and is also used directly in beverage applications as a flavor enhancer and in water treatment applications. We also sell PPA in the merchant market to third-party phosphate derivative producers.

Our major competitor in PPA is PCS, a global fertilizer company for which specialty phosphates represents only a small part of its business. We consume the majority of our PPA production in our downstream operations and sell the remainder on the North American merchant market and to other downstream phosphate derivative producers, where we compete with PCS. To the best of our knowledge, PCS does not have any downstream technical or food grade phosphate derivative production capacity, other than a small potassium phosphate salt unit which primarily operates under a contract manufacturing arrangement.

STPP & Other Products

STPP is a specialty phosphate derived from reacting phosphoric acid with a sodium alkali. STPP is a key ingredient in cleaning products, including automatic dishwashing detergents, industrial and institutional cleaners and (outside the U.S.) consumer laundry detergents. In addition to its use in cleaning products, STPP is also used in water treatment, clay processing, and copper ore processing. Over 90% of the end use market for STPP is derived from consumer product applications.

Other Products primarily include phosphate fertilizers produced in Mexico chiefly as co-products of manufacturing PPA.

Our major competitor in STPP is Mexichem in Mexico. Currently, Mexichem produces STPP at two manufacturing locations in Mexico.

Over the past several decades, there have been efforts to reduce the use of STPP in consumer and institutional cleaners. In the 1980's STPP use in consumer laundry applications was discontinued in the U.S. and Canada. Over the last several years momentum has gained in eliminating STPP use in consumer automatic dishwashing applications in the U.S. and Canada. It is expected that most detergent manufacturers will discontinue the use of STPP in automatic dishwashing detergent applications during 2010. Recently, a global retailer began an initiative to materially reduce the use of STPP in consumer laundry detergent in Latin American by 2011. Our Mexican operations have historically dedicated a significant portion of their capacity to the production of STPP directly and have sold purified acid to other producers of STPP. In January 2009, our largest customer, Quimir, a division of Mexichem, closed its largest STPP plant. On February 25, 2009, the Company entered into a letter of intent with Quimir to toll manufacture STPP for Innophos to lower our production costs. If this arrangement is finalized, the Company may temporarily idle its Coatzacoalcos STPP unit and associated assets.

Consolidation and Capacity Changes

Consolidation has been most significant in the Specialty Salts and Specialty Acids market. The following table summarizes the U.S. phosphate industry consolidation since 1991:

Year	Industry Developments
1991	OxyChem acquired by FMC Corp. Olin acquired by A&W and PCS
1994	A&W and Troy (Mexico) formed 50:50 joint venture
2000	Rhodia acquired A&W's phosphates business and in accordance with Federal Trade Commission or FTC mandate, PCS acquired remaining 50% of Aurora purified wet acid capacity from Rhodia. PCS and Rhodia signed an 18-year contract for supply of purified wet acid; FMC Corp. and Solutia Inc. merged their specialty phosphates business to form Astaris LLC, a 50:50 joint venture between the two parents; and under an FTC mandate, Astaris sold its Augusta, Georgia plant to Prayon.
2004	ThermPhos International B.V. acquired Rhodia's European specialty phosphates business. Innophos acquired Rhodia's North American specialty phosphates business.
2005	ICL acquired Astaris

In addition to consolidation of producers, uneconomic production capacity has been eliminated in North America across all three major specialty phosphate product categories. In 2001, Rhodia closed its plants in Buckingham, Quebec and Morrisville, Pennsylvania. In 2002, Vicksburg Chemical Company closed a specialty salts plant in Vicksburg, Mississippi. In 2003 and 2004, Astaris closed three manufacturing facilities, eliminating roughly 320,000 metric tons of capacity: a purified wet phosphoric acid plant in Conda, Idaho; a specialty salts plant in Trenton, Michigan; and an STPP plant in Green River, Wyoming. In January 2009, Mexichem closed its Coatzacoalcos facility eliminating approximately 50% of their estimated STPP capacity.

In June 2006, PCS started up a fourth PWA based purified phosphoric acid production train at its Aurora, NC facility, a capacity addition less than the estimated combined level of 2006 North American PPA imports and domestic PPA produced via the thermal process. The PCS capacity increase was also comparable in capacity to the Astaris Idaho plant closed in 2003 following a failed start-up.

Penetration from Imports

Over the past several years, we estimate that imports, including domestic producers, have accounted for approximately 10-15% of the North American specialty phosphate market. This market share has been fairly stable for at least the last five years, with periods from time to time of lower penetration due to upsets in foreign production or international logistics. This import share increased to approximately 15-20% in 2008, due to shortage of supply, reduced demand in global markets and the price increases in the North American market which made it relatively more attractive to imports, especially for technical STPP and technical grade horticultural specialty salts.

The following are the primary importers of purified phosphoric acid products and derivatives into North America: (i) Prayon and Rotem Amfert Negev Ltd. (a subsidiary of ICL) for purified phosphoric acid, with Prayon primarily supplying acid to its specialty salts manufacturing facility in Augusta, Georgia; and (ii) various Chinese, European, and Israeli specialty phosphate manufacturers such as Chemische Fabrik Budenheim, Thermphos, Hubei Xingfa, Prayon and BK Giulini Chemie GmbH & Co. (a subsidiary of ICL) for specialty salts and STPP.

A 2007 anti-dumping order remains in effect against Chinese imports of SHMP, a product that represented approximately 3% of our 2007 sales revenue. As a result, duties ranging from 92% to 188% are being imposed upon Chinese imports to neutralize the effects of SHMP products being sold in U.S. markets at less than fair value.

Our Customers

Our customer base is principally composed of consumer goods manufacturers, distributors and specialty chemical manufacturers. Our customers manufacture products such as soft drinks, sports drinks and juices, various food products, toothpaste and other dental products, petroleum and petrochemical products, and various cleaners and detergents. Our customers include major consumer goods manufacturers with global market recognition in the food, beverage, pharmaceutical and cleaning product markets. We have maintained long-term relationships with the majority of our key customers, with the average customer relationship having lasted over 15 years, and some relationships spanning nearly a century.

We work closely with our customers to manufacture and supply our products to meet the technical performance requirements and quality standards specific to each of them and to develop new products to satisfy their changing needs. Our specialty chemical products are often critical ingredients in the formulation of our customers' products, and typically represent only a small percentage of their total product costs. As a result, we believe that the risks associated with our customers switching suppliers often outweigh the potential gains.

Our Suppliers

Our purchases range from basic phosphate rock to end-products used directly for resale through tolling arrangements with other manufacturers of phosphates. However, most of our purchases are basic inputs. Innophos shares key raw materials with phosphate fertilizer producers. Phosphate fertilizers are bulk commodities whose markets can be extremely cyclical in nature. These market cycles have a direct impact on the pricing and availability to those raw materials we share (phosphate rock, sulfur, and sulfuric acid). As a result, we have placed significant emphasis on securing stable relationships with key suppliers to ensure timely and cost effective delivery of raw materials to our North American manufacturing facilities. We have secured the supply of our key raw materials, specifically sulfur, sulfuric acid, phosphate rock, agricultural grade phosphoric acid (MGA) for PPA production and PPA itself for downstream salt production, through long-term agreements with large suppliers such as PCS, OCP S.A., or OCP, Rhodia and PEMEX, the Mexican state owned energy firm.

Raw Materials and Energy

We purchase a range of raw materials and energy sources on the open market, including phosphate rock, sulfur and sulfuric acid, agricultural grade phosphoric acid (MGA), purified phosphoric acid (PPA), natural gas and electricity. To help secure supply, we purchase several of our key raw materials under long-term contracts generally providing for fixed or minimum quantities of materials, or purchase of our full requirements, and predetermined pricing formulae based on various market indices and other factors. We do not engage in any significant futures or other derivative contracts to hedge against fluctuations of raw material or energy prices. We are not integrated vertically back to our sources of supply by ownership interests, joint ventures or affiliated companies, as a result of which raw materials acquisition at economical price levels is a major risk of our business. See Item 1A "Raw Materials Availability and Pricing" of this Report Form 10-K.

Phosphate Rock. Phosphate rock is essential to our production of Purified Phosphoric Acid in Mexico. We have a long-term agreement with OCP for the supply of phosphate rock to secure this input. This agreement renews in five year increments. However, if either party elects to terminate the agreement on or before September 10, 2009 it will expire on September 10, 2010. The price we pay OCP under this contract is to be settled annually based on parameters established in the contract. Those factors are driven primarily by supply and demand conditions in the much larger, global fertilizer market.

Sulfur and Sulfuric Acid. Sulfur is the key raw material used in the production of Sulfuric Acid. Sulfuric acid is a key raw material used in the production of merchant green acid. We produce the vast majority of the sulfuric acid required to operate our Coatzacoalcos facility. We purchase the majority of our U.S. sulfuric acid needs from Rhodia. Our U.S. needs for sulfuric acid and our Mexican needs for sulfur are handled through long term contracts with Rhodia and PEMEX, respectively.

Merchant Green Acid. MGA may be used for the production of purified phosphoric acid, the main raw material for the creation of our downstream salts and acids. We purchase merchant green acid for processing at our Geismar, LA facility through a long-term agreement with PCS.

Purified Phosphoric Acid. The key raw material input for all of our downstream Specialty Salt and Specialty Acid operations is PPA. We purchase certain quantities of our PPA supply from third parties to optimize our consumption and net sales, including from PCS with whom we have a long-term supply contract. In 2008 Innophos produced approximately 80 percent and purchased approximately 20 percent of its total PPA supply.

Natural Gas and Electricity. Natural gas and electricity are used to operate our facilities and generate heat and steam for the various manufacturing processes. We typically purchase natural gas and electricity on the North American open market at so-called "spot rates." From time to time, we will enter into longer term natural gas and electricity supply contracts in an effort to eliminate some of the volatility in our energy costs. We also seek to increase the energy efficiencies of our facilities and reduce costs through investments such as the co-generation project for our Coatzacoalcos Plant commissioned into service in March 2008.

Research and Development

Our product engineering and development activities are aimed at developing and enhancing products, processes, applications and technologies to strengthen our position in our markets and with our customers. We focus on:

- developing new or improved application-specific specialty phosphate products based on our existing product line and identified or anticipated customer needs;
- creating specialty phosphate products to be used in new applications or to serve new markets;
- providing customers with premier technical services as they integrate our specialty phosphate products into their products and manufacturing processes;
- ensuring that our products are manufactured in accordance with our stringent regulatory, health and safety policies and objectives;
- developing more efficient and lower cost manufacturing processes; and
- expanding existing, and developing new, relationships with customers to meet their product engineering needs.

Our research expenditures were $2.3 million, $2.0 million and $1.7 million for the years ended December 31, 2008, December 31, 2007 and December 31, 2006, respectively.

Environmental and Regulatory Compliance

Certain of our operations involve manufacturing ingredients for use in food, nutritional supplement and pharmaceutical excipient products, and therefore must comply with stringent FDA or USDA good manufacturing practices as well as the quality requirements of our customers. In addition, our operations that involve the use, handling, processing, storage, transportation and disposal of hazardous materials, are subject to extensive and frequently changing environmental regulation by federal, state, and local authorities, as well as regulatory authorities with jurisdiction over our foreign operations. Our operations also expose us to the risk of claims for environmental remediation and restoration or for exposure to hazardous materials. Our production facilities require operating permits that are subject to renewal or modification. Violations of health and safety and environmental laws, regulations, or permits may result in restrictions being imposed on operating activities, substantial fines, penalties, damages, the rescission of an operating permit, third-party claims for property damage or personal injury, or other costs, any of which could have a material adverse effect on our business, financial condition, results of operations, or cash flows. Due to changes in health and safety and environmental laws and regulations, the time frames when those laws and regulations might be applied, and developments in environmental control technology, we cannot predict with certainty the amount of capital expenditures to be incurred for environmental purposes.

Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities, and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. Many of our sites have an extended history of industrial use. Soil and groundwater contamination have been detected at some of our sites, and additional contamination might occur or be discovered at these sites or other sites in the future (including sites to which we may have sent hazardous waste). We continue to investigate, monitor or cleanup contamination at most of these sites. The potential liability for all these sites will depend on several factors, including the extent of contamination, the method of remediation, future developments and increasingly stringent regulation , the outcome of discussions with regulatory agencies, the liability of third parties, potential natural resource damage, and insurance coverage. Accruals for environmental matters are recorded in the accounting period in which our responsibility is established and the cost can be reasonably estimated. Due to the uncertainties associated with environmental investigations and cleanups and the ongoing nature of the investigations and cleanups at our sites, we are unable to predict precisely the nature, cost and timing of our future remedial obligations with respect to our sites and, as a result, our actual environmental costs and liabilities could significantly exceed our accruals.

Further information, including the current status of significant environmental matters and the financial impact incurred for the remediation of such environmental matters, is included in Note 16, Commitments and Contingencies, of the Notes to Financial Statements in “Item 8. Financial Statements and Supplementary Data,” and in “Item 1A. Risk Factors”.

Intellectual Property

We rely on a combination of patent, copyright and trademark laws to protect certain key intellectual aspects of our business. In addition, our pool of proprietary information, consisting of manufacturing know-how, trade secrets and unregistered copyrights relating to the design and operation of our facilities and systems, is considered particularly important and valuable. Accordingly, we protect proprietary information through all legal means practicable. However, monitoring the unauthorized use of our intellectual property is difficult, and the steps we have taken may not prevent all unauthorized use by others. While we consider our copyrights and trademarks to be important to our business, ultimately our established reputation and the products and service we provide to the end-customer are more important.

Insurance

In the normal course of business, we are subject to numerous operating risks, including risks associated with environmental, health and safety while manufacturing, developing and supplying products, potential damage to a customer, and the potential for an environmental accident.

We currently have in force insurance policies covering property, general liability, excess liability, workers’ compensation/employer’s liability, product liability, fiduciary and other coverages. We seek to maintain coverages consistent with market practices and required by those with whom we do business. We believe that we are appropriately insured for the insurable risks associated with our business.

Employees

As of December 31, 2008, we had approximately 1,125 employees, of whom 690 were unionized hourly wage employees. We currently employ both union and non-union employees at most of our facilities. We believe we have a good working relationship with our employees, which has resulted in high productivity and low turnover in key production positions. We have experienced no work stoppages or strikes at any of our unionized facilities since acquiring them in 2004. We are a party to a collective bargaining agreement with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local No. 7-765 through January 16, 2011 at the Chicago Heights facility; International Union of Operating Engineers, Local No. 912 through April 15, 2010 at the Nashville facility; the Health Care, Professional, Technical, Office, Warehouse and Mail Order Employees Union, affiliated with the International Brotherhood of Teamsters, Local 743 through June 17, 2011 at the Chicago (Waterway) facility; the United Steelworkers of America, Local No. 6304 through April 30, 2011 at the Port Maitland, Ontario facility; and the Sindicato de Trabajadores de la Industria Química, Petroquímica, Carboquímica, Similares y Conexos de la República Mexicana, Mexico facility. The agreement at the Coatzacoalcos, Mexico facility is for an indefinite period, but wages are reviewed every year and the rest of the agreement is subject to negotiation every two years. The current two-year period will expire in June 2010.

Executive Officers

The following table and biographical material present information about the persons serving as our executive officers, and key employees:

Name	Age	Position
Randolph Gress	53	Chairman of the Board, Chief Executive Officer, President and Director
Richard Heyse	46	Vice President and Chief Financial Officer
William Farran	59	Vice President, General Counsel and Corporate Secretary
Charles Brodheim	45	Corporate Controller
Louis Calvarin	45	Vice President—Operations
Mark Feuerbach	50	Vice President—Treasury, Financial Planning & Analysis
Joseph Golowski	47	Vice President—Sales
José González	60	General Director—Innophos Mexicana S.A. de C.V.
Wilma Harris	63	Vice President—Human Resources
Russell Kemp	50	Vice President—Research & Development
Michael Lovrich	55	Vice President—Supply Chain
Mark Thurston	49	Vice President—Corporate Strategy and Worldwide Business Development
Alfredo Celis Toussaint	40	Finance Director—Innophos Mexicana S.A. de C.V.
Timothy Treinen	58	Vice President—Phosphates Business

Biographical Material

Randolph Gress is Chairman of the Board, Chief Executive Officer, President and Director of Innophos. Mr. Gress joined Rhodia in 1997 and became Vice President and General Manager of the sulfuric acid business. He was named global President of Specialty Phosphates (based in the U.K.) in 2001. Prior to joining Rhodia, Mr. Gress spent fourteen years at FMC Corporation where he worked in various managerial capacities in the Chemical Products, Phosphorus Chemicals and Corporate Development groups. From 1977 to 1980, Mr. Gress worked at Ford Motor Company in various capacities within the Plastics, Paint and Vinyl Division. Mr. Gress earned a B.S. in Chemical Engineering from Princeton University and an M.B.A. from Harvard Business School.

Richard Heyse is Vice President and Chief Financial Officer of Innophos. Mr. Heyse joined Innophos in April, 2005, from Eastman Chemical Company, where he was a Division Controller and led the financial team for Eastman's specialty chemicals and specialty polymers businesses, which had approximately $3.5 billion in annual revenues. Mr. Heyse held this financial position within Eastman Chemical Company from March 2001 to April 2005. Prior to his employment with Eastman, Mr. Heyse held various positions in Finance, IT, and Engineering with Koch Industries, Eaton Corporation and International Paper. Mr. Heyse earned a B.S. in Mechanical Engineering from Purdue University and an M.S. in Industrial Administration from Carnegie Mellon University.

William Farran is Vice President, General Counsel and Corporate Secretary of Innophos. Prior to joining Innophos, Mr. Farran was Assistant General Counsel of Rhodia, Inc., providing and managing a wide range of legal services to various Rhodia North American enterprises. Prior to joining Rhodia in 1987, Mr. Farran was Senior Counsel for UGI Corporation, Valley Forge, PA, and an associate with Morgan, Lewis & Bockius, Philadelphia, PA. Mr. Farran earned his B.S. in Economics from the Wharton School, University of Pennsylvania and his J.D. from Case Western Reserve University. He is a member of the bars of the Supreme Court of Pennsylvania and the Supreme Court of the United States.

Charles Brodheim is Corporate Controller of Innophos. Mr. Brodheim joined Rhodia in 1988 and held various tax, accounting and business analyst positions within Rhodia. Mr. Brodheim was the North American Finance Director for Specialty Phosphates from 2000-2002. After 2002, Mr. Brodheim was a Finance Director for various Rhodia North American Enterprises, including its Eco-Services enterprise. Mr. Brodheim earned a B.B.A. degree in Finance/Accounting from Temple University and is a certified public accountant.

Louis Calvarin is Vice President—Operations of Innophos. Dr. Calvarin joined Rhodia in France in 1986. He has been Director of Manufacturing and Engineering for Specialty Phosphates since January 2004. Prior to that, Dr. Calvarin held the positions of Director of Manufacturing for Specialty Phosphates (U.S.), Mineral Chemicals Industrial Operations Manager for Home, Personal Care and Industrial Ingredients, and Projects Director for Paint, Paper and Construction Materials. Dr. Calvarin earned a Ph.D. degree in Chemical Engineering from the Ecole Nationale Superieure des Mines in France and graduated from Ecole Polytechnique in France.

Mark Feuerbach was appointed Vice President—Treasury, Financial Planning & Analysis of Innophos in April, 2005 and had previously served as Chief Financial Officer of Innophos from August 2004 through April 2005. Mr. Feuerbach joined Rhodia in 1989 and was Global Finance Director of Specialty Phosphates from 2000 to 2004, including a two-year assignment in the U.K. immediately following the purchase of the phosphates business of Albright & Wilson. Prior to this assignment, Mr. Feuerbach was the Finance Director of Rhodia's North American phosphates business from 1997 to 2000 and he previously held various finance positions in a number of Rhodia's businesses. Prior to joining Rhodia, Mr. Feuerbach held various accounting and finance positions in both manufacturing and service companies. Mr. Feuerbach earned a B.A. in Business Administration/Accounting from Rutgers College and an M.B.A. in Finance/Information Systems from Rutgers Graduate School of Management.

Joseph Golowski is Vice President—Sales & Distribution of Innophos. Joining Rhodia in 1989 as Market Development Specialist, Mr. Golowski has since then held progressive roles in business development, sales, marketing and management. From 1997 through 2000, Mr. Golowski served as a Global Market Director for Rhodia based in Paris, France. Returning to the U.S., he became the North American Asset Manager for Phosphoric Acid and subsequently the Director of Sales for the Specialty Phosphate Business. Mr. Golowski has earned a B.S. in Ceramic Engineering from Rutgers University, College of Engineering.

José González is General Manager—Mexico Operations of Innophos. Mr. González has a Chemical Engineering degree from Universidad Iberoamericana in Mexico City and currently resides in Mexico City where he was born. He first joined Troy Industries (which became known as Albright & Wilson Troy de Mexico and was acquired by Rhodia in 2000) in September 1992 as a Development Director; in 1997 he was appointed Planning & Logistics Director; and in 1998 he was promoted to Commercial Director. Mr. Gonzalez joined Innophos in August 2004 as part of its acquisition of Rhodia's

Mexican phosphates business, and since April 2005, he has served as General Director. Prior to his employment at Troy, Mr. González worked at Monsanto, Resistol and Aquanova in technical and management positions.

Wilma Harris is Vice President—Human Resources of Innophos. Ms. Harris joined Rhodia in 1986 as Human Resource Manager for the Agricultural Products business located in Research Triangle Park, NC. Since that time she has held various positions in corporate, shared services and business human resources and information technology. From January 2003 until August 2005, she was the Human Resources Director for the Specialty Phosphates and Performance Phosphates and Derivatives businesses. Prior to joining Rhodia, Ms. Harris worked for Union Carbide Corporation in several labor relations and research and development positions. She holds a B.S. degree from West Virginia University, a M.P.A. degree from Marshall University and Masters Degrees in Theological Studies and Divinity from New Brunswick, NJ Theological Seminary.

Russell Kemp is Vice President—Research & Development of Innophos. Mr. Kemp joined Rhodia in 1989, first holding several manufacturing management jobs and – from 1998 through 2007 – fulfilling a business management role. Previously, he worked as a process and production engineer at Monsanto. Mr. Kemp earned a BS in Chemical Engineering from the Colorado School of Mines and an MBA from Southern Illinois University – Edwardsville.

Michael Lovrich is Vice President—Supply Chain of Innophos. Mr. Lovrich joined Innophos in August, 2007 from Coach, Inc., where he served as Vice President, Supply Chain from 2004 through 2007 for that specialty leather and women's accessories manufacturer. Prior to his tenure with Coach, Mr. Lovrich was with Engelhard Corporation where he held various positions in Supply Chain Operations and Information Technology focusing on leading several supply chain transformation initiatives. Prior to Engelhard, Mr. Lovrich held positions with Fisher Scientific, Thompson Medical and Becton-Dickinson. Mr. Lovrich earned his B.A. in History from William Paterson College and his MBA from New York University Stern School of Business.

Mark Thurston is Vice President—Corporate Strategy and Worldwide Business Development. Prior to his appointment of Vice President—Corporate Strategy and Worldwide Business Development, Mr. Thurston served as Vice President—Specialties of Innophos. Mr. Thurston joined Rhodia in 1985 working in Fine Organics and has been Business Director of Specialties since February 2004. Previously, Mr. Thurston was a Vice President and General Manager of Food Ingredients North America from 2002 to 2004 and, prior to that, worked in various sales and marketing capacities for Rhodia. Mr. Thurston previously worked at RTZ Corp. as an assistant planning and marketing manager and an assistant production manager. Mr. Thurston earned a B.S. in Chemical Engineering from the University of Aston in Birmingham, England.

Alfredo Celis Toussaint became Finance Director of our wholly-owned subsidiary, Innophos Mexicana S.A. de C.V., in October 2004. Before joining Innophos, Mr. Celis served for three years as Finance Manager for the Latin American and European operations of The Quaker Oats Company. Prior to this assignment Mr. Celis was Financial Planning Manager and Plant Controller for Quaker's Gatorade business in México, prior to which he held various finance roles in Quaker. Mr. Celis earned a CPA and Corporate Finance degree from ITAM (Instituto Tecnológico Autónomo de México).

Timothy Treinen is Vice President—Phosphates Business of Innophos. Mr. Treinen joined Rhodia in 2000 as the Global Asset Director, Acid and has been a Business Director of Performance Chemicals since February 2004. Prior to joining Rhodia, Mr. Treinen spent thirteen years at Albright & Wilson where he worked as a Vice President and General Manager of Industrial Chemicals from 1994 to 2000. Previously, Mr. Treinen worked at Tenneco Inc. in the finance department in various capacities including strategic planning, plant controller and accounting manager. Mr. Treinen earned a B.B.A. in Accounting from the University of Iowa.

Available Information

The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The public can obtain any documents that the Company files with the SEC at http://www.sec.gov. The Company files annual reports, quarterly reports, proxy statements and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act). The public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Innophos also makes available free of charge through its website (www.innophos.com) the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC.

ITEM 1A. RISK FACTORS

Investing in our company involves a high degree of risk of varying origins, including from our operations and financial matters. If any of the following risks or uncertainties actually occurs, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Risks Related to Our Business Operations

Raw Materials Availability and Pricing

Our principal raw materials consist of phosphate rock, sulfur and sulfuric acid, MGA, PPA and energy (principally natural gas and electricity). Our raw materials are generally purchased under long-term supply contracts typically priced according to predetermined formulae dependent on price indices or market prices. The prices we pay under these contracts generally lag the market prices of the underlying raw material. In periods of increasing market prices, these long-term supply contracts tend to be favorable to the Company, possibly by material amounts. Conversely, in periods of decreasing market prices, these long-term supply contracts tend to be unfavorable to the Company, possibly by material amounts. We do not typically engage in futures or other derivatives contracts to hedge against fluctuations in future prices. These effects may also be amplified in the case of supply contracts that have multiple-year durations. The Company may enter into sales contracts where the selling prices for our products are fixed for a period of one year, exposing us to volatility in raw materials prices that we acquire on a spot market basis.

Various market conditions can affect the price and supply of our raw materials. Because phosphate rock is also used globally for fertilizer production, the cost of that material is heavily influenced by demand conditions in the fertilizer market and freight costs, which traditionally have been volatile, and both of which escalated rapidly during 2007 and 2008, although they have declined since the fourth quarter of 2008. We obtain substantially all our phosphate rock from OCP, a state-owned mining company in Morocco under a long-term supply agreement. Our supply of that material could be affected by capacity constraints, political unrest, or weather conditions in the areas where our supplier operates. That agreement renews automatically for successive five-year periods beginning with September 10, 2010, but either party has an opportunity to terminate it by giving not less than one year's written notice prior to any periodic renewal date. Neither party thus far has given any such notice, although, as discussed below, important parts of the contract are in dispute. Since renewal of this contract after 2010 is uncertain, Innophos has been exploring alternatives for phosphate rock supplies around the world. We are in active discussions with several suppliers. These may be on long-term arrangements with historical market index pricing similar to OCP or be based on more current market prices. If our agreement with OCP were not renewed at the end of its current term, we cannot guarantee that all our production needs in Mexico (at least when measured at historic levels) could be met from alternative rock sources or downstream intermediate products, such as MGA, or, if they could be met from those sources, that we could do so without significant purchases at spot market prices. Nevertheless, based on conditions known thus far, management believes that alternative phosphate rock sources alone could provide a significant portion of our needs in Mexico if the OCP contract were not renewed. To some extent, the size of any shortfall would depend on operating levels in Mexico at the time.

As previously disclosed, after we failed to reach an accord through negotiation, in December 2008, our Mexican subsidiary filed a request for binding arbitration with the International Chamber of Commerce, International Court of Arbitration, or ICC, in Paris, France to determine the phosphate rock pricing formulae for 2008 and 2009 under our OCP contract. We cannot predict any detailed timing of the arbitral process or its outcome, but expect it could take up to a year to obtain an award. The range of differing prices proposed by the parties when compared with interim prices paid by the Company for 2008 would not result in a material potential liability. That range for 2009 is material. Accordingly, we cannot give assurances that the 2009 pricing outcome from the arbitration will be favorable to Innophos, or that the effects of an unfavorable outcome to us may not be magnified by declining pricing conditions in the spot market for phosphate rock compared to prices determined under our OCP contract. With regard to 2009 pricing, however, management believes at this stage the most likely outcome of arbitration would be in line with, or less than, management's "Recent Trends and Outlook" discussion under "Management's Discussion and Analysis of Results of Operations and Financial Condition" in this Report on Form 10-K.

Natural gas prices have experienced significant volatility in the past several years. Wide fluctuations in natural gas prices may result from relatively minor changes in the supply and demand, market uncertainty, and other factors, both domestic and foreign, that are beyond our control. In addition, natural gas is often a substitute for petroleum-based energy supplies and natural gas prices are positively correlated with petroleum prices. Future increases in the price of petroleum (resulting from increased demand, political instability or other factors) may result in significant additional increases in the price of natural gas. We typically purchase natural gas at spot market prices for use at our facilities which exposes us to that price volatility, except in those instances where, from time to time, we enter into longer term, fixed-price natural gas contracts.

Most of our raw materials are supplied to us by either one or a small number of suppliers. Some of those suppliers rely, in turn, on sole or limited sources of supply for raw materials included in their products. Failure of our suppliers to maintain sufficient capability to meet changes in demand or to overcome unanticipated interruptions in their own sources of supply from *force majeure* conditions, such as disaster or political unrest, may prevent them from continuing to supply raw materials as we require them, or at all. Our inability to obtain sufficient quantities of sole or limited source raw materials or to develop alternative sources on a timely basis if required could result in increased costs in our operations or our inability to properly maintain our existing level of operations. A planned outage at our Coatzacoalcos, Mexico facility in the fourth quarter of 2007, for example, had to be extended as a result of incidents disrupting our local sulfuric acid supply at a time when we were unable to make up the shortfall from other sources. In January 2009, due to a rapid drop in fertilizer demand, a third party supplier temporarily idled its North Carolina complex producing PPA for us, requiring us to run our Geismar, LA facility at full capacity and adjust our production plans. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Year Ended December 31, 2008 compared to the Year Ended December 31, 2007" in this Report on Form 10-K.

Environmental, Product Regulations and Sustainability Initiative Concerns

Our operations involve the use, handling, processing, storage, transportation and disposal of hazardous materials and some of our products are ingredients in foods, nutritional supplements or pharmaceutical excipients that are used in finished products consumed or used by humans or animals. As a result, we are subject to extensive and frequently changing environmental and other regulatory requirements and periodic inspection by federal, state, and local authorities, including the U.S. Environmental Protection Agency, or EPA, the FDA, and the USDA, as well as other regulatory authorities and those with jurisdiction over our foreign operations. Our operations also expose us to the risk of claims for environmental remediation and restoration or for exposure to hazardous materials. Our production facilities require various operating permits that are subject to renewal or modification. Violations of environmental laws, regulations, or permits may result in restrictions being imposed on operating activities, substantial fines, penalties, damages, the rescission of operating permits, third-party claims for property damage or personal injury, or other costs.

