

CF Industries Holdings, Inc.  
Form 10-Q  
August 07, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-32597

**CF INDUSTRIES HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-2697511**

(I.R.S. Employer  
Identification No.)

**4 Parkway North, Suite 400  
Deerfield, Illinois**

(Address of principal executive offices)

**60015**

(Zip Code)

**(847) 405-2400**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

62,697,305 shares of the registrant's common stock, \$0.01 par value per share, were outstanding at July 31, 2012.

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Table of Contents**CF INDUSTRIES HOLDINGS, INC.****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.****CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

|   | Three months ended<br>June 30,          |            | Six months ended June 30, |            |
|---|---|------------|---------------------------|------------|
|   | 2012                                    | 2011       | 2012                      | 2011       |
|   | (in millions, except per share amounts) |            |                           |            |
| Net sales   | \$ 1,735.6                              | \$ 1,801.7 | \$ 3,263.2                | \$ 2,975.7 |
| Cost of sales   | 692.3                                   | 934.3      | 1,508.1                   | 1,583.3    |
| Gross margin  | 1,043.3                                 | 867.4      | 1,755.1                   | 1,392.4    |
| Selling, general and administrative expenses                                    | 41.3                                    | 31.7       | 75.1                      | 62.7       |
| Restructuring and integration costs   |   | 1.3        |                           | 3.4        |
| Other operating net   | 10.8                                    | 3.9        | 33.1                      | (27.1)     |
| Total other operating costs and expenses  | 52.1                                    | 36.9       | 108.2                     | 39.0       |
| Equity in earnings of operating affiliates                                      | 13.8                                    | 14.2       | 29.3                      | 25.7       |
| Operating earnings  | 1,005.0                                 | 844.7      | 1,676.2                   | 1,379.1    |
| Interest expense  | 45.3                                    | 30.8       | 76.2                      | 82.9       |
| Interest income   |   | (0.9)      | (0.4)                     | (1.2)      |
| Other non-operating net   | (0.6)                                   | (0.2)      | (0.7)                     | (0.5)      |
| Earnings before income taxes and equity in earnings of non-operating affiliates | 960.3                                   | 815.0      | 1,601.1                   | 1,297.9    |
| Income tax provision  | 309.2                                   | 281.0      | 516.0                     | 439.8      |
| Equity in earnings of non-operating affiliates-net of taxes                     | 27.2                                    | 9.8        | 24.9                      | 18.3       |
| Net earnings  | 678.3                                   | 543.8      | 1,110.0                   | 876.4      |
| Less: Net earnings attributable to noncontrolling interest                      | 72.0                                    | 56.4       | 135.3                     | 107.0      |
| Net earnings attributable to common stockholders                                | \$ 606.3                                | \$ 487.4   | \$ 974.7                  | \$ 769.4   |
| Net earnings per share attributable to common stockholders:                     |   |            |                           |            |
| Basic   | \$ 9.42                                 | \$ 6.81    | \$ 15.01                  | \$ 10.77   |
| Diluted   | \$ 9.31                                 | \$ 6.75    | \$ 14.81                  | \$ 10.66   |
| Weighted average common shares outstanding:                                     |   |            |                           |            |
| Basic   | 64.3                                    | 71.6       | 64.9                      | 71.4       |
| Diluted   | 65.2                                    | 72.2       | 65.8                      | 72.2       |
| Dividends declared per common share   | \$ 0.40                                 | \$ 0.10    | \$ 0.80                   | \$ 0.20    |

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

|  | <b>Three months ended<br/>June 30,</b> |             | <b>Six months ended<br/>June 30,</b> |             |
|--|--|-------------|--------------------------------------|-------------|
|  | <b>2012</b>                            | <b>2011</b> | <b>2012</b>                          | <b>2011</b> |
|  | <b>(in millions)</b>                   |             |                                      |             |
| Net earnings   | \$ 678.3                               | \$ 543.8    | \$ 1,110.0                           | \$ 876.4    |
| Other comprehensive income (loss):                                     |  |             |                                      |             |
| Foreign currency translation adjustment net of taxes                   | (5.5)                                  | 1.7         | 20.6                                 | 26.9        |
| Unrealized gain (loss) on securities net of taxes                      | (0.3)                                  | 1.6         | 0.4                                  | 2.8         |
| Defined benefit plans net of taxes                                     | 2.2                                    | 1.5         | 3.2                                  | 2.3         |
|  | (3.6)                                  | 4.8         | 24.2                                 | 32.0        |
| Comprehensive income   | 674.7                                  | 548.6       | 1,134.2                              | 908.4       |
| Less: Comprehensive income attributable to the noncontrolling interest | 71.6                                   | 56.6        | 135.4                                | 107.9       |
| Comprehensive income attributable to common stockholders               | \$ 603.1                               | \$ 492.0    | \$ 998.8                             | \$ 800.5    |

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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## CF INDUSTRIES HOLDINGS, INC.

## CONSOLIDATED BALANCE SHEETS

|   | (Unaudited)  |                      |
|---|--|----------------------|
|   | June 30,<br>2012                                     | December 31,<br>2011 |
|   | (in millions, except share<br>and per share amounts) |                      |
| <b>Assets</b>   |  |                      |
| Current assets:   |  |                      |
| Cash and cash equivalents   | \$ 1,383.0   | \$ 1,207.0           |
| Accounts receivable net   | 360.2  | 269.4                |
| Inventories net   | 229.6  | 304.2                |
| Other   | 23.9   | 18.0                 |
| <b>Total current assets</b>   | <b>1,996.7</b>                                       | <b>1,798.6</b>       |
| Property, plant and equipment, net of accumulated depreciation, depletion and amortization of \$2,614.3 and \$2,447.5 | 3,700.8  | 3,736.0              |
| Asset retirement obligation funds   | 147.6  | 145.4                |
| Investments in and advances to affiliates   | 944.3  | 928.6                |
| Investments in auction rate securities  | 55.5   | 70.9                 |
| Goodwill  | 2,064.5  | 2,064.5              |
| Other assets  | 209.5  | 230.5                |
| <b>Total assets</b>   | <b>\$ 9,118.9</b>                                    | <b>\$ 8,974.5</b>    |
| <b>Liabilities and Equity</b>   |  |                      |
| Current liabilities:  |  |                      |
| Accounts payable and accrued expenses   | \$ 334.4   | \$ 327.7             |
| Income taxes payable  | 1.3  | 128.5                |
| Customer advances   | 121.0  | 257.2                |
| Deferred income taxes   | 45.7   | 90.1                 |
| Distributions payable to noncontrolling interest  |  | 149.7                |
| Other   | 52.9   | 78.0                 |
| <b>Total current liabilities</b>  | <b>555.3</b>   | <b>1,031.2</b>       |
| Notes payable   | 4.8  | 4.8                  |
| Long-term debt  | 1,600.0  | 1,613.0              |
| Deferred income taxes   | 1,017.3  | 956.8                |
| Other noncurrent liabilities  | 441.3  | 435.8                |
| Contingencies (Note 22)   |  |                      |
| Equity:   |  |                      |
| Stockholders' equity:   |  |                      |
| Preferred stock \$0.01 par value, 50,000,000 shares authorized  |  |                      |
| Common stock \$0.01 par value, 500,000,000 shares authorized, 2012 62,643,637 and 2011 71,935,838 shares issued       | 0.6  | 0.7                  |
| Paid-in capital   | 2,456.5  | 2,804.8              |
| Retained earnings   | 2,637.5  | 2,841.0              |
| Treasury stock at cost, 2012 0 shares and 2011 6,515,251 shares   |  | (1,000.2)            |
| Accumulated other comprehensive loss  | (75.2)   | (99.3)               |
| <b>Total stockholders' equity</b>   | <b>5,019.4</b>                                       | <b>4,547.0</b>       |
| Noncontrolling interest   | 480.8  | 385.9                |

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|                              |            |            |
|------------------------------|------------|------------|
| Total equity                 | 5,500.2    | 4,932.9    |
| Total liabilities and equity | \$ 9,118.9 | \$ 8,974.5 |

See Accompanying Notes to Unaudited Consolidated Financial Statements.



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## CF INDUSTRIES HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

|  | Common Stockholders                       |                   |                    |                      |   |                                  |                                 |                 |
|--|---|-------------------|--------------------|----------------------|---|----------------------------------|---------------------------------|-----------------|
|  | \$0.01<br>Par<br>Value<br>Common<br>Stock | Treasury<br>Stock | Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Equity | Non-<br>controlling<br>Interest | Total<br>Equity |
|  | (in millions)                             |                   |                    |                      |   |                                  |                                 |                 |
| Balance at December 31, 2010   | \$ 0.7                                    | \$                | \$ 2,732.2         | \$ 1,370.8           | \$ (53.3)                                     | \$ 4,050.4                       | \$ 383.0                        | \$ 4,433.4      |
| Net earnings   |   |                   |                    | 769.4                |   | 769.4                            | 107.0                           | 876.4           |
| Other comprehensive income   |   |                   |                    |                      |   |                                  |                                 |                 |
| Foreign currency translation adjustment net of taxes                 |   |                   |                    |                      | 26.0  | 26.0                             | 0.9                             | 26.9            |
| Unrealized gain on securities net of taxes                           |   |                   |                    |                      | 2.8   | 2.8                              |                                 | 2.8             |
| Defined benefit plan net of taxes                                    |   |                   |                    |                      | 2.3   | 2.3                              |                                 | 2.3             |
| <b>Comprehensive income</b>  |   |                   |                    |                      |   | <b>800.5</b>                     | <b>107.9</b>                    | <b>908.4</b>    |
| Issuance of \$0.01 par value common stock under employee stock plans |   |                   |                    | 8.6                  |   | 8.6                              |                                 | 8.6             |
| Stock-based compensation expense                                     |   |                   |                    | 4.7                  |   | 4.7                              |                                 | 4.7             |
| Excess tax benefit from stock-based compensation                     |   |                   |                    | 18.6                 |   | 18.6                             |                                 | 18.6            |
| Cash dividends (\$0.20 per share)                                    |   |                   |                    | (14.3)               |   | (14.3)                           |                                 | (14.3)          |
| Declaration of distribution payable                                  |   |                   |                    |                      |   |                                  | (28.6)                          | (28.6)          |
| Effect of exchange rates changes                                     |   |                   |                    |                      |   |                                  | 1.0                             | 1.0             |
| Balance at June 30, 2011   | \$ 0.7                                    | \$                | \$ 2,764.1         | \$ 2,125.9           | \$ (22.2)                                     | \$ 4,868.5                       | \$ 463.3                        | \$ 5,331.8      |
| Balance at December 31, 2011   | \$ 0.7                                    | \$ (1,000.2)      | \$ 2,804.8         | \$ 2,841.0           | \$ (99.3)                                     | \$ 4,547.0                       | \$ 385.9                        | \$ 4,932.9      |
| Net earnings   |   |                   |                    | 974.7                |   | 974.7                            | 135.3                           | 1,110.0         |
| Other comprehensive income   |   |                   |                    |                      |   |                                  |                                 |                 |
| Foreign currency translation adjustment net of taxes                 |   |                   |                    |                      | 20.5  | 20.5                             | 0.1                             | 20.6            |
| Unrealized gain on securities net of taxes                           |   |                   |                    |                      | 0.4   | 0.4                              |                                 | 0.4             |
| Defined benefit plan net of taxes                                    |   |                   |                    |                      | 3.2   | 3.2                              |                                 | 3.2             |
| <b>Comprehensive income</b>  |   |                   |                    |                      |   | <b>998.8</b>                     | <b>135.4</b>                    | <b>1,134.2</b>  |
| Issuance of \$0.01 par value common stock under employee stock plans |   |                   |                    | 5.4                  |   | 5.4                              |                                 | 5.4             |
| Stock-based compensation expense                                     |   |                   |                    | 5.1                  |   | 5.1                              |                                 | 5.1             |
| Excess tax benefit from stock-based compensation                     |   |                   |                    | 15.4                 |   | 15.4                             |                                 | 15.4            |
| Purchase of treasury stock   |   | (500.0)           |                    |                      |   | (500.0)                          |                                 | (500.0)         |
| Retirement of treasury stock   | (0.1)                                     | 1,500.2           | (374.2)            | (1,125.9)            |   |                                  |                                 |                 |
| Cash dividends (\$0.80 per share)                                    |   |                   |                    | (52.3)               |   | (52.3)                           |                                 | (52.3)          |
| Declaration of distribution payable                                  |   |                   |                    |                      |   |                                  | (39.3)                          | (39.3)          |
| Effect of exchange rates changes                                     |   |                   |                    |                      |   |                                  | (1.2)                           | (1.2)           |
| Balance at June 30, 2012   | \$ 0.6                                    | \$                | \$ 2,456.5         | \$ 2,637.5           | \$ (75.2)                                     | \$ 5,019.4                       | \$ 480.8                        | \$ 5,500.2      |

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## CF INDUSTRIES HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

|   | Six months ended<br>June 30, |          |
|---|------------------------------|----------|
|   | 2012                         | 2011     |
|   | (in millions)                |          |
| <b>Operating Activities:</b>  |                              |          |
| Net earnings  | \$ 1,110.0                   | \$ 876.4 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                              |          |
| Depreciation, depletion and amortization  | 219.0                        | 213.3    |
| Deferred income taxes   | 13.2                         | 25.8     |
| Stock compensation expense  | 5.6                          | 5.1      |
| Excess tax benefit from stock-based compensation                                    | (15.4)                       | (18.6)   |
| Unrealized (gain) loss on derivatives   | (21.7)                       | 13.5     |
| Loss (gain) on disposal of property, plant and equipment                            | 3.6                          | (29.4)   |
| Undistributed earnings of affiliates net  | (22.0)                       | (52.6)   |
| Changes in:   |                              |          |
| Accounts receivable net   | (89.6)                       | (178.7)  |
| Margin deposits   | 0.9                          | 4.3      |
| Inventories net   | 76.4                         | (3.9)    |
| Accrued income taxes  | (110.8)                      | 76.8     |
| Accounts payable and accrued expenses   | 6.3                          | 22.5     |
| Customer advances   | (136.2)                      | (30.4)   |
| Other net   | 9.4                          | (2.0)    |
| Net cash provided by operating activities   | 1,048.7                      | 922.1    |
| <b>Investing Activities:</b>  |                              |          |
| Additions to property, plant and equipment  | (157.8)                      | (105.5)  |
| Proceeds from the sale of property, plant and equipment and non-core assets         | 7.2                          | 47.5     |
| Sales and maturities of short-term and auction rate securities                      | 16.0                         | 24.6     |
| Deposits to asset retirement obligation funds                                       | (2.2)                        |          |
| Other net   |                              | 31.3     |
| Net cash used in investing activities   | (136.8)                      | (2.1)    |
| <b>Financing Activities:</b>  |                              |          |
| Payments of long-term debt  | (13.0)                       | (346.0)  |
| Dividends paid on common stock  | (52.3)                       | (14.3)   |
| Distributions to noncontrolling interests   | (193.3)                      | (28.6)   |
| Purchase of treasury stock  | (500.0)                      |          |
| Issuances of common stock under employee stock plans                                | 5.4                          | 8.6      |
| Excess tax benefit from stock-based compensation                                    | 15.4                         | 18.6     |
| Net cash used in financing activities   | (737.8)                      | (361.7)  |
| Effect of exchange rate changes on cash and cash equivalents                        | 1.9                          | (0.4)    |
| Increase in cash and cash equivalents   | 176.0                        | 557.9    |
| Cash and cash equivalents at beginning of period                                    | 1,207.0                      | 797.7    |

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|   |            |            |
|---|------------|------------|
| <b>Cash and cash equivalents at end of period</b> | \$ 1,383.0 | \$ 1,355.6 |
|---|------------|------------|

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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**CF INDUSTRIES HOLDINGS, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Background and Basis of Presentation**

We are one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in the world. Our operations are organized into two business segments the nitrogen segment and the phosphate segment. Our principal customers are cooperatives and independent fertilizer distributors. Our principal fertilizer products in the nitrogen segment are ammonia, granular urea, urea ammonium nitrate solution, or UAN, and ammonium nitrate, or AN. Our other nitrogen products include urea liquor, diesel exhaust fluid, or DEF, and aqua ammonia, which are sold primarily to our industrial customers. Our principal fertilizer products in the phosphate segment are diammonium phosphate, or DAP, and monoammonium phosphate, or MAP.

