

Phosphate Holdings, Inc.

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For Immediate Release

News Release

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Phosphate Holdings, Inc. Reports Third Quarter 2011 Financial Results

MADISON, Miss. (November 10, 2011) Phosphate Holdings, Inc. (OTC: PHOS), today reported a third quarter 2011 profit of \$1.5 million, or \$0.18 per diluted share of common stock, compared to earnings of \$2.5 million, or \$0.30 per diluted share of common stock for the same period in 2010.

Total net sales for the third quarter of 2011 were \$94.7 million, a 35 percent increase from total net sales of \$70.4 million for the third quarter of 2010. The average sales price per short ton of DAP during the third quarter of 2011 was \$578, a 27 percent increase from the prior-year period average sales price of \$455. During the third quarter, the Company sold 162,761 tons of DAP, with 112,120 tons moving into domestic markets and 50,641 tons moving into export markets. This represents a 7 percent increase over the 152,500 tons sold in the third quarter of 2010. The Company recorded operating income of \$2.7 million for the third quarter of 2011, compared to operating income of \$3.9 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the third quarter of 2011 were \$6.6 million, compared to EBITDA of \$7.3 million for the third quarter of 2010. In the third quarter of 2010, EBITDA was favorably impacted by litigation settlements, net of related costs, of \$0.8 million.

DAP prices began the quarter at \$595 per short ton, NOLA, and \$645 per metric ton, FOB, U.S. Gulf. At quarter's end, DAP prices were \$586 per short ton, NOLA, and \$635 per metric ton, FOB, U.S. Gulf. Sulfur prices in the quarter were posted at \$220 per long ton, CFR, Tampa. Ammonia prices began the quarter at \$555 per metric ton, CFR, Tampa, and closed the quarter at \$650 per metric ton, CFR, Tampa.

Commenting on third quarter results, Robert E. Jones, Chief Executive Officer, said, "We are pleased to report positive third quarter results. Our third quarter EBITDA of \$6.6 million represents a 234 percent improvement over our second quarter 2011 EBITDA level of \$2.0 million. During the third quarter of 2011, we produced 167,000 tons of DAP, which is the highest DAP production level since our second quarter of 2009. However, sulfuric acid production in one of our two sulfuric acid plants operated throughout the quarter at substantially reduced rates due to a damaged heat exchanger. As a result, approximately 27 percent of our third quarter DAP production was produced with purchased sulfuric acid. DAP produced with purchased sulfuric acid had much lower margins than DAP produced with internally generated sulfuric acid.

"On October 21, 2011, we commenced a major maintenance turnaround during which we addressed all known issues constraining sulfuric acid production. During the course of the turnaround, work was performed on both sulfuric acid plants as well as on the phosphoric acid and DAP plants. The turnaround was completed on November 7, 2011 and, while no assurance can be given, we expect materially improved operating rates. Downtime associated with these maintenance activities will adversely impact fourth quarter operations. We are projecting DAP production of approximately 150,000 to 160,000 tons in the fourth quarter."

Shifting to the near-to-intermediate-term industry outlook, Jones added, "A very late harvest in much of the U.S. has delayed and will shorten the domestic fall application season. As a result, demand has been soft and DAP prices have declined from \$615, on August 1, 2011 to a current level of \$565 per short ton, FOB, NOLA. Looking beyond the 2011 fall season, market underpinnings appear strong with high grain prices, historically low grain stocks and a promising demand outlook for the 2012 spring season."

As of September 30, 2011, the Company had a cash balance of approximately \$4.3 million and borrowings under our revolving credit agreement of \$7.5 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 the foreseeable future.

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 third 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 SUBSIDIARY

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

Assets	September 30, 2011	December 31, 2010
Current assets:		
Cash and cash equivalents	\$ 4,278	2,261
Trade accounts receivable	8,396	11,414
Other receivables	543	11
Inventories	28,081	26,141
Prepaid expenses and other	6,344	8,329
Deferred income taxes	5,655	336
Total current assets	53,297	48,492
Freight deposits	5,305	5,636
Restricted investments held in trust, at fair value	5,753	5,657
Property, plant and equipment, net	62,501	61,402
Other	491	553
Total assets	\$ 127,347	121,740
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,471	1,804
Accrued expenses	32,732	29,783
Financing obligations	642	3,492
Revolving credit agreement	7,500	9,000
Total current liabilities	44,345	44,079
Asset retirement obligations	16,969	16,307
Deferred income taxes	6,747	1,836
Total liabilities	68,061	62,222
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	23,542	23,774
Total stockholders' equity	59,286	59,518
Total liabilities and stockholders' equity	\$ 127,347	121,740

