

# Phosphate Holdings, Inc.

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**For Immediate Release**

**News Release**

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## **Phosphate Holdings, Inc. Reports Second Quarter 2011 Financial Results**

MADISON, Miss. (August 11, 2011) Phosphate Holdings, Inc. (OTC: PHOS), today reported a second quarter 2011 loss of \$1.8 million, or \$0.21 per diluted share of common stock, compared to a loss of \$4.9 million, or \$0.58 per diluted share of common stock for the same period in 2010. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of 2011 were \$2.0 million, compared to negative EBITDA of \$4.6 million for the second quarter of 2010.

Total net sales for the second quarter of 2011 were \$80.5 million, a 30 percent increase from total net sales of \$62.1 million for the second quarter of 2010. The average sales price per short ton of DAP during the second quarter of 2011 was \$542.54, a 36 percent increase from the prior-year period average sales price of \$400.26. During the second quarter, the Company sold 146,213 tons of DAP, with 74,361 tons moving into export markets and 71,852 tons moving into domestic markets. This compares with 152,434 tons of DAP sold in the second quarter of 2010. The Company had an operating loss of \$2.6 million for the second quarter of 2011, compared to an operating loss of \$7.1 million for the prior-year period.

Robert E. Jones, Chief Executive Officer, said, "Operating issues were the dominant theme of our second quarter of 2011. We simply failed to achieve the production levels of sulfuric acid and DAP necessary for a positive quarter. For the quarter, DAP and sulfuric acid production was 134,445 and 146,043, respectively. We relied heavily on purchased sulfuric acid to supplement DAP production. However, the cost of DAP produced with purchased sulfuric acid is substantially higher than the cost of DAP manufactured using produced acid.

"The primary factors negatively impacting our production included phosphate rock shortages due to logistical issues in Morocco which idled our phosphoric acid and DAP plants for nine days; damaged heat exchangers which limited instantaneous rates to approximately 1,000 to 1,200 tons per day in both sulfuric acid plants; and a scheduled maintenance turnaround of one of our sulfuric acid plants which required 19 days.

"During the May turnaround, we replaced the impaired heat exchanger and re-established instantaneous rates in excess of the affected plants' design capacity of 1,500 tons per day. The damaged heat exchanger in our other sulfuric acid plant will be replaced in a scheduled October 2011 turnaround.

“Phosphate market underpinnings were strong during the second quarter of 2011. Posted DAP prices ranged from \$530 to \$590 per short ton, NOLA, and \$600 to \$645 per metric ton, FOB, U.S. Gulf. Sulfur prices in the quarter were posted at \$220 per long ton, CFR, Tampa. Ammonia prices averaged \$563 per metric ton, CFR, Tampa, during the quarter.

“Looking to our third quarter, global phosphate markets should remain strong. The compromised heat exchanger will continue to constrain production from the No. 3 Plant, and we will again seek to augment DAP production with purchased sulfuric acid. We currently project that total DAP production in the third quarter of 2011 will be approximately 155,000 to 165,000 tons, and that 15 to 20 percent of that total will be produced with purchased sulfuric acid.”

As of June 30, 2011, the Company had a cash balance of approximately \$7.0 million and borrowings under our revolving credit agreement of \$13.5 million. The Company continues to aggressively manage its liquidity and believes that its operating results and available credit facilities should be adequate to meet the Company’s financing needs for 2011.

At the end of 2010, our Board of Directors appointed a special committee of independent directors to initiate a comprehensive review of strategic options. While this review is ongoing, we will not hold an earnings call to discuss our second quarter 2011 financial results and will not otherwise discuss this strategic process. When the strategic process is completed, we intend to resume regular quarterly earnings calls.

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, (v) possible unscheduled plant outages and other operating difficulties, (vi) price competition and capacity expansions and reductions from both domestic and international competitors, (vii) the concentration of our sales with one large customer, (viii) foreign government agricultural policies (in particular, the policies of the governments of India and China), (ix) the relative unpredictability of international and local economic conditions, (x) international trade risks, (xi) political unrest in Northern Africa and possible implications on phosphate rock availability (xii) the relative value of the U.S. dollar, (xiii) regulations regarding the environment and the sale and transportation of fertilizer products, (xiv) our potential inability to obtain or maintain required permits and governmental approvals or to meet financial assurance requirements, (xv) loss of key members of management, and (xvi) 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 SUBSIDIARIES**

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

<b>Assets</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,010	2,261
Trade accounts receivable	5,676	11,414
Other receivables	212	11
Inventories	25,924	26,141
Prepaid expenses and other	8,143	8,329
Deferred income taxes	2,287	336
<b>Total current assets</b>	<b>49,252</b>	<b>48,492</b>
Freight deposits	5,998	5,636
Restricted investments held in trust, at fair value	6,282	5,657
Property, plant and equipment, net	61,066	61,402
Other	508	553
<b>Total assets</b>	<b>\$ 123,106</b>	<b>121,740</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,092	1,804
Accrued expenses	29,707	29,783
Financing obligations	1,598	3,492
Revolving credit agreement	13,500	9,000
<b>Total current liabilities</b>	<b>45,897</b>	<b>44,079</b>
Asset retirement obligations	16,725	16,307
Deferred income taxes	2,715	1,836
<b>Total liabilities</b>	<b>65,337</b>	<b>62,222</b>
<b>Stockholders' equity:</b>		
Common stock (\$0.01 par; 30,000,000 shares authorized; 8,411,308 shares issued and outstanding)	84	84
Additional paid-in capital	35,660	35,660
Retained earnings	22,025	23,774
<b>Total stockholders' equity</b>	<b>57,769</b>	<b>59,518</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 123,106</b>	<b>121,740</b>

