

# 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 Second Quarter 2010 Financial Results**

MADISON, Miss. (August 26, 2010) Phosphate Holdings, Inc. (OTC: PHOS), today reported a second quarter 2010 loss of \$4.9 million, or \$0.58 per diluted share of common stock, compared to earnings of \$0.1 million, or \$0.01 per diluted share of common stock for the same period in 2009.

Total net sales for the second quarter of 2010 were \$62.1 million, a 45 percent increase from total net sales of \$42.7 million for the second quarter of 2009. The average sales price per short ton of DAP during the second quarter of 2010 was \$400.26, a 45 percent increase from the prior-year period average sales price of \$275.39. During the second quarter, the Company sold 152,434 tons of DAP, with 84,888 tons (56 percent of total tons) moving into export markets and 67,546 tons (44 percent of total tons) moving into domestic markets. The Company had an operating loss of \$7.1 million for the second quarter of 2010, compared to operating income of \$0.1 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of 2010 was negative \$4.6 million, compared to positive EBITDA of \$3.0 million for the second quarter of 2009. In the second quarter of 2009, inventory write-downs to net realizable value totaled approximately \$1.1 million.

Robert E. Jones, Chief Executive Officer, said, "Operationally, the second quarter of 2010 was challenging. For the quarter, the Company's sulfuric acid production was approximately 66 percent of planned levels. Production rates at both sulfuric acid plants were impacted by problems with the interstage absorption coolers. Moreover, we had a boiler failure in one of our sulfuric acid plants, which shut that sulfuric acid plant down for 27 days during the quarter. The boiler has been repaired and the sulfuric acid plant came online on June 24, 2010. The sulfuric acid plant problems had a corresponding unfavorable impact on our DAP production, as we produced 150,968 short tons, or 75 percent of planned production of DAP in the second quarter of 2010.

From a phosphate market perspective, the second quarter of 2010 was good. DAP prices averaged approximately \$407 per short ton, NOLA, for the quarter, and \$455 per metric ton, FOB, U.S. Gulf. Sulfur prices in the quarter were posted at \$145 per long ton, CFR, Tampa. Ammonia prices began the quarter at \$415 per metric ton, CFR, Tampa, and closed the quarter at \$355 per metric ton, CFR, Tampa.

Looking to the third quarter, DAP prices have strengthened significantly. Current DAP prices are approximately \$470 to \$475 per short ton, NOLA, while export prices are approximately \$490 to \$500 per metric ton, FOB, U.S. Gulf. Sulfur prices have settled at \$95 per long ton, CFR, Tampa, and ammonia prices are firming with current posting of \$380 per metric ton, CFR, Tampa. Certain known issues in our sulfuric acid plants will not be addressed until a scheduled maintenance turnaround in November. As a result, we project DAP production of 155,000 to 165,000 short tons during the third quarter. While no assurances can be given, we anticipate returning to profitability in the third quarter of 2010."

As of June 30, 2010, the Company had a cash balance of approximately \$3.1 million and borrowings under our revolving credit agreement of \$8.1 million. The Company continues to aggressively manage its liquidity and believes that its current operations and available credit facilities should be adequate to meet the Company's financing needs for 2010.

In commenting on the 2010 industry outlook, Jones added, "We view the second half of 2010 as promising. With expectations of an early harvest and another large U.S. corn crop in 2011, fertilizer applications should be robust. Phosphate inventories throughout the chain are generally low. Demand for phosphates remains strong as India continues to purchase large phosphate volumes. South America restocking requirements are emerging and the U.S. market is strong."

The Company will host a conference call on August 31, 2010, at 3:30 p.m., CDT, to discuss the Company's operating results for the second quarter ended June 30, 2010. Call-in numbers are:

**Q&A, Toll free: (877) 377-7544**

**Q&A, Toll: (408) 940-3815**

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) the relative value of the U.S. dollar, (xi) regulations regarding the environment and the sale and transportation of fertilizer products, (xii) our potential inability to obtain or maintain required permits and governmental approvals or to meet financial assurance requirements, (xiii) loss of key members of management, and (xiv) 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>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,092	2,067
Trade accounts receivable	6,216	3,059
Income taxes receivable	-	574
Other receivables	497	5
Inventories	26,180	17,587
Prepaid expenses and other	6,262	4,854
Deferred income taxes	466	-
Total current assets	<u>42,713</u>	<u>28,146</u>
Deposits	3,164	-
Restricted investments held in trust, at fair value	4,488	4,350
Property, plant and equipment, net	49,649	48,751
Other	1,894	163
Deferred income taxes	97	-
Total assets	<u>\$ 102,005</u>	<u>81,410</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,709	1,578
Accrued expenses	24,461	11,031
Short-term financing obligations	3,082	1,989
Revolving credit agreement	8,095	-
Current maturities of long-term debt	-	600
Deferred income taxes	-	124
Total current liabilities	<u>39,347</u>	<u>15,322</u>
Long-term financing obligations	1,126	-
Long-term debt, less current maturities	-	1,800
Asset retirement obligations	5,376	5,128
Deferred income taxes	-	706
Total liabilities	<u>45,849</u>	<u>22,956</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	20,412	22,710
Total stockholders' equity	<u>56,156</u>	<u>58,454</u>
Total liabilities and stockholders' equity	<u>\$ 102,005</u>	<u>81,410</u>

