

# Phosphate Holdings, Inc.

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**For Immediate Release**

**News Release**

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## **Phosphate Holdings, Inc., Reports Third-Quarter 2008 Financial Results**

*MADISON, Miss. (November 14, 2008)* Phosphate Holdings, Inc. (OTC: PHOS), today reported third-quarter 2008 earnings of \$12.6 million or \$1.56 per fully diluted share of common stock, an increase of 207 percent over earnings of \$4.1 million, or \$0.50 per fully diluted share of common stock for the same period last year. Net earnings for the nine months ended September 30, 2008 were \$54.6 million or \$6.75 per fully diluted share of common stock, as compared to \$37.7 million or \$4.67 per fully diluted share of common stock for the same period last year.

Net sales for the third quarter of 2008 were \$171.6 million, a 310 percent increase over net sales of \$41.9 million for the third quarter of 2007. The average sales price per short ton of DAP during the third quarter of 2008 was \$1,045, a 167 percent increase over the prior-year period average sales price of \$392. Operating income for the third quarter of 2008 was \$20.0 million, a 203 percent increase over operating income of \$6.6 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization and other non-cash charges (EBITDA) for the third quarter of 2008 were \$22.5 million, a 159 percent increase from EBITDA of \$8.7 million for the third quarter of 2007.

Net sales for the nine months ended September 30, 2008 were \$410.0 million, a 170 percent increase over net sales of \$151.8 million for the nine months ended September 30, 2007. Operating income for the first nine months of 2008 was \$85.9 million, a 275 percent increase over operating income of \$22.9 million for the nine months ended September 30, 2007. EBITDA for the nine months ended September 30, 2008 was \$94.3 million, a 42 percent increase over EBITDA of \$66.2 million for the same period in 2007. Net income and EBITDA for the nine months ended September 30, 2007 include hurricane-related insurance recoveries of \$37.8 million.

Robert E. Jones, Chief Executive Officer, said, "The third quarter of 2008 represented another solid quarter for the Company. We maintained near-record sales prices per ton of DAP sold, but did see our margins decline significantly as a result of higher raw material input costs."

The Company's fourth quarter is off to a difficult start due to declining sales volumes in an increasingly illiquid phosphate market. Late in the third quarter, demand for phosphates began to decline. This weakness has continued into the fourth quarter to the extent that there is now very limited demand in the market. Under these conditions, phosphate prices have declined. Since September 30, 2008, posted international DAP prices have decreased from \$1,000 to \$550 per metric ton, FOB, U.S. Gulf, while domestic prices have dropped from \$900 to \$595 per short ton, FOB, NOLA.

The global financial crisis has been an important factor contributing to declining fertilizer demand. The unwillingness of banks to issue letters of credit, or confirm letters of credit, issued by other banks has severely constricted international commodity trade. Domestically, many dealers and distributors are having difficulty financing their operations. Volatile agricultural commodity prices have also impacted fertilizer and phosphate demand in domestic and international markets.

In response to the sharp fall off in phosphate demand, we believe that producers in most exporting countries are curtailing production. While prices have continued to decline, we believe that these supply-side actions should eventually impact the pace of price erosion. In response to elevated inventories, the Company is evaluating production curtailments in the fourth quarter. If these curtailments occur, the Company will take advantage of this period to carry out maintenance initiatives on its plant.

Looking ahead, phosphate market fundamentals are likely to remain weak until production curtailments, or a boost in demand, begin to stabilize the current supply/demand imbalance.

In the meantime, producers are benefiting from substantial reductions in input costs, particularly ammonia and sulfur, the price for which have dropped significantly since the end of the third quarter. The October 2008 price of ammonia per metric ton, C&F, Tampa, was \$931. That reference price has fallen to \$575 per metric ton for the first half of November 2008, and to \$350 per metric ton for the second half of November 2008. U.S. sulfur prices delivered to Tampa fell from \$617 per long ton in the third quarter to \$150 per long ton in the fourth quarter. International sulfur prices are below current U.S. levels and the near-term outlook is for further price deterioration.

Commenting on current market conditions, Robert Jones stated, "While the worsening financial crisis has had a sudden and dramatic effect on phosphate demand, we firmly believe that phosphate fertilizer demand will resurface in the near term because an adequate supply of phosphates is so essential to world agriculture. Phosphate fertilizers play a critical role in producing food for a growing world population. If the financial and credit issues constraining international phosphate trade are not resolved, an already tight food supply chain could be unduly stressed."

On November 5, 2008, Deborah Hicks Midanek resigned from the Company's Board of Directors.

