

# Phosphate Holdings, Inc.

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**For Immediate Release**

**News Release**

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## **Phosphate Holdings, Inc. Reports Fourth Quarter and Annual 2009 Financial Results**

*MADISON, Miss. (March 25, 2010)* Phosphate Holdings, Inc. (OTC: PHOS), today reported fourth quarter 2009 losses of \$2.8 million, or \$0.36 per share of common stock, compared to losses of \$58.1 million, or \$7.59 per share of common stock for the same period in 2008. Net losses for the year ended December 31, 2009 were \$13.6 million or \$1.76 per share of common stock, as compared to losses of \$3.5 million, or \$0.46 per share of common stock for the same period last year. The Company's 2009 year-to-date results were materially impacted by inventory write-downs to net realizable value of approximately \$10.4 million.

Net sales for the fourth quarter of 2009 were \$47.2 million, a 32 percent increase from net sales of \$35.8 million for the fourth quarter of 2008. The average sales price per short ton of DAP during the fourth quarter of 2009 was \$276, a 42 percent decrease from the prior-year period average sales price of \$478. During the fourth quarter, the Company sold 168,078 tons of DAP, with 84,324 moving into export markets. The Company had operating losses of \$4.4 million for the fourth quarter of 2009, compared to operating losses of \$90.5 million for the prior-year period. Earnings before interest, taxes, depreciation and amortization and other non-cash charges (EBITDA) for the fourth quarter of 2009 were negative \$1.9 million, compared to EBITDA of negative \$88.5 million for the fourth quarter of 2008. Fourth quarter 2008 EBITDA was negatively impacted by inventory write-downs to net realizable value of \$84.8 million.

Net sales for the year ended December 31, 2009 were \$186.3 million, a 58 percent decrease from net sales of \$445.8 million for the year ended December 31, 2008. The Company incurred an operating loss of \$21.7 million for the year ended December 31, 2009, compared to an operating loss of \$4.5 million for the prior-year period. EBITDA for the year ended December 31, 2009 was negative \$10.9 million, compared to positive EBITDA of \$5.9 million for the same period in 2008. EBITDA in 2009 and 2008, were negatively impacted by inventory write-downs of \$10.4 million and \$87.7 million, respectively.

Robert E. Jones, Chief Executive Officer, said, "The fourth quarter of 2009 was one of transition in the phosphate market. After an extended period of sluggish phosphate demand due, in part, to weather conditions, uncertainty of product prices and inadequate credit availability, DAP prices began to recover. DAP prices increased from a low of \$262 per short ton, NOLA, during mid-November of 2009, to \$334 per short ton, NOLA, at year end. As of March 22, 2010, DAP prices approximate \$425 per short ton, NOLA, while export prices are approximately \$440 per metric ton, U.S. Gulf.

The resurgence in DAP prices is attributable to both buyers and sellers realizing that phosphate stocks throughout the supply channel are low and the anticipation of a strong spring planting season. With depleted nutrients in the farmers' soil, coupled with low fall 2009 application levels due to the late harvest, we expect strong demand for fertilizer throughout 2010.

With the improvements in DAP demand and price, we are experiencing raw material input cost increases and, in one case, availability issues. Most notable has been the \$60 increase in sulfur to \$90 per long ton for the first quarter of 2010. More problematic has been near-term supply shortages of sulfur. Changes in oil refinery feedstock and product mix and recent turnarounds have led to a shortage of sulfur. While ammonia availability has not been an issue, prices in the U.S. Gulf have increased significantly since year end from \$300 per metric ton, CFR, to \$450 per metric ton, CFR, in March 2010."

Operational issues have negatively impacted the Company's results for the fourth quarter of 2009 and during the first quarter of 2010 to date. During the fourth quarter of 2009, the Company produced 153,873 short tons of DAP; approximately 83% of planned production levels for the quarter. This shortfall resulted from various unplanned outages in our sulfuric acid operations. In late 2009, the Company completed a comprehensive review of the operational issues hindering our sulfuric acid production. Several of the key issues identified were addressed in our planned turnaround of the No. 2 sulfuric acid plant in January 2010, and an unplanned four-day outage in the No. 3 sulfuric acid plant in December 2009. Improvements in the operating factors were achieved in both sulfuric acid plants.

Various factors, including extreme cold temperatures and heavy rainfall events, have negatively impacted our operations during the first quarter of 2010. Subsequent to the turnaround on the No. 2 sulfuric acid plant, problems with the coolers in the interstage absorption towers have developed and we are working to replace the applicable coolers. The planned turnaround, weather factors and interstage absorption tower cooler problems will impact our DAP production during the first quarter of 2010.

