

Phosphate Holdings, Inc.

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For Immediate Release

News Release

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Phosphate Holdings, Inc. Reports Third Quarter 2012 Financial Results

MADISON, Miss. (December 17, 2012) Phosphate Holdings, Inc. (OTC: PHOS), today reported third quarter of 2012 net loss of \$4.8 million, or \$0.57 per diluted share of common stock, compared to net income of \$1.5 million, or \$0.18 per diluted share of common stock for the same period in 2011. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the third quarter of 2012 were negative \$3.7 million, compared to positive EBITDA of \$6.6 million for the third quarter of 2011.

Total net sales for the third quarter of 2012 were \$70.3 million, a 26 percent decrease from total net sales of \$94.7 million for the third quarter of 2011. The average sales price per short ton of DAP during the third quarter of 2012 was \$496, a 14 percent decrease from the prior-year period average sales price of \$578. During the third quarter, the Company sold 140,258 tons of DAP, with 31,335 tons moving into export markets and 108,923 tons moving into domestic markets. This compares with 162,761 tons of DAP sold in the third quarter of 2011. The Company had an operating loss of \$7.6 million for the third quarter of 2012, compared to operating income of \$2.7 million for the prior-year period.

As of September 30, 2012, the Company had a cash balance of approximately \$2.9 million and borrowings under our credit agreement of \$14.4 million. During the third quarter, the Company expended \$2.8 million on capital expenditures. The Company continues to aggressively manage its liquidity.

On November 30, 2012, the Company and OCP S.A. agreed to extend the term of their Agreement for the Purchase and Sale of Phosphate Rock dated August 27, 2009, through June 30, 2013. The Agreement was scheduled to expire on December 31, 2012.

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 June 30, 2013, (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	September 30, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents	\$ 2,878	3,024
Trade accounts receivable	8,299	14,871
Other receivables	296	57
Inventories	16,593	25,075
Prepaid expenses and other	10,641	13,338
Deferred income taxes	1,451	841
Total current assets	40,158	57,206
Freight deposits	—	3,947
Restricted investments held in trust, at fair value	7,445	6,318
Property, plant and equipment, net	63,193	63,650
Deferred income taxes	744	—
Other	434	477
Total assets	\$ 111,974	131,598
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,262	3,376
Accrued expenses	19,041	32,313
Short-term financing obligations	686	2,965
Current maturities of long-term debt	1,875	—
Revolving credit agreement	—	15,000
Total current liabilities	26,864	53,654
Long-term debt	12,500	—
Long-term financing obligations	294	—
Asset retirement obligations	18,624	17,627
Deferred income taxes	—	1,607
Total liabilities	58,282	72,888
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	17,948	22,966
Total stockholders' equity	53,692	58,710
Total liabilities and stockholders' equity	\$ 111,974	131,598

PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net sales:				
DAP	\$ 69,558	94,014	239,143	249,342
Other	<u>697</u>	<u>646</u>	<u>2,199</u>	<u>3,365</u>
Total net sales	70,255	94,660	241,342	252,707
Cost of sales	<u>76,922</u>	<u>90,448</u>	<u>244,277</u>	<u>246,548</u>
Gross profit (loss)	(6,667)	4,212	(2,935)	6,159
Selling, general and administrative	1,609	1,514	5,097	5,856
Environmental remediation, net	<u>(694)</u>	<u>—</u>	<u>(566)</u>	<u>159</u>
Operating income (loss)	(7,582)	2,698	(7,466)	144
Other income (expense):				
Interest expense	(353)	(272)	(1,044)	(769)
Other, net	<u>270</u>	<u>(677)</u>	<u>531</u>	<u>(447)</u>
Total other income (expense)	(83)	(949)	(513)	(1,216)
Income (loss) before income taxes	(7,665)	1,749	(7,979)	(1,072)
Income tax expense (benefit)	<u>(2,848)</u>	<u>232</u>	<u>(2,961)</u>	<u>(840)</u>
Net income (loss)	\$ <u>(4,817)</u>	<u>1,517</u>	<u>(5,018)</u>	<u>(232)</u>
Earnings (loss) per share – basic and diluted	\$ (0.57)	0.18	(0.60)	(0.03)
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)

	Nine months ended	
	September 30,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (5,018)	(232)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property, plant and equipment	6,692	8,169
Amortization of prepaid maintenance turnaround costs	3,272	3,891
Accretion of asset retirement obligation	997	662
Deferred loan cost amortization	43	60
Unrealized restricted investment (gain) loss	(527)	504
Share-based compensation	(167)	284
Deferred income taxes	(2,961)	(408)
Other	1	2
Changes in operating assets and liabilities:		
Trade and other accounts receivable	6,333	2,486
Inventories	8,482	(1,940)
Prepaid expenses and other	(575)	(1,906)
Freight deposits	3,947	331
Accounts payable and accrued expenses	(11,219)	4,332
Net cash provided by operating activities	<u>9,300</u>	<u>16,235</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(600)	(600)
Purchases of property, plant and equipment	(6,239)	(9,268)
Proceeds from sale of assets	3	—
Net cash used in investing activities	<u>(6,836)</u>	<u>(9,868)</u>
Cash flows from financing activities:		
Net payments on revolving credit agreement	—	(1,500)
Proceeds from financing obligations	745	—
Payments on financing obligations	(2,730)	(2,850)
Payments on long-term debt	(625)	—
Net cash used in financing activities	<u>(2,610)</u>	<u>(4,350)</u>
Net increase (decrease) in cash and cash equivalents	(146)	2,017
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>\$ 2,878</u>	<u>4,278</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	
	September 30,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ (4,817)	1,517
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	2,226	2,907
Amortization of prepaid maintenance turnaround costs	1,099	1,451
Accretion of asset retirement obligation	332	244
Deferred loan cost amortization	14	15
Unrealized restricted investment (gain) loss	(270)	729
Share-based compensation	(18)	(293)
Deferred income taxes	(2,848)	664
Other	1	2
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(1,529)	(3,051)
Inventories	9,143	(2,157)
Prepaid expenses and other	(814)	348
Freight deposits	—	693
Accounts payable and accrued expenses	3,166	5,697
Net cash provided by operating activities	<u>5,685</u>	<u>8,766</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(2,795)	(4,342)
Proceeds from sale of assets	3	—
Net cash used in investing activities	<u>(2,992)</u>	<u>(4,542)</u>
Cash flows from financing activities:		
Net payments on revolving credit agreement	—	(6,000)
Proceeds from financing obligations	366	—
Payments on financing obligations	(931)	(956)
Payments on long-term debt	(469)	—
Net cash used in financing activities	<u>(1,034)</u>	<u>(6,956)</u>
Net increase (decrease) in cash and cash equivalents	1,659	(2,732)
Cash and cash equivalents at beginning of period	<u>1,219</u>	<u>7,010</u>
Cash and cash equivalents at end of period	<u>\$ 2,878</u>	<u>4,278</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,	
	2012	2011	2012	2011
Net Income (loss)	\$ (4,817)	1,517	(5,018)	(232)
Interest expense	353	272	1,044	769
Income tax expense (benefit)	(2,848)	232	(2,961)	(840)
Depreciation, amortization and accretion	3,657	4,602	10,961	12,722
EBITDA	\$ <u>(3,655)</u>	<u>6,623</u>	<u>4,026</u>	<u>12,419</u>

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