Our core market and distribution facilities are concentrated in the midwestern United States and other major agricultural areas of the U.S. and Canada. We also export nitrogen fertilizer products from our Donaldsonville, Louisiana manufacturing facilities and phosphate fertilizer products from our Florida phosphate operations.

The accompanying unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2011, in accordance with accounting principles generally accepted in the United States for interim financial reporting. In the opinion of management, these statements reflect all adjustments, consisting only of normal and recurring adjustments that are necessary for the fair representation of the information for the periods presented. The unaudited interim consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Operating results for any period presented apply to that period only and are not necessarily indicative of results for any future period.

These statements should be read in conjunction with our audited consolidated financial statements and related disclosures included in our Form 10-K filed with the SEC on February 27, 2012.

The preparation of the unaudited interim financial statements requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses and certain financial statement disclosures. Actual results could differ from these estimates. Significant estimates in these consolidated financial statements include net realizable value of inventories, the timing and ultimate settlement costs of asset retirement obligations, environmental remediation liabilities, environmental and litigation contingencies, the cost of sales incentives, useful lives of property and identifiable intangible assets, the evaluation of impairments of property, investments, identifiable intangible assets and goodwill, income tax and valuation reserves, allowances for doubtful accounts receivable, the measurement of the fair values of investments for which markets are not active, assumptions used in the determination of the funded status and annual expense of pension and postretirement employee benefit plans and the volatility and expected lives for stock compensation instruments granted to employees.

All references to "CF Holdings," "the Company," "we," "us" and "our" refer to CF Industries Holdings, Inc. and its subsidiaries, including CF Industries, Inc. (CF Industries), except where the context makes clear that the reference is only to CF Industries Holdings, Inc. itself and not its subsidiaries.

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**CF INDUSTRIES HOLDINGS, INC.**

**2. Summary of Significant Accounting Policies**

For a complete discussion of the Company's significant accounting policies, refer to our 2011 Annual Report on Form 10-K as of and for the year-ended December 31, 2011, filed with the SEC on February 27, 2012.

**3. New Accounting Standards**

Following are summaries of accounting pronouncements that either were adopted recently or may become applicable to our consolidated financial statements. It should be noted that the accounting standards references provided below reflect the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), and related Accounting Standards Updates (ASU).

*Recently Adopted Pronouncements*

In May 2011, the FASB issued a standard that is intended to improve comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. generally accepted accounting principles and International Financial Reporting Standards (ASU No. 2011-04). This standard clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use valuation premise, (2) the methodology to measure the fair value of an instrument classified in a reporting entity's stockholders' equity, (3) disclosure requirements for quantitative information on Level 3 fair value measurements and (4) guidance on measuring the fair value of financial instruments managed within a portfolio. In addition, the standard requires additional disclosures of the sensitivity of fair value to changes in unobservable inputs for Level 3 securities. This standard is effective for interim and annual reporting periods beginning after December 15, 2011. We adopted this standard in the first quarter of 2012 and its adoption did not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued a standard that pertains to the presentation of comprehensive income (ASU No. 2011-05). This standard requires that comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The standard also requires entities to disclose on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net earnings. This standard no longer allows companies to present components of other comprehensive income only in the statement of equity. In December 2011, the FASB deferred the new requirement to present the reclassification components of other comprehensive income to the statement of operations by issuing ASU No. 2011-12. A new effective date for this requirement has not been set by the FASB. The remaining components of the original ASU No. 2011-05 are effective for interim and annual reporting periods beginning on or after December 15, 2011. We adopted this standard in the first quarter of 2012 and its adoption did not have a material impact on our consolidated financial statements.

In September 2011, the FASB issued a standard to simplify the process for determining goodwill impairment (ASU No. 2011-08). This standard gives an entity the option, as a first step, to assess qualitative factors in determining whether a two-step quantitative goodwill impairment test must be performed. If an assessment of qualitative factors leads to a determination that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step test is deemed unnecessary. This standard is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We adopted this standard in the first quarter of 2012 and its adoption did not have a material impact on our consolidated financial statements.

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**CF INDUSTRIES HOLDINGS, INC.**

*Recently Issued Pronouncements*

In December 2011, the FASB issued a standard pertaining to disclosures about offsetting assets and liabilities (ASU No. 2011-11). This standard requires an entity to disclose information about offsetting and related arrangements, including financial instruments and derivative instruments and the effect these arrangements have on the entity's financial position. This standard is effective for disclosures in interim and annual reporting periods beginning on or after January 1, 2013. We have not determined the impact of this standard on our consolidated financial statement disclosures.

**4. Noncontrolling Interests**

*Canadian Fertilizers Limited (CFL)*

CFL owns a nitrogen fertilizer complex in Medicine Hat, Alberta, Canada and supplies fertilizer products to CF Industries, Inc. and Viterra Inc. (Viterra). CF Industries, Inc. owns 49% of CFL's voting common shares and 66% of CFL's nonvoting preferred shares. Viterra owns 34% of the voting common stock and non-voting preferred stock of CFL. The remaining 17% of the voting common stock is owned by GROWMARK, Inc. and La Coop fédérée. CFL is a variable interest entity which we consolidate in our financial statements. CFL's Medicine Hat complex is the largest nitrogen fertilizer complex in Canada, with two world-scale ammonia plants, a world-scale urea plant and on-site storage facilities for both ammonia and urea.

CFL's net sales for the three and six months ended June 30, 2012 were \$207.7 million and \$388.1 million, respectively. CFL's net sales for the three and six months ended June 30, 2011 were \$191.6 million and \$346.6 million, respectively. CFL's assets and liabilities at June 30, 2012 were \$373.3 million and \$324.0 million, respectively, and at December 31, 2011 were \$528.5 million and \$479.5 million, respectively.

CF Industries, Inc. operates the Medicine Hat facility pursuant to a management agreement and purchases approximately 66% of the facility's ammonia and urea production pursuant to a product purchase agreement. Both the management agreement and the product purchase agreement can be terminated by either CF Industries, Inc. or CFL upon a twelve-month notice. Viterra has the right, but not the obligation, to purchase the remaining 34% of the facility's ammonia and urea production under a similar product purchase agreement. To the extent that Viterra does not purchase its 34% of the facility's production, CF Industries, Inc. is obligated to purchase any remaining amounts. However, since 1995, Viterra has purchased at least 34% of the facility's production each year.

Under the product purchase agreements, both CF Industries, Inc. and Viterra pay the greater of operating cost or market price for purchases. The product purchase agreements also provide that CFL will distribute its net earnings to CF Industries, Inc. and Viterra annually based on their respective quantities of product purchased from CFL. The distributions to Viterra are reported as financing activities in the consolidated statements of cash flows, as we consider these payments to be similar to dividends. While general creditors of CFL do not have direct recourse to the general credit of CF Industries, Inc., the product purchase agreement does require CF Industries, Inc. to advance funds to CFL in the event that CFL is unable to meet its debts as they become due. The amount of each advance would be at least 66% of the deficiency and would be more in any year in which CF Industries, Inc. purchased more than 66% of Medicine Hat's production. A similar obligation also exists for Viterra. CF Industries, Inc. and Viterra currently manage CFL such that each party is responsible for its share of CFL's fixed costs and that CFL's production volume is managed to meet the parties' combined requirements. Based on the contractual arrangements, CF Industries, Inc. is the primary beneficiary of CFL as CF Industries, Inc. directs the activities that most significantly impact CFL's economic performance and receives at least 66% of the economic risks and rewards of CFL.

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**CF INDUSTRIES HOLDINGS, INC.**

In accordance with CFL's governing agreements, CFL's earnings are available for distribution to its members based on approval by CFL's shareholders. A portion of the amounts reported as noncontrolling interest in the consolidated statements of operations represent Viterra's 34% interest in the distributed and undistributed earnings of CFL, while a portion of the amounts reported as noncontrolling interest on our consolidated balance sheets represent the interests of Viterra and the holders of 17% of CFL's common shares.

Because CFL's functional currency is the Canadian dollar, consolidation of CFL results in a cumulative foreign currency translation adjustment, which is reported in other comprehensive income (loss).

*Terra Nitrogen Company, L.P. (TNCLP)*

TNCLP is a master limited partnership that owns a nitrogen manufacturing facility in Verdigris, Oklahoma. We own an aggregate 75.3% of TNCLP through general and limited partnership interests. Outside investors own the remaining 24.7% of the limited partnership. For financial reporting purposes, the assets, liabilities and earnings of the partnership are consolidated into our financial statements. The outside investors' limited partnership interests in the partnership have been recorded as part of noncontrolling interest in our consolidated financial statements. The noncontrolling interest represents the noncontrolling unitholders' interest in the equity of TNCLP. CF Industries is required to purchase all of TNCLP's fertilizer products at market prices as defined in the Amendment to the General and Administrative Services and Product Offtake Agreement, dated September 28, 2010.

TNCLP makes cash distributions to the general and limited partners based upon formulas defined within its Agreement of Limited Partnership. Cash available for distribution is defined in the agreement generally as all cash receipts less all cash disbursements, less certain reserves (including reserves for future operating and capital needs) established as the general partner determines in its reasonable discretion to be necessary or appropriate. Changes in working capital impact available cash, as increases in the amount of cash invested in working capital items (such as accounts receivable or inventory) reduce available cash, while declines in the amount of cash invested in working capital increase available cash. Cash distributions to the limited partners and general partner vary depending on the extent to which the cumulative distributions exceed certain target threshold levels set forth in the Agreement of Limited Partnership.

In each of the applicable quarters of 2012 and 2011, the minimum quarterly distributions were satisfied, which entitled us, as the general partner, to receive increased distributions on our general partner interests as provided for in the Agreement of Limited Partnership. The earnings attributed to our general partner interest in excess of the threshold levels for the six months ended June 30, 2012 and 2011, were \$116.7 million and \$105.1 million, respectively.

At June 30, 2012, Terra Nitrogen GP Inc. (TNGP), the general partner of TNCLP (and an indirect wholly-owned subsidiary of CF Industries), and its affiliates owned 75.3% of TNCLP's outstanding units. When not more than 25% of TNCLP's issued and outstanding units are held by non-affiliates of TNGP, TNCLP, at TNGP's sole discretion, may call, or assign to TNGP or its affiliates, TNCLP's right to acquire all such outstanding units held by non-affiliated persons. If TNGP elects to acquire all outstanding units, TNCLP is required to give at least 30 but not more than 60 days notice of TNCLP's decision to purchase the outstanding units. The purchase price per unit will be the greater of (1) the average of the previous 20 trading days' closing prices as of the date five days before the purchase is announced or (2) the highest price paid by TNGP or any of its affiliates for any unit within the 90 days preceding the date the purchase is announced.