As of December 31, 2009, the Company had a cash balance of approximately \$2.1 million and no outstanding borrowings under its revolving credit agreement. We spent approximately \$0.3 million on capital expenditures in the fourth quarter of 2009, and \$4.9 million for the year ended December 31, 2009.

With respect to environmental matters, Mr. Jones commented, "We continue to fully cooperate with the Environmental Protection Agency (EPA) and the Mississippi Department of Environmental Quality (MDEQ) on their respective Administrative Order under Section 7003(a) of RCRA and the Notice of Violation issued on September 23, 2009. During the year ended December 31, 2009, we expensed approximately \$1.3 million and capitalized costs of approximately \$0.1 million related to these matters. We estimate we could incur additional capital costs of \$1.7 million to address the EPA and MDEQ requirements.

Mr. Rex M. Deloach resigned from the Company's Board of Directors on February 24, 2010.

The Company will host a conference call on Thursday, April 8, 2010, at 3:30 p.m., CST, to discuss the Company's operating results for the fourth quarter and year ended December 31, 2009. Call-in numbers are:

**Q&A, Toll free: (877) 377-7544**  
**Q&A, Toll: (408) 940-3815**  
**Conference ID# 65639999**

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 and events pertaining to the recent financial credit crisis, (v) possible unscheduled plant outages and other operating difficulties, (vi) price competition and capacity expansions and reductions from both domestic and international competitors, (vii) foreign government agricultural policies (in particular, the policies of the governments of India and China), (viii) the relative unpredictability of international and local economic conditions, (ix) the relative value of the U.S. dollar, (x) regulations regarding the environment and the sale and transportation of fertilizer products, (xi) impact of future storms (xii) changes in our relationship with OCP, and (xiii) changes in our relationship with our lenders. 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)

(Unaudited)

| <b>Assets</b>  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2009</b>         | <b>2008</b> |
| Current assets:  |                     |             |
| Cash and cash equivalents  | \$ 2,067            | 2,153       |
| Trade accounts receivable  | 3,059               | 7,400       |
| Income taxes receivable  | 574                 | 21,414      |
| Other receivables  | 5                   | 1,863       |
| Inventories  | 17,587              | 47,645      |
| Prepaid expenses and other   | 4,854               | 5,079       |
| Total current assets   | 28,146              | 85,554      |
| Restricted investments held in trust, at fair value  | 4,350               | 2,990       |
| Property, plant and equipment, net   | 48,751              | 50,593      |
| Other  | 163                 | 130         |
| Total assets   | \$ 81,410           | 139,267     |
| <b>Liabilities and Stockholders' Equity</b>  |                     |             |
| Current liabilities:   |                     |             |
| Accounts payable   | \$ 1,578            | 2,658       |
| Accrued expenses   | 11,031              | 11,760      |
| Current maturities of long-term debt   | 600                 | 600         |
| Short-term financing obligations   | 1,989               | 2,181       |
| Deposits on future sales   | —                   | 24,600      |
| Revolving credit agreement   | —                   | 11,494      |
| Deferred income taxes  | 124                 | 573         |
| Total current liabilities  | 15,322              | 53,866      |
| Long-term debt, less current maturities  | 1,800               | 2,400       |
| Asset retirement obligations   | 5,128               | 4,841       |
| Deferred income taxes  | 706                 | 7,940       |
| Total liabilities  | 22,956              | 69,047      |
| Stockholders' equity:  |                     |             |
| Common stock (\$0.01 par; 30,000,000 shares authorized at<br>December 31, 2009 and 2008, 8,411,308 shares<br>issued and outstanding at December 31, 2009 and<br>7,654,290 issued and outstanding at December 31, 2008) | 84                  | 77          |
| Additional paid-in capital   | 35,660              | 33,880      |
| Retained earnings  | 22,710              | 36,263      |
| Total stockholders' equity   | 58,454              | 70,220      |
| Total liabilities and stockholders' equity   | \$ 81,410           | 139,267     |

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY**

Consolidated Statements of Operations

(In thousands)

