

Phosphate Holdings, Inc.

100 Webster Circle, Suite 4
Madison, MS 39110
Phone: 601-898-9004
Fax: 601-898-9915

For Immediate Release

News Release

Contact: Donna Ritchey
601-360-9436

Phosphate Holdings, Inc., Reports Record Second Quarter 2008 Financial Results and Restatement of Prior Annual Financial Statements

Madison, Miss. (August 25, 2008) Phosphate Holdings, Inc. (OTC: PHOS) today reported record second quarter 2008 earnings of \$35.0 million, or \$4.32 per fully-diluted share of common stock, an increase of 349 percent over the earnings of \$7.8 million, or \$1.02 per fully-diluted share of common stock, the Company reported for the same period last year. Earnings for the six months ended June 30, 2008, were \$42.0 million or \$5.19 per fully-diluted share of common stock as compared to \$33.7 million, or \$4.40 per fully-diluted share of common stock for the same period last year.

Net sales for the second quarter of 2008 were \$171.5 million, a 192 percent increase over net sales of \$58.8 million for the second quarter of 2007. In the current period, the average sales price per short ton of DAP was \$1,049, a 183 percent increase over the prior year period average sales price of \$371. Operating income for the second quarter of 2008 was \$55.0 million, a 351 percent increase over operating income of \$12.2 million for the prior year period. Earnings before interest, taxes, depreciation and amortization and other non-cash charges (EBITDA) for the second quarter of 2008 were \$57.9 million, a 314 percent increase from EBITDA of \$14.0 million for the second quarter of 2007.

Net sales for the six months ended June 30, 2008, were \$238.7 million, a 117 percent increase over net sales of \$109.9 million in the six months ended June 30, 2007. The average DAP sales price per short ton for the six months ended June 30, 2008, was \$871, a 177 percent increase over the average DAP sales price of \$315 for the same prior-year period. Operating income for the first half of 2008 was \$66.2 million, a 306 percent increase over operating income of \$16.3 million for the first half of 2007. EBITDA for the six months ended June 30, 2008, was \$71.9 million, a 25 percent increase over EBITDA of \$57.6 million for the same period in 2007. Net income and EBITDA for 2007 included hurricane-related insurance recoveries of \$37.8 million.

The Company's second-quarter 2008 net income and EBITDA of \$35.0 million and \$57.9 million, respectively, increased by 400 percent and 314 percent, respectively, over first quarter 2008 net income and EBITDA levels of \$7.0 million and \$14.0 million, respectively. This improvement is primarily attributable to increased DAP tons sold (162,427 tons in the second quarter versus 103,917 tons in the first quarter, when we experienced significant plant downtime) and improved DAP prices (\$1,049 per short ton in the second quarter versus \$593 per short ton in the first quarter).

Robert E. Jones, Chief Executive Officer, said, "We are delighted to report record results for our second quarter of 2008. As we move into our third quarter, DAP prices remain near historical highs, however, DAP prices have not yet responded to the sharp increases in the cost of phosphate rock, sulfur and ammonia that we saw at the outset of the quarter. We are optimistic that with the onset of increased seasonal demand, DAP prices will improve and absorb a portion of our higher input costs. For the near term, our carryover inventories of raw materials and finished products will temper the amplitude of margin erosion. In summary, we expect to post solid results for the second half of 2008."

All comparisons herein are to restated prior period results.

RESTATED OPERATING RESULTS

In connection with ongoing evaluations of alternatives to improve shareholder liquidity and value, we have engaged an international accounting firm, KPMG LLP, as our new independent auditors to re-audit our 2007 and 2006 historical financial statements. As part of this process, we performed a comprehensive review to reassess our financial reporting and accounting policies, procedures and practices. This process has resulted in a need to restate our previously-issued annual financial statements for 2007, 2006 and 2005. The restatements, in the aggregate, reduce the Company's previously reported stockholders' equity, as of December 31, 2007, by \$8.7 million. For the three-year period ended December 31, 2007, the restatements reduced reported net income by \$21.3 million in the aggregate and reduced aggregate EBITDA by \$2.1 million or 2.1 percent. The reduction in EBITDA was much smaller than the reduction in net income primarily because the Company's net income has been reduced to reflect the income tax benefits from the reversal of pre-bankruptcy deferred tax asset valuation allowances, which were previously treated as a reduction in income tax expense, are now treated as a direct addition to stockholders' equity.