As previously reported, the Company restated its 2007, 2006 and 2005 operating results to reflect adjustments to prior application of accounting principles, which were generally "non-cash" in nature. All comparisons herein to prior-period results are to restated amounts. Please also see the attached tables showing our September 30, 2007 condensed restated consolidated statements of operations and balance sheets. We have also attached our March 31, 2008 condensed restated consolidated statements of operations and balance sheets for the impacts of the restatement adjustments which carry forward into 2008.

The Company will host a conference call on Monday, November 17, 2008, at 10:00 a.m., CST, to discuss the Company's operating results for the third quarter ended September 30, 2008. Call-in numbers are:

**Q&A, Toll Free: 877-440-5807**

**Q&A, Toll: 719-325-4887**

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 safe 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 per share data)

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
	(Unaudited)	(Restated)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,104	\$ 43,576
Accounts receivable	39,805	11,723
Inventories	98,136	18,103
Prepaid expenses and other	7,715	4,957
Deferred income taxes	-	1,059
Total current assets	<u>158,760</u>	<u>79,418</u>
Restricted investments in trust fund, at fair value	3,307	3,348
Property, plant and equipment, net	49,968	41,417
Other	144	120
Total assets	<u>\$ 212,179</u>	<u>\$ 124,303</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 46,039	\$ 20,939
Income taxes payable	17,180	-
Short-term financing obligations	2,188	2,185
Deferred income taxes	27	-
Total current liabilities	<u>65,434</u>	<u>23,124</u>
Asset retirement obligations	5,461	5,086
Deferred income taxes	12,954	10,863
Total liabilities	<u>83,849</u>	<u>39,073</u>
Stockholders' equity:		
Common stock (\$0.01 par; 30,000,000 shares authorized at September 30, 2008, 11,000,000 shares authorized at December 31, 2007, 7,654,290 issued and outstanding)	77	77
Additional paid-in capital	33,880	33,880
Retained earnings	94,373	51,273
Total stockholders' equity	<u>128,330</u>	<u>85,230</u>
Total liabilities and stockholders' equity	<u>\$ 212,179</u>	<u>\$ 124,303</u>

**PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY**

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<u>2008</u>	<u>2007</u>
	(Unaudited)	(Restated)
Net sales:		
DAP	\$ 170,286	\$ 41,206
Other	1,292	683
Total net sales	<u>171,578</u>	<u>41,889</u>
Cost of sales	<u>148,002</u>	<u>33,019</u>
Gross profit	23,576	8,870
Selling, general and administrative expenses	<u>3,559</u>	<u>2,284</u>
Operating income	20,017	6,586
Other income (expense):		
Interest, net	115	55
Other, net	(260)	(59)
Total other expense	<u>(145)</u>	<u>(4)</u>
Income before income taxes	19,872	6,582
Income tax expense	<u>7,282</u>	<u>2,513</u>
Net income	<u>\$ 12,590</u>	<u>\$ 4,069</u>
Earnings per share - basic	<u>\$ 1.64</u>	<u>\$ 0.53</u>
Earnings per share - diluted	<u>\$ 1.56</u>	<u>\$ 0.50</u>
Weighted average common shares outstanding - basic	<u>7,654</u>	<u>7,654</u>
Weighted average common shares outstanding - diluted	<u>8,093</u>	<u>8,094</u>

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
	(Unaudited)	(Restated)
Net sales:		
DAP	\$ 402,288	\$ 150,414
Other	7,745	1,372
Total net sales	<u>410,033</u>	<u>151,786</u>
Cost of sales	<u>312,463</u>	<u>121,160</u>
Gross profit	97,570	30,626
Selling, general and administrative expenses	10,089	7,720
Impairment of assets	<u>1,572</u>	<u>-</u>
Operating income	85,909	22,906
Other income (expense):		
Interest, net	407	122
Hurricane related recoveries	-	37,830
Other, net	<u>(46)</u>	<u>173</u>
Total other income	361	38,125
Income before income taxes	<u>86,270</u>	<u>61,031</u>
Income tax expense	<u>31,689</u>	<u>23,306</u>
Net income	<u>\$ 54,581</u>	<u>\$ 37,725</u>
Earnings per share - basic	<u>\$ 7.13</u>	<u>\$ 4.93</u>
Earnings per share - diluted	<u>\$ 6.75</u>	<u>\$ 4.67</u>
Weighted average common shares outstanding - basic	<u>7,654</u>	<u>7,654</u>
Weighted average common shares outstanding - diluted	<u>8,092</u>	<u>8,084</u>

The following summarizes the previously reported and restated balance sheets and operating results of the Company as of September 30, 2007, and March 31, 2008, and for the nine months and three months then ended, respectively, including reclassification adjustments to conform to the current period presentation.

