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# Phosphate Holdings, Inc.

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**For Immediate Release**

**News Release**

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## **Phosphate Holdings, Inc., Reports First Quarter 2012 Financial Results**

*MADISON, Miss. (May 29, 2012)* Phosphate Holdings, Inc. (OTC: PHOS), today reported a first quarter 2012 net loss of \$1.1 million, compared to net income of \$16,000 for the same period in 2011. The Company incurred an operating loss of \$1.9 million for the first quarter of 2012, compared to operating income of \$53,000 for the prior-year period. Earnings before interest, income taxes, depreciation, amortization and accretion (EBITDA) for the first quarter of 2012 were \$2.6 million, compared to EBITDA of \$3.8 million for the first quarter of 2011.

Net sales for the first quarter of 2012 were \$92.6 million, a 19 percent increase over net sales of \$77.6 million for the first quarter of 2011. This increase resulted from higher sales volumes partially offset by lower average sales prices. The volume effect (current-period sales tons, less prior-period sales tons, multiplied by prior-period average sales price) was positive \$34.7 million and the price effect (current-period average sales price, less prior-period average sales price, multiplied by current-period sales tons) was negative \$18.8 million. During the quarter ended March 31, 2012, the Company sold 205,324 tons of DAP at an average sales price of \$448 per short ton. During the quarter ended March 31, 2011, the Company sold 140,968 tons of DAP at an average sales price of \$539 per short ton. The Company sold 120,016 short tons of DAP into international markets during the first quarter of 2012.

Robert E. Jones, Chief Executive Officer, said, "Phosphate market conditions during our first quarter were challenging. Dealer reluctance to stock inventories in advance of the spring planting season resulted in weak demand and declining DAP prices in the U.S. DAP prices per short ton (FOB, NOLA) declined from approximately \$560 in early December 2011 to approximately \$430 by late February 2012. During the first quarter, international prices per metric ton (FOB, U.S. Gulf) fell from approximately \$600 to approximately \$500. Raw material prices also fell during the quarter but not to the degree of the decline in DAP prices. As a result, margins were squeezed. Sulfur prices in the first quarter were posted at \$172 per long ton (CFR, Tampa). Ammonia prices began the first quarter at \$555 per metric ton (CFR, Tampa) and closed the first quarter at \$470 per metric ton.

"Unquestionably the bright spot for the first quarter was our production rates for DAP and sulfuric acid. Over the past year we have invested heavily in our plants. As a result of these investments, we are now realizing significant operational improvements. For the first quarter, DAP and sulfuric acid production were 206,996 and 239,774 short tons, respectively. This represented our highest quarterly DAP production in 10 years and our highest sulfuric acid production since the first quarter of 2007. We currently expect DAP production for the second quarter of 2012 to approximate 180,000 to 195,000 tons."

In addressing the industry outlook, Jones added, "Agricultural fundamentals for the U.S. farmer remain very attractive. The United States has experienced favorable weather and the planted acreage rate is significantly ahead of the five-year average. Phosphate demand has been strong in the second quarter and DAP prices have risen. Additionally, we look for the export market to bolster phosphate movement and pricing with strong demand in India and South America."

Our long-term phosphate rock supply agreement with OCP S.A. (OCP) expires on June 30, 2012. While no assurances can be given, the Company anticipates securing its future phosphate rock requirements from OCP.

As of March 31, 2012, the Company had a cash balance of approximately \$1.9 million and outstanding borrowings under its revolving credit agreement of \$13 million. We spent approximately \$1.6 million on capital expenditures in the first quarter of 2012.

In late 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 first quarter 2012 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)

Assets	<u>March 31, 2012</u>	<u>December 31, 2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,898	3,024
Trade accounts receivable	10,898	14,871
Other receivables	102	57
Inventories	27,241	25,075
Prepaid expenses and other	12,444	13,338
Deferred income taxes	700	841
Total current assets	<u>53,283</u>	<u>57,206</u>
Freight deposits	1,580	3,947
Restricted investments held in trust, at fair value	7,008	6,318
Property, plant and equipment, net	62,987	63,650
Other	463	477
Total assets	<u>\$ 125,321</u>	<u>131,598</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,066	3,376
Accrued expenses	30,366	32,313
Short-term financing obligations	2,466	2,965
Revolving credit agreement	13,000	15,000
Total current liabilities	<u>48,898</u>	<u>53,654</u>
Asset retirement obligations	17,961	17,627
Deferred income taxes	810	1,607
Total liabilities	<u>67,669</u>	<u>72,888</u>
Stockholders' equity:		
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	21,908	22,966
Total stockholders' equity	<u>57,652</u>	<u>58,710</u>
Total liabilities and stockholders' equity	<u>\$ 125,321</u>	<u>131,598</u>

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

	Three months ended	
	March 31,	
	2012	2011
Net sales:		
DAP	\$ 91,893	76,001
Other	681	1,590
Total net sales	92,574	77,591
Cost of sales	92,727	75,110
Gross profit (loss)	(153)	2,481
Selling, general and administrative	1,653	2,428
Environmental remediation	106	—
Operating income (loss)	(1,912)	53
Other income (expense):		
Interest expense	(296)	(243)
Other, net	494	215
Total other income (expense)	198	(28)
Income (loss) before income taxes	(1,714)	25
Income tax expense (benefit)	(656)	9
Net income (loss)	\$ (1,058)	16
Earnings (loss) per share – basic and diluted	\$ (0.13)	—
Weighted average common shares outstanding		
– basic and diluted	8,411	8,411

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES**  
Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ (1,058)	16
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	2,243	2,127
Amortization of prepaid maintenance turnaround costs	1,395	1,245
Accretion of asset retirement obligation	334	175
Deferred loan cost amortization	14	27
Unrealized restricted investment gain	(490)	(210)
Share-based compensation	15	648
Deferred income taxes	(656)	9
Changes in operating assets and liabilities:		
Trade and other accounts receivable	3,928	5,164
Inventories	(2,166)	(2,252)
Prepaid expenses and other	(501)	262
Freight deposits	2,367	(709)
Accounts payable and accrued expenses	(2,272)	3,158
Net cash provided by operating activities	3,153	9,660
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(1,580)	(1,495)
Net cash used in investing activities	(1,780)	(1,695)
Cash flows from financing activities:		
Net payments on revolving credit agreement	(2,000)	(4,000)
Proceeds from financing obligations	379	—
Payments on financing obligations	(878)	(944)
Net cash used in financing activities	(2,499)	(4,944)
Net increase (decrease) in cash and cash equivalents	(1,126)	3,021
Cash and cash equivalents at beginning of period	3,024	2,261
Cash and cash equivalents at end of period	\$ 1,898	5,282

## Reconciliation of Net Income (Loss) to EBITDA:

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 (loss) 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 March 31,	
	2012	2011
Net income (loss)	\$ (1,058)	\$ 16
Interest expense	296	243
Income tax expense (benefit)	(656)	9
Depreciation, amortization and accretion	3,972	3,547
EBITDA	\$ 2,554	\$ 3,815

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