Maintaining compliance with health and safety and environmental laws and regulations has resulted in ongoing costs for us. Currently, we are involved in several compliance and remediation efforts and agency inspections concerning health, safety and environmental matters.

EPA has indicated that compliance at facilities in the phosphate industry is a high enforcement priority. After several years of expressing various concerns (without issuing any notice of violation) about aspects of our Geismar, LA operations, in March 2008, we received a letter from the Department of Justice, or DOJ, indicating that EPA had referred the case for civil enforcement, contending, among other things, that we do not qualify for certain exemptions we have claimed, and alleging that we violate RCRA at Geismar by failing to manage two materials appropriately. Although the letter stated that EPA/DOJ intended to seek unspecified penalties and corrective action, it proposed discussions to explore possible resolution, which we undertook and are pursuing. During the fourth quarter of 2008, the DOJ/EPA demanded that Innophos and its neighboring interconnected supplier, PCS, undertake certain "interim measures" to address DOJ/EPA's chief environmental concerns. We and PCS have initiated joint technical efforts to explore solutions to the government concerns. Based on our contact with the agencies to date in 2009, we have determined it is probable that one of the process modifications will need to be undertaken in the next several months, and likewise probable that the capital expenditure and future operating expense of that modification will not be material unless the DOJ adds terms and conditions that could result in the parties not reaching agreement. However, the second measure sought by DOJ/EPA does not have a readily available, technologically recognized solution. Even though the companies have begun substantial technical work in an attempt to develop a feasible approach to address DOJ/EPA's concerns, we cannot guarantee that our technical efforts will be successful, whether either party would be willing to implement solutions or, depending on those factors and the agencies' position, whether this matter will be settled with DOJ/EPA or will require litigation. Should litigation become necessary to defend our operations at Geismar as compliant with environmental laws and regulations, no assurance can be given as to its outcome.

Since similar action has been taken by EPA/DOJ with regard to PCS's interconnected plant at Geismar from which we obtain acid raw material, it is possible that, in the event of further enforcement, PCS's operations could be interrupted for an extended time. The impact of any such occurrence would likely be material to our operations, as our Geismar facility may not be able to operate economically under current market conditions without raw materials from that supplier's plant. Depending upon the facts and circumstances of, and developments arising from, any non-compliance, our long-term raw material supply contract with PCS at Geismar also may be adversely affected. That contract provides important protections that should safeguard Innophos from adverse financial or operating consequences either through continued operations at Geismar or alternative supplies from PCS. Nevertheless, we cannot guarantee that the contract provides full protection against losses we may suffer, or that our operating costs would not increase by a material amount, as a result of the provision.

Some existing environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at those locations without regard to causation or knowledge of contamination. Many of our sites have an extended history of industrial use. Soil and groundwater contamination have been detected at some of our sites, and additional contamination might occur or be discovered at these sites or other sites (including sites to which we may have sent hazardous waste) in the future. We continue to investigate, monitor or clean-up contamination at most of these sites. Due to the uncertainties associated with environmental investigations and clean-ups and the ongoing nature of the investigations and clean-ups at our sites, we cannot predict precisely the nature, cost, and timing of our future remedial obligations with respect to our sites.

Additional laws or regulations focused on phosphate-based products may be implemented in the future. For example, a number of states within the U.S. and the Canadian provinces are moving to effectively ban the use of phosphate-based products in consumer automatic dishwashing detergents. In 2006, the trade association that includes major manufacturers of consumer automatic dishwashing detergents began actively to support these efforts in the U.S. and Canada, increasing the likelihood they would become widespread and leading to effectiveness of non-phosphate legislation generally beginning in 2010. This trend and related changes in consumer preferences could have a significant impact on our business to the extent we are not able to react in a timely and adequate manner to our customers' reformulations and resulting market changes by adjusting our sales and manufacturing plans and anticipating the corresponding responses made by our competitors. Furthermore, although already banned in consumer laundry detergents in many U.S. States, phosphates are still permitted for those applications in many Latin American regions. We cannot be sure that such a ban for use in consumer laundry detergents may not be implemented in some or all of these Latin American markets in the future, or that the same effect may not result from manufacturers reformulating generally after the US and Canadian bans become more widespread. Additional laws, regulations or distribution policies focused on reduced use of other phosphate-based products could occur in the future. For example, a global retailer, as part of a corporate sustainability initiative, issued a statement indicating its intent to reduce phosphates in laundry and dish detergents by 70% in its Latin American and Canadian stores. Also, some jurisdictions have threatened to further regulate or ban the use of polyphosphoric acid and orthophosphoric acid in asphalt road construction. During 2008, such restrictions were implemented in New York State, but reversed in Nebraska. Such a ban, if instituted in multiple jurisdictions or throughout the U.S. and Canada, could have a significant impact on our business.

Increased Costs and Pricing May Accelerate Substitution of Competing Products

Prices for raw materials necessary to manufacture our products, particularly phosphate rock and sulfur, rose dramatically from mid-2007 through most of 2008, although signs of falling demand and prices for some raw materials, particularly sulfur, are being seen in 2009. We can only recover cost escalation of the magnitude we witnessed in 2008 through pricing actions on our part. Although we were successful in recovering costs and enhancing margins through price increases in 2008, there can be no assurance we will be able to do so in the future. See Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition "Recent Trends and Outlook".

As the costs and prices of our products correspondingly rise, certain of those products, particularly those directed at end use markets such as the detergent and oral care markets (where their portion of the end product cost is often larger), face an increasing threat of substitution from cost factors alone. Under circumstances where the costs of known and acceptable substitute non-phosphate chemistries become economically viable for a significant portion of our end use markets, our customers may decide to utilize the substitute chemistries to control their costs. If higher costs and prices result in such substitutions for major products and markets and we are not able to shift our manufacturing capabilities to alternate products we can sell profitably, we could face a loss of volumes, revenues and/or profits from this kind of cost-driven substitution. Although we cannot estimate the pricing levels at which cost substitution will affect us (since it depends on variables such as the duration of price escalations, the availability and costs of our products relative to the substitutes, and future marketing and pricing decisions made by our customers), we believe, based on our understanding of where substitutions become feasible, at least 40% of our current end use markets could be exposed to some level of potential cost substitution. We cannot be sure that actions we take to reduce the effects of cost driven substitution will be effective, nor that those effects ultimately will not be material to our results of operations or financial position.

Competitive Factors

We face significant competition in each of our markets. In the specialty chemicals industry, competition is based upon a number of considerations, including product differentiation and innovation, product quality, technical service, and supply reliability. In addition, in some markets, our products are subject to price competition due to factors such as competition from low-cost producers, import competition, excess industry capacity and consolidation among our customers and competitors. New products or technologies developed by competitors may also have an adverse impact on our competitive position. Future expansions could have a negative impact on our competitive position.

Innophos' Mexican production is sold across Latin America where, from time to time, it faces strong competition from Chinese materials produced by the thermal method, a process more heavily dependent on energy which may be cost advantaged during periods of low energy costs. The current collapse in energy prices, when combined with depressed domestic markets and relaxed export controls in China, has resulted in a shift in Chinese specialty phosphate products into American markets, and has put heavy pressure on our Mexican operations. In the event that prices for Chinese products remain low for an extended time and we do not succeed in our arbitration with OCP concerning 2009 or future prices for phosphate rock, it is possible that our Mexican operations could be unable to compete effectively with Chinese phosphate products and thus become uneconomic.

From time to time, we have experienced pricing pressure, particularly from significant customers and often coincident with periods of overcapacity in the markets in which we compete. The pricing environment for 2009, in line with worldwide economic slowdown, substitutions and increased import presence, appears to be taking on that character. In the past, we have taken steps to reduce costs and resist possible price reductions by structuring our contracts and developing strong "value-oriented" non-price related customer service relationships. However, price reductions in the past have adversely affected our sales and margins, and if we are not able to offset price pressure when it arises through improved operating efficiencies, reduced expenditures and other means, we may be subject to those same effects in the future.

Supplier Contract Concentration

Our business activities depend on long-term or renewable contracts to supply materials or products. In particular, we rely to a significant degree on single-source supply contracts and some of these contractual relationships may be with a relatively limited number of suppliers. Although most of our supplier relationships are typically the result of multiple contractual arrangements of varying terms, in any given year, one or more of these contracts may come up for renewal. In addition, from time to time, we enter into toll manufacturing agreements or other arrangements to produce minimum quantities of product for a certain duration. If we experience delays in delivering contracted production, we may be subject to contractual liabilities to the buyers to whom we have promised the products.

Changing Technologies

Our future results will depend on our ability to continue to introduce new products and applications that offer distinct value for our customers. Many of our products could be affected by technological change and new product introductions and enhancements. For example: technical grade STPP (used as a builder in automatic dishwasher detergents) may be substituted by a new builder; Specialty Acids products, such as Polyphosphoric Acid (used in asphalt modification applications), may be substituted by polymers; or Specialty Salts products, such as Calcium Phosphates (used in Calcium fortification), may be substituted by other sources of Calcium such as Calcium Carbonate. We expect to continue to enhance our existing products, to identify, develop, and manufacture new products with improved capabilities, and to make improvements in our productivity in order to maintain our competitive position. We also intend to devote resources to the development of new technologically advanced products and systems and to continue to devote a substantial amount of expenditures to the research and development functions of our business. However, we cannot assure you that we will be successful in achieving our goals in those regards.

Reliance on Rhodia

We depend on Rhodia's ability to perform its obligations under our 2004 acquisition agreements, primarily to indemnify us (or provide security) against potential liabilities whether asserted or yet to be asserted. However, Rhodia has experienced financial difficulties in recent years, and recently stated it was under significant margin pressure due to the global recession. There is no assurance that Rhodia will be able to fund its obligations to us when, as and if required. In February 2008, New York State's highest court affirmed a declaratory judgment we won in the lower courts holding Rhodia liable for taxes asserted by the Mexican National Waters Commission, or CNA, for fresh water extraction, or Fresh Water Claims, at our Coatzacoalcos, Mexico facility dating back to the period 1998-2002. The Fresh Water Claims amount to approximately $22.5 million (inclusive of interest, inflation and penalties, at current exchange rates) and are currently being contested in Mexican court proceedings. We cannot be sure that, if proceedings are decided in favor of the CNA, the Fresh Water Claims or other claims we have made (or will make) against Rhodia can be satisfied by it, or recovered through actions to attach Rhodia's assets in the U.S. or elsewhere. As a result, we may have to pay CNA taxes from our own resources.

We also depend on Rhodia's ability to fulfill its responsibilities under certain operating arrangements, including the sulfuric acid supply agreement providing feedstock to the interconnected PCS facility supplying MGA at our Geismar, LA plant. Adverse financial developments affecting Rhodia's continued performance under its supply agreement with Innophos could require us to provide replacement sulfuric acid, if available, at significantly higher market prices than provided in the contract with Rhodia.

International Operations

We have significant production operations in Mexico and Canada and believe that revenue from sales outside the U.S. will continue to account for a material portion of our total revenue for the foreseeable future. There are inherent risks in international operations, including currency fluctuations and devaluations, economic and business conditions that differ from US cycles, unsettled political conditions and communication and translation errors due to language barriers. Among those additional risks potentially affecting our Mexican operations are changes in local economic conditions, currency devaluations, disruption from political unrest and difficulty in enforcing agreements due to differences in the Mexican legal and regulatory regimes compared to those of the U.S. Risks that our Canadian operations may be subject to include changes in laws or regulations differing from trends in the U.S. and currency fluctuations and devaluations.

Our overall success as a multinational business depends, in part, upon our ability to succeed in differing economic, social and political conditions. Among other things, we are faced with potential difficulties in staffing and managing local operations, and we have to design local solutions to manage credit risks posed by local customers and distributors. We may not continue to succeed in developing and implementing policies and strategies that are effective in each location where we do business. These risks are not limited to just those countries in which we operate facilities. For example, our Mexican operations and the supply of phosphate rock from Morocco, including territories under disputed Moroccan sovereignty claims, are both subject to the risk of adverse affects from local political unrest.

As a U.S. corporation, we are subject to the regulations imposed by the Foreign Corrupt Practices Act, or FCPA, which generally prohibit U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. We sell many of our products in developing countries through sales agents and distributors that are not subject to our disciplinary procedures. While we and our subsidiaries are committed to conducting business in a legal and ethical manner and we communicate our policies to all who do business with us, we cannot be sure that all our third party distributors or agents remain in full compliance with the FCPA at all times.

Product Liability Exposure

Many of our products are additives used in the food and beverage, consumer product, nutritional supplement and pharmaceutical industries. The sale of these additives and our customers' products that include them involve the risk of product liability and personal injury claims, which may be brought by our customers or end-users of products. While we adhere to stringent quality standards, in the course of their production, storage and transportation, our products could be subject to adverse effects from foreign matter such as moisture, dust, odors, insects, mold, or other substances (organic or inorganic), or from excessive temperature. Historically, we have not been subject to material product liability claims, and none are currently outstanding. However, because our products are used in manufacturing a wide variety of our customers' products, including those ingested by people, we cannot be sure we will not be subject to material product liability or recall claims in the future.

Production Facility Operating Hazards

Our production facilities are subject to hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including failure of pipeline integrity , explosions, fires, inclement weather and natural disasters, terrorist attacks, mechanical failures, unscheduled downtime, transportation interruptions, remedial complications, chemical spills, discharges or releases of toxic or hazardous substances, storage tank leaks and other environmental risks. We have implemented and installed various management systems and engineering controls and procedures at all our production facilities to minimize these risks. We also insure our facilities to protect against a range of risks. However, these potential hazards do exist and could cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental and natural resource damage, and may result in a suspension of operations (or extended shutdowns) and the imposition of civil or criminal penalties, whose nature, timing, severity and non-insured exposures are unknown.

Intellectual Property Rights

We rely on a combination of contractual provisions, confidentiality procedures and agreements, and patent, trademark, copyright, unfair competition, trade secrecy, and other intellectual property laws to protect our intellectual property and other proprietary rights. Nonetheless, we cannot be sure that any pending patent application or trademark application will result in an issued patent or registered trademark, or that any issued or registered patents or trademarks will not be challenged, invalidated, circumvented or rendered unenforceable. The use of our intellectual property by others could reduce any competitive advantage we have developed or otherwise harm our business. Moreover, we cannot be sure that our property rights can be asserted in all cases or that we can defend ourselves successfully or cost-effectively against the assertion of rights by others.

Contingency Planning

We operate a number of manufacturing facilities in the US, Canada and Mexico, and we coordinate company activities, including our sales, customer service, information technology systems and administrative services and the like, through headquarters operations in those countries. Our sites and those of others who provide services to them are subject to varying risks of disaster and follow on consequences, both manmade and natural, that could degrade or render inoperable one or more of our facilities for an extended period of time. Such disaster related risks and effects are not predictable with certainty and, although they can be mitigated, they cannot be avoided. We seek to mitigate our exposures to physical disaster events in a number of ways. For example, where feasible, we design and engineer the configuration of our plants to reduce the consequences of disasters. We also maintain insurance for our facilities against casualties, including extended business interruption, and we continually evaluate our risks and develop contingency plans for dealing with them. Although we have reviewed and analyzed a broad range of risks applicable to our business, the ones that actually affect us may not be those we have concluded most likely to occur. Furthermore, although our reviews have led to more systematic contingency planning, our plans are in varying stages of development and execution, such that they may not be adequate at the time of occurrence for the magnitude of any particular disaster event that befalls us.

Risks Relating to Our Indebtedness

Leverage Issues

Our assets were acquired in 2004 in a transaction with a high proportion of debt. After our initial public offering of equity in 2006, we remained what could be characterized as a highly leveraged company through 2007. However, by December 31, 2008, our total indebtedness had been reduced to $382.5 million and our stockholders' equity had grown to $236.1 million, respectively, reflecting a significant de-leveraging in accordance with our business policy. Nevertheless, to the extent we are not prohibited by our debt instruments in effect from time to time from incurring additional debt or obligations that do not constitute "indebtedness," doing so could intensify the risks to our financial condition resulting from a renewed condition of high leverage. Those risks may include, for example, difficulty satisfying our obligations directly related to our debt (including complying with restrictive financial covenants), increasing our vulnerability to general adverse economic and industry conditions, requiring us to dedicate a substantial portion of cash flow from operations to payments on our indebtedness (thereby reducing the availability of our cash flow to fund working capital), limiting our flexibility in planning for, or reacting to, changes in our business (thereby placing us at a competitive disadvantage compared to our competitors with less debt), and limiting our ability to borrow additional funds, refinance existing debt or make discretionary use of funds such as the payment of dividends on our stock. As noted in the section entitled "Liquidity" in Item 7 of this Form 10-K, the revolving credit line under our senior bank credit facility expires on August 31, 2009, and we have installment payments of $126.5 million of term loans under that facility that must be repaid from March 2009 to August 13, 2010. The general economic recessionary climate may render us unable to find replacement sources of external working capital facilities in adequate amounts or in a timely manner to make up for the current facility or, if we do find them, they may not be at rates or other terms as favorable to Innophos as the expiring facility.

Exposure to Interest Rate Volatility

As of December 31, 2008, approximately 33% of our total indebtedness bore interest at variable rates. Because these rates change with prevailing interest rates, higher prevailing rates will increase the amount of interest we have to pay on our debt. Although the recent trend has been a reduction in interest rates, rates could increase over the next several years. We estimate (based on our variable rate debt outstanding at December 31, 2008) that our annual debt service obligations could increase by $1.3 million per year for each 1% increase in the average interest rate we pay.

Risks Related to Our Equity Ownership Structure

Overhang of Salable or Issuable Stock Relative to Float

The trading market for our Common Stock was first established in November 2006. The float in that market now consists of slightly less than 17.5 million shares out of a total of 21.1 million shares issued and outstanding (as of February 27, 2009) and an additional 1.2 million shares subject to issuance covered by exercisable options (estimated at February 27, 2009). Under a 2004 Registration Rights Agreement, our largest stockholders, affiliated partnerships of Bain Capital, may require us to register for sale publicly (at times largely of their choosing) substantially all the outstanding shares of Common Stock not now in the float. Sales of a substantial number of shares of our Common Stock or the perception that significant sales could occur (particularly if the sales are concentrated in time or amount), may depress the trading price of our Common Stock. Stock sales in the market by persons other than the Company could also impair our ability to raise additional capital through our sale of equity securities.

Our Certificate of Incorporation provides for a total authorized capital consisting of up to 100.0 million shares of Common Stock and up to 10.0 million shares of preferred stock in serial designation, of which 22.4 million shares of Common Stock had been issued or reserved for issuance and 77.6 million shares remained authorized but unreserved and unissued (all as of February 27, 2009). We may continue to issue our stock and, subject to any restrictions in our debt instruments, we may issue the stock of our subsidiaries to raise capital. Issuances of our stock or the stock of a subsidiary could dilute the interest of our existing stockholders and may reduce the trading price of our Common Stock.

Contingencies Affecting Dividends

Following our 2006 public offering, our Board of Directors initiated a policy of paying regular quarterly cash dividends on our Common Stock, subject to the availability of funds, legal and contractual restrictions and prudent needs of our business. However, we are a holding company that does not conduct any business operations of our own. As a result, we are normally dependent upon cash dividends, distributions and other transfers from our subsidiaries, most directly Innophos, Inc., our primary operating subsidiary, and Innophos Investments Holdings, Inc., its parent, to make dividend payments on our Common Stock. The amounts available to us to pay cash dividends are restricted by covenants in debt agreements governing us and our subsidiaries and by provisions of Delaware law. As allowed by existing debt instruments, we may incur additional indebtedness that may restrict to an even greater degree, or prohibit, the payment of dividends on stock. We cannot be sure that agreements governing our current or future indebtedness will permit us to adhere to our current dividend policy, or pay any dividends at all, or that continued payment of dividends will remain prudent for our business in the future judgment of our Board of Directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in Cranbury, New Jersey, with manufacturing facilities strategically located throughout the United States, Canada, and Mexico. We operate seven facilities which manufacture our three main product lines: Specialty Salts and Specialty Acids, Purified Phosphoric Acid, and STPP & Other Products. Our largest manufacturing facility is located in Coatzacoalcos, Mexico. We operate four medium-size plants in Chicago Heights, Illinois, Nashville, Tennessee, Port Maitland, Canada (Ontario), and Geismar, Louisiana, which collectively produce our major products. We produce additional specialty salts in two plants located in Chicago, Illinois (Waterway), and Mission Hills, Mexico. All the facilities listed above are owned with the exception of Mission Hills, Mexico, where the land is leased long-term. We also lease facilities at Cranbury, New Jersey, Mexico City, Mexico, and Mississauga, Canada (Ontario) which house our executive, commercial, administrative, product engineering and research and development employees, with the Cranbury, New Jersey facility serving as our world headquarters. We also own a distribution facility in Chicago which we use to service our customer base. We do not own and are not responsible for any closed U.S. or Canadian elemental phosphorus or phosphate production sites, as these were not part of the assets or liabilities acquired from Rhodia.

ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 16 to our consolidated financial statements, “Commitments and Contingencies,” contained in this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Certain Market Data

Our Common Stock has been listed and traded since November 2006 on the NASDAQ Stock Market under the symbol “IPHS.”

Stock price comparisons:

Quarter	2008 High	2008 Low	2008 Dividends Paid Per Share	2007 High	2007 Low	2007 Dividends Paid Per Share
First	$ 16.09	$ 10.85	$ 0.17	$ 17.78	$ 14.21	$ 0.17
Second	35.23	16.01	0.17	17.65	13.79	0.17
Third	40.98	22.65	0.17	15.55	10.78	0.17
Fourth	26.75	12.19	0.17	15.90	12.76	0.17

The Company paid a dividend of $0.17 per share in the first quarter of 2009.

The number of holders of record of our Common Stock at February 5, 2009 was 10,891.

Registration Rights Agreement

We are a party to a 2004 Registration Rights Agreement with our largest stockholders, affiliates of Bain Capital, and certain other stockholders (principally members of our management). Under that agreement, the holders of a majority of the "Bain Registrable Securities" are able to demand an unlimited number of "short form" registrations of their covered securities under the Securities Act of 1933, or Securities Act, to be sold in public offerings for which the Company is required to pay all registration expenses (excluding underwriters' discounts and commissions). We are not required to proceed with any demand registration within six months after the effective date of a previous registered offering (excluding certain limited offering forms), and we can postpone for up to 90 days (but not more than twice in any 12 month period) a demand registration if we determine it would adversely interfere with a contemplated material transaction. In 2008, we became eligible to file "short form" registration statements with the SEC under the Securities Act and at the request of the Bain affiliated parties, we filed a registration statement covering the sale of 10,088,039 shares of our Common Stock, during the effectiveness of which the Bain parties disposed of 6,600,000 shares.

Dividends

Consistent with the determination of our Board of Directors made in December 2006, we continued to declare and pay quarterly dividends of $0.17 per share of Common Stock in 2008. Subject to action by the Board of Directors on a quarterly basis, management's present policy is to recommend such dividends be continued, reflecting its judgment at the present time that stockholders are better served if we distribute to them, as quarterly dividends payable at the discretion of the Board, a portion of the cash generated by our business in excess of our expected cash needs rather than retaining or using the cash for other purposes. Our expected cash needs include operating expenses and working capital requirements, interest and principal payments on our indebtedness, capital expenditures, incremental costs associated with being a public company, taxes and other costs. If our financial needs change, management's recommendations concerning dividends may also change.

We are not required to pay dividends, and our stockholders will not be guaranteed, or have contractual or other rights, to receive dividends. Our Board of Directors may decide, in its discretion at any time, to decrease the amount of dividends, otherwise modify or repeal the dividend policy or discontinue entirely the payment of dividends.

In addition to prudent business considerations, our ability to pay dividends is restricted by current (and potentially by future) agreements governing our debt and by the laws of Delaware, our state of incorporation.

Since we are a holding company, substantially all assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings and cash flow and our ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends. Our ability to pay dividends on our Common Stock is limited by restrictions in our indebtedness and that of our subsidiaries affecting the ability to pay dividends. See Note 9 to the Consolidated Financial Statements included herein. See Post IPO discussion included within liquidity and capital resources of the Management Discussion and Analysis of Financial Condition and results of operations included herein.

Equity Compensation Plans

The following information is provided for our most recently completed fiscal year for certain plans providing compensation in the form of equity securities.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b) ***	(c)
Equity compensation plans approved by security holders	1,277,674	$ 10.48	507,081*
Equity compensation plans not approved by security holders	173,568**	$ 12.00	–0–
Total	1,451,242	$ 10.71	507,081

* Includes in the total 61,225 shares of Common Stock subject to options forfeited in 2007 and now available for future grant and issuance under, our Amended and Restated 2005 Executive Stock Option Plan. The remaining shares shown in column (c) are attributable to our 2006 Long Term Equity Incentive Plan.

** These shares were issued in various amounts under substantially identical retention bonus agreements entered into with certain executives in October 2006 that provided for a portion of a bonus amount to be issued in the form of Common Stock at the price applicable to the public in our initial public offering. All shares were issued in January 2007 and subject to vesting ratably over nine consecutive quarters (the first having occurred in January 2007), provided the recipients remain employed by the Company as required by the contracts.

*** In column (b), the weighted average exercise price is only applicable to stock options and restricted stock.

Issuer Purchases of Equity Securities

The Company has not repurchased Common Stock since its initial public offering in November 2006.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical consolidated statements of operations, balance sheet and other data for the periods presented and should only be read in conjunction with our audited consolidated financial statements and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this Form 10-K. The historical financial data for the years end December 31, 2008, December 31, 2007, December 31, 2006 and December 31, 2005 and for the periods August 14, 2004 to December 31, 2004 and January 1, 2004 to August 13, 2004, have been derived from our historical audited combined or consolidated financial statements.

On August 13, 2004, Innophos Holdings, Inc. acquired 100% of the common stock of Innophos, Inc., which, along with its subsidiaries, acquired from Rhodia the specialty phosphate assets of Rhodia's operations in the U.S., Port Maitland, Canada (Ontario) and Mission Hills, Mexico, as well as the common stock of certain Mexican subsidiaries. As a result, our financial statements are presented under two different bases of accounting. All historical Rhodia activity up to and including August 13, 2004 under the predecessor basis is presented on a combined basis while all Innophos activity from August 14, 2004 forward under the successor basis is presented on a consolidated basis.

(Dollars in thousands, except per share amounts, share amounts or where otherwise noted)

	Successor (Consolidated)					Predecessor (Combined)
	Year Ended December 31,				August 14, through December 31, 2004 (4)	January 1, through August 13, 2004
	2008	2007	2006	2005		
Statement of Operations Data:						
Net sales	$ 934,758	$ 578,982	$ 541,797	$ 535,499	$ 205,607	$ 332,721
Cost of goods sold	570,176	474,785	449,516	443,254	177,568	277,014
Gross profit	364,582	104,197	92,281	92,245	28,039	55,707
Operating expenses:						
Selling, general and administrative	63,417	54,441	59,598	48,685	19,026	22,875
Research and Development	2,310	2,047	1,734	2,240	964	3,106

(Dollars in thousands, except per share amounts, share amounts or where otherwise noted)						
	Successor (Consolidated)					Predecessor (Combined)
	Year Ended December 31,				August 14, through December 31, 2004 (4)	January 1, through August 13, 2004
	2008	2007	2006	2005		
In-process Research and Development	—	—	—	—	1,200	—
Restructuring (1)	—	—	—	—	—	1,783
Asset securitization, net	—	—	—	—	—	(66)
Total operating expenses	65,727	56,488	61,332	50,925	21,190	27,698
Operating income	298,855	47,709	30,949	41,320	6,849	28,009
Interest expense, net	34,193	41,559	58,242	46,628	11,065	3,098
Foreign exchange losses (gains), net	2,663	40	(162)	177	315	627
Other expense (income), net	(386)	(299)	(228)	(516)	(50)	22
Income (loss) before income taxes	262,385	6,409	(26,903)	(4,969)	(4,481)	24,262
Provision (benefit) for income taxes	55,202	11,896	5,914	6,724	(3,706)	8,954
Net (loss) income	$ 207,183	$ (5,487)	$ (32,817)	$ (11,693)	$ (775)	$ 15,308
Allocation of net income (loss) to common shareholders (2):						
Class A	*	*	$ (26,546)	$ (14,867)	$ (5,563)	*
Class L	*	*	$ 1,605	$ 3,174	$ 4,788	*
Common	$ 207,183	$ (5,487)	$ (7,876)	*	*	*
Per Share Data:						
Income (Loss) Per Share (2):						
Basic						
Class A	*	*	$ (2.77)	$ (1.55)	$ (0.58)	*
Class L	*	*	$ 0.60	$ 1.19	$ 1.79	*
Common	$ 9.91	$ (0.27)	$ (0.39)	*	*	*
Diluted						
Class A	*	*	$ (2.77)	$ (1.55)	$ (0.58)	*
Class L	*	*	$ 0.60	$ 1.19	$ 1.79	*
Common	$ 9.54	$ (0.27)	$ (0.39)	*	*	*
Weighted Average Shares Outstanding (2):						
Basic						
Class A	*	*	9,595,061	9,597,696	9,590,851	*
Class L	*	*	2,677,648	2,678,383	2,676,473	*
Common	20,908,456	20,676,859	20,270,463	*	*	*
Diluted						
Class A	*	*	9,595,061	9,597,696	9,590,851	*
Class L	*	*	2,677,648	2,678,383	2,676,473	*
Common	21,718,541	20,676,859	20,270,463	*	*	*

* Not applicable

	(Dollars in thousands)					
	Successor (Consolidated)					Predecessor (Combined)
	Year Ended December 31,				August 14, through December 31, 2004 (4)	January 1, through August 13, 2004
	2008	2007	2006	2005		
Other Data:						
Cash flows provided by (used in):						
Operating activities	$ 142,794	$ 43,441	$ 40,937	$ 46,058	$ (5,375)	$ 44,095
Investing activities	(18,536)	(30,476)	(15,577)	(10,862)	(486,432)	(2,633)
Financing activities	(14,591)	(29,064)	(55,003)	13,445	503,052	(43,287)
Capital expenditures	18,536	28,356	15,577	10,862	4,046	2,745
Ratio of earnings to fixed charges (3)	8.0x	1.1x	*	*	*	7.3x

* Due to the losses for 2006, 2005 and the period August 14, 2004 through December 31, 2004 the coverage ratio was less than 1:1. Innophos would have had to generate additional earnings of $26,903 for 2006, $4,969 for 2005 and $4,481 for the period August 14, 2004 through December 31, 2004, respectively, to achieve a ratio of 1:1.

