

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 2012 Financial Results

MADISON, Miss. (August 13, 2012) Phosphate Holdings, Inc. (OTC: PHOS), today reported second quarter of 2012 net income of \$0.9 million, or \$0.10 per diluted share of common stock, compared to a loss of \$1.8 million, or \$0.21 per diluted share of common stock for the same period in 2011. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the second quarter of 2012 were \$5.1 million, compared to EBITDA of \$2.0 million for the second quarter of 2011.

Total net sales for the second quarter of 2012 were \$78.5 million, a 2.4 percent decrease from total net sales of \$80.5 million for the second quarter of 2011. The average sales price per short ton of DAP during the second quarter of 2012 was \$482.42, an 11 percent decrease from the prior-year period average sales price of \$542.54. During the second quarter, the Company sold 161,045 tons of DAP, with 106,364 tons moving into export markets and 54,681 tons moving into domestic markets. This compares with 146,213 tons of DAP sold in the second quarter of 2011. The Company had operating income of \$2.0 million for the second quarter of 2012, compared to an operating loss of \$2.6 million for the prior-year period.

As of June 30, 2012, the Company had a cash balance of approximately \$1.2 million and borrowings under our credit agreement of \$14.8 million. During the second quarter, the Company expended \$1.9 million on capital expenditures. The Company continues to aggressively manage its liquidity internally in the absence of an external committed source of additional liquidity. Assuming no further substantial interruptions to normal operations, the Company believes that its operating results should be adequate to meet the Company's operating and capital needs during 2012 without the need for additional liquidity facilities or arrangements.

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 and the continuation of our sales and other arrangements with such customer through the scheduled expiration of such arrangements, (viii) our ability to negotiate on attractive terms a longer-term phosphate rock supply agreement with our sole provider of phosphate rock, expiring on December 31, 2012, (ix) foreign government agricultural policies (in particular, the policies of the governments of India and China), (x) the relative unpredictability of international and local economic conditions, (xi) international trade risks, (xii) political unrest in Northern Africa and possible implications on phosphate rock availability (xiii) the relative value of the U.S. dollar, (xiv) regulations regarding the environment and the sale and transportation of fertilizer products, (xv) our potential inability to obtain or maintain required permits and governmental approvals or to meet financial assurance requirements, (xvi) loss of key members of management, and (xvii) 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>June 30, 2012</u>	<u>December 31, 2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,219	3,024
Trade accounts receivable	6,467	14,871
Other receivables	599	57
Inventories	25,736	25,075
Prepaid expenses and other	10,926	13,338
Deferred income taxes	719	841
Total current assets	<u>45,666</u>	<u>57,206</u>
Freight deposits	—	3,947
Restricted investments held in trust, at fair value	6,975	6,318
Property, plant and equipment, net	62,628	63,650
Other	448	477
Total assets	\$ <u><u>115,717</u></u>	\$ <u><u>131,598</u></u>
 Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,587	3,376
Accrued expenses	18,568	32,313
Short-term financing obligations	1,545	2,965
Current maturities of long-term debt	1,875	—
Revolving credit agreement	—	15,000
Total current liabilities	<u>24,575</u>	<u>53,654</u>
Long-term debt	12,969	—
Asset retirement obligations	18,292	17,627
Deferred income taxes	1,372	1,607
Total liabilities	<u>57,208</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	22,765	22,966
Total stockholders' equity	<u>58,509</u>	<u>58,710</u>
Total liabilities and stockholders' equity	\$ <u><u>115,717</u></u>	\$ <u><u>131,598</u></u>

