

# Phosphate Holdings, Inc.

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## For Immediate Release

## News Release

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### Phosphate Holdings, Inc. Reports Fourth Quarter and Annual 2011 Financial Results

MADISON, Miss. (April 17, 2012) Phosphate Holdings, Inc. (OTC: PHOS), today reported a fourth quarter 2011 loss of \$0.6 million, or \$(0.07) per share of common stock, compared to income of \$0.9 million, or \$0.10 per share of common stock for the same period in 2010. Net loss for the year ended December 31, 2011 was \$0.8 million, or \$(0.10) per share of common stock, as compared to income of \$1.1 million, or \$0.13 per share of common stock for the same period last year.

Net sales for the fourth quarter of 2011 were \$99.6 million, a 45 percent increase from net sales of \$68.5 million for the fourth quarter of 2010. The average sales price per short ton of DAP during the fourth quarter of 2011 was \$539, a 1 percent increase from the prior-year period average sales price of \$534. During the fourth quarter, the Company sold 183,436 tons of DAP, with 57,011 tons moving into domestic markets. The Company had operating losses of \$1.0 million for the fourth quarter of 2011, compared to operating income of \$1.3 million for the prior-year period. Earnings before interest, taxes, depreciation, amortization and accretion (EBITDA) for the fourth quarter of 2011 were \$3.5 million, compared to EBITDA of \$5.2 million for the fourth quarter of 2010.

Net sales for the year ended December 31, 2011 were \$352.3 million, a 35 percent increase from net sales of \$261.1 million for the year ended December 31, 2010. The Company had operating losses of \$0.8 million for the year ended December 31, 2011, compared to operating income of \$2.3 million for the prior-year period. EBITDA for the year ended December 31, 2011 was \$15.9 million, compared to EBITDA of \$15.1 million for the same period in 2010.

Robert E. Jones, Chief Executive Officer, said, "Our fourth quarter operating results were impacted by a planned maintenance turnaround early in the quarter and by falling DAP prices late in the quarter. DAP prices declined sharply late in the fourth quarter. During December, posted DAP prices per short ton, FOB NOLA, dropped from approximately \$560 to approximately \$450. With sulfur prices fixed for the quarter and ammonia prices at elevated levels, our margins contracted. This margin squeeze was partially offset by very encouraging results from our October/November turnaround. In December 2011, we had the highest DAP and sulfuric acid production since mid-2008. We continue to experience production improvements in 2012 as compared to recent historical results.

"From a market perspective during the fourth quarter of 2011, the average posted DAP price was \$552 per short ton, NOLA, sulfur prices were posted at \$220 per long ton, CFR, Tampa, and ammonia prices hit a peak of \$705 per metric ton before closing at \$555 per metric ton, CFR, Tampa."

In addressing the industry outlook, Jones added, "Agricultural fundamentals for the U.S. farmer remain very attractive. The USDA estimates 95.9 million acres of corn will be planted in the U.S. this spring. This represents the largest planted corn acreage since 1937. Nonetheless, distributors and retailers were very reluctant to stock inventories in advance of the planting season. This reluctance has led to further price deterioration with the average first quarter 2012 posted DAP price of \$444 per short ton, NOLA, and \$516 per

metric ton, U.S. Gulf. These depressed DAP prices will negatively impact our first quarter results. However, in the first two weeks of April, product movement has been brisk and DAP prices are improving.”

As of December 31, 2011, the Company had a cash balance of approximately \$3.0 million and \$15.0 million in borrowings under its revolving credit agreement. Approximately \$3.2 million was spent on capital expenditures in the fourth quarter of 2011, and \$12.5 million for the year ended December 31, 2011. Based on current phosphate market conditions, DAP production rates and available credit facilities, the Company believes that it has adequate liquidity to meet its operating and other cash flow needs throughout 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 fourth quarter and year end 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 SUBSIDIARIES**

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

<b>Assets</b>	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents	\$ 3,024	2,261
Trade accounts receivable	14,871	11,414
Other receivables	57	11
Inventories	25,075	26,141
Prepaid expenses and other	13,338	8,329
Deferred income taxes	841	336
Total current assets	57,206	48,492
Freight deposits	3,947	5,636
Restricted investments held in trust, at fair value	6,318	5,657
Property, plant and equipment, net	63,650	61,402
Other	477	553
Total assets	\$ 131,598	121,740
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,376	1,804
Accrued expenses	32,313	29,783
Short-term financing obligations	2,965	3,492
Revolving credit agreement	15,000	9,000
Total current liabilities	53,654	44,079
Asset retirement obligations	17,627	16,307
Deferred income taxes	1,607	1,836
Total liabilities	72,888	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	22,966	23,774
Total stockholders' equity	58,710	59,518
Total liabilities and stockholders' equity	\$ 131,598	121,740