	(Dollars in thousands)				
	Year Ended December 31,				
	2008	2007	2006	2005	2004 (4)
Balance Sheet Data:					
Cash and cash equivalents	$ 125,328	$ 15,661	$ 31,760	$ 61,403	$ 12,762
Accounts receivable	79,541	60,079	56,316	55,842	66,324
Inventories	145,310	78,728	70,569	76,281	66,563
Property, plant & equipment, net	230,422	260,563	277,222	305,016	333,549
Total assets	728,204	542,699	565,320	646,189	630,891
Total debt	382,500	384,500	399,800	528,795	384,555
Total stockholders' equity	$ 242,760	$ 44,704	$ 60,712	$ 10,786	$ 138,725

(1) Restructuring costs primarily represent employee termination costs and relate to the following items:

(a) $1.8 million from January 1 – August 13, 2004 primarily relating to (i) headcount reductions at our Cranbury headquarters relating to the restructuring of our company to a product-focused organization and (ii) the elimination of seven individuals at our Chicago Heights facility relating to the aforementioned initiatives.

(2) We have not reflected any distributions or other amounts attributable to common stock including an earnings per share calculation for the predecessor period given the different basis of accounting between predecessor and successor period and that the predecessor had not issued any common stock or potential common stock.

(3) For purposes of calculating the ratio of earnings to fixed charges, earnings represent income before income taxes plus fixed charges. Fixed charges consist of interest expense and one-third of operating rental expenses which management believes is representative of the interest component of rent expense.

(4) The successor period reflects the application of purchase accounting in accordance with SFAS No. 141, "Business Combinations", and represents the consolidated financial statements of Innophos Holdings, Inc. and wholly-owned subsidiaries.

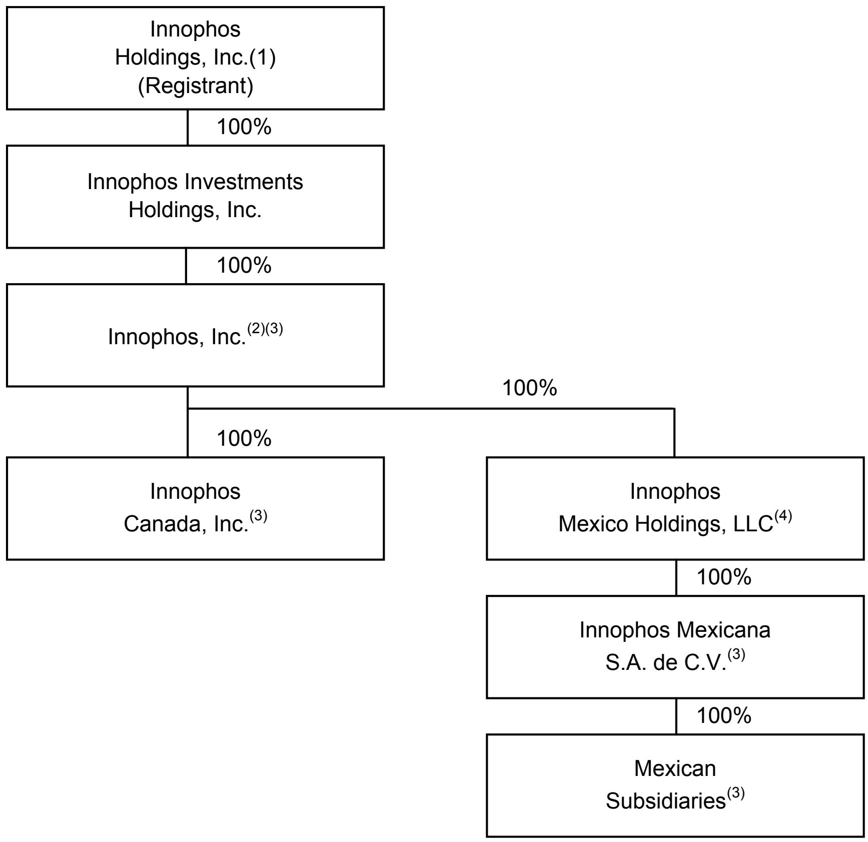
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion contains forward-looking statements about our markets, the demand for our products and services and our future results. We based these statements on assumptions that we consider reasonable. Actual results may differ materially from those suggested by our forward-looking statements for various reasons including those discussed in the "Risk Factors" and "Forward-Looking Statements" sections of this report.

Background

Innophos is a leading North American producer of specialty phosphates. Most specialty phosphates are highly customized, application-specific compounds that are engineered to meet customer performance requirements. Specialty phosphates are often critical to the taste, texture and performance of foods, beverages, pharmaceuticals, oral care products and other applications. For example, specialty phosphates act as flavor enhancers in beverages, electrolytes in sports drinks, texture additives in cheeses, leavening agents in baked goods, calcium and phosphorus sources for nutritional supplements, pharmaceutical excipients and cleaning agents in toothpaste.

Below is a summary chart of the corporate structure of our subsidiaries.



(1) = Issuer of 9.5% Senior Unsecured Notes

(2) = Issuer of 8.875% Senior Subordinated Notes. Borrower under the senior secured credit facility

(3) = Operating Companies

(4) = Guarantor subsidiary of Innophos, Inc. Senior Subordinated Notes

In November 2006 we completed an initial public offering of our Common Stock, or IPO, selling a total of 8,000,000 shares together with 2,000,000 shares sold by selling stockholders at $12 per share for total net proceeds to Innophos of $87.2 million (after underwriters discounts, commissions and expenses). We did not receive any proceeds from the shares of common stock sold by the selling stockholders. We used the net offering proceeds to pay down approximately $83.3 million in principal of Floating Rate Senior Notes due 2015 of a subsidiary, or the Floating Rate Senior Notes, in December 2006, paying a call premium and accrued interest of approximately $4.4 million and resulting in an approximate $2.0 million charge to earnings for the acceleration of deferred financing charges.

2008 Overview

Our financial performance in 2008 was highlighted by:

- Sales of $934.8 million including selling price increases of $480.3 million which outpaced increases in raw material costs and other manufacturing expenses in all segments offset by negative volume and mix impacts on revenue of 21.5% or $124.5 million that occurred mostly in STPP & Other Products;
- Interest expense improvement of $7.4 million as a result of the 2007 debt restructuring and principal payments;
- Benefit of $24.9 million from the reversal of the valuation allowance against the United States net deferred tax assets mainly as the result of the usage of our net operating loss carryforwards;

- Net income improvement of $212.7 million which was mainly driven by selling price improvements;
- Earnings per share improvement of $9.81 on a diluted basis to $9.54 versus a loss per share of $0.27 for 2007;
- Dividends of $.68 per share paid on the Common Stock during 2008;
- Net cash from operations of $142.8 million with a net increase in cash of $109.7 million in 2008.
- Net working capital (current assets excluding cash minus current liabilities excluding current portion of long-term debt) increases of $118.8 million, or 157.6% to $194.2 million at December 31, 2008.

Refer to the Company's results of operations and liquidity for the year ended December 31, 2008 for further details.

Recent Trends and Outlook

Raw Material Costs

Market prices of phosphate rock, sulfur and sulfuric acid, the primary raw materials used in the production of specialty phosphates, increased substantially during the first three quarters of 2008 due to high phosphate fertilizer demand. During the fourth quarter of 2008, as demand for phosphate fertilizers collapsed, the market price of sulfur decreased rapidly, and recently the market price of phosphate rock has also begun to decrease.

Innophos purchases phosphate rock, sulfur and sulfuric acid for Mexico and has raw material supply contracts in the United States whose pricing is determined in part by phosphate rock and sulfur market prices. Based on current and 2008 market price levels for phosphate rock and sulfur, Innophos' overall 2009 U.S. cost structure is expected to remain substantially unchanged from fourth quarter 2008 levels.

In December 2008, Innophos initiated binding arbitration with OCP, S.A., its sole supplier of phosphate rock for Mexico, concerning pricing terms for 2008 and 2009 under the Company's agreement with that supplier. A panel of three arbitrators has now been selected to hear the case, interpret the pricing provisions of the contract, and derive the phosphate rock price for both years. Absent agreement on an expedited process, which the Company is seeking, Innophos has been advised that a final decision could take up to a year. Last year, the parties reached agreement on interim prices, which the Company paid for shipments during 2008. Management has determined that the contingent liability of having to pay more than the amounts paid for 2008 as interim prices is not material. Most recently, the parties reached agreement on interim prices for 2009, which the Company will be paying for this year's shipments. Management has determined that the contingent liability of having to pay more than such 2009 interim prices is neither remote nor probable, and is reasonably possible.

Due to phosphate rock pricing uncertainty for Mexico, weakness in the markets served by those operations, and some loss of traditional business, Innophos anticipates operating its Coatzacoalcos plant at substantially reduced levels during 2009. In addition, Innophos also built considerable raw material inventory at the end of 2008. As a result of these factors, increases in phosphate rock cost will not begin to affect financial performance adversely until after the first quarter of 2009 at the earliest. Assuming sulfur market prices in Mexico remain at current levels and phosphate rock prices reflect the upper range management has determined to be reasonably possible outcomes of the rock arbitration proceedings discussed in the "Risk Factors" section of this report, Innophos' raw material costs for Mexico could then increase by approximately $20 million per quarter at approximately 50% of capacity operations. Overall, therefore, Innophos expects its first quarter 2009 cost structure, in the United States, Mexico, and Canada to be substantially similar to the fourth quarter of 2008.

Selling Prices

Historically, Innophos has successfully recovered raw material, energy and other cost increases through price increases. Fourth quarter 2008 represented a 98% increase compared to fourth quarter 2007, after a series of price increases that were implemented throughout 2008. However, current softening demand due to the global recession and increased competition primarily from Chinese and European firms are causing downward pressure on selling prices. Management anticipates therefore that selling prices will trend downward throughout 2009. Management will focus on maintaining market position against increased pressures in all segments by maintaining a competitive offering through continued focus on selling price, enhanced service, Innophos' proprietary technology, and the overall value the Company provides to its customers.

Volumes

Volumes in the U.S. were lower in the fourth quarter of 2008 due to overall economic slowness, particularly in accounts exposed to agricultural and industrial markets. In addition, competitive pressure from European and Chinese producers increased as they sought to gain access to the U.S. market as their home market demand slowed. Finally, Innophos has seen a modest amount of reformulation (that is, changes in customer product composition) due to 2008 record prices. The Company expects these pressures to continue in 2009.

Volumes in Mexico for 2009 are expected to be affected more severely by the lack of demand in the fertilizer market, greater import competition, especially for export business, reformulation and recession. Innophos' largest Mexican customer, for which Innophos historically supplied purified phosphoric acid, recently lost significant STPP business due to a combination of reformulation and lost share. In January 2009, the customer closed one of its three plants estimated at more than half its STPP capacity and is expected to greatly reduce its phosphoric acid purchases. Based on current circumstances, management estimates this could translate into a 2009 revenue loss of approximately 5% to 10% of historical total Company sales and an annual consolidated operating income reduction of approximately $16 million based on pre-2008 historical profitability. Innophos anticipates supplying approximately 35% of this customer's historical quarterly volumes in the first half of 2009 and is working with this customer to support its reduced operations by focusing on increasing Innophos' overall share with this account, including marketing other products to the customer. Management is reducing manufacturing costs across the whole site and is considering several options for the longer term, including seeking new customers for Innophos' Mexican purified phosphoric acid capacity to increase the Company's diversification of end markets and customers, or with reasonable investment levels, using the capacity to supply the U.S. operations. To support these efforts, Innophos is investing to upgrade the majority of its technical grade purified acid capacity to food grade capability. Management anticipates this investment will be completed by the end of 2009. However, it may take several years to build a customer base for this capacity.

Innophos' purified phosphoric acid supply chain includes production at its Coatzacoalcos, Mexico and Geismar, LA complexes along with purchases from a third party at Aurora, NC. Innophos' supply of purified phosphoric acid from Aurora, NC is being partially disrupted in the first quarter of 2009 due to an announced temporary shutdown in part of that complex from lack of phosphate fertilizer demand. Innophos is responding by operating its Geismar, LA acid purification complex at full capacity and expects that the Company will be able to meet its current operating and supply plans.

Finally, due to greatly depressed Latin American phosphate fertilizer demand, Innophos Mexico expects to have minimal sales of granular triple superphosphate (GTSP) in the first quarter of 2009. However, Innophos volumes are small relative to the market, and Innophos expects the reappearance of South American fertilizer demand in the second quarter 2009.

Operations Outlook

Innophos is currently expecting that its U.S. business will have solid financial performance in the first quarter of 2009. While demand has been affected by the recession, Geismar-supplied purified acid is cost effective in today's marketplace, and product selling prices are now at historically high levels. During 2009, management expects to continue to respond as needed to the increase in overall market competitiveness in order to maintain Innophos' market position in this business.

In 2009, management anticipates operating Innophos' Mexican facilities at reduced levels of capacity in response to the combination of factors noted above adversely affecting prices and volumes. The level of operations will be dictated by Innophos' ability to develop and sustain profitable business in Mexico. In response to anticipated cost increases in raw materials, the Company remains focused on running efficiently and reducing costs, particularly in its manufacturing operations. Innophos is benefiting from declining sulfur, energy and transportation costs, and management expects to continue to operate in a manner that optimizes business performance while mitigating uncertainties, particularly as regards phosphate rock price.

Management has scrutinized its planned capital expenditures for 2009 and expects to focus 2009 capital investments on essential projects that maintain the flexibility and efficiency needed in the current dynamic market environment. For example, Innophos is continuing with the expansion and upgrade of its Chicago Heights facility, which is critical to the growth of the pharmaceutical and nutraceutical excipient product line. Management now projects Company-wide 2009 capital expenditures to approximate $20-25 million, in line with historical levels. This amount includes the investments being made to upgrade the Mexican phosphoric acid purification plant.

Earnings Outlook

Considering the uncertainty around Mexican phosphate rock cost and operating levels, softer overall demand, greater competition and concern about the overall economic climate, management believes that reliable, specific operating income trends cannot be provided for the full year 2009. Volume impacts are uncertain and dependent on the depth of the recession. Selling prices are expected to trend down, and cost structure increases due to increased phosphate rock costs are expected to affect Mexico adversely starting in the second quarter of 2009.

Results of Operations

The following table sets forth a summary of the Company's operations and their percentages of total revenue for the periods indicated. (dollars in millions):

	Year Ended December 31,					
	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
Net sales	$ 934.8	100.0	$ 579.0	100.0	$ 541.8	100.0
Cost of goods sold	570.2	61.0	474.8	82.0	449.5	83.0
Gross profit	364.6	39.0	104.2	18.0	92.3	17.0
Operating expenses:						
Selling, general and administrative	63.4	6.8	54.5	9.4	59.7	11.0
Research & Development	2.3	0.2	2.0	0.3	1.7	0.3
Income from Operations	298.9	32.0	47.7	8.2	30.9	5.7
Interest expense, net	34.2	3.7	41.6	7.2	58.2	10.7
Foreign exchange (gains)/losses, net	2.7	0.3	—	—	(0.2)	—
Other expense (income)	(0.4)	(0.0)	(0.3)	—	(0.2)	(0.0)
Provision /(benefit) for income taxes	55.2	5.9	11.9	2.1	5.9	1.1
Net income (loss)	$ 207.2	22.2	$ (5.5)	(0.9)	$ (32.8)	(6.1)

Year Ended December 31, 2008 compared to the Year Ended December 31, 2007

Net Sales

Net sales represent the selling price of the products, net of any customer-related rebates, plus freight and any other items invoiced to customers. Net sales for the year ended December 31, 2008 were $934.8 million, an increase of $355.8 million, or 61.5%, as compared to $579.0 million for the same period in 2007. Selling price increases had a positive impact of 83.0% or $480.3 million on sales that occurred across all product lines. Volume and mix impacts upon revenue had a negative impact of 21.5% or $124.5 million that occurred mostly in STPP & Other Products due to reduced demand for GTSP fertilizer co-product and limited reformulation in detergents using STPP. Strong demand and efforts to grow the Specialty Salts and Specialty Acids business in 2008 resulted in a positive volume and mix impact, while unfavorable volume and mix impacted Purified Phosphoric Acid in 2008 compared to 2007. On a unit basis, the average selling price for all Innophos products increased by 90.9% compared to 2007, while total volume shipped decreased by 15.4%.

The following table illustrates for the year ended December 31, 2008 the percentage changes in net sales by reportable segment compared with the prior year, including the effect of price and volume/mix changes upon revenue:

	Price	Volume/Mix	Total
United States	52.0%	(3.3)%	48.7%
Canada	53.8%	(21.7)%	32.1%
Mexico	132.2%	(48.2)%	84.0%

The following table illustrates for the year ended December 31, 2008 the percentage changes for net sales by major product lines compared with the prior year, including the effect of price and volume/mix changes:

	Price	Volume/Mix	Total
Purified Phosphoric Acid	117.6%	(22.3)%	95.3%
Specialty Salts and Specialty Acids	47.0%	6.3%	53.3%
STPP & Other Products	121.9%	(73.1)%	48.8%

Shipped volume for the year ended December 31, 2008 declined approximately 34% on a pure tonnage basis for STPP & Other Products compared with the same period in 2007.

Gross Profit

Gross profit represents net sales less cost of goods sold. Gross profit for the year ended December 31, 2008 was $364.6 million, an increase of $260.4 million, or 249.9%, as compared to $104.2 million for the same period in 2007. Gross profit percentage increased to 39.0% for the year ended December 31, 2008 versus 18.0% for the same period in 2007. The change in gross profit was due to higher selling prices in 2008 which had a favorable impact of $480.3 million, partially offset by unfavorable volume and mix impacts upon revenue, and higher raw material, energy, freight and manufacturing expenses which had a combined unfavorable impact of $226.6 million. Gross profit was unfavorable by $1.3 million for a scheduled maintenance outage at our Geismar, LA plant in the second quarter of 2008, which was lower than anticipated, $1.3 million for the asset impairment expense for two obsolete production units in the second quarter of 2008, and a $1.9 million charge related to the write-down of on hand GTSP fertilizer in the fourth quarter of 2008. Gross profit was favorable relative to 2007 by $3.3 million, of which $3.2 million reflects out of period adjustments in 2008 related to deferred Mexican employee statutory profit sharing. Gross profit was also favorable relative to 2007 by $5.4 million for maintenance costs and $1.1 million of replacement raw material cost from the planned and unplanned maintenance outages in 2007 at our Coatzacoalcos facility and supply shortages. Gross profit was also favorable relative to 2007 by unusual items of $1.4 million for Mexican workforce reorganization costs and $2.0 million for the regularization of Mexican port facilities taxes covering the periods 1996 to 2006, both of which occurred in 2007.

Operating Expenses and Research and Development

Operating expenses in 2008 consisted primarily of selling, general and administrative and R&D expenses. Operating expenses for the year ended December 31, 2008 were $65.7 million, an increase of $9.2 million, or 16.3%, as compared to $56.5 million for 2007. Operating expenses increased $3.3 million for professional fees to support growth and other corporate initiatives such as assessing our IT systems, $3.5 million for higher short-term incentive program accruals, $2.7 million for increased commercial efforts, $2.4 million for non-cash share based compensation, and $3.6 million for all other costs. The overall increases over prior year were partially offset by $6.3 million for unusual expenses incurred in 2007 primarily in connection with the early cancellation of the company's "pharma" sales agency arrangement with Rhodia, Inc. and the transfer of related assets to Innophos.

Operating Income

Operating income for the year ended December 31, 2008 was $298.9 million, an increase of $251.2 million, or 526.6%, as compared to $47.7 million for the same period in 2007. Operating income percentages increased to 32.0% for 2008 from 8.2% for 2007.

Interest Expense, net

Net interest expense, including deferred financing amortization expense, for the year ended December 31, 2008 was $34.2 million, a decrease of $7.4 million, or 17.8% as compared to $41.6 million for the same period in 2007. This decrease is primarily due to the lower average balance of our Term Loan from prepayments made in 2007 along with lower interest rates, and lower bond interest expense from the retirement/refinancing of our Floating Rate Senior Notes in 2007. This was partially offset by fees associated with the fourth amendment to our credit facility.

Foreign Exchange

Foreign exchange loss for the year ended December 31, 2008 was $2.7 million, an increase of $2.7 million as compared to a net zero impact for 2007, primarily due to the strengthening of the U.S. Dollar against the Mexican peso in the fourth quarter of 2008. The U.S. Dollar is the functional currency of our Mexican and Canadian operations. Consequently, foreign exchange gain or loss is recorded on re-measurement of non-U.S. Dollar denominated monetary assets and liabilities. Such gains and losses fluctuate from period to period as the foreign currencies strengthen or weaken against the U.S. Dollar and the amount of non-U.S. Dollar denominated assets and liabilities increases or decreases.

Provision for Income Taxes

Provision for income tax expense for the year ended December 31, 2008 was $55.2 million, an increase of $43.3 million or 363.9% as compared to $11.9 million for 2007. Income earned by our subsidiaries in Mexico and Canada is fully taxable, so increases in their earnings, as we had in 2008, would normally be expected to result in increased income tax expense. The low effective tax rate of 21.0% for the current year is due to a $24.9 million benefit from the reversal of valuation allowances against U.S. Federal net deferred tax assets mainly as the result of the usage of our net operating loss carryforwards.

Net Income

Net income for the year ended December 31, 2008 was $207.2 million, an improvement in results of $212.7 million as compared to a net loss of $5.5 million for the same period in 2007, due to the factors described above.

Year Ended December 31, 2007 compared to the Year Ended December 31, 2006

Net Sales

Net sales represent the selling price of the products, net of any customer-related rebates, plus freight and any other items invoiced to customers. Net sales for the year ended December 31, 2007 were $579.0 million, an increase of $37.2 million, or 6.9%, as compared to $541.8 million for the same period in 2006. Selling price increases had a positive impact of 5.7% or $30.8 million on sales that occurred primarily in STPP & Other Products. Volume and mix impacts upon revenue had a positive impact of 1.2% or $6.4 million which occurred primarily in Specialty Salts and Specialty Acids.

The following table illustrates for the year ended December 31, 2007 the percentage changes in net sales by reportable segment compared with the prior year, including the effect of price and volume/mix changes upon revenue:

	Price	Volume/Mix	Total
United States	0.7%	2.1%	2.8%
Canada	(0.5)%	1.7%	1.2%
Mexico	14.7%	(0.3)%	14.4%

The following table illustrates for the year ended December 31, 2007 the percentage changes for net sales by major product lines compared with the prior year, including the effect of price and volume/mix changes:

	Price	Volume/Mix	Total
Purified Phosphoric Acid	0.9%	(1.5)%	(0.6)%
Specialty Salts and Specialty Acids	1.9%	4.2%	6.1%
STPP & Other Products	18.0%	(2.5)%	15.5%

Gross Profit

Gross profit represents net sales less cost of goods sold. Gross profit for the year ended December 31, 2007 was $104.2 million, an increase of $11.9 million, or 12.9%, as compared to $92.3 million for the same period in 2006. Gross profit percentage increased to 18.0% for the year ended December 31, 2007 versus 17.0% for the same period in 2006. The change in gross profit was due to higher selling prices in 2007 which had a favorable impact of $30.8 million, as positive volume and mix impacts on revenue were offset by higher raw material, freight, and manufacturing expenses resulting in a net negative impact of $12.8 million. Gross profit was also negatively affected by $5.4 million of maintenance costs and $1.1 million of replacement raw material cost from the planned and unplanned outages in 2007 at the Coatzacoalcos, Mexico facility due to maintenance on its sulfuric acid unit and supply shortages. Gross profit was also reduced by unusual items in 2007 of $1.4 million for Mexican workforce reorganization costs, and a charge of $2.0 million for the settlement of taxes covering the periods 1996 to 2006 on our port facilities in Mexico. Finally, gross profit in 2007 was favorable relative to 2006 by $4.7 million from our planned non-annual major maintenance outages at our Geismar, Louisiana and Coatzacoalcos, Mexico facilities that occurred in 2006, and was negatively affected by $0.9 million for gains on Mexican legal restructuring also occurring in 2006.

Operating Expenses and Research and Development

Operating expenses in 2007 consisted primarily of selling, general and administrative and R&D expenses. Operating expenses for the year ended December 31, 2007 were $56.5 million, a decrease of $4.9 million, or 8.0%, as compared to $61.4 million for 2006. Operating expenses had a net decrease of $11.6 million from unusual items (expenses of $18.4 million from various professional and sponsor fees in 2006 exceeded expenses in 2007 of $6.8 million primarily from the early cancellation of the pharma sales agency arrangements with Rhodia, Inc., and the transfer of business related assets and intellectual property to Innophos). 2007 operating expenses were also affected by $2.8 million of increased corporate governance costs which included internal audits and our Sarbanes Oxley compliance initiative, $2.6 million of legal and other fees to comply with the DOJ STPP document request subpoena and $1.3 million higher sales and marketing expenses primarily due to the in-sourcing of the pharma commercial activities.

Operating Income

Operating income for the year ended December 31, 2007 was $47.7 million, an increase of $16.8 million, or 54.4%, as compared to $30.9 million for the same period in 2006. Operating income percentages increased to 8.2% for 2007 from 5.7% for 2006. Below is a summary of unusual items in operating income:

	$ Millions	
	2007	2006
Unusual Items Included in Operating Income:		
Management Advisory Fees	$ —	$ 15.2
Gains on Mexican Legal Entity Restructuring (a)	—	(0.9)
Separation Consulting Fees, Professional Fees and Other Costs	0.3	3.2
Legal Expenses Related to CNA Litigation	0.2	0.1
Termination of Pharma Sales Agency Agreement	6.3	—
Mexican Port Facility Tax Settlement for the period 1996 - 2006 (a)	2.0	—
Mexican Workforce Reorganization (a)	1.4	—
Total of Unusual Items Included in Operating Income	$ 10.2	$ 17.6

(a) Reported in cost of goods sold.

Interest Expense, net

Net interest expense, including deferred financing amortization expense, for the year ended December 31, 2007 was $41.6 million, a decrease of $16.6 million, or 28.5% as compared to $58.2 million for the same period in 2006. The decrease was due to lower interest expense of $3.2 million as a result of the decreasing balance of our senior credit facility term loan, or Term Loan from 2007 pre-payments, $10.4 million lower bond interest expense from the retirement/refinancing of our Floating Rate Senior Notes in April 2007, $1.8 million lower call premium and penalties $1.5 million lower accelerated deferred financing due to debt retirement and $0.3 million net increase from all other items. Below is a summary of unusual items in net interest expense:

	$ Millions	
	2007	2006
Unusual Expense Items Included in Net Interest Expense:		
Call Premiums and Penalties	$ 1.8	$ 3.6
Deferred Financing Acceleration due to Debt Retirement	1.9	3.4
Total of Unusual Items Included in Net Interest Expense	$ 3.7	$ 7.0

Foreign Exchange

There was a net zero impact from foreign exchange for the year ended December 31, 2007, a decrease of $0.2 million as compared to a gain of $0.2 million for 2006. The U.S. Dollar is the functional currency of our Mexican and Canadian operations. Consequently, foreign exchange gain or loss is recorded on remeasurement of non-U.S. Dollar denominated monetary assets and liabilities. Those gains and losses fluctuate from period to period as the foreign currencies strengthen or weaken against the U.S. Dollar and the amount of non-U.S. Dollar denominated assets and liabilities increases or decreases.

Provision for Income Taxes

Provision for income tax expense for the year ended December 31, 2007 was $11.9 million, an increase of $6.0 million or 101.7% as compared to $5.9 million for 2006. Income earned by our subsidiaries in Mexico and Canada is fully taxable, so increases in our Mexican earnings, as were experienced in 2007, would normally be expected to result in increased income tax expense. In the United States, we carried a full valuation allowance for our net deferred tax asset and, therefore, did not record a benefit for our U.S. tax losses during 2007.

Net Loss

Net loss for the year ended December 31, 2007 was $5.5 million, an improvement in results of $27.3 million, or 83.2% as compared to a net loss of $32.8 million for 2006, due to the interaction of the factors described above.

Segment Reporting

We report our operations in three business segments—United States, Mexico and Canada, each of which sells the entire portfolio of products. The primary performance indicators for the chief operating decision maker are sales and operating income, with sales on a ship-from basis. The following table sets forth the historical results of these indicators by segment:

	2008	2007	2006
Segment Net Sales			
United States	$ 486,186	$ 326,882	$ 318,105
Mexico	409,745	222,699	194,639
Canada	38,827	29,401	29,053
Total	$ 934,758	$ 578,982	$ 541,797
Net Sales % Growth			
United States	48.7%	2.8%	(1.0)%
Mexico	84.0%	14.4%	6.3%
Canada	32.1%	1.2%	(6.5)%
Total	61.4%	6.9%	1.2%
Segment Operating Income			
United States	$ 108,743	$ 3,299	$ 1,544
Mexico	183,587	39,819	28,422
Canada	6,525	4,591	983
Total	$ 298,855	$ 47,709	$ 30,949
Segment Operating Income % of net sales			
United States	22.4%	1.0%	0.5%
Mexico	44.8%	17.9%	14.6%
Canada	16.8%	15.6%	3.4%

Segment Net Sales:

In the United States net sales increased 48.7% for the year ended December 31, 2008 when compared with the same period in 2007. Selling prices increased sales 52.0% with increases across all product lines, most notably in Specialty Salts and Specialty Acids. Volume and mix impact upon revenue was a decrease of 3.3%, with decreases in Purified Phosphoric Acids and STPP & Other Products being partially offset by an increase in Specialty Salts and Specialty Acids where demand for these products was strong in 2008. In 2007 net sales increased 2.8% when compared with 2006. Selling prices increased sales 0.7% with an increase in Specialty Salts and Specialty Acids being partially offset by a decrease in the other product lines. Volume and mix impact upon revenue was an increase of 2.1%, with favorable variances in Purified Phosphoric Acid and Specialty Salts and Specialty Acids.

In Mexico net sales increased 84.0% for the year ended December 31, 2008 when compared with the same period in 2007. Selling prices increased sales 132.2% with significant increases across all product lines. Volume and mix impact upon revenue was a decrease of 48.2%, mainly in STPP & Other Products due to reduced demand for GTSP fertilizer co-product and limited reformulation in detergents using STPP. In 2007 net sales increased 14.4% when compared with 2006. Selling prices increased sales 14.7%, primarily in STPP & Other Products, but Purified Phosphoric Acid also showed an increase. Volume and mix impact upon revenue was a decrease of 0.3%, with a decrease in Purified Phosphoric Acid being partially offset by an increase in Specialty Salts and Specialty Acids.