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net sales:				
DAP	\$ 94,014	69,353	249,342	189,680
Other	<u>646</u>	<u>1,020</u>	<u>3,365</u>	<u>2,877</u>
Total net sales	94,660	70,373	252,707	192,557
Cost of sales	<u>90,448</u>	<u>65,306</u>	<u>246,548</u>	<u>183,868</u>
Gross profit	4,212	5,067	6,159	8,689
Selling, general and administrative expenses	1,514	1,642	5,856	4,654
Environmental remediation	—	260	159	3,731
Litigation recoveries, net	<u>—</u>	<u>(750)</u>	<u>—</u>	<u>(750)</u>
Operating income	2,698	3,915	144	1,054
Other income (expense):				
Interest expense	(272)	(280)	(769)	(850)
Other, net	<u>(677)</u>	<u>413</u>	<u>(447)</u>	<u>178</u>
Total other income (expense)	<u>(949)</u>	<u>133</u>	<u>(1,216)</u>	<u>(672)</u>
Income (loss) before income taxes	1,749	4,048	(1,072)	382
Income tax expense (benefit)	<u>232</u>	<u>1,539</u>	<u>(840)</u>	<u>171</u>
Net income (loss)	<u>\$ 1,517</u>	<u>2,509</u>	<u>(232)</u>	<u>211</u>
Income (loss) per share – basic and diluted	\$ 0.18	0.30	(0.03)	0.03
Weighted average common shares outstanding – basic and diluted	8,411	8,411	8,411	8,411

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

	Nine months ended	
	September 30,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ (232)	211
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	8,169	5,508
Amortization of prepaid maintenance turnaround costs	3,891	2,782
Accretion of asset retirement obligation	662	377
Deferred loan cost amortization	60	202
Unrealized restricted investment (gain) loss	504	(150)
Share-based compensation	284	398
Deferred income taxes	(408)	146
Other	2	3
Changes in operating assets and liabilities:		
Trade and other accounts receivable	2,486	(6,258)
Income taxes receivable	—	574
Inventories	(1,940)	(9,611)
Prepaid expenses and other	(1,906)	(3,591)
Freight deposits - long term	331	(4,582)
Prepaid insurance - long term	—	(607)
Accounts payable and accrued expenses	4,332	15,145
Net cash provided by operating activities	<u>16,235</u>	<u>547</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(600)	(600)
Purchases of property, plant and equipment	(9,268)	(5,938)
Net cash used in investing activities	<u>(9,868)</u>	<u>(6,538)</u>
Cash flows from financing activities:		
Net borrowings (payments) on revolving credit agreement	(1,500)	9,295
Proceeds from financing obligations	—	3,784
Payments on financing obligations	(2,850)	(2,494)
Payments on term debt	—	(2,400)
Deferred loan costs	—	(622)
Net cash provided by (used in) financing activities	<u>(4,350)</u>	<u>7,563</u>
Net increase in cash and cash equivalents	2,017	1,572
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>\$ 4,278</u>	<u>3,639</u>

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended	
	September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 1,517	2,509
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	2,907	1,875
Amortization of prepaid maintenance turnaround costs	1,451	947
Accretion of asset retirement obligation	244	129
Deferred loan cost amortization	15	27
Unrealized restricted investment (gain) loss	729	(412)
Share-based compensation	(293)	71
Deferred income taxes	664	1,539
Other	2	5
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(3,051)	(2,609)
Inventories	(2,157)	(1,018)
Prepaid expenses and other	348	(348)
Freight deposits – long term	693	(1,418)
Prepaid insurance – long term	-	676
Accounts payable and accrued expenses	5,697	(89)
Net cash provided by operating activities	<u>8,766</u>	<u>1,884</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(4,342)	(1,407)
Net cash used in investing activities	<u>(4,542)</u>	<u>(1,607)</u>
Cash flows from financing activities:		
Net borrowings (payments) on revolving credit agreement	(6,000)	1,200
Payments on financing obligations	(956)	(929)
Deferred loan costs	-	(1)
Net cash provided by (used in) financing activities	<u>(6,956)</u>	<u>270</u>
Net increase (decrease) in cash and cash equivalents	(2,732)	547
Cash and cash equivalents at beginning of period	<u>7,010</u>	<u>3,092</u>
Cash and cash equivalents at end of period	<u>\$ 4,278</u>	<u>3,639</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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income (loss)	\$ 1,517	2,509	\$ (232)	211
Interest expense	272	280	769	850
Income tax expense (benefit)	232	1,539	(840)	171
Depreciation, amortization and accretion	4,602	2,951	12,722	8,667
EBITDA	\$ <u>6,623</u>	<u>7,279</u>	\$ <u>12,419</u>	<u>9,899</u>

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