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**CF INDUSTRIES HOLDINGS, INC.**

A reconciliation of the beginning and ending balances of noncontrolling interest and distributions payable to noncontrolling interests on our consolidated balance sheets is provided below.

|  | Six months ended June 30, |          |          |         |          |          |
|--|---------------------------|----------|----------|---------|----------|----------|
|  | 2012                      |          |          | 2011    |          |          |
|  | CFL                       | TNCLP    | Total    | CFL     | TNCLP    | Total    |
| (in millions)  |                           |          |          |         |          |          |
| <b>Noncontrolling interest:</b>                          |                           |          |          |         |          |          |
| Beginning balance  | \$ 16.7                   | \$ 369.2 | \$ 385.9 | \$ 17.4 | \$ 365.6 | \$ 383.0 |
| Earnings attributable to noncontrolling interest         | 100.1                     | 35.2     | 135.3    | 72.0    | 35.0     | 107.0    |
| Declaration of distributions payable                     |                           | (39.3)   | (39.3)   |         | (28.6)   | (28.6)   |
| Effect of exchange rate changes                          | (1.1)                     |          | (1.1)    | 1.9     |          | 1.9      |
| Ending balance   | \$ 115.7                  | \$ 365.1 | \$ 480.8 | \$ 91.3 | \$ 372.0 | \$ 463.3 |
| <b>Distributions payable to noncontrolling interest:</b> |                           |          |          |         |          |          |
| Beginning balance  | \$ 149.7                  | \$       | \$ 149.7 | \$ 78.0 | \$       | \$ 78.0  |
| Declaration of distributions payable                     |                           | 39.3     | 39.3     |         | 28.6     | 28.6     |
| Distributions to noncontrolling interest                 | (154.0)                   | (39.3)   | (193.3)  |         | (28.6)   | (28.6)   |
| Effect of exchange rate changes                          | 4.3                       |          | 4.3      | 2.8     |          | 2.8      |
| Ending balance   | \$                        | \$       | \$       | \$ 80.8 | \$       | \$ 80.8  |

**5. Fair Value Measurements**

Our cash and cash equivalents, short-term investments and other investments consist of the following:

|  | June 30, 2012 |                  |                   |            | December 31, 2011 |                  |                   |            |
|--|---------------|------------------|-------------------|------------|-------------------|------------------|-------------------|------------|
|  | Adjusted Cost | Unrealized Gains | Unrealized Losses | Fair Value | Adjusted Cost     | Unrealized Gains | Unrealized Losses | Fair Value |
| (in millions)                          |               |                  |                   |            |                   |                  |                   |            |
| Cash                                   | \$ 50.0       | \$               | \$                | \$ 50.0    | \$ 99.8           | \$               | \$                | \$ 99.8    |
| U.S. federal government obligations    | 1,304.0       |                  |                   | 1,304.0    | 515.0             |                  |                   | 515.0      |
| Other debt securities                  | 29.0          |                  |                   | 29.0       | 592.2             |                  |                   | 592.2      |
| Total cash and cash equivalents        | \$ 1,383.0    | \$               | \$                | \$ 1,383.0 | \$ 1,207.0        | \$               | \$                | \$ 1,207.0 |
| Investments in auction rate securities | 59.6          |                  | (4.1)             | 55.5       | 75.6              |                  | (4.7)             | 70.9       |
| Asset retirement obligation funds      | 147.6         |                  |                   | 147.6      | 145.4             |                  |                   | 145.4      |
| Nonqualified employee benefit trusts   | 21.3          |                  |                   | 21.3       | 20.3              |                  | (0.1)             | 20.2       |

Under our short-term investment policy, we may invest our cash balances, either directly or through mutual funds, in several types of investment-grade securities, including notes and bonds issued by governmental entities or corporations. Securities issued by governmental entities include those issued directly by the Federal government; those issued by state, local or other governmental entities; and those guaranteed by entities affiliated with governmental entities.

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**CF INDUSTRIES HOLDINGS, INC.**

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The following tables present assets and liabilities included in our consolidated balance sheets at June 30, 2012 and December 31, 2011 that are recognized at fair value on a recurring basis, and indicates the fair value hierarchy utilized to determine such fair value:

|  | <b>June 30, 2012</b>            |  |  |  |
|--|---------------------------------|--|--|--|
|  | <b>Total<br/>Fair<br/>Value</b> | <b>Quoted Prices<br/>in Active<br/>Markets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| (in millions)                                |                                 |  |  |  |
| Cash and cash equivalents                    | \$ 1,383.0                      | \$ 1,383.0   | \$   | \$   |
| Unrealized gains on natural gas derivatives  | 0.1                             |  | 0.1  |  |
| Asset retirement obligation funds            | 147.6                           | 147.6  |  |  |
| Investments in auction rate securities       | 55.5                            |  |  | 55.5   |
| Nonqualified employee benefit trusts         | 21.3                            | 21.3   |  |  |
| <b>Total assets at fair value</b>            | <b>\$ 1,607.5</b>               | <b>\$ 1,551.9</b>  | <b>\$ 0.1</b>  | <b>\$ 55.5</b>   |
| Unrealized losses on natural gas derivatives | \$ 52.6                         |  | \$ 52.6  |  |
| <b>Total liabilities at fair value</b>       | <b>\$ 52.6</b>                  |  | <b>\$ 52.6</b>   |  |

|  | <b>December 31, 2011</b>        |  |  |  |
|--|---------------------------------|--|--|--|
|  | <b>Total<br/>Fair<br/>Value</b> | <b>Quoted Prices<br/>in Active<br/>Markets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| (in millions)                                |                                 |  |  |  |
| Cash and cash equivalents                    | \$ 1,207.0                      | \$ 1,207.0   | \$   | \$   |
| Unrealized gains on natural gas derivatives  | 0.5                             |  | 0.5  |  |
| Asset retirement obligation funds            | 145.4                           | 145.4  |  |  |
| Investments in auction rate securities       | 70.9                            |  |  | 70.9   |
| Nonqualified employee benefit trusts         | 20.2                            | 20.2   |  |  |
| <b>Total assets at fair value</b>            | <b>\$ 1,444.0</b>               | <b>\$ 1,372.6</b>  | <b>\$ 0.5</b>  | <b>\$ 70.9</b>   |
| Unrealized losses on natural gas derivatives | \$ 74.7                         |  | \$ 74.7  |  |
| <b>Total liabilities at fair value</b>       | <b>\$ 74.7</b>                  |  | <b>\$ 74.7</b>   |  |

Following is a summary of the valuation techniques for assets and liabilities recorded in our consolidated balance sheets at fair value on a recurring basis:

*Cash and Cash Equivalents*

At June 30, 2012 and December 31, 2011, our cash and cash equivalents consisted primarily of U.S. government obligations and money market mutual funds that invest in U.S. government obligations and other investment-grade securities.



Table of Contents**CF INDUSTRIES HOLDINGS, INC.***Natural Gas Derivatives*

The derivative instruments that we currently use are primarily natural gas swap contracts. These contracts settle using primarily a NYMEX futures price index, which represents the basis for fair value at any given time. The contracts are traded in months forward and settlements are scheduled to coincide with anticipated gas purchases during those future periods. Quoted market prices are observable inputs used to determine the fair value of these instruments. See Note 18 Derivative Financial Instruments, for additional information.

*Asset Retirement Obligation Funds*

In order to meet financial assurance requirements associated with certain asset retirement obligations (AROs) in Florida, we maintain investments in an escrow account established for the benefit of the Florida Department of Environmental Protection (FDEP) and a trust established to comply with a 2010 Consent Decree with the U.S. Environmental Protection Agency (EPA) and the FDEP. The investments in the trust and escrow account are accounted for as available-for-sale securities. The fair values of these investments are based upon daily quoted prices representing the Net Asset Value (NAV) of the investments. See Note 9 Asset Retirement Obligations, for additional information regarding the trust and escrow accounts. The fair values of the ARO funds approximate their cost bases.

*Investments in Auction Rate Securities*

Auction rate securities (ARS) are primarily debt instruments with long-term maturities for which interest rates are expected to be reset periodically through an auction process, which typically occurred every 7 to 35 days. Because the traditional auction process for ARS generally has failed since early 2008, these securities are illiquid and we are not able to access the remaining funds until such time as auctions for these securities are successful, buyers are found outside the auction process, or the securities are redeemed by the issuers. During the second quarter of 2012, we redeemed \$16.0 million of our ARS at par.

As a result of the continuing market illiquidity and our judgment regarding the period of time that may elapse until the traditional auction process resumes or other effective market trading mechanisms develop, we classify these investments as noncurrent assets on our consolidated balance sheets. These ARS have maturities that range up to 35 years. As of June 30, 2012, the carrying values by range of maturity are as follows:

|                         | (in millions) |
|-------------------------|---------------|
| Less than 1 year        | \$            |
| 1 year up to 20 years   | 4.5           |
| 20 years up to 30 years | 46.1          |
| 30 years up to 35 years | 4.9           |
|                         | \$ 55.5       |

We currently intend to hold our ARS until a market recovery occurs and, based on our current liquidity position, we do not believe it is likely that we will need to sell these securities prior to their recovery in value. Therefore, we expect to recover our amortized cost basis in the investments. As a result, our unrealized holding loss on these securities is classified as a temporary impairment and is reported in other comprehensive income (loss).

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**CF INDUSTRIES HOLDINGS, INC.**

Our auction rate securities are accounted for as noncurrent available-for-sale securities. We are unable to use significant observable (Level 1 or Level 2) inputs to value these investments. Therefore, we use a mark-to-model approach that relies on discounted cash flows, market data and inputs derived from similar instruments to arrive at the fair value of these instruments. This model takes into account, among other variables, the base interest rate, credit spreads, downgrade risks and default/recovery risk, the estimated time required to work out the disruption in the traditional auction process and its effect on liquidity, and the effects of insurance and other credit enhancements. Due to the significant number of unobservable inputs that were used to value our auction rate securities, they are classified as Level 3 for purposes of the fair value disclosure requirements.

*Nonqualified Employee Benefit Trusts*

We maintain trusts associated with certain deferred compensation related to nonqualified employee benefits. The investments are accounted for as available-for-sale securities. The fair values of the trusts are based on daily quoted prices representing the NAV of the investments. These trusts are included on our consolidated balance sheet in other assets.

*Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*

The following table provides a reconciliation of changes in our consolidated balance sheet for our assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3). These assets currently consist of our investments in ARS. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset. It is reasonably possible that a change in the estimated fair value for instruments measured using Level 3 inputs could occur in the future.

|  | <b>Investments in<br/>auction rate<br/>securities<br/>(in millions)</b> |
|--|---|
| Fair value, December 31, 2011                        | \$ 70.9   |
| Sales and redemptions                                | (16.0)  |
| Unrealized loss included in other comprehensive loss | 0.6   |
| Fair value, June 30, 2012                            | \$ 55.5   |

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****6. Net Earnings Per Share**

Net earnings per share were computed as follows:

|  | Three months ended<br>June 30,          |          | Six months ended<br>June 30, |          |
|--|---|----------|------------------------------|----------|
|  | 2012                                    | 2011     | 2012                         | 2011     |
|  | (in millions, except per share amounts) |          |                              |          |
| Net earnings attributable to common stockholders | \$ 606.3                                | \$ 487.4 | \$ 974.7                     | \$ 769.4 |
| Basic earnings per common share:                 |   |          |                              |          |
| Weighted average common shares outstanding       | 64.3                                    | 71.6     | 64.9                         | 71.4     |
| Net earnings attributable to common stockholders | \$ 9.42                                 | \$ 6.81  | \$ 15.01                     | \$ 10.77 |
| Diluted earnings per common share:               |   |          |                              |          |
| Weighted average common shares outstanding       | 64.3                                    | 71.6     | 64.9                         | 71.4     |
| Dilutive common shares stock options             | 0.9                                     | 0.6      | 0.9                          | 0.8      |
| Diluted weighted average shares outstanding      | 65.2                                    | 72.2     | 65.8                         | 72.2     |
| Net earnings attributable to common stockholders | \$ 9.31                                 | \$ 6.75  | \$ 14.81                     | \$ 10.66 |

In the computation of diluted net earnings per common share, potentially dilutive stock options are excluded if the effect of their inclusion is anti-dilutive. For the three and six months ended June 30, 2012 and 2011, anti-dilutive stock options were insignificant.

In August 2011, our Board of Directors authorized a program to repurchase Company common stock for a total expenditure of up to \$1.5 billion plus program expenses (the 2011 Stock Repurchase Program). Repurchases under this program were authorized to be made from time to time in the open market, in privately negotiated transactions, or otherwise. In the third and fourth quarters of 2011, we repurchased 6.5 million shares for \$1.0 billion and during the second quarter of 2012, we repurchased an additional 3.1 million shares under the program for \$500.0 million. As a result of the repurchases in 2012, we completed the 2011 Stock Repurchase Program. The impact of the share repurchase program on weighted average shares outstanding is reflected in the table above. For additional information, see Note 20 Treasury Stock.

**7. Pension and Other Postretirement Benefits**

We maintain four funded defined benefit pension plans: two U.S. plans and two Canadian plans. Three of the four plans are closed to new employees. One of our Canadian plans remains open to new employees. We also provide group medical insurance benefits to certain retirees. The specific medical benefits provided to retirees vary by group and location.

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Net periodic benefit cost included the following components:

|  | Three months ended<br>June 30, |        | Six months ended<br>June 30, |        |
|--|--------------------------------|--------|------------------------------|--------|
|  | 2012                           | 2011   | 2012                         | 2011   |
|  | (in millions)                  |        |                              |        |
| <b>Pension Plans</b>                               |                                |        |                              |        |
| Service cost for benefits earned during the period | \$ 3.0                         | \$ 2.7 | \$ 6.2                       | \$ 5.7 |
| Interest cost on projected benefit obligation      | 8.6                            | 8.8    | 17.2                         | 17.9   |
| Expected return on plan assets                     | (8.7)                          | (8.9)  | (17.3)                       | (17.6) |
| Amortization of actuarial loss                     | 2.3                            | 1.5    | 4.9                          | 3.0    |
| Net periodic benefit cost                          | \$ 5.2                         | \$ 4.1 | \$ 11.0                      | \$ 9.0 |
| <b>Retiree Medical</b>                             |                                |        |                              |        |
| Service cost for benefits earned during the period | \$ 0.7                         | \$ 0.6 | \$ 1.5                       | \$ 1.3 |
| Interest cost on projected benefit obligation      | 0.8                            | 1.1    | 1.8                          | 2.1    |
| Amortization of transition obligation              | 0.1                            | 0.1    | 0.2                          | 0.2    |
| Amortization of actuarial loss                     | 0.1                            | 0.3    | 0.4                          | 0.5    |
| Net periodic benefit cost                          | \$ 1.7                         | \$ 2.1 | \$ 3.9                       | \$ 4.1 |

Our 2012 consolidated pension funding contributions are estimated to be approximately \$20.0 million, of which approximately \$4.7 million was funded in the first six months of 2012.

In addition to our qualified defined benefit pension plans, we also maintain nonqualified supplemental pension plans for highly compensated employees as defined under federal law. The expense recognized for these plans for the three and six months ended June 30, 2012 and 2011 was insignificant.

We have defined contribution plans covering substantially all employees. Under these plans, we contribute a fixed percentage of base salary to employees' accounts and match employee contributions up to specified limits. We contributed \$3.0 million and \$6.3 million to the plans for the three and six months ended June 30, 2012, respectively, and \$3.0 million and \$5.8 million to the plans for the three and six months ended June 30, 2011, respectively.

**8. Other Operating Net**

Details of other operating costs are as follows:

|  | Three months ended<br>June 30, |        | Six months ended<br>June 30, |           |
|--|--------------------------------|--------|------------------------------|-----------|
|  | 2012                           | 2011   | 2012                         | 2011      |
|  | (in millions)                  |        |                              |           |
| (Gain) loss on disposal of property, plant and equipment and non-core assets net | \$ (0.4)                       | \$ 1.8 | \$ 3.6                       | \$ (30.9) |
| Engineering studies  | 5.4                            |        | 11.8                         |           |
| Bartow costs   | 0.8                            | 1.0    | 1.6                          | 1.8       |
| Other  | 5.0                            | 1.1    | 16.1                         | 2.0       |
|  | \$ 10.8                        | \$ 3.9 | \$ 33.1                      | \$ (27.1) |

In February 2011, we sold four of our owned dry product warehouses to GROWMARK and realized a pre-tax gain of \$32.5 million, which is included in the first line in the table above.