(Unaudited)

|   | Three months ended<br>December 31, |          | Twelve months ended<br>December 31, |         |
|---|------------------------------------|----------|-------------------------------------|---------|
|   | 2009                               | 2008     | 2009                                | 2008    |
| Net sales:  |                                    |          |                                     |         |
| DAP   | \$ 46,459                          | 30,564   | 182,780                             | 432,852 |
| Other   | 766                                | 5,244    | 3,531                               | 12,989  |
| Total net sales   | 47,225                             | 35,808   | 186,311                             | 445,841 |
| Cost of sales   | 49,637                             | 128,707  | 205,501                             | 441,170 |
| Gross income (loss)                                     | (2,412)                            | (92,899) | (19,190)                            | 4,671   |
| Selling, general and administrative expenses            | 1,268                              | (1,716)  | 5,843                               | 8,373   |
| Reduction in asset retirement obligations               | (190)                              | (732)    | (190)                               | (732)   |
| Environmental remediation                               | 730                                | —        | 1,330                               | —       |
| Litigation recoveries, net                              | 220                                | —        | (2,821)                             | —       |
| Insurance recoveries                                    | —                                  | —        | (1,615)                             | —       |
| Impairment of assets                                    | —                                  | —        | —                                   | 1,572   |
| Operating loss  | (4,440)                            | (90,451) | (21,737)                            | (4,542) |
| Other income (expense):                                 |                                    |          |                                     |         |
| Interest, net   | (142)                              | (110)    | (596)                               | 297     |
| Other, net  | 88                                 | (867)    | 670                                 | (913)   |
| Total other income (expense)                            | (54)                               | (977)    | 74                                  | (616)   |
| Loss before income taxes                                | (4,494)                            | (91,428) | (21,663)                            | (5,158) |
| Income tax benefit                                      | (1,674)                            | (33,318) | (8,110)                             | (1,629) |
| Net loss  | \$ (2,820)                         | (58,110) | (13,553)                            | (3,529) |
| Loss per share – basic                                  | \$ (0.36)                          | (7.59)   | (1.76)                              | (0.46)  |
| Loss per share – diluted                                | \$ (0.36)                          | (7.59)   | (1.76)                              | (0.46)  |
| Weighted average common shares outstanding –<br>basic   | 7,844                              | 7,654    | 7,713                               | 7,654   |
| Weighted average common shares outstanding –<br>diluted | 7,844                              | 7,654    | 7,713                               | 7,654   |

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

|   | <b>Years ended December 31,</b> |             |
|---|---------------------------------|-------------|
|   | <b>2009</b>                     | <b>2008</b> |
| Cash flows from operating activities:   |                                 |             |
| Net loss  | \$ (13,553)                     | (3,529)     |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                 |             |
| Depreciation of property, plant and equipment   | 6,779                           | 5,596       |
| Amortization of prepaid maintenance turnaround costs                                      | 2,912                           | 3,693       |
| Accretion of asset retirement obligation  | 477                             | 487         |
| Deferred loan cost amortization   | 72                              | 48          |
| Reduction in asset retirement obligation  | (190)                           | (732)       |
| Deferred income taxes   | (7,683)                         | (1,291)     |
| Share-based compensation  | 340                             | 11          |
| Impairment charges  | —                               | 1,572       |
| Unrealized restricted investment (gain) loss  | (560)                           | 1,158       |
| Other   | 3                               | 2           |
| Changes in operating assets and liabilities:  |                                 |             |
| Trade and other accounts receivable   | 6,199                           | 2,460       |
| Income taxes receivable   | 20,840                          | (21,414)    |
| Inventories   | 5,458                           | (29,542)    |
| Prepaid expenses and other  | (2,687)                         | (4,650)     |
| Accounts payable and accrued expenses   | (2,149)                         | (6,532)     |
| Net cash provided by (used in) operating activities                                       | 16,258                          | (52,663)    |
| Cash flows from investing activities:   |                                 |             |
| Purchases of restricted investments held in trust   | (800)                           | (800)       |
| Purchases of property, plant and equipment  | (4,937)                         | (15,509)    |
| Net cash used in investing activities   | (5,737)                         | (16,309)    |
| Cash flows from financing activities:   |                                 |             |
| Deposits on future sales  | —                               | 24,600      |
| Net (payments) borrowings on revolving credit agreement                                   | (11,494)                        | 11,494      |
| Payments of short-term financing obligations  | (3,440)                         | (3,667)     |
| Proceeds from short-term financing obligations  | 3,248                           | 3,663       |
| Capital contributions from exercise of stock options                                      | 1,787                           | —           |
| Payment of deferred loan costs  | (108)                           | (60)        |
| Proceeds from term loan   | —                               | 3,000       |
| Payments on term loan   | (600)                           | —           |
| Cash dividends  | —                               | (11,481)    |
| Net cash provided by (used in) financing activities                                       | (10,607)                        | 27,549      |
| Net decrease in cash and cash equivalents   | (86)                            | (41,423)    |
| Cash and cash equivalents at beginning of year  | 2,153                           | 43,576      |
| Cash and cash equivalents at end of year  | \$ 2,067                        | 2,153       |
| Supplemental disclosure of cash flow information:   |                                 |             |
| Cash payments for interest  | \$ 527                          | 227         |
| Cash payments (refunds) of income taxes   | \$ (21,429)                     | 20,718      |
| Supplemental disclosure of non-cash transaction:  |                                 |             |
| Delivery of inventory to settle deposits on future sales obligations                      | \$ 24,600                       | —           |

