

# Phosphate Holdings, Inc.

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**For Immediate Release**

**News Release**

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## **Phosphate Holdings, Inc. Reports Third Quarter 2010 Financial Results**

MADISON, Miss. (November 9, 2010) Phosphate Holdings, Inc. (OTC: PHOS), today reported a third quarter 2010 profit of \$2.5 million, or \$0.30 per diluted share of common stock, compared to earnings of \$0.7 million, or \$0.09 per diluted share of common stock for the same period in 2009.

Total net sales for the third quarter of 2010 were \$70.4 million, a 67 percent increase from total net sales of \$42.1 million for the third quarter of 2009. The average sales price per short ton of DAP during the third quarter of 2010 was \$455, a 70 percent increase from the prior-year period average sales price of \$267. During the third quarter, the Company sold 152,500 tons of DAP, all into the domestic market. The Company recorded operating income of \$3.9 million for the third quarter of 2010, compared to operating income of \$0.9 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the third quarter of 2010 was \$7.3 million, compared to EBITDA of \$3.8 million for the third quarter of 2009. In the third quarter of 2010 and 2009, EBITDA was favorably impacted by litigation settlements, net of related costs, of \$0.8 million and \$3.0 million, respectively.

During its third fiscal quarter of 2010, production problems impaired the Company's ability to fully participate in a rapidly improving phosphate market. A waste heat boiler in one of the Company's sulfuric acid plants, which failed during June 2010, was repaired by the end of the second quarter; however, collateral damage to other parts of the plant caused by the boiler failure could not be addressed until the scheduled maintenance turnaround currently underway. For the third quarter, the Company's sulfuric acid production was approximately 187,000 tons, or 77 percent of originally planned levels. Reduced sulfuric acid production had a corresponding unfavorable impact on DAP production, which was approximately 156,000 short tons.

From a market perspective, the third quarter of 2010 saw significant upward movement in DAP prices. DAP prices began the quarter at \$408 per short ton, NOLA, and \$458 per metric ton, FOB, U.S. Gulf. At quarter's end, DAP prices were \$550 per short ton, NOLA, and \$566 per metric ton, FOB, U.S. Gulf. Sulfur prices in the quarter were posted at \$95 per long ton, CFR, Tampa. Ammonia prices began the quarter at \$355 per metric ton, CFR, Tampa, and closed the quarter at \$465 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 despite the significant carry-over impact of operational issues, which first arose during our second fiscal quarter. In the face of steadily deteriorating instantaneous production rates, our operating and maintenance personnel at Pascagoula did an admirable job of keeping our sulfuric acid plants online. We also did a good job of controlling overall spending for the quarter. As a result of these efforts and improving market fundamentals, we were able to bounce back from a very difficult second fiscal quarter of 2010. Our third quarter EBITDA of \$7.3 million represents an increase of nearly \$12 million over our second quarter 2010 EBITDA level of negative \$4.6 million.

On November 1, 2010, we commenced a major maintenance turnaround during which we plan to address all known issues constraining sulfuric acid, phosphoric acid and DAP production. During the course of the turnaround, work will be performed on both sulfuric acid plants as well as on the phosphoric acid and DAP plants. The downtime associated with these maintenance activities will adversely impact fourth quarter operations. For the quarter, we are projecting DAP production of approximately 140,000 to 150,000 tons.

While no assurance can be given, we currently expect to emerge from the November turnaround at materially improved operating rates.”

Shifting to the near-to-intermediate-term industry outlook, Jones added, “The balance of 2010 and the first half of 2011 look promising. Since mid-summer, grain and other crop prices have increased substantially, driven by strong demand and lower expectations for the 2010 global harvest. This has created favorable expectations for crop economics, planted acreage and fertilizer demand. During the fourth quarter to date, DAP prices have remained firm domestically, while international prices have strengthened. Given the current tight phosphate supply/demand balance in the U.S., the outlook for the 2011 spring planting season is positive.”

The Company will host a conference call on November 11, 2010, at 3:30 p.m., CST, to discuss the Company’s operating results for the third quarter ended September 30, 2010. Call-in numbers are:

**Q&A, Toll free: (877) 377-7544**  
**Q&A, International 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>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,639	2,067
Trade accounts receivable	7,668	3,059
Income taxes receivable	-	574
Other receivables	1,654	5
Inventories	27,198	17,587
Prepaid expenses and other	5,663	4,854
Deferred income taxes	899	-
Total current assets	<u>46,721</u>	<u>28,146</u>
Deposits	4,582	-
Restricted investments held in trust, at fair value	5,100	4,350
Property, plant and equipment, net	49,181	48,751
Other	1,187	163
Total assets	<u>\$ 106,771</u>	<u>81,410</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,049	1,578
Accrued expenses	27,103	11,031
Short-term financing obligations	2,829	1,989
Revolving credit agreement	9,295	-
Current maturities of long-term debt	-	600
Deferred income taxes	-	124
Total current liabilities	<u>40,276</u>	<u>15,322</u>
Long-term debt, less current maturities	450	1,800
Asset retirement obligations	5,505	5,128
Deferred income taxes	1,875	706
Total liabilities	<u>48,106</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	22,921	22,710
Total stockholders' equity	<u>58,665</u>	<u>58,454</u>
Total liabilities and stockholders' equity	<u>\$ 106,771</u>	<u>81,410</u>