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net sales:				
DAP	\$ 77,692	79,327	169,585	155,328
Other	821	1,129	1,502	2,719
Total net sales	78,513	80,456	171,087	158,047
Cost of sales	74,628	80,990	167,355	156,100
Gross profit (loss)	3,885	(534)	3,732	1,947
Selling, general and administrative	1,835	1,914	3,488	4,342
Environmental remediation	22	159	128	159
Operating income (loss)	2,028	(2,607)	116	(2,554)
Other income (expense):				
Interest expense	(395)	(254)	(691)	(497)
Other, net	(233)	15	261	230
Total other income (expense)	(628)	(239)	(430)	(267)
Income (loss) before income taxes	1,400	(2,846)	(314)	(2,821)
Income tax expense (benefit)	543	(1,081)	(113)	(1,072)
Net income (loss)	\$ 857	(1,765)	(201)	(1,749)
Earnings (loss) per share – basic and diluted	\$ 0.10	(0.21)	(0.02)	(0.21)
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)

	Six months ended	
	June 30,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (201)	(1,749)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property, plant and equipment	4,466	5,262
Amortization of prepaid maintenance turnaround costs	2,173	2,440
Accretion of asset retirement obligation	665	418
Deferred loan cost amortization	29	45
Unrealized restricted investment gain	(257)	(225)
Share-based compensation	(149)	577
Deferred income taxes	(113)	(1,072)
Changes in operating assets and liabilities:		
Trade and other accounts receivable	7,862	5,537
Inventories	(661)	217
Prepaid expenses and other	239	(2,254)
Freight deposits	3,947	(362)
Accounts payable and accrued expenses	(14,385)	(1,365)
Net cash provided by operating activities	<u>3,615</u>	<u>7,469</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(400)	(400)
Purchases of property, plant and equipment	(3,444)	(4,926)
Net cash used in investing activities	<u>(3,844)</u>	<u>(5,326)</u>
Cash flows from financing activities:		
Net proceeds on revolving credit agreement	—	4,500
Proceeds from financing obligations	379	—
Payments on financing obligations	(1,799)	(1,894)
Payments on long-term debt	(156)	—
Net cash provided by (used in) financing activities	<u>(1,576)</u>	<u>2,606</u>
Net increase (decrease) in cash and cash equivalents	(1,805)	4,749
Cash and cash equivalents at beginning of period	<u>3,024</u>	<u>2,261</u>
Cash and cash equivalents at end of period	<u>\$ 1,219</u>	<u>7,010</u>
Supplemental disclosure of non-cash transaction:		
Revolving credit agreement converted to long-term debt	\$ 15,000	—

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended	
	June 30,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ 857	(1,765)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	2,223	3,135
Amortization of prepaid maintenance turnaround costs	778	1,195
Accretion of asset retirement obligation	331	243
Deferred loan cost amortization	15	18
Unrealized restricted investment (gain) loss	233	(15)
Share-based compensation	(164)	(71)
Deferred income taxes	543	(1,081)
Changes in operating assets and liabilities:		
Trade and other accounts receivable	3,934	373
Inventories	1,505	2,469
Prepaid expenses and other	740	(2,516)
Freight deposits	1,580	347
Accounts payable and accrued expenses	(12,113)	(4,523)
Net cash provided by (used in) operating activities	<u>462</u>	<u>(2,191)</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(1,864)	(3,431)
Net cash used in investing activities	<u>(2,064)</u>	<u>(3,631)</u>
Cash flows from financing activities:		
Net proceeds on revolving credit agreement	2,000	8,500
Payments on financing obligations	(921)	(950)
Payments on long-term debt	(156)	—
Net cash provided by financing activities	<u>923</u>	<u>7,550</u>
Net increase (decrease) in cash and cash equivalents	(679)	1,728
Cash and cash equivalents at beginning of period	<u>1,898</u>	<u>5,282</u>
Cash and cash equivalents at end of period	<u>\$ 1,219</u>	<u>7,010</u>
Supplemental disclosure of non-cash transaction:		
Revolving credit agreement converted to long-term debt	\$ 15,000	—

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Income (loss)	\$ 857	(1,765)	(201)	(1,749)
Interest expense	395	254	691	497
Income tax expense (benefit)	543	(1,081)	(113)	(1,072)
Depreciation, amortization and accretion	<u>3,332</u>	<u>4,573</u>	<u>7,304</u>	<u>8,120</u>
EBITDA	<u>\$ 5,127</u>	<u>1,981</u>	<u>7,681</u>	<u>5,796</u>

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