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net sales:				
DAP	\$ 79,327	61,014	155,328	120,327
Other	1,129	1,036	2,719	1,857
<b>Total net sales</b>	<b>80,456</b>	<b>62,050</b>	<b>158,047</b>	<b>122,184</b>
Cost of sales	80,990	65,211	156,100	118,562
<b>Gross profit (loss)</b>	<b>(534)</b>	<b>(3,161)</b>	<b>1,947</b>	<b>3,622</b>
Selling, general and administrative expenses	1,914	1,110	4,342	3,012
Environmental remediation	159	2,809	159	3,471
<b>Operating loss</b>	<b>(2,607)</b>	<b>(7,080)</b>	<b>(2,554)</b>	<b>(2,861)</b>
Other income (expense):				
Interest expense	(254)	(453)	(497)	(570)
Other, net	15	(397)	230	(235)
<b>Total other income (expense)</b>	<b>(239)</b>	<b>(850)</b>	<b>(267)</b>	<b>(805)</b>
<b>Loss before income taxes</b>	<b>(2,846)</b>	<b>(7,930)</b>	<b>(2,821)</b>	<b>(3,666)</b>
Income tax benefit	(1,081)	(3,013)	(1,072)	(1,368)
<b>Net loss</b>	<b>\$ (1,765)</b>	<b>(4,917)</b>	<b>(1,749)</b>	<b>(2,298)</b>
Loss per share – basic and diluted	\$ (0.21)	(0.58)	(0.21)	(0.27)
Weighted average common shares outstanding				
– basic and diluted	8,411	8,411	8,411	8,411

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,749)	(2,298)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	5,262	3,633
Amortization of prepaid maintenance turnaround costs	2,440	1,835
Accretion of asset retirement obligation	418	248
Deferred loan cost amortization	45	175
Unrealized restricted investment (gain) loss	(225)	262
Share-based compensation	577	327
Deferred income taxes	(1,072)	(1,393)
Other	—	(2)
Changes in operating assets and liabilities:		
Trade and other accounts receivable	5,537	(3,649)
Income taxes receivable	—	574
Inventories	217	(8,593)
Prepaid expenses and other	(2,254)	(3,243)
Freight deposits - long term	(362)	(3,164)
Increase in long-term prepaid insurance	—	(1,283)
Accounts payable and accrued expenses	(1,365)	15,234
Net cash provided by (used in) operating activities	<u>7,469</u>	<u>(1,337)</u>
<b>Cash flows from investing activities:</b>		
Purchases of restricted investments held in trust	(400)	(400)
Purchases of property, plant and equipment	(4,926)	(4,531)
Net cash used in investing activities	<u>(5,326)</u>	<u>(4,931)</u>
<b>Cash flows from financing activities:</b>		
Net borrowings on revolving credit agreement	4,500	8,095
Proceeds from financing obligations	—	3,784
Payments on financing obligations	(1,894)	(1,565)
Payments on term loan	—	(2,400)
Deferred loan costs	—	(621)
Net cash provided by financing activities	<u>2,606</u>	<u>7,293</u>
Net increase in cash and cash equivalents	4,749	1,025
Cash and cash equivalents at beginning of period	<u>2,261</u>	<u>2,067</u>
Cash and cash equivalents at end of period	<u>\$ 7,010</u>	<u>3,092</u>

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES**

## Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Three months ended</b>	
	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Net loss	\$ (1,765)	(4,917)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	3,135	1,836
Amortization of prepaid maintenance turnaround costs	1,195	927
Accretion of asset retirement obligation	243	126
Deferred loan cost amortization	18	157
Unrealized restricted investment (gain) loss	(15)	406
Share-based compensation	(71)	(105)
Deferred income taxes	(1,081)	(3,013)
Other	-	239
Changes in operating assets and liabilities:		
Trade and other accounts receivable	373	553
Income taxes receivable	-	574
Inventories	2,469	(3,283)
Prepaid expenses and other	(2,516)	(1,806)
Freight deposit – long term	347	(1,765)
Increase in long-term prepaid insurance	-	(1,283)
Accounts payable and accrued expenses	(4,523)	1,488
Net cash used in operating activities	<u>(2,191)</u>	<u>(9,866)</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(3,431)	(2,059)
Net cash used in investing activities	<u>(3,631)</u>	<u>(2,259)</u>
Cash flows from financing activities:		
Net borrowings on revolving credit agreement	8,500	8,095
Proceeds from financing obligations	-	3,784
Payments on financing obligations	(950)	(679)
Payments on term loan	-	(2,250)
Deferred loan costs	-	(621)
Net cash provided by financing activities	<u>7,550</u>	<u>8,329</u>
Net increase (decrease) in cash and cash equivalents	1,728	(3,796)
Cash and cash equivalents at beginning of period	5,282	6,888
Cash and cash equivalents at end of period	<u>\$ 7,010</u>	<u>3,092</u>

## PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY

### Reconciliation of Net Loss to EBITDA

(In thousands)

(Unaudited)

We define EBITDA as net income (loss) before interest; income taxes; depreciation, amortization and accretion. 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 loss to EBITDA for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net loss	\$ (1,765)	(4,917)	\$ (1,749)	(2,298)
Interest expense	254	453	497	570
Income tax benefit	(1,081)	(3,013)	(1,072)	(1,368)
Depreciation, amortization and accretion	4,573	2,889	8,120	5,716
EBITDA	\$ 1,981	(4,588)	\$ 5,796	2,620

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