Innophos 2009 Annual Report

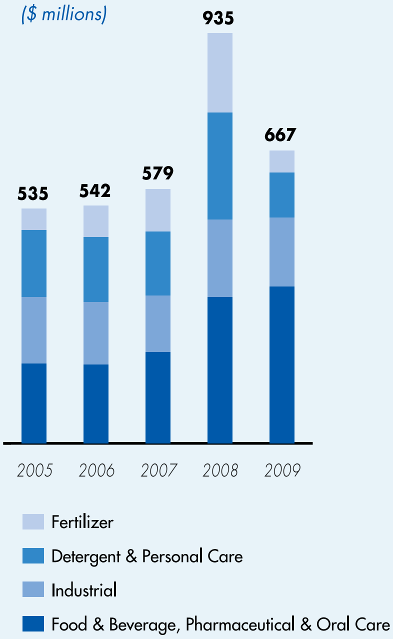
Ingredients for Success

About Innophos

Innophos is a leading North American producer of specialty phosphate products, offering performance-critical ingredients with applications in food and beverage, pharmaceutical, oral care and industrial end markets. With over a century of experience, Innophos has developed the expertise to produce complex phosphates to the highest standards of quality and consistency demanded by customers worldwide. The Company continues to improve its market leadership by developing new and innovative phosphate-based products to address specific customer applications and supports these high-value products with industry-leading technical service.

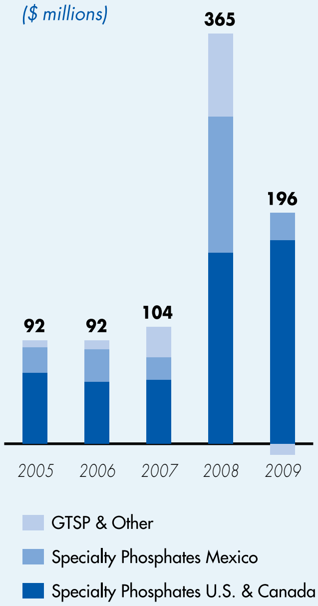
Revenues By End Market

($ millions)



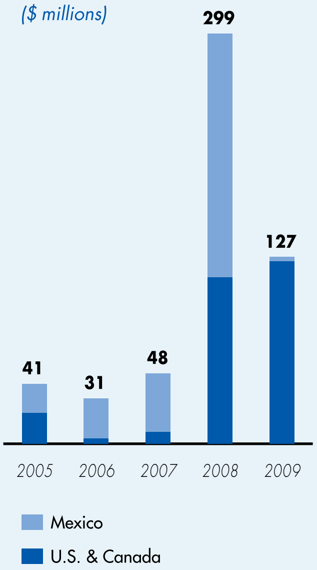
Gross Profit

($ millions)

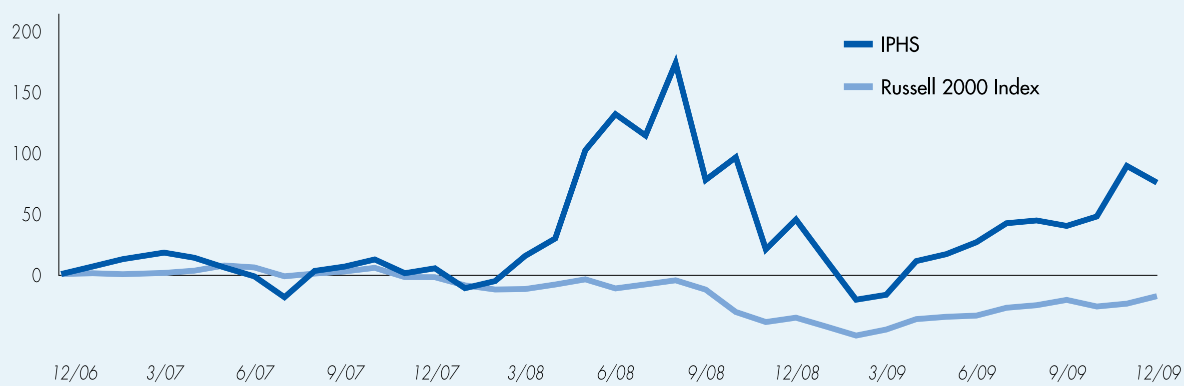


Operating Income By Region

($ millions)



Cumulative Total Return Comparison



Our Vision

To be the most successful, most competitive and first choice specialty phosphates company in the world.

Innophos Achievements 2009

Second highest ever sales and income

Over 50% of sales were in high-value food & beverage, pharmaceutical and oral care applications

Increased presence in high-growth geographies outside North America

Strengthened market-leading position in low sodium alternatives, driving future growth

Achieved major milestones in transforming supply chain capability and flexibility

Reduced net debt by more than half to $114 million

Dear Fellow Innophos Investors:

I am very proud to report to you that we have navigated successfully through the volatility of the last two years, and emerged with our business substantially stronger. I have great confidence in our ability to continue to deliver strong results this year and beyond. We successfully overcame major challenges in 2009 and delivered strong performance, with sales, operating income and net income second only to the Company's historic results of 2008.

Higher margin products helped Innophos achieve strong results in a challenging environment

We faced significant challenges in 2009. High costs for phosphate rock used in Mexico limited our ability to compete in some markets. The global economic downturn affected demand across our business, and falling market prices for commodity phosphates required us to respond with reductions in our own selling prices. Despite these challenges, we remained focused on investing in the future, with an emphasis on the higher margin products and higher value market application segments, and continued to enhance our longer term supply chain capability both through diversified raw material supply and manufacturing flexibility. While 2009 brought reduced demand and increased competition to low-margin products, the core of our business, specialty phosphates, performed very well.

It is clear from 2009 results that the long-term strategy to focus on improving our capability in core specialty phosphate salts and acids products is working, both in North America and beyond. Over 50 percent of our sales were to the value-added food and beverage, pharmaceutical and oral care markets, versus just 30 percent historically, demonstrating the strength of these important and stable consumer-facing markets.

In 2009 we began to increase production capacity and capability in Mexico to support targeted growth in new geographic markets for value-added food grade specialty salts and acids, and that effort will continue in 2010. In the United States and Canada we continued to increase our ability to offer high-margin products through selective de-bottlenecking. Supporting high product quality with strong service levels set our offering apart, as the results demonstrate. Our core business selling prices for the fourth quarter 2009 were approximately 40 percent higher than those of the fourth quarter 2007.

Our Mexican business was the most affected by the challenges described above, with the impact most apparent on the profitability of our fertilizer co-products. In 2008 these products (primarily granulated triple superphosphate, or GTSP) generated gross profit of $74 million, while in 2009 they recorded a loss of $10 million. Profits in Mexico on detergent grade products were also sharply down, partly a result of the factors already noted. In addition, the business suffered a substantial reduction in sales of detergent grade acid to a major Mexican customer following the shut down of more than half their detergent grade sodium tripolyphosphate (STPP) capacity. It was therefore a significant achievement that our Mexican operation remained profitable in 2009.

This was only achieved through an organization-wide focus on cost reduction. We exceeded our initial targets with the support of the entire workforce. Meanwhile, we made significant investments to secure future profitability by preparing to move from being a single to a multiple source user of phosphate raw materials in Mexico. The testing and facility adaptation planning begun in 2009 put us on track to realize the full transition in 2010. We also upgraded the food grade capability of our main Mexican production site at Coatzacoalcos, increasing its ability to produce higher value specialty salts and acids while reducing the capacity dedicated to the more commodity-like detergent grade phosphoric acid. Combining an enhanced food grade production ability with diversified sourcing is helping the Mexican facility to become a more integral part of our overall North American supply chain. This can benefit the whole company in the longer term.

Progress toward a more flexible and diverse supply chain

Following year end, we settled the arbitration with our rock supplier. With prices agreed upon through September 2010, the Mexican operating segment was profitable again in the first quarter of 2010, and we have made progress in restoring our market position in specialty products supplied by the Mexican business. Further, we are working to establish new phosphate supply relationships with multiple sources that are more closely linked to market prices. Eliminating these supply chain constraints is enabling us to advance our plans for expansion outside North America, particularly in Latin America.

While 2009 brought reduced demand and increased competition to low-margin products, the core of our business, specialty phosphates, performed very well.

Maintaining the right capital balance

In response to the challenges of 2009, we focused on disciplined cash use while closely managing costs, balancing uses of cash including debt repayment, dividends and targeted capital spending. We ended the year with $132 million of cash and cash equivalents, enabling us to reduce debt and continue to make dividend payments as we improved the Company's core product margins. Net debt fell from $257 million at the end of 2008 to $114 million at the end of 2009. We also retired a $73 million term loan and established a new $65 million, four-year revolving credit facility, giving us no debt maturities before 2013. We retired $10 million face value of the Company's unsecured notes during the year when prices were advantageous and redeemed the remaining $56 million of the unsecured notes in April 2010.

We prioritized outlays on the most strategically important capital investments, keeping spending at $20 million, including: de-bottlenecking U.S. and Canadian specialty salts units that serve the highest margin markets; initiating the Coatzacoalcos, Mexico facilities upgrade to food grade; launching an Enterprise Resource Planning (ERP) project with a focus on supply chain efficiency; and conducting limited evaluation of recently acquired Mexican mining concessions.

We expect capital expenditures of approximately $35 million during 2010 to continue the projects described above, with a few additions. Operationally, we will continue to strengthen our ability to service high-value customer applications and improve research and development and technical service capability to maintain our leadership in these core product areas. Also, we will support geographic growth through an increased presence in developing markets, improved distribution channels and a greater focus on servicing these international customers.

Finally, we will continue to balance the use of cash for operational and corporate purposes. We plan to maintain our strengthened balance sheet while continuing to pay dividends and invest in the parts of our business that have the greatest profitability and growth potential. We have the flexibility to target and support strategically appropriate acquisitions, most likely of the "bolt-on" variety, to supplement our growth in our core business.

First quarter 2010 performance has confirmed the improving volume trends seen in the second half of 2009. Mexico is contributing to profitability again, and we expect that pricing has stabilized and should improve moderately in the near term. Therefore, we are confident we can continue to deliver strong results in 2010.

To close, I want to thank our employees, our customers and our stakeholders, all of whom are helping us to achieve our vision: to be the most successful, most competitive and first choice specialty phosphates company in the world.

Randy Gress
Chief Executive Officer & Chairman

April 29, 2010

Markets and Applications

Since becoming a public company, Innophos has consistently focused on increasing its capability and sales into high-value, consumer-oriented applications and high-performance industrial applications where its specialty phosphates create sustainable value.

This approach was rewarded in 2009, when the food and beverage, pharmaceutical and oral care end markets represented over 50 percent of sales, compared with a third of sales three years ago.

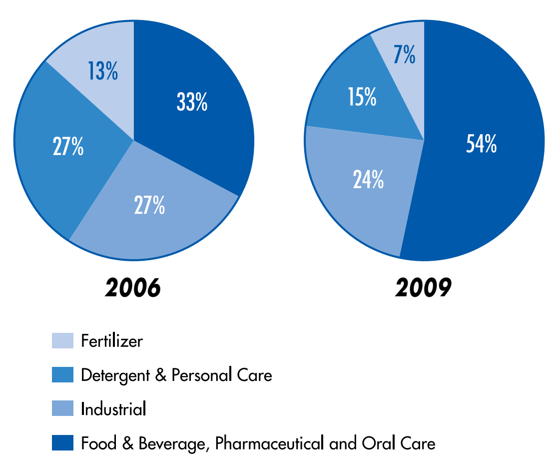
Overall Innophos is the number one North American specialty phosphate supplier to these high-value end markets, with long-lasting customer relationships built on a world-leading product range with excellent brand recognition.

Ingredients that enable customer success

On the sidebars of these pages you will see some examples of customer products that have Innophos specialty phosphates as a key ingredient. Innophos products tend to be a small percentage of customers' overall product cost, yet they are essential to end product performance. These products are supported by research and development (R & D) and technical service that are the most competitive in the specialty phosphate industry. These technical service and R & D capabilities were further strengthened in 2009 and, as a result, Innophos scientists are increasingly working as part of customers' teams. For example, they have been helping major food companies adapt their end products to meet changing consumer needs.

In addition to its experience and success with established products in the core territories of the United States, Canada and Mexico, Innophos is aiming to improve long-term growth in two ways: by increasing its capability in new regions and by developing and marketing a new high-value product range that supports customers in meeting consumer trends.

Revenues By End Market



What Innophos products do

Innophos products have a wide variety of applications. Below are some examples of the properties Innophos products bring to customer end products across a range of industries. In blue are the three product categories within the core specialty phosphate business. Details on co-products are shown in green. Percentages in section heads represent the category's contribution to 2009 revenues.

Specialty Salts and Specialty Acids: 67%

BAKING:
Core ingredient in baking powder, enabling pancakes, cakes, muffins and biscuits to rise at rates tailored to specific product requirements

MEAT & SEAFOOD:
Keep meat or seafood moist and tender during processing, storage and cooking

PROCESSED CHEESE:
Control melting properties of cheese slices, blocks and shreds

POTATOES:
Prevent unwanted discoloration during french fry manufacture

BEVERAGE:
Supply required minerals (calcium, phosphorus, magnesium and potassium) to a broad range of beverages, from soy milk to sports drinks

PHARMACEUTICAL EXCIPIENTS:
Contribute essential minerals to nutritional supplements and through superior tableting performance allow for proper dosing of active ingredients

ORAL CARE:
Provide abrasive properties to enable cleaning without damage to enamel

ASPHALT:
Improve road durability under both high- and low-temperature conditions

HORTICULTURE:
Specialized soluble nutrients for drip irrigation

FIRE SAFETY:
Ingredient in fire extinguishers for effective rapid extinguishing of flame and hot glow

WATER TREATMENT:
Prevent build-up of impurities in municipal and industrial water systems

Food & Technical Grade Purified Phosphoric Acid: 16%

BEVERAGE:
Provides tartness in colas without taste overtones

WATER TREATMENT:
Prevents accumulation of potentially harmful impurities in municipal water

METAL TREATMENT:
Brightens aluminum finish

Detergent Grade Phosphoric Acid and Sodium Tripolyphosphate: 12%

DETERGENTS:
Ingredient in consumer-oriented laundry and automatic dishwasher detergents

INDUSTRIAL CLEANING:
Detergent formulations with phosphate provide superior cleaning performance in challenging environments

GTSP and Other: 5%

PHOSPHATE FERTILIZER:
Granulated Triple Superphosphate is a phosphate fertilizer particularly suitable for soybeans and vineyard cultivation

Increased presence in developing markets

During 2009 Innophos increased its focus on high-growth, developing markets such as Latin America and the Asia Pacific region where a rapidly growing middle class is leading to increased demand for convenience foods such as ready-to-use baking mixes and packaged meat and seafood products. Management expects that a combination of its product and application expertise and industry-leading technical service, together with increased local presence through distributor partners or direct sales, will, over time, allow Innophos to build strong relationships with global, regional and local customers operating in developing markets. Although the Company is still relatively early into its execution of this strategy, export sales of specialty phosphates have increased to 12 percent of total specialty phosphate revenues in 2009, with significant potential for future growth.

Ingredients meeting consumer needs: sodium reduction

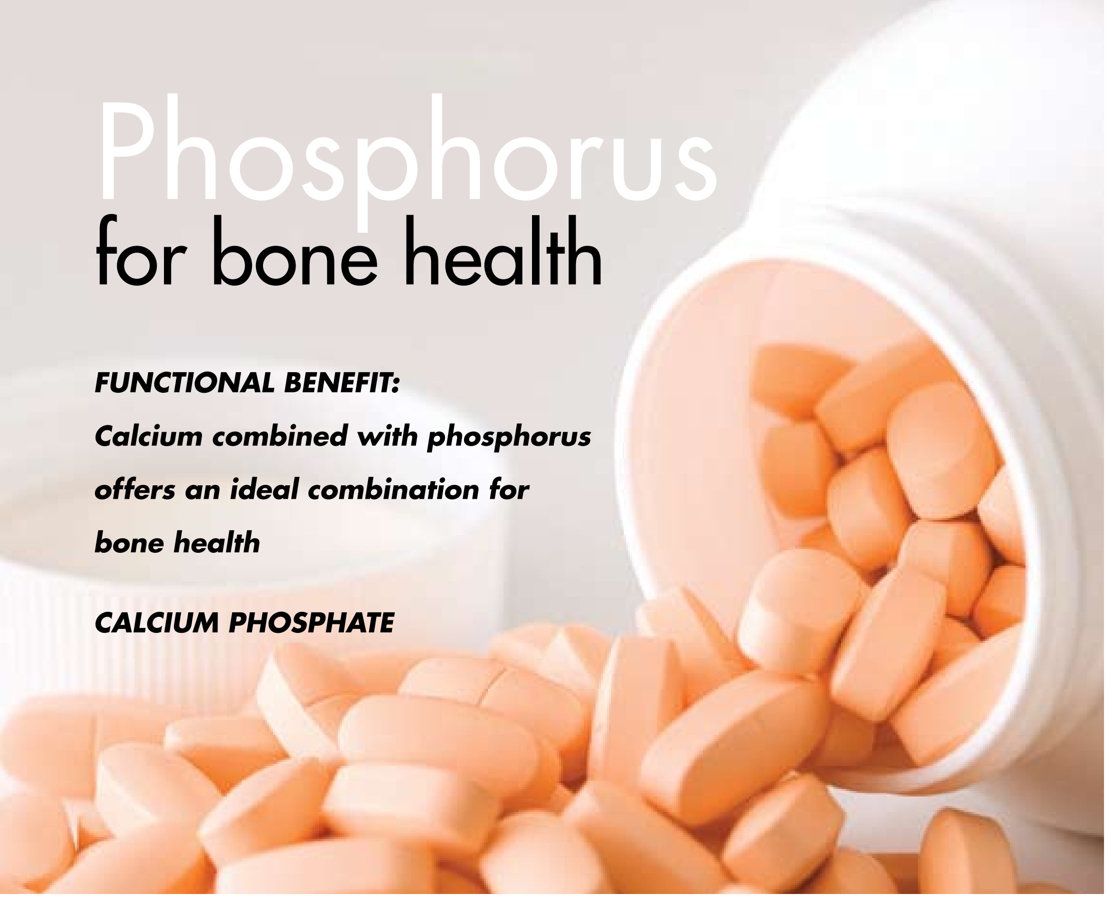
Awareness of the health risks associated with excessive sodium intake, which include hypertension and increased risk of heart disease, has grown, and these risks are becoming a focus for consumers, consumer advocacy groups and medical associations.