In Canada net sales increased 32.1% for the year ended December 31, 2008 when compared with the same period in 2007. Selling price increased sales 53.8% with increases across all product lines. Volume and mix impact upon revenue was a decrease of 21.7% across all product lines. In 2007 net sales increased 1.2% when compared with 2006. Selling prices decreased sales 0.5%, while volume and mix impact upon revenue was an increase of 1.7%, primarily in Specialty Salts and Specialty Acids.

Segment Operating Income % of Net Sales:

The 21.4% increase in the United States for the year ended December 31, 2008 compared with the same period in 2007 was mainly due to favorable selling prices which were partially offset by an unfavorable volume and mix impact on revenue, higher raw material and energy costs, increased manufacturing cost including cost for a scheduled maintenance outage at our Geismar, LA plant, the asset impairment expense for two obsolete production units, and increased operating expenses. Operating expenses increased mainly due to professional fees to support growth and other corporate initiatives such as assessing our IT systems, higher short-term incentive program accruals, higher non-cash share based compensation, and increased commercial efforts, partially offset by expense incurred in 2007 in connection with the early cancellation of the company's "pharma" sales agency arrangement with Rhodia, Inc. The 0.5% increase in the United States from 2006 to 2007 was mainly due to decreased unusual costs between the two periods. Included in 2007 operating income were $6.8 million of unusual items primarily related to for the early cancellation of the Rhodia pharma sales agency arrangement and the transfer of business related assets and intellectual property to Innophos. Included in 2006 operating income were $18.4 million of unusual items related to the IPO. Favorable volume and mix effects upon revenue and slightly higher selling prices were more than offset by higher raw material and transportation costs, as well as higher manufacturing and operating expenses.

The 26.9% increase in Mexico for the year ended December 31, 2008 compared with the same period in 2007 was due to favorable selling prices, which were partially offset by decreased volume and mix impacts upon revenue, increased raw material and energy costs and increased operating expenses. The operating income percent increase is also due to expenses incurred in 2007 for the planned and un-planned maintenance outages and the related raw material replacement costs, the Mexican workforce reorganization, and the regularization of Mexican port facilities taxes covering the periods 1996 to 2006. The 3.3% increase in Mexico from 2006 to 2007 was due to favorable selling prices which exceeded higher raw material and maintenance outage costs. There were minimal volume and mix effects upon revenue. There were also increased costs associated with the Mexican workforce reorganization and the regularization of Mexican port facilities taxes covering prior periods.

The 1.2% increase in Canada for the year ended December 30, 2008 compared with the same period in 2007 was due to favorable selling prices partially offset by unfavorable volume and mix impact on revenue, higher raw material and energy costs, and increased manufacturing costs. The 12.2% increase in Canada from 2006 to 2007 was due to positive volume and mix impacts upon revenue, and lower manufacturing costs including depreciation and amortization expense. Selling prices were essentially flat.

The United States had depreciation and amortization of $30.3 million, $28.4 million, and $25.0 million in 2008, 2007, and 2006, respectively. Canada had depreciation and amortization of $2.2 million, $1.5 million, and $3.7 million in 2008, 2007 and 2006, respectively. Mexico had depreciation and amortization of $20.0 million, $17.5 million, and $17.7 million in 2008, 2007, and 2006, respectively.

Liquidity and Capital Resources

The following table sets forth a summary of the Company’s cash flows for the periods indicated.

(Dollars in millions)	Year Ended December 31,		
	2008	2007	2006
Operating Activities	$ 142.8	$ 43.4	$ 40.9
Investing Activities	(18.5)	(30.5)	(15.6)
Financing Activities	(14.6)	(29.1)	(55.0)

Year Ended December 31, 2008 compared to the Year Ended December 31, 2007

Net cash provided by operating activities was $142.8 million for the year ended December 31, 2008 as compared to $43.4 million for 2007, an increase of $99.4 million. The increase in operating activities cash resulted from a favorable change of $212.7 million in net income partially offset by unfavorable changes of $103.0 million in net working capital, $8.9 million in non-cash items affecting net income, and $1.4 million in non-current accounts.

The change in net working capital is a use of cash of $108.2 million in 2008 compared to a use in 2007 of $5.2 million, an increase in the use of cash of $103.0 million. The increased use of cash is due to higher selling prices which increased accounts receivable balances, higher quantities and raw material costs increasing inventory values without any compensating increase in accounts payable due primarily to advance payments with raw material suppliers to ensure timely deliveries. Decreased current liabilities and accounts payable, and increased other current assets also added to the increased use of cash in 2008. During the fourth quarter of 2008, the company made a significant estimated tax payment in Mexico due to the high Mexican income for 2008.

Total inventories increased $66.6 million from December 2007 levels as the result of increased raw material costs, higher quantities of raw materials purchased prior to January 1, 2009 price increases and increased on-hand GTSP inventory due to reduced fertilizer demand. Days of inventory on hand increased 32 days as a result. The following chart shows its historical performance:

	2008	2007	2006
Inventory Days on Hand	93	61	57

Net cash used for investing activities was $18.5 million for the year ended December 31, 2008, compared to $30.5 million for 2007, a decrease in the use of cash of $12.0 million. This was mainly due to $13.8 million lower capital spending related to the 2007 cogeneration project in Coatzacoalcos, Mexico, and $2.1 million lower spending for the purchase in 2007 of certain assets from Rhodia related to the early cancellation of our 2004 ten-year "pharma" sales agency agreement. This was partially offset by an increase in capital spending of $3.9 million in all other projects.

Net cash used for financing activities for the year ended December 31, 2008, was a use of $14.6 million, compared to a use of $29.1 million in 2007, a decrease in the use of cash of $14.5 million. This was primarily due to $18.5 million lower Term Loan principal payments and $1.1 million tax benefits from stock option exercises, partially offset by $1.3 million higher dividend payments, $0.4 million lower proceeds from stock option exercises, and $3.4 million less for the bond refinancing done in 2007.

Year Ended December 31, 2007 compared to the Year Ended December 31, 2006

Net cash provided by operating activities was $43.4 million for the year ended December 31, 2007 as compared to $40.9 million for 2006, an increase of $2.5 million. The increase in operating activities cash resulted from a favorable change of $27.3 million in net income, partially offset by unfavorable changes of $10.9 million in non-cash items affecting net income, $10.0 million change in net working capital, and $3.9 million change in non-current accounts.

Non-cash items affecting net income were unfavorable by $10.9 million in 2007 primarily due to our election to pay cash interest on the Floating Rate Senior Notes (instead of making interest payments "in kind"), the April 2007 refinancing of those notes to solely cash paying notes, and lower deferred financing expense, partially offset by increased depreciation expense and decreased benefit from deferred taxes.

Changes in non-current accounts had an unfavorable impact on cash of $3.9 million. This was mainly due to increased long term liabilities in 2006 which were mostly pension related, partially offset by a favorable movement in other comprehensive income.

The change in net working capital was a use of cash of $5.1 million in 2007 compared to a source in 2006 of $4.9 million, an increase in the use of cash of $10.0 million. Increases in accounts receivable, inventories, and other current assets exceeded increases in accounts payable and other current liabilities in 2007, leading to the $5.1 million use of cash. This is due in part to higher selling prices, increasing accounts receivable balances and high raw material costs increasing both inventory and accounts payable.

Total inventories increased $8.6 million from December 2006 levels as the result of higher raw material costs. Days of inventory on hand increased 4 days as a result. The following chart shows its historical performance:

	2007	2006	2005
Inventory Days on Hand	61	57	63

The Company and the Union in Mexico reached an agreement, which was ratified by the Union on March 27, 2007. As a result, the Company paid approximately $0.9 million for the severance and benefits for the elimination of 27 personnel and approximately $0.5 million for benefit reductions for continuing employees, all in the second quarter of 2007.

Net cash used for investing activities was $30.5 million for the year ended December 31, 2007, compared to $15.6 million for 2006, an increase in the use of cash of $14.9 million. This was mainly due to increased capital spending related to the cogeneration project in Coatzacoalcos, Mexico, and the purchase of assets from Rhodia related to the early cancellation of the pharma sales agency agreement. As of December 31, 2007, we expended $14.5 for the cogeneration project which remained on budget and on schedule.

Net cash used for financing activities for the year ended December 31, 2007, was a use of $29.1 million, compared to a use of $55.0 million in 2006, a decrease of $25.9 million. This was primarily due to $38.4 million less Term Loan principal payments made in 2007 versus 2006, and $12.9 million of regular quarterly dividends paid on the Common Stock during 2007.

Indebtedness

Total debt was $382.5 million as of December 31, 2008. Short term and long term debt net of cash was $257.2 million as of December 31, 2008, a decrease of $111.6 million, or 30% from December 31, 2007. Total debt comprised borrowings of $126.5 million of Term Loan under our bank senior credit facility, $190.0 million Senior Subordinated Notes due 2014, and $66.0 million Senior Unsecured Notes due 2012. In addition, as part of our bank senior credit facility, we also have a $50.0 million revolving credit line, of which up to $20.0 million may be used for letters of credit.

Funds are available for continuous borrowing under our senior credit facility revolving credit line, subject to satisfaction of certain conditions (including the absence of intervening material adverse effects as defined) and the absence of default. We expect that our primary liquidity requirements will be for debt service, capital expenditures and working capital. As of December 31, 2008, $47.6 million remained available under the revolving credit facility to finance working capital needs, as there were no amounts outstanding except for $2.4 million issued under our letter of credit sub-facility. The commitments under the revolving credit line will expire on August 31, 2009 and, although we expect to seek a new facility, immediate replacement of the current facility cannot be assured given the state of the current credit market. While the commitments remain in effect, we are permitted to repay revolving credit loans and reborrow amounts that are repaid up to the amount of the revolving credit commitment then in effect, subject to the debt agreement provisions. The outstanding amount of the Term Loan (at year end 2008) is repayable by its terms in quarterly installments of approximately $0.3 million through September 30, 2009 and four quarterly installments of approximately $18.0 million thereafter with final payment due August 13, 2010. The interest rate on the borrowings under the senior credit facility is predicated upon the absence of any Events of Default under the facility. As of December 31, 2008, no Events of Default had occurred under the facility and we believe we were in compliance with our covenants under the facility.

In February 2008, Innophos Mexicana, one of our subsidiaries, secured a $6.0 million letter of credit facility for suppliers under contractual arrangements.

As indicated elsewhere, the current recommendation of management and the policy of our Board of Directors is to pay a quarterly dividend on our Common Stock at an annual rate of $0.68 per share. That policy may change and is subject to numerous conditions and variables. See the section entitled “Dividends” in Item 5 of this Form 10-K.

The Company is required within five days from the issuance of the 2008 annual financial statements to make a prepayment of the term loan in an amount equal to 50% of the excess cash flow (as defined in our credit agreement) in addition to the quarterly principal payments. As such, as of December 31, 2008 $72.6 million is classified as the current portion of long term debt which represents $53.7 million for the 2008 excess cash flow requirement plus the 2009 required principal payments.

In addition to the estimated excess cash flow payment described above, the Company will have increased working capital needs during the first half of 2009 when raw material prices reset. Similar to 2008, the Company expects to draw on cash in the first half and build cash in the second half of 2009. We believe that on-hand cash combined with cash generated from operations will be sufficient to meet our obligations such as debt service, tax payments, capital expenditures and working capital requirements for at least the next twelve months. We expect to fund all these obligations through our existing cash and our future operating cash flows. Our current business plans support these operating needs, including our scheduled repayments of debt in accordance with the terms of those agreements. However, future operating performance is subject to prevailing economic and competitive conditions and other factors that are uncertain. If the cash flows and other capital resources available to the Company are insufficient to fund our debt and other liquidity needs, the Company may have to take alternative actions that differ from the Company’s current operating plan. Included in these actions would be to replace our existing revolving credit facility which expires August 31, 2009 with a new revolving credit facility.

Innophos and its subsidiaries and affiliates may from time to time seek to acquire or otherwise retire outstanding debt (including publicly issued debt) through open market purchases, privately negotiated transactions, tender offers, exchanges or otherwise. Debt repurchases or exchanges, if any, will depend on prevailing market conditions, Company liquidity requirements, restrictive financial covenants and other factors applicable at the time. The amounts involved may be material.

Capital Expenditures

We spent $18.5 million in 2008 on projects that were capitalized. Additionally, we spent $32.8 million in 2008 on maintenance projects that were expensed during the year. Of this $32.8 million, $1.3 million was related to planned major non-annual maintenance expenses. These amounts compare to $28.4 million of 2007 capitalized projects and $31.4 million of maintenance projects that were expensed during the year of which $5.4 million was related to planned major non-annual maintenance. We expect our capital expenditures to continue to run below depreciation levels.

Contractual Obligations and Commercial Commitments

The following table sets forth our long-term contractual cash obligations as of December 31, 2008 (dollars in thousands):

Contractual Obligations	Total	2009	2010	2011	2012	2013	Thereafter
	Years ending December 31,						
Senior credit facility (1)	$ 126,500	$ 72,613	$ 53,887	$ —	$ —	$ —	$ —
2004 Senior Subordinated Notes Due 2014 (2)	284,852	16,863	16,862	16,863	16,862	16,863	200,539
Future service pension benefits	7,748	444	526	581	657	730	4,810
Other (3)	812,085	95,701	83,540	83,540	83,540	83,540	382,224
Operating leases	16,922	4,408	3,573	2,960	2,096	1,450	2,435
Senior Unsecured Notes Due 2012 (4)	87,945	6,270	6,270	6,270	69,135	—	—
Total	$ 1,336,052	$ 196,299	$ 164,658	$ 110,214	$ 172,290	$ 102,583	$ 590,008

(1) Amounts do not include variable rate interest payments, any voluntary principal prepayments, and excess cash flow requirements as defined by the credit agreement. Estimated annual interest payments would be approximately $4.5 million assuming a 3.5% interest rate. The Company made principal payments of $0.5 million on March 29, 2008, June 30, 2008, September 30, 2008 and December 30, 2008, respectively, on the Term Loan. Amounts exclude the $50.0 million revolving portion of the senior credit facility which has issued approximately $2.4 million of letters of credit under the sub-facility which reduces the available credit to $47.6 million as of December 31, 2008. As of December 31, 2008 $72.6 million is classified as the current portion of long term debt which represents $53.7 million for the 2008 excess cash flow requirement plus the 2009 required principal payments.

(2) Amounts include fixed rate interest payments at 8.875% for years 2009 and thereafter.

(3) Represents minimum annual purchase commitments to buy raw materials and 2009 energy commitments from suppliers.

(4) Represents the $66.0 million 9.5% Senior Unsecured Notes due 2012 which were issued on April 16, 2007. Amounts include fixed rate interest payments at 9.5% for years 2009 and thereafter.

Critical Accounting Estimates and Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. On an ongoing basis, we evaluate our estimates, including those related to allowance for bad debts, the recoverability of long-term assets such as goodwill and intangible assets, depreciation and amortization periods, income taxes, commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Claims and Legal Proceedings

The categories of asserted or unasserted claims for which the Company has estimated a probable liability and for which amounts are estimable are critical accounting estimates. Please refer to the section entitled "Commitments and Contingencies" (contained in Note 16) of Item 8 for additional information about such estimates.

Deferred Taxes

Deferred taxes are accounted for by recognizing deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements. Accordingly, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Deferred tax assets are assessed for recoverability and a valuation allowance is considered necessary if it is more likely than not that some portion or all of the net deferred tax assets will not be realized. We continue to analyze our current and future profitability and probability of the realization of our net deferred tax assets in future periods. Please refer to the section entitled "Income Taxes" (contained in Note 15) for additional information regarding deferred taxes.

Valuation of Goodwill and Long-Lived Assets

Goodwill represents the excess of the acquisition cost over the fair value of net assets of the businesses acquired. SFAS No. 142, "*Goodwill and Other Intangible Assets*," requires periodic tests of the impairment of Goodwill. SFAS No. 142 requires a comparison, at least annually, of the net book value of the assets and liabilities associated with a reporting unit, including goodwill, with the fair value of the reporting unit, which corresponds to the discounted cash flows of the reporting unit, in the absence of an active market. When this comparison indicates that impairment must be recorded, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of these assets. The annual goodwill impairment review is conducted during the fourth quarter of each year.

Fair values for goodwill testing are estimated using a discounted cash flow approach. Significant estimates in the discounted cash flow approach include the cash flow forecasts for each of our reporting units (Mexico, U.S. and Canada), the discount rate and the terminal value. The five year cash flow forecasts of the reporting units is based upon managements best estimate at the date of the assessment, which incorporates managements long-term view of selling prices and sales volumes for the Company's products, market conditions for key raw materials and energy, and our operating cost structure. The discount rate used by the Company is consistent with our industry's weighted average cost of capital. The aggregated fair value of our reporting units was reconciled to our market capitalization at the date of the assessment plus a suitable control premium. Our market capitalization during fourth quarter of 2008 exceeded the book value of our equity. The terminal value is determined by applying each reporting unit business growth factors, which are in-line with longer term historical growth rates, to the latest year for which a forecast exists. Given the current economic environment and uncertainties regarding the impact on the Company's business, including but not limited to market conditions impacting our selling prices, sales volumes, and raw material costs, the ultimate resolution of our phosphate rock arbitration, and other factors there can be no assurance that the Company's estimates and assumptions used in the goodwill impairment analysis will prove to be accurate predictions of the future. Any significant changes in assumptions will impact the goodwill impairment analysis which may result in goodwill impairment charges in future periods. Based on those valuations, we determined that the fair values of our reporting units exceeded their carrying values and no goodwill impairment charge was required during the fourth quarter.

In light of the difficult economic conditions for our Mexican operations, which experienced a sudden reduction in volumes partially attributable to expected reduced demand from its largest customer, we reassessed our assumptions for the goodwill impairment analysis for this reporting unit. We have considered this impact in our assessment of fair value for that reporting unit and based on our current projections we continue to believe the Mexican reporting unit's fair value exceeds its carrying value. However, additional significant declines in volumes, declines in selling prices or increased raw material costs above our current projections may result in goodwill impairment charges for this reporting unit in the future.

Long-lived assets including property, plant and equipment and amortized intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the undiscounted future cash flows expected to be generated by the asset or asset group. When this comparison indicates that impairment must be recorded, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of these assets. Impairments to long-lived assets to be disposed of are recorded at the lower of the carrying amount or fair value less costs to sell. The determination whether or not these assets are impaired and the corresponding useful lives of these long-lived assets requires significant judgment. As a result of the expected declines in volumes in our Mexican operation as described above, the Company completed an impairment analysis for certain of its long lived assets during the fourth quarter of 2008 and, based on the undiscounted cash flows, no asset impairment charges were recorded. The development of undiscounted future cash flow projections require management estimates related to forecasted sales and expected costs trends. To the extent that changes in the current business conditions occur or other management decisions are made that result in adjusted management projections or alternative use of the assets, impairment losses or accelerated depreciation may occur in future periods. On February 25, 2009, the Company has entered into a letter of intent with Quimir, a subsidiary of Mexichem, to toll manufacture STPP for Innophos to lower our production costs. If this arrangement is finalized the Company may temporarily idle its Coatzacoalcos STPP unit and associated assets which have a carrying value of approximately $6.3 million, and therefore, could trigger an asset impairment charge for those assets in 2009.

Stock-Based Compensation Expense

Our compensation programs can include share-based payments. The primary share-based awards and their general terms and conditions are as follows:

- Stock options, which entitle the holder to purchase, after the end of a vesting term, a specified number of shares of Innophos common stock at an exercise price per share set equal to the market price of Innophos common stock on the date of grant.

- Restricted stock grants, which entitle the holder to receive, at the end of each vesting term, a specified number of shares of Innophos common stock, and which also entitle the holder to receive dividends paid on such grants throughout the vesting period.
- Performance share awards which entitle the holder to receive, at the end of a vesting term, a number of shares of Innophos common stock, within a range of shares from zero to a specified maximum, calculated using a three year future average return on invested capital (i.e. the three year period 2008-2010 for a 2007 award) as defined solely by reference to the Company's own activities. Dividends will accrue over the vesting period and are paid on performance share awards when fully vested.
- Annual Board of Directors stock retainer grants, which entitle external members of the Board to receive a number of shares of the Company's common stock equal to the annual retainer value.

The fair value of the options granted during 2008 and 2007 was determined using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes option-pricing model were as follows:

Non-qualified stock options	**Year Ended December 31, 2008**	**Year Ended December 31, 2007**
Expected volatility	36.8%	36.8%
Dividend yield	4.6%	4.5%
Risk-free interest rate	3.4%	4.2%
Expected term	6 years	6 years
Weighted average grant date fair value of stock options	$ 4.52	$ 3.97

Since Innophos Holdings, Inc. is a newly public entity and has limited historical data on the price of its publicly traded shares, the expected volatility for the valuation of its stock options and performance shares was based on peer group historical volatility data equaling the expected term. The expected term for the stock options is based on the simplified method as prescribed by Staff Accounting Bulletin No. 107 and Staff Accounting Bulletin No. 110 (SAB 107 / SAB 110) since the Company has limited data on the exercises of stock options. These stock options qualify as "plain vanilla" stock options as outlined in SAB 107 / SAB 110. The dividend yield is the expected annual dividend payments divided by the average stock price up to the date of grant. The risk-free interest rates are derived from the U.S. Treasury securities in effect on the date of grant whose maturity period equals the options expected term. The Company applies an expected forfeiture rate to stock-based compensation expense. The estimate of the forfeiture rate is based primarily upon historical experience of employee turnover. As actual forfeitures become known, stock-based compensation expense is adjusted accordingly.

In October 2006, the Company's Board of Directors awarded 173,568 shares of restricted Common Stock with a fair value of $2.1 million to certain executive officers. These awards were classified as equity awards, vested over nine quarters in equal installments of 11.11% per quarter and became fully vested by January 1, 2009 for those executives who remained employed by the Company. The related compensation expense is based on the public offering price of $12. The compensation expense is amortized on a straight-line basis over the requisite service period. The Company recognized approximately $0.9 million, $0.9 million and $0.2 million of compensation expense in 2008, 2007 and 2006, respectively.

Pension and Post-Retirement Costs / Post-Employment Plan (Mexico)

The Company maintains both noncontributory defined benefit pension plans and defined contribution plans that together cover all U.S. and Canadian employees.

In the United States, salaried and hourly employees are covered by a defined contribution plan with a 401(k) feature. The plan provides for employee contributions, company matching contributions, and an age-weighted annual company contribution to eligible employees. Union-represented hourly employees, at our Nashville site, are covered by a traditional defined benefit plan providing benefits based on years of service and final average pay. On April 26, 2007, the Company and the Union for the hourly employees at our Nashville facility agreed that it would freeze its defined benefit pension plan (the "Plan") as of August 1, 2007. The accrual of additional benefits or increase in the current level of benefits under the Plan ceased as of August 1, 2007, after which the Nashville union employees now participate in the Company's existing non contributory defined contribution benefit plan. All plans were established by Innophos in 2004.

In Canada, salaried employees are covered by defined contribution plans which provide for company contributions as a percent of pay, employee contributions, and company matching contributions. Union-represented hourly employees are covered by a defined benefit plan providing benefits based on a negotiated benefit level and years of service.

Our pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate and the expected long-term rate on plan assets. These assumptions require significant judgment and material changes in our pension and postretirement benefit costs may occur in the future due to changes in these assumptions, changes in levels of benefits provided, and changes in asset levels. Such assumptions are based on benchmarks obtained from third party sources.

As a sensitivity measure, the effect of a 25 basis-point decrease in our discount rate assumption would increase our net periodic benefit cost for our pension and post-retirement plans by approximately $48. A 1% decrease in our expected rate of return on plan assets would increase our pension plan expense by $97.

Recently Issued Accounting Standards

New accounting standards effective in 2008 are described in the Recent Accounting Pronouncements section in Note 1 to the financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks as part of our ongoing business operations. Primary exposures include changes in interest rates, as borrowings under our senior credit facility will bear interest at floating rates based on LIBOR or the base rate, in each case plus an applicable borrowing margin. We manage our interest rate risk by balancing the amount of fixed-rate and floating-rate debt to the extent practicable consistent with our credit status. For fixed-rate debt, interest rate changes do not affect earnings or cash flows. Conversely, for floating-rate debt, interest rate changes generally affect our earnings and cash flows, assuming other factors are held constant.

At December 31, 2008, we had $256.0 million principal amount of fixed-rate debt and a maximum of $176.5 million of available floating-rate debt, including $50.0 million under our revolving credit facility. The Company's revolving credit facility expires on August 31, 2009 and renewal or extension of our revolving credit facility is uncertain given the state of the current credit market. Based on $126.5 million outstanding borrowings as floating rate debt under our senior credit facility, an immediate increase of one percentage point would cause an increase to cash interest expense of approximately $1.3 million per year.

Changes in economic conditions could result in higher interest rates, thereby increasing our interest expense and other operating expenses and reducing our funds available for capital investment, operations or other purposes. In addition, a substantial portion of our cash flow must be used to service debt, which may affect our ability to make future acquisitions or capital expenditures. We may from time to time use interest rate protection agreements to minimize our exposure to interest rate fluctuation. Regardless of hedges, we may experience economic loss and a negative impact on earnings or net assets as a result of interest rate fluctuations.

We do not currently hedge our commodity or currency rate risks. In April 2006, we entered into an interest rate cap derivative instrument with a notional amount of $100 million with a rate cap of 7%, with a referenced index based on a three month LIBOR expiring in April 2009.

We believe that our concentration of credit risk related to trade accounts receivable is limited since these receivables are spread among a number of customers and are geographically dispersed. Our largest customer represented 11.1% of our 2008 sales, otherwise no other customer accounted for more than 10% of our sales in the last 3 years.

We have purchased forward natural gas contracts which require us to purchase a portion of our monthly natural gas usage requirements at a fixed price. These contracts are for periods September 2008 through December 2009, and apply to our U.S., Canadian and Mexican facilities.

Foreign Currency Exchange Rates

The U.S. Dollar is the functional currency of the Canadian and Mexican operations. Accordingly, these operations' monetary assets and liabilities are translated at current exchange rates, non-monetary assets and liabilities are translated at historical exchange rates, and revenue and expenses are translated at average exchange rates and at historical exchange rates for the related revenue and expenses of non-monetary assets and liabilities. All transaction gains and losses are included in net income.

Our principal source of exchange rate exposure in our foreign operations consists of expenses, such as labor expenses, which are denominated in the foreign currency of the country in which we operate. A decline in the value of the U.S. Dollar relative to the local currency would generally cause our operational expenses (particularly labor costs) to increase (conversely, a decline in the value of the foreign currency relative to the U.S. Dollar would cause these expenses to decrease).

We believe that normal exchange rate fluctuations consistent with recent historical trends would have a modest impact on our expenses, and would not materially affect our financial condition or results of operations. Nearly all of our sales are denominated in U.S. Dollars and our exchange rate exposure in terms of sales revenues is minimal.

Inflation and changing prices

Our costs and expenses will be subject to inflation and price fluctuations. Significant price fluctuations in raw materials, freight, and energy costs, if not compensated for by cost savings from production efficiencies or price increases passed on to customers could have a material effect on our financial condition and results of operations. Refer to Risk Factors for further discussions on raw materials availability and pricing.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as “structured finance or special purpose entities”, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control framework and processes are designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements in accordance with United States generally accepted accounting principles.

As of December 31, 2008, management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework.* Based on the assessment, the management concluded that, as of December 31, 2008, the Company's internal control over financial reporting is effective.