The nature of the principal restatement adjustments are as follows:

- We reassessed the reorganization value of the Company at December 21, 2004, its emergence date from bankruptcy. The reassessment resulted in assigning a revised reorganization value for the Company of \$10.6 million rather than the previously reported reorganization value of \$21.5 million. This reduction of beginning value had the effect of lowering the Company's carrying value in its property, plant and equipment and results in lower depreciation charges for periods subsequent to emergence. The decrease of \$8.7 million in shareholders' equity from previously reported levels at December 31, 2007, is largely attributable to this change in reorganization value.
- We previously recorded a portion of the gain on the insurance recoveries from Hurricane Katrina in 2007 and 2006 and recorded losses related to the hurricane in 2005. Subsequently, we determined that the aggregate net gain of approximately \$37.8 million should have been recognized in 2007, when we consummated the final settlement with our insurance carriers.
- Upon additional analysis of the costs incurred to restore our facilities from the Hurricane Katrina damage, we determined that approximately \$4.6 million of those costs, which were previously capitalized, should have been expensed. A \$2.9 million decrease in aggregate pre-tax income over the three-year period is attributable to this adjustment, partially offset by lower depreciation expense. This adjustment is also the primary contributor to lower aggregate EBITDA.
- In 2007 and 2006 we recognized, for financial reporting purposes, the benefits associated with the Company's deferred tax assets, which existed upon emergence from bankruptcy, as a reduction in income tax expense. The benefit from the recognition of those deferred tax assets (approximately \$18.9 million) is now reflected as a direct addition to stockholders' equity, and not as a reduction in income tax expense. This \$18.9 million adjustment is the primary component of the total \$21.3 million decrease in aggregate net income over the three-year period. This adjustment has no bearing on our actual cash payments for income taxes.
- Finally, we had previously reported our 2005 operating results from the date we emerged from bankruptcy (December 21, 2004) through December 31, 2005 (a 376-day period). In preparing the restated financial statement, we have presented the 2005 financial statement on a calendar year basis.

In commenting on the restatement of historical financial statements, Jones said, "The restatements primarily reflect adjustments to prior applications of accounting principles and are generally "non-cash" in nature. While there are significant timing differences in income recognition and a reduction in aggregate net income over the three-year period, the adjustment to our primary metric, aggregate EBITDA, is not significant.

For a copy of the full-restated financial statements, together with the predecessor auditors' opinion, please see our website at www.missphosphates.com. Please also see the attached tables showing our condensed restated statements of operations and balance sheets.

The Company will host a conference call on Tuesday, August 26, 2008, at 9:00 A.M. CDT, to discuss the Company's operating results for the second quarter ended June 30, 2008. Call in numbers are:

Toll free: 877-440-5796
Toll: 719-325-4900

The Company is a Delaware corporation and the sole stockholder of Mississippi Phosphates Corporation. Mississippi Phosphates Corporation is a Delaware corporation with its executive headquarters in Madison, Miss. Mississippi Phosphates Corporation owns and operates manufacturing facilities in Pascagoula, Miss., which produce diammonium phosphate, the most common form of phosphate fertilizer used as a source of phosphate on all major row crops.