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Engineering studies provide detailed design work and cost estimates for certain proposed capital projects at our manufacturing complexes.

Bartow costs consist of provisions for AROs and site maintenance costs at our closed phosphate fertilizer facility in Bartow, Florida. The AROs involve costs of closure and post-closure maintenance and monitoring for the phosphogypsum stack systems. For additional information on our AROs, see Note 9 Asset Retirement Obligations.

Other includes losses on foreign currency transactions and environmental remediation costs associated with a closed facility.

**9. Asset Retirement Obligations**

ARO are legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal operation of such assets. Our AROs are primarily associated with phosphogypsum stack systems and mine reclamation in Florida.

The changes in our AROs from December 31, 2011 to June 30, 2012 are summarized below:

|                                    | (in millions)   |
|------------------------------------|-----------------|
| Obligation at December 31, 2011    | \$ 131.6        |
| Accretion expense                  | 4.8             |
| Liabilities incurred               | 0.6             |
| Expenditures                       | (3.6)           |
| <b>Obligation at June 30, 2012</b> | <b>\$ 133.4</b> |

Our phosphate operations in Florida are subject to regulations governing the construction, operation, closure and long-term maintenance of phosphogypsum stack systems and regulations concerning site reclamation for phosphate rock mines. Our liability for phosphogypsum stack costs includes the cost of stack closure at our Plant City, Florida phosphate fertilizer complex and the costs of cooling pond closure, post-closure monitoring, and ongoing water treatment at both Bartow and Plant City. The actual amounts to be spent will depend on factors such as the timing of activities, refinements in scope, technological developments, cost inflation and changes in regulations. It is possible that these factors could change at any time and impact the estimates. In addition to reclamation AROs arising from normal mining activity, AROs may increase in the future upon expansion of the Plant City phosphogypsum stack.

ARO are reported in accrued expenses and other noncurrent liabilities on our consolidated balance sheets, as follows:

|                    | June 30,<br>2012 | December 31,<br>2011 |
|--------------------|------------------|----------------------|
|                    | (in millions)    |                      |
| Current portion    | \$ 14.0          | \$ 13.8              |
| Noncurrent portion | 119.4            | 117.8                |
|                    | <b>\$ 133.4</b>  | <b>\$ 131.6</b>      |

In addition to various operational and environmental regulations related to our phosphate segment, we are also subject to financial assurance requirements related to the closure and maintenance of our phosphogypsum stack systems at both our Plant City, Florida phosphate fertilizer complex and our closed Bartow, Florida phosphate fertilizer complex. The financial assurance

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requirements pertaining to our operations are outlined in two separate regulations. First, in 2010, we entered into a consent decree with the EPA and the FDEP with respect to our compliance with the Resource Conservation and Recovery Act (RCRA) at our Plant City complex (the Plant City Consent Decree). Second, the State of Florida financial assurance regulations (Florida Financial Assurance) apply to both our Plant City and Bartow complexes. Both of these regulations allow the use of a funding mechanism as a means of complying with the financial assurance requirements associated with the closure, long-term maintenance, and monitoring costs for the phosphogypsum stacks, as well as costs incurred to manage the water contained in the stack system upon closure. We have established a trust account for the benefit of the EPA and FDEP and an escrow account for the benefit of the FDEP to meet these financial assurance requirements. On our consolidated balance sheet, these are collectively referred to as "Asset retirement obligation funds" (ARO funds). We expect to deposit approximately \$50.0 million in 2012, which will fully fund the trust account for the Plant City Consent Decree and we expect to fund the remaining \$2.0 million in the State of Florida Financial Assurance escrow account by 2016. Both financial assurance funding obligations require estimates of future expenditures that could be impacted by the timing of activities, refinements in scope, technological developments, cost inflation, discount rates and change in regulations. Additional funding will be required in the future if increases in cost estimates exceed investment earnings in the trust or escrow accounts. At June 30, 2012 and December 31, 2011, the balance in the ARO funds was \$147.6 million and \$145.4 million, respectively.

**10. Interest Expense**

Interest expense consisted of the following:

|                                | <b>Three months ended<br/>June 30,</b> |             | <b>Six months ended<br/>June 30,</b> |             |
|--------------------------------|--|-------------|--------------------------------------|-------------|
|                                | <b>2012</b>                            | <b>2011</b> | <b>2012</b>                          | <b>2011</b> |
|                                | (in millions)                          |             |                                      |             |
| Interest on borrowings         | \$ 28.1                                | \$ 28.0     | \$ 56.1                              | \$ 57.8     |
| Fees on financing agreements   | 20.0                                   | 3.5         | 25.1                                 | 28.4        |
| Interest capitalized and other | (2.8)                                  | (0.7)       | (5.0)                                | (3.3)       |
|                                | \$ 45.3                                | \$ 30.8     | \$ 76.2                              | \$ 82.9     |

The fees on financing agreements for the three months and six months ended June 30, 2012 includes \$15.2 million of accelerated amortization of deferred fees related to the termination of a credit agreement in May 2012. Refer to Note 17 Financing Agreements, for additional information. The fees on financing agreements for the six months ended June 30, 2011 includes \$19.9 million of accelerated amortization of debt issuance costs recognized upon repayment in full of a senior secured term loan.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****11. Income Taxes**

Our income tax provision for the three months ended June 30, 2012 was \$309.2 million on pre-tax income of \$960.3 million, or an effective tax rate of 32.2%, compared to an income tax provision of \$281.0 million on pre-tax income of \$815.0 million, or an effective tax rate of 34.5%, for the three months ended June 30, 2011. The effective tax rate for the second quarter of 2012 based on pre-tax income exclusive of earnings attributable to noncontrolling interest was 34.8% compared to 37.0% in the second quarter of 2011. The decline in the effective tax rate exclusive of earnings attributable to noncontrolling interests was driven primarily by higher state taxes in the prior year. The effective tax rate based on pre-tax income differs from our effective tax rate based on pre-tax income exclusive of earnings attributable to noncontrolling interest, as our consolidated income tax provision does not include tax provisions on the earnings attributable to noncontrolling interests in TNCLP and CFL, which record no income tax provisions.

For additional information concerning the income tax matters noted above, see Note 13 Income Taxes, to our audited consolidated financial statements included in our 2011 Annual Report on Form 10-K filed with the SEC on February 27, 2012.

**12. Restructuring and Integration Costs**

There were no restructuring and integration costs incurred during the three and six months ended June 30, 2012. During the three and six months ended June 30, 2011, we incurred \$1.3 million and \$3.4 million, respectively, of restructuring and integration costs related to our 2010 acquisition of Terra Industries Inc. The restructuring costs included employee termination benefits and the integration costs included consulting and other professional fees.

The following table summarizes the activity and balance in our restructuring reserve for the six months ended June 30, 2012 and 2011:

|                              | Six months ended<br>June 30, |        |
|------------------------------|------------------------------|--------|
|                              | 2012                         | 2011   |
|                              | (in millions)                |        |
| Reserve balance beginning    | \$ 2.0                       | \$ 2.9 |
| Employee termination expense |                              | 1.8    |
| Cash payments                | (1.0)                        | (2.8)  |
| Reserve balance ending       | \$ 1.0                       | \$ 1.9 |

**13. Inventories Net**

Inventories net consist of the following:

|   | June 30, 2012 | December 31,<br>2011 |
|---|---------------|----------------------|
|   | (in millions) |                      |
| Fertilizer                              | \$ 167.6      | \$ 245.2             |
| Raw materials, spare parts and supplies | 62.0          | 59.0                 |
|   | \$ 229.6      | \$ 304.2             |

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****14. Equity Method Investments**

Equity method investments consist of the following:

|  | June 30,<br>2012 | December 31,<br>2011 |
|--|------------------|----------------------|
| Operating equity method investments              | \$ 399.4         | \$ 413.1             |
| Non-operating equity method investments          | 544.9            | 515.5                |
| <b>Investments in and advances to affiliates</b> | <b>\$ 944.3</b>  | <b>\$ 928.6</b>      |

*Operating Equity Method Investments*

Our equity method investments included in operating earnings consist of: (1) a 50% ownership interest in Point Lisas Nitrogen Limited (PLNL), which operates an ammonia production facility in the Republic of Trinidad and Tobago; and (2) a 50% interest in an ammonia storage joint venture located in Houston, Texas. We include our share of the net earnings from these investments as an element of earnings from operations because these operations provide additional production and storage capacity to our operations and are integrated with our other supply chain and sales activities in the nitrogen segment.

The combined results of operations and financial position for our operating equity method investments are summarized below:

|  | Three months ended<br>June 30, |         | Six months ended<br>June 30, |          |
|--|--------------------------------|---------|------------------------------|----------|
|  | 2012                           | 2011    | 2012                         | 2011     |
| (in millions)                                  |                                |         |                              |          |
| Condensed statement of operations information: |                                |         |                              |          |
| Net sales                                      | \$ 103.7                       | \$ 76.5 | \$ 181.2                     | \$ 156.3 |
| Net earnings                                   | \$ 38.0                        | \$ 26.2 | \$ 62.5                      | \$ 53.7  |
| Equity in earnings of operating affiliates     | \$ 13.8                        | \$ 14.2 | \$ 29.3                      | \$ 25.7  |

|                                      | December 31,<br>June 30, 2012 |          |
|--------------------------------------|-------------------------------|----------|
|                                      | 2012                          | 2011     |
| (in millions)                        |                               |          |
| Condensed balance sheet information: |                               |          |
| Current assets                       | \$ 98.6                       | \$ 126.6 |
| Long-term assets                     | 159.4                         | 147.2    |
| Total assets                         | \$ 258.0                      | \$ 273.8 |
| Current liabilities                  | \$ 46.5                       | \$ 41.1  |
| Long-term liabilities                | 21.6                          | 24.2     |
| Equity                               | 189.9                         | 208.5    |
| Total liabilities and equity         | \$ 258.0                      | \$ 273.8 |

The carrying value of these investments at June 30, 2012 was \$399.4 million, which was \$304.4 million more than our share of the affiliates' book value. The excess is primarily attributable to the purchase accounting impact of our acquisition of the investment in PLNL and reflects primarily the revaluation of property, plant and equipment, the value of an exclusive natural gas contract and



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goodwill. The increased basis for property, plant and equipment and the gas contract are being depreciated over a remaining period of approximately 22 years and 12 years, respectively. Our equity in earnings of operating affiliates is different from our ownership interest in income reported by the unconsolidated subsidiaries due to amortization of basis differences.

We have transactions in the normal course of business with PLNL reflecting our obligation to purchase 50% of the ammonia produced by PLNL at current market prices. We purchased ammonia from PLNL of \$47.7 million and \$86.2 million for the three and six months ended June 30, 2012, respectively, and \$34.6 million and \$70.6 million for the three and six months ended June 30, 2011, respectively.

*Non-Operating Equity Method Investments*

Our non-operating equity method investments consist of: (1) a 50% ownership of KEYTRADE AG (Keytrade), a fertilizer trading company headquartered near Zurich, Switzerland; and (2) a 50% ownership in GrowHow UK Limited (GrowHow), which operates nitrogen production facilities in the United Kingdom. We account for these investments as non-operating equity method investments, and do not include the net earnings of these investments in earnings from operations since these operations do not provide additional capacity to us, nor are these operations integrated within our supply chain.

The combined results of operations and financial position of our non-operating equity method investments are summarized below:

|   | Three months ended<br>June 30, |          | Six months ended<br>June 30, |            |
|---|--------------------------------|----------|------------------------------|------------|
|   | 2012                           | 2011     | 2012                         | 2011       |
| (in millions)   |                                |          |                              |            |
| Condensed statement of operations information:              |                                |          |                              |            |
| Net sales   | \$ 858.6                       | \$ 751.1 | \$ 1,497.0                   | \$ 1,281.4 |
| Net earnings  | \$ 60.7                        | \$ 26.8  | \$ 62.7                      | \$ 50.0    |
| Equity in earnings of non-operating affiliates net of taxes | \$ 27.2                        | \$ 9.8   | \$ 24.9                      | \$ 18.3    |

|                                      | December 31,  |          |
|--------------------------------------|---------------|----------|
|                                      | June 30, 2012 | 2011     |
| (in millions)                        |               |          |
| Condensed balance sheet information: |               |          |
| Current assets                       | \$ 607.0      | \$ 504.2 |
| Long-term assets                     | 286.7         | 293.4    |
| Total assets                         | \$ 893.7      | \$ 797.6 |
| Current liabilities                  | \$ 380.0      | \$ 339.5 |
| Long-term liabilities                | 141.4         | 149.4    |
| Equity                               | 372.3         | 308.7    |
| Total liabilities and equity         | \$ 893.7      | \$ 797.6 |

In conjunction with our investment in Keytrade, we provided financing to Keytrade in the form of subordinated notes that mature on September 30, 2017 and bear interest at LIBOR plus 1.00 percent. At June 30, 2012 and December 31, 2011, the amount of the outstanding advances to Keytrade on our consolidated balance sheets was \$12.4 million. For each of the six month periods ended June 30, 2012 and 2011, we recognized interest income on advances to Keytrade of \$0.1 million. The carrying value of our advances to Keytrade approximates fair value.

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Excluding the advances to Keytrade, the carrying value of our non-operating equity method investments at June 30, 2012 was \$532.5 million, which was \$346.4 million more than our share of the affiliates' book value. The excess is primarily attributable to the purchase accounting impact of our acquisition of the investments in GrowHow and Keytrade and reflects primarily the revaluation of property, plant and equipment, identifiable intangibles and goodwill. The increased basis for property, plant and equipment and identifiable intangibles are being depreciated over remaining periods ranging from 2 to 14 years. Our equity in earnings of non-operating affiliates-net of taxes is different than our ownership interest in their net earnings due to the amortization of basis differences.

At June 30, 2012, the amount of our consolidated retained earnings that represents our undistributed earnings of non-operating equity method investments is \$31.4 million.