In 2009 the U.S.-based National Salt Reduction Initiative was established to help food manufacturers and restaurants voluntarily reduce the amount of sodium in their products, with the goal of reducing sodium in Americans' diets by 20 percent over the next five years. Innophos works with its customers to achieve lower sodium levels while maintaining important product characteristics such as texture, functionality and appearance, without sacrificing taste.

For example, producing finished baked goods that have significantly reduced levels of sodium is a definite competitive advantage for today's bakers. That's why in 2009, Clabber Girl, a leading producer of leavening systems for the home, foodservice and commercial baker, introduced InnovaFree™, a new sodium free baking powder. InnovaFree Baking Powder was developed in conjunction with Innophos, Inc. incorporating CAL-RISE®, the no-sodium, calcium-fortified leavening agent. Products like these allow bakers to reduce sodium levels in finished goods such as cakes, muffins and biscuits by as much as 50 percent.

Other current product offerings include Curavis® So-Lo 93 for meats and poultry products, and an array of phosphate blends for cheese applications.

Phosphorus
for bone health



FUNCTIONAL BENEFIT:

Calcium combined with phosphorus offers an ideal combination for bone health

CALCIUM PHOSPHATE

Supply Chain

The quality and consistency of Innophos products are critical to their inclusion in customers' branded formulations. Innophos' high product quality, process capability and exacting manufacturing standards allow customers to depend on Innophos ingredients in their trusted products.

As a specialty phosphate producer, Innophos has world-leading capability in the production of purified phosphoric acid and specialty salts and acids. Innophos produces purified phosphoric acid at facilities in Geismar, Louisiana and Coatzacoalcos, Mexico. The Company also purchases some additional purified phosphoric acid under a long-term supply agreement. Innophos sells a portion of its purified phosphoric acid directly to customers for consumer and industrial applications, but the majority is consumed internally in the next stage of the value chain, producing higher value, technically differentiated, specialty phosphate salt and acid compounds that sustain higher margins and attractive returns. Finally, as a co-product of the purification process in Mexico, Innophos also produces and sells a commodity fertilizer product – granulated triple superphosphate (GTSP).

Customers have long relied on Innophos for dependable supply in a changing environment. Innophos continues to make investments to improve the overall reliability and flexibility of its supply chain and to incrementally enhance its capability across the portion of its portfolio focused on higher value products.

The most significant investment in 2009 was in Mexico. Previously the majority of Mexico's purified phosphoric acid was produced to detergent grade standards and subsequently converted by Innophos or other customers to sodium tripolyphosphate (STPP), a detergent ingredient. Expecting reduced demand for detergent grade acid and STPP globally, the Company began a significant program in 2009 to increase Mexico's food grade acid capability. By the first quarter of 2010, the Company had successfully doubled Mexico's capability in food grade acid, providing important additional supply for its high-margin business expansion, as well as back-up capability to U.S. sources. The Mexican facility now has the potential to be the Company's largest source of food grade acid.

Ingredients that allow mineral fortification of everyday foods

Innophos products allow customers to add essential minerals to a diverse range of food products including: dairy products, baked goods, desserts, coffee whiteners and creamers, batter and breadings, dietary supplements and the full spectrum of beverage applications from enhanced water beverages to soy milk. Innophos' portfolio includes VersaCal® Clear for calcium fortification of clear beverages, VersaCal® MP for calcium fortification of milk and soy-based beverages, VersaCal® DA for juice-based products and several potassium phosphates, essential electrolytes in sports and isotonic drinks, which offer hydration and mineral replacement.

Calcium and phosphorus for pharmaceutical products

According to the International Osteoporosis Foundation, osteoporosis affects an estimated 75 million people in Europe, USA and Japan. Clinical studies sponsored by Innophos indicate that both calcium and phosphorus are essential for developing healthier bones.* Innophos calcium phosphates are a leading ingredient in combined vitamin and mineral supplements. Calcium phosphates also offer tableting performance advantages that make them good excipients – the inactive binders – in over-the-counter or prescription drugs.

*"Calcium phosphates promoted significant improvement in bone mineralization and bone strength compared to calcium alone." R.Shapiro and R.P. Heaney – *Co-dependence of calcium and phosphorus for growth and bone development under conditions of varying deficiency. Bone; 2003;32:532-540*

Innophos has already fully converted capacity in the United States and Canada from detergent grade production to higher value specialty products, and the completion of the Mexican food grade project has significantly reduced the amount of capacity dedicated to detergent grade products.

A strategic focus on the supply chain

In 2010 Innophos aims to complete the implementation of the Company's new supply chain strategy. Significant milestones in this strategy were achieved in 2009, and the main 2010 goal is successfully transitioning from the current sole-sourced arrangement for phosphate rock supply to Mexico to a more flexible, lower risk, multiple-sourcing arrangement. The current rock supply contract will terminate in September 2010, and Innophos is advanced in putting new supply arrangements into place.

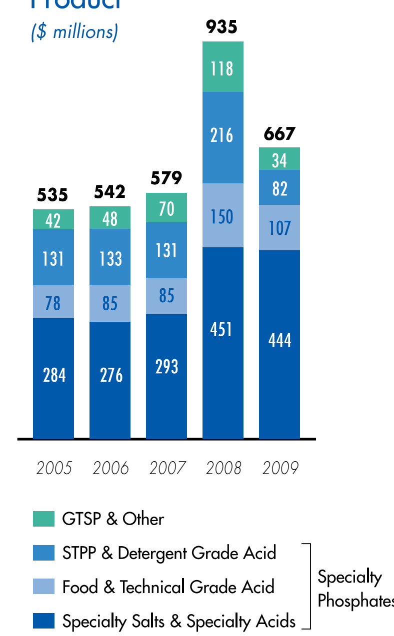
A second key goal for 2010 is completion of the previously announced enterprise resource planning (ERP) project, which will provide a management and technology backbone for the company-wide supply chain improvements and support the new sourcing strategy.

Products

Specialty Salts and Specialty Acids

Specialty salts and specialty acids serving consumer end markets are currently the most stable and highest value applications. The food and beverage, oral care and pharmaceutical end markets, as well as select high-performance industrial end markets, provided stable demand and strong margins, and in 2009 were the profitable core of Innophos' results. Sales revenue was down just two percent in 2009 versus 2008, as these products continued to do well in market conditions that were more challenging to the Company's less specialized products. Specialty salts and specialty acids are the primary area of focus for Innophos' business both within and outside North America.

Revenues By Product
($ millions)



Food and Technical Grade Acid

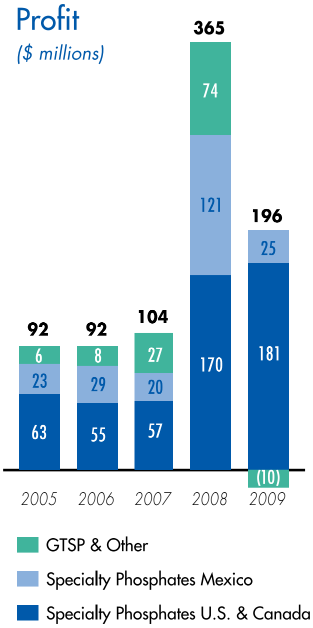
Most of Innophos' purified phosphoric acid is converted into specialty salts and specialty acids at dedicated facilities. Some food grade phosphoric acid is sold directly to customers for applications such as cola beverage production. In addition, technical grades of phosphoric acid are used in municipal water treatment and metal finishing. These markets were more affected by weak economic conditions in 2009, and sales revenue was down 29 percent from 2008.

STPP and Detergent Grade Acid

Detergent grade products include detergent grade phosphoric acid and STPP. Phosphates are very effective cleaning agents, in both laundry and automatic dishwasher detergents and in specialized industrial cleaning applications where high standards of cleanliness must be maintained in challenging conditions. In the United States and Canada, phosphates have largely been reformulated out of consumer-oriented detergents, but remain an important ingredient in industrial cleaning products. Sales of these products were down significantly in 2009, with a Mexican customer, formerly the Company's largest, shutting more than half of their STPP capacity and significantly reducing the need for Innophos' supply of detergent grade acid. Detergent-grade products now represent less than 12 percent of Innophos' total sales. While further reformulation is expected in the detergent industry, the effect on Innophos' detergent grade products will be much reduced going forward.

Gross Profit

($ millions)



Specialty Phosphates

Specialty phosphates comprise the following product categories: specialty salts and specialty acids; food and technical grade acid; and detergent grade acid and STPP. In 2009, specialty phosphates sales declined by 23 percent and gross profit declined by 29 percent from record 2008 levels. The decline came primarily from the impact on Mexico of reduced detergent grade product sales and an uncompetitive raw material sourcing position.

GTSP & Other

Commodity fertilizer co-products, such as GTSP, produced a loss of $10 million in 2009, a result of low market prices and an uncompetitive phosphate rock sourcing position. This compares to the $74 million profit made in 2008, benefiting from high market prices and raw material costs that were partly fixed at lower 2007 levels. Both the 2009 loss and 2008 profit were unusual outcomes for this product line, driven by conditions specific to those years. In all previous years, even in soft demand environments, Innophos commodity fertilizer co-products have made a positive gross profit contribution, improving somewhat in tight markets. Absent further unusual factors, historical patterns are expected to resume. Although they have generally been profitable, co-products are not part of the core of the Company's business.

Balance Sheet and Future Investment

Improving the balance sheet while investing for growth

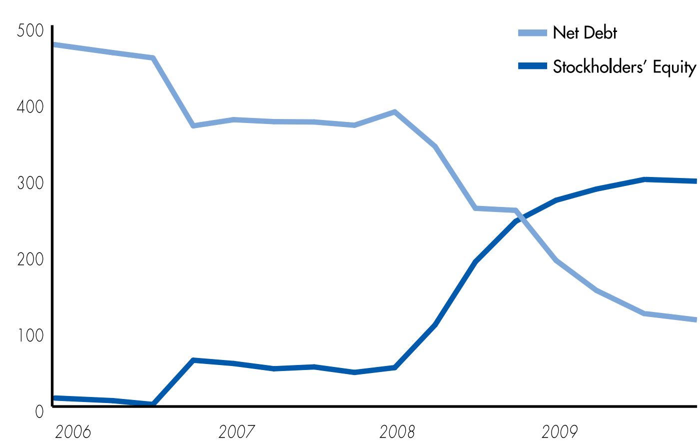
Innophos aims to continue improving its capital structure by seeking productive uses of cash. In 2009 the Company reduced net debt by more than 50 percent, paid a consistent dividend and improved Innophos' production capacity to serve higher margin end markets through targeted capital spending.

In 2010 and subsequent years Innophos expects to make additional investments targeted at increasing its presence in high-growth end markets and new geographic regions. Investments will include continued improvement of the Company's manufacturing capability in high-value products. In addition, Innophos is reviewing a number of "bolt-on" acquisition opportunities to accelerate its growth strategy.

Management also seeks to continue optimizing the cost and profile of the Company's remaining debt facilities. Innophos is committed to maintaining a strong balance sheet and aims to continue to pay a dividend.

Net Debt and Stockholders' Equity

($ millions)



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, 2009

☐ **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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 $353.8 million as of June 30, 2009, 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 28, 2010, the registrant had 21,386,969 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 11, 2010	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 commenced operations as an independent company in August 2004 after purchasing our North American specialty phosphates business from affiliates of Rhodia, S.A., or Rhodia. 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”.

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.

Key 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.

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 for Specialty Salts, such 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 abrasives in toothpaste. Specialty Acids are used in industrial applications such as asphalt modification and petrochemical catalysis.

The table below presents a list of the main Specialty Salts and Specialty Acids sold by us in 2009:

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.
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.

Product	Description/End-Use Application
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 Israel Chemicals Limited, or ICL.

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 PPA competitor is Potash Corporation of Saskatchewan Inc., or 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.

Technical Grade Sodium Tripolyphosphate (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 STPP competitor is Mexichem, S.A.B. de C.V., or 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. The Industrial & Institutional market has also reformulated some of its products to reduce STPP content in an effort to market a lower cost and reduced phosphate content product line. In 2008, a global retailer began an initiative to materially reduce the use of STPP in consumer laundry detergent in Latin America by 2011. In January 2009, our largest customer, Quimir, a division of Mexichem, closed its largest STPP plant. 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 anticipation of reduced detergent grade STPP related demand Innophos Mexico is investing in upgrading the food grade acid and salts capability of the Coatzacoalcos facility, and consequently substantially reducing the portion of capacity dedicated to detergent grade products.

Our Industry

The North American marketplaces for each of our product lines have seen consolidation to two primary producers and several secondary suppliers. We consider the two key producers in each product category to be: (i) our Company and ICL, which acquired Astaris LLC, or Astaris, in 2005, in Specialty Salts and Specialty Acids; (ii) our Company and 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, or MGA, (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.

Consolidation of producers has been most significant in the Specialty Salts and Specialty Acids market.

In addition to consolidation of producers, uneconomic production capacity has been eliminated in North America across all three major specialty phosphate product categories. For instance, in 2001, Rhodia closed its specialty salts and specialty acids 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

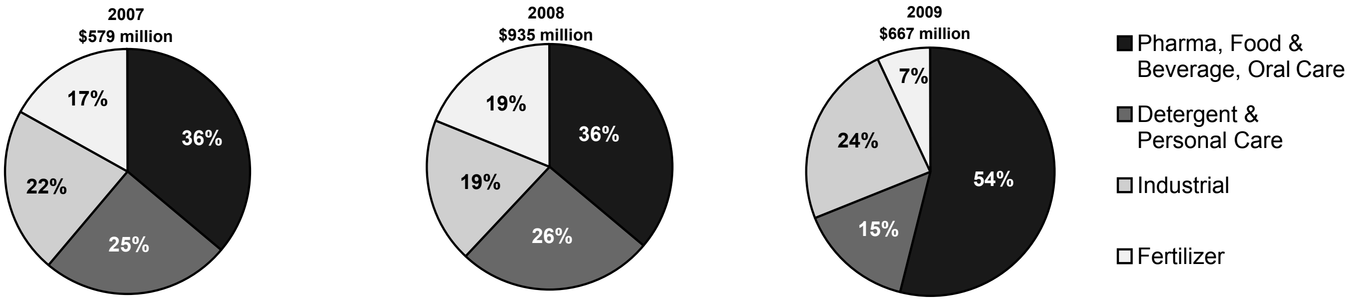
Over the past several years, we estimate that imports, including domestically located production facilities owned by foreign based organizations, have accounted for approximately 15-20% of the North American specialty phosphate market. This market share has been fairly stable for the last two years; however, China imports of STPP and Phosphoric acid increased in 2009, off-setting reductions in phosphoric acid imports from Belgium & Israel.

The following are the primary importers of purified phosphoric acid products and derivatives into North America: (i) Prayon SA, or 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, Jiangyin Chengxing, Guangxi Mingli and BK Giulini Chemie GmbH & Co. (a subsidiary of ICL) for specialty salts and STPP.

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. 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.

For the years ended December 31, 2007, 2008 and 2009, we generated net sales of $579.0 million, $934.8 million and $666.8 million, respectively. Net sales by end-market were as follows:



The company delivered record revenues in 2008 as we responded to rapidly rising market raw material costs by effectively raising our own selling prices. By early 2009, raw material costs had fallen rapidly together with recessionary economic conditions that also negatively impacted demand in 2009 compared to 2008. We responded with reductions in our own selling prices during 2009. Through this period our continued focus on demonstrating the value of our products and service to high value end markets has enabled us to significantly enhance our mix with now over 50% of our sales into pharmaceutical, food, beverage and oral care applications.

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 (also known as MGA), 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 . 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 and Merchant Green Acid (MGA). MGA is the main raw material for the creation of our downstream salts and acids. We purchase MGA for processing at our Geismar, LA facility through a long-term agreement with PCS. At our Coatzacoalcos facility in Mexico we typically purchase phosphate rock in order to produce MGA internally; however, we can also process externally purchased MGA, available from various suppliers globally. We have an agreement with OCP, S.A., or OCP, for the supply of phosphate rock to Mexico, which is scheduled to expire on September 10, 2010. The price we pay OCP under this contract was settled annually based on parameters established in the contract and has now been fixed for the remainder of the current contract. During 2008 and 2009 volatility in the market price of phosphate rock led to a dispute between OCP and Innophos over the application of the supply contract pricing clause. Having failed to settle these differences by negotiation the parties began arbitration at the ICC in Paris over the pricing dispute and counterclaims made by OCP asserting a failure by Innophos to meet implied minimum purchase and exclusivity commitments. This dispute was settled on February 24 , 2010, details of the settlement are included in Note 16 of Notes to Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data”. We are currently in active negotiations with several suppliers for phosphate rock supply once the OCP contract expires.

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. The majority of the sulfuric acid required for the production of MGA by PCS, at Geismar is supplied by Rhodia. Our U.S. needs for sulfuric acid and our Mexican needs for sulfur are handled through long term contracts with Rhodia and Pemex-Gas y Petroquimica Basica, or PEMEX, respectively.

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 2009 Innophos produced approximately 70 percent and purchased approximately 30 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 $1.9 million, $2.3 million and $2.0 million for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, 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 U.S. Food and Drug Administration, or FDA or the U.S. Department of Agriculture, 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, product recall, 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, 2009, we had approximately 990 employees, of whom 693 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, at the Mexico facilities. 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	54	Chairman of the Board, Chief Executive Officer, President and Director
Neil Salmon	41	Vice President and Chief Financial Officer
William Farran	60	Vice President, General Counsel and Corporate Secretary
Charles Brodheim	46	Corporate Controller
Louis Calvarin	46	Vice President—Operations
Mark Feuerbach	51	Vice President—Treasury, Financial Planning & Analysis
Joseph Golowski	48	Vice President—Sales
Wilma Harris	64	Vice President—Human Resources
Russell Kemp	50	Vice President—Research & Development
Michael Lovrich	56	Vice President—Supply Chain
Abraham Shabot	48	Vice President—Director General—Innophos Latin America
Mark Thurston	50	Vice President—Corporate Strategy and Worldwide Business Development
Timothy Treinen	59	Vice President—Phosphates Business

Biographical Material

Randolph Gress is Chairman of the Board, Chief Executive Officer, President and Director of Innophos. Mr. Gress has served as Chief Executive Officer of Innophos since August 2004. Previously, 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.E. in Chemical Engineering from Princeton University and an M.B.A. from Harvard Business School.