**PHOSPHATE HOLDINGS, INC. AND SUBSIDIARY**

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

|   | Three months ended<br>December 31, |          |
|---|------------------------------------|----------|
|   | 2009                               | 2008     |
| Cash flows from operating activities:   |                                    |          |
| Net loss  | \$ (2,820)                         | (58,110) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                    |          |
| Depreciation of property, plant and equipment   | 1,747                              | 1,622    |
| Amortization of prepaid maintenance turnaround costs                                      | 631                                | 1,131    |
| Accretion of asset retirement obligation  | 120                                | 112      |
| Deferred loan cost amortization   | 18                                 | 14       |
| Reduction in asset retirement obligation  | (190)                              | (732)    |
| Share-based compensation  | 106                                | (71)     |
| Deferred income taxes   | (1,720)                            | (4,468)  |
| Unrealized restricted investment (gain) loss  | (88)                               | 517      |
| Changes in operating assets and liabilities:  |                                    |          |
| Trade and other accounts receivable   | 12,861                             | 30,542   |
| Income taxes receivable   | 1,235                              | (38,594) |
| Inventories   | 3,036                              | 50,491   |
| Prepaid expenses and other  | (1,170)                            | 1,505    |
| Accounts payable and accrued expenses   | (5,788)                            | (31,550) |
| Net cash provided by (used in) operating activities                                       | 7,978                              | (47,591) |
| Cash flows from investing activities:   |                                    |          |
| Purchases of restricted investments held in trust   | (200)                              | (200)    |
| Purchases of property, plant and equipment  | (258)                              | (2,247)  |
| Net cash used in investing activities   | (458)                              | (2,447)  |
| Cash flows from financing activities:   |                                    |          |
| Net proceeds (payments) from revolving credit agreement                                   | (8,319)                            | 11,494   |
| Payments of short-term financing obligations  | (803)                              | (926)    |
| Proceeds from short-term financing obligations  | 924                                | 919      |
| Capital contributions from exercise of stock options                                      | 1,787                              | —        |
| Proceeds from term loan   | —                                  | 3,000    |
| Deposits on future sales  | —                                  | 24,600   |
| Payments on term debt   | (150)                              | —        |
| Net cash provided by (used in) financing activities                                       | (6,561)                            | 39,087   |
| Net increase (decrease) in cash and cash equivalents                                      | 959                                | (10,951) |
| Cash and cash equivalents at beginning of period  | 1,108                              | 13,104   |
| Cash and cash equivalents at end of period  | \$ 2,067                           | 2,153    |

## 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; and asset impairment charges. 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 loss to EBITDA for the periods indicated:

|  | Three Months Ended<br>December 31, |                 | Twelve Months Ended<br>December 31, |              |
|--|------------------------------------|-----------------|-------------------------------------|--------------|
|  | 2009                               | 2008            | 2009                                | 2008         |
| Net loss                                 | \$ (2,820)                         | (58,110)        | \$ (13,553)                         | (3,529)      |
| Interest, net                            | 142                                | 110             | 596                                 | (297)        |
| Income tax benefit                       | (1,674)                            | (33,318)        | (8,110)                             | (1,629)      |
| Depreciation, amortization and accretion | 2,498                              | 2,865           | 10,168                              | 9,776        |
| Asset impairment charge <sup>(a)</sup>   | —                                  | —               | —                                   | 1,572        |
| EBITDA                                   | \$ <u>(1,854)</u>                  | <u>(88,453)</u> | \$ <u>(10,899)</u>                  | <u>5,893</u> |

<sup>(a)</sup> During the first quarter of 2008, we recorded an asset impairment charge of \$1,572 related to the failure of certain internal components of the waste heat boiler in our No. 2 sulfuric acid plant.

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