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.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Innophos Holdings, Inc:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Innophos Holdings, Inc. and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (b) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2008 and 2007). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

PricewaterhouseCoopers LLP
Florham Park, New Jersey
March 11, 2009

INNOPHOS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(Dollars in thousands, except per share amounts, share amounts or where otherwise noted)

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 125,328	$ 15,661
Accounts receivable, net	79,541	60,079
Inventories	145,310	78,728
Other current assets	40,184	18,384
Total current assets	390,363	172,852
Property, plant and equipment, net	230,422	260,563
Goodwill	51,706	47,268
Intangibles and other assets, net	55,713	62,016
Total assets	$ 728,204	$ 542,699
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 72,613	$ 1,328
Accounts payable, trade and other	26,359	36,444
Other current liabilities	44,482	45,380
Total current liabilities	143,454	83,152
Long-term debt	309,887	383,172
Other long-term liabilities	32,103	31,671
Total liabilities	$ 485,444	$ 497,995
Commitments and contingencies (note 16)		
Common stock, par value $.001 per share; authorized 100,000,000 shares; issued and outstanding 21,091,399 and 20,866,891 shares	21	21
Paid-in capital	95,571	97,729
Retained earnings (deficit)	149,192	(50,775)
Other comprehensive loss	(2,024)	(2,271)
Total stockholders' equity	242,760	44,704
Total liabilities and stockholders' equity	$ 728,204	$ 542,699

See notes to consolidated financial statements

INNOPHOS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Dollars in thousands, except per share amounts, share amounts or where otherwise noted)

	Year Ended December 31,		
	2008	2007	2006
Net sales	$ 934,758	$ 578,982	$ 541,797
Cost of goods sold	570,176	474,785	449,516
Gross profit	364,582	104,197	92,281
Operating expenses:			
Selling, general and administrative	63,417	54,441	59,598
Research & Development Expenses	2,310	2,047	1,734
Total operating expenses	65,727	56,488	61,332
Operating income	298,855	47,709	30,949
Interest expense, net	34,193	41,559	58,242
Foreign exchange (gains)/losses	2,663	40	(162)
Other expense (income), net	(386)	(299)	(228)
Income (loss) before income taxes	262,385	6,409	(26,903)
Provision for income taxes	55,202	11,896	5,914
Net income (loss)	$ 207,183	(5,487)	(32,817)
Preference distribution to Class L shareholders			1,605
Net loss attributable to Class A shareholders			(26,546)
Net income (loss) attributable to common shareholders	$ 207,183	$ (5,487)	$ (7,876)
Per Share Data (see Note 12):			
Income (Loss) Per Share:			
Basic			
Class A			$ (2.77)
Class L			$ 0.60
Common	$ 9.91	$ (0.27)	$ (0.39)
Diluted			
Class A			$ (2.77)
Class L			$ 0.60
Common	$ 9.54	$ (0.27)	$ (0.39)
Weighted Average Shares Outstanding:			
Basic			
Class A			9,595,061
Class L			2,677,648
Common	20,908,456	20,676,859	20,270,463
Diluted			
Class A			9,595,061
Class L			2,677,648
Common	21,718,541	20,676,859	20,270,463

See notes to consolidated financial statements

INNOPHOS HOLDINGS, INC. AND SUBSIDIARIES

Statements of Stockholders' Equity and Other Comprehensive Income (Loss)
(Dollars and shares in thousands)

	Number of								
	Common Shares	Class A Shares	Class L Shares	Common Stock	Retained Earnings (Deficit)	Paid-in Capital	Officer Loans	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance, December 31, 2005	—	9,598	2,678	$ 12	$ (12,471)	$ 24,636	$ (36)	$ (1,355)	$ 10,786
Net loss					(32,817)				(32,817)
Change in minimum pension liability, (net of tax $145)								270	270
Other comprehensive (loss), net of tax									(32,547)
Adoption of SFAS No. 158, (net of tax $135)								(2,731)	(2,731)
Retirement of Class A shares		(5)							—
Retirement of Class L shares			(1)						—
Share conversion Class A		(9,593)							—
Share conversion Class L			(2,677)						—
Share conversion of single class common shares	12,270								—
Proceeds from initial public offering	8,000			8		87,162			87,170
Stock-based compensation						231			231
Repayment of officer loan							36		36
Dividends declared ($0.11 per share)						(2,233)			(2,233)
Balance, December 31, 2006	20,270	—	—	$ 20	$ (45,288)	$ 109,796	$ —	$ (3,816)	$ 60,712
Net loss					(5,487)				(5,487)
Change in pension and post-retirement plans, (net of tax $243)								1,545	1,545
Other comprehensive (loss), net of tax									(3,942)
Adjustment to initial public offering expenses						125			125
Proceeds from exercise of stock options and restricted stock	597			1		950			951
Stock-based compensation						1,077			1,077
Dividends declared ($0.68 per share)						(14,219)			(14,219)
Balance, December 31, 2007	20,867	—	—	$ 21	$ (50,775)	$ 97,729	$ —	$ (2,271)	$ 44,704
Net income					207,183				207,183
Change in pension and post-retirement plans, (net of tax $144)								247	247
Other comprehensive income, net of tax									207,430
Proceeds from exercise of stock options and restricted stock	207					542			542
Issuance of annual retainer stock to external Board of Directors	17								—
Stock-based compensation						3,467			3,467
Excess tax benefits from exercise of stock options						1,108			1,108
Dividends declared ($0.68 per share)					(7,216)	(7,275)			(14,491)
Balance, December 31, 2008	21,091	—	—	$ 21	$ 149,192	$ 95,571	$ —	$ (2,024)	$ 242,760

See notes to consolidated financial statements

INNOPHOS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31,		
	2008	2007	2006
Cash flows from operating activities			
Net income (loss)	$ 207,183	$ (5,487)	$ (32,817)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	52,507	47,486	46,443
Amortization of deferred financing charges	2,726	4,643	6,669
Deferred income tax benefit	(12,105)	(1,807)	(3,673)
Deferred profit sharing	(3,258)	800	217
Non-cash interest for floating rate senior notes	—	—	13,176
Stock based compensation	3,467	1,077	231
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivable	(19,462)	(3,763)	(474)
(Increase)/decrease in inventories	(66,582)	(8,159)	5,712
(Increase)/decrease in other current assets	(11,116)	(2,645)	8,957
(Decrease)/increase in accounts payable	(10,085)	5,565	2,461
(Decrease)/increase in other current liabilities	(934)	3,861	(11,787)
Changes in other long-term assets and liabilities	453	1,870	5,822
Net cash provided from operating activities	142,794	43,441	40,937
Cash flows used for investing activities:			
Capital expenditures	(18,536)	(28,356)	(15,577)
Purchase of assets	—	(2,120)	—
Net cash used for investing activities	(18,536)	(30,476)	(15,577)
Cash flows from financing activities:			
Proceeds from share capital issue	—	—	87,169
Proceeds from exercise of stock options	542	950	—
Proceeds from issuance of senior unsecured notes	—	66,000	—
Principal payments of floating rate senior note	—	(60,800)	(83,272)
Principal payments of term-loan	(2,000)	(20,500)	(58,900)
Deferred financing costs	—	(1,815)	—
Excess tax benefits from exercise of stock options	1,108	—	—
Dividends paid	(14,241)	(12,899)	—
Net cash used for financing activities	(14,591)	(29,064)	(55,003)
Net change in cash	109,667	(16,099)	(29,643)
Cash and cash equivalents at beginning of period	15,661	31,760	61,403
Cash and cash equivalents at end of period	$ 125,328	$ 15,661	$ 31,760

See notes to consolidated financial statements

INNOPHOS HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share amounts, share amounts or where otherwise noted)

1. Basis of Statement Presentation:

Summary of Significant Accounting Policies

Fiscal Year

Our fiscal year end is December 31.

Description of Business and Principles of Consolidation

Innophos is a leading North American producer of specialty phosphates. Many specialty phosphates are application-specific compounds engineered to meet customer performance requirements. Specialty phosphates are often critical to the taste, texture and performance of foods, beverages, pharmaceuticals, oral care products and other applications. For example, specialty phosphates act as flavor enhancers in beverages, electrolytes in sports drinks, texture additives in cheeses, leavening agents in baked goods, calcium and phosphorus sources for nutritional supplements, pharmaceutical excipients and cleaning agents in toothpaste.

Innophos Holdings, Inc. is the parent of Innophos Investments Holdings, Inc., which owns 100% of Innophos, Inc; all are incorporated under the laws of the State of Delaware. On June 10, 2004, Innophos, Inc. entered into a definitive purchase and sale agreement with affiliates of Rhodia to acquire certain assets and equity interests related to Rhodia's North American specialty phosphates business, referred to herein as the Phosphates Business. The acquisition of the Phosphates Business from Rhodia, referred to herein as the "Acquisition", was consummated on August 13, 2004, at a closing purchase price of $473.4 million. A working capital dispute relating to the August 13, 2004 closing balance sheet was settled in June 2007 with no further adjustment to the closing purchase price.

Innophos Investments Holdings, Inc.

Innophos Investments Holdings, Inc., ("Investments Holdings") reorganized under commonly controlled entities, was incorporated on January 31, 2005 and is a wholly owned subsidiary of Innophos Holdings, Inc. On February 2, 2005, Innophos Holdings, Inc. contributed 100% of its interest in Innophos, Inc. to Innophos Investments Holdings, Inc. which resulted in the exchange of 1,000 shares of Innophos, Inc. for 297 shares of Innophos Investments Holdings, Inc. On February 10, 2005, Innophos Investments Holdings, Inc. offered $120 million of floating rate senior notes with a maturity of February 15, 2015. The use of the net proceeds from this note offering was a distribution to Innophos Holdings, Inc. which in turn made a distribution to its stockholders. The notes have subsequently been paid in full as of May 17, 2007 (see Note 9).

Initial Public Offering

In November 2006, the Company completed an initial public offering , or IPO, in which the Company sold 8,000,000 issued shares of Common Stock at the price of $12.00 per share (before underwriting discounts and commissions). Prior to that offering, our capital structure was revised to convert two previously outstanding classes of common stock into our current single class Common Stock and was also modified by a reverse stock split affecting the then outstanding shares. Prior to the offering, there was no established trading market for our equity securities. The shares and earnings per share calculations have been retro-actively adjusted for all periods presented to reflect the reverse stock split (see Notes 11 and 12).

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires the use of judgments and estimates made by management. Actual results could differ from those estimates. Some of the more significant estimates pertaining to the Company include accruals for contingencies, distributor incentives and rebates, the valuation of inventories, the allowance for doubtful accounts, income tax valuation allowances, the recoverability of long-lived assets and goodwill analysis. Management routinely reviews its estimates and assumptions utilizing currently available information, changes in facts and circumstances, and historical experience.

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts

Trade accounts receivable is recorded at the invoiced amount and does not bear interest. The collectibility of accounts receivable is evaluated based on a combination of factors. Allowances for doubtful accounts are recorded based on the length of time the receivables are past due and historical experience. In circumstances when it is probable that a specific customer is unable to meet its financial obligations, an allowance is recorded against amounts due to reduce the receivable to the amount that is reasonably expected to be collected.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined on the basis of the first-in, first-out method. These costs include raw materials, direct labor, manufacturing overhead and depreciation. Spare parts are included in inventory and are initially recorded at cost.

Inventories, including spare parts, are evaluated for excess quantities, obsolescence or shelf-life expiration. This evaluation includes an analysis of historical sales levels by product and projections of future demand. To the extent management determines there are excess, obsolete or expired inventory quantities, valuation reserves are recorded against all or a portion of the value of the related products with the appropriate charge to cost of goods sold.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major renewals and improvements are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. The cost and related accumulated depreciation of all property, plant and equipment retired or otherwise disposed of are eliminated from the accounts and any resulting gain or loss is reflected in net income. Interest is capitalized in connection with the construction of major renewals and improvements. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets, ranging from ten to forty years for buildings and improvements, and three to twenty years for machinery and equipment. Leasehold improvements are amortized over the lease term or the estimated useful life of the improvement, whichever is less.

Long-Lived Assets

Long-lived assets including property, plant and equipment and amortized intangible assets are evaluated and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the undiscounted future cash flows expected to be generated by the asset or asset group. When this comparison indicates that impairment must be recorded, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of these assets. Impairments to long-lived assets to be disposed of are recorded at the lower of the carrying amount or fair value less costs to sell.

Our asset retirement obligations policy is consistent with Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations", or SFAS No. 143, which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and normal operations of a long-lived asset. SFAS No. 143 requires the recognition of the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of the fair value can be made. The associated asset retirement cost is then capitalized as part of the carrying value of the long-lived asset and subsequently charged to expense over the asset's useful life.

Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net assets of businesses acquired. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", or SFAS No. 142, replaces the amortization of goodwill and indefinite-lived intangible assets with the replacement of periodic tests of the impairment of these assets. SFAS No. 142 requires a comparison, at least annually, of the net book value of the assets and liabilities associated with a reporting unit, including goodwill, with the fair value of the reporting unit, which corresponds to the discounted cash flows of the reporting unit, in the absence of an active market for such unit. The Company's annual impairment test for goodwill occurs during the fourth quarter of each year.

Other Intangible Assets

Other intangible assets, which consist of developed technology, customer relationships, tradenames, a non-compete agreement, patents, licenses and software, are amortized on a straight-line basis over their estimated useful lives. For capitalized software the amortization period is three to five years; all other identifiable intangibles amortization period is up to twenty years.

External direct costs in developing or obtaining internal use computer software and payroll, and payroll-related costs for employees dedicated solely to the project, to the extent of the time spent directly on the project and which they meet the requirements of SOP 98-1, are capitalized.

Revenue Recognition

Revenues from sales of products are recognized when delivery has occurred and title and risk of loss passes to the customer. In the United States and Canada, the Company records estimated reductions to revenue for distributor incentives and customer incentives such as rebates, at the time of the initial sale. The estimated reductions are based on the sales terms, historical experience and trend analysis. Accruals for distributor incentives are reflected as a direct reduction to accounts receivable and accruals for rebates are recorded as accrued expenses. This analysis requires significant amount of judgment from management. Changes in the assumptions used to calculate these estimates or changes resulting from actual results are recorded against revenue in the period in which the change occurs.

Shipping and Handling Fees and Costs and Advertising Expenses

Shipping and handling fees and costs invoiced to customers are included in Net sales. Shipping and handling fees and costs incurred by the Company are included in Cost of goods sold. Advertising expenses, which are not significant, are expensed as incurred.

Foreign Currency Translation

The U.S. dollar is the functional currency of the Canadian and Mexican operations. Accordingly, these operations monetary assets and liabilities are translated at current exchange rates, non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses related to monetary assets and liabilities are translated at average exchange rates and at historical exchange rates for the related revenue and expenses of non-monetary assets and liabilities. All translation gains and losses are included in net income.

Research and Development Expenses

Research and development expenditures, including expenditures relating to the development of new products and processes and significant improvements and refinements to existing products, are expensed as incurred.

Employee Termination Benefits

The Company does not have a written severance plan for its Mexican operations, nor does it offer similar termination benefits to affected employees in all Mexican restructuring initiatives however, Mexican law requires payment of certain minimum termination benefits. Accordingly, in situations where minimum statutory termination benefits must be paid to the affected employees, the Company records employee severance costs associated with these restructuring activities in accordance with SFAS No. 112, "Employer's Accounting for Postemployment Benefits." The Company does have a written severance plan which is in accordance with SFAS No. 112 for its U.S. and Canadian operations. The Company has no accrued obligation for post-employment benefits for U.S. and Canadian operations because the amount is not probable and reasonably estimated. Charges associated with these activities are recorded when the payment of benefits is probable and can be reasonably estimated. In all other situations where the Company pays out termination benefits, including supplemental benefits paid in excess of statutory minimum amounts and benefits offered to affected employees based on management's discretion, the Company records these termination costs in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities."

The timing of the recognition of charges for employee severance costs depends on whether the affected employees are required to render service beyond their legal notification period in order to receive the benefits. If affected employees are required to render service beyond their legal notification period, charges are recognized ratably over the future service period. Otherwise, charges are recognized when a specific plan has been confirmed by management and required employee communication requirements have been met.

Legal Costs

The Company expenses legal costs as incurred, including those legal costs expected to be incurred in connection with a loss contingency.

Income Taxes

The Company's United States subsidiaries file a consolidated U.S. tax return. The Mexican subsidiaries file separate tax returns and current income taxes receivable or payable are reflected on the accompanying balance sheets. The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases using enacted tax rates applied to those differences.

Deferred tax assets are assessed for recoverability and a valuation allowance is provided if it is more likely than not that the associated tax benefit will not be recognized.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, or FIN 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109." This interpretation prescribes a model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that it has taken or expects to take on a tax return. The Company does not have any material uncertain income tax positions. If any material uncertain tax positions did arise, the Company's policy is to accrue associated penalties in selling, general and administrative expenses and to accrue interest as part of net interest expense. All of the tax years since the Company's inception in 2004 are subject to examination by the Canadian, Mexican and United States revenue authorities. The Company does not anticipate that total unrecognized tax benefits will significantly change prior to December 31, 2009.

Environmental Costs

Environmental liabilities are recorded undiscounted when it is probable that these liabilities have been incurred and the amounts can be reasonably estimated. These liabilities are estimated based on an assessment of many factors, including the amount of remediation costs, the timing and extent of remediation actions required by the applicable governmental authorities, and the amount of the Company's liability after considering the liability and financial resources of other potentially responsible parties. Generally, the recording of these accruals coincides with the assertion of a claim or litigation, completion of a feasibility study or a commitment to a formal plan of action. Anticipated recoveries from third parties are recorded as a reduction of expense only when such amounts are realized. Any insurance receivables would be recorded gross of the estimated liability.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is composed of net income (loss), adjusted for changes in other comprehensive income items such as changes in defined benefit pension plan funded status. In accordance with SFAS No. 130, "Reporting Comprehensive Income", the Company has identified and reported other comprehensive income in stockholders' equity.

Stock Options

In connection with its initial public offering, the Company effected a recapitalization, through an amendment to our certificate of incorporation to declare a reverse stock split to reduce the number of Class A Common Stock and Class L Common Stock and reclassify the Class A Common Stock and the Class L Common Stock to a single class of Common Stock. As a result of the recapitalization, the historical stock option strips originally granted on April 1, 2005 under the Innophos Holdings, Inc. 2005 Stock Option Plan, or 2005 Plan, were converted, as required under the terms of the 2005 Plan, to 1,116,944 stock options of the new class of Common Stock currently outstanding with the same vesting schedule. The exercise price is $2.55 per option. The determination of the fair value of the underlying common stock used to determine the exercise prices for the stock options granted on April 1, 2005 was performed contemporaneously with the issuance of these common stock option grants.

Under the prospective transition method, only new awards (or awards modified, repurchased, or cancelled after the effective date) are accounted for under the provisions of SFAS No. 123(R). The Company will continue to account for the outstanding 2005 Plan awards under APB 25 until they are settled or modified. Upon the adoption of SFAS No. 123(R) and through December 31, 2006 the Company did not modify any existing stock option awards that were granted under SFAS No. 123. See Note 11 for further description of our stock-based compensation programs.

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which for the Company is January 1, 2008. In February 2008, the FASB issued Staff Positions No. 157-1 and No. 157-2 which partially defer the effective date of SFAS No. 157 for one year for certain non-financial assets and liabilities and remove certain leasing transactions from its scope. In October 2008, the FASB issued FSP 157-3 "Determining Fair Value of a Financial Asset in a Market That Is Not Active" (FSP 157-3). FSP 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued.

SFAS No. 157 indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS 157 defines fair value based upon an exit price model. SFAS 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on our consolidated financial position or results of operations. The Company is currently assessing the impact of SFAS No. 157 for non-financial assets and non-financial liabilities on its consolidated financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" (SFAS No. 161). SFAS No. 161 expands quarterly disclosure requirements in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" about an entity's derivative instruments and hedging activities. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008, which for the Company is January 1, 2009. The Company will comply with the additional disclosures upon adoption of SFAS No. 161.

In April 2008, the FASB issued FASB Staff Position (FSP) No. SFAS 142-3, "Determination of the Useful Life of Intangible Assets" (FSP SFAS 142-3). FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). The intent of FSP SFAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141R, "Business Combinations" (SFAS No. 141R) and other applicable accounting literature. FSP SFAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and must be applied prospectively to intangible assets acquired after the effective date. FSP SFAS 142-3 is effective for business combinations and adjustments to an acquired entity's deferred tax asset and liability balances occurring after December 31, 2008.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (FSP EITF 03-6-1). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of SFAS No. 128, "Earnings per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of FSP EITF 03-6-1. Early application is not permitted. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In September 2008, the FASB issued FSP 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161" (FSP 133-1 and FIN 45-4). FSP 133-1 and FIN 45-4 amends and enhances disclosure requirements for sellers of credit derivatives and financial guarantees. It also clarifies that the disclosure requirements of SFAS No. 161 are effective for quarterly periods beginning after November 15, 2008, and fiscal years that include those periods. FSP 133-1 and FIN 45-4 is effective for reporting periods (annual or interim) ending after November 15, 2008. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In November 2008, the FASB ratified EITF Issue No. 08-6, “Equity method Investment Accounting Considerations” (EITF 08-6). EITF 08-6 addresses a number of matters associated with the impact of SFAS No. 141R and SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51,” on the accounting for equity method investments including initial recognition and measurement and subsequent measurement issues. EITF 08-6 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, “Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities” (FSP 140-4 and 46(R)-8). FSP 140-4 and 46(R)-8 requires additional disclosures about transfers of financial assets and involvement with variable interest entities. FSP 140-4 and 46(R)-8 is effective for the first reporting period (annual or interim) ending after December 15, 2008. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations.

In December 2008, the FASB issued FSP 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (FSP 132(R)-1). FSP 132(R)-1 provides guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

2. Related Party Transactions:

In connection with the Acquisition on August 13, 2004, the Company entered into an advisory agreement with Bain Capital. This agreement was for general executive and management services, merger, acquisition and divestiture assistance, analysis of financial alternatives and finance, marketing, human resource and other consulting services. In exchange for these services, Bain Capital received an annual advisory services fee of $2 million plus reasonable out-of-pocket expenses. Additionally, Bain Capital was entitled to transaction fees of 1.0% of the total value of the transaction, plus reasonable out-of-pocket expenses, on the completion of any financing transaction, change in control transaction, material acquisition or divestiture by Holdings or its subsidiaries.

This agreement had a multi-year initial term, and thereafter was subject to automatic one-year extensions unless Holdings or Bain Capital provided written notice of termination; provided, however that if the advisory agreement was terminated due to a change in control or an initial public offering of Innophos prior to the end of its term, then Bain Capital would be entitled to receive the present value of the advisory services fee that would otherwise have been payable through the end of the term. Bain Capital received customary indemnities under the advisory agreement.

On November 7, 2006, the Company terminated its advisory agreement with Bain Capital, as permitted under the agreement upon a consummation of an IPO, and paid Bain Capital a $13.2 million termination fee.

Randy Gress, our Chief Executive Officer, executed a promissory note dated as of August 13, 2004 in favor of Holdings for a loan in the amount of $152. Of that amount, approximately $126 was repaid by Mr. Gress in connection with the distributions made upon the issuance of the Floating Rate Senior Notes. On July 14, 2006, Innophos Inc. paid a special bonus, net of applicable taxes, in the amount of $32 to Mr. Gress in order for Mr. Gress to retire the outstanding promissory note and the outstanding loan balance, including accrued interest, of $32 in July 2006.

3. Inventories:

Inventories consist of the following:

	2008	2007
Raw materials	$ 26,183	$ 16,231
Finished products	111,031	54,929
Spare parts	8,096	7,568
	$ 145,310	$ 78,728

Inventory reserves for excess quantities, obsolescence or shelf-life expiration as of December 31, 2008 and December 31, 2007 were $8,863 and $8,754, respectively.

4. Other Current Assets:

Other current assets consist of the following:

	2008	2007
Creditable taxes (value added taxes)	$ 5,444	$ 4,647
Prepaid income taxes	1,492	548
Deferred income taxes	12,771	2,087
Other prepaids	16,220	10,478
Other	4,257	624
	$ 40,184	$ 18,384

5. Property, Plant and Equipment, net:

Property, plant and equipment, at cost, consist of the following:

	2008	2007
Land and buildings	$ 87,635	$ 82,164
Machinery and equipment	315,865	292,517
Construction-in-progress	5,813	21,110
	409,313	395,791
Less accumulated depreciation	178,891	135,228
	$ 230,422	$ 260,563

Long-lived assets including property, plant and equipment and amortized intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the undiscounted future cash flows expected to be generated by the asset or asset group. When this comparison indicates that impairment must be recorded, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of these assets. Impairments to long-lived assets to be disposed of are recorded at the lower of the carrying amount or fair value less costs to sell. The determination whether or not these assets are impaired and the corresponding useful lives of these long-lived assets requires significant judgment. As a result of the expected declines in volumes in our Mexican operation as described above, the Company completed an impairment analysis for certain of its long lived assets during the fourth quarter of 2008 and, based on the undiscounted cash flows, no asset impairment charges were recorded for the Mexican assets. The development of undiscounted future cash flow projections require management estimates related to forecasted sales and expected costs trends. To the extent that changes in the current business conditions occur or other management decisions are made that result in adjusted management projections or alternative use of the assets, impairment losses or accelerated depreciation may occur in future periods. On February 25, 2009, the Company has entered into a letter of intent with Quimir, a subsidiary of Mexichem, to toll manufacture STPP for Innophos to lower our production costs. If this arrangement is finalized the Company may temporarily idle its Coatzacoalcos STPP unit and associated assets which have a carrying value of approximately $6.3 million, and therefore, could trigger an asset impairment charge for those assets in 2009.

Depreciation expense, excluding depreciation expense in changes of inventory, was $45,904, $42,469 and $41,249 in 2008, 2007 and 2006, respectively.

6. Goodwill:

	United States	Mexico	Canada	Total
Balance, December 31, 2007 and 2006	$ 7,237	$ 37,501	$ 2,530	$ 47,268
Adjustment, net of tax	—	4,438	—	4,438
Balance, December 31, 2008	$ 7,237	$ 41,939	$ 2,530	$ 51,706

The Company had an immaterial adjustment to its August 13, 2004 opening balance sheet of $4.4 million related to its deferred Mexican employee statutory profit sharing. A benefit of approximately $2.0 million was recorded for deferred income taxes and deferred profit sharing liabilities for 2008 related to prior years, which was immaterial individually and in the aggregate to all periods.

Goodwill represents the excess of the acquisition cost over the fair value of net assets of the businesses acquired. SFAS No. 142, "*Goodwill and Other Intangible Assets*," requires periodic tests of the impairment of Goodwill. SFAS No. 142 requires a comparison, at least annually, of the net book value of the assets and liabilities associated with a reporting unit, including goodwill, with the fair value of the reporting unit, which corresponds to the discounted cash flows of the reporting unit, in the absence of an active market. When this comparison indicates that impairment must be recorded, the impairment recognized is the amount by which the carrying amount of the assets exceeds the fair value of these assets. The annual goodwill impairment review is conducted during the fourth quarter of each year.

Fair values for goodwill testing are estimated using a discounted cash flow approach. Significant estimates in the discounted cash flow approach include the cash flow forecasts for each of our reporting units (Mexico, U.S. and Canada), the discount rate and the terminal value. The five year cash flow forecasts of the reporting units is based upon managements best estimate at the date of the assessment, which incorporates managements long-term view of selling prices and sales volumes for the Company's products, market conditions for key raw materials and energy, and our operating cost structure. The discount rate used by the Company is consistent with our industry's weighted average cost of capital. The aggregated fair value of our reporting units was reconciled to our market capitalization at the date of the assessment plus a suitable control premium. Our market capitalization during fourth quarter of 2008 exceeded the book value of our equity. The terminal value is determined by applying each reporting unit business growth factors, which are in-line with longer term historical growth rates, to the latest year for which a forecast exists. Given the current economic environment and uncertainties regarding the impact on the Company's business, including but not limited to market conditions impacting our selling prices, sales volumes, and raw material costs, the ultimate resolution of our phosphate rock arbitration, and other factors there can be no assurance that the Company's estimates and assumptions used in the goodwill impairment analysis will prove to be accurate predictions of the future. Any significant changes in assumptions will impact the goodwill impairment analysis which may result in goodwill impairment charges in future periods. Based on those valuations, we determined that the fair values of our reporting units exceeded their carrying values and no goodwill impairment charge was required during the fourth quarter.

In light of the difficult economic conditions for our Mexican operations, which experienced a sudden reduction in volumes partially attributable to expected reduced demand from its largest customer, we reassessed our assumptions for the goodwill impairment analysis for this reporting unit. We have considered this impact in our assessment of fair value for that reporting unit and based on our current projections we continue to believe the Mexican reporting unit's fair value exceeds its carrying value. However, additional significant declines in volumes, declines in selling prices or increased raw material costs above our current projections may result in goodwill impairment charges for this reporting unit in the future.

7. Intangibles and Other Assets, net:

Intangibles and other assets consist of the following:

	Useful life (years)	2008	2007
Developed technology and application patents, net of accumulated amortization of $8,279 for 2008 and $6,389 for 2007	10-20	28,321	30,211
Customer relationships, net of accumulated amortization of $3,012 for 2008 and $2,064 for 2007	5-15	8,318	9,266
Tradenames and license agreements, net of accumulated amortization of $2,839 for 2008 and $2,185 for 2007	5-20	6,521	7,175
Capitalized software, net of accumulated amortization of $2,496 for 2008 and $1,814 for 2007	3-5	1,293	1,933
Non-compete agreement, net of accumulated amortization of $189 for 2008 and $63 for 2007	5	441	567
Total Intangibles		**$ 44,894**	**$ 49,152**
Deferred financing costs, net of accumulated amortization of $14,262 for 2008 and $11,536 for 2007		$ 9,001	$ 11,727
Deferred income taxes		512	542
Other Assets		1,306	595
Total other assets		**$ 10,819**	**$ 12,864**
		$ 55,713	$ 62,016

Amortization expense for intangibles was $4,312, $4,034 and $6,048 in 2008, 2007 and 2006, respectively. Anticipated amortization expense for the next five years related to intangibles is as follows:

	2009	2010	2011	2012	2013
Intangible amortization expense	$ 4,123	$ 3,839	$ 3,541	$ 3,253	$ 3,049

The preceding expected amortization expense is an estimate. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets and other events.

8. Other Current Liabilities:

Other current liabilities consist of the following:

	2008	2007
Payroll related	$ 9,318	$ 9,746
Taxes	9,642	8,331
Interest	7,813	7,785
Freight and rebates	4,942	5,757
Benefits and pensions	5,688	4,468
Dividends payable	3,585	3,549
Legal	828	1,351
Other	2,666	4,393
	$ 44,482	**$ 45,380**

9. Short-term Borrowings, Long-Term Debt, and Interest Expense:

Short-term borrowings and long-term debt consist of the following:

	2008	2007
Senior credit facility	$ 126,500	$ 128,500
Senior subordinated notes	190,000	190,000
Senior unsecured notes	66,000	66,000
	$ 382,500	$ 384,500
Less current portion	72,613	1,328
	$ 309,887	$ 383,172

Senior Credit Facility

The Company maintains a senior credit facility which consists of (1) a five-year $50.0 million revolving credit facility (containing a $20.0 million sub-facility available for the issuance of letters of credit) set to expire on August 31, 2009 and (2) a six-year $126.5 million term loan facility set to expire on August 13, 2010.

The senior credit facility provides for interest based upon a fixed spread above either the banks' prime lending rate or the LIBOR lending rate. The borrowings under the term loan facility bear interest at December 31, 2008 at 3.5%. The amount outstanding on the term loan as of December 31, 2008 was $126.5 million.

There was no amount outstanding on the revolving credit facility at December 31, 2008. The Company has issued approximately $2.4 million of letters of credit under the sub-facility as of December 31, 2008. The lenders under the revolving credit facility are paid a fee on unused commitments under that facility at a rate, for approximately the first five months after closing, equal to 0.50% per annum, and, thereafter, to be reduced to 0.375% so long as Innophos' leverage ratio is equal to or less than 3.0 to 1. During the existence of any default under the credit agreement, the margin on all obligations under the senior credit facility shall increase by 2% per annum.

Our credit agreement requires us to make amortization payments of the term loan facility in quarterly amounts equal to approximately $0.3 million over the next 3 quarters, and the principal balance payable in four equal quarterly installments of approximately $18.0 million over the remaining 4 quarters with final payment due August 13, 2010. The following are the annual principal payments for the remaining balance of the term loan facility:

Year Ending	Principal Payment
2009	72,613
2010	53,887

Voluntary prepayments and commitment reductions are permitted in whole or in part, without premium or penalty, subject to minimum prepayment or reduction requirements.

The term loan facility must be prepaid in an amount equal to:

- 100% of the net cash proceeds of all asset sales and dispositions by Holdings and its subsidiaries, subject to certain exceptions;
- 100% of the net cash proceeds from any payment in respect of property or casualty insurance claim or any condemnation proceeding, subject to certain exceptions;
- 100% of the net cash proceeds of issuances of certain debt obligations by Holdings and its subsidiaries, subject to certain exceptions;
- 50% of the net cash proceeds from equity issuances by Holdings and its subsidiaries, subject to certain exceptions;
- 75% of Innophos' annual excess cash flow (as defined in the credit agreement) in any fiscal year in which Holdings' leverage ratio (as defined in the credit agreement) is greater than or equal to 3.0 to 1, or 50%, with respect to any fiscal year to the extent the total leverage ratio with respect to such year is less than 3.0 to 1.