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY**

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net sales:				
DAP	\$ 69,353	41,430	189,680	136,321
Other	1,020	690	2,877	2,765
Total net sales	70,373	42,120	192,557	139,086
Cost of sales	65,306	42,588	183,868	155,864
Gross profit (loss)	5,067	(468)	8,689	(16,778)
Selling, general and administrative expenses	1,642	1,030	4,654	4,575
Environmental remediation	260	600	3,731	600
Litigation recoveries, net	(750)	(3,041)	(750)	(3,041)
Insurance recoveries	-	-	-	(1,615)
Operating income (loss)	3,915	943	1,054	(17,297)
Other income (expense):				
Interest expense	(280)	(161)	(850)	(454)
Other, net	413	441	178	582
Total other income (expense)	133	280	(672)	128
Income (loss) before income taxes	4,048	1,223	382	(17,169)
Income tax expense (benefit)	1,539	499	171	(6,436)
Net income (loss)	\$ 2,509	724	211	(10,733)
Earnings (loss) per share – basic	\$ 0.30	0.09	0.03	(1.40)
Earnings (loss) per share – diluted	\$ 0.30	0.09	0.03	(1.40)
Weighted average common shares outstanding – basic	8,411	7,654	8,411	7,654
Weighted average common shares outstanding – diluted	8,411	7,962	8,411	7,654

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

	<b>Nine months ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Net income (loss)	\$ 211	(10,733)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property, plant and equipment	5,508	5,032
Amortization of prepaid maintenance turnaround costs	2,782	2,281
Accretion of asset retirement obligation	377	357
Deferred loan cost amortization	202	54
Share-based compensation	398	234
Unrealized restricted investment gain	(150)	(471)
Deferred income taxes	146	(6,567)
Increase in deposits	(4,582)	-
Increase in long-term prepaid insurance	(607)	-
Other	3	2
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(6,258)	(6,662)
Income taxes receivable	574	20,209
Inventories	(9,611)	2,422
Prepaid expenses and other	(3,591)	(1,517)
Accounts payable and accrued expenses	15,145	3,639
Net cash provided by operating activities	547	8,280
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(600)	(600)
Purchases of property, plant and equipment	(5,938)	(4,679)
Net cash used in investing activities	(6,538)	(5,279)
Cash flows from financing activities:		
Net borrowings (payments) on revolving credit agreement	9,295	(3,175)
Proceeds from financing obligations	3,784	2,324
Payments on financing obligations	(2,494)	(2,637)
Payments on term debt	(2,400)	(450)
Deferred loan costs	(622)	(108)
Net cash provided by (used in) financing activities	7,563	(4,046)
Net increase (decrease) in cash and cash equivalents	1,572	(1,045)
Cash and cash equivalents at beginning of period	2,067	2,153
Cash and cash equivalents at end of period	\$ 3,639	1,108
Supplemental disclosure of non-cash transaction:		
Delivery of inventory to settle deposits on future sales obligation	\$ -	24,600

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY**

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Net income	\$ 2,509	724
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, plant and equipment	1,875	1,708
Amortization of prepaid maintenance turnaround costs	947	560
Accretion of asset retirement obligation	129	122
Deferred loan cost amortization	27	18
Share-based compensation	71	73
Unrealized restricted investment gain	(412)	(331)
Deferred income taxes	1,539	468
Increase in deposits	(1,418)	-
Decrease in long-term prepaid insurance	676	-
Other	5	-
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(2,609)	(13,228)
Inventories	(1,018)	1,641
Prepaid expenses and other	(348)	(1,231)
Accounts payable and accrued expenses	(89)	7,092
Net cash provided by (used in) operating activities	<u>1,884</u>	<u>(2,384)</u>
Cash flows from investing activities:		
Purchases of restricted investments held in trust	(200)	(200)
Purchases of property, plant and equipment	(1,407)	(928)
Net cash used in investing activities	<u>(1,607)</u>	<u>(1,128)</u>
Cash flows from financing activities:		
Net proceeds from revolving credit agreement	1,200	5,267
Payments on financing obligations	(929)	(880)
Payments on term debt	-	(150)
Deferred loan costs	(1)	-
Net cash provided by financing activities	<u>270</u>	<u>4,237</u>
Net increase in cash and cash equivalents	547	725
Cash and cash equivalents at beginning of period	<u>3,092</u>	<u>383</u>
Cash and cash equivalents at end of period	<u>\$ 3,639</u>	<u>1,108</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 September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net income (loss)	\$ 2,509	724	\$ 211	(10,733)
Interest expense	280	161	850	454
Income tax expense (benefit)	1,539	499	171	(6,436)
Depreciation, amortization and accretion	2,951	2,390	8,667	7,670
EBITDA	\$ 7,279	3,774	\$ 9,899	(9,045)

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