Neil Salmon is Vice President and Chief Financial Officer of Innophos. Mr. Salmon joined Innophos in October 2009. Previously he spent around 20 years with Imperial Chemical Industries PLC (ICI), holding a succession of divisional and corporate finance roles across various specialty chemicals businesses in Africa, US, UK and Asia Pacific. Most recently he was CFO of the Adhesives Business Group, a $2 billion division, operating globally. From 2004-2007 he was CFO of the Asia Pacific division of National Starch and Chemical, an ICI subsidiary. Mr. Salmon is a Chartered Management Accountant and earned an M.A. (Hons) in Politics, Philosophy and Economics from Oxford 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 and again served as Chief Financial Officer from June through September 2009. 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.

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 Company. 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.

Abraham Shabot is Vice President and Director General—Innophos Latin America. Mr. Shabot joined Innophos in July 2009. Prior to joining Innophos, he served as Managing Director of Kaltex Fibers, a leading acrylic fiber producer in the Americas, from 2007 to 2009. Before that, he held various positions in Sales and Business Development for Comex, a large Mexican building supplies manufacturer and distributor. In addition, he was Latin American Director for Polyone Corporation, a large publicly held manufacturer and distributor of plastic resin and rubber compounds. He earned a degree in Chemical Engineering from Iberoamericana University in Mexico City.

Mark Thurston is Vice President—Corporate Strategy and Worldwide Business Development. Prior to his appointment to his current role in 2009, Mr. Thurston served as Vice President—Specialties of Innophos from 2004 through 2008. 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.

Timothy Treinen is Vice President—Phosphates Business of Innophos. Mr. Treinen joined Rhodia in 2000 as the Global Asset Director, Acid and had 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 may 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 (or some of the components within a specific pricing formula) 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 and throughout 2009. We obtain substantially all our phosphate rock for our Coatzacoalcos, Mexico facility from OCP, a state-owned mining company in Morocco under a 1992 supply agreement set to expire September 10, 2010, with an option to take delivery of a portion of the committed volume through December 2010. Our supply of that material could be affected by capacity constraints, political unrest, or weather conditions in the areas where our supplier operates or a failure to reach new supply agreements. Innophos has also been exploring various alternatives for phosphate rock and MGA, supplies around the world to reduce our dependence on a single supplier for phosphate rock. Through plant trials at production scale and in our pilot plant, we have made significant progress in confirming our ability to use multiple sources of rock and MGA. At the present time, we do not have committed volume beyond the expiry of our OCP contract; however, we are in active discussions with several suppliers.

New supply arrangements may be on long-term contracts with historical market index pricing similar to OCP or be based on more current market prices. 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, that we could do so without significant purchases at spot market prices. We also cannot guarantee that there will be no material financial impact in the form of higher supply cost from procuring alternative rock and MGA supplies. Alternative grades of rock or MGA could reduce the operating efficiency of the plant and the complexity of handling multiple sources could affect supply chain costs. Nevertheless, based on conditions known thus far, management believes that there are several alternative phosphate rock sources available to us which should meet our current production needs in Mexico.

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, which may be material, in our operations or our inability to properly maintain our existing level of operations.

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 notice 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 the Resource Conservation and Recovery Act, or RCRA at Geismar by failing to manage two materials appropriately. Although the communication 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. In late 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 has not yet been fully evaluated from a technological or cost standpoint. The companies have proposed to DOJ/EPA a schedule for such evaluation, and although the government has not formally approved the schedule, the companies are proceeding as proposed. Based upon work so far, there appears to be at least one technically viable approach, but costs of a full scale operation as compared to other approaches are not known at this time. 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 have moved or are moving to effectively ban the use of phosphate-based products in consumer automatic dishwashing detergents. The trade association that includes major manufacturers of consumer automatic dishwashing detergents has actively supported these efforts in the U.S. and Canada, increasing the likelihood they will become widespread as most of the non-phosphate legislation becomes effective in July 2010. This trend and related changes in consumer preferences has already reduced our requirements for auto dish markets and we have responded with a shift in our capabilities to serve other food and industrial applications. We can not predict the impact and 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 and other parts of the world. We cannot be sure that such a ban for use in consumer laundry detergents may not be implemented in some or all of these markets in the future, or that the same effect may not result from manufacturers reformulating to reduce phosphate levels. 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 and in 2009 restrictions were reversed in Wyoming and relaxed in Colorado. In 2009, Colorado allowed the use of polyphosphoric acid in asphalt road construction on an exception basis. 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 falling demand and prices for some raw materials, particularly sulfur, were seen in 2009. Although we have generally been successful in recovering costs and enhancing margins through price increases on prior occasions, 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 30% 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 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 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, took 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 be sure 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. Rhodia has experienced financial difficulties in recent years and suffered from margin pressure during the global recession. In its most recent filing, Rhodia reported significantly reduced debt and improving margins; however, 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, but subsequently the 1998 claim was determined to be beyond the applicable statute of limitations. As now assessed, the claims through 2002 total approximately $23.6 million at current exchange rates as of February 18, 2010, including basic charges of $7.1 million and $16.5 million for interest, inflation and penalties. If the legal proceedings in Mexico under which the CNA taxes are being contested are not successful and Rhodia cannot perform under the judgment, 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 indirectly our Geismar operations, (where we recently exercised an option extending to July 2021 our long-term purchase agreement for MGA converted from phosphate rock), are supplied with phosphate rock from Morocco, including territories under disputed Moroccan sovereignty claims, and both could be subject to the risk of adverse affects that may arise 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 operated in those countries. In 2009, the Company launched an enterprise resource planning, or ERP, system and business process redesign project to upgrade its information technology systems including updated contingency plans. We cannot be sure that our plans, intentions or expectations of the business process redesign and information technology systems upgrade will be achieved and we may experience business disruptions as a result of our business process and information technology systems conversions.

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, 2009, our total indebtedness had been reduced to $246.0 million and our stockholders' equity had grown to $295.4 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 higher leverage. Those risks may include, for example, difficulty satisfying our ongoing 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.

Risks Related to Our Equity Ownership Structure

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 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:

	2009			2008		
Quarter	High	Low	Dividends Paid Per Share	High	Low	Dividends Paid Per Share
First	$19.81	$ 7.80	$ 0.17	$16.09	$10.85	$ 0.17
Second	19.44	11.23	0.17	35.23	16.01	0.17
Third	21.10	16.10	0.17	40.98	22.65	0.17
Fourth	25.78	18.60	0.17	26.75	12.19	0.17

The Company paid a dividend of $0.17 per share in the first quarter of 2010.

The number of holders of record of our Common Stock at February 5, 2010 was 12,417.

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 2009. 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, 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 the laws of Delaware, our state of incorporation, and may be restricted by agreements governing debt.

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 indebtedness of our subsidiaries affecting the ability to pay dividends. See Note 9 of Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data".

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	1,398,700	$ 12.86	2,244,470*
Equity compensation plans not approved by security holders	—	$ —	—
Total	1,398,700	$ 12.86	2,244,470

* Includes in the total 79,603 shares of Common Stock available for future grant and issuance under, our 2006 Long Term Equity Incentive Plan. The remaining shares shown in column (c) are attributable to our 2009 Long Term Incentive Plan.

** 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.

	(Dollars in thousands, except per share amounts, share amounts or where otherwise noted)				
	Year Ended December 31,				
	2009	2008	2007	2006	2005
Statement of operations data:					
Net sales	$ 666,759	$ 934,758	$ 578,982	$ 541,797	$ 535,499
Cost of goods sold	470,780	570,176	474,785	449,516	443,254
Gross profit	195,979	364,582	104,197	92,281	92,245
Operating expenses:					
Selling, general and administrative	67,151	63,417	54,441	59,598	48,685
Research and development	1,938	2,310	2,047	1,734	2,240
Total operating expenses	69,089	65,727	56,488	61,332	50,925
Operating income	126,890	298,855	47,709	30,949	41,320
Interest expense, net	23,313	34,193	41,559	58,242	46,628
Foreign exchange (gains) losses, net	(769)	2,663	40	(162)	177
Other income, net	—	(386)	(299)	(228)	(516)
Income (loss) before income taxes	104,346	262,385	6,409	(26,903)	(4,969)
Provision for income taxes	41,202	55,202	11,896	5,914	6,724
Net income (loss)	$ 63,144	$ 207,183	$ (5,487)	$ (32,817)	$ (11,693)
Allocation of net income (loss) to common shareholders:					
Class A	*	*	*	$ (26,546)	$ (14,867)
Class L	*	*	*	$ 1,605	$ 3,174
Common	$ 63,141	$ 207,150	$ (5,487)	$ (7,876)	*
Per share data:					
Income (loss) per share:					
Basic					
Class A	*	*	*	$ (2.77)	$ (1.55)
Class L	*	*	*	$ 0.60	$ 1.19
Common	$ 2.97	$ 9.89	$ (0.27)	$ (0.39)	*
Diluted					
Class A	*	*	*	$ (2.77)	$ (1.55)
Class L	*	*	*	$ 0.60	$ 1.19
Common	$ 2.87	$ 9.54	$ (0.27)	$ (0.39)	*
Weighted average shares outstanding:					
Basic					
Class A	*	*	*	9,595,061	9,597,696
Class L	*	*	*	2,677,648	2,678,383
Common	21,258,536	20,956,566	20,676,859	20,270,463	*
Diluted					
Class A	*	*	*	9,595,061	9,597,696
Class L	*	*	*	2,677,648	2,678,383
Common	21,968,904	21,718,537	20,676,859	20,270,463	*

* Not applicable

	(Dollars in thousands)				
	Year Ended December 31,				
	2009	2008	2007	2006	2005
Other data:					
Cash flows provided from (used in):					
Operating activities	$ 174,100	$142,794	$ 43,441	$ 40,937	$ 46,058
Investing activities	(19,609)	(18,536)	(30,476)	(15,577)	(10,862)
Financing activities	(147,368)	(14,591)	(29,064)	(55,003)	13,445
Capital expenditures	19,609	18,536	28,356	15,577	10,862
Ratio of earnings to fixed charges (1)	4.6x	8.0x	1.1x	*	*

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

	(Dollars in thousands)				
	Year Ended December 31,				
	2009	2008	2007	2006	2005
Balance sheet data:					
Cash and cash equivalents	$132,451	$125,328	$ 15,661	$ 31,760	$ 61,403
Accounts receivable	56,345	79,541	60,079	56,316	55,842
Inventories	113,636	145,310	78,728	70,569	76,281
Property, plant & equipment, net	204,527	230,422	260,563	277,222	305,016
Total assets	662,468	728,204	542,699	565,320	646,189
Total debt	246,000	382,500	384,500	399,800	528,795
Total stockholders' equity	$295,378	$242,760	$ 44,704	$ 60,712	$ 10,786

(1) 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.

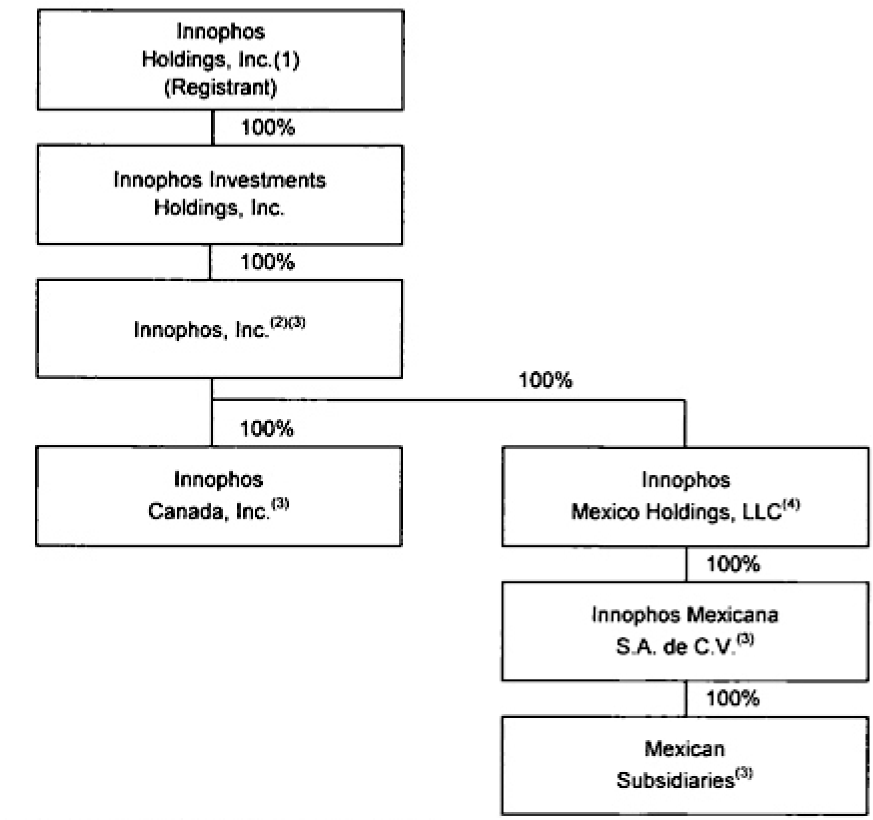
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

(3) = Operating Companies

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

2009 Overview

Our financial performance in 2009 was highlighted by:

- Net sales of $666.8 million compared to a record $934.8 million for 2008, with lower volume and mix accounting for most of the $268.0 million decline;
- Operating income of $126.9 million compared to the peak of $298.9 million for 2008, with U.S. & Canada achieving a profit improvement and Mexico down sharply, due to lower selling prices and volumes, with the business significantly disadvantaged versus market price raw material costs in the period;
- Net Interest expense improvement of $10.9 million as a result of $136.5 million of debt retirements in 2009;
- Net income of $63.1 million or $2.87 per share (diluted);
- Net cash from operations of $174.1 million with a net increase in cash of $7.1 million;
- A 28% decrease in net working capital (current assets excluding cash minus current liabilities excluding current portion of long-term debt) to $140.5 million at December 31, 2009;
- Capital expenditures of $19.6 million;
- Dividends of $.68 per share paid on the Common Stock.

Refer to the Company's results of operations and liquidity for the year ended December 31, 2009 for further details.

Recent Trends and Outlook

Sales volume and mix accounted for 97% of the $268.0 million revenue decline for 2009 compared to 2008. Each segment recorded a volume and mix decline in excess of 24% for 2009 compared to 2008, but those rates of decline were considerably reduced in the fourth quarter 2009, with the U.S. recording a fourth quarter volume increase against the comparable 2008 period. Selling prices for U.S. and Canada were both up more than 20% for the year while Mexico was down almost 29% for 2009 compared to 2008, but each segment experienced lower prices in the fourth quarter 2009 compared to fourth quarter 2008. Pricing reached a peak during first quarter 2009, began declining on a sequential basis in the second quarter, and continued to decline, though at a slowing sequential rate, through the fourth quarter 2009. 2009 raw material costs were $24 million higher than 2008, as high market prices for some of our raw materials in 2008 fed through into 2009 from lagged price adjustment conditions included in certain contracts. Mexico made good progress in 2009 on delivering lower, restructured fixed costs, although legal fees relating to the rock supply contract arbitration affected results.

Management currently expects first quarter 2010 volumes (excluding commodity fertilizer co-products, primarily GTSP) to increase on a sequential basis by approximately 7%, driven by Mexico, and overall expects the business to deliver the first quarter of year over year volume growth since 2007.

Selling prices (excluding GTSP) in the first quarter 2010 are expected to decline sequentially at no more than 6%. Beyond the first quarter 2010, management believes the correction related to the fall in commodity prices in early 2009 will have run its course, and that Innophos will have achieved an improvement in the margins of its U.S. and Canadian businesses over this cycle.

The Company expects a portion of its U.S. and Canada raw material cost structure to adjust down in the first quarter 2010 reflecting market conditions at the beginning of the year. However other raw materials, in particular sulfur and ammonia are expected to increase in the quarter. Market prices for phosphate fertilizers and Chinese exports have also increased and while it is difficult to predict the sustainability of these trends, Innophos is also expecting to increase prices during the 1st quarter. Specifically for GTSP, higher prices should allow the business to make a small profit on co-product sales of this co-product versus a loss in 2009.

Under the terms of the addendum recently agreed to for the existing rock supply contract with OCP, Innophos Mexicana will purchase rock from OCP during the first nine months of 2010, with an option to take delivery of a portion of the committed volume through December 2010, at prices broadly in line with current market conditions and favorable to the significant disadvantage vs. market raw material costs experienced in 2009. Management expects the Mexican business in 2010 to build on the significant progress made in the fourth quarter 2009 in restoring its market position, and with the benefits of returning to a competitive sourcing position, anticipates an operating income in the mid single digit millions for the first quarter 2010, and for the subsequent quarters of 2010, is targeting significant progress in restoring pre 2008 levels of profitability.

Capital expenditures for 2010 are expected to be in the $30 to $35 million range. Major items of expenditure are anticipated to include: completion of the Mexican food grade acid expansion; incremental improvements to existing Mexican food grade salts capability; completion of our enterprise resource planning (ERP) system and business redesign project; additional debottlenecking and expansion of food grade salts capability in Canada and various U.S. locations; and finally, investment to enhance Mexico’s capability to store, handle and process multiple grades of rock consistent with the Company’s supply chain diversification strategy. Management continues to make progress in executing its phosphate sourcing strategy, which will take effect with the end of the current rock contract, and is actively negotiating with several suppliers for rock sourcing agreements beginning in September 2010.