The Company is required within five days from the issuance of the 2008 annual financial statements to make a prepayment of the term loan in an amount equal to 50% of the excess cash flow (as defined in our credit agreement) in addition to the required quarterly principal payments. As such, as of December 31, 2008, $72.6 million is classified as the current portion of long term debt which represents the 2008 excess cash flow requirement and the required principal payments, which are expected to be made from existing cash on hand.

All of our obligations under the senior credit facility are unconditionally guaranteed by each existing and subsequently acquired or organized domestic subsidiary. The obligations under the senior credit facility (including the guarantees) are collateralized by substantially all of our present and future assets and all present and future assets of each guarantor, including but not limited to:

- a first-priority pledge of all of the outstanding capital stock owned by us or any guarantor in any domestic subsidiary;
- a first-priority pledge of 66% of the outstanding capital stock owned by us or any guarantor in any first-tier foreign subsidiary; and
- perfected first-priority security interests in all of our present and future assets and the present and future assets of each guarantor, subject to certain limited exceptions.

The credit agreement contains customary representations and warranties, subject to limitations and exceptions, and customary covenants restricting our and our subsidiaries' ability to, among other things and subject to various exceptions and limitations, such as:

- declare dividends, make distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase other debt;
- incur liens or grant negative pledges;
- make loans and investments and enter into acquisitions and joint ventures;
- incur additional indebtedness;
- amend or otherwise alter the acquisition documents or any debt agreements;
- make capital expenditures;
- engage in mergers, acquisitions and asset sales;

- conduct transactions with affiliates;
- alter the nature of our businesses;
- change our fiscal quarter or our fiscal year.

We and our subsidiaries are also required to comply with specified financial covenants (consisting of a leverage ratio, an interest coverage ratio and a senior leverage ratio) and various affirmative covenants.

Events of default under the credit agreement include, but are not limited to,

- our failure to pay principal, interest, fees or other amounts under the credit agreement when due (taking into account any applicable grace period);
- any representation or warranty proving to have been materially incorrect when made;
- covenant defaults subject, with respect to certain covenants, to a grace period;
- bankruptcy events;
- a cross default to certain other debt;
- unsatisfied final judgments over a threshold;
- a change of control;
- certain ERISA defaults;
- the invalidity or impairment of any loan document or any security interest.

In connection with the offering of the Floating Rate Senior Notes, we amended our credit facility to permit, among other things:

- the issuance of the Floating Rate Senior Notes;
- the formation of Innophos Investments;
- the substitution of Innophos Investments as a guarantor of the senior credit facility and the release of Holdings from its obligations under the credit agreement and the other loan documents.

In connection with the amendment, subsequently amended in connection with Innophos Holdings, Inc. IPO, related to the offering of the Floating Rate Senior Notes, the Company is subject to certain restrictions in the conduct of its business, its ability to incur indebtedness and its ability to own assets. The amendment also restricts dividends and other payments to be made by Innophos, Inc. to Innophos Investments. For example, Innophos, Inc. may pay dividends to Innophos Investments to provide funding to Innophos Investments or Holdings for (i) payment of corporate overhead expenses of Innophos Investments and Holdings incurred in the ordinary course of business not to exceed $500 in any fiscal year (or, following an initial public offering of the capital stock of Holdings, $1.5 million in any fiscal year), (ii) so long as no event of default shall have occurred and be continuing, payment of any combined, consolidated or unitary taxes that are due and payable by Holdings, Innophos Investments and Innophos, Inc. and payment of any taxes on Holdings' or Innophos Investment's corporate franchise, (iii) reasonable fees of officers and directors that are not affiliates of Holdings as well as reimbursements and customary indemnification payments to such officers and directors and (iv) certain payments to Bain Capital.

In connection with the Innophos Holdings, Inc. initial public offering, we obtained an amendment to our senior credit facility that will, among other things:

- exclude the proceeds of Holdings initial public offering from the mandatory prepayment provisions of the senior credit facility;
- allow Innophos, Inc. to pay dividends to Innophos Investments for the purpose of (a) Holdings' payment of dividends to its stockholders of up to $15.0 million in any fiscal year plus a certain portion of Innophos, Inc.'s excess cash flow (as defined in the credit agreement) and (b) Innophos Investments' payment in cash of interest then due on the Floating Rate Senior Notes, subject to the limitation that, for interest payment dates after May 15, 2008, any such payment does not exceed a certain portion of Innophos Inc.'s excess cash flow (as defined in the credit agreement).

The amendment related to the Holdings initial public offering, became effective upon satisfaction of certain conditions, including (i) the execution and delivery of the amendment by the required number of lenders under the senior credit agreement by November 1, 2006, (ii) the prepayment of $30.0 million, which was paid on October 30, 2006, under the senior credit agreement, and (iii) prior to December 31, 2006, Holdings' having completed an initial public offering of its common stock and its having made arrangements for the application of $87.7 million of proceeds of the offering to the prepayment of Floating Rate Senior Notes (including approximately $4.4 million in prepayment penalties and interest).

In connection with the issuance of the Senior Unsecured Notes and the corresponding redemption of the Floating Rate Senior Notes, the Company and its lenders amended the senior credit facility to permit the Company to, among other things, (i) incur up to $120.0 million in unsecured indebtedness of Innophos Holdings, Inc. or Innophos Investments Holdings, Inc., including the Senior Unsecured Notes and any other future debt issuances, (ii) redeem the entire outstanding amount of the Company's Floating Rate Senior Notes, as well as any premiums and penalties resulting from such redemption, (iii) service the interest on the Senior Unsecured Notes through Innophos, Inc. making payments of such amounts to Innophos Investments Holdings, Inc. and Innophos Holdings, Inc. and (iv) to permit Innophos, Inc. to make payments to Innophos Investments Holdings, Inc. and Innophos Holdings, Inc. for the payment by Innophos Holdings, Inc. of dividends on its common stock of up to $0.75 per share (adjusted pro-rata for any future stock splits) up to a maximum of $17.5 million per year.

In addition, the credit agreement includes customary provisions regarding breakage costs incurred in connection with prepayments, changes in capital adequacy and capital requirements or their interpretation, illegality, unavailability and payments free and clear of withholding.

On August 14, 2008 the Company entered into a Fourth Amendment to the Credit Agreement. Among other things, it removes from Section 9(j) of the Credit Agreement (concerning defaults) an Event of Default arising from any reduction of beneficial ownership in the Company's capital stock by Permitted Investors (as defined in the Credit Agreement) below the level of 25% calculated on a fully diluted basis. Under the Credit Agreement, the term "Permitted Investors" includes Bain Capital Partners LLC, or Bain Capital, and certain of its control-related affiliates.

In addition, the Fourth Amendment adds to Section 9(j) new Events of Default including the: (i) direct or indirect ownership by any person or group of persons other than the Permitted Investors of more than 35% of the Company's capital stock on a fully diluted basis; and (ii) consummation of any transaction (including any merger or consolidation), the result of which is the acquisition directly or indirectly by any person or group of persons other than the Principals and Related Parties (both as defined in the Company's 2004 Senior Subordinated Notes) of more than 35% of the voting stock of the Company. Under the Senior Subordinated Notes, the term "Principals" means Bain Capital, and the term "Related Parties" include controlling stockholders and certain types of entities related to the Principals.

The Fourth Amendment also makes changes of an administrative nature to portions of the Credit Agreement relating to letters of credit, among other things, allowing an additional lender to serve as an issuer thereof, and provides for an increase of 1.0% per annum in the rate of interest to be accrued on obligations outstanding under the Credit Agreement.

Borrowings under the senior credit facility are subject to the accuracy of representations and warranties (including the absence of any material adverse change in our condition) and the absence of any defaults (including any defaults under the financial covenants that are based on EBITDA). As of December 31, 2008, management believes the Company is in full compliance with the covenant requirements of the Senior Credit Facility.

2004 Senior Subordinated Notes

On August 13, 2004, the Company issued $190.0 million aggregate principal amount of 8.875% Senior Subordinated Notes due August 15, 2014. We issued the notes in transactions exempt from or not subject to registration under the Securities Act, pursuant to Rule 144A and Regulation S under the Securities Act. The Company did file a registration statement which became effective on February 14, 2006.

Interest. Interest on the notes accrues at the rate of 8.875% per annum and is payable semi-annually on February 15 and August 15. Interest on overdue principal and interest accrues at a maximum rate that is 1% higher than the then applicable interest rate on the notes. We make each interest payment to the holders of record on the immediately preceding February 1 and August 1.

Subsidiary Guarantees. Our obligations under the Innophos, Inc. Notes are fully, unconditionally, jointly and severally guaranteed on a senior subordinated unsecured basis by all of our existing and future domestic restricted subsidiaries. As of the date of this Form 10-K, Innophos Mexico Holdings, LLC was the only guarantor of the Innophos, Inc. 2004 Senior Subordinated Notes.

Optional Redemption. We may redeem any of the notes at any time on or after August 15, 2009, in whole or in part, in cash at the redemption prices described in the indenture governing the notes, plus accrued and unpaid interest and liquidated damages, if any, to the date of redemption. We may redeem any of the notes at any time before August 15, 2009 in cash at 100% of the principal amount plus accrued and unpaid interest and liquidated damages, if any, to the date of redemption and a make-whole premium.

Change of Control. Upon a change of control, we may be required to make an offer to purchase each holder's notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase.

Certain Covenants. The indenture governing the 2004 Senior Subordinated Notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- pay dividends on, redeem or repurchase our capital stock;
- make investments and other restricted payments;
- incur additional indebtedness or issue preferred stock;
- create liens;
- permit dividend or other payment restrictions on our restricted subsidiaries;
- sell all or substantially all of our assets or consolidate or merge with or into other companies; and
- engage in transactions with affiliates.

Any dividends or similar payments to Holdings from Innophos, Inc. will be treated as restricted payments under the indenture governing the 2004 Senior Subordinated Notes. Holdings will rely upon the ability of Innophos, Inc. to make such restricted payments to us in order for us to make any payments on the notes. The amount of all restricted payments that can be made by the Company is approximately equal to 50% of the consolidated net income (as defined in the indenture governing the 2004 Senior Subordinated Notes) of the Company since the beginning of the first fiscal quarter following the date on which the 2004 Senior Subordinated Notes were issued, *plus* 100% of the net cash proceeds received by the Company since the date of the indenture from the issue or sale of equity interests. The indenture governing the 2004 Senior Subordinated Notes prohibits all restricted payments if a default or event of default has occurred under that indenture or if Innophos, Inc.'s fixed charge coverage ratio is below 2.0 to 1.0.

Floating Rate Senior Notes

On February 10, 2005, Innophos Investments Holdings, Inc. ("Investments Holdings"), our wholly owned subsidiary, completed a private offering of $120 million floating rate senior notes due 2015. The use of the proceeds from the sale of the notes was a distribution to the stockholders of the Company. These notes were offered at an interest rate based on the three-month LIBOR plus 8% and will be reset quarterly. Interest on the notes accrues and is payable in arrears on February 15, May 15, August 15 and November 15 of each year. Interest is payable on and prior to February 15, 2010 in the form of additional notes and thereafter in cash. The notes are an unsecured obligation and will rank equally with all of our future senior obligations and senior to our future senior subordinated indebtedness. The notes would be subordinate to our future secured indebtedness.

These notes were issued in transactions exempt from or not subject to registration under the Securities Act, pursuant to Rule 144A and Regulation S under the Securities Act. The Company did file a registration statement which became effective on February 14, 2006.

On November 2, 2006 the Company announced its IPO of 8,695,652 shares of common stock, of which the Company sold 8,000,000 shares of common stock and the selling stockholders sold 695,652 shares of common stock, priced at $12.00 per share. We did not receive any proceeds from the shares of common stock sold by the selling stockholders. In addition, the underwriters had an option to purchase up to an additional 1,304,348 shares at the IPO from the selling stockholders which was exercised on November 10, 2006 to cover over-allotments of shares. The Company did not receive any proceeds from the sale of over-allotments. A registration statement relating to these securities was declared effective as of November 2, 2006 by the U.S. Securities and Exchange Commission. The transaction closed on November 7, 2006. The Company's net proceeds from this offering were approximately $87.2 million, after deducting estimated underwriters discounts and commissions and estimated offering expenses. The Company used the majority of the offering proceeds to pay down approximately $83.3 million in aggregated principal of Innophos Investments Holdings Floating Rate Senior Notes due 2015, or the Floating Rate Senior Notes, on December 11, 2006. As a result of this prepayment, the Company paid a call premium and accrued interest of approximately $4.4 million. Furthermore, the redemption of these notes resulted in an approximate $2.0 million charge to earnings for the acceleration of deferred financing charges.

On April 16, 2007, Innophos Investments Holdings, Inc. called for the redemption of the remaining $60.8 million in principal of its Floating Rate Senior Notes due 2015 effective May 17, 2007. The redemption of the Floating Rate Senior Notes resulted in an approximate $1.5 million charge to earnings for the acceleration of deferred financing charges and a $1.8 million charge to earnings for the call premium. The $3.3 million charge was recorded in interest expense.

Senior Unsecured Notes

On April 16, 2007, Holdings issued $66.0 million aggregate principal amount of Senior Unsecured Notes. We issued the Senior Unsecured Notes in transactions exempt from or not subject to registration under the Securities Act, pursuant to Rule 144A and Regulation S under the Securities Act.

Interest. Interest on the Senior Unsecured Notes accrues at the rate of $9^{1}/_{2}$% per annum and is payable semi-annually on April 15 and October 15, commencing on October 15, 2007. Interest on overdue principal and interest accrues at a maximum rate that is 1% higher than the then applicable interest rate on the Senior Unsecured Notes. We make each interest payment to the holders of record on the immediately preceding April 1 and October 1.

Optional Redemption. We may, at our option, redeem some or all of the Senior Unsecured Notes at any time on or after April 15, 2009, at the redemption prices described in the indenture governing the Senior Unsecured Notes, plus accrued and unpaid interest and liquidated damages, if any, to the date of redemption. Prior to April 15, 2009, we may redeem the Senior Unsecured Notes at a price equal to 100% of the principal amount of the Senior Unsecured Notes plus a make-whole premium.

Change of Control. Upon a change of control, we may be required to make an offer to purchase each holder's Senior Unsecured Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the date of purchase.

Certain Covenants. The indenture governing the Senior Unsecured Notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- pay dividends on, redeem or repurchase our capital stock;
- make investments and other restricted payments;
- incur additional indebtedness or issue preferred stock;
- create liens;
- permit dividend or other payment restrictions on our restricted subsidiaries;
- sell all or substantially all of our assets or consolidate or merge with or into other companies; and
- engage in transactions with affiliates.

These limitations are subject to a number of important qualifications and exceptions as described in the indenture governing the Senior Unsecured Notes. Innophos Holdings, Inc. is dependent on the earnings and distributions from Innophos, Inc. and subsidiaries to fund this obligation.

The proceeds from the sale of the Senior Unsecured notes, together with $0.5 million of cash on hand, were applied to pay expenses and redeem the entire remaining outstanding amount of Floating Rate Senior Notes due 2015 (including the payment of principal, premium and accrued interest) issued by our wholly-owned subsidiary, Innophos Investments Holdings, Inc. Fees and expenses related to the Senior Unsecured notes offering were approximately $1.8 million. This amount was recorded as deferred financing costs and will be amortized over the life of the Senior Unsecured notes using the effective interest method.

In addition to the estimated excess cash flow payment described in the "Senior Credit Facility" section above, the Company will have increased working capital needs during the first half of 2009 when raw material prices reset. Similar to 2008, the Company will draw on cash in the first half and build cash in the second half of 2009. We believe that the cash generated from operations and availability under our revolving credit facility will be sufficient to meet our debt service, tax payments, capital expenditures and working capital requirements for at least the next twelve months. The Company's revolving credit facility expires on August 31, 2009 and, although we expect to seek a new facility, immediate replacement of the current facility cannot be assured given the state of the current credit market. We expect to fund all these obligations through our existing cash and our future operating cash flows. Our current business plans support these operating needs, including our scheduled repayments of debt in accordance with the terms of those agreements. However, future operating performance is subject to prevailing economic and competitive conditions and other factors that are uncertain. If the cash flows and other capital resources available to the Company are insufficient to fund our debt and other liquidity needs, the Company may have to take alternative actions that differ from the Company's current operating plan.

Total interest paid by the Company for all indebtedness for 2008, 2007 and 2006 was $33,136, $38,786 and $42,712.

As of December 31, 2008, the Company was in full compliance with all debt covenant requirements.

Interest expense, net consists of the following:

	Year Ended December 31,		
	2008	2007	2006
Interest expense	$ 33,170	38,891	$ 54,350
Deferred financing cost	2,726	4,643	6,669
Interest income	(1,372)	(1,307)	(2,777)
Less: amount capitalized for capital projects	(331)	(668)	—
Total interest expense, net	$ 34,193	$ 41,559	$ 58,242

10. Other Long-Term Liabilities:

Other long-term liabilities consist of the following:

	2008	2007
Environmental liabilities	$ 1,100	1,100
Profit sharing liabilities	3,106	1,926
Deferred income taxes	17,714	19,310
Pension and post retirement liabilities (U.S. and Canada only)	4,647	4,213
Other Liabilities	5,536	5,122
	$ 32,103	$ 31,671

11. Stockholders' Equity / Stock-Based Compensation:

Our compensation programs include share-based payments. The primary share-based awards and their general terms and conditions are as follows:

- Stock options, which entitle the holder to purchase, after the end of a vesting term, a specified number of shares of the Company's common stock at an exercise price per share set equal to the market price of the Company's common stock on the date of grant.
- Restricted stock grants, which entitle the holder to receive, at the end of each vesting term, a specified number of shares of the Company's common stock, and which also entitle the holder to receive dividends paid on such grants throughout the vesting period.
- Performance share awards which entitle the holder to receive, at the end of a vesting term, a number of shares of the Company's common stock, within a range of shares from zero to a specified maximum, calculated using a three year future average return on invested capital (i.e. the three year period 2008-2010 for a 2008 award) as defined solely by reference to the Company's own activities. Dividends will accrue over the vesting period and are paid on performance share awards when fully vested.
- Annual Board of Directors stock retainer grants, which entitle external members of the Board to receive a number of shares of the Company's common stock equal to the annual retainer value.

The 2005 Plan was adopted on April 1, 2005 to provide for the grant of options to purchase Class L Common Stock and Class A Common Stock. On April 1, 2005, the Company authorized 641,170 of Class L stock options and authorized 5,770,531 of Class A stock options. On April 1, 2005, the Company granted 448,819 stock option strips. The recipient of the stock option must exercise nine Class A stock options to acquire nine shares of Class A common stock for every one share of Class L common stock acquired through the exercise of one Class L stock options. The determination of the fair value of the underlying Class A and Class L common stock used to determine the exercise prices for the aggregated option strips granted on April 1, 2005 was performed contemporaneously with the issuance of the option strips. Because each option strip must be exercised in tandem and are non-separable, as described above, the Company believes it is appropriate to view each option strip in the aggregate. As a result of the recapitalization, the historical Class A and Class L common stock option strips were converted to 1,116,944 single class common stock options each with an exercise price of $2.55 per share as required under the original terms of the 2005 Plan.

On May 24, 2007 the two independent directors of the Company were granted a total of 4,424 stock options which were fully vested with an exercise price of $15.37 per share. These grants were reissued options under the 2005 Plan of previously forfeited options. These options are accounted for under the provisions of SFAS No. 123(R). The compensation expense to these immediate vesting options was approximately $22.

The 2005 Plan provided for grants of qualified and non-qualified stock options with a ten year term. All options vest ratably over an approximate five year term. The 2005 Plan, for all practical purposes, was discontinued with the adoption of the Innophos Holdings, Inc. 2006 Stock Option Plan, or 2006 Plan.

In October 2006, the Company's Board of Directors awarded 173,568 shares of restricted Common Stock with a fair value of $2.1 million to certain executive officers. These awards are classified as equity awards and vest over nine quarters in equal installments of 11.11% per quarter beginning January 1, 2007. Declared dividends will accrue on the restricted stock and will vest over the same period. The restricted stock is fully vested as of January 1, 2009 and has converted into an equivalent number of shares of common stock. The related compensation expense is based on the public offering price of $12. The compensation expense is amortized on a straight-line basis over the requisite service period. The Company recognized approximately $0.2 million, $0.9 million and $0.9 million of compensation expense in 2006, 2007 and 2008, respectively. There were 173,568 unvested shares granted as of December 31, 2006. As of December 31, 2007, there were 96,428 unvested shares and 77,140 shares which were vested. As of December 31, 2008, there are 19,288 unvested shares and 154,280 shares which have vested.

The 2006 Plan was adopted as a successor to the Company's 2005 Plan prior to the IPO in November 2006. The 2006 Plan allows for the issuance of up to 1,000,000 shares of Common Stock under its stock provisions. On October 22, 2007 the Company granted 287,200 non-qualified stock options at an exercise price of $15.20 per share and 74,650 performance stock awards to certain employees with a fair value of $1.9 million. The non-qualified stock options vest annually over three years while the performance stock awards vest at the end of the three year service period with a ten-year term from date of grant for both. On December 19, 2007 the Company granted 2,000 non-qualified stock options and 600 performance stock awards to a certain employee at an exercise price of $14.47 per share with a fair value of $15. The non-qualified stock options vest annually over three years while the performance stock awards vest at the end of the three year service period with a ten-year term from date of grant for both. On April 25, 2008 the Company granted 248,550 non-qualified stock options at an exercise price of $18.38 per share and 82,340 performance stock awards to certain employees with a fair value of $2.3 million. The non-qualified stock options vest annually over three years while the performance stock awards vest at the end of the three year service period with a ten-year term from date of grant for both. During 2008 the Company revised its estimate of the number of performance shares expected to be earned at the end of the performance periods as a result of revising its estimate of projected performance and increased the number of performance shares by 157,590 with a fair value of $2.3 million. At December 31, 2008, assuming all performance share grants are at maximum, there were 130,676 shares available for future grants under the 2006 Plan.

The five external members of the Board of Directors were each granted 3,349 shares of the Company's common stock which immediately vested in December 2008, as part of their director fees. The aggregated fair value is $250,000.

All of the awards granted under the 2006 Plan are accounted for under the provisions of SFAS No. 123(R). The compensation expense is amortized on a straight-line basis over the requisite service period, adjusted for forfeiture assumptions.

The following table summarizes the components of stock-based compensation expense, all of which has been classified as selling, general and administrative expense:

	Year Ended December 31,		
	2008	2007	2006
Stock options	$ 644	$ 91	$ —
Restricted stock	926	926	231
Performance shares	1,647	60	—
Stock grants	250	—	—
Total stock-based compensation expense	$ 3,467	$ 1,077	$ 231

A summary of stock option activity during the three years ended December 31, 2008, is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2006	1,116,943	$ 2.55
Granted	—	—
Forfeited	—	—
Exercised	—	—
Outstanding at December 31, 2006	1,116,943	$ 2.55
Exercisable at December 31, 2006	614,320	$ 2.55
Outstanding at January 1, 2007	1,116,943	$ 2.55
Granted	293,624	15.20
Forfeited	(65,649)	2.55
Exercised	(422,860)	2.55
Outstanding at December 31, 2007	922,058	$ 6.58
Exercisable at December 31, 2007	389,526	$ 2.70
Outstanding at January 1, 2008	922,058	$ 6.58
Granted	248,550	18.38
Forfeited	(351)	15.20
Exercised	(207,763)	2.62
Outstanding at December 31, 2008	962,494	$ 10.48
Exercisable at December 31, 2008	484,323	$ 5.53

The fair value of the options granted during 2008 and 2007 was determined using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes option-pricing model were as follows:

Non-qualified stock options	Year Ended December 31, 2008	Year Ended December 31, 2007
Expected volatility	36.8%	36.8%
Dividend yield	4.6%	4.5%
Risk-free interest rate	3.4%	4.2%
Expected term	6 years	6 years
Weighted average grant date fair value of stock options	$ 4.52	$ 3.97

Since Innophos Holdings, Inc. is a newly public entity and has limited historical data on the price of its publicly traded shares, the expected volatility for the valuation of its stock options was based on peer group historical volatility data equaling the expected term. The expected term for the stock options is based on the simplified method as prescribed by Staff Accounting Bulletin No. 107 and Staff Accounting Bulletin No. 110 (SAB 107 / SAB 110) since the Company has limited data on the exercises of stock options. These stock options qualify as “plain vanilla” stock options as outlined in SAB 107 / SAB 110. The dividend yield is the expected annual dividend payments divided by the average stock price up to the date of grant. The risk-free interest rates are derived from the U.S. Treasury securities in effect on the date of grant whose maturity period equals the options expected term. The Company applies an expected forfeiture rate to stock-based compensation expense. The estimate of the forfeiture rate is based primarily upon historical experience of employee turnover. As actual forfeitures become known, stock-based compensation expense is adjusted accordingly.

A summary of performance share activity is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2007	—	$ —
Granted	75,250	13.28
Forfeited	—	—
Vested	—	—
Outstanding at December 31, 2007	75,250	$ 13.28
Outstanding at January 1, 2008	75,250	$ 13.28
Granted (at targeted return on invested capital)	82,340	18.38
Forfeited	—	—
Vested	—	—
Adjustment to estimate of shares to be earned	157,590	15.95
Outstanding at December 31, 2008	315,180	$ 15.95

The expected term for the performance shares is a 3 year cliff vesting. Declared dividends will accrue on the performance shares and will vest over the same period.

The total intrinsic value of options exercised and stock grants during 2007 and 2008 was $5.2 million and $5.1 million, respectively. The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2008 was $9.0 million and $6.9 million, respectively. The total remaining unrecognized compensation expense related to share-based payments is as follows:

Unrecognized Compensation Expense	Stock Options	Performance Based
Amount	$ 1,554	$ 2,928
Weighted-average years to be recognized	2.1 years	2.1 years

12. Earnings per share (EPS)

The Company accounts for earnings per share in accordance with SFAS No. 128, "Earnings Per Share" and related guidance, which requires two calculations of earnings per share (EPS) to be disclosed: basic EPS and diluted EPS. The Company presented EPS information in the periods prior to the IPO using the two-class method as the Class L shares participate in distributions together with the Class A shares after the payment of the Class L preferential rights. The Class L common stock has preferential rights over the Class A common stock whereby the Class L common stock is entitled to receive their original investment plus a 10% yield compounded quarterly on their original investment before the Class A common stock participates in company distributions. After payment of all preferential rights attributable to the Class L common stock, each share of the Class A common stock and Class L common stock will participate ratably in all distributions by the Company to the shareholders of its capital stock.

The numerator in calculating Class L basic and diluted EPS is equal to the Class L preference amount of $1,605 for the period January 1, 2006 to November 2, 2006. The Company did not allocate remaining losses in accordance with EITF 03-6, "Participating Securities and the Two-Class Method under SFAS No. 128," because of its preferential rights over Class A. The numerator in calculating Class A basic and dilutive EPS is an amount equal to consolidated net (loss) increased for the aforementioned Class L preference amount.

As a result of the Company's Class A common stock and Class L common stock being converted into a single class of common stock, the 2006 earnings per share is calculated by allocating the net income on a pro-rata basis to the weighted average number of shares of each class outstanding during the reporting period.

The following is the calculation of earnings per share using the two-class method:

	Year Ended December 31, 2008	Year Ended December 31, 2007	For the period November 3, 2006 to December 31, 2006	For the period January 1, 2006 to November 2, 2006
Net income (loss) available to common shareholders	$ 207,183	$ (5,487)	$ (7,876)	$ —
Allocation of net income (loss) to common shareholders:				
Class A	$ —	$ —	$ —	$ (26,546)
Class L	$ —	$ —	$ —	$ 1,605

The following is a reconciliation of the basic number of common shares outstanding to the diluted number of common and common stock equivalent shares outstanding for the period January 1, 2006 to November 2, 2006:

	For the period January 1, 2006 to November 2, 2006
Weighted average number of common and potential common Class A shares outstanding:	
Basic number of common Class A shares outstanding	9,595,061
Dilutive effect of stock option grants	—
Diluted number of common and potential common Class A shares outstanding	9,595,061
Weighted average number of common and potential common Class L shares outstanding:	
Basic number of common Class L shares outstanding	2,677,648
Dilutive effect of stock option grants	—
Diluted number of common and potential common Class L shares outstanding	2,677,648
Earnings (loss) per common share:	
Class A—Basic	$ (2.77)
Class A—Diluted	$ (2.77)
Class L—Basic	$ 0.60
Class L—Diluted	$ 0.60

The following is a reconciliation of the weighted average basic number of common shares outstanding to the diluted number of common and common stock equivalent shares outstanding for the years ended December 31, 2008, December 31, 2007 and for the period November 3, 2006 to December 31, 2006:

	Year Ended December 31, 2008	Year Ended December 31, 2007	For the period November 3, 2006 to December 31, 2006
Basic number of weighted average common shares outstanding	20,908,456	20,676,859	20,270,463
Dilutive effect of common stock equivalents	810,085	—	—
Diluted number of weighted average common shares outstanding	21,718,541	20,676,859	20,270,463
Earnings (loss) per common share:			
Income (loss) per common share - Basic	$ 9.91	$ (0.27)	$ (0.39)
Income (loss) per common share - Diluted	$ 9.54	$ (0.27)	$ (0.39)

Total outstanding options, performance share awards and unvested restricted stock not included in the calculation of diluted earnings per share as the effect would be anti-dilutive are 486,877, 1,093,736 and 1,290,512 for the years ended 2008, 2007 and for the period November 3, 2006 to December 31, 2006, respectively.

13. Dividends

In 2006 dividends declared per share included a cash dividend of $0.11 per share ($2,275 in the aggregate) declared on December 18, 2006 payable on January 30, 2007 to holders of record on January 15, 2007, which equals approximately $0.17 per share, prorated from our initial public offering on November 2, 2006 through the end of the fourth quarter, December 31, 2006. The following is the dividend activity for 2008 and 2007:

	2008				
	Quarters ended				
	March 31	June 30	September 30	December 31,	Total
Dividends declared - per share	$ 0.17	$ 0.17	$ —	$ 0.34	$ 0.68
Dividends declared - aggregate	3,551	3,563	—	7,166	14,280
Dividends paid - per share	0.17	0.17	0.17	0.17	0.68
Dividends paid - aggregate	3,549	3,551	3,563	3,578	14,241

	2007				
	Quarters ended				
	March 31	June 30	September 30	December 31,	Total
Dividends declared - per share	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.68
Dividends declared - aggregate	3,533	3,544	3,547	3,549	14,173
Dividends paid - per share	0.17	0.17	0.17	0.17	0.68
Dividends paid - aggregate	2,275	3,533	3,544	3,547	12,899

14. Pension Plans and Postretirement Benefits:

Innophos maintains both noncontributory defined benefit pension plans and defined contribution plans that together cover substantially all U.S. and Canadian employees.