Forward-looking Statements

This letter contains "forward-looking statements" within the meaning of the federal securities law, which are intended to qualify for the safe harbor from liability provided thereunder. All statements which are not historical statements of fact are "forward-looking statements" for purposes of these provisions and are subject to numerous risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Future events, risks and uncertainties that could cause a material difference in such results include, but are not limited to, (i) changes in matters which affect the global supply and demand of phosphate fertilizer products, phosphate rock, ammonia, sulfur and sulfuric acid, (ii) a variety of conditions in the agricultural industry such as grain prices, planted acreage, projected grain stocks, U.S. government policies, weather, and changes in agricultural production methods, (iii) changes in the availability and cost of phosphate rock and our other primary raw materials, (iv) changes in capital markets, (v) possible unscheduled plant outages and other operating difficulties, (vi) price competition and capacity expansions and reductions from both domestic and international competitors, (vii) foreign government agricultural policies (in particular, the policies of the governments of India and China), (viii) the relative unpredictability of international and local economic conditions, (ix) the relative value of the U.S. dollar, (x) regulations regarding the environment and the sale and transportation of fertilizer products, and (xi) impact of future storms. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

(TABLES FOLLOW)

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY

2008 Condensed Consolidated Balance Sheets

(In thousands, except share data)

	June 30, 2008	December 31, 2007
	(Unaudited)	(Restated)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 31,287	\$ 43,576
Accounts receivable	41,169	11,723
Inventories	64,083	18,103
Prepaid expenses and other	8,212	4,957
Deferred income taxes	-	1,059
Total current assets	<u>144,751</u>	<u>79,418</u>
Restricted investments held in trust, at fair value	3,488	3,348
Property, plant and equipment, net	47,286	41,417
Other	159	120
Total assets	<u>\$ 195,684</u>	<u>\$ 124,303</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 48,537	\$ 20,939
Income taxes payable	10,627	-
Short-term financing obligations	3,194	2,185
Deferred income taxes	146	-
Total current liabilities	<u>62,504</u>	<u>23,124</u>
Asset retirement obligations	5,333	5,086
Deferred income taxes	12,107	10,863
Total liabilities	<u>79,944</u>	<u>39,073</u>
Stockholders' equity		
Common stock (\$0.01 par; 11,000,000 shares authorized, 7,654,290 issued and outstanding)	77	77
Additional paid-in capital	33,880	33,880
Retained earnings	81,783	51,273
Total stockholders' equity	<u>115,740</u>	<u>85,230</u>
Total liabilities and stockholders' equity	<u>\$ 195,684</u>	<u>\$ 124,303</u>

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY

2008 Condensed Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended June 30,	
	2008 (Unaudited)	2007 (Restated)
Net sales		
DAP	\$ 170,412	\$ 58,453
Other	1,079	388
Total net sales	171,491	58,841
Cost of sales	111,739	42,190
Gross profit	59,752	16,651
Selling, general and administrative expenses	4,750	4,421
Operating income	55,002	12,230
Other income (expense)		
Interest, net	32	210
Other, net	449	129
Total other income (expense)	481	339
Income before income taxes	55,483	12,569
Income tax expense	20,478	4,800
Net income	\$ 35,005	\$ 7,769
Earnings per share - basic	\$ 4.57	\$ 1.02
Earnings per share - diluted	\$ 4.32	\$ 1.02
Weighted average common shares outstanding - basic	7,654	7,654
Weighted average common shares outstanding - diluted	8,094	7,654

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY
2008 Condensed Consolidated Statements of Operations
(In thousands, except per share data)

	Six Months Ended June 30,	
	2008	2007
	(Unaudited)	(Restated)
Net sales		
DAP	\$ 232,001	\$ 109,208
Other	6,738	689
Total net sales	238,739	109,897
Cost of sales	164,461	88,141
Gross profit	74,278	21,756
Selling, general and administrative expenses	6,529	5,436
Impairment of assets	1,572	-
Operating income	66,177	16,320
Other income (expense)		
Interest, net	293	67
Hurricane related gain	-	37,830
Other, net	(72)	232
Total other income (expense)	221	38,129
Income before income taxes	66,398	54,449
Income tax expense	24,407	20,793
Net income	\$ 41,991	\$ 33,656
Earnings per share - basic	\$ 5.49	\$ 4.40
Earnings per share - diluted	\$ 5.19	\$ 4.40
Weighted average common shares outstanding - basic	7,654	7,654
Weighted average common shares outstanding - diluted	8,092	7,654

The following summarizes the previously reported and restated balance sheets and operating results of the Company for 2007, 2006, and 2005, including reclassification adjustments to conform to the current period presentation.