**15. Plant Turnaround Costs**

Scheduled inspections, replacements and overhauls of plant machinery and equipment at our continuous process manufacturing facilities are referred to as plant turnarounds. The expenditures related to turnarounds are capitalized into property, plant and equipment when incurred. The following is a summary of plant turnaround activity for the six months ended June 30, 2012 and 2011:

|                                   | Six months ended<br>June 30, |         |
|-----------------------------------|------------------------------|---------|
|                                   | 2012                         | 2011    |
|                                   | (in millions)                |         |
| Net capitalized turnaround costs: |                              |         |
| Beginning balance                 | \$ 54.8                      | \$ 66.8 |
| Additions                         | 21.1                         | 5.5     |
| Depreciation                      | (15.1)                       | (14.0)  |
| Effect of exchange rate changes   | 0.1                          | 0.6     |
| Ending balance                    | \$ 60.9                      | \$ 58.9 |

Scheduled replacements and overhauls of plant machinery and equipment include the dismantling, repair or replacement and installation of various components including piping, valves, motors, turbines, pumps, compressors, heat exchangers and the replacement of catalysts when a full plant shutdown occurs. Scheduled inspections are also conducted during full plant shutdowns, including required safety inspections which entail the disassembly of various components such as steam boilers, pressure vessels and other equipment requiring safety certifications. Internal employee costs and overhead are not considered turnaround costs and are not capitalized.

**16. Goodwill and Other Intangible Assets**

The following table shows the carrying amount of goodwill by business segment at June 30, 2012 and December 31, 2011:

|                    | Nitrogen   | Phosphate | Total      |
|--------------------|------------|-----------|------------|
| Balance by segment | \$ 2,063.6 | \$ 0.9    | \$ 2,064.5 |

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**CF INDUSTRIES HOLDINGS, INC.**

The identifiable intangibles and carrying values are shown below. The Company's intangible assets are presented in other assets on our consolidated balance sheets.

|                                | At June 30, 2012      |                          |                | At December 31, 2011  |                          |                |
|--------------------------------|-----------------------|--------------------------|----------------|-----------------------|--------------------------|----------------|
|                                | Gross Carrying Amount | Accumulated Amortization | Net            | Gross Carrying Amount | Accumulated Amortization | Net            |
|                                | (in millions)         |                          |                |                       |                          |                |
| <b>Intangible assets:</b>      |                       |                          |                |                       |                          |                |
| Customer Relationships         | \$ 50.0               | \$ (6.3)                 | \$ 43.7        | \$ 50.0               | \$ (4.9)                 | \$ 45.1        |
| TerraCair Brand                | 10.0                  | (2.2)                    | 7.8            | 10.0                  | (1.7)                    | 8.3            |
| <b>Total intangible assets</b> | <b>\$ 60.0</b>        | <b>\$ (8.5)</b>          | <b>\$ 51.5</b> | <b>\$ 60.0</b>        | <b>\$ (6.6)</b>          | <b>\$ 53.4</b> |

Amortization expense of our identifiable intangibles was \$1.0 million for both the three months ended June 30, 2012 and 2011, respectively, and was \$1.9 million for both the six months ended June 30, 2012 and 2011, respectively.

Total estimated amortization expense for the remainder of 2012 and the five succeeding fiscal years is as follows:

|                   | Estimated Amortization Expense |
|-------------------|--------------------------------|
|                   | (in millions)                  |
| Remainder of 2012 | \$ 1.9                         |
| 2013              | 3.8                            |
| 2014              | 3.8                            |
| 2015              | 3.8                            |
| 2016              | 3.8                            |
| 2017              | 3.8                            |
|                   | <b>\$ 20.9</b>                 |

**17. Financing Agreements**

Long-term debt consisted of the following:

|                                | June 30, 2012     | December 31, 2011 |
|--------------------------------|-------------------|-------------------|
|                                | (in millions)     |                   |
| <b>Unsecured senior notes:</b> |                   |                   |
| 6.875% due 2018                | \$ 800.0          | \$ 800.0          |
| 7.125% due 2020                | 800.0             | 800.0             |
| 7.0% due 2017                  |                   | 13.0              |
|                                | <b>\$ 1,600.0</b> | <b>\$ 1,613.0</b> |
| Less: Current portion          |                   |                   |
| <b>Noncurrent</b>              | <b>\$ 1,600.0</b> | <b>\$ 1,613.0</b> |

*Credit Agreement*

Until May 1, 2012, we maintained a senior secured revolving credit facility under an agreement, dated April 5, 2010 and amended and restated August 3, 2011 (the 2010 Credit Agreement), that





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**CF INDUSTRIES HOLDINGS, INC.**

provided up to \$500 million in borrowings. The obligations of CF Industries under the 2010 Credit Agreement were guaranteed by the Company and certain direct and indirect wholly-owned subsidiaries of the Company (collectively, the Guarantors). The obligations of CF Industries and the Guarantors under the 2010 Credit Agreement were secured by senior liens on substantially all of the assets of CF Industries and the Guarantors, subject to certain exceptions.

On May 1, 2012, the Company terminated the 2010 Credit Agreement and all of the guarantees and liens on the assets of the Company and its subsidiaries that secured obligations under the 2010 Credit Agreement were released. Immediately after terminating the 2010 Credit Agreement, the Company, as a guarantor, and CF Industries, as borrower, entered into a \$500 million senior unsecured credit agreement, dated May 1, 2012 (the 2012 Credit Agreement), which provides for a revolving credit facility of up to \$500 million with a maturity of five years.

Borrowings under the 2012 Credit Agreement bear interest at a variable rate based on an applicable margin over LIBOR or a base rate and may be used for working capital, capital expenditures, acquisitions, share repurchases and other general purposes. The 2012 Credit Agreement requires that the Company maintain a minimum interest coverage ratio and not exceed a maximum total leverage ratio, and includes other customary terms and conditions, including customary events of default and covenants.

All obligations under the 2012 Credit Agreement are unsecured. Currently the Company is the only guarantor of CF Industries' obligations under the 2012 Credit Agreement. Certain of CF Industries' material domestic subsidiaries will be required to become guarantors under the 2012 Credit Agreement only if such subsidiary were to guarantee other debt for borrowed money (subject to certain exceptions) of the Company or CF Industries in excess of \$250 million. Currently, no such subsidiary guarantees debt for borrowed money in excess of \$250 million.

At June 30, 2012, there was \$491.2 million of available credit under the 2012 Credit Agreement (net of outstanding letters of credit), and there were no borrowings outstanding.

*Senior Notes due 2018 and 2020*

On April 23, 2010, CF Industries issued \$800 million aggregate principal amount of 6.875% senior notes due May 1, 2018 (the 2018 Notes) and \$800 million aggregate principal amount of 7.125% senior notes due May 1, 2020 (the 2020 Notes and, together with the 2018 Notes, the Notes). The Notes pay interest semiannually on May 1 and November 1 and are redeemable at CF Industries' option, in whole at any time or in part from time to time, at specified make-whole redemption prices.

The indentures governing the Notes contain customary events of default and covenants that limit, among other things, the ability of the Company and its subsidiaries, including CF Industries, to incur liens on certain properties to secure debt. In the event of specified changes of control involving the Company or CF Industries, they also require CF Industries to offer to repurchase the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

Under the supplemental indentures governing the Notes, the Notes are to be guaranteed by the Company and each of the Company's current and future subsidiaries (other than CF Industries) that from time to time is a borrower or guarantor under the 2010 Credit Agreement, or any renewal, replacement or refinancing thereof, including the 2012 Credit Agreement. Upon the termination of the 2010 Credit Agreement, the guarantees of the subsidiaries of the Company securing obligations under the 2010 Credit Agreement were released. As a result, the subsidiaries were automatically released from their guarantees of the Notes. In the event that a subsidiary of the Company, other than CF Industries, becomes a borrower or a guarantor under the 2012 Credit Agreement, such subsidiary would be required to become a guarantor of the Notes.

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**CF INDUSTRIES HOLDINGS, INC.**

At June 30, 2012, the carrying value of the Notes was \$1.6 billion and the fair value was approximately \$1.9 billion.

*Terra Senior Notes*

At December 31, 2011, \$13.0 million of Terra 7% Senior Notes due 2017 (2017 Notes) were outstanding. In the second quarter of 2012, we redeemed the remaining outstanding 2017 Notes for cash. This redemption did not have a material impact on our consolidated financial results.

*Notes Payable*

From time to time, CFL receives advances from CF Industries and from CFL's noncontrolling interest holder to finance major capital expenditures. The advances outstanding are evidenced by unsecured promissory notes due December 31, 2013 and bear interest at market rates. The amount shown as notes payable represents the advances payable to CFL's noncontrolling interest holder. The carrying value of notes payable approximates their fair value.

**18. Derivative Financial Instruments**

We use natural gas in the manufacture of nitrogen fertilizer products. We manage the risk of changes in gas prices through the use of physical gas supply contracts and derivative financial instruments covering periods of generally less than 18 months. We use natural gas derivative instruments primarily to lock in a substantial portion of our margin on sales under our Forward Pricing Program. Our natural gas acquisition policy also allows us to establish derivative positions that are associated with anticipated natural gas requirements unrelated to our Forward Pricing Program.

The derivative instruments that we currently use are primarily natural gas swap contracts. These contracts settle using primarily a NYMEX futures price index, which represents fair value at any given time. The contracts are entered into with respect to gas to be consumed in the future and settlements are scheduled to coincide with anticipated gas purchases used to manufacture nitrogen products during those future periods.

We report derivatives on our consolidated balance sheet at fair value with changes in fair value recognized immediately in earnings, unless the normal purchase and sale exemption applies. We use natural gas derivatives primarily as an economic hedge of gas price risk, but without the application of hedge accounting. Accordingly, changes in the fair value of the derivatives are recorded in cost of sales as the changes occur. Cash flows related to natural gas derivatives are reported as operating activities.

The effect of derivatives in our consolidated statements of operations is shown below. All amounts arise from natural gas derivatives that are not designated as hedging instruments, with resulting gains and losses recorded in cost of sales.

|  | Three months ended |           | Six months ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | June 30,           |           | June 30,         |           |
|  | 2012               | 2011      | 2012             | 2011      |
|  | (in millions)      |           |                  |           |
| Realized gains (losses)                  | \$ (54.2)          | \$ 0.9    | \$ (102.4)       | \$ (8.7)  |
| Unrealized mark-to-market gains (losses) | 77.6               | (14.2)    | 21.7             | (13.5)    |
| Net derivative gains (losses)            | \$ 23.4            | \$ (13.3) | \$ (80.7)        | \$ (22.2) |

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The fair values of derivatives on our consolidated balance sheets are shown below. All amounts arise from natural gas derivatives that are not designated as hedging instruments. For additional information on derivative fair values, see Note 5 Fair Value Measurements.

|  | <b>June 30,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|--|--------------------------|------------------------------|
|  | (in millions)            |                              |
| Unrealized gains in other current assets       | \$ 0.1                   | \$ 0.5                       |
| Unrealized losses in other current liabilities | (52.6)                   | (74.7)                       |
| <b>Net unrealized derivative losses</b>        | <b>\$ (52.5)</b>         | <b>\$ (74.2)</b>             |

As of June 30, 2012 and December 31, 2011, we had open financial derivative contracts for 74.4 million MMBtus and 156.3 million MMBtus, respectively, of natural gas. For the six months ended June 30, 2012, we used derivatives to cover approximately 71% of our natural gas consumption.

Natural gas derivatives involve the risk of dealing with counterparties and their ability to meet the terms of the contracts. The counterparties to our natural gas derivatives are either large oil and gas companies or large financial institutions. Cash collateral is deposited with or received from counterparties when predetermined unrealized gain or loss thresholds are exceeded. At both June 30, 2012 and December 31, 2011, we had no cash collateral on deposit with counterparties for derivative contracts.

As of June 30, 2012 and December 31, 2011, the aggregate fair value of the derivative instruments with credit-risk-related contingent features in a net liability position was \$52.6 million and \$74.7 million, respectively, for which we had no cash collateral on deposit with these counterparties.

For derivatives that are in net asset positions, we are exposed to credit loss from nonperformance by the counterparties. At June 30, 2012 and December 31, 2011, our exposure to credit loss from nonperformance by counterparties to derivative instruments was insignificant. We control our credit risk through the use of multiple counterparties, individual credit limits, monitoring procedures, cash collateral requirements and master netting arrangements.

The master netting arrangements with respect to our derivative instruments also contain credit-risk-related contingent features that require us to maintain a minimum net worth level and certain financial ratios. If we fail to meet these minimum requirements, the counterparties to derivative instruments that are in net liability positions could require daily cash settlement of unrealized losses or some other form of credit support.

**19. Stock-Based Compensation**

We grant stock-based compensation awards under the CF Industries Holdings, Inc. 2009 Equity and Incentive Plan (the Plan). The awards granted to date are nonqualified stock options and restricted stock. The cost of employee services received in exchange for the awards is measured based on the fair value of the award on the grant date and is recognized as expense on a straight-line basis over the period during which the employee is required to provide the services.

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**CF INDUSTRIES HOLDINGS, INC.**

A summary of stock option activity under the Plan at June 30, 2012 is presented below:

|                                     | Shares         | Weighted-Average Exercise Price | Aggregate Intrinsic Value (in millions) |
|-------------------------------------|----------------|---------------------------------|---|
| Outstanding at December 31, 2011    | 1,215,083      | \$ 53.95                        | \$ 111.4                                |
| Granted                             | 3,600          | 177.42                          |   |
| Exercised                           | (269,573)      | 19.87                           | 42.6                                    |
| Forfeited                           | (6,348)        | 112.37                          |   |
| <b>Outstanding at June 30, 2012</b> | <b>942,762</b> | <b>63.78</b>                    | <b>122.5</b>                            |
| Exercisable at June 30, 2012        | 641,956        | 42.23                           | 97.3                                    |

Cash received from stock option exercises for the six months ended June 30, 2012 was \$5.4 million.