In the United States, salaried and hourly employees are covered by a defined contribution plan with a 401(k) feature. The plan provides for employee contributions, company matching contributions, and an age-weighted annual company contribution to eligible employees. Union-represented hourly employees, at our Nashville site, are covered by a traditional defined benefit plan providing benefits based on years of service and final average pay. On April 26, 2007, the Company and the Union for the hourly employees at our Nashville facility agreed that it would freeze its defined benefit pension plan (the "Plan") as of August 1, 2007. The accrual of additional benefits or increase in the current level of benefits under the Plan ceased as of August 1, 2007, after which the Nashville union employees now participate in the Company's existing non contributory defined contribution benefit plan. All plans were established by Innophos in 2004.

In Canada, salaried employees are covered by defined contribution plans which provide for company contributions as a percent of pay, employee contributions, and company matching contributions. Union-represented hourly employees are covered by a defined benefit plan providing benefits based on a negotiated benefit level and years of service. The defined contribution plans were established by the Company in 2004; the defined benefit plan for union-represented hourly employees is a continuation of the Rhodia Canada Inc.'s pension plan for its Port Maitland union employees, which was included in the Acquisition.

Innophos also has other postretirement benefit plans covering substantially all of its U.S. and Canadian employees. Certain employee groups covered under the plans do not receive benefits post-age 65. In the United States, the health care plans are contributory with participants' contributions adjusted annually, and limits on the company's share of the costs; the life insurance plans are noncontributory. The effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003, or the Act, are not significant. In Canada, the plans are non-contributory.

Innophos uses a December 31 measurement date for all of its plans. For the purposes of the following schedules, beginning of the year is January 1.

The weighted average discount rate at the measurement dates for the Company's defined benefit pension plans and the post-retirement benefit plans is developed using a spot interest yield curve based upon a broad population of corporate bonds rated AA or higher, adjusted to match the duration of each plan's projected benefit payment stream.

The expected return is based on a specific asset mix, active management, rebalancing among diversified asset classes within the portfolio, and a consistent underlying inflation assumption to calculate the appropriate long-term expected investment return.

As a sensitivity measure, the effect of a 25 basis-point decrease in our discount rate assumption would increase our net periodic benefit cost for our pension and post-retirement plans by approximately $48. A 1% decrease in our expected rate of return on plan assets would increase our pension plan expense by $97.

On September 29, 2006, SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” was issued. SFAS No. 158 requires, among other things, the recognition of the funded status of each defined pension benefit plan, retiree health care and other postretirement benefit plans and post employment benefit plans on the balance sheet. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The initial impact of the standard due to unrecognized prior service costs or credits and net actuarial gains or losses as well as subsequent changes in the funded status is recognized as a component of accumulated comprehensive loss in stockholders’ equity. Additional minimum pension liabilities (AML) and related intangible assets are also derecognized upon adoption of the new standard. We adopted SFAS No. 158 as of December 31, 2006. The following table summarizes the effect of required changes as of December 31, 2006 prior to the adoption of SFAS No. 158 as well as the impact of the initial adoption of SFAS No. 158.

(in thousands)	December 31, 2006 Pre SFAS No. 158 Adjustment	SFAS No. 158 Adjustment	December 31, 2006 Post SFAS No. 158 Adjustments
Other assets	$ 386	$ (386)	$ —
Deferred Tax Asset	600	135	735
Pension and post-retirement liabilities	3,587	2,480	6,067
Accumulated other comprehensive loss, net	1,085	2,731	3,816

The amounts in accumulated other comprehensive income (loss), or AOCI, for all plans that are expected to be amortized as components of net periodic benefit cost (benefit) during 2009 are as follows:

	Pension	Other Benefits	Total
Prior Service Cost	$ 17	$ 262	$ 279
Net Actuarial Loss/(Gain)	76	(77)	(1)
Transition Obligation	—	25	25

The changes in benefit obligations recognized in other comprehensive loss during 2008 and 2007 are as follows:

	Pension Benefits		Other Benefits		Total	
	2008	2007	2008	2007	2008	2007
Change in accumulated other comprehensive income						
Amortization of net gain	$ (28)	$ (51)	$ 109	$ 102	$ 81	$ 51
Amortization of prior service cost	—	(43)	(289)	(294)	(289)	(337)
Prior service cost arising during period from amendments	259	(1,423)	(30)	(232)	229	(1,655)
Net loss arising during period	(5)	644	(120)	(5)	(125)	639
Total change in accumulated other comprehensive income	226	(873)	(330)	(429)	(104)	(1,302)
Deferred taxes	1	(253)	(144)	10	(143)	(243)
Net amount recognized	$ 227	$ (1,126)	$ (474)	$ (419)	$ (247)	$ (1,545)

U.S. Plans

On April 26, 2007, the Company and the Union for the hourly employees at our Nashville facility agreed that it would freeze its defined benefit pension plan (the “Plan”) as of August 1, 2007. The accrual of additional benefits or increase in the current level of benefits under the Plan will cease as of August 1, 2007, after which the Nashville union employees will participate in the Company’s existing non contributory defined contribution benefit plan. As of January 1, 2007, Plan assets were less than the projected benefit obligation. Freezing of the Plan was accounted for as a curtailment under SFAS No. 88, “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits”. The Company remeasured the pension obligation during the three months ended June 30, 2007 and as a result, reduced the projected benefit obligation by $1.2 million and recognized $1.4 million largely attributable to the recognition of prior service cost, resulting in a net curtailment loss of $0.2 million to earnings.

Obligations and Funded Status—U.S. Plans
At December 31

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Accumulated benefit obligation	$ 1,898	$ 1,909	$ 2,992	$ 2,590
Change in Projected Benefit Obligation				
Projected Benefit Obligation at Beginning of Year	$ 1,915	$ 2,956	$ 2,589	$ 2,438
Service cost	—	201	323	311
Interest cost	100	134	142	126
Actuarial (Gain)/Loss	(112)	(154)	(14)	(21)
Actual Benefits Paid	(5)	(2)	(48)	(32)
Plan Amendments	—	(1,220)	—	(232)
Projected Benefit Obligation at End of Year	$ 1,898	$ 1,915	$ 2,992	$ 2,590
Change in Plan Assets				
Fair Value of Trust Assets at Beginning of Year	$ 1,184	$ 462	$ —	$ —
Actual Return on Plan Assets	(295)	36	—	—
Employer Contributions	98	688	48	32
Actual Benefits Paid	(5)	(2)	(48)	(32)
Fair Value of Trust Assets at End of Year	$ 982	$ 1,184	$ —	$ —
Funded Status of the Plan	$ (916)	$ (731)	$ (2,992)	$ (2,590)
Amounts Recognized in the Consolidated Balance Sheets				
Noncurrent Assets	$ —	$ —	$ —	$ —
Current Liabilities	—	—	(87)	(76)
Noncurrent Liabilities	(916)	(731)	(2,905)	(2,514)
Net Amounts Recognized	$ (916)	$ (731)	$ (2,992)	$ (2,590)
Amounts Recognized in Accumulated Other Comprehensive Income				
Net Transition (Asset)/Obligation	$ —	$ —	$ —	$ —
Prior Service Cost/(Credit)	—	—	1,573	1,834
Net Actuarial (Gain)/Loss	86	(238)	(1,039)	(1,140)
Total Amount Recognized	$ 86	$ (238)	$ 534	$ 694

	Pension Benefits			Other Benefits		
	2008	2007	2006	2008	2007	2006
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ 201	$ 344	$ 323	$ 311	$ 320
Interest cost	100	134	143	142	126	114
Expected Return on Assets	(100)	(61)	(35)	—	—	—
Amortization of						
Prior Service Cost	—	43	136	261	262	288
Actuarial (Gain)/Loss	(41)	2	14	(115)	(115)	(117)
Curtailment Expense	—	203	—	—	—	—
Net Periodic Cost	$ (41)	$ 522	$ 602	$ 611	$ 584	$ 605
Weighted Average Assumptions for Balance Sheet Liability at End of Year						
Discount Rate	5.50%	6.00%	5.75%	5.50%	5.75%	5.75%
Expected Long-Term Rate of Return	8.00%	8.00%	8.00%	NA	NA	NA
Rate of Compensation Increase	NA	NA	3.00%	3.00%	3.00%	3.00%
Weighted Average Assumptions for Net Periodic Benefit Cost at End of Year						
Discount Rate	6.00%	5.75%	5.50%	5.75%	5.75%	5.50%
Expected Long-Term Rate of Return	8.00%	8.00%	8.00%	NA	NA	NA
Rate of Compensation Increase	NA	3.00%	3.00%	3.00%	3.00%	3.00%

Estimated Future Benefit Payments	Pension Benefits	Other Benefits
Fiscal 2009	$ 24	$ 87
Fiscal 2010	39	136
Fiscal 2011	51	169
Fiscal 2012	64	210
Fiscal 2013	77	250
Fiscal Years 2014-2018	567	1,847

Innophos expects to contribute approximately $0.1 million to its U.S. defined benefit pension plan in 2009.

There are no estimated net actuarial gain, prior service cost, or transition obligation (asset) for all defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the 2009 fiscal year.

The estimated actuarial gain, prior service cost, and transition obligation (asset) for the postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the 2009 fiscal year are $(82), $262 and $0, respectively.

Assumed health care cost trend rates on the U.S. plans do not have a significant effect on the amounts reported for the health care plans as a result of limits on the Company's share of the cost.

Plan Assets

As of December 31, 2008 the Innophos, Inc. Pension Investment Committee was in the process of formalizing an investment policy designed to achieve long-term objectives of return, while mitigating against downside risk and considering expected cash flow. Innophos, Inc.'s pension plan invests in mutual funds and commercial paper and the weighted-average asset allocations at December 31, 2008 and 2007 by asset category are as follows:

	Plan Assets at December 31	
	2008	2007
Asset Category		
Equity securities	59.9%	59.7%
Commercial paper	40.1	40.3
Total	100.0%	100.0%

Defined Contribution Plan—U.S.

Innophos Inc.'s expense for the defined contribution plan was $2.9 million, $2.2 million and $1.9 million for 2008, 2007 and 2006, respectively.

Canadian Plans

Obligations and Funded Status—Canadian Plans at December 31

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Accumulated benefit obligation	$ 5,852	$ 8,543	$ 853	$ 998
Projected Change in Benefit Obligation				
Projected Benefit Obligation at Beginning of Year	$ 8,543	$ 7,350	$ 998	$ 823
Service cost	218	230	55	55
Interest cost	446	420	54	49
Plan Amendments	299	—	(35)	—
Actuarial (Gain)/Loss	(1,971)	(292)	(3)	(48)
Actual Benefits Paid	(292)	(288)	(28)	(10)
Exchange Rate Changes	(1,391)	1,123	(188)	129
Projected Benefit Obligation at End of Year	$ 5,852	$ 8,543	$ 853	$ 998
Change in Plan Assets				
Fair Value of Trust Assets at Beginning of Year	$ 9,017	$ 7,037	$ —	$ —
Actual Return on Plan Assets	(1,452)	(263)	—	—
Employer Contributions	1,132	1,346	28	10
Actual Benefits Paid	(292)	(288)	(28)	(10)
Exchange Rate Changes	(1,568)	1,185	—	—
Fair Value of Trust Assets at End of Year	$ 6,837	$ 9,017	$ —	$ —
Funded Status of the Plan	$ 984	$ 474	$ (853)	$ (998)
Amounts Recognized in the Consolidated Balance Sheets				
Noncurrent Assets	$ 984	$ 474	$ —	$ —
Current Liabilities	—	—	(27)	(30)
Noncurrent Liabilities	—	—	(826)	(968)
Net Amounts Recognized	$ 984	$ 474	$ (853)	$ (998)
Amounts Recognized in Accumulated Other Comprehensive Income				
Net Transition (Asset)/Obligation	$ 1,873	$ —	$ 131	$ 392
Prior Service Cost/(Credit)	258	—	—	—
Net Actuarial (Gain)/Loss	—	2,228	263	172
Total Amount Recognized	$ 2,131	$ 2,228	$ 394	$ 564
Deferred Taxes	(746)	(780)	(138)	(197)
Net amount recognized	1,385	1,448	256	367

	Pension Benefits 2008	Pension Benefits 2007	Pension Benefits 2006	Other Benefits 2008	Other Benefits 2007	Other Benefits 2006
Components of Net Periodic Benefit Cost						
Service cost	$ 218	$ 230	$ 217	$ 55	$ 55	$ 49
Interest cost	446	420	385	54	49	42
Expected Return on Assets	(660)	(565)	(428)	—	—	—
Amortization of						
Net Transition Obligation	—	—	—	33	32	30
Actuarial (Gain)/Loss	80	49	73	7	13	15
Net Periodic Cost	$ 84	$ 134	$ 247	$ 149	$ 149	$ 136
Weighted Average Assumptions for Balance Sheet Liability at End of Year						
Discount Rate	7.50%	5.50%	5.25%	7.50%	5.50%	5.25%
Rate of Compensation Increase	NA	NA	NA	NA	NA	NA
Weighted Average Assumptions for Net Periodic Benefit Cost at End of Year						
Discount Rate	5.50%	5.25%	5.25%	5.50%	5.25%	5.25%
Expected Long-Term Rate of Return	7.00%	7.00%	7.00%	0.00%	0.00%	0.00%
Rate of Compensation Increase	NA	NA	NA	NA	NA	NA
Accrued Health Care Cost Trend Rates at End of Year						
Health Care Cost Trend Rate Assumed for Next Year (Initial Rate)				9%	10%	10%
Rate to which the Cost Trend Rate is Assumed to Decline (Ultimate Rate)				5%	5%	5%
Year that the Rate Reaches the Ultimate Rate				2016	2016	2016

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Other Benefits 2008	Other Benefits 2007
Effect of a Change in the Assumed Rate of Increase in Health Benefit Costs		
Effect of a 1% Increase On		
Total of Service Cost and Interest Cost	$ 15	$ 19
Postretirement Benefit Obligation	$ 131	$ 156
Effect of a 1% Decrease On		
Total of Service Cost and Interest Cost	$ (12)	$ (15)
Postretirement Benefit Obligation	$ (107)	$ (124)

The estimated net actuarial loss, prior service cost, and transition obligation (asset) for all defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the 2009 fiscal year are $76, $17 and $0, respectively.

The estimated actuarial loss, prior service cost, and transition obligation (asset) for the postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the 2009 fiscal year are $5, $0 and $25, respectively.

Plan Assets

Innophos Canada Inc.'s pension plan invests in mutual funds and the weighted-average asset allocations at December 31, 2008 and 2007 by asset category are as follows:

	2008	2007
Asset Category		
Equity securities	55.7%	58.7%
Debt securities	40.1	39.2
Other	4.2	2.1
Total	100%	100%

The Pension Committee has promulgated a Statement of Investment Policies and Procedures based on the “prudent person portfolio approach” to ensure investment and administration of the assets of the Plan within the parameters set out in the Ontario *Pension Benefits Act* and the Regulations thereunder. Investment managers appointed by the Plan are directed to achieve a satisfactory return through a diversified portfolio consistent with acceptable risks and prudent management. In accordance with the investment and risk philosophy of the Committee, a target asset mix of 60% equities and 40% fixed income instruments has been established. Investment weightings and results are tested regularly against appropriate benchmark portfolios.

Cash Flows

Contributions

Innophos Canada, Inc. contributed $1.2 million to its pension plan in 2008.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Estimated Future Benefit Payments	Pension Benefits	Other Benefits
Fiscal 2009	$ 306	$ 27
Fiscal 2010	317	34
Fiscal 2011	329	32
Fiscal 2012	351	32
Fiscal 2013	366	37
Fiscal Years 2014-2018	2,051	345

Innophos plans to contribute approximately $0.7 million to its Canadian pension plan in 2009.

Defined Contribution Plans—Canada

Innophos Canada Inc.’s expense for the defined contribution plans was approximately $0.1 million for 2008, 2007 and 2006, respectively.

Mexico

In accordance with Mexican labor law, a Mexican employee is entitled to certain post employment payments after reaching fifteen years of service. In addition, Mexican employees also participate in a statutory profit sharing program based on 10% of adjusted taxable income. For 2008, 2007 and 2006, Innophos Fosfatados de Mexico, S.A. de C.V., recorded provisions of $4,546, $2,135 and $1,484, respectively, for these liabilities.

15. Income Taxes:

A reconciliation of the U.S. statutory rate and income taxes follows:

	Year Ended December 31,					
	2008		2007		2006	
	Income (loss) before income taxes	Income tax expense/ (benefit)	Income (loss) before income taxes	Income tax expense/ (benefit)	Income (loss) before income taxes	Income tax expense/ (benefit)
US	$ 80,184	$ 3,922	$ (29,003)	$ 293	$ (46,521)	$ 280
Canada/Mexico	182,201	51,280	35,412	11,603	19,618	5,634
Total	$ 262,385	$ 55,202	$ 6,409	$ 11,896	$ (26,903)	$ 5,914
Current income taxes		$ 67,307		$ 13,703		$ 9,587
Deferred income taxes		(12,105)		(1,807)		(3,673)
Total		$ 55,202		$ 11,896		$ 5,914

	Year Ended December 31,		
	2008	2007	2006
Income tax expense (benefit) at the U.S. statututory rate	$ 91,835	$ 2,244	$ (9,416)
State income taxes (net of federal tax effect and State valuation allowance	851	90	76
Foreign tax rate differential	(12,314)	(504)	(1,167)
Change in Federal U.S. valuation allowance	(24,858)	10,040	6,409
Non-deductible permanent items	(312)	26	10,012
Provision for income taxes	$ 55,202	$ 11,896	$ 5,914

Net deferred tax assets were reflected on the consolidated balance sheets as follows:

	Year Ended December 31,	
	2008	2007
Net current deferred tax assets	$ 12,771	$ 2,087
Net noncurrent deferred tax assets	512	542
Net current deferred tax liabilities	—	—
Net noncurrent deferred tax liabilities	(17,714)	(19,310)
Net deferred tax liabilities	$ (4,431)	$ (16,681)

The components of the Company's deferred tax assets/ (liabilities) were as follows:

	Year Ended December 31,	
	2008	2007
Deferred tax assets:		
Inventories	$ 2,345	$ 2,703
Accrued liabilities	8,429	6,847
Intangibles	1	358
Other	—	24
Tax losses	16,094	34,376
Total deferred tax assets	26,869	44,308
Deferred tax liabilities:		
Fixed assets	(26,487)	(34,060)
Total deferred tax liabilities	(26,487)	(34,060)
Total valuation allowances	(4,813)	(26,929)
Net deferred tax liabilities	$ (4,431)	$ (16,681)

The U.S. operations have Federal tax loss carry forwards of $30.1 million, which will expire in approximately 20 years, as of December 31, 2008. The loss carryforwards include $1.0 million related to windfall tax benefits which will be recorded in paid-in capital when realized.

As of December 31, 2008, the U.S. operations no longer have cumulative losses and, after consideration of the positive and negative evidence including the sustainability of the positive earnings trend, the Company concluded that it is more likely than not that the net deferred tax assets will be utilized and as a result a $24.9 million benefit from the reversal of valuation allowances mainly as the result of the usage of our net operating loss carryforwards has been recorded. The Company still maintains a $4.8 million valuation allowance primarily related to certain State net operating loss carryforwards as it is more likely than not that these tax benefits will not be utilized. Pursuant to Section 382 of the Internal Revenue Code, as amended, the annual utilization of the Company's U.S. net operating loss carryforwards may be limited, if the Company experiences a change in ownership of more than 50% within a three year period. As a result of the Company's IPO, the Company's net operating loss carryforwards available to offset future taxable income arising before the ownership change may be limited. The Company believes it experienced an ownership change on April 2, 2007 that limits the utilization of net operating losses to offset future taxable income. However, based on the Company's current analysis, all remaining U.S. Federal net operating loss carryforwards will be able to be utilized by 2010.

For the years ended December 31, 2008, 2007 and 2006, income taxes were not provided on unremitted earnings of $130,921, $23,809 and $695, respectively, as these earnings are expected to be permanently reinvested internationally.

In October 2006, our Mexican subsidiary distributed $27.0 million to its U.S. parent company. As such, for U.S. tax purposes, $25.2 million of this distribution was deemed taxable income and $1.8 million was treated as a return of basis.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, or FIN 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109." This interpretation prescribes a model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that it has taken or expects to take on a tax return. The Company does not have any material uncertain income tax positions therefore the adoption of FIN 48 had no effect on its consolidated financial position or results of operations. If any material uncertain tax positions did arise, the Companies policy is to accrue associated penalties in selling, general and administrative expenses and to accrue interest as part of net interest expense. All of the tax years since the Company's inception in 2004 are subject to examination by the Canadian, Mexican and United States revenue authorities. The Company does not anticipate that total unrecognized tax benefits will significantly change prior to December 31, 2009.

Income taxes paid were $64,822 and $7,786 for 2008 and 2007, respectively.

16. Commitments and Contingencies:

Leases

Under agreements expiring through 2017, the Company leases railcars and other equipment under various operating leases. Rental expense for 2008, 2007 and 2006 was $5,213, $4,438 and $4,535, respectively. Minimum annual rentals for all operating leases are:

Year Ending	Lease Payments
2009	$ 4,408
2010	3,573
2011	2,960
2012	2,096
2013	1,450
Thereafter	2,435

Purchase Commitments and Supplier Concentration

The Company has two supply contracts with minimum purchase commitments. One with an initial term through 2018, with an automatic five-year renewal term at prices established annually based on a formula and the other with a term through 2009. The combined minimum annual purchase obligation for both contracts, at current prices, approximates $95.7 million for 2009.

Our business activities depend on long-term or renewable contracts to supply materials or products. In particular, we rely to a significant degree on single-source supply contracts and some of these contractual relationships may be with a relatively limited number of suppliers. Although most of our supplier relationships are typically the result of multiple contractual arrangements of varying terms, in any given year, one or more of these contracts may come up for renewal. In addition, from time to time, we enter into toll manufacturing agreements or other arrangements to produce minimum quantities of product for a certain duration. If we experience delays in delivering contracted production, we may be subject to contractual liabilities to the buyers to whom we have promised the products.

Environmental

The Company's operations are subject to extensive and changing federal and state environmental laws and regulations. The Company's manufacturing sites have an extended history of industrial use, and soil and groundwater contamination have or may have occurred in the past and might occur or be discovered in the future.

Environmental efforts are difficult to assess for numerous reasons, including the discovery of new remedial sites, discovery of new information and scarcity of reliable information pertaining to certain sites, improvements in technology, changes in environmental laws and regulations, numerous possible remedial techniques and solutions, difficulty in assessing the involvement of and the financial capability of other potentially responsible parties and the extended time periods over which remediation occurs. Other than the items listed below, the Company is not aware of material environmental liabilities which are probable and estimable. As the Company's environmental contingencies are more clearly determined, it is reasonably possible that amounts accrued may be necessary. However, management does not believe, based on current information, that environmental remediation requirements will have a material impact on the Company's results of operations, financial position or cash flows.

Under the Rhodia Agreement between the Company and several affiliates within the Rhodia S.A. Group according to which the Company acquired the Phosphates Business and related assets, the Company has certain rights of indemnification from the sellers for breach of representations, warranties, covenants and other agreements. With respect to undisclosed environmental matters, such indemnification rights are subject to certain substantial limitations and exclusions which increase over time, largely expiring five years from closing or August 12, 2009.

Future environmental spending is probable at our site in Nashville, Tennessee, the eastern portion of which had been used historically as a landfill, and a western parcel previously acquired from a third party, which reportedly had housed, but no longer does, a fertilizer and pesticide manufacturing facility. We have an estimated liability with a range of $0.9-$1.2 million. The remedial action plan has yet to be finalized, and as such, the Company has recorded a liability, which represents the Company's best estimate, of $1.1 million as of December 31, 2008.

The Environmental Protection Agency, or EPA, has indicated that compliance at facilities in the phosphate industry is a high enforcement priority. After several years of expressing various concerns (without issuing any notice of violation) about aspects of our Geismar, LA operations, in March 2008, we received a letter from the Department of Justice, or DOJ, indicating that EPA had referred the case for civil enforcement, contending, among other things, that we do not qualify for certain exemptions we have claimed, and alleging that we violate RCRA at Geismar by failing to manage two materials appropriately. Although the letter stated that EPA/DOJ intended to seek unspecified penalties and corrective action, it proposed discussions to explore possible resolution, which we undertook and are pursuing. During the fourth quarter of 2008, the DOJ/EPA demanded that Innophos and its neighboring interconnected supplier, PCS, undertake certain "interim measures" to address DOJ/EPA's chief environmental concerns. We and PCS have initiated joint technical efforts to explore solutions to the government concerns. Based on our contact with the agencies to date in 2009, we have determined it is probable that one of the process modifications will need to be undertaken in the next several months, and likewise probable that the capital expenditure and future operating expense of that modification will not be material unless the DOJ adds terms and conditions that could result in the parties not reaching agreement. However, the second measure sought by DOJ/EPA does not have a readily available, technologically recognized solution. Even though the companies have begun substantial technical work in an attempt to develop a feasible approach to address DOJ/EPA's concerns, we cannot guarantee that our technical efforts will be successful, whether either party would be willing to implement solutions or, depending on those factors and the agencies' position, whether this matter will be settled with DOJ/EPA or will require litigation. Should litigation become necessary to defend our operations at Geismar as compliant with environmental laws and regulations, no assurance can be given as to its outcome. We have determined that a contingent liability is neither probable nor estimable at this time, but liability is reasonably possible.

Litigation

OCP Arbitration

In December 2008, Innophos initiated binding arbitration with OCP, S.A., its sole supplier of phosphate rock for Mexico, concerning pricing terms for 2008 and 2009 under the Company's agreement with that supplier. A panel of three arbitrators has now been selected to hear the case, interpret the pricing provisions of the contract, and derive the phosphate rock price for both years. Absent agreement on an expedited process, which the Company is seeking, Innophos has been advised that a final decision could take up to a year. Last year, the parties reached agreement on interim prices, which the Company paid for shipments during 2008. Management has determined that the contingent liability of having to pay more than the amounts paid for 2008 as interim prices is not material. While the amount of such contingent liability is not estimable, within the range of outcomes that management has determined to be reasonably possible, the most likely outcome would be prices below such interim prices, possibly by a material amount. Accordingly, the Company has not established a reserve for a contingent liability or provision for a contingent gain on its financial statements.

Mexican CNA Water Tax Claims

Nature and Extent. On November 1, 2004, our Mexican subsidiary, Innophos Fosfatados, received notice from the CNA of the Fresh Water Claims at our Coatzacoalcos, Veracruz, Mexico plant from 1998-2002. As initially assessed by the CNA, those claims total approximately $22.5 million at current exchange rates as of February 24, 2009, including basic charges of $7.8 million and $14.7 million for interest, inflation and penalties. Management believes that Innophos Fosfatados has valid bases for challenging the Fresh Water Claims, and that matter is being defended vigorously as explained herein.

Rhodia Indemnity Confirmed. As a result of litigation in New York state courts against Rhodia, S.A. and affiliates, or the New York Litigation, concerning their indemnification obligation for the CNA claims under the Rhodia Agreement under which we purchased our business from Rhodia, on February 12, 2008 the New York Court of Appeals affirmed lower court rulings that Innophos is fully indemnified against the Fresh Water Claims, as well as any like claims pertaining to periods prior to the closing date of the Transaction, August 13, 2004 were such liabilities to be sustained.

Further Proceedings. The Fresh Water Claims are currently pending review on appeal in the Mexican appeals court system. A final determination of the CNA Fresh Water matter may require further appeals to the Mexican Supreme Court and remands to the CNA or to lower courts, a process that might continue for several years. In the event that the appeals were to be decided against us and Rhodia were then unable to pay on its indemnification obligations, our subsidiary could be required to pay a judgment for the entire amount claimed.

Possible Post-2002 Claims. If the CNA Fresh Water Claims were sustained for the period 1998-2002, it is possible that CNA would seek to claim similar higher duties, fees and other charges for fresh water extraction and usage from 2003 on into the future, or the Post-2002 Fresh Water Claims. Management estimates that such charges would be approximately $8 million of additional basic charges to date, excluding interest, inflation, and penalties, and, under current operating conditions, approximately $1.2 million of additional basic charges per year. Based on the judgments we have obtained in New York, we believe Rhodia would be responsible to indemnify us fully for those additional Taxes arising on or before the August 2004 closing, representing approximately $3 million of basic charges. Moreover, although not included in our court judgments, we also believe Rhodia would be required to fully indemnify us for post-closing losses caused by breaches of covenants set forth in the Rhodia Agreement, which could represent the remainder of the exposure referenced above, or $5 million or other measure of damages for such breaches. Rhodia contested indemnification responsibility for such breaches and filed a motion for partial summary judgment to dismiss such claims. In January 2009, that motion was denied by the New York trial court. It is possible that Rhodia may appeal such denial and the case will proceed to trial or motions to resolve this and other issues.

Based upon advice of counsel and our review of the CNA Fresh Water Claims and the Post-2002 Fresh Water Claims, the facts and applicable law, we have determined that liability is reasonably possible, but is neither probable nor reasonably estimable. Accordingly, we have not established a liability on the balance sheet as of December 31, 2008. As additional information is gained, we will reassess the potential liability and establish the amount of any loss reserve as appropriate. The ultimate liability amount could be material to our results of operations and financial condition. Furthermore, given Rhodia's financial condition, we cannot be sure we will ultimately collect any amounts due from Rhodia under our Rhodia Agreement indemnification rights, even though they have been confirmed by court judgments.

Mexican Water Discharge Duties

On February 25, 2009, the Company's Mexican subsidiary, Innophos Fosfatados, received a notice and request for information from CNA relating to an audit of water discharge duties, fees and other charges for the period 2002-2005 from the Company's Coatzacoalcos, Veracruz, Mexico plant. The notice affirms that the plant has met and meets the relevant parameters in its discharge permit, or CPDs, which had been the source of previous disclosures concerning a certain "PAMCAR" agreement with CNA (similar to a consent decree). The current notice, however, claims that the Company has not met a different set of discharge limits set forth in a statutory duties table, specifying limits for various discharge contaminants and fees payable for exceeding those limits. The notice requires the Company to review its discharges and calculate fees that would have been due if the tax table limits were applicable.

After a preliminary review, the Company estimates that the potential liability for base fees for 2002-2005 would be approximately $0.9 million, plus unspecified interest, inflation adjustments and penalties, which we estimate could increase the potential liability to approximately $5 million (all calculated at current exchange rates). However, we also believe that the duties tables are not applicable because they were superseded by the CPDs, which were specifically designed and issued for the plant, and with which the Company complies. In addition, we believe there are other meritorious defenses, including the applicable statute of limitations. The Company intends to comply with CNA's request for information, but vigorously defend any claim arising from the notice. We also believe that any claim or liability, to the extent relating to periods prior to the August 13, 2004 acquisition of our business from affiliates of Rhodia, would be fully indemnified by Rhodia. As a result, we also expect to put Rhodia on notice of an indemnification claim.