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,					
	2009		2008		2007	
	Amount	%	Amount	%	Amount	%
Net sales	$666.8	100.0	$934.8	100.0	$579.0	100.0
Cost of goods sold	470.8	70.6	570.2	61.0	474.8	82.0
Gross profit	196.0	29.4	364.6	39.0	104.2	18.0
Operating expenses:						
Selling, general and administrative	67.2	10.1	63.4	6.8	54.5	9.4
Research & development	1.9	0.3	2.3	0.2	2.0	0.3
Income from operations	126.9	19.0	298.9	32.0	47.7	8.2
Interest expense, net	23.3	3.5	34.2	3.7	41.6	7.2
Foreign exchange (gains) losses, net	(0.8)	(0.1)	2.7	0.3	—	—
Other income	—	—	(0.4)	(0.0)	(0.3)	(0.1)
Provision for income taxes	41.3	6.2	55.2	5.9	11.9	2.1
Net income (loss)	$ 63.1	9.5	$207.2	22.2	$ (5.5)	(0.9)

Year Ended December 31, 2009 compared to the Year Ended December 31, 2008

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, 2009 were $666.8 million, a decrease of $268.0 million, or 28.7%, as compared to $934.8 million for the same period in 2008. Selling price decreases had a negative impact on revenue of 0.9% or $8.4 million. Lower prices for GTSP fertilizer co-product sales, and to a lesser extent technical grade STPP and Purified Phosphoric Acid, were mostly offset by increased prices in Specialty Salts & Specialty Acids. Volume and mix effects upon revenue had a negative effect of 27.8% or $259.6 million which occurred across all product lines and reporting segments, but most significantly in Purified Phosphoric Acid in Mexico, where Innophos' largest customer reduced volumes due to a permanent shutdown of their largest STPP plant in the first quarter of 2009.

The following table illustrates for the year ended December 31, 2009 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	20.6%	(25.3)%	(4.7)%
Mexico	(28.7)%	(31.0)%	(59.7)%
Canada	22.5%	(24.1)%	(1.6)%

The following table illustrates for the year ended December 31, 2009 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	(2.5)%	(49.3)%	(51.8)%
Specialty Salts and Specialty Acids	19.4%	(20.9)%	(1.5)%
STPP & Other Products	(38.2)%	(17.9)%	(56.1)%

Gross Profit

Gross profit represents net sales less cost of goods sold. Gross profit for the year ended December 31, 2009 was $196.0 million, a decrease of $168.6 million, or 46.2%, as compared to $364.6 million for the same period in 2008. Gross margin decreased to 29.4% for the year ended December 31, 2009 versus 39.0% for the same period in 2008. The change in gross profit was due to lower selling prices, which had a negative impact of $8.4 million, unfavorable sales volume and mix impact upon revenue and higher raw material costs which had a combined unfavorable impact of $158.1 million. As a result of reduced operating rates and higher raw material costs for 2009, the company incurred $12.2 million of reduced fixed cost absorptions and unfavorable inventory related variances. In addition, the company took a charge of approximately $7.0 million as a result of the settlement of the OCP arbitration matter and also took a charge of $1.6 million for Mexican workforce reduction costs. These unfavorable effects were partially offset by $8.9 million lower cash fixed costs and $7.2 million favorable exchange rate impacts, both primarily in Mexico. Included in 2008 results were $1.3 million expense for a scheduled Geismar, LA plant maintenance outage, and $1.3 million asset impairment charge for two obsolete production units.

Operating Expenses and Research and Development

Operating expenses in 2009 consisted primarily of selling, general and administrative and research and development expenses. Operating expenses for the year ended December 31, 2009 were $69.1 million, an increase of $3.4 million, or 5.2%, as compared to $65.7 million for 2008. The change in operating expenses was due to an increase of $6.4 million for our ERP project, and $5.0 million increased legal expenses related to our OCP arbitration, partially offset by $2.1 million lower legal and other fees which were incurred in 2008 to comply with the DOJ STPP document request subpoena, $2.5 million lower professional fees used to support growth and other corporate initiatives, net $1.7 million lower post-restructured expenses in Mexico, $1.6 million favorable exchange rate impact from our Mexican peso based costs, and $0.1 million decrease in all other costs.

Operating Income

Operating income for the year ended December 31, 2009 was $126.9 million, a decrease of $172.0 million, or 57.5%, as compared to $298.9 million for the same period in 2008. Operating income percentages decreased to 19.0% for 2009 from 32.0% for 2008.

Interest Expense, net

Net interest expense, including deferred financing amortization expense, for the year ended December 31, 2009 was $23.3 million, a decrease of $10.9 million, or 31.9% as compared to $34.2 million for the same period in 2008. This decrease is primarily due to a gain of $3.5 million on the retirement of $10.0 million of the 9.5% Senior Unsecured Notes due April 2012, lower average interest rates and the lower average balance of our Term Loan resulting from the $126.5 million principal payments made in the first half of 2009 to pay off the balance of the Term Loan.

Foreign Exchange

Foreign exchange gain for the year ended December 31, 2009 was $0.8 million as compared to a $2.7 million loss for 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, 2009 was $41.3 million, a decrease of $13.9 million or 25.2% as compared to $55.2 million for 2008. The increase in the effective tax rate from 21.0% in 2008 to 39.5% in 2009 is primarily a result of a $24.9 million benefit in 2008 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 carry-forwards. In addition, there were unfavorable 2009 impacts on deferred taxes of a strengthening Mexican peso versus the U.S. dollar, a recently enacted increase in Mexican corporate tax rates for 2010 and approximately $1.0 million additional tax liability under the Mexican alternative minimum tax (IETU) rules which exceeded a favorable enacted tax rate change in Canada.

Net Income

Net income for the year ended December 31, 2009 was $63.1 million, a decrease of $144.1 million as compared to $207.2 million for the same period in 2008, due to the factors described above.

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 research and development 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.

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:

	2009	2008	2007
Segment Net Sales			
United States	$463,286	$486,186	$326,882
Mexico	165,269	409,745	222,699
Canada	38,204	38,827	29,401
Total	$666,759	$934,758	$578,982
Net Sales % Growth			
United States	(4.7)%	48.7%	2.8%
Mexico	(59.7)%	84.0%	14.4%
Canada	(1.6)%	32.1%	1.2%
Total	(28.7)%	61.4%	6.9%
Segment Operating Income			
United States	$111,647	$108,743	$ 3,299
Mexico	614	183,587	39,819
Canada	14,629	6,525	4,591
Total	$126,890	$298,855	$ 47,709
Segment Operating Income % of net sales			
United States	24.1%	22.4%	1.0%
Mexico	0.4%	44.8%	17.9%
Canada	38.3%	16.8%	15.6%

Segment Net Sales:

In the United States net sales decreased 4.7% for the year ended December 31, 2009 when compared with the same period in 2008. Selling prices increased sales 20.6% with increases across all product lines, most notably in Specialty Salts and Specialty Acids. Volume and mix impact upon revenue was a decrease of 25.3%, with decreases across all product lines. In 2008 net sales increased 48.7% when compared with 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 Mexico net sales decreased 59.7% for the year ended December 31, 2009 when compared with the same period in 2008. Selling prices decreased sales 28.7% with decreases across all product lines, most notably in STPP and Other Products, due to lower prices for granular triple super-phosphate (GTSP) fertilizer co-product sales. Volume and mix impact upon revenue was a decrease of 31.0% which occurred across all product lines, most notably in Purified Phosphoric Acids, where Innophos' largest customer reduced volumes due to a permanent shutdown of their largest plant in the first quarter of 2009. In 2008 net sales increased 84.0% when compared with 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 Canada net sales decreased 1.6% for the year ended December 31, 2009 when compared with the same period in 2008. Selling price increased sales 22.5% with increases across all product lines. Volume and mix impact upon revenue was a decrease of 24.1% with decreases across all product lines. In 2008 net sales increased 32.1% when compared with 2007. Selling prices 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.

Segment Operating Income % of Net Sales:

The 1.7% increase in the United States for the year ended December 31, 2009 compared with the same period in 2008 was mainly due to favorable selling prices which were offset by unfavorable volume and mix impact on revenue, higher raw material costs and higher manufacturing costs. Included in 2008 results were expenses for a scheduled Geismar, LA plant maintenance outage and asset impairment charges for two obsolete production units. Operating expenses were flat, with increases from our enterprise resource planning (ERP) system and business redesign project partially offset by lower legal and other fees which were incurred in 2008 to comply with the DOJ STPP document request subpoena, and lower professional fees used to support growth and other corporate initiative. The 21.4% increase in the United States from 2007 to 2008 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 44.4% decrease in Mexico for the year ended December 31, 2009 compared with the same period in 2008 was due to unfavorable selling prices, unfavorable volume and mix impacts upon revenue, increased cost of goods sold as a result of disadvantaged raw material costs to market and charges for the settlement of the OCP arbitration matter and increased operating expenses mainly for legal expenses related to the OCP arbitration matter. As a result of reduced operating rates and higher raw material costs for 2009, Mexico incurred $9.2 million of reduced fixed cost absorptions and unfavorable inventory related variances, and took a charge of $2.0 million for Mexican workforce reorganization costs. These unfavorable effects were more than offset by $11.1 million lower cash fixed costs and $8.2 million favorable exchange rate impacts from our Mexican peso based costs. The 26.9% increase in Mexico from 2007 to 2008 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 21.5% increase in Canada for the year ended December 31, 2009 compared with the same period in 2008 was due to increased selling prices partially offset by unfavorable volume and mix impact on revenue. The 1.2% increase in Canada from 2007 to 2008 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 United States had depreciation and amortization of $28.5 million, $30.3 million, and $28.4 million in 2009, 2008, and 2007, respectively. Canada had depreciation and amortization of $2.0 million, $2.2 million, and $1.5 million in 2009, 2008 and 2007, respectively. Mexico had depreciation and amortization of $20.7 million, $20.0 million, and $17.5 million in 2009, 2008, and 2007, 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,		
	2009	2008	2007
Operating Activities	$ 174.1	$142.8	$ 43.4
Investing Activities	(19.6)	(18.5)	(30.5)
Financing Activities	(147.4)	(14.6)	(29.1)

Year Ended December 31, 2009 compared to the Year Ended December 31, 2008

Net cash provided by operating activities was $174.1 million for the year ended December 31, 2009 as compared to $142.8 million for 2008, an increase of $31.3 million. The increase in operating activities cash resulted from favorable changes of $165.1 million in working capital and $11.9 million in non-cash items affecting net income, partially offset by unfavorable changes of $144.1million in net income and $1.6 million in non-current accounts.

The change in working capital is a source of cash of $56.9 million in 2009 compared to a use in 2008 of $108.2 million, an increase in the source of cash of $165.1 million. The increase in working capital is due to decreases in accounts receivable and inventory, and increased other current liabilities, partially offset by decreased accounts payable and increased other current assets. The change in working capital for our Mexican operations is a source of cash of $23.3 million in 2009 compared to a use in 2008 of $56.9 million, an increase in working capital of $80.2 million mainly due to decreases in inventory.

Total inventories decreased $31.7 million from December 2008 levels. Days of inventory on hand decreased 4 days as a result. The following chart shows its historical performance:

	2009	2008	2007
Inventory Days on Hand	89	93	61

Net cash used for investing activities was $19.6 million for the year ended December 31, 2009, compared to $18.5 million for 2008, an increase in the use of cash of $1.1 million which was mainly due to higher capital spending. Net cash used for investing activities for our Mexican operations, mainly capital expenditures, was $5.5 million in 2009, compared to $4.8 million for the same period in 2008, an increase in the use of cash of $0.7 million.

In the second quarter of 2009 the Company launched an enterprise resource planning, or ERP, system and business process redesign project to upgrade its systems technology and to improve its position as a reliable specialty phosphate supplier. To date the Company has spent approximately $11.4 million on this project, of which approximately $5.0 million was capitalized as of December 31, 2009, and future expenditures on the ERP project are expected to total approximately $12 to $14 million by the end of 2010, with the majority of this spending anticipated as capital expenditures.

The Company is investing to grow its food, beverage and pharmaceutical phosphate business, especially geographically, and also to diversify its raw material supply long term. Projects are underway in the U.S. to debottleneck and increase production capabilities of various specialty salts. Additionally, in conjunction with the investment in the Coatzacoalcos facility to more than double its existing food grade purified phosphoric acid capacity by the first quarter 2010, the site personnel have conducted successful production tests of several additional food grade salts to enable a shift in focus from detergency to the multiple food market segments served by salts and acid.

Innophos currently estimates that full exploration costs to a proven reserves standard for the Santo Domingo deposit could require expenditures of $10 to $15 million over a three year period, inclusive of expenditures to date. This estimate includes mineral rights payments, taxes, mineral resource measurement, beneficiation process design and completion of feasibility studies. Full expenditures would only occur if interim milestone goals were successfully attained. It is estimated that 2010 expenditures will be approximately $1 to $2 million, with efforts primarily focused on the Santo Domingo deposit. Innophos intends to seek one or more partners for these efforts, but anticipates no difficulties in completing the exploration phase without a partnership.

Net cash used for financing activities for the year ended December 31, 2009, was a use of $147.4 million, compared to a use of $14.6 million in 2008, an increase in the use of cash of $132.8 million. This was mainly due to $124.5 million higher Term Loan principal payments to satisfy the excess cash flow requirement for 2008 and subsequently to pay off the remaining balance of the Term loan as described below, a $6.5 million payment to retire a portion of the Senior Unsecured Notes due 2012, $1.0 million deferred financing charges on the new loan and security agreement and $0.6 million lower excess tax benefit from exercise of stock options. Net cash from financing activities for our Mexican operations in 2009 was a use of $51.5 million compared to a use of $31.0 million in for the same period in 2008, an increase in cash payments of $20.5 million for intercompany debt obligations which are eliminated in consolidation.

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 working capital, $8.9 million in non-cash items affecting net income, and $1.4 million in non-current accounts.

The change in 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.

Indebtedness

Total debt was $246.0 million as of December 31, 2009. Short term and long term debt net of cash was $113.5 million as of December 31, 2009, a decrease of $143.7 million, or 56% from December 31, 2008. Total debt comprised borrowings of $190.0 million Senior Subordinated Notes due 2014, and $56.0 million Senior Unsecured Notes due 2012.

The Company was party to a Credit Agreement dated as of August 13, 2004, as subsequently amended (the “2004 Credit Facility”). On May 22, 2009, the Company entered into a Termination pursuant to which, among other things, the 2004 Credit Facility was terminated, the Company paid the $72.7 million of outstanding term loan balance (principal and accrued interest) from cash on hand, and security held by the lenders on substantially all the Company’s property was released.

On April 13, 2009 the Company purchased $10.0 million of the 9.5% Senior Unsecured Notes due April 2012 for $6.5 million. The $3.5 million retirement gain is reflected as interest income in our Consolidated Statement of Operations in the second quarter of 2009. The Company also recorded accelerated deferred financing costs of approximately $0.2 million in the second quarter of 2009.

On May 22, 2009, our wholly owned subsidiary Innophos, Inc. and its wholly owned subsidiary, Innophos Canada, Inc. entered into a Loan and Security Agreement (the “Loan Agreement”) with certain lenders (collectively, the “Lenders”) including Wachovia Bank, National Association, as agent. The Loan Agreement provides the Company with a revolving line of credit from the Lenders of up to $65.0 million in the aggregate, with a $20 million letter of credit sub-facility, terminating on May 22, 2013. The amount actually available to the Company may be less than the maximum credit and will vary from time to time depending on, among other factors, the amount of its net eligible inventory and accounts receivable as calculated for purposes of the Loan Agreement. The obligations of the Company under the Loan Agreement are secured by the accounts receivable, inventory and other assets of Innophos, Inc. and Innophos Canada, Inc., not including equipment or real property. Innophos Inc.’s Mexico-based subsidiaries are excluded from certain of the covenants under the Loan Agreement, do not guaranty the indebtedness of Innophos, Inc. and Innophos Canada, Inc. incurred under it, and do not furnish collateral in connection with it.

As of December 31, 2009, the Company had $41.9 million excess availability above the minimum excess availability requirements, as calculated in accordance with the Loan Agreement, and there was no amount outstanding on the revolving credit line. A total of $2.2 million in face amount of letters of credit were issued under the sub-facility to support instruments outstanding under the terminated 2004 Credit Facility.

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.

We believe that on-hand cash combined with cash generated from operations, including our Mexican 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. However, future operating performance for the Company is subject to prevailing economic and competitive conditions and various 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.

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 $19.6 million in 2009 on projects that were capitalized. Additionally, we spent $23.3 million in 2009 on maintenance projects that were expensed during the year. There were no planned major non-annual maintenance expenses in 2009. These amounts compare to $18.5 million of 2008 capitalized projects and $32.8 million of maintenance projects that were expensed during 2008 of which $1.3 million was related to planned major non-annual maintenance. We expect our capital expenditures to continue to run below depreciation levels. However, as 2004 purchase accounting effects on step-up depreciation and useful lives mature, the per annum depreciation expense will trend down towards sustaining capital expenditure levels. Based on assets currently in service, we expect annual depreciation to decline by approximately $14 million over the next 3 years compared to 2009 levels, with approximately half of that decline expected in 2011 and the remainder equally split between 2010 and 2012. This depreciation decline will be partially offset by the depreciation of future capital expenditures including our enterprise resource planning upgrades.

Contractual Obligations and Commercial Commitments

The following table sets forth our long-term contractual cash obligations as of December 31, 2009 (dollars in thousands):

	Years ending December 31,						
Contractual Obligations	Total	2010	2011	2012	2013	2014	Thereafter
Senior Subordinated Notes Due 2014 (1)	274,313	16,862	16,863	16,862	16,863	206,863	—
Future Service Pension Benefits	9,632	537	642	735	825	902	5,991
Other (2)	459,249	89,845	48,764	48,764	48,764	48,764	174,348
Operating Leases	18,540	4,113	3,688	2,824	2,690	2,246	2,979
Senior Unsecured Notes due April 2012 (3)	69,300	5,320	5,320	58,660	—	—	—
Total contractual cash obligations	$831,034	$116,677	$75,277	$127,845	$69,142	$258,775	$183,318

(1) Amounts include fixed rate interest payments at 8.875% for years 2010 and thereafter.

(2) Represents minimum annual purchase commitments to buy raw materials.

(3) Represents the $56.0 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 2010 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 and 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 Note 16 of Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" 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 Note 15 of Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" for additional information regarding deferred taxes.

Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net assets of the businesses acquired. ASC 350, "Intangibles—*Goodwill and Other*," requires periodic tests of the impairment of goodwill. ASC 350 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 company's reporting units is based upon management's estimate at the date of the assessment, which incorporates managements long-term view of selling prices, sales volumes for Innophos' products, key raw materials and energy costs, and our operating cost structure. 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 2009 exceeded the book value of our equity. The terminal value was determined by applying business growth factors for each reporting unit which are in-line with longer term historical growth rates, to the latest year for which a forecast exists.

Solely for the purpose of goodwill valuation for our Mexico reporting unit, the 2009 goodwill impairment analysis included estimates addressing changes in phosphate rock pricing, weakness in the markets served by those operations, loss of traditional business which in part is a result of the softness in the fertilizer markets, and operating the Coatzacoalcos, Mexico complex at substantially reduced levels. Our 2009 goodwill impairment analysis included: (i) for the first three quarters of 2010, assumed phosphate rock prices estimated to be below the 2009 price paid, trending towards an estimated market price; and (ii) for late 2010 and thereafter, assumptions that Mexico operations would return to an estimated market price for phosphate rock. The reporting unit's cash flow model is estimated to be higher than 2009 levels, with improvement occurring as our phosphate rock price returns to market pricing in 2011. Revenue levels are estimated to have a slight recovery in 2011 and estimated to return to a historical growth rate of 3% per annum in 2012. We applied operating margin percentages slightly below our historical trends and used a 3% growth rate to calculate the terminal value for our Mexican reporting unit. We used a 12% discount rate, which is above our weighted average cost of capital and consistent with our prior year goodwill impairment test. Based on this valuation, we determined that the fair values of our reporting units exceeded their carrying values and no goodwill impairment charge was required.

As of December 31, 2009, the Mexican reporting unit had a carrying value, including goodwill, of approximately $187 million. The fair value of the reporting unit exceeded its carrying value by approximately 15%. In addition, if we were to decrease the long-term growth rate or increase the discount rate used in the calculation by 1%, there would still be no goodwill impairment for the Mexican reporting unit.

Given the current economic environment and uncertainties surrounding the impact on our Mexican business of factors such as market conditions affecting our selling prices, sales volumes, and raw material costs and other factors not limited to those enumerated, we cannot be sure that the estimates and assumptions used in the goodwill impairment analysis will prove to be accurate predictions of the future. Significant changes in assumptions will influence the goodwill impairment analysis and may result in goodwill impairment charges in future periods.

Long-lived assets

Under ASC 360," Property, Plant, and Equipment," 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 the assets.

The determination of whether or not assets are impaired and the corresponding useful lives of these long-lived assets requires significant judgment. The development of future cash flow projections requires management estimates related to forecasted sales and expected costs trends. To the extent that changes in 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.

In our Mexican operations, we continue to monitor changes in circumstances where the undiscounted cash flows would indicate that the carrying amount of an asset or asset group may not be recoverable. The uncertainty in phosphate rock prices, volume decreases, sales price erosion, and the reduced operating rates for the Coatzacoalcos plant were included in management's estimates and are consistent with management's expectations. The carrying value of the Coatzacoalcos plant was approximately $84.2 million at December 31, 2009. The undiscounted cash flows of the STPP (Sodium Tripolyphosphate) asset group exceeded their carrying value by 31%, while the other asset groups exceeded their carrying values by significantly greater margins. The Company did not conduct an asset impairment test during the fourth quarter as there were no triggering events that warranted an impairment test.

Stock-Based Compensation Expense

Our compensation programs can include share-based payments. The primary share-based awards and their general terms and conditions currently in effect 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 stock retainer grants, which entitle independent members of the Board of Directors to receive a number of shares of the Company's common stock equal to a fixed retainer value.

The fair value of the options granted during 2009, 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, 2009**	**Year Ended December 31, 2008**	**Year Ended December 31, 2007**
Expected volatility	61.4%	36.8%	36.8%
Dividend yield	5.0%	4.6%	4.5%
Risk-free interest rate	2.7%	3.4%	4.2%
Expected term	6 years	6 years	6 years
Weighted average grant date fair value of stock options	$ 6.19	$ 4.52	$ 3.97

Prior to 2009, since Innophos Holdings, Inc. was 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. In 2009, the Company had chosen a blended volatility which consists of 50% average historical volatility of the peer group and 50% historical volatility of Innophos. The increase in the expected volatility in 2009 versus prior periods is a result of broader market conditions. The expected term for the stock options is based on the simplified method since the Company has limited data on the exercises of stock options. These stock options qualify as "plain vanilla" stock options. 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.

Pension and Post-Retirement Costs / Post-Employment Plan

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 whose benefit accruals were frozen 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 $60. A 1% decrease in our expected rate of return on plan assets would increase our pension plan expense by $135.

Recently Issued Accounting Standards

New accounting standards effective in 2009 are described in the Recent Accounting Pronouncements section in Note 1 of Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

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 Loan Agreement will bear interest at floating rates based on LIBOR 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, 2009, we had $246.0 million principal amount of fixed-rate debt and a $65.0 million revolving credit facility, of which we had $41.9 million available above the minimum excess availability requirements, which has not been drawn upon.

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, but may from time to time, hedge our commodity, interest rate or currency rate risks.

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 in 2008 represented 11.1% of that year's sales, otherwise, no other customer accounted for more than 10% of our sales in the last 3 years.

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 "Item 1A. Risk Factors" contained in this Annual Report on Form 10-K for further information 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

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, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 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 accompanying 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, 2009, 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 Management's Report on Internal Control over Financial Reporting appearing under Item 9A. 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 integrated audits. 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.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
March 8, 2010

INNOPHOS HOLDINGS, INC. AND SUBSIDIARIES

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

	December 31,	
	2009	**2008**
ASSETS		
Current assets:		
Cash and cash equivalents	$132,451	$125,328
Restricted cash	1,749	—
Accounts receivable, net	56,345	79,541
Inventories	113,636	145,310
Other current assets	49,865	40,184
Total current assets	354,046	390,363
Property, plant and equipment, net	204,527	230,422
Goodwill	51,706	51,706
Intangibles and other assets, net	52,189	55,713
Total assets	$662,468	$728,204
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ —	$ 72,613
Accounts payable, trade and other	21,379	26,359
Other current liabilities	59,696	44,482
Total current liabilities	81,075	143,454
Long-term debt	246,000	309,887
Other long-term liabilities	40,015	32,103
Total liabilities	$367,090	$485,444
Commitments and contingencies (note 16)		
Common stock, par value $.001 per share; authorized 100,000,000 shares; issued and outstanding 21,333,940 and 21,091,399 shares	21	21
Paid-in capital	100,066	95,571
Retained earnings	197,541	149,192
Accumulated other comprehensive loss	(2,250)	(2,024)
Total stockholders' equity	295,378	242,760
Total liabilities and stockholders' equity	$662,468	$728,204

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, 2009	2008	2007
Net sales	$ 666,759	$ 934,758	$ 578,982
Cost of goods sold	470,780	570,176	474,785
Gross profit	195,979	364,582	104,197
Operating expenses:			
Selling, general and administrative	67,151	63,417	54,441
Research & Development Expenses	1,938	2,310	2,047
Total operating expenses	69,089	65,727	56,488
Operating income	126,890	298,855	47,709
Interest expense, net	23,313	34,193	41,559
Foreign exchange (gains)/losses	(769)	2,663	40
Other income, net	—	(386)	(299)
Income before income taxes	104,346	262,385	6,409
Provision for income taxes	41,202	55,202	11,896
Net income (loss)	$ 63,144	207,183	(5,487)
Net income (loss) attributable to common shareholders	$ 63,141	$ 207,150	$ (5,487)
Per share data (see Note 12):			
Income (loss) per share:			
Basic	$ 2.97	$ 9.89	$ (0.27)
Diluted	$ 2.87	$ 9.54	$ (0.27)
Weighted average shares outstanding:			
Basic	21,258,536	20,956,566	20,676,859
Diluted	21,968,904	21,718,537	20,676,859

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	Common Stock	Retained Earnings (Deficit)	Paid-in Capital	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
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
Share-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					—
Share-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
Net income			63,144			63,144
Change in pension and post-retirement plans, (net of tax $109)					(226)	(226)
Other comprehensive income, net of tax						62,918
Proceeds from exercise of stock options and restricted stock	224			633		633
Issuance of annual retainer stock to external Board of Directors	19					—
Share-based compensation				3,367		3,367
Excess tax benefits from exercise of stock options				495		495
Dividends declared ($0.68 per share)			(14,795)			(14,795)
Balance, December 31, 2009	21,334	$ 21	$197,541	$100,066	$ (2,250)	$ 295,378

See notes to consolidated financial statements

INNOPHOS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income (loss)	$ 63,144	$207,183	$ (5,487)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:			
Depreciation and amortization	51,186	52,507	47,486
Amortization of deferred financing charges	3,130	2,726	4,643
Deferred income tax provision (benefit)	1,867	(12,105)	(1,807)
Deferred profit sharing	(756)	(3,258)	800
Stock based compensation	3,367	3,467	1,077
Gain on retirement of bonds	(3,500)	—	—
Changes in assets and liabilities:			
Increase in restricted cash	(1,749)	—	—
Decrease/(increase) in accounts receivable	23,196	(19,462)	(3,763)
Decrease/(increase) in inventories	31,674	(66,582)	(8,159)
Increase in other current assets	(6,433)	(11,116)	(2,645)
(Decrease)/increase in accounts payable	(4,980)	(10,085)	5,565
Increase/(decrease) in other current liabilities	15,172	(934)	3,861
Changes in other long-term assets and liabilities	(1,218)	453	1,870
Net cash provided from operating activities	174,100	142,794	43,441
Cash flows used for investing activities:			
Capital expenditures	(19,609)	(18,536)	(28,356)
Purchase of assets	—	—	(2,120)
Net cash used for investing activities	(19,609)	(18,536)	(30,476)
Cash flows from financing activities:			
Proceeds from exercise of stock options	633	542	950
Proceeds from issuance of senior unsecured notes	—	—	66,000
Principal payments of floating rate senior note	—	—	(60,800)
Principal payments of term-loan	(126,500)	(2,000)	(20,500)
Principal repayment of senior unsecured notes	(6,500)	—	—
Deferred financing costs	(1,050)	—	(1,815)
Excess tax benefits from exercise of stock options	495	1,108	—
Dividends paid	(14,446)	(14,241)	(12,899)
Net cash used for financing activities	(147,368)	(14,591)	(29,064)
Net change in cash	7,123	109,667	(16,099)
Cash and cash equivalents at beginning of period	125,328	15,661	31,760
Cash and cash equivalents at end of period	$ 132,451	$125,328	$ 15,661

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. All intercompany transactions are eliminated in consolidation.

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 collectability 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, three to twenty years for machinery and equipment, and three to seven years for capitalized software. Leasehold improvements are amortized over the lease term or the estimated useful life of the improvement, whichever is less.

Long-Lived Assets

Under ASC 360," Property, Plant, and Equipment," 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 the assets.

The determination of whether or not assets are impaired and the corresponding useful lives of these long-lived assets requires significant judgment. The development of future cash flow projections requires management estimates related to forecasted sales and expected costs trends. To the extent that changes in 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.

Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net assets of the businesses acquired. ASC 350, "Intangibles—*Goodwill and Other*," requires periodic tests of the impairment of goodwill. ASC 350 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.

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 seven 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 ASC 350-40, 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. Distributor and customer incentives in Mexico are immaterial to the consolidated financial statements. 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 a 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 activities in accordance with Accounting Standards Codification (ASC) 712 (formerly SFAS No. 112), Compensation – Nonretirement Postemployment Benefits. The Company does have a written severance plan which is in accordance with ASC 712 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 ASC 420 (formerly SFAS No. 146), Exit or Disposal Cost Obligations.

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 ASC 740 (formerly SFAS No. 109), Income Taxes. Under ASC 740, 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.

The Company does not have any material uncertain income tax positions in accordance with ASC 740-10-25 (formerly FIN 48). 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. Currently, the Company is under examination, or has been contacted for examination, by certain foreign jurisdictions for its income tax returns for the years 2004 through 2008. As of December 31, 2009, no significant adjustments have been proposed to the Company's tax positions and the Company currently does not anticipate any adjustments that would result in a material change to its financial position. The Company does not anticipate that total unrecognized tax benefits will significantly change prior to December 31, 2010.

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 ASC 220 (formerly SFAS No. 130), Comprehensive Income, the Company has identified and reported other comprehensive income in stockholders' equity.

Stock Options

In connection with the Company's initial public offering, 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 single class common stock options 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 ASC 718 (formerly SFAS No. 123(R)), Compensation – Stock Compensation. The Company will continue to account for the outstanding 2005 Plan awards under APB 25, which falls under grandfathered material excluded from the first release of the FASB Codification, until they are settled or modified. See Note 11 for further description of our stock-based compensation programs.

Recently Issued Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued a standard that established the FASB Accounting Standards Codification™ (ASC) and amended the hierarchy of generally accepted accounting principles (GAAP) such that the ASC became the single source of authoritative nongovernmental U.S. GAAP. The ASC did not change current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All previously existing accounting standard documents were superseded and all other accounting literature not included in the ASC is considered non-authoritative. New accounting standards issued subsequent to June 30, 2009 are communicated by the FASB through Accounting Standards Updates (ASUs). For Innophos, the ASC was effective July 1, 2009. This standard did not have an impact on the Company's consolidated results of operations or financial condition. However, throughout the notes to the consolidated financial statements references that were previously made to various former authoritative U.S. GAAP pronouncements have been changed to coincide with the appropriate section of the ASC.

The Company adopted the provisions of ASC 820-10, Fair Value Measurements and Disclosures (formerly Statement of Financial Standards (SFAS) No. 157, Fair Value Measurements), with respect to non-financial assets and liabilities effective January 1, 2009. This pronouncement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of ASC 820-10 did not have a material impact on the Company's consolidated financial position and results of operations.

The Company adopted ASC 805 (formerly SFAS No. 141(R), Business Combinations and SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements), for business combinations on or after January 1, 2009. This requires recognition of assets acquired, liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. In a business combination achieved in stages, this pronouncement requires recognition of identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values. This pronouncement also requires the fair value of acquired in-process research and development (IPRD) to be recorded as indefinite lived intangibles, contingent consideration to be recorded on the acquisition date, and restructuring and acquisition-related deal costs to be expensed as incurred. In addition, any excess of the fair value of net assets acquired over purchase price and any subsequent changes in estimated contingencies are to be recorded in earnings. The implementation of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

The Company adopted ASC 855 as of June 30, 2009 (formerly SFAS No. 165, Subsequent Events). ASC 855 should not result in significant changes in the subsequent events that an entity reports. Rather, ASC 855 introduces the concept of financial statements being available to be issued. Financial statements are considered available to be issued when they are complete in a form and format that complies with generally accepted accounting principles (GAAP) and all approvals necessary for issuance have been obtained.

In June 2009, the FASB issued an amendment to ASC topic 860 (the amendment was formerly SFAS No. 166, Accounting for Transfers of Financial Asset). Among other items the provision removes the concept of a qualifying special-purpose entity and clarifies that the objective of paragraph ASC 860-10-40-4 is to determine whether a transferor and all of the entities included in the transferor's financial statements being presented have surrendered control over transferred financial assets. This pronouncement is effective January 1, 2010. The implementation of this standard will not have a material impact on the Company's consolidated financial position and results of operations.

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

In June 2009, the FASB issued an amendment to ASC topic 810 (the amendment was formerly SFAS No. 167, Disclosure Requirements for Variable Interest Entities). The provisions of ASC 810 provide guidance in determining whether an enterprise has a controlling financial interest in a variable interest entity. This determination identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance, and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. This pronouncement also requires ongoing reassessments of whether an enterprise is the primary beneficiary and eliminates the quantitative approach previously required for determining the primary beneficiary. New provisions of this pronouncement are effective January 1, 2010. The implementation of this standard will not have a material impact on the Company's consolidated financial position and results of operations.

In July 2009, the FASB issued ASC topic 105 (formerly SFAS No. 168, The Hierarchy of Generally Accepted Accounting Principles). ASC 105 contains guidance which reduces the U.S. GAAP hierarchy to two levels, one that is authoritative and one that is not. This pronouncement is effective September 15, 2009. The adoption of this pronouncement did not have an effect on the consolidated financial statements.

In October 2009, the FASB approved for issuance (currently within the scope of FASB Accounting Standards Codification (ASC) Subtopic 605-25) Emerging Issues Task Force (EITF) issue 08-01, Revenue Arrangements with Multiple Deliverables. This statement provides principles for allocation of consideration among its multiple-elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. The EITF introduces an estimated selling price method for valuing the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. This standard is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Alternatively, adoption may be on a retrospective basis, and early application is permitted. The implementation of this standard will not have a material impact on the Company's consolidated financial position and results of operations.

2. Restricted Cash:

Restricted cash consisted of escrow funds agreed to be deposited in connection with a dispute between the Company and a third party. The dispute was settled on February 24, 2010 and the funds will be disbursed to the third party in accordance with the settlement terms.

3. Inventories:

Inventories consist of the following:

	2009	2008
Raw materials	$ 31,770	$ 26,183
Finished products	73,924	111,031
Spare parts	7,942	8,096
	$113,636	$145,310

Inventory reserves for excess quantities, obsolescence or shelf-life expiration as of December 31, 2009 and December 31, 2008 were $13,189 and $8,863, respectively.

4. Other Current Assets:

Other current assets consist of the following:

	2009	2008
Creditable taxes (value added taxes)	$ 4,028	$ 5,444
Prepaid income taxes	10,435	1,492
Deferred income taxes	16,019	12,771
Other prepaids	13,110	16,220
Other	6,273	4,257
	$49,865	$40,184

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

5. Property, Plant and Equipment, net:

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

	2009	2008
Land and buildings	$ 90,384	$ 87,635
Machinery and equipment	322,523	315,865
Construction-in-progress	10,799	5,813
	423,706	409,313
Less accumulated depreciation	219,179	178,891
	$204,527	$230,422

Under ASC 360, "Property, Plant, and Equipment," 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 the assets.

The determination of whether or not assets are impaired and the corresponding useful lives of these long-lived assets requires significant judgment. The development of future cash flow projections requires management estimates related to forecasted sales and expected costs trends. To the extent that changes in 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.

