

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 Third Quarter 2009 Financial Results

MADISON, Miss. (November 12, 2009) Phosphate Holdings, Inc. (OTC: PHOS), today reported third quarter 2009 earnings of \$0.7 million, or \$0.09 per diluted share of common stock, compared to earnings of \$12.6 million, or \$1.56 per diluted share of common stock for the same period in 2008. Net losses for the nine months ended September 30, 2009 were \$10.7 million, or \$1.40 per diluted share of common stock, as compared to earnings of \$54.6 million, or \$6.75 per diluted share of common stock for the same period last year. The Company's 2009 year-to-date results were materially impacted by inventory write-downs to net realizable value of approximately \$10.4 million.

Net sales for the third quarter of 2009 were \$42.1 million, a 75 percent decrease from net sales of \$171.6 million for the third quarter of 2008. The average sales price per short ton of DAP during the third quarter of 2009 was \$267, a 74 percent decrease from the prior-year period average sales price of \$1,045. During the third quarter, the Company sold 155,109 tons of DAP, with 95,933 (61.8%) moving into export markets. The Company had operating income of \$0.9 million for the third quarter of 2009, compared to operating income of \$20.0 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization and other non-cash charges (EBITDA) for the third quarter of 2009 were \$3.8 million, compared to EBITDA of \$22.5 million for the third quarter of 2008. In the third quarter of 2009, EBITDA was favorably impacted by a litigation settlement, net of related costs, of \$3.0 million.

Net sales for the nine months ended September 30, 2009 were \$139.1 million, a 66 percent decrease from net sales of \$410.0 million for the nine months ended September 30, 2008. The Company incurred an operating loss of \$17.3 million for the nine months ended September 30, 2009, compared to operating income of \$85.9 million for the prior-year period. EBITDA for the nine months ended September 30, 2009 was negative \$9.0 million, compared to EBITDA of \$94.3 million for the same period in 2008.

Robert E. Jones, Chief Executive Officer, said, "During our third quarter, phosphate market conditions were challenging. An anticipated robust fall application season failed to materialize due to a late harvest, adverse weather conditions, and product pricing uncertainty. In the absence of prompt demand at the farm level, dealers and distributors have been reluctant to restock phosphate inventories because of the steep write-downs experienced as phosphate prices plummeted last winter. Based on weak demand, phosphate prices remained at depressed levels throughout our third quarter."

During the third quarter, the Company took a scheduled maintenance turnaround, which idled one of its sulfuric acid plants for 16 days and the DAP and phosphoric acid plants for seven days. In addition, the Company took an unscheduled seven-day turnaround in its other sulfuric acid plant to repair a water line common to both sulfuric acid plants and to perform limited catalyst and other maintenance work. Since the maintenance outages, the Company has experienced unanticipated operational issues, primarily with the internals of the towers in the sulfuric acid plants. During the third quarter, the Company produced 158,166 tons of sulfuric acid, a decrease of 55,815 tons from the second quarter level of 213,981. A portion of the sulfuric acid production shortfall was offset by purchased sulfuric acid. For the quarter, the Company

produced 150,031 short tons of DAP, as compared to 170,503 tons of DAP in the second quarter. Cost of sales per ton was negatively impacted by the declines in sulfuric acid and DAP production as fixed costs were spread over fewer produced tons.

As of September 30, 2009, the Company had a cash balance of approximately \$1.1 million and borrowings under its revolving credit agreement of \$8.3 million. The Company continues to aggressively manage its liquidity and believes that its current operations and available credit facilities are adequate to meet its financing needs for 2009.

In commenting on the 2010 industry outlook, Jones added, "The need to replenish nutrients in the U.S. farmer's soil, the low levels of dealer and distributor DAP inventories, favorable crop economics and tight world grain stock yields optimism for 2010. Longer-term fundamentals also remain encouraging, as world demand for greater protein levels from improving diets will continue to drive demand for coarse grains. Fertilizer application rates must remain substantial to address this demand in the upcoming years."

The Company will host a conference call on Thursday, November 19, 2009, at 3:30 p.m., CST, to discuss the Company's operating results for the third quarter ended September 30, 2009. Call-in numbers are:

Q&A, Toll free: 888-208-1361

Q&A, Toll: 913-312-1398

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 release 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 and events pertaining to the recent financial credit crisis, (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

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

	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,108	2,153
Trade accounts receivable	11,534	7,400
Income taxes receivable	1,205	21,414
Other receivables	4,391	1,863
Inventories	20,623	47,645
Prepaid expenses and other	4,315	5,079
Total current assets	<u>43,176</u>	<u>85,554</u>
Restricted investments held in trust, at fair value	4,061	2,990
Property, plant and equipment, net	50,240	50,593
Other	182	130
Total assets	<u>\$ 97,659</u>	<u>139,267</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,057	2,658
Accrued expenses	14,234	11,760
Current maturities of long-term debt	600	600
Short-term financing obligations	1,868	2,181
Deferred income taxes	292	573
Deposits on future sales	-	24,600
Revolving credit agreement	8,319	11,494
Total current liabilities	<u>29,370</u>	<u>53,866</u>
Long-term debt, less current maturities	1,950	2,400
Asset retirement obligations	5,198	4,841
Deferred income taxes	1,654	7,940
Total liabilities	<u>38,172</u>	<u>69,047</u>
Contingencies (note 16)		
Stockholders' equity:		
Common stock (\$0.01 par; 30,000,000 shares authorized; 7,654,290 shares issued and outstanding)	77	77
Additional paid-in capital	33,880	33,880
Retained earnings	25,530	36,263
Total stockholders' equity	<u>59,487</u>	<u>70,220</u>
Total liabilities and stockholders' equity	<u>\$ 97,659</u>	<u>139,267</u>

See accompanying notes to consolidated financial statements.