A summary of restricted stock activity under the Plan at June 30, 2012 is presented below:

|                                     | Shares         | Weighted-Average Grant Date Fair Value |
|-------------------------------------|----------------|--|
| Outstanding at December 31, 2011    | 112,571        | \$ 100.83                              |
| Granted                             | 4,977          | 173.27                                 |
| Vested                              | (7,961)        | 127.25                                 |
| <b>Outstanding at June 30, 2012</b> | <b>109,587</b> | <b>102.20</b>                          |

Stock-based compensation cost is recorded primarily in selling, general and administrative expense. The following table summarizes stock-based compensation costs and related income tax benefits:

|  | Three months ended<br>June 30, |               | Six months ended<br>June 30, |               |
|--|--------------------------------|---------------|------------------------------|---------------|
|  | 2012                           | 2011          | 2012                         | 2011          |
|  | (in millions)                  |               |                              |               |
| Stock-based compensation expense                             | \$ 2.5                         | \$ 2.3        | \$ 5.1                       | \$ 4.7        |
| Income tax benefit   | (1.0)                          | (0.8)         | (1.9)                        | (1.7)         |
| <b>Stock-based compensation expense, net of income taxes</b> | <b>\$ 1.5</b>                  | <b>\$ 1.5</b> | <b>\$ 3.2</b>                | <b>\$ 3.0</b> |

As of June 30, 2012, pre-tax unrecognized compensation cost, net of estimated forfeitures, was \$7.9 million for stock options, which will be recognized over a weighted average period of 1.8 years, and \$4.7 million for restricted stock, which will be recognized over a weighted average period of 1.6 years.

An excess tax benefit is generated when the realized tax benefit from the vesting of restricted stock, or a stock option exercise, exceeds the previously recognized deferred tax asset. Excess tax benefits are required to be reported as a financing cash inflow rather than as a reduction of taxes paid. Excess tax benefits for the three and six months ended June 30, 2012 were \$6.0 million and \$15.4 million, respectively. Excess tax benefits for the three and six months ended June 30, 2011 were \$12.6 million and \$18.6 million, respectively.

In addition to our expense associated with the Plan, TNCLP also recognizes stock-based compensation (income) expense for phantom units provided to non-employee directors of TNGP. The



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(income) expense resulting from these market based liability awards amounted to (\$0.1) million and \$0.5 million for the three and six months ended June 30, 2012, respectively. Stock compensation expense reported in our consolidated statements of operations and consolidated statements of cash flows includes this phantom unit (income) expense.

**20. Treasury Stock**

In August 2011, our Board of Directors authorized a program to repurchase Company common stock for a total expenditure of up to \$1.5 billion plus program expenses (the 2011 Stock Repurchase Program). Repurchases under this program were authorized to be made from time to time in the open market, in privately negotiated transactions, or otherwise. In the third and fourth quarters of 2011, we repurchased 6.5 million shares for \$1.0 billion and during the second quarter of 2012, we repurchased an additional 3.1 million shares under the program for \$500.0 million. As a result of the repurchases in 2012, we completed the 2011 Stock Repurchase Program. In June 2012, our Board of Directors approved a resolution to retire all 9.6 million shares of repurchased stock, and as of June 30, 2012, all repurchased shares had been retired.

**21. Accumulated Other Comprehensive Loss**

Changes to accumulated other comprehensive loss and the impact on other comprehensive loss are as follows:

|   | Foreign<br>Currency<br>Translation<br>Adjustment | Unrealized<br>Gain (Loss)<br>on Securities | Defined<br>Benefit<br>Plans | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|---|--|--|-----------------------------|--|
|   | (in millions)                                    |  |                             |  |
| Balance at December 31, 2010                          | \$ 22.4  | \$ (4.9)                                   | \$ (70.8)                   | \$ (53.3)  |
| Unrealized holding gain on securities                 |  | 4.7  |                             | 4.7  |
| Reclassification to net earnings                      |  | (0.2)                                      | 4.0                         | 3.8  |
| Effect of exchange rate changes<br>and deferred taxes | 26.0   | (1.7)                                      | (1.7)                       | 22.6   |
| Balance at June 30, 2011                              | \$ 48.4  | \$ (2.1)                                   | \$ (68.5)                   | \$ (22.2)  |
| Balance at December 31, 2011                          | \$ 15.4  | \$ (3.0)                                   | \$ (111.7)                  | \$ (99.3)  |
| Unrealized holding gain on securities                 |  | 1.0  |                             | 1.0  |
| Reclassification to net earnings                      |  | (0.9)                                      | 5.8                         | 4.9  |
| Effect of exchange rate changes<br>and deferred taxes | 20.5   | 0.3  | (2.6)                       | 18.2   |
| Balance at June 30, 2012                              | \$ 35.9  | \$ (2.6)                                   | \$ (108.5)                  | \$ (75.2)  |

**22. Contingencies****Litigation**

From time to time, we are subject to ordinary, routine legal proceedings related to the usual conduct of our business, including proceedings regarding public utility and transportation rates, environmental matters, taxes and permits relating to the operations of our various plants and facilities. Based on the information available as of the date of this filing, we believe that the ultimate outcome of these matters will not have a material adverse effect on our consolidated financial position or results of operations.

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**CF INDUSTRIES HOLDINGS, INC.**

**Environmental**

***Florida Environmental Matters***

*Clean Air Act Investigation*

On March 19, 2007, the Company received a letter from the EPA under Section 114 of the Federal Clean Air Act requesting information and copies of records relating to compliance with New Source Review, New Source Performance Standards, and National Emission Standards for Hazardous Air Pollutants at the Plant City facility. The Company provided the requested information to the EPA in late 2007. The EPA initiated this same process in relation to numerous other sulfuric acid plants and phosphoric acid plants throughout the nation, including other facilities in Florida.

The Company received a Notice of Violation (NOV) from the EPA by letter dated June 16, 2010. The NOV alleges the Company violated the Prevention of Significant Deterioration (PSD) Clean Air Act regulations relating to certain projects undertaken at the Plant City facility's sulfuric acid plants. This NOV further alleges that the actions that are the basis for the alleged PSD violations also resulted in violations of Title V air operating permit regulations. Finally, the NOV alleges that the Company failed to comply with certain compliance dates established by hazardous air pollutant regulations for phosphoric acid manufacturing plants and phosphate fertilizer production plants. The Company had an initial meeting with the EPA to discuss these alleged violations. This matter has been referred to the United States Department of Justice (DOJ). The Company does not know at this time if it will settle this matter prior to initiation of formal legal action.

We cannot estimate the potential penalties, fines or other expenditures, if any, that may result from the Clean Air Act NOV and, therefore, we cannot determine if the ultimate outcome of this matter will have a material impact on the Company's financial position, results of operations or cash flows.

*EPCRA/CERCLA Investigation*

Pursuant to a letter from the DOJ dated July 28, 2008 that was sent to representatives of the major U.S. phosphoric acid manufacturers, including CF Industries, the DOJ stated that it and the EPA believe that apparent violations of Section 313 of the Emergency Planning and Community Right-to-Know Act (EPCRA), which requires annual reports to be submitted with respect to the use of certain toxic chemicals, have occurred at all of the phosphoric acid facilities operated by these manufacturers. The letter also states that the DOJ and the EPA believe that most of these facilities have violated Section 304 of EPCRA and Section 103 of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) by failing to provide required notifications relating to the release of hydrogen fluoride from these facilities. The letter did not specifically identify alleged violations at our Plant City, Florida complex or assert a claim for a specific amount of penalties. The EPA submitted an information request to the Company on February 11, 2009, as a follow-up to the July 2008 letter. The Company provided information in response to the agency's inquiry on May 14 and May 29, 2009.

By letter dated July 6, 2010, the EPA issued a NOV to the Company alleging violations of EPCRA and CERCLA. The Company had an initial meeting with the EPA to discuss these alleged violations. The Company does not know at this time if it will settle this matter prior to initiation of formal legal action.



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We do not expect that penalties or fines, if any, that may arise out of the EPCRA/CERCLA matter will have a material impact on the Company's financial position, results of operations or cash flows.

*Federal and State Numeric Nutrient Criteria Regulation*

On August 18, 2009, the EPA entered into a consent decree with certain environmental groups with respect to the promulgation of numeric criteria for nitrogen and phosphorous in surface waters in Florida. The consent decree was approved by a Federal district court judge on November 16, 2009. The EPA adopted final numeric nutrient criteria for Florida lakes and inland flowing waters on November 14, 2010. On February 18, 2012, the Court upheld parts of the numeric nutrient criteria regulation, but found that the EPA had not adequately justified the criteria for streams and therefore concluded that the adoption of such criteria was arbitrary and capricious. The Court ordered the EPA to issue proposed or final numeric nutrient criteria for streams by May 21, 2012 (subject to the EPA seeking an extension of such time period pursuant to the terms of the 2009 consent decree). Subsequently, the Court granted the EPA's motion to allow the EPA to propose numeric nutrient criteria for streams by November 30, 2012 and to finalize such criteria by August 30, 2013. Depending on the developments discussed herein, federal or state numeric water quality criteria for lakes and inland flowing waters could result in substantially more stringent nitrogen and phosphorous limits in wastewater discharge permits for our mining, manufacturing and distribution operations in Florida.

On July 6, 2012, the EPA issued a final rule delaying the effective date of federal criteria for lakes and inland flowing waters (excluding the criteria found arbitrary and capricious by the Court) until January 6, 2013. The purpose of this delay is to allow the EPA time to evaluate numeric nutrient criteria approved by the State of Florida.

In December 2011, the State of Florida proposed its own numeric nutrient criteria for surface waters. The nitrogen and phosphorous criteria in the proposed rule are substantially identical to the federal rule, but the state proposal includes biological verification as a component of the criteria and adopts existing nutrient Total Maximum Daily Loads (TMDL) as applicable numeric criteria. The impact of these modifications could be to provide more flexibility with respect to nitrogen and phosphorous limits in wastewater discharge permits so long as such discharges do not impair the biological health of receiving water bodies. Environmental groups filed a challenge to the proposed state rule, and a hearing was held with the Florida Division of Administrative Hearings from February 27 through March 5, 2012. On June 8, 2012, the administrative law judge upheld the State's regulation. Florida submitted its rule package to the EPA for review on June 13, 2012. If the state regulation is approved by the EPA, the EPA would then withdraw the federal numeric criteria.

The 2009 consent decree also requires the EPA to develop numeric nutrient criteria for Florida coastal and estuarine waters. On July 13, 2012, the Court approved a motion by the EPA allowing it to propose numeric nutrient criteria for these waters by November 30, 2012 and to finalize such criteria by September 30, 2013. The extent to which the February 18, 2012 decision will impact this proposed rule is unclear. The numeric criteria promulgated by the State of Florida, discussed above, include criteria for coastal and estuarine waters and, if approved by the EPA, would also supplant federal standards for such water bodies.

The federal/state numeric nutrient criteria rulemaking is not yet complete. Nonetheless, more stringent limits on wastewater discharge permits could increase our costs and limit our operations and, therefore, could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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***Louisiana Environmental Matters***

*Clean Air Act Section 185 Fee*

Our Donaldsonville Nitrogen Complex is located in a five-parish region near Baton Rouge, Louisiana that, as of 2005, was designated as being in "severe" nonattainment with respect to the national ambient air quality standard (NAAQS) for ozone (the 1-hour ozone standard) pursuant to the Federal Clean Air Act (the Act). Section 185 of the Act requires states, in their state implementation plans, to levy a fee (Section 185 fee) on major stationary sources (such as the Donaldsonville facility) located in a severe nonattainment area that did not meet the 1-hour ozone standard by November 30, 2005. The fee was to be assessed for each calendar year (beginning in 2006) until the area achieved compliance with the ozone NAAQS.

Prior to the imposition of Section 185 fees, the EPA adopted a new ozone standard (the 8-hour ozone standard) and rescinded the 1-hour ozone standard. The Baton Rouge area was designated as a "moderate" nonattainment area with respect to the 8-hour ozone standard. However, because Section 185 fees had never been assessed prior to the rescission of the 1-hour ozone standard (rescinded prior to the November 30, 2005 ozone attainment deadline), the EPA concluded in a 2004 rulemaking implementing the 8-hour ozone standard that the Act did not require states to assess Section 185 fees. As a result, Section 185 fees were not assessed against CF Industries and other companies located in the Baton Rouge area.

In 2006, the federal D.C. Circuit Court of Appeals rejected the EPA's position and held that Section 185 fees were controls that must be maintained and fees should have been assessed under the Act. In January 2008, the U.S. Supreme Court declined to accept the case for review, making the appellate court's decision final.

In July 2011, the EPA approved a revision to Louisiana's air pollution program that eliminated the requirement for Baton Rouge area companies to pay Section 185 fees, based on Baton Rouge's ultimate attainment of the 1-hour standard through permanent and enforceable emissions reductions. EPA's approval of the Louisiana air program revision became effective on August 8, 2011. However, a recent decision by the federal D.C. Circuit Court of Appeals struck down a similar, but perhaps distinguishable, EPA guidance document regarding alternatives to Section 185 fees. At this time, the viability of EPA's approval of Louisiana's elimination of Section 185 fees is uncertain. Regardless of the approach ultimately adopted by the EPA, we expect that it is likely to be challenged by the environmental community, the states, and/or affected industries. Therefore, the costs associated with compliance with the Act cannot be determined at this time, and we cannot reasonably estimate the impact on the Company's financial position, results of operations or cash flows.

*Clean Air Act Information Request*

On February 26, 2009, the Company received a letter from the EPA under Section 114 of the Act requesting information and copies of records relating to compliance with New Source Review and New Source Performance Standards at the Donaldsonville facility. The Company has completed the submittal of all requested information. There has been no further contact from the EPA regarding this matter.

***Other***

*CERCLA/Remediation Matters*

From time to time, we receive notices from governmental agencies or third parties alleging that we are a potentially responsible party at certain cleanup sites under CERCLA or other environmental

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cleanup laws. In 2002 and in 2009, we were asked by the current owner of a former phosphate mine and processing facility that we are alleged to have operated in the late 1950s and early 1960s located in Georgetown Canyon, Idaho, to contribute to a remediation of this property. We declined to participate in the cleanup. It is our understanding that the current owner conducted a cleanup of the processing portion of the site pursuant to a Consent Judgment with the Idaho Department of Environmental Quality (IDEQ). The current owner could bring a lawsuit against us seeking contribution to the cleanup costs, although we do not have sufficient information to determine whether or when such a lawsuit will be brought. In 2011, the current owner and we received a notice from IDEQ that alleged that these parties were potentially responsible parties for the cleanup of the mine portion of the site. IDEQ requested from each party an indication of its willingness to enter into negotiations for an investigation of the mine portion of the site. The current owner indicated a willingness to negotiate. While reserving all rights and not admitting liability, we also indicated a willingness to negotiate. We are not able to estimate at this time our potential liability, if any, with respect to the remediation of this property. However, based on currently available information, we do not expect that any remedial or financial obligations we may be subject to involving this or other sites will have a material adverse effect on our business, financial condition, results of operations or cash flows.