In our Mexican operations, we continue to monitor changes in circumstances where the undiscounted cash flows would indicate that the carrying amount of an asset or asset group may not be recoverable. The uncertainty in phosphate rock prices, volume decreases, sales price erosion, and the reduced operating rates for the Coatzacoalcos plant were included in management's estimates and are consistent with management's expectations. The carrying value of the Coatzacoalcos plant was approximately $84.2 million at December 31, 2009. The undiscounted cash flows of the STPP (Sodium Tripolyphosphate) asset group exceeded their carrying value by 31%, while the other asset groups exceeded their carrying values by significantly greater margins. The Company completed an impairment analysis for certain of its long lived assets during the third quarter of 2009 and, based on the undiscounted cash flows, no asset impairment charges were recorded for the Mexican assets. The Company did not conduct an asset impairment test during the fourth quarter as there were no triggering events that warranted an impairment test.

Depreciation expense, excluding depreciation expense in changes of inventory, was $45,837, $45,904 and $42,469 in 2009, 2008 and 2007, respectively.

6. Goodwill:

	United States	Mexico	Canada	Total
Balance, December 31, 2007	$7,237	$37,501	$2,530	$47,268
Adjustments, net of tax	—	4,438	—	4,438
Balance, December 31, 2008 and 2009	$7,237	$41,939	$2,530	$51,706

In 2008, 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. ASC 350, "Intangibles - *Goodwill and Other*," requires periodic tests of the impairment of goodwill. ASC 350 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.

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

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 company's reporting units is based upon management's estimate at the date of the assessment, which incorporates managements long-term view of selling prices, sales volumes for Innophos' products, key raw materials and energy costs, operating cost structure and other industry data. 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 2009 exceeded the book value of our equity. The terminal value was determined by applying business growth factors for each reporting unit which are in-line with longer term historical growth rates, to the latest year for which a forecast exists.

7. Intangibles and Other Assets, net:

Intangibles and other assets consist of the following:

	Useful life (years)	2009	2008
Developed technology and application patents, net of accumulated amortization of $10,168 for 2009 and $8,279 for 2008	10-20	26,432	28,321
Customer relationships, net of accumulated amortization of $3,961 for 2009 and $3,012 for 2008	5-15	7,369	8,318
Tradenames and license agreements, net of accumulated amortization of $3,401 for 2009 and $2,839 for 2008	5-20	5,959	6,521
Capitalized software, net of accumulated amortization of $2,279 for 2008 and $2,496 for 2008	3-5	700	1,293
Non-compete agreement, net of accumulated amortization of $315 for 2009 and $189 for 2008	5	315	441
Total Intangibles		**$40,775**	**$44,894**
Deferred financing costs, net of accumulated amortization of $7,473 for 2009 and $14,262 for 2008		$ 6,921	$ 9,001
Deferred income taxes		1,409	512
Other Assets		3,084	1,306
Total other assets		**$11,414**	**$10,819**
		$52,189	$55,713

Amortization expense for intangibles was $4,312, $4,312 and $4,034 in 2009, 2008 and 2007, respectively. Anticipated amortization expense for the next five years related to intangibles is as follows:

	2010	2011	2012	2013	2014
Intangible amortization expense	$3,853	$3,554	$3,266	$3,061	$2,980

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:

	2009	2008
Payroll related	$ 13,480	$ 9,318
Taxes	8,984	9,642
Interest	7,505	7,813
Freight and rebates	3,794	4,942
Benefits and pensions	5,104	5,688
Dividends payable	3,627	3,585
Legal	2,820	828
Other	14,382	2,666
	$59,696	**$44,482**

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

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

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

	2009	2008
Senior credit facility	$ —	$126,500
Senior subordinated notes	190,000	190,000
Senior unsecured notes	56,000	66,000
	$246,000	$382,500
Less current portion	—	72,613
	$246,000	$309,887

On May 22, 2009, our wholly owned subsidiary Innophos, Inc. and its wholly owned subsidiary, Innophos Canada, Inc. (the "Borrowers") entered into a Loan and Security Agreement (the "Loan Agreement") with certain lenders (collectively, the "Lenders") including Wachovia Bank, National Association, as agent.

The Loan Agreement provides the Borrowers with a revolving line of credit from the Lenders of up to $65.0 million in the aggregate, with a $20 million letter of credit sub-facility, terminating on May 22, 2013. The amount actually available to the Borrowers may be less than the maximum credit and will vary from time to time depending on, among other factors, the amount of its net eligible inventory and accounts receivable as calculated for purposes of the Loan Agreement. The obligations of the Borrowers under the Loan Agreement are secured by the accounts receivable, inventory and other assets of Innophos, Inc. and Innophos Canada, Inc., not including equipment or real property. Innophos Inc.'s Mexico-based subsidiaries are excluded from certain of the covenants under the Loan Agreement, do not guaranty the indebtedness of Innophos, Inc. and Innophos Canada, Inc. incurred under it, and do not furnish collateral in connection with it.

The Loan Agreement includes affirmative as well as negative covenants that prohibit or restrict a variety of actions without the Lenders' approval, including covenants that affect the ability of the Borrowers and its subsidiaries among other things to (a) incur or guarantee debt, (b) create liens, (c) enter into mergers, recapitalizations or similar transactions or purchase all or substantially all of the assets or stock of another party, (d) sell assets, (e) change names, (f) make certain changes to their business, (g) optionally prepay, amend, acquire or refinance indebtedness, (h) pay dividends on, or purchase, acquire or redeem shares of, capital stock, (i) change accounting methods, (j) make investments, or (k) enter into transactions with affiliates.

In addition, the Loan Agreement requires the Borrowers to maintain a fixed charge coverage ratio (on a consolidated basis) of at least 1.00 to 1.00 as of the last day of each calendar month for the preceding twelve consecutive fiscal months during any "Compliance Period." Compliance Period is defined as any period beginning on a day on which (i) an event of default under the Loan Agreement has occurred and is continuing or (ii) the excess availability under the revolving credit facility is less than $16.0 million through and including the first day when excess availability has exceeded $16.0 million for 60 consecutive days during each of which no event of default has occurred. The Loan Agreement also requires the Borrowers to maintain at all times excess availability under the revolving credit facility of at least $6.5 million. The Loan Agreement allows the Borrowers to declare and pay dividends or make other distributions to stockholders in an aggregate amount not to exceed $5.0 million in any calendar quarter.

As of December 31, 2009, the Borrowers had $41.9 million excess availability above the minimum excess availability requirements, as calculated in accordance with the Loan Agreement, and there was no amount outstanding on the revolving credit line. A total of $2.2 million in face amount of letters of credit were issued under the sub-facility to support instruments outstanding under a prior credit facility terminated on that date.

The Company was party to a Credit Agreement dated as of August 13, 2004, as subsequently amended (the "2004 Credit Facility"). On May 22, 2009, the Company entered into a Termination Agreement with the agent and J P Morgan Chase Bank, N.A. and National City Bank, the latter two as issuing banks relating to letters of credit, pursuant to which, among other things, the 2004 Credit Facility was terminated, the Company paid the $72.7 million of outstanding term loan balance (principal and accrued interest) from cash on hand, and security held by the lenders on substantially all the Company's property was released. In the second quarter of 2009 this payment resulted in an approximate $0.4 million charge to earnings for the acceleration of deferred financing charges.

Prior to the termination of the term loan the Company made a $53.6 million excess cash flow payment of the term loan on March 16, 2009. In the first quarter of 2009 this payment resulted in an approximate $0.4 million charge to earnings for the acceleration of deferred financing charges.

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.

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.

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 9.5% 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.

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.

On April 13, 2009 the Company purchased $10.0 million of the 9.5% Senior Unsecured Notes due April 2012 for $6.5 million. The $3.5 million retirement gain was reflected in interest expense, net in our Consolidated Statement of Operations in the second quarter of 2009. The Company also recorded accelerated deferred financing costs of approximately $0.2 million in the second quarter of 2009.

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.

Floating Rate Senior Notes

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.

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. 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 2009, 2008 and 2007 was $24,761, $33,136 and $38,786.

As of December 31, 2009, the Company was in full compliance with all debt covenant requirements.

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

Interest expense, net consists of the following:

	Year Ended December 31,		
	2009	2008	2007
Interest expense	$24,455	33,170	$38,891
Deferred financing cost	3,130	2,726	4,643
Interest income	(541)	(1,372)	(1,307)
Gain on retirement of bonds	(3,500)	—	—
Less: amount capitalized for capital projects	(231)	(331)	(668)
Total interest expense, net	$23,313	$34,193	$41,559

10. Other Long-Term Liabilities:

Other long-term liabilities consist of the following:

	2009	2008
Environmental liabilities	$ 1,100	1,100
Profit sharing liabilities	2,350	3,106
Deferred income taxes	23,617	17,714
Pension and post retirement liabilities (U.S. and Canada only)	5,240	4,647
Other Liabilities	7,708	5,536
	$40,015	$32,103

11. Stockholders’ Equity / Stock-Based Compensation:

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

- 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.
- 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.
- 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 (generally 200%), calculated using a three year future average return on invested capital (i.e. the three year period 2009-2011 for a 2009 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 stock retainer grants, which entitle independent members of the Board of Directors to receive a number of shares of the Company’s common stock equal to a fixed retainer value.

In 2005 the Company’s Board of Directors approved the Innophos Holdings, Inc. 2005 Stock Option Plan, or 2005 Plan. 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. 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. Subsequently, in June 2009 the stockholders approved the Company’s 2009 Long Term Incentive Plan (the 2009 Plan), which effectively replaced the 2006 Plan.

Restricted Stock

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 $0.9 million of compensation expense in 2008 and 2007, respectively. As of December 31, 2009 all shares have vested. There were 96,428 unvested and 77,140 vested shares granted as of December 31, 2007. As of December 31, 2008, there were 19,288 unvested and 154,280 vested shares granted.

There were 5,500 restricted shares granted with a fair value of $45 in the first quarter of 2009. These awards are classified as equity awards and vest through no later than January 31, 2011. The related compensation expense is based on the date of grant share price of $8.24. The compensation expense is amortized on a straight-line basis over the requisite vesting period.

Stock Options

In connection with the Company's initial public offering, 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 single class common stock options 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.

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 ASC 718 (formerly SFAS No. 123(R)). The compensation expense to these immediate vesting options was approximately $22.

On October 22, 2007 the Company granted 287,200 non-qualified stock options at an exercise price of $15.20 per share to certain employees with a fair value of $1.0 million. The non-qualified stock options vest annually over three years with a ten-year term from date of grant.

On December 19, 2007 the Company granted 2,000 non-qualified stock options to a certain employee at an exercise price of $14.47 per share with a fair value of $7. The non-qualified stock options vest annually over three years with a ten-year term from date of grant.

On April 25, 2008 the Company granted 248,550 non-qualified stock options at an exercise price of $18.38 per share to certain employees with a fair value of $0.9 million. The non-qualified stock options vest annually over three years with a ten-year term from date of grant.

On May 7, 2009 and June 2, 2009 the Company granted 84,651 and 136,849 non-qualified stock options with a fair value of $0.5 million and $0.9 million, respectively. The non-qualified stock options vest annually over three years with a ten-year term from date of grant.

Performance Share Awards

On October 22, 2007 the Company granted 74,650 performance share awards to certain employees with a fair value of $0.9 million. The performance share awards vest at the end of the three year service period with a ten-year term from date of grant. Declared dividends will accrue on the performance shares and will vest over the same period.

On December 19, 2007 the Company granted 600 performance share awards to a certain employee with a fair value of $8. The performance share awards vest at the end of the three year service period with a ten-year term from date of grant. Declared dividends will accrue on the performance shares and will vest over the same period.

On April 25, 2008 the Company granted 82,340 performance share awards to certain employees with a fair value of $1.4 million. The performance share awards vest at the end of the three year service period with a ten-year term from date of grant. Declared dividends will accrue on the performance shares and will vest over the same period. 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 an associated fair value of $2.3 million.

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

On May 7, 2009 the Company granted 94,150 performance share awards to certain employees with a fair value of $0.9 million. The performance share awards vest at the end of the three year service period with a ten-year term from date of grant. Declared dividends will accrue on the performance shares and will vest over the same period. In the third quarter of 2009 the Company revised its estimate of the number of performance shares expected to be earned at the end of the performance period, as a result of revising its estimate of projected performance, and increased the number of performance shares by 94,150 with an associated fair value of $1.4 million.

On October 30, 2009 the Company granted 2,067 performance share awards to certain employees with a fair value of less than $0.1 million. The performance share awards vest at the end of the three year service period with a ten-year term from date of grant. Declared dividends will accrue on the performance shares and will vest over the same period. In the fourth quarter of 2009 the Company revised its estimate of the number of performance shares expected to be earned at the end of the performance period, as a result of revising its estimate of projected performance, and increased the number of performance shares by 2,067 with an associated fair value of less than $0.1 million.

Stock Grants

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

In July 2009 the six external members of the Board of Directors were each granted 3,106 shares of the Company's common stock with an aggregated fair value of $0.3 million which immediately vested as part of their director fees.

At December 31, 2009, assuming all performance share grants are at maximum, there were 2.2 million shares available for future grants under the 2009 Plan.

The Company will continue to account for the outstanding 2005 Plan awards under APB 25, which falls under grandfathered material excluded from the first release of the FASB Codification, until they are settled or modified. All of the awards granted under the 2009 Plan and the 2006 Plan are accounted for under the provisions of ASC 718 (formerly 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,		
	2009	2008	2007
Stock options	$ 937	$ 644	$ 91
Restricted stock	20	926	926
Performance shares	2,110	1,647	60
Stock grants	300	250	—
Total stock-based compensation expense	$3,367	$3,467	$1,077

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

A summary of stock option activity during the three years ended December 31, 2009, is presented below:

	Number of Options	Weighted Average Exercise Price
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
Outstanding at January 1, 2009	962,494	$ 10.48
Granted	221,500	14.57
Forfeited	(46,503)	16.77
Exercised	(218,405)	3.12
Outstanding at December 31, 2009	919,086	$ 12.89
Exercisable at December 31, 2009	473,716	$ 10.10

The fair value of the options granted during 2009, 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, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Expected volatility	61.4%	36.8%	36.8%
Dividend yield	5.0%	4.6%	4.5%
Risk-free interest rate	2.7%	3.4%	4.2%
Expected term	6 years	6 years	6 years
Weighted average grant date fair value of stock options	$ 6.19	$ 4.52	$ 3.97

Prior to 2009, since Innophos Holdings, Inc. was 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. In 2009, the Company had chosen a blended volatility which consists of 50% historical volatility average of the peer group and 50% historical volatility of Innophos. The increase in the expected volatility in 2009 versus prior periods is a result of broader market conditions. The expected term for the stock options is based on the simplified method since the Company has limited data on the exercises of stock options. These stock options qualify as “plain vanilla” stock options. 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.

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

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
Outstanding at January 1, 2009	315,180	$ 15.95
Granted (at targeted return on invested capital)	96,217	14.67
Forfeited	(28,000)	16.02
Vested	—	—
Adjustment to estimate of shares to be earned	96,217	14.67
Outstanding at December 31, 2009	479,614	$ 15.43

The total intrinsic value of options exercised and stock grants during 2009, 2008 and 2007 was $2.7 million, $5.1 million and $5.2 million, respectively. The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2009 was $12.9 million and $6.1 million, respectively. The total remaining unrecognized compensation expense related to share-based payments is as follows:

Unrecognized Compensation Expense	Restricted Stock	Stock Options	Performance Based
Amount	$ 26	$ 1,987	$ 3,602
Weighted-average years to be recognized	2.2 years	1.6 years	1.6 years

12. Earnings per share (EPS)

The Company accounts for earnings per share in accordance with ASC 260 (formerly 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. Under ASC Subtopic 260-10-45, as of January 1, 2009 unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock, are considered participating securities for purposes of calculating EPS. Under the two-class method, a portion of net income is allocated to these participating securities and therefore is excluded from the calculation of EPS allocated to common stock, as shown in the table below. Retrospective application is required for periods prior to the effective date and as a result, all prior period earnings per share data presented herein have been adjusted to conform to these provisions. This resulted in a $0.02 reduction in previously reported basic EPS for the year ended December 31, 2008.

The numerator for basic and diluted earnings per share is net earnings attributable to shareholders reduced by dividends attributable to unvested shares. The denominator for basic earnings per share is the weighted average number of common stock outstanding during the period. The denominator for diluted earnings per share is weighted average shares outstanding adjusted for the effect of dilutive outstanding stock options, performance share awards and restricted stock awards.

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

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 and the calculation of earnings per share using the two-class method:

	Year Ended December 31,		
	2009	2008	2007
Net income (loss)	63,144	207,183	(5,487)
Less: earnings attributable to unvested shares	(3)	(33)	—
Net income (loss) available to common shareholders	$ 63,141	$ 207,150	$ (5,487)
Weighted average number of common and potential common shares outstanding:			
Basic number of common shares outstanding	21,258,536	20,956,566	20,676,859
Dilutive effect of stock equivalents	710,368	761,971	—
Diluted number of weighted average common shares outstanding	21,968,904	21,718,537	20,676,859
Earnings (loss) per common share:			
Earnings (loss) per common share - Basic	$ 2.97	$ 9.89	$ (0.27)
Earnings (loss) per common share - Diluted	$ 2.87	$ 9.54	$ (0.27)

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 688,332, 486,877 and 1,093,736 for the years ended 2009, 2008 and 2007, respectively.

13. Dividends

The following is the dividend activity for 2009, 2008 and 2007:

	2009				
	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	3,611	3,622	3,623	3,627	14,483
Dividends paid - per share	0.17	0.17	0.17	0.17	0.68
Dividends paid - aggregate	3,590	3,611	3,622	3,623	14,446

	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

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

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 of the Phosphates Business from Rhodia on August 13, 2004.

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 $60. A 1% decrease in our expected rate of return on plan assets would increase our pension plan expense by $135.