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

	<b>Nine Months Ended September 30, 2007</b>	
	<u>As Restated</u>	<u>As Reported</u>
Net sales:		
DAP	\$ 150,414	\$ 147,008
Other	1,372	-
Total net sales	<u>151,786</u>	<u>147,008</u>
Cost of sales	<u>121,160</u>	<u>118,848</u>
Gross profit	30,626	28,160
Selling, general and administrative expenses	<u>7,720</u>	<u>6,612</u>
Operating income	22,906	21,548
Other income (expense):		
Interest, net	122	(290)
Hurricane related gain	37,830	14,346
Other, net	<u>173</u>	<u>1,452</u>
Income before income taxes	61,031	37,056
Income tax expense	23,306	6,274
Net income	<u>\$ 37,725</u>	<u>\$ 30,782</u>
Earnings per share - basic	<u>\$ 4.93</u>	<u>\$ 4.02</u>
Earnings per share - diluted	<u>\$ 4.67</u>	<u>\$ 3.69</u>

**PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY**

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

**Three Months Ended**

**September 30, 2007**

	<u>As Restated</u>	<u>As Reported</u>
Net sales:		
DAP	\$ 41,206	\$ 40,605
Other	683	-
Total net sales	<u>41,889</u>	<u>40,605</u>
Cost of sales	<u>33,019</u>	<u>32,839</u>
Gross profit	8,870	7,766
Selling, general and administrative expenses	<u>2,284</u>	<u>1,812</u>
Operating income	6,586	5,954
Other income (expense):		
Interest, net	55	(85)
Other, net	<u>(59)</u>	<u>629</u>
Income before income taxes	6,582	6,498
Income tax expense	<u>2,513</u>	<u>1,963</u>
Net income	\$ <u>4,069</u>	\$ <u>4,535</u>
Earnings per share - basic	\$ <u>0.53</u>	\$ <u>0.59</u>
Earnings per share - diluted	\$ <u>0.50</u>	\$ <u>0.54</u>

**PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY**

September 30, 2007 Condensed Consolidated Balance Sheet

(In thousands)

(Unaudited)

	<u>As Restated</u>	<u>As Reported</u>
Total current assets	\$ 55,917	\$ 58,622
Total assets	100,210	111,267
Total current liabilities	17,342	18,640
Total liabilities	44,692	28,789
Total stockholders' equity	55,518	82,478
Total liabilities and stockholders' equity	100,210	111,267



**PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY**

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

**Three Months Ended  
March 31, 2008**

	<u>As Restated</u>	<u>As Reported</u>
Net sales:		
DAP	\$ 61,589	\$ 64,284
Other	5,374	-
Total net sales	<u>66,963</u>	<u>64,284</u>
Cost of sales	<u>52,722</u>	<u>52,809</u>
Gross profit	14,241	11,475
Selling, general and administrative expenses	1,779	1,023
Impairment of assets	1,572	1,572
Operating income	<u>10,890</u>	<u>8,880</u>
Other income (expense):		
Interest, net	261	113
Other, net	(236)	2,480
Income before income taxes	10,915	11,473
Income tax expense	3,929	4,131
Net income	<u>\$ 6,986</u>	<u>\$ 7,342</u>
Earnings per share - basic	<u>\$ 0.91</u>	<u>\$ 0.96</u>
Earnings per share - diluted	<u>\$ 0.86</u>	<u>\$ 0.88</u>

**PHOSPHATE HOLDINGS, INC., AND SUBSIDIARY**

March 31, 2008 Condensed Consolidated Balance Sheet

(In thousands)

(Unaudited)

	<u>As Restated</u>	<u>As Reported</u>
Total current assets	\$ 76,091	\$ 77,505
Total assets	123,248	132,539
Total current liabilities	25,218	26,904
Total liabilities	42,513	42,720
Total stockholders' equity	80,735	89,819
Total liabilities and stockholders' equity	123,248	132,539

## 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 measure 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:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	(In thousands)			
Net income	\$ 12,590	\$ 4,069	\$ 54,581	\$ 37,725 <sup>(a)</sup>
Interest, net	(115)	(55)	(407)	(122)
Income tax expense	7,282	2,513	31,689	23,306
Depreciation, amortization and accretion	2,782	2,150	6,910	5,280
Asset impairment charge <sup>(b)</sup>	-	-	1,572	-
<b>EBITDA</b>	<b>\$ 22,539</b>	<b>\$ 8,677</b>	<b>\$ 94,345</b>	<b>\$ 66,189</b>

<sup>(a)</sup> This amount includes \$37,830 of Hurricane Katrina insurance related pre-tax gains.

<sup>(b)</sup> During the nine months ended September 30, 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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