**23. Segment Disclosures**

We are organized and managed based on two business segments, which are differentiated primarily by their products, the markets they serve and the regulatory environments in which they operate. Our two business segments are the nitrogen segment and the phosphate segment. The Company's management uses gross margin to evaluate segment performance and allocate resources. Total other operating costs and expenses (consisting of selling, general and administrative expenses, restructuring and integration costs and other operating-net) and non-operating expenses (interest and income taxes), are centrally managed and are not included in the measurement of segment profitability reviewed by management.

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Business segment data for sales, cost of sales and gross margin for the three and six months ended June 30, 2012 and 2011 are presented in the table below.

|  | Nitrogen      | Phosphate | Consolidated |
|--|---------------|-----------|--------------|
|  | (in millions) |           |              |
| <b>Three months ended June 30, 2012</b>    |               |           |              |
| Net sales                                  |               |           |              |
| Ammonia                                    | \$ 503.5      | \$        | \$ 503.5     |
| Granular urea                              | 361.8         |           | 361.8        |
| UAN  | 527.7         |           | 527.7        |
| AN   | 64.1          |           | 64.1         |
| DAP  |               | 173.7     | 173.7        |
| MAP  |               | 57.8      | 57.8         |
| Other                                      | 47.0          |           | 47.0         |
|  | 1,504.1       | 231.5     | 1,735.6      |
| Cost of sales                              | 511.2         | 181.1     | 692.3        |
| Gross margin                               | \$ 992.9      | \$ 50.4   | \$ 1,043.3   |
| Total other operating costs and expenses   |               |           | 52.1         |
| Equity in earnings of operating affiliates |               |           | 13.8         |
| Operating earnings                         |               |           | \$ 1,005.0   |
| <b>Three months ended June 30, 2011</b>    |               |           |              |
| Net sales                                  |               |           |              |
| Ammonia                                    | \$ 584.3      | \$        | \$ 584.3     |
| Granular urea                              | 283.0         |           | 283.0        |
| UAN  | 532.2         |           | 532.2        |
| AN   | 69.6          |           | 69.6         |
| DAP  |               | 211.8     | 211.8        |
| MAP  |               | 84.8      | 84.8         |
| Other                                      | 36.0          |           | 36.0         |
|  | 1,505.1       | 296.6     | 1,801.7      |
| Cost of sales                              | 722.5         | 211.8     | 934.3        |
| Gross margin                               | \$ 782.6      | \$ 84.8   | \$ 867.4     |
| Total other operating costs and expenses   |               |           | 36.9         |
| Equity in earnings of operating affiliates |               |           | 14.2         |
| Operating earnings                         |               |           | \$ 844.7     |

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|  | Nitrogen      | Phosphate | Consolidated |
|--|---------------|-----------|--------------|
|  | (in millions) |           |              |
| <b>Six months ended June 30, 2012</b>      |               |           |              |
| Net sales                                  |               |           |              |
| Ammonia                                    | \$ 905.2      | \$        | \$ 905.2     |
| Granular urea                              | 711.2         |           | 711.2        |
| UAN  | 951.4         |           | 951.4        |
| AN   | 127.9         |           | 127.9        |
| DAP  |               | 383.0     | 383.0        |
| MAP  |               | 104.4     | 104.4        |
| Other                                      | 80.1          |           | 80.1         |
|  | 2,775.8       | 487.4     | 3,263.2      |
| Cost of sales                              | 1,120.8       | 387.3     | 1,508.1      |
| Gross margin                               | \$ 1,655.0    | \$ 100.1  | \$ 1,755.1   |
| Total other operating costs and expenses   |               |           | 108.2        |
| Equity in earnings of operating affiliates |               |           | 29.3         |
| Operating earnings                         |               |           | \$ 1,676.2   |
| <b>Six months ended June 30, 2011</b>      |               |           |              |
| Net sales                                  |               |           |              |
| Ammonia                                    | \$ 786.8      | \$        | \$ 786.8     |
| Granular urea                              | 507.3         |           | 507.3        |
| UAN  | 934.5         |           | 934.5        |
| AN   | 130.9         |           | 130.9        |
| DAP  |               | 397.8     | 397.8        |
| MAP  |               | 146.9     | 146.9        |
| Other                                      | 71.5          |           | 71.5         |
|  | 2,431.0       | 544.7     | 2,975.7      |
| Cost of sales                              | 1,205.9       | 377.4     | 1,583.3      |
| Gross margin                               | \$ 1,225.1    | \$ 167.3  | \$ 1,392.4   |
| Total other operating costs and expenses   |               |           | 39.0         |
| Equity in earnings of operating affiliates |               |           | 25.7         |
| Operating earnings                         |               |           | \$ 1,379.1   |

Total assets at June 30, 2012 and December 31, 2011, are presented below.

|                   | Nitrogen      | Phosphate | Other      | Consolidated |
|-------------------|---------------|-----------|------------|--------------|
|                   | (in millions) |           |            |              |
| Assets            |               |           |            |              |
| June 30, 2012     | \$ 5,910.8    | \$ 728.5  | \$ 2,479.6 | \$ 9,118.9   |
| December 31, 2011 | \$ 5,976.9    | \$ 696.4  | \$ 2,301.2 | \$ 8,974.5   |

The Other category of assets in the table above includes amounts attributable to corporate headquarters and unallocated corporate assets, such as our cash and cash equivalents, short-term investments, equity method investments and other investments.



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**CF INDUSTRIES HOLDINGS, INC.**

**24. Condensed Consolidating Financial Statements**

The following condensed consolidating financial information is presented in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*, and comprises two separate and distinct presentations.

The first presentation of condensed consolidating financial information, under the heading "Condensed Consolidating Financial Information Relating to Senior Notes," relates to the Notes issued by CF Industries, Inc. (CFI), a 100% owned subsidiary of CF Industries Holdings, Inc. (Parent), described in Note 17 and the full and unconditional guarantee of such Notes by Parent. Under the supplemental indentures governing the Notes, the Notes are to be guaranteed by Parent and each of its current and future subsidiaries, other than CFI, that from time to time is a borrower or guarantor under the 2012 Credit Agreement, or any renewal, replacement or refinancing thereof. As of June 30, 2012, none of such subsidiaries of Parent was, or was required to be, a guarantor of the Notes. In the event that a subsidiary of Parent, other than CFI, becomes a borrower or a guarantor under the 2012 Credit Agreement, it would be required to become a guarantor of the Notes. For purposes of the presentation of condensed consolidating financial information under the heading "Condensed Consolidating Financial Information Relating to Senior Notes," the subsidiaries of Parent other than CFI are referred to as the Other Subsidiaries.

The second presentation of condensed consolidating financial information, under the heading "Condensed Consolidating Financial Information Relating to Shelf Registration Statement," relates to the Registration Statement on Form S-3 (File Nos. 333-166079 and 333-166079-01 through -21) (the Registration Statement) registering debt securities of CFI and the full and unconditional, joint and several guarantees of such debt securities by Parent and certain 100% owned domestic subsidiaries of Parent other than CFI (referred to as the Guarantor Subsidiaries). On June 29, 2012, Parent, CFI and the Guarantor Subsidiaries filed a post-effective amendment to the Registration Statement to terminate the effectiveness of the Registration Statement and to deregister all unsold securities thereunder. For purposes of the presentation of condensed consolidating financial information under the heading "Condensed Consolidating Financial Information Relating to Shelf Registration Statement," the subsidiaries of Parent other than CFI and the Guarantor Subsidiaries are referred to as the Non-Guarantor Subsidiaries.

In the condensed consolidating financial information presented below, investments in subsidiaries are presented under the equity method, in which our investments are recorded at cost and adjusted for our ownership share of a subsidiary's cumulative results of operations, distributions and other equity changes, and the eliminating entries reflect primarily intercompany transactions such as sales, accounts receivable and accounts payable and the elimination of equity investments and earnings of subsidiaries.

*Condensed Consolidating Financial Information Relating to Senior Notes*

Presented below are condensed consolidating statements of operations for Parent, CFI and the Other Subsidiaries for the three and six months ended June 30, 2012 and 2011, statements of cash flows for Parent, CFI and the Other Subsidiaries for the six months ended June 30, 2012 and 2011 and condensed consolidating balance sheets for Parent, CFI and the Other Subsidiaries as of June 30, 2012 and December 31, 2011. The condensed consolidating financial information presented below is not necessarily indicative of the financial position, results of operations or cash flows of Parent, CFI or the Other Subsidiaries on a stand-alone basis.

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|  | <b>Three months ended June 30, 2012</b> |              |                     |                     |                     |
|--|---|--------------|---------------------|---------------------|---------------------|
|  | <b>Parent</b>                           | <b>CFI</b>   | <b>Other</b>        |                     | <b>Consolidated</b> |
|  |   |              | <b>Subsidiaries</b> | <b>Eliminations</b> |                     |
|  | <b>(in millions)</b>                    |              |                     |                     |                     |
| Net sales  | \$                                      | \$ 1,055.7   | \$ 825.6            | \$ (145.7)          | \$ 1,735.6          |
| Cost of sales  |   | 436.2        | 293.6               | (37.5)              | 692.3               |
| <b>Gross margin</b>  |   | <b>619.5</b> | <b>532.0</b>        | <b>(108.2)</b>      | <b>1,043.3</b>      |
| Selling, general and administrative expenses   | 1.0                                     | 34.9         | 5.4                 |                     | 41.3                |
| Other operating net  |   | 8.6          | 2.2                 |                     | 10.8                |
| Total other operating costs and expenses   | 1.0                                     | 43.5         | 7.6                 |                     | 52.1                |
| Equity in earnings of operating affiliates   |   | (3.3)        | 17.1                |                     | 13.8                |
| Operating earnings (loss)  | (1.0)                                   | 572.7        | 541.5               | (108.2)             | 1,005.0             |
| Interest expense   |   | 42.8         | 2.8                 | (0.3)               | 45.3                |
| Interest income  |   | (0.2)        | (0.1)               | 0.3                 |                     |
| Net earnings of wholly-owned subsidiaries  | (607.0)                                 | (261.5)      |                     | 868.5               |                     |
| Other non-operating net  |   |              | (0.6)               |                     | (0.6)               |
| Earnings before income taxes and equity in earnings (loss) of non-operating affiliates | 606.0                                   | 791.6        | 539.4               | (976.7)             | 960.3               |
| Income tax provision (benefit)   | (0.3)                                   | 184.5        | 125.0               |                     | 309.2               |
| Equity in earnings (loss) of non-operating affiliates net of taxes                     |   | (0.1)        | 27.3                |                     | 27.2                |
| Net earnings   | 606.3                                   | 607.0        | 441.7               | (976.7)             | 678.3               |
| Less: Net earnings attributable to noncontrolling interest                             |   |              | 180.2               | (108.2)             | 72.0                |
| Net earnings attributable to common stockholders                                       | \$ 606.3                                | \$ 607.0     | \$ 261.5            | \$ (868.5)          | \$ 606.3            |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | <b>Three months ended June 30, 2012</b> |            |                     |                     |                     |
|--|---|------------|---------------------|---------------------|---------------------|
|  | <b>Parent</b>                           | <b>CFI</b> | <b>Other</b>        |                     | <b>Consolidated</b> |
|  |   |            | <b>Subsidiaries</b> | <b>Eliminations</b> |                     |
|  | <b>(in millions)</b>                    |            |                     |                     |                     |
| Net earnings   | \$ 606.3                                | \$ 607.0   | \$ 441.7            | \$ (976.7)          | \$ 678.3            |
| Other comprehensive loss   | (3.2)                                   | (3.2)      | (4.9)               | 7.7                 | (3.6)               |
| Comprehensive income   | 603.1                                   | 603.8      | 436.8               | (969.0)             | 674.7               |
| Less: Comprehensive income attributable to the noncontrolling interest |   |            | 180.2               | (108.6)             | 71.6                |
| Comprehensive income attributable to common stockholders               | \$ 603.1                                | \$ 603.8   | \$ 256.6            | \$ (860.4)          | \$ 603.1            |



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|   | Six months ended June 30, 2012 |                |                       |                |                |
|---|--------------------------------|----------------|-----------------------|----------------|----------------|
|   | Parent                         | CFI            | Other<br>Subsidiaries | Eliminations   | Consolidated   |
|   | (in millions)                  |                |                       |                |                |
| Net sales   | \$                             | \$ 1,971.6     | \$ 1,556.0            | \$ (264.4)     | \$ 3,263.2     |
| Cost of sales   |                                | 956.9          | 620.7                 | (69.5)         | 1,508.1        |
| <b>Gross margin</b>   |                                | <b>1,014.7</b> | <b>935.3</b>          | <b>(194.9)</b> | <b>1,755.1</b> |
| Selling, general and administrative expenses                                    | 1.5                            | 61.7           | 11.9                  |                | 75.1           |
| Other operating net   |                                | 15.8           | 17.3                  |                | 33.1           |
| Total other operating costs and expenses  | 1.5                            | 77.5           | 29.2                  |                | 108.2          |
| Equity in earnings of operating affiliates                                      |                                | 1.1            | 28.2                  |                | 29.3           |
| Operating earnings (loss)   | (1.5)                          | 938.3          | 934.3                 | (194.9)        | 1,676.2        |
| Interest expense  |                                | 71.0           | 5.6                   | (0.4)          | 76.2           |
| Interest income   |                                | (0.4)          | (0.4)                 | 0.4            | (0.4)          |
| Net (earnings) of wholly-owned subsidiaries                                     | (975.8)                        | (413.0)        |                       | 1,388.8        |                |
| Other non-operating net   |                                | 0.2            | (0.9)                 |                | (0.7)          |
| Earnings before income taxes and equity in earnings of non-operating affiliates | 974.3                          | 1,280.5        | 930.0                 | (1,583.7)      | 1,601.1        |
| Income tax provision (benefit)  | (0.4)                          | 304.6          | 211.8                 |                | 516.0          |
| Equity in earnings (loss) of non-operating affiliates net of taxes              |                                | (0.1)          | 25.0                  |                | 24.9           |
| Net earnings  | 974.7                          | 975.8          | 743.2                 | (1,583.7)      | 1,110.0        |
| Less: Net earnings attributable to noncontrolling interest                      |                                |                | 330.2                 | (194.9)        | 135.3          |
| Net earnings attributable to common stockholders                                | \$ 974.7                       | \$ 975.8       | \$ 413.0              | \$ (1,388.8)   | \$ 974.7       |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | Six months ended June 30, 2012 |          |                       |              |              |
|--|--------------------------------|----------|-----------------------|--------------|--------------|
|  | Parent                         | CFI      | Other<br>Subsidiaries | Eliminations | Consolidated |
|  | (in millions)                  |          |                       |              |              |
| Net earnings   | \$ 974.7                       | \$ 975.8 | \$ 743.2              | \$ (1,583.7) | \$ 1,110.0   |
| Other comprehensive income   | 24.0                           | 24.0     | 20.8                  | (44.6)       | 24.2         |
| Comprehensive income   | 998.7                          | 999.8    | 764.0                 | (1,628.3)    | 1,134.2      |
| Less: Comprehensive income attributable to the noncontrolling interest |                                |          | 330.2                 | (194.8)      | 135.4        |
| Comprehensive income attributable to common stockholders               | \$ 998.7                       | \$ 999.8 | \$ 433.8              | \$ (1,433.5) | \$ 998.8     |