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 2010 are as follows:

	Pension	Other Benefits	Total
Prior Service Cost	$ 93	$ 261	$354
Net Actuarial Loss/(Gain)	87	(58)	29
Transition Obligation	—	27	27

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

The changes in benefit obligations recognized in other comprehensive loss during 2009 and 2008 are as follows:

	Pension Benefits		Other Benefits		Total	
	2009	2008	2009	2008	2009	2008
Change in accumulated other comprehensive income						
Amortization of net gain	$ (75)	$ (28)	$ 90	$ 109	$ 15	$ 81
Amortization of prior service cost	(93)	—	(289)	(289)	(382)	(289)
Prior service cost arising during period from amendments	—	259	—	(30)	—	229
Net loss arising during period	504	(5)	198	(120)	702	(125)
Total change in accumulated other comprehensive income	336	226	(1)	(330)	335	(104)
Deferred taxes	(114)	1	6	(144)	(108)	(143)
Net amount recognized	$ 222	$227	$ 5	$(474)	$ 227	$(247)

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

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 ASC 715 (formerly SFAS No. 88), Compensation – Retirement 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	
	2009	2008	2009	2008
Accumulated benefit obligation	$1,928	$1,898	$ 3,402	$ 2,992
Change in Projected Benefit Obligation				
Projected Benefit Obligation at Beginning of Year	$1,898	$1,915	$ 2,992	$ 2,589
Service cost	—	—	342	323
Interest cost	104	100	161	142
Actuarial (Gain)/Loss	(64)	(112)	(36)	(14)
Actual Benefits Paid	(10)	(5)	(57)	(48)
Plan Amendments	—	—	—	—
Projected Benefit Obligation at End of Year	$1,928	$1,898	$ 3,402	$ 2,992
Change in Plan Assets				
Fair Value of Trust Assets at Beginning of Year	$ 982	$1,184	$ —	$ —
Actual Return on Plan Assets	130	(295)	—	—
Employer Contributions	83	98	57	48
Actual Benefits Paid	(10)	(5)	(57)	(48)
Fair Value of Trust Assets at End of Year	$1,185	$ 982	$ —	$ —
Funded Status of the Plan	$ (743)	$ (916)	$(3,402)	$(2,992)
Amounts Recognized in the Consolidated Balance Sheets				
Noncurrent Assets	$ —	$ —	$ —	$ —
Current Liabilities	—	—	(119)	(87)
Noncurrent Liabilities	(743)	(916)	(3,283)	(2,905)
Net Amounts Recognized	$ (743)	$ (916)	$(3,402)	$(2,992)
Amounts Recognized in Accumulated Other Comprehensive Income				
Net Transition (Asset)/Obligation	$ —	$ —	$ —	$ —
Prior Service Cost/(Credit)	—	—	1,311	1,573
Net Actuarial (Gain)/Loss	8	86	(981)	(1,039)
Total Amount Recognized	$ 8	$ 86	$ 330	$ 534
Deferred Taxes	(3)	(33)	(127)	(205)
Net Amount Recognized	5	53	203	329

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

	Pension Benefits			Other Benefits		
	2009	2008	2007	2009	2008	2007
Components of Net Periodic Benefit Cost						
Service cost	$ —	$ —	$ 201	$ 342	$ 323	$ 311
Interest cost	104	100	134	161	142	126
Expected Return on Assets	(109)	(100)	(61)	—	—	—
Amortization of						
Prior Service Cost	—	—	43	262	261	262
Actuarial (Gain)/Loss	(7)	(41)	2	(95)	(115)	(115)
Curtailment Expense	—	—	203	—	—	—
Net Periodic Cost	$ (12)	$ (41)	$ 522	$ 670	$ 611	$ 584
Weighted Average Assumptions for Balance Sheet Liability at End of Year						
Discount Rate	5.50%	5.50%	6.00%	5.50%	5.50%	5.75%
Expected Long-Term Rate of Return	8.00%	8.00%	8.00%	NA	NA	NA
Rate of Compensation Increase	NA	NA	NA	3.00%	3.00%	3.00%
Weighted Average Assumptions for Net Periodic Benefit Cost 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%

Estimated Future Benefit Payments	Pension Benefits	Other Benefits
Fiscal 2010	$ 38	$ 119
Fiscal 2011	50	159
Fiscal 2012	65	206
Fiscal 2013	79	250
Fiscal 2014	91	288
Fiscal Years 2015-2019	632	2,054

Innophos expects to contribute approximately $0.1 million to its U.S. defined benefit pension plan in 2010.

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 2010 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 2010 fiscal year are ($78), $261 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.

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

Plan Assets

As of December 31, 2009 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, 2009 and 2008 by asset category are as follows:

	Plan Assets at December 31	
	2009	**2008**
Asset Category		
Equity securities	35.8%	59.9%
Fixed income securities	61.5	40.1
Other	2.7	0.0
Total	100.0%	100.0%

The fair values of Innophos, Inc.'s pension plan assets at December 31, 2009 by asset category are as follows:

	Total	**Level 1**	**Level 2**	**Level 3**
Equity securities	$ 424	$ 424	$ —	$ —
Fixed income securities	729	729	—	—
Other	32	32	—	—
	$1,185	$1,185	$ —	$ —

Defined Contribution Plan—U.S.

Innophos Inc.'s expense for the defined contribution plan was $2.7 million, $2.9 million and $2.2 million for 2009, 2008 and 2007, respectively.

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

Canadian Plans

Obligations and Funded Status—Canadian Plans at December 31

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Accumulated benefit obligation	$ 8,175	$ 5,852	$ 1,254	$ 853
Projected Change in Benefit Obligation				
Projected Benefit Obligation at Beginning of Year	$ 5,852	$ 8,543	$ 853	$ 998
Service cost	157	218	40	55
Interest cost	473	446	71	54
Plan Amendments	—	299	—	(35)
Actuarial (Gain)/Loss	915	(1,971)	158	(3)
Actual Benefits Paid	(301)	(292)	(29)	(28)
Exchange Rate Changes	1,079	(1,391)	161	(188)
Projected Benefit Obligation at End of Year	$ 8,175	$ 5,852	$ 1,254	$ 853
Change in Plan Assets				
Fair Value of Trust Assets at Beginning of Year	$ 6,837	$ 9,017	$ —	$ —
Actual Return on Plan Assets	1,353	(1,452)	—	—
Employer Contributions	1,637	1,132	29	28
Actual Benefits Paid	(301)	(292)	(29)	(28)
Exchange Rate Changes	1,415	(1,568)	—	—
Fair Value of Trust Assets at End of Year	$ 10,941	$ 6,837	$ —	$ —
Funded Status of the Plan	$ 2,766	$ 984	$ (1,254)	$ (853)
Amounts Recognized in the Consolidated Balance Sheets				
Noncurrent Assets	$ 2,766	$ 984	$ —	$ —
Current Liabilities	—	—	(40)	(27)
Noncurrent Liabilities	—	—	(1,214)	(826)
Net Amounts Recognized	$ 2,766	$ 984	$ (1,254)	$ (853)
Amounts Recognized in Accumulated Other Comprehensive Income				
Net Transition (Asset)/Obligation	$ —	$ —	$ 277	$ 263
Prior Service Cost/(Credit)	201	258	—	—
Net Actuarial (Gain)/Loss	2,344	1,873	319	131
Total Amount Recognized	$ 2,545	$ 2,131	$ 596	$ 394
Deferred Taxes	(890)	(746)	(209)	(138)
Net Amount Recognized	1,655	1,385	387	256

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

	Pension Benefits			Other Benefits		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Components of Net Periodic Benefit Cost						
Service cost	$ 157	$ 218	$ 230	$ 40	$ 55	$ 55
Interest cost	473	446	420	71	54	49
Expected Return on Assets	(667)	(660)	(565)	—	—	—
Amortization of						
Actuarial (Gain)/Loss	82	80	49	5	7	13
Prior Service Cost	93	—	—	—	—	—
Net Transition Obligation	—	—	—	27	33	32
Net Periodic Cost	$ 138	$ 84	$ 134	$ 143	$ 149	$ 149
Weighted Average Assumptions for Balance Sheet Liability at End of Year						
Discount Rate	6.50%	7.50%	5.50%	6.50%	7.50%	5.50%
Rate of Compensation Increase	NA	NA	NA	NA	NA	NA
Weighted Average Assumptions for Net Periodic Benefit Cost at End of Year						
Discount Rate	7.50%	5.50%	5.25%	7.50%	5.50%	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)				10%	9%	10%
Rate to which the Cost Trend Rate is Assumed to Decline (Ultimate Rate)				5%	5%	5%

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	
	2009	**2008**
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	$ 22	$ 15
Postretirement Benefit Obligation	$194	$131
Effect of a 1% Decrease On		
Total of Service Cost and Interest Cost	$ (18)	$ (12)

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 2010 fiscal year are $91, $93 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 2010 fiscal year are $20, $0 and $27, respectively.

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

Plan Assets

Innophos Canada Inc.'s pension plan invests in mutual funds and the weighted-average asset allocations at December 31, 2009 and 2008 by asset category are as follows:

	2009	2008
Asset Category		
Equity securities	57.6%	55.7%
Fixed income securities	41.7	40.1
Other	0.7	4.2
Total	100%	100%

The fair values of Innophos Canada, Inc.'s pension plan assets at December 31, 2009 by asset category are as follows:

	Total	Level 1	Level 2	Level 3
Equity securities	$ 6,298	$ 6,298	$ —	$ —
Fixed income securities	4,566	4,566	—	—
Other	77	77	—	—
	$10,941	$10,941	$ —	$ —

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 hereunder. 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 $1.7 million to its pension plan in 2009.

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 2010	$ 340	$ 40
Fiscal 2011	396	37
Fiscal 2012	427	37
Fiscal 2013	453	43
Fiscal 2014	466	57

Innophos plans to contribute approximately $1.0 million to its Canadian pension plan in 2010.

Defined Contribution Plans—Canada

Innophos Canada Inc.'s expense for the defined contribution plans was approximately $0.1 million for 2009, 2008 and 2007, 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 2009, 2008 and 2007, Innophos Fosfatados de Mexico, S.A. de C.V., recorded provisions of zero, $4,546 and $2,135, respectively, for these liabilities.

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

15. Income Taxes:

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

	Year Ended December 31,					
	2009		2008		2007	
	Income before income taxes	Income tax expense	Income before income taxes	Income tax expense/ (benefit)	Income (loss) before income taxes	Income tax expense/ (benefit)
US	$ 89,827	$ 33,390	$ 80,184	$ 3,922	$ (29,003)	$ 293
Canada/Mexico	14,519	7,812	182,201	51,280	35,412	11,603
Total	$ 104,346	$ 41,202	$ 262,385	$ 55,202	$ 6,409	$ 11,896
Current income taxes		$ 39,335		$ 67,307		$ 13,703
Deferred income taxes		1,867		(12,105)		(1,807)
Total		$ 41,202		$ 55,202		$ 11,896

	Year Ended December 31,		
	2009	2008	2007
Income tax expense at the U.S. statutory rate	$36,520	$ 91,835	$ 2,244
State income taxes (net of federal tax effect and State valuation allowance	3,182	851	90
Foreign tax rate differential	3,041	(12,314)	(504)
Change in Federal U.S. valuation allowance	—	(24,858)	10,040
Non-deductible permanent items	(1,541)	(312)	26
Provision for income taxes	$41,202	$ 55,202	$11,896

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

	Year Ended December 31,	
	2009	2008
Net current deferred tax assets	$ 16,019	$ 12,771
Net noncurrent deferred tax assets	1,409	512
Net current deferred tax liabilities	—	—
Net noncurrent deferred tax liabilities	(23,617)	(17,714)
Net deferred tax liabilities	$ (6,189)	$ (4,431)

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

	Year Ended December 31,	
	2009	2008
Deferred tax assets:		
Inventories	$ 4,536	$ 2,345
Accrued liabilities	12,229	8,429
Intangibles	—	1
Tax losses	10,079	16,094
Total deferred tax assets	26,844	26,869
Deferred tax liabilities:		
Gain on bond retirement	(1,345)	—
Intangibles	(514)	—
Fixed assets	(25,511)	(26,487)
Total deferred tax liabilities	(27,370)	(26,487)
Total valuation allowances	(5,663)	(4,813)
Net deferred tax liabilities	$ (6,189)	$ (4,431)

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

The U.S. operations have Federal tax loss carry forwards of $12.4 million, which will expire in approximately 18 years, as of December 31, 2009. The loss carryforwards include $1.0 million related to windfall tax benefits which will be recorded in paid-in capital when realized. The Company realized tax benefits of $495 from stock options exercised during 2009.

As of December 31, 2008, the U.S. operations no longer had cumulative losses and, after consideration of the positive and negative evidence including the sustainability of the positive earnings trend, the Company concluded that it was 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 had been recorded. The Company still maintains a $5.7 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, 2009, 2008 and 2007, income taxes were not provided on unremitted earnings of $6,707, $130,921 and $23,809, respectively, as these earnings are expected to be permanently reinvested internationally.

In the fourth quarter of 2009, both Mexico and Canada enacted new tax legislation which, among other provisions, modified the future tax rates in those jurisdictions. As a result, the Company recognized, in the income tax provision, the impact of this change in tax rates for its deferred tax assets and liabilities as of December 31, 2009.

The Company does not have any material uncertain income tax positions in accordance with ASC 740-10-25 (formerly FIN 48). 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. Currently, the Company is under examination, or has been contacted for examination, by certain foreign jurisdictions for its income tax returns for the years 2004 through 2008. As of December 31, 2009, no significant adjustments have been proposed to the Company's tax positions and the Company currently does not anticipate any adjustments that would result in a material change to its financial position. The Company does not anticipate that total unrecognized tax benefits will significantly change prior to December 31, 2010.

Income taxes paid were $49,705, $64,822 and $7,786 for 2009, 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 2009, 2008 and 2007 was $5,140, $5,213 and $4,438, respectively. Minimum annual rentals for all operating leases are:

Year Ending	Lease Payments
2010	$ 4,113
2011	3,688
2012	2,824
2013	2,690
2014	2,246
Thereafter	2,979

Purchase Commitments and Supplier Concentration

The Company has two raw material supply contracts, 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 through 2010. The minimum annual purchase obligations, at current prices, approximates $89.8 million for 2010.

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 may need to be accrued. 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 agreements by 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. The indemnification rights relating to undisclosed environmental matters are subject to certain substantial limitations and exclusions and expired as of August 13, 2009.

Future environmental spending is probable at our site in Nashville, TN, 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, 2009.

The U.S. 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 the Resource Conservation and Recovery Act (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 has not yet been fully evaluated from a technological or cost standpoint. The companies have proposed to DOJ/EPA a schedule for such evaluation, and although the government has not formally approved the schedule, the companies are proceeding as proposed. Based upon work so far, there appears to be at least one technically viable approach, but costs of a full scale operation as compared to other approaches are not known at this time. 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' Mexican affiliate, Innophos Mexico, initiated binding arbitration with OCP, S.A., or OCP, its sole supplier of phosphate rock for Mexico, concerning pricing terms for 2008 and 2009 under Innophos Mexico's agreement with that supplier. A panel of three arbitrators sitting in Paris, France under auspices of the International Chamber of Commerce was selected to hear the case, and hearings on the 2008 and 2009 pricing issues were held in November 2009. On February 24, 2010, Innophos Mexico and OCP entered into agreements fully settling the arbitration, resolving disputes concerning 2008 and 2009 prices and quantities of phosphate rock, and agreed upon 2010 prices and quantities for phosphate rock purchases and sales until the existing agreement expires. The terms of the settlement were confidential, and neither OCP nor Innophos Mexico admitted liability, and entered into the settlement solely in order to avoid the costs and burdens of continued arbitration.

The financial impact of the settlement was a $7.1 million pre-tax expense ($5.0 million net of tax) largely recorded in cost of goods sold.

In addition, in connection with the settlement, on February 24, 2010, the parties executed an amendment to their existing 1992 supply agreement.

The major features in the amendment, identified as Addendum No. 13 to the 1992 agreement, are the following terms and conditions:

- 2008 and 2009 final prices for phosphate rock are agreed to be the interim prices already paid by Innophos Mexico;
- 2010 final prices and estimated volumes of phosphate rock (until the end of the 1992 agreement scheduled for September 10, 2010) are set for Innophos Mexico's Coatzacoalcos, Veracruz, Mexico plant, together with mutual minimum volume commitments for each of the two types of phosphate rock to be supplied;
- Innophos Mexico is afforded an option to extend the 1992 agreement to December 31, 2010, if the option is exercised by July 31, 2010, without additional volume commitments; exclusivity of OCP as a supplier would terminate as of September 10, 2010;
- Innophos Mexico receives an option before September 10, 2010 to purchase limited quantities of third party phosphate rock for testing purposes; and
- The 1992 agreement is revised in a number of other respects, including as to its force majeure provisions, limitations of damages and liquidated damages.

Mexican CNA Water Tax Claims

Nature and Extent. In November 2004, our Mexican subsidiary, Innophos Fosfatados, or Fosfatados, received notice from the CNA of the Fresh Water Claims relating to water usage at our Coatzacoalcos, Veracruz, Mexico plant. As initially assessed, the claims extended from 1998-2002, but subsequently the 1998 claim was determined to be beyond the applicable statute of limitations. As now assessed, the claims through 2002 total approximately $23.6 million (at current exchange rates as of February 18, 2010), including basic charges of $7.1 million and $16.5 million for interest, inflation and penalties. Management believes that Fosfatados has valid bases for challenging the Fresh Water Claims, and that matter is being defended vigorously.

Rhodia Indemnity Confirmed. As a result of favorably concluded litigation in New York state courts against Rhodia, S.A. and affiliates, or the New York Litigation, concerning their indemnification obligation for CNA claims as "taxes" under the agreement by which we purchased our business from those parties, Innophos is fully indemnified against the Fresh Water Claims, as well as any like claims pertaining to periods prior to the closing date of purchase, August 13, 2004, were such liabilities to be sustained.

Further Proceedings. The Fresh Water Claims are currently pending reconsideration from appeals in the Mexican fiscal court system. On October 29, 2009, the Tax Court on remand ruled unfavorably as to all of Fosfatado's remaining defenses. On January 10, 2010, Fosfatados appealed the decision of the Tax Court on remand. On January 27, 2010, CNA also filed an appeal challenging the prior decision that the CNA claim as to 1998 is beyond the applicable statute of limitations. The timing of a decision on this round of appeals is not known.

A final determination of the Fresh Water Claims 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 satisfy a judgment for the entire amount claimed.

