
Phosphate Holdings, Inc.

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For Immediate Release

News Release

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Phosphate Holdings, Inc., Reports First Quarter 2009 Financial Results

MADISON, Miss. (May 19, 2009) Phosphate Holdings, Inc. (OTC: PHOS), today reported first quarter 2009 losses of \$11.6 million, or \$1.51 per fully diluted share of common stock, compared to earnings of \$7.0 million, or \$0.86 per fully diluted share of common stock for the same period in 2008. The Company's first quarter 2009 results were materially impacted by inventory write-downs of \$9.3 million and recording unrealized losses on firm raw material purchase commitments of \$6.0 million.

Net sales for the first quarter of 2009 were \$54.3 million, a 19 percent decrease from net sales of \$67.0 million for the first quarter of 2008. The Company incurred an operating loss of \$18.3 million for the first quarter of 2009, compared to operating income of \$10.9 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization and other non-cash charges (EBITDA) for the first quarter of 2009 were negative \$15.9 million, compared to positive EBITDA of \$14.0 million for the first quarter of 2008. Of the \$15.9 million negative EBITDA for the first quarter of 2009, \$15.3 million was attributable to the write-down of inventory values and the recognition of unrealized losses on firm raw material purchase commitments.

Robert E. Jones, Chief Executive Officer, said, "The first quarter of 2009 was another difficult period for the Company. Uncertainties regarding the overall economy, the availability of credit, the direction of grain prices, spring weather conditions and the high-cost fertilizer inventory in the supply chain all impacted both the movement and price of DAP. While we saw some product demand reappear mid-quarter, it was substantially limited to the export market, particularly, India. During the first quarter of 2009, approximately 83 percent of our DAP sales were into the international market.

During the quarter, we operated our facilities at approximately 50 percent of capacity, with our principal goal of converting existing phosphate rock inventories into DAP in order to meet liquidity needs. We utilized borrowings under our credit facilities, income tax refunds and proceeds from a major sales transaction to sustain our operations. As of the date of this release, we have approximately \$1.0 million in cash and no borrowings under our credit facility.

During the first quarter of 2009, the Company benefited from lower sulfur costs. However, these reduced costs were offset by rising ammonia cost. Sulfur costs settled (C&F Tampa) at zero in the first quarter of 2009, while ammonia prices increased from \$125 per metric ton to \$318 per metric

ton. Since the end of the first quarter, DAP prices continue to decline from a level of approximately \$375 per metric ton to \$312 per metric ton (FOB U.S. Gulf).”

In commenting on the 2009 industry outlook, Jones added, “DAP prices and demand remain depressed and the U.S. spring season simply did not develop, and it appears that phosphate fertilizer applications will be down approximately 25 percent in the 2008/2009 fertilizer year, compared to prior-year applications. Such a cutback in application rates will likely deplete soil nutrient levels requiring above-normal application rates in the 2009/2010 fertilizer year. We are continually evaluating opportunities to improve our liquidity position to ensure that we position ourselves for the inevitable rebound in phosphate demand and pricing. While near-term challenges persist, the long-term fundamentals for global phosphate demand remain positive.

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
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	March 31, 2009	December 31, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,318	\$ 2,153
Accounts receivable	2,152	9,263
Income taxes receivable	6,914	21,414
Inventories	18,716	47,645
Prepaid expenses and other	2,983	5,079
Total current assets	37,083	85,554
Restricted investments held in trust, at fair value	3,009	2,990
Property, plant and equipment, net	50,974	50,593
Other	116	130
Total assets	\$ 91,182	\$ 139,267
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22,139	\$ 14,418
Current maturities of long-term debt	600	600
Short-term financing obligations	1,181	2,181
Deferred income taxes	87	573
Deposits on future sales	-	24,600
Revolving credit agreement	-	11,494
Total current liabilities	24,007	53,866
Long-term debt, less current maturities	2,250	2,400
Asset retirement obligations	4,958	4,841
Deferred income taxes	1,308	7,940
Total liabilities	32,523	69,047
Stockholders' equity:		
Common stock (\$0.01 par; 30,000,000 shares authorized 7,654,290 issued and outstanding)	77	77
Additional paid-in capital	33,880	33,880
Retained earnings	24,702	36,263
Total stockholders' equity	58,659	70,220
Total liabilities and stockholders' equity	\$ 91,182	\$ 139,267

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

	Three Months Ended March 31,	
	2009	2008
	(Unaudited)	
Net sales:		
DAP	\$ 52,900	\$ 61,589
Other	1,353	5,374
Total net sales	54,253	66,963
Cost of sales	65,985	52,722
Unrealized loss on firm purchase commitment	6,042	-
Gross profit (loss)	(17,774)	14,241
Selling, general and administrative expenses	2,042	1,779
Insurance recovery	(1,500)	-
Impairment of assets	-	1,572
Operating income (loss)	(18,316)	10,890
Other income (expense):		
Interest, net	(112)	261
Other, net	(181)	(236)
Total other income (expense)	(293)	25
Income (loss) before income taxes	(18,609)	10,915
Income tax expense (benefit)	(7,048)	3,929
Net income (loss)	\$ (11,561)	\$ 6,986
Earnings (loss) per share - basic	\$ (1.51)	\$ 0.91
Earnings (loss) per share - diluted	\$ (1.51)	\$ 0.86
Weighted average common shares outstanding - basic	7,654	7,654
Weighted average common shares outstanding - diluted	7,654	8,089

Reconciliation of Net Income to EBITDA:

We define EBITDA as net income before interest; income taxes; depreciation, amortization and accretion; and asset impairment charges. EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- our operating performance and return on capital as compared to other companies in the fertilizer business, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

We use EBITDA as a primary operating performance measure and an important indicator of our ability to provide cash flows to meet future debt service, if any, capital expenditures and working capital requirements and to fund future growth.

The U.S. Generally Accepted Accounting Principles, or GAAP, measure most directly comparable to EBITDA is net income. Our non-GAAP financial measure of EBITDA should not be considered as an alternative to GAAP net income. You should not consider EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because EBITDA excludes some, but not all, items that affect income from continuing operations and is defined differently by different companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies.

We compensate for the limitations of EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating this information into our decision-making processes.

The following table shows the reconciliation of net income to EBITDA for the periods indicated:

	Three Months Ended March 31,	
	2009	2008
Net income (loss)	\$ (11,561)	\$ 6,986
Interest, net	112	(261)
Income tax expense (benefit)	(7,048)	3,929
Depreciation, amortization and accretion	2,630	1,747
Asset impairment charge ^(a)	-	1,572
EBITDA	\$ <u>(15,867)</u>	\$ <u>13,973</u>

^(a) During the first quarter of 2008, we recorded an asset impairment charge of \$1,572 related to the failure of certain internal components of the waste heat boiler in our No. 2 sulfuric acid plant.

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