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Operations
(In thousands, except per share and share data)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net sales:				
DAP	\$ 41,430	170,286	136,321	402,288
Other	690	1,292	2,765	7,745
Total net sales	42,120	171,578	139,086	410,033
Cost of sales	42,588	148,002	155,864	312,463
Gross profit (loss)	(468)	23,576	(16,778)	97,570
Selling, general and administrative expenses	1,030	3,559	4,575	10,089
Environmental remediation	600	-	600	-
Litigation recoveries, net	(3,041)	-	(3,041)	-
Insurance recoveries	-	-	(1,615)	-
Impairment of assets	-	-	-	1,572
Operating income (loss)	943	20,017	(17,297)	85,909
Other income (expense):				
Interest, net	(161)	115	(454)	407
Other, net	441	(260)	582	(46)
Total other income (expense)	280	(145)	128	361
Income (loss) before income taxes	1,223	19,872	(17,169)	86,270
Income tax expense (benefit)	499	7,282	(6,436)	31,689
Net income (loss)	\$ 724	12,590	(10,733)	54,581
Earnings (loss) per share – basic	\$ 0.09	1.64	(1.40)	7.13
Earnings (loss) per share – diluted	\$ 0.09	1.56	(1.40)	6.75
Weighted average common shares outstanding – basic	7,654	7,654	7,654	7,654
Weighted average common shares outstanding – diluted	7,962	8,093	7,654	8,092

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine months ended	
	September 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$ (10,733)	54,581
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	5,032	3,974
Amortization of prepaid maintenance turnaround costs	2,281	2,562
Accretion of asset retirement obligation	357	375
Deferred loan cost amortization	54	34
Share-based compensation	234	82
Impairment charges	-	1,572
Deferred income taxes	(6,567)	3,177
Other	(469)	583
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(6,662)	(28,082)
Income taxes receivable	20,209	-
Inventories	2,422	(80,033)
Prepaid expenses and other	(1,517)	(6,155)
Accounts payable and accrued expenses	3,639	25,018
Income taxes payable	-	17,180
Net cash provided by (used in) operating activities	<u>8,280</u>	<u>(5,132)</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(600)	(600)
Purchases of property, plant and equipment	(4,679)	(13,262)
Net cash used in investing activities	<u>(5,279)</u>	<u>(13,862)</u>
Cash flows from financing activities:		
Net payments on revolving credit agreement	(3,175)	-
Proceeds from short-term financing obligations	2,324	2,744
Payments of short-term financing obligations	(2,637)	(2,741)
Payments on term debt	(450)	-
Cash dividends	-	(11,481)
Deferred loan costs	(108)	-
Net cash used in financing activities	<u>(4,046)</u>	<u>(11,478)</u>
Net decrease in cash and cash equivalents	(1,045)	(30,472)
Cash and cash equivalents at beginning of period	<u>2,153</u>	<u>43,576</u>
Cash and cash equivalents at end of period	<u>\$ 1,108</u>	<u>13,104</u>
Supplemental disclosure of non-cash transaction:		
Delivery of inventory to settle deposits on future sales obligation	<u>\$ 24,600</u>	<u>-</u>
See accompanying notes to consolidated financial statements.		

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended	
	September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 724	12,590
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property, plant and equipment	1,708	1,453
Amortization of prepaid maintenance turnaround costs	560	1,140
Accretion of asset retirement obligation	122	128
Deferred loan cost amortization	18	14
Share-based compensation	73	44
Deferred income taxes	468	728
Other	(331)	382
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(13,228)	1,363
Inventories	1,641	(34,053)
Prepaid expenses and other	(1,231)	(643)
Accounts payable and accrued expenses	7,092	(2,542)
Income taxes payable	-	6,554
Net cash used in operating activities	<u>(2,384)</u>	<u>(12,842)</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	<u>(928)</u>	<u>(4,135)</u>
Net cash used in investing activities	<u>(1,128)</u>	<u>(4,335)</u>
Cash flows from financing activities:		
Net proceeds from revolving credit agreement	5,267	-
Payments of short-term financing obligations	(880)	(1,006)
Payments on term debt	<u>(150)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>4,237</u>	<u>(1,006)</u>
Net increase (decrease) in cash and cash equivalents	725	(18,183)
Cash and cash equivalents at beginning of period	<u>383</u>	<u>31,287</u>
Cash and cash equivalents at end of period	<u>\$ 1,108</u>	<u>13,104</u>

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY

Reconciliation of Net Income (Loss) to EBITDA

(In thousands)

(Unaudited)

We define EBITDA as net income (loss) 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 (loss). Our non-GAAP financial measure of EBITDA should not be considered as an alternative to GAAP net income (loss). 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 (loss) to EBITDA for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income (loss)	\$ 724	12,590	\$ (10,733)	54,581
Interest, net	161	(115)	454	(407)
Income tax expense (benefit)	499	7,282	(6,436)	31,689
Depreciation, amortization and accretion	2,390	2,721	7,670	6,911
Asset impairment charge ^(a)	-	-	-	1,572
EBITDA	\$ <u>3,774</u>	<u>22,478</u>	\$ <u>(9,045)</u>	<u>94,346</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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