Possible Post-2002 Claims. If the CNA Fresh Water Claims were sustained for the period now at issue, it is possible that the CNA would seek to claim similar higher duties, fees and other charges for fresh water extraction and usage from 2005 on into the future (2003 and 2004 are believed to be beyond the statute of limitations), or the Post-2002 Fresh Water Claims. Management estimates that amounts involved would be approximately \$5.8 million of additional basic charges to date at current exchange rates, \$5.9 million relating to interest, inflation, and penalties, and, under current operating conditions, approximately \$0.5 million of additional basic charges per year at current exchange rates. Although not included in our court judgments in the New York Litigation against Rhodia, we believe Rhodia is required to indemnify us fully for post-closing "losses" caused by breaches of covenants set forth in the agreement, which could represent the remainder of the Post-2002 Fresh Water Claims exposure. Rhodia has contested indemnification responsibility for those breaches, but its motion for partial summary judgment to dismiss our claims was denied by the New York trial court in January 2009. It is possible that the New York Litigation will proceed to trial or involve further motions to resolve remaining 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, management has determined that liability is reasonably possible, but is neither probable nor reasonably estimable. Accordingly, we did not establish a liability on the balance sheet as of December 31, 2009. As additional information is gained, management will reassess the potential liability and establish 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 amounts due from Rhodia under our indemnification rights, even though they have been confirmed by court judgments.

Mexican Water Discharge Duties

On August 18, 2009, Fosfatados was served with four resolutions from the CNA seeking water discharge duties, fees and other charges relating to the Company's Coatzacoalcos, Veracruz, Mexico plant for the period 2002-2005 and amounting to a total of \$2.5 million at current exchange rates. The resolutions affirmed that the plant has complied with the relevant parameters in its discharge permits, or CPDs, but asserted that Fosfatados did not meet a different set of discharge standards in general duties tables that limit the discharge of various contaminants and set fees payable for exceeding those limits.

On October 21, 2009, Fosfatados filed an annulment proceeding in the Mexican fiscal court system seeking to void the resolutions. On January 21, 2010, the Tax Court issued resolutions annulling the CNA resolutions. As the time for appeal has elapsed and CNA did not file an appeal, management regards this matter as resolved favorably.

Other Legal Matters

In June 2005, our subsidiary, 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 former fertilizer manufacturing site located north of Innophos' 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 2004) were responsible for some phosphorus compound contamination at a rail yard between the Innophos 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, and we will seek all appropriate indemnification.

In March 2008, Sudamfos S.A., or Sudamfos, an Argentine phosphate producer, filed a request for arbitration before the ICC International Court of Arbitration, Paris, France, or ICC, of a commercial dispute with Mexicana. Sudamfos claimed Mexicana agreed to sell Sudamfos certain quantities of phosphoric acid for delivery in 2007 and 2008, and sought an order requiring Mexicana to sell approximately 12,500 metric tons during 2008 in accordance with the claimed agreement. Subsequently, Sudamfos withdrew the request for arbitration. In October 2008, Mexicana filed a lawsuit in Mexico against Sudamfos to collect approximately \$1.2 million representing the contract price for prior deliveries of acid that Sudamfos had refused to pay. In October 2009, Sudamfos answered the suit and counterclaimed for \$3.0 million based upon the agreement alleged in the arbitration request to sell additional acid, which agreement Mexicana denies. Management has determined that the outstanding receivable is fully collectible, and that the contingent liability from the Sudamfos counterclaim is remote, and therefore no accrual is required.

In addition, we are party to legal proceedings and contractual disputes that arise in the ordinary course of our business. Except as to the matters specifically discussed, management does not believe that these matters represent probable 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.

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

17. Financial Instruments and Concentration of Credit Risks:

The carrying value of our Senior Subordinated Notes and our Senior Unsecured Notes are $190.0 million and $56.0 million, respectively. The fair values at December 31, 2009 (excluding accrued interest) are approximately $192.9 million and $56.8 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%, 40% and 39%, respectively, of net sales for 2009, 2008 and 2007. During 2008 a single customer represented 11% of our 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, 2009, 2008 and 2007, and the changes in the valuation allowances for the year ended December 31, 2009, 2008 and 2007 are as follows:

	Balance, January 1, 2009	Charged/ (credited) to costs and expenses	Deductions (Bad debts)	(Credited) to Goodwill	Balance, December 31, 2009
Deferred taxes valuation allowances	$ 4,813	$ 850	$ —	$ —	$ 5,663
Allowance for doubtful accounts	—	—	—	—	—

	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)	—	—

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

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, 2009	United States	Mexico	Canada	Eliminations	Total
Sales	$ 463,286	$165,269	$ 38,204	$ —	$ 666,759
Intersegment sales	64,427	21,240	75,153	(160,820)	—
Total sales	527,713	186,509	113,357	(160,820)	666,759
Operating income	$ 111,647	$ 614	$ 14,629	—	$ 126,890
Other data					
Capital expenditures	$ 13,208	$ 5,513	$ 888	$ —	$ 19,609
Long-lived assets	99,844	89,585	15,098	—	204,527
Total assets	878,008	260,687	297,423	—	1,436,118
Reconciliation of total assets to reported assets					
Total assets	$ 878,008	$260,687	$ 297,423	$ —	$1,436,118
Eliminations	(524,933)	(6,841)	(241,876)	—	(773,650)
Reported assets	$ 353,075	$253,846	$ 55,547	$ —	$ 662,468

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	111,349	102,912	16,161	—	230,422
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	125,914	118,423	16,226	—	260,563
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

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

	Year Ended December 31,		
Product Revenues	**2009**	**2008**	**2007**
Purified Phosphoric Acid	$121,328	$251,656	$128,882
Specialty Salts and Acids	443,112	449,878	293,389
STPP & Other Products	102,319	233,224	156,711
Total	$666,759	$934,758	$578,982

	Year Ended December 31,		
Geographic Revenues	**2009**	**2008**	**2007**
US	$385,037	$451,082	$303,941
Mexico	144,168	250,034	131,811
Canada	38,258	39,669	31,109
Other foreign countries	99,296	193,973	112,121
Total	$666,759	$934,758	$578,982

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.

The United States had depreciation and amortization of $28.5 million, $30.3 million, and $28.4 million in 2009, 2008, and 2007, respectively. Canada had depreciation and amortization of $2.0 million, $2.2 million, and $1.5 million in 2009, 2008 and 2007, respectively. Mexico had depreciation and amortization of $20.7 million, $20.0 million, and $17.5 million in 2009, 2008, and 2007, respectively.

20. Quarterly information (unaudited):

	2009				
	Quarters ended				
	March 31	**June 30**	**September 30**	**December 31,**	**Total**
Net sales	$190,817	$166,766	$ 161,934	$ 147,242	$666,759
Gross profit	69,793	49,395	47,730	29,061 (b)	195,979
Net income	30,244	17,609 (a)	15,133	158 (b)	63,144
Per share data:					
Income per share:					
Basic	$ 1.43	$ 0.83 (a)	$ 0.71	$ 0.01 (b)	
Diluted	$ 1.39	$ 0.81 (a)	$ 0.69	$ 0.01 (b)	

	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 (c)	364,582
Net income	9,256	59,287	79,652	58,988 (d)	207,183
Per share data:					
Income per share:					
Basic	$ 0.44	$ 2.84	$ 3.79	$ 2.80 (d)	
Diluted	$ 0.43	$ 2.74	$ 3.62	$ 2.71 (d)	

(a) Includes a $3.5 million, $2.3 million after tax, gain on the retirement of $10.0 million of the 9.5% Senior Unsecured Notes due April 2012.

(b) Includes an approximate $7.0 million, $5.0 million after tax, charge for the settlement of the OCP arbitration matter.

(c) 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.

(d) 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 $2.5 million after tax out of period benefit related to deferred Mexican employee statutory profit sharing and deferred income taxes.

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(e) and 15d-15(e) 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'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, 2009, 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, management concluded that, as of December 31, 2009, the Company's internal control over financial reporting is effective at the reasonable assurance level.

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 Company's internal control over financial reporting as of December 31, 2009 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 2009 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 2010 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, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 213	$ 674
Accounts receivable due from affiliates	6,916	5,994
Inventories	—	—
Other current assets	1,558	1,558
Total current assets	8,687	8,226
Property, plant and equipment, net	—	—
Goodwill	—	—
Investment in subsidiaries	347,242	304,462
Intangibles and other assets, net	706	1,195
Total assets	$356,635	$313,883
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ —	$ —
Accounts payable	—	17
Other current liabilities	4,735	4,892
Total current liabilites	4,735	4,909
Long-term debt	56,000	66,000
Other long-term liabilities	522	214
Total liabilities	61,257	71,123
Commitments and contingencies		
Stockholders' equity	295,378	242,760
Total stockholders' equity	295,378	242,760
Total liabilities and stockholder's equity	$356,635	$313,883

INNOPHOS HOLDINGS, INC.

Condensed Statements of Operations
(Dollars in thousands)

	Year Ended December 31,		
	2009	2008	2007
Net sales	$ —	$ —	$ —
Cost of goods sold	—	—	—
Gross profit	—	—	—
Operating expenses:			
Selling, general and administrative	6	232	284
Research & development expenses	—	—	—
Total operating expenses	6	232	284
Operating loss	(6)	(232)	(284)
Interest expense, net	2,574	6,624	4,471
Foreign exchange (gains)/losses	—	—	—
Other expense (income), net	—	—	—
Equity (income) loss	(63,596)	(210,081)	732
Income (loss) before income taxes	61,016	203,225	(5,487)
Provision for income taxes	(2,128)	(3,958)	—
Net income (loss)	$ 63,144	$ 207,183	$(5,487)

INNOPHOS HOLDINGS, INC.

Condensed Statements of Cash Flows
(Dollars in thousands)

	Year Ended December 31,		
	2009	2008	2007
Cash flows from operating activities			
Net income (loss)	$ 63,144	$ 207,183	$ (5,487)
Adjustments to reconcile net income (loss) to net cash used for operating activities:			
Amortization of deferred financing charges	489	363	257
Gain on retirement of bonds	(3,500)	—	—
Equity (income) loss	(63,596)	(210,081)	732
Changes in assets and liabilities:			
Increase in accounts receivable	(922)	(5,994)	—
(Decrease)/increase in accounts payable	(17)	17	(17)
(Decrease)/increase in other current assets and liabilities	(199)	(1,558)	1,306
Changes in other long-term assets and liabilities	308	214	(107)
Net cash used for operating activities	(4,293)	(9,856)	(3,316)
Cash flows provided from (used for) investing activities:			
Investment in subsidiaries	24,143	24,169	(51,002)
Net cash provided from (used for) investing activities	24,143	24,169	(51,002)
Cash flows (used for) provided from financing activities:			
Capital contribution	635	542	950
Proceeds from issuance of senior unsecured notes	—	—	66,000
Principal repayment of senior unsecured notes	(6,500)	—	—
Deferred financing costs	—	—	(1,815)
Dividends paid	(14,446)	(14,241)	(12,899)
Net cash (used for) provided from financing activities	(20,311)	(13,699)	52,236
Net change in cash	(461)	614	(2,082)
Cash and cash equivalents at beginning of period	674	60	2,142
Cash and cash equivalents at end of period	$ 213	$ 674	$ 60

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.

Debt

On April 16, 2007, Innophos Holdings, Inc. 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 of Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data".

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 2009 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 of Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data".

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 8th day of March, 2010.

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 8, 2010
/S/ NEIL I. SALMON **Neil I. Salmon**	Vice President and Chief Financial Officer (Principal Financial Officer)	March 8, 2010
/S/ CHARLES BRODHEIM **Charles Brodheim**	Corporate Controller (Principal Accounting Officer)	March 8, 2010
/S/ GARY CAPPELINE **Gary Cappeline**	Director	March 8, 2010
/S/ AMADO CAVAZOS **Amado Cavazos**	Director	March 8, 2010
/S/ LINDA MYRICK **Linda Myrick**	Director	March 8, 2010
/S/ KAREN OSAR **Karen Osar**	Director	March 8, 2010
/S/ JOHN STEITZ **John Steitz**	Director	March 8, 2010
/S/ STEPHEN ZIDE **Stephen Zide**	Director	March 8, 2010

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	Loan and Security Agreement dated May 22, 2009 by and among Innophos, Inc. and Innophos Canada, Inc., as Borrowers, and Wachovia Bank, National Association, TD Bank, N.A. and Israel Discount Bank, Wachovia Bank, National Association, as Administrative and Collateral Agent for Lenders, and Wachovia Capital Markets LLC, as Syndication Agent, Lead Arranger and Lead Bookrunner, incorporated by reference to Exhibit 99.1 of Form 8-K of Innophos Holdings, Inc. filed May 27, 2009.
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
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 February 15, 2008 , by and between Pemex Petroquimica, and Innophos Fosfatados De Mexico, S. de R.L. de C.V. incorporated by reference to Exhibit 10.8 of Annual Report on Form 10-K/A of Innophos Holdings, Inc. for the year ended December 31, 2008
10.9	Sulfur Supply Contract dated as of August 1, 2007 by and Between Pemex Gas Y Petroquimica Basica and Innophos Fosfatados de Mexico, S. de R.L. de C.V. incorporated by reference to Exhibit 10.8 of Annual Report on Form 10-K/A of Innophos Holdings, Inc. for the year ended December 31, 2008
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
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, incorporated by reference to Exhibit 10.20 of Annual Report on Form 10-K/A of Innophos Holdings, Inc. for the year ended December 31, 2008
10.21	Form of 2009 Long-Term Incentive Plan (2009 LTIP) incorporated by reference to Exhibit 99.1 of Form 8-K of Innophos Holdings, Inc. filed June 4, 2009
10.22	Form of Award Agreement under the 2009 Long Term Incentive Plan incorporated by reference to Exhibit 4.5 of Form S-8 of Innophos Holdings, Inc. filed June 15, 2009
10.23	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.

10.24	Addendum No. 13 dated February 4, 2010 to Agreement dated as of September 10, 1992 by and between OCP, S.A. and Innophos Mexicana, S.A. de C.V. incorporated by reference to Exhibit 99.1 of Form 8-K of Innophos Holdings, Inc. filed February 4, 2010 (Filed in redacted form pending request for confidential treatment submitted to the Securities and Exchange Commission under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.)
12.1	Statement re: Calculation of Ratio of Earnings to Fixed Charges, filed herewith
21.1	Subsidiaries of Registrant, incorporated by reference to Exhibit 21.1 of Annual Report on Form 10-K/A of Innophos Holdings, Inc. for the year ended December 31, 2008
23.1	Consent of PricewaterhouseCoopers LLP filed herewith
31.1	Certification of Principal Executive Officer dated March 8, 2010 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith
31.2	Certification of Principal Financial Officer dated March 8, 2010 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith
32.1	Certification of Principal Executive Officer dated March 8, 2010 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith
32.2	Certification of Principal Financial Officer dated March 8, 2010 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 12.1

Calculation of Ratio of Earnings to Fixed Charges

(dollars in thousands)	December 31, 2009	2008	2007	2006	2005
Earnings					
Income (loss) before provision for income taxes	$104,346	$262,385	$ 6,409	$(26,904)	$ (4,969)
Plus: fixed charges (1)	29,067	37,303	44,345	62,531	49,766
	$133,413	$299,688	$ 50,754	$ 35,627	$44,797
Fixed Charges:					
Gross interest expense	27,354	35,565	42,866	61,019	47,991
Estimate of the interest within operating leases	1,713	1,738	1,479	1,512	1,775
	$ 29,067	$ 37,303	$ 44,345	$ 62,531	$49,766
Ratio of earnings to fixed charges	4.6x	8.0x	1.1x	*	*

(1) 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.

* Due to the losses for 2006 and 2005 the coverage ratio was less than 1:1. Innophos must generate additional earnings of $26,904 for 2006 and $4,969 for 2005, respectively, to achieve a ratio of 1:1 for those periods.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-139623) of Innophos Holdings, Inc. of our report dated March 8, 2010 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Florham Park, NJ
March 8, 2010

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 8, 2010

By: /S/ RANDOLPH GRESS

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

Exhibit 31.2

I, Neil I. Salmon, 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 8, 2010

By: /S/ NEIL I. SALMON

Neil I. Salmon
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, 2009 (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 8, 2010

/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, Neil I. Salmon, certify that:

1. the accompanying Annual Report on Form 10-K for the year ended December 31, 2009 (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 8, 2010

/S/ NEIL I. SALMON

Neil I. Salmon
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.

Innophos Officers & Directors

Innophos Executive Officers

Randolph Gress
Chief Executive Officer & President

Charles Brodheim
Corporate Controller

Louis Calvarin
Vice President, Operations

William Farran
Vice President, General Counsel & Corporate Secretary

Mark Feuerbach
Vice President, Treasury, Financial Planning & Analysis

Joseph Golowski
Vice President, Specialty Phosphates Business

Wilma Harris
Vice President, Human Resources

Russell Kemp
Vice President, Research & Development and Chief Risk Officer

Michael Lovrich
Vice President, Supply Chain

Neil Salmon
Vice President & Chief Financial Officer

Abraham Shabot
Vice President, General Director, Innophos Latin America

Mark Thurston
Vice President, Corporate Strategy & Worldwide Business Development

Board of Directors

Randolph Gress
Chairman of the Board & Director

Gary Cappeline
Lead Independent Director; Chair, Compensation Committee

Amado Cavazos
Director

Linda Myrick
Director; Chair, Nominating & Corporate Governance Committee

Karen Osar
Director; Chair, Audit Committee

John Steitz
Director

Stephen Zide
Director

Corporate Information

Transfer Agent and Registrar

Wells Fargo

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

Corporate Locations

USA (Corporate Headquarters)
Innophos Holdings, Inc.
259 Prospect Plains Road
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 Mexico, D.F.
+ (52) 55 5322 48 08

Innophos Manufacturing Facilities

Port Maitland, Ontario, Canada
Chicago Heights, Illinois
Chicago (Waterway), Illinois
Nashville, Tennessee
Geismar, Louisiana
Mission Hills, Guanajuato, Mexico
Coatzacoalcos, Veracruz, Mexico

Investor Relations Contacts

investor.relations@innophos.com
609-366-1299
or
Breakstone Group
646-452-2335
mgedid@breakstone-group.com

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