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY**

## Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Net sales:				
DAP	\$ 61,014	41,991	120,327	94,891
Other	1,036	722	1,857	2,075
Total net sales	62,050	42,713	122,184	96,966
Cost of sales	65,211	41,249	118,562	112,039
Unrealized loss on firm purchase commitment	-	-	-	1,237
Gross profit (loss)	(3,161)	1,464	3,622	(16,310)
Selling, general and administrative expenses	1,110	1,503	3,012	3,545
Environmental remediation	2,809	-	3,471	-
Insurance recoveries	-	(115)	-	(1,615)
Operating income (loss)	(7,080)	76	(2,861)	(18,240)
Other income (expense):				
Interest expense	(453)	(181)	(570)	(293)
Other, net	(397)	322	(235)	141
Total other income (expense)	(850)	141	(805)	(152)
Income (loss) before income taxes	(7,930)	217	(3,666)	(18,392)
Income tax expense (benefit)	(3,013)	113	(1,368)	(6,935)
Net income (loss)	\$ (4,917)	104	(2,298)	(11,457)
Earnings (loss) per share – basic	\$ (0.58)	0.01	(0.27)	(1.50)
Earnings (loss) per share – diluted	\$ (0.58)	0.01	(0.27)	(1.50)
Weighted average common shares outstanding – basic	8,411	7,654	8,411	7,654
Weighted average common shares outstanding – diluted	8,411	7,971	8,411	7,654

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY**

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Net loss	\$ (2,298)	(11,457)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	3,633	3,324
Amortization of prepaid maintenance turnaround costs	1,835	1,721
Accretion of asset retirement obligation	248	235
Deferred loan cost amortization	175	37
Share-based compensation	327	161
Unrealized restricted investment (gain) loss	262	(140)
Deferred income taxes	(1,393)	(7,035)
Increase in deposits	(3,164)	-
Increase in long-term prepaid insurance	(1,283)	-
Other	(2)	1
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(3,649)	6,566
Income taxes receivable	574	20,209
Inventories	(8,593)	781
Prepaid expenses and other	(3,243)	(286)
Accounts payable and accrued expenses	15,234	(3,453)
Net cash provided by (used in) operating activities	<u>(1,337)</u>	<u>10,664</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(400)	(400)
Purchases of property, plant and equipment	(4,531)	(3,751)
Net cash used in investing activities	<u>(4,931)</u>	<u>(4,151)</u>
Cash flows from financing activities:		
Net borrowings (payments) on revolving credit agreement	8,095	(8,442)
Proceeds from financing obligations	3,784	2,324
Payments on financing obligations	(1,565)	(1,757)
Payments on term debt	(2,400)	(300)
Deferred loan costs	(621)	(108)
Net cash provided by (used in) financing activities	<u>7,293</u>	<u>(8,283)</u>
Net increase (decrease) in cash and cash equivalents	1,025	(1,770)
Cash and cash equivalents at beginning of period	<u>2,067</u>	<u>2,153</u>
Cash and cash equivalents at end of period	\$ <u>3,092</u>	<u>383</u>
Supplemental disclosure of non-cash transaction:		
Delivery of inventory to settle deposits on future sales obligation	\$ -	<u>24,600</u>

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY**

## Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Three months ended</b>	
	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Net income (loss)	\$ (4,917)	104
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of property, plant and equipment	1,836	1,672
Amortization of prepaid maintenance turnaround costs	927	860
Accretion of asset retirement obligation	126	118
Deferred loan cost amortization	157	24
Share-based compensation	(105)	106
Unrealized restricted investment (gain) loss	406	(321)
Deferred income taxes	(3,013)	83
Increase in deposits	(1,765)	-
Increase in long-term prepaid insurance	(1,283)	-
Other	239	-
Changes in operating assets and liabilities:		
Trade and other accounts receivable	553	(545)
Income taxes receivable	574	5,709
Inventories	(3,283)	(3,548)
Prepaid expenses and other	(1,806)	(1,521)
Accounts payable and accrued expenses	1,488	(11,119)
Net cash used in operating activities	<u>(9,866)</u>	<u>(8,378)</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(2,059)	(1,718)
Net cash used in investing activities	<u>(2,259)</u>	<u>(1,918)</u>
Cash flows from financing activities:		
Net borrowings on revolving credit agreement	8,095	3,052
Proceeds from financing obligations	3,784	2,324
Payments on financing obligations	(679)	(757)
Payments on term debt	(2,250)	(150)
Deferred loan costs	(621)	(108)
Net cash provided by financing activities	<u>8,329</u>	<u>4,361</u>
Net decrease in cash and cash equivalents	(3,796)	(5,935)
Cash and cash equivalents at beginning of period	<u>6,888</u>	<u>6,318</u>
Cash and cash equivalents at end of period	<u>\$ 3,092</u>	<u>383</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. 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:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net income (loss)	\$ (4,917)	104	\$ (2,298)	(11,457)
Interest expense	453	181	570	293
Income tax expense (benefit)	(3,013)	113	(1,368)	(6,935)
Depreciation, amortization and accretion	2,889	2,650	5,716	5,280
EBITDA	\$ (4,588)	3,048	\$ 2,620	(12,819)

###