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	<b>Three months ended December 31,</b>		<b>Twelve months ended December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net sales:				
DAP	\$ 98,941	67,553	348,283	257,233
Other	685	986	4,050	3,863
Total net sales	99,626	68,539	352,333	261,096
Cost of sales	98,751	66,063	345,299	249,931
Gross profit	875	2,476	7,034	11,165
Selling, general and administrative expenses	1,866	2,204	7,722	6,858
Environmental remediation	—	297	159	4,028
Litigation recoveries, net	—	(1,303)	—	(2,053)
Operating income (loss)	(991)	1,278	(847)	2,332
Other income (expense):				
Interest, net	(276)	(257)	(1,045)	(1,107)
Other, net	365	356	(82)	534
Total other income (expense)	89	99	(1,127)	(573)
Income (loss) before income taxes	(902)	1,377	(1,974)	1,759
Income tax expense (benefit)	(326)	524	(1,166)	695
Net income (loss)	\$ (576)	853	(808)	1,064
Earnings (loss) per share – basic	\$ (0.07)	0.10	(0.10)	0.13
Earnings (loss) per share – diluted	\$ (0.07)	0.10	(0.10)	0.13
Weighted average common shares outstanding – basic	8,411	8,411	8,411	8,411
Weighted average common shares outstanding – diluted	8,411	8,411	8,411	8,411

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Years Ended December 31,</b>	
	<u><b>2011</b></u>	<u><b>2010</b></u>
Cash flows from operating activities:		
Net income (loss)	\$ (808)	1,064
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	10,656	7,571
Amortization of prepaid maintenance turnaround costs	5,265	3,967
Accretion of asset retirement obligation	906	659
Deferred loan cost amortization	74	229
Unrealized restricted investment (gain) loss	139	(507)
Share-based compensation	12	697
Deferred income taxes	(734)	670
Other	2	8
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(3,503)	(8,361)
Income taxes receivable	—	574
Inventories	1,066	(8,554)
Prepaid expenses and other	(10,274)	(7,442)
Freight deposits	1,689	(5,636)
Accounts payable and accrued expenses	4,090	18,276
Net cash provided by operating activities	<u>8,580</u>	<u>3,215</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(800)	(800)
Purchases of property, plant and equipment	<u>(12,490)</u>	<u>(9,702)</u>
Net cash used in investing activities	<u>(13,290)</u>	<u>(10,502)</u>
Cash flows from financing activities:		
Net borrowings (payments) on revolving credit agreement	6,000	9,000
Proceeds from financing obligations	2,965	4,836
Payments on financing obligations	(3,492)	(3,333)
Payment of deferred loan costs	—	(622)
Payments on term loan	<u>—</u>	<u>(2,400)</u>
Net cash provided by financing activities	<u>5,473</u>	<u>7,481</u>
Net increase in cash and cash equivalents	763	194
Cash and cash equivalents at beginning of year	<u>2,261</u>	<u>2,067</u>
Cash and cash equivalents at end of year	<u>\$ 3,024</u>	<u>2,261</u>

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Three Months ended December 31,</b>	
	<u><b>2011</b></u>	<u><b>2010</b></u>
Cash flows from operating activities:		
Net income (loss)	\$ (576)	853
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	2,487	2,063
Amortization of prepaid maintenance turnaround costs	1,374	1,185
Accretion of asset retirement obligation	244	282
Deferred loan cost amortization	14	27
Unrealized restricted investment gain	(365)	(357)
Share-based compensation	(272)	304
Deferred income taxes	(326)	524
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(5,989)	(2,103)
Inventories	3,006	1,057
Prepaid expenses and other	(8,368)	(3,851)
Freight deposits	1,358	(1,054)
Long-term prepaid insurance	—	607
Accounts payable and accrued expenses	(242)	3,131
Net cash provided by (used in) operating activities	<u>(7,655)</u>	<u>2,668</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	<u>(3,222)</u>	<u>(3,764)</u>
Net cash used in investing activities	<u>(3,422)</u>	<u>(3,964)</u>
Cash flows from financing activities:		
Net borrowings (payments) on revolving credit agreement	7,500	(295)
Proceeds from financing obligations	2,965	1,052
Payments on financing obligations	<u>(642)</u>	<u>(839)</u>
Net cash provided by (used in) financing activities	<u>9,823</u>	<u>(82)</u>
Net decrease in cash and cash equivalents	(1,254)	(1,378)
Cash and cash equivalents at beginning of year	<u>4,278</u>	<u>3,639</u>
Cash and cash equivalents at end of year	<u>\$ 3,024</u>	<u>2,261</u>

## PHOSPHATE HOLDINGS, INC. AND SUBSIDIARIES

### 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 December 31,</b>		<b>Twelve Months ended December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ (576)	853	(808)	1,064
Interest, net	276	257	1,045	1,107
Income tax expense (benefit)	(326)	524	(1,166)	695
Depreciation, amortization and accretion	4,105	3,530	16,827	12,197
EBITDA	\$ <u>3,479</u>	<u>5,164</u>	<u>15,898</u>	<u>15,063</u>

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