Other Legal Matters

In June 2005, Innophos Canada, Inc. was contacted by representatives of The Mosaic Company (a division of Cargill Corporation), or Mosaic, seeking a meeting to discuss the status of an ongoing remedial investigation and clean-up Mosaic is conducting at its currently closed fertilizer manufacturing site located north of Innophos Canada's Pt. Maitland, Ontario Canada plant site. The remediation is being overseen by the Provincial Ministry of Environment, or MOE. Mosaic stated that, in its view, we and Rhodia (our predecessor in interest prior to August 13, 2004) were responsible for some phosphorus compound contamination at a rail yard between the Innophos Canada, Inc. and Mosaic sites, and will be asked to participate in the clean-up. We have determined that this contingent liability is neither probable nor estimable at this time, but liability is reasonably possible. We have notified Rhodia of the Mosaic claim under the Rhodia Agreement, and we will seek all appropriate indemnification.

In March 2008, Sudamfos S.A., an Argentine phosphate producer, or Sudamfos, filed a request for arbitration before the ICC International Court of Arbitration, Paris, France, or ICC, of a commercial dispute with our Mexican affiliate, Innophos Mexicana, or Mexicana. Sudamfos claims Mexicana, agreed to sell Sudamfos certain quantities of phosphoric acid for delivery in 2007 and 2008, and seeks an order requiring Mexicana to sell and deliver approximately 12,500 metric tons during 2008 in accordance with the claimed agreement. We believe we have meritorious defenses, including lack of any binding obligation to sell additional products to Sudamfos. Further, we believe we have not agreed to arbitrate any dispute with Sudamfos, and therefore we may contest ICC jurisdiction. Management has determined that the contingent liability to Sudamfos is not probable, and is at most reasonably possible. Accordingly, we have not accrued any liability for this matter on our balance sheet as of December 31, 2008. In addition, Mexicana believes Sudamfos is wrongfully refused payment of approximately $ 1.2 million, which Sudamfos owes Mexicana for prior transactions. Mexicana has filed a lawsuit in Mexico against Sudamfos' collection of such amount. Management has determined that this outstanding receivable is fully collectible.

In addition, we are party to legal proceedings that arise in the ordinary course of our business. Except as to the matters specifically discussed, we do not believe that these legal proceedings represent probable or reasonably possible liabilities. However, these matters cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on our business, results of operations, financial condition, and/or cash flows.

17. Financial Instruments and Concentration of Credit Risks:

The senior credit facility borrowings are at variable rates of interest and, therefore, the Company's management believes that the carrying amount approximates fair market value.

The carrying value of our Senior Subordinated Notes and our Senior Unsecured Notes are $190.0 million and $66.0 million, respectively. The fair values at December 31, 2008 (excluding accrued interest) are approximately $142.5 million and $46.2 million, respectively.

The Company believes that its concentration of credit risk related to trade accounts receivable is limited since these receivables are spread among a number of customers and are geographically dispersed. The ten largest customers accounted for 40%, 39% and 39%, respectively, of net sales for 2008, 2007 and 2006. Our largest customer represented 11.2% of our 2008 sales, otherwise, no other customer accounted for more than 10% of our sales in the last 3 years.

18. Valuation Allowances:

Valuation allowances as of December 31, 2008, 2007 and 2006, and the changes in the valuation allowances for the year ended December 31, 2008, 2007 and 2006 are as follows:

	Balance, January 1, 2008	Charged/ (credited) to costs and expenses	Deductions (Bad debts)	(Credited) to Goodwill	Balance, December 31, 2008
Deferred taxes valuation allowances	$ 26,929	$ (22,116)	$ —	$ —	$ 4,813
Allowance for doubtful accounts	—	—	—	—	—

	Balance, January 1, 2007	Charged/ (credited) to costs and expenses	Deductions (Bad debts)	(Credited) to Goodwill	Balance, December 31, 2007
Deferred taxes valuation allowances	$ 16,557	$ 10,372	$ —	$ —	$ 26,929
Allowance for doubtful accounts	1,318	—	(1,318)	—	—

	Balance, January 1, 2006	Charged/ (credited) to costs and expenses	Deductions (Bad debts)	(Credited) to Goodwill	Balance, December 31, 2006
Deferred taxes valuation allowances	$ 8,685	$ 7,872	$ —	$ —	$ 16,557
Allowance for doubtful accounts	1,337	—	(19)	—	1,318

19. Segment Reporting:

The company discloses certain financial and supplementary information about its reportable segments, revenue by products and revenues by geographic area. Operating segments are defined as components of an enterprise about which separate discrete financial information is evaluated regularly by the chief operating decision maker, in order to decide how to allocate resources and assess performance. The primary performance indicators for the chief operating decision maker are sales and operating income, with sales on a ship-from basis. The Company reports its operations in three reporting segments—United States, Mexico and Canada, each of which sells the entire portfolio of products.

For the year ended December 31, 2008	United States	Mexico	Canada	Eliminations	Total
Sales	$ 486,186	$ 409,745	$ 38,827	$ —	$ 934,758
Intersegment sales	28,999	29,965	63,820	(122,784)	—
Total sales	515,185	439,710	102,647	(122,784)	934,758
Operating income	$ 108,743	$ 183,587	$ 6,525	—	$ 298,855
Other data					
Capital expenditures	$ 11,574	$ 4,779	$ 2,183	$ —	$ 18,536
Long-lived assets	153,939	152,890	20,193	—	327,022
Total assets	870,038	312,297	205,398	—	1,387,733
Reconciliation of total assets to reported assets					
Total assets	$ 870,038	$ 312,297	$ 205,398	$ —	$ 1,387,733
Eliminations	(492,357)	—	(167,172)	—	(659,529)
Reported assets	$ 377,681	$ 312,297	$ 38,226	$ —	$ 728,204

For the year ended December 31, 2007	United States	Mexico	Canada	Eliminations	Total
Sales	$ 326,882	$ 222,699	$ 29,401	$ —	$ 578,982
Intersegment sales	26,239	24,560	57,002	(107,801)	—
Total sales	353,121	247,259	86,403	(107,801)	578,982
Operating income	$ 3,299	$ 39,819	$ 4,591	—	$ 47,709
Other data					
Capital expenditures	$ 7,275	$ 18,999	$ 2,082	$ —	$ 28,356
Long-lived assets	172,134	164,479	20,370	—	356,983
Total assets	588,025	222,839	137,777	—	948,641
Reconciliation of total assets to reported assets					
Total assets	$ 588,025	$ 222,839	$ 137,777	$ —	$ 948,641
Eliminations	(301,711)	(902)	(103,329)	—	(405,942)
Reported assets	$ 286,314	$ 221,937	$ 34,448	$ —	$ 542,699

For the year ended December 31, 2006	United States	Mexico	Canada	Eliminations	Total
Sales	$ 318,105	$ 194,639	$ 29,053	$ —	$ 541,797
Intersegment sales	26,067	22,655	55,848	(104,570)	—
Total sales	344,172	217,294	84,901	(104,570)	541,797
Operating income	$ 1,544	$ 28,422	$ 983	—	$ 30,949
Other data					
Capital expenditures	$ 10,150	$ 4,720	$ 707	$ —	$ 15,577
Long-lived assets	191,921	163,290	20,092	—	375,303
Total assets	587,852	216,283	115,118	—	919,253

For the year ended December 31, 2006	United States	Mexico	Canada	Eliminations	Total
Reconciliation of total assets to reported assets					
Total assets	$ 587,852	$ 216,283	$ 115,118	$ —	$ 919,253
Eliminations	(274,861)	(877)	(78,195)	—	(353,933)
Reported assets	$ 312,991	$ 215,406	$ 36,923	$ —	$ 565,320

	Year Ended December 31,		
Product Revenues	2008	2007	2006
Purified Phosphoric Acid	$ 251,656	$ 128,882	$ 129,820
Specialty Salts and Acids	449,878	293,389	276,566
STPP & Other Products	233,224	156,711	135,411
Total	$ 934,758	$ 578,982	$ 541,797

	Year Ended December 31,		
Geographic Revenues	2008	2007	2006
US	$ 451,082	$ 303,941	$ 292,514
Mexico	250,034	131,811	130,302
Canada	39,669	31,109	32,240
Other foreign countries	193,973	112,121	86,741
Total	$ 934,758	$ 578,982	$ 541,797

Revenues for the geographic information are attributed to geographic areas based on the destination of the sale.

Intersegment sales are recorded based on established transfer price.

Long-lived assets include property, plant and equipment, goodwill and intangibles.

20. Quarterly information (unaudited):

	2008				
	Quarters ended				
	March 31	June 30	September 30	December 31,	Total
Net sales	$ 162,538	$ 264,000	$ 291,772	$ 216,448	$ 934,758
Gross profit	40,707	107,865	126,583	89,427 (a)	364,582
Net income	9,256	59,287	79,652	58,988 (b)	207,183
Per Share Data:					
Income Per Share:					
Basic	$ 0.44	$ 2.85	$ 3.80	$ 2.80 (b)	
Diluted	$ 0.43	$ 2.74	$ 3.64	$ 2.71 (b)	

	2007				
	Quarters ended				
	March 31	June 30	September 30	December 31,	Total
Net sales	$ 136,680	$ 151,912	$ 146,451	$ 143,939	$ 578,982
Gross profit	20,982	31,943	29,737	21,535	104,197
Net (loss) income	(2,068)	(5,168) (c)	5,631	(3,882)	(5,487)
Per Share Data:					
(Loss) Income Per Share:					
Basic	$ (0.10)	$ (0.25) (c)	$ 0.27	$ (0.19)	
Diluted	$ (0.10)	$ (0.25) (c)	$ 0.26	$ (0.19)	

(a) Includes a \$3.9 million, \$2.5 million after tax, out of period benefit for certain adjustments related to deferred Mexican employee statutory profit sharing.

(b) Includes a $14.4 million benefit from the reversal of valuation allowances against U.S. Federal net deferred tax assets mainly as the result of the usage of our net operating loss carryforwards and a $3.9 million, $2.5 million after tax, out of period benefit related to deferred Mexican employee statutory profit sharing and deferred income taxes.

(c) Includes the $6.3 million termination fee related to the early cancellation of the pharma sales agency arrangements with Rhodia, Inc.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Control and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) that are designed to provide reasonable assurance that information required to be reported in the Company's consolidated financial statements and filings is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer, with the participation of management, concluded that the Company's disclosure controls and procedures are effective.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control framework and processes are designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements in accordance with United States generally accepted accounting principles.

As of December 31, 2008, management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework.* Based on the assessment, the management concluded that, as of December 31, 2008, the Company's internal control over financial reporting is effective.

The Company's internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during or with respect to the fourth quarter of 2008 that 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 required by this Item relating to Directors and Corporate Governance is set forth under the captions "The Board of Directors and its Committees—Board Committees", "The Board of Directors and its Committees—Audit Committee", "Proposals—Election of Board Members", "The Board of Directors and its Committees—Other Corporate Governance Matters", "The Board of Directors and its Committees—Nominating and Corporate Governance Committee", "Policy on Communications from Security Holders and Interested Parties" and "Section 16(a) Beneficial Ownership Compliance" in the registrant's Proxy Statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with the 2009 Annual Meeting of Stockholders (the "Proxy Statement") and is incorporated herein by reference.

The information required by this item relating to Executive Officers is set forth in Item 1 under the caption "Executive Officers" and is herein incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is set forth under the caption "Executive Compensation", "The Board of Directors and its Committees—Compensation of Directors" and "The Board of Directors and its Committees—Compensation Committee Interlocks and Insider Participation" in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is set forth under the captions "Security Ownership of Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is set forth under the caption "The Board of Directors and its Committees—Director Independence", "Executive Compensation—Certain Transactions" and "Policy With Respect to Related Person Transactions" in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is set forth under the caption "Information Regarding the Independence of the Independent Registered Public Accounting Firm" in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) *Exhibits*. The following exhibits are filed as part of this 10-K.

See the attached Exhibit Index.

(b) *Financial Statement Schedules*.

Schedule I—Condensed Financial Information of the Registrant.

CONDENSED FINANCIAL STATEMENTS OF INNOPHOS HOLDINGS, INC.
INNOPHOS HOLDINGS, INC.

Condensed Balance Sheets
(Dollars in thousands)

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 674	$ 60
Accounts receivable due from affiliates	5,994	—
Inventories	—	—
Other current assets	1,558	—
Total current assets	8,226	60
Property, plant and equipment, net	—	—
Goodwill	—	—
Investment in subsidiaries	303,354	113,941
Intangibles and other assets, net	1,195	1,558
Total assets	$ 312,775	$ 115,559
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ —	$ —
Accounts payable	17	—
Other current liabilities	4,892	4,855
Total current liabilities	4,909	4,855
Long-term debt	66,000	66,000
Other long-term liabilities	214	—
Total liabilities	71,123	70,855
Commitments and contingencies		
Stockholders' equity	241,652	44,704
Total stockholders' equity	241,652	44,704
Total Liabilities and stockholder's equity	$ 312,775	$ 115,559

SCHEDULE I (continued)

INNOPHOS HOLDINGS, INC.

Condensed Statements of Operations
(Dollars in thousands)

	Year Ended December 31,		
	2008	2007	2006
Net sales	$ —	$ —	$ —
Cost of goods sold	—	—	—
Gross profit	—	—	—
Operating expenses:			
Selling, general and administrative	232	284	20
Research & Development Expenses	—	—	—
Total operating expenses	232	284	20
Operating income	(232)	(284)	(20)
Interest expense, net	6,624	4,471	(314)
Foreign exchange (gains)/losses	—	—	—
Other expense (income), net	—	—	—
Equity (income) loss	(210,081)	732	33,111
Loss before income taxes	203,225	(5,487)	(32,817)
Provision for income taxes	(3,958)	—	—
Net income (loss)	$ 207,183	$ (5,487)	$ (32,817)

INNOPHOS HOLDINGS, INC.

Condensed Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31, 2008	2007	2006
Cash flows from operating activities			
Net income (loss)	$ 207,183	$ (5,487)	$ (32,817)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of deferred financing charges	363	257	—
Equity loss (income)	(210,081)	732	33,111
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivable	(5,994)	—	—
(Decrease)/increase in accounts payable	17	(17)	17
(Decrease)/increase in other current liabilities	(1,558)	1,306	—
Changes in other long-term assets and liabilities	214	(107)	107
Net cash (used in) provided from operating activities	(9,856)	(3,316)	418
Cash flows from investing activities:			
Investment in subsidiaries	24,169	(51,002)	(85,895)
Net Cash provided from (used in) investing activities	24,169	(51,002)	(85,895)
Cash flows from financing activities:			
Capital contribution	542	950	87,436
Distribution to stockholders	—	—	—
Proceeds from issuance of senior unsecured notes	—	66,000	—
Deferred financing costs	—	(1,815)	—
Dividends paid	(14,241)	(12,899)	—
Net cash (used for) provided from financing activities	(13,699)	52,236	87,436
Net change in cash	614	(2,082)	1,959
Cash and cash equivalents at beginning of period	60	2,142	183
Cash and cash equivalents at end of period	$ 674	$ 60	$ 2,142

SCHEDULE I

INNOPHOS HOLDINGS, INC.

Basis of Presentation

Innophos Holdings, Inc.("Company") is a holding company that conducts substantially all of its business operations through its subsidiaries.

There are significant restrictions on the Company's ability to obtain funds from any of its subsidiaries through dividends, loans or advances. Accordingly, the condensed financial statements have been presented on a "parent-only" basis. Under a parent-only presentation, the Company's investments in its consolidated subsidiaries are presented under the equity method of accounting. These parent-only financial statements should be read in conjunction with Innophos Holdings, Inc. audited consolidated financial statements included elsewhere herein.

Recapitalization

Innophos Holdings, Inc.'s Board of Directors approved a registration statement on Form S-l, effective November 2, 2006, with the Securities and Exchange Commission in connection with an initial public offering of Innophos Holdings, Inc.'s common stock. The Company effectuated a recapitalization through an amendment to our certificate of incorporation declaring a reverse stock split and reclassifying all of the outstanding shares of our Class A and Class L Common Stock into a single class of common stock.

Debt

On April 16, 2007, Innophos Holdings, Inc. has issued Senior Unsecured Notes for the purpose of redeeming Innophos Investments Holdings, Inc. Floating Rate Senior Notes. Innophos Holdings, Inc. subsidiaries also have debt. For a discussion of the debt obligations of Innophos Holdings, Inc.'s subsidiaries, see Note 9 in the audited financial statements included elsewhere in this Form 10-K.

Income Taxes

The Company is a member of a U.S. consolidated income tax return. The Company generates net operating losses which can be used by Innophos, Inc. in the U.S. consolidated income tax return. Therefore, the benefit recorded for income taxes in 2008 includes the reversal of the valuation allowance attributable to net operating losses which will be realizable by Innophos, Inc. The tax amounts established for the use of these losses are recorded through intercompany accounts which will cash settle.

Commitments and Contingencies

Innophos Holdings, Inc. has no direct commitments and contingencies, but its subsidiaries have direct commitments and contingencies. For a discussion of the commitments and contingencies of Innophos Holdings, Inc.'s subsidiaries, see Note 16 Commitments and Contingencies in the audited consolidated financial statements included elsewhere in this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Innophos Holdings, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized on the 12th day of March, 2009.

INNOPHOS HOLDINGS, INC.

By: /s/ RANDOLPH GRESS
Randolph Gress
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of Innophos Holdings, Inc. and in the capacities and on the dates indicated.

Signatures	Title	Dates
/S/ RANDOLPH GRESS **Randolph Gress**	Chief Executive Officer and Director (Principal Executive Officer)	March 12, 2009
/S/ RICHARD HEYSE **Richard Heyse**	Vice President and Chief Financial Officer (Principal Financial Officer)	March 12, 2009
/S/ CHARLES BRODHEIM **Charles Brodheim**	Corporate Controller (Principal Accounting Officer)	March 12, 2009
/S/ GARY CAPPELINE **Gary Cappeline**	Director	March 12, 2009
/S/ AMADO CAVAZOS **Amado Cavazos**	Director	March 12, 2009
/S/ LINDA MYRICK **Linda Myrick**	Director	March 12, 2009
/S/ KAREN OSAR **Karen Osar**	Director	March 12, 2009
/S/ JOHN STEITZ **John Steitz**	Director	March 12, 2009
/S/ STEPHEN ZIDE **Stephen Zide**	Director	March 12, 2009

EXHIBIT INDEX

Exhibit No.	Description
2.1	Purchase Agreement dated June 10, 2004 among Rhodia, Inc., Rhodia Canada Inc., Rhodia de Mexico, S.A. de C.V., Rhodia Overseas Limited, Rhodia Consumer Specialties Limited, Rhodia, S.A. and Innophos, Inc. (f/k/a Phosphates Acquisition, Inc.), incorporated by reference to Exhibit 2.1 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
3.1	Second Amended and Restated Certificate of Incorporation of Innophos Holdings, Inc. incorporated by reference to Exhibit 3.1 of Amendment No. 4 to Registration Statement 333-135851 on Form S-1 of Innophos Holdings, Inc. filed October 30, 2006
3.2	Amended and Restated By-Laws of Innophos Holdings, Inc. as of November 30, 2007 incorporated by reference to Exhibit 99.1/99.2B of Form 8-K of Innophos Holdings, Inc. filed December 6, 2007
4.1	Form of Common Stock certificate incorporated by reference to Exhibit 4.1 of Amendment No. 4 to Registration Statement 333-135851 on Form S-1 of Innophos Holdings, Inc. filed October 30, 2006
4.2	Registration Rights Agreement dated as of August 13, 2004 by and between Innophos Holdings, Inc., the entities set forth on Schedule I attached thereto and the other individuals signatory thereto incorporated by reference to Exhibit 4.2 of Registration Statement No. 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
4.3	Indenture by and between Innophos Holdings, Inc. and U.S. Bank National Association, as Trustee dated as of April 16, 2007 relating to 9 1/ 2% Senior Unsecured Notes Due 2012 incorporated by reference to Exhibit 4.1 of Form 8-K of Innophos Holdings, Inc. filed April 17, 2007
4.4	Purchase Agreement dated April 11, 2007 between Innophos Holdings, Inc. and Credit Suisse Securities (USA) LLC incorporated by reference to Exhibit 4.2 of Form 8-K of Innophos Holdings, Inc. filed April 17, 2007
4.5	Indenture by and between Innophos, Inc., and Wachovia Bank, National Association, dated as of August 13, 2004 incorporated by reference to Exhibit 4.1 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
4.6	Guarantee dated as of August 13, 2004 among Innophos, Inc., Innophos Mexico Holdings, LLC and Wachovia Bank, National Association incorporated by reference to Exhibit 10.3 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
4.7	Credit Agreement dated as of August 13, 2004 among Innophos, Inc., Bear Stearns Corporate Lending Inc., National City Bank, UBS Securities LLC and UBS Loan Finance LLC incorporated by reference to Exhibit 10.9 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
4.8	Guarantee and Collateral Agreement dated as of August 13, 2004 made by Innophos Holdings, Inc., Innophos, Inc. and certain of its subsidiaries in favor of Bear Stearns Corporate Lending, Inc. incorporated by reference to Exhibit 10.10 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
4.9	First Amendment to the Credit Agreement dated as of February 2, 2005 among Innophos, Inc., the lenders party to the Credit Agreement and Bear Stearns Corporate Lending, Inc. incorporated by reference to Exhibit 10.11 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
4.10	Second Amendment to Credit Agreement dated as of October 27, 2006 among Innophos, Inc. the lenders party to the Credit Agreement and Bear Stearns Corporate Lending, Inc, incorporated by reference to Exhibit 4.13 of Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2006
4.11	Third Amendment to Credit Agreement dated as of April 16, 2007, among Innophos, Inc. the lenders party to the Credit Agreement and Bear Stearns Corporate Lending, Inc. incorporated by reference to Exhibit 4.13 of Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2007
4.12	Fourth Amendment to Credit Agreement dated as of August 14, 2008, among Innophos, Inc. the lenders party to the Credit Agreement and Bear Stearns Corporate Lending, Inc. incorporated by reference to Exhibit 99 of Form 8-K of Innophos Holdings, Inc. filed August 19, 2008
10.1	Supply Agreement (Sulphuric Acid) dated as of August 13, 2004 between Rhodia, Inc. and Innophos, Inc. incorporated by reference to Exhibit 10.3 of Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2007

Exhibit No.	Description
10.2	Agreement dated as of September 10, 1992 by and between Office Cherifien Des Phosphates and Troy Industrias S.A. de C.V. incorporated by reference to Exhibit 10.12 to Amendment No. 4 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed February 14, 2006
10.3	Addendum No. 7 dated June 5, 2002 to Agreement dated as of September 10, 1992 by and between Office Cherifien Des Phosphates and Troy Industrias S.A. de C.V. incorporated by reference to Exhibit 99.1 of Form 8-K of Innophos Holdings, Inc. filed July 21, 2008
10.4	Purchasing Agreement between Innophos, Inc. and Mississippi Lime Company dated March 11, 2008, with redactions subject to pending confidential treatment request. incorporated by reference to Exhibit 10.5 of Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2007
10.5	Amended and Restated Purified Wet Phosphoric Acid Supply Agreement dated as of March 23, 2000 by and between Rhodia, Inc. and PCS Purified Phosphates incorporated by reference to Exhibit 10.15 to Amendment No. 4 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed February 14, 2006
10.6	Amended and Restated Acid Purchase Agreement dated as of March 23, 2000 among Rhodia, Inc., PCS Sales (USA), Inc. and PCS Nitrogen Fertilizer L.P incorporated by reference to Exhibit 10.16 to Amendment No. 4 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed February 14, 2006
10.7	Base Agreement dated as of September 1, 2003 by and between Pemex-Gas y Petroquimica Basica and Rhodia Fosfatados De Mexico S.A. de C.V. incorporated by reference to Exhibit 10.17 to Amendment No. 4 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed February 14, 2006
10.8	Purchase and Sale Agreement of Anhydrous Ammonia dated as of April 23, 2001 as amended, by and between Petroquimica Cosoleacaque, S.A. de C.V. and Rhodia Fosfatados De Mexico, S.A. de C.V. incorporated by reference to Exhibit 10.18 to Amendment No. 4 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed February 14, 2006
10.9	Sulfur Supply Contract dated as of November 1, 2000 by and Between Pemex Gas Y Petroquimica Basica and Rhodia Fosfatados de Mexico, S.A. de C.V. incorporated by reference to Exhibit 10.19 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
10.10	Supply Agreement dated as of June 18, 1998 by and among Colgate Palmolive Company, Inmobiliaria Hills, S.A. de C.V., and Rhone-Poulenc de Mexico, S.A. de C.V. incorporated by reference to Exhibit 10.21 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
10.11	Operations Agreement made as of the 18th day of June, 1998 by and among Mission Hills, S.A. de C.V, Inmobiliaria Hills. S.A. de C.V., and Rhone-Poulenc de Mexico, S.A. de C.V. incorporated by reference to Exhibit 10.22 of Registration Statement 333-129951 on Form S-4 of Innophos, Inc. filed November 23, 2005
10.12	Form of Memorandum of Agreement dated January 30, 2009 by and between Innophos, Inc. and Colgate Palmolive incorporated by reference to Exhibit 99.1 of Form 8-K of Innophos Holdings, Inc. and Innophos, Inc. filed February 5, 2009
10.13	Form of Individual Employment Agreement for executive officers of Innophos Servicios de Mexico, S. de R.L. de C.V., incorporated by reference to Exhibit 10.24 of Amendment No. 1 to Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2007
10.14	Form of Executive Employment Agreement by and between Innophos Holdings, Inc. and certain executive officers incorporated by reference to Exhibit 99.13 of Form 8-K of Innophos Holdings, Inc. filed May 1, 2008
10.15	Innophos Holdings, Inc. Amended and Restated 2005 Executive Stock Option Plan incorporated by reference to Exhibit 10.28 to Amendment No. 4 of Registration Statement 333-135851 on Form S-1 of Innophos, Inc. filed October 30, 2006
10.16	Innophos, Inc. Executive, Management and Sales Incentive Plan effective January 1, 2007, incorporated by reference to Exhibit 10.17 of Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2007
10.17	Form of Retention Bonus Agreement dated as of October 18, 2006 by and among Innophos Holdings, Inc., and senior management employees incorporated by reference to Exhibit 4.6 of Registration Statement No. 333-139623 on Form S-8 of Innophos Holdings, Inc. filed December 22, 2006

Exhibit No.	Description
10.18	Form of Indemnification Agreement, by and among Innophos Holdings, Inc. and certain Directors and Executive Officers incorporated by reference to Exhibit 99.2 of Form 8-K of Innophos Holdings, Inc. filed January 31, 2007
10.19	Form of 2006 Long-Term Equity Incentive Plan incorporated by reference to Exhibit 10.37 to Amendment No. 4 of Registration Statement 333-135851 on Form S-1 of Innophos, Inc. filed October 30, 2006
10.20	Form of Award Agreement under 2006 Long-Term Equity Incentive Plan, filed herewith
10.21	Form of Innophos, Inc. Retirement Savings Restoration Plan effective as of January 1, 2006, incorporated by reference to Exhibit 10.29 of Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2006.
12.1	Statement re: Calculation of Ratio of Earnings to Fixed Charges, incorporated by reference to Exhibit 12.1 of Annual Report on Form 10-K of Innophos Holdings, Inc. for the year ended December 31, 2007
21.1	Subsidiaries of Registrant, filed herewith
23.1	Consent of PricewaterhouseCoopers LLP, filed herewith
31.1	Certification of Principal Executive Officer dated March 12, 2009 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
31.2	Certification of Principal Financial Officer dated March 12, 2009 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
32.1	Certification of Principal Executive Officer dated March 12, 2009 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
32.2	Certification of Principal Financial Officer dated March 12, 2009 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith

Pursuant to rules of the Securities and Exchange Commission, agreements and instruments evidencing the rights of holders of debt whose total amount does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis are not being filed as exhibits to this report. The registrant has agreed to furnish a copy of such agreements and instruments to the Commission upon its request.

Exhibit 31.1

CERTIFICATIONS

I, Randolph Gress, certify that:

1. I have reviewed this Annual Report on Form 10-K of Innophos Holdings, Inc. ("the registrant");

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 officers 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 officers 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.

Dated: March 12, 2009

By: /S/ RANDOLPH GRESS

Randolph Gress
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

I, Richard Heyse, certify that:

1. I have reviewed this Annual Report on Form 10-K of Innophos Holdings, Inc. ("the registrant");

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 officers 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 officers 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.

Dated: March 12, 2009

By: /S/ RICHARD HEYSE

Richard Heyse
Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

I, Randolph Gress, certify that:

1. the accompanying Annual Report on Form 10-K for the year ended December 31, 2008 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Innophos Holdings, Inc. at the dates and for the periods indicated.

A signed original of this written statement required by Section 906 has been provided Innophos Holdings, Inc. and will be retained by Innophos Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Date: March 12, 2009

/S/ RANDOLPH GRESS

Randolph Gress
Chief Executive Officer and Director
(Principal Executive Officer)

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

Exhibit 32.2

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

I, Richard Heyse, certify that:

1. the accompanying Annual Report on Form 10-K for the year ended December 31, 2008 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Innophos Holdings, Inc. at the dates and for the periods indicated.

A signed original of this written statement required by Section 906 has been provided Innophos Holdings, Inc. and will be retained by Innophos Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Date: March 12, 2009

/S/ RICHARD HEYSE

Richard Heyse
Vice President and Chief Financial Officer
(Principal Financial Officer)

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

Corporate Information

Transfer agent and registrar

Wells Fargo

Auditors

PricewaterhouseCoopers LLP

Corporate Locations

USA

Innophos, Inc.

P.O. Box 8000

Cranbury, NJ 08512-8000 USA

609-495-2495

Mexico

Innophos Mexicana S.A. de C.V.

Bosques de los Ciruelos 186

Piso 11

Colonia Bosques de las Lomas

Delegacion Miguel Hidalgo

11700 México, D.F.

52 55 5322 48 08

Innophos Facilities

Port Maitland, Ontario

Chicago Heights, Illinois

Chicago Waterway, Illinois

Cranbury, New Jersey (headquarters)

Nashville, Tennessee

Geismar, Louisiana

Mission Hills, Mexico

Coatzacoalcos, Mexico

Investor Relations contacts

investor.relations@innophos.com

609-366-1299

or

Breakstone Group

646-452-2335

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