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY
 2007 Condensed Consolidated Statement of Operations
 (In thousands, except per share data)

	Year ended December 31, 2007	
	As Restated	As Reported
Net sales		
DAP	\$ 219,569	\$ 215,852
Other	2,805	-
Total net sales	222,374	215,852
Cost of sales	169,952	167,525
Gross profit	52,422	48,327
Selling, general and administrative expenses	12,301	10,896
Operating income	40,121	37,431
Other income (expense):		
Hurricane related gain	37,830	14,346
Other, net	477	1,947
Income before income taxes	78,428	53,724
Income tax expense	29,539	13,559
Net income	\$ 48,889	\$ 40,165
Earnings per share - basic	\$ 6.39	\$ 5.25
Earnings per share - diluted	\$ 6.04	\$ 4.81

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY
 2007 Condensed Consolidated Balance Sheet
 (In thousands)

	As Restated	As Reported
Total current assets	\$ 79,418	\$ 80,325
Total assets	124,303	133,397
Total current liabilities	23,124	23,837
Total liabilities	39,073	39,439
Total stockholders' equity	85,230	93,958
Total liabilities and stockholders' equity	124,303	133,397

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY
2006 Condensed Consolidated Statement of Operations
(In thousands, except per share data)

	Year ended December 31, 2006	
	As Restated	As Reported
Net sales		
DAP	\$ 130,579	\$ 129,728
Other	985	-
Total net sales	131,564	129,728
Cost of sales	128,684	128,797
Gross profit	2,880	931
Selling, general and administrative expenses	4,472	2,904
Operating (loss)	(1,592)	(1,973)
Other income (expense):		
Hurricane related gain	-	34,562
Other, net	(202)	502
Income (loss) before income taxes	(1,794)	33,091
Income tax expense	-	-
Net income (loss)	\$ (1,794)	\$ 33,091
Earnings (loss) per share - basic	\$ (.24)	\$ 4.32
Earnings (loss) per share - diluted	\$ (.24)	\$ 4.32

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY
2006 Condensed Consolidated Balance Sheet
(In thousands)

	As Restated	As Reported
Total current assets	\$ 24,463	\$ 26,674
Total assets	63,478	74,090
Total current liabilities	12,922	11,901
Total liabilities	45,908	22,395
Total stockholders' equity	17,570	51,695
Total liabilities and stockholders' equity	63,478	74,090

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY
2005 Condensed Consolidated Statement of Operations
(In thousands, except per share data)

	Dec. 31, 2005 As Restated⁽¹⁾	Period ended Dec. 21, 2004 through Dec. 31, 2005 As Reported
Net sales		
DAP	\$ 100,151	\$ 110,638
Other	513	-
Total net sales	100,664	110,638
Cost of sales	90,117	102,048
Gross profit	10,547	8,590
Selling, general and administrative expenses	2,879	2,201
Operating income	7,668	6,389
Other income (expense):		
Hurricane related loss	-	(6,453)
Other, net	(319)	136
Income before income taxes	7,349	72
Income tax expense	2,465	-
Net income	\$ 4,884	\$ 72
Earnings per share - basic	\$.68	\$.01
Earnings per share - diluted	\$.66	\$.01

(1) Amounts restated are on a calendar year basis.

PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY
2005 Condensed Consolidated Balance Sheet
(In thousands)

	As Restated	As Reported
Total current assets	\$ 24,585	\$ 16,949
Total assets	40,688	41,164
Total current liabilities	17,994	18,237
Total liabilities	22,203	23,365
Total stockholders' equity	18,485	17,799
Total liabilities and stockholders' equity	40,688	41,164

The following illustrates the restated and previously reported EBITDA by year (in thousands).

	As Restated	As Reported
2007	\$ 85,899	\$ 61,596
2006	3,005	38,054
2005	8,945	347
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