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|  | Three months ended June 30, 2011 |            |                       |              |              |
|--|----------------------------------|------------|-----------------------|--------------|--------------|
|  | Parent                           | CFI        | Other<br>Subsidiaries | Eliminations | Consolidated |
|  | (in millions)                    |            |                       |              |              |
| Net sales  | \$                               | \$ 1,104.5 | \$ 837.2              | \$ (140.0)   | \$ 1,801.7   |
| Cost of sales  |                                  | 574.4      | 420.4                 | (60.5)       | 934.3        |
| Gross margin   |                                  | 530.1      | 416.8                 | (79.5)       | 867.4        |
| Selling, general and administrative expenses   | 1.0                              | 26.5       | 4.2                   |              | 31.7         |
| Restructuring and integration costs  |                                  | 0.9        | 0.4                   |              | 1.3          |
| Other operating net  |                                  | 1.3        | 2.6                   |              | 3.9          |
| Total other operating costs and expenses   | 1.0                              | 28.7       | 7.2                   |              | 36.9         |
| Equity in earnings of operating affiliates   |                                  | 2.8        | 11.4                  |              | 14.2         |
| Operating earnings (loss)  | (1.0)                            | 504.2      | 421.0                 | (79.5)       | 844.7        |
| Interest expense   |                                  | 28.7       | 2.1                   |              | 30.8         |
| Interest income  |                                  | (0.2)      | (0.7)                 |              | (0.9)        |
| Net earnings of wholly-owned subsidiaries  | (488.0)                          | (188.9)    |                       | 676.9        |              |
| Other non-operating net  |                                  | (0.1)      | (0.1)                 |              | (0.2)        |
| Earnings before income taxes and equity in earnings (loss) of non-operating affiliates | 487.0                            | 664.7      | 419.7                 | (756.4)      | 815.0        |
| Income tax provision (benefit)   | (0.4)                            | 176.6      | 104.8                 |              | 281.0        |
| Equity in earnings (loss) of non-operating affiliates net of taxes                     |                                  | (0.1)      | 9.9                   |              | 9.8          |
| Net earnings   | 487.4                            | 488.0      | 324.8                 | (756.4)      | 543.8        |
| Less: Net earnings attributable to noncontrolling interest                             |                                  |            | 135.9                 | (79.5)       | 56.4         |
| Net earnings attributable to common stockholders                                       | \$ 487.4                         | \$ 488.0   | \$ 188.9              | \$ (676.9)   | \$ 487.4     |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | Three months ended June 30, 2011 |          |                       |              |              |
|--|----------------------------------|----------|-----------------------|--------------|--------------|
|  | Parent                           | CFI      | Other<br>Subsidiaries | Eliminations | Consolidated |
|  | (in millions)                    |          |                       |              |              |
| Net earnings   | \$ 487.4                         | \$ 488.0 | \$ 324.8              | \$ (756.4)   | \$ 543.8     |
| Other comprehensive income   | 4.6                              | 4.6      | 2.0                   | (6.4)        | 4.8          |
| Comprehensive income   | 492.0                            | 492.6    | 326.8                 | (762.8)      | 548.6        |
| Less: Comprehensive income attributable to the noncontrolling interest |                                  |          | 135.9                 | (79.3)       | 56.6         |
| Comprehensive income attributable to common stockholders               | \$ 492.0                         | \$ 492.6 | \$ 190.9              | \$ (683.5)   | \$ 492.0     |



[Table of Contents](#)**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Operations**

|  | Six months ended June 30, 2011 |            |                       |              |              |
|--|--------------------------------|------------|-----------------------|--------------|--------------|
|  | Parent                         | CFI        | Other<br>Subsidiaries | Eliminations | Consolidated |
|  | (in millions)                  |            |                       |              |              |
| Net sales  | \$                             | \$ 1,735.7 | \$ 1,492.0            | \$ (252.0)   | \$ 2,975.7   |
| Cost of sales  |                                | 933.9      | 761.6                 | (112.2)      | 1,583.3      |
| Gross margin   |                                | 801.8      | 730.4                 | (139.8)      | 1,392.4      |
| Selling, general and administrative expenses   | 1.5                            | 48.8       | 12.4                  |              | 62.7         |
| Restructuring and integration costs  |                                | 2.0        | 1.4                   |              | 3.4          |
| Other operating net  |                                | (29.7)     | 2.6                   |              | (27.1)       |
| Total other operating costs and expenses   | 1.5                            | 21.1       | 16.4                  |              | 39.0         |
| Equity in earnings of operating affiliates   |                                | 2.4        | 23.3                  |              | 25.7         |
| Operating earnings (loss)  | (1.5)                          | 783.1      | 737.3                 | (139.8)      | 1,379.1      |
| Interest expense   |                                | 79.9       | 3.1                   | (0.1)        | 82.9         |
| Interest income  |                                | (0.4)      | (0.9)                 | 0.1          | (1.2)        |
| Net earnings of wholly-owned subsidiaries  | (770.4)                        | (333.4)    |                       | 1,103.8      |              |
| Other non-operating net  |                                | (0.1)      | (0.4)                 |              | (0.5)        |
| Earnings before income taxes and equity in earnings (loss) of non-operating affiliates | 768.9                          | 1,037.1    | 735.5                 | (1,243.6)    | 1,297.9      |
| Income tax provision (benefit)   | (0.5)                          | 266.6      | 173.7                 |              | 439.8        |
| Equity in earnings (loss) of non-operating affiliates net of taxes                     |                                | (0.1)      | 18.4                  |              | 18.3         |
| Net earnings   | 769.4                          | 770.4      | 580.2                 | (1,243.6)    | 876.4        |
| Less: Net earnings attributable to noncontrolling interest                             |                                |            | 246.8                 | (139.8)      | 107.0        |
| Net earnings attributable to common stockholders                                       | \$ 769.4                       | \$ 770.4   | \$ 333.4              | \$ (1,103.8) | \$ 769.4     |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | Six months ended June 30, 2011 |          |                       |              |              |
|--|--------------------------------|----------|-----------------------|--------------|--------------|
|  | Parent                         | CFI      | Other<br>Subsidiaries | Eliminations | Consolidated |
|  | (in millions)                  |          |                       |              |              |
| Net earnings   | \$ 769.4                       | \$ 770.4 | \$ 580.2              | \$ (1,243.6) | \$ 876.4     |
| Other comprehensive income   | 31.1                           | 31.1     | 27.1                  | (57.3)       | 32.0         |
| Comprehensive income   | 800.5                          | 801.5    | 607.3                 | (1,300.9)    | 908.4        |
| Less: Comprehensive income attributable to the noncontrolling interest |                                |          | 246.8                 | (138.9)      | 107.9        |
| Comprehensive income attributable to common stockholders               | \$ 800.5                       | \$ 801.5 | \$ 360.5              | \$ (1,162.0) | \$ 800.5     |



Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Balance Sheet**

|  | June 30, 2012     |                   |                       |  |                   |
|--|-------------------|-------------------|-----------------------|--|-------------------|
|  | Parent            | CFI               | Other<br>Subsidiaries | Eliminations<br>and<br>Reclassifications | Consolidated      |
|  | (in millions)     |                   |                       |  |                   |
| <b>Assets</b>                                    |                   |                   |                       |  |                   |
| Current assets:                                  |                   |                   |                       |  |                   |
| Cash and cash equivalents                        | \$                | \$ 293.8          | \$ 1,089.2            | \$                                       | \$ 1,383.0        |
| Accounts and notes receivable net                |                   | 161.5             | 1,309.8               | (1,111.1)                                | 360.2             |
| Inventories net                                  |                   | 155.3             | 74.3                  |  | 229.6             |
| Prepaid income taxes                             |                   | 598.6             |                       | (598.6)                                  |                   |
| Other  |                   | 11.1              | 12.8                  |  | 23.9              |
| <b>Total current assets</b>                      |                   | <b>1,220.3</b>    | <b>2,486.1</b>        | <b>(1,709.7)</b>                         | <b>1,996.7</b>    |
| Property, plant and equipment net                |                   | 805.6             | 2,895.2               |  | 3,700.8           |
| Asset retirement obligation funds                |                   | 147.6             |                       |  | 147.6             |
| Investments in and advances to affiliates        | 4,480.8           | 5,918.6           | 943.8                 | (10,398.9)                               | 944.3             |
| Investments in auction rate securities           |                   | 55.5              |                       |  | 55.5              |
| Due from affiliates                              | 539.0             |                   | 1.5                   | (540.5)                                  |                   |
| Goodwill   |                   | 0.9               | 2,063.6               |  | 2,064.5           |
| Other assets                                     |                   | 75.3              | 134.2                 |  | 209.5             |
| <b>Total assets</b>                              | <b>\$ 5,019.8</b> | <b>\$ 8,223.8</b> | <b>\$ 8,524.4</b>     | <b>\$ (12,649.1)</b>                     | <b>\$ 9,118.9</b> |
| <b>Liabilities and Equity</b>                    |                   |                   |                       |  |                   |
| Current liabilities:                             |                   |                   |                       |  |                   |
| Accounts and notes payable and accrued expenses  | \$ 0.4            | \$ 1,120.4        | \$ 132.4              | \$ (918.8)                               | \$ 334.4          |
| Income taxes payable                             |                   |                   | 599.9                 | (598.6)                                  | 1.3               |
| Customer advances                                |                   | 94.3              | 26.7                  |  | 121.0             |
| Deferred income taxes                            |                   | 45.7              |                       |  | 45.7              |
| Distributions payable to noncontrolling interest |                   |                   | 291.3                 | (291.3)                                  |                   |
| Other  |                   | 43.4              | 9.5                   |  | 52.9              |
| <b>Total current liabilities</b>                 | <b>0.4</b>        | <b>1,303.8</b>    | <b>1,059.8</b>        | <b>(1,808.7)</b>                         | <b>555.3</b>      |
| Notes payable                                    |                   |                   | 14.2                  | (9.4)                                    | 4.8               |
| Long-term debt                                   |                   | 1,600.0           |                       |  | 1,600.0           |
| Deferred income taxes                            |                   | 29.0              | 988.3                 |  | 1,017.3           |
| Due to affiliates                                |                   | 540.5             |                       | (540.5)                                  |                   |
| Other noncurrent liabilities                     |                   | 269.7             | 171.6                 |  | 441.3             |
| <b>Equity:</b>                                   |                   |                   |                       |  |                   |
| Stockholders' equity:                            |                   |                   |                       |  |                   |
| Preferred stock                                  |                   |                   | 65.3                  | (65.3)                                   |                   |
| Common stock                                     | 0.6               |                   | 154.1                 | (154.1)                                  | 0.6               |
| Paid-in capital                                  | 2,456.5           | 739.9             | 4,493.6               | (5,233.5)                                | 2,456.5           |
| Retained earnings                                | 2,637.5           | 3,816.1           | 1,218.2               | (5,034.3)                                | 2,637.5           |
| Accumulated other comprehensive income (loss)    | (75.2)            | (75.2)            | (5.7)                 | 80.9                                     | (75.2)            |
| <b>Total stockholders' equity</b>                | <b>5,019.4</b>    | <b>4,480.8</b>    | <b>5,925.5</b>        | <b>(10,406.3)</b>                        | <b>5,019.4</b>    |
| Noncontrolling interest                          |                   |                   | 365.0                 | 115.8                                    | 480.8             |

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|                              |            |            |            |               |            |
|------------------------------|------------|------------|------------|---------------|------------|
| Total equity                 | 5,019.4    | 4,480.8    | 6,290.5    | (10,290.5)    | 5,500.2    |
| Total liabilities and equity | \$ 5,019.8 | \$ 8,223.8 | \$ 8,524.4 | \$ (12,649.1) | \$ 9,118.9 |

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Balance Sheet**

|   | December 31, 2011 |                   |                       |  |                   |
|---|-------------------|-------------------|-----------------------|--|-------------------|
|   | Parent            | CFI               | Other<br>Subsidiaries | Eliminations<br>and<br>Reclassifications | Consolidated      |
|   | (in millions)     |                   |                       |  |                   |
| <b>Assets</b>                                       |                   |                   |                       |  |                   |
| Current assets:                                     |                   |                   |                       |  |                   |
| Cash and cash equivalents                           | \$                | \$ 98.7           | \$ 1,108.3            | \$                                       | \$ 1,207.0        |
| Accounts and notes receivable net                   |                   | 76.9              | 806.4                 | (613.9)                                  | 269.4             |
| Inventories net                                     |                   | 212.6             | 91.6                  |  | 304.2             |
| Prepaid income taxes                                |                   | 289.4             |                       | (289.4)                                  |                   |
| Other   |                   | 6.0               | 12.0                  |  | 18.0              |
| Total current assets                                |                   | 683.6             | 2,018.3               | (903.3)                                  | 1,798.6           |
| Property, plant and equipment net                   |                   | 767.7             | 2,968.3               |  | 3,736.0           |
| Deferred income taxes                               |                   | 26.1              |                       | (26.1)                                   |                   |
| Asset retirement obligation funds                   |                   | 145.4             |                       |  | 145.4             |
| Investments in and advances to affiliates           | 3,533.4           | 5,484.7           | 927.9                 | (9,017.4)                                | 928.6             |
| Investments in auction rate securities              |                   | 70.9              |                       |  | 70.9              |
| Due from affiliates                                 | 1,013.8           |                   | 1.0                   | (1,014.8)                                |                   |
| Goodwill  |                   | 0.9               | 2,063.6               |  | 2,064.5           |
| Other assets  |                   | 91.4              | 139.1                 |  | 230.5             |
| <b>Total assets</b>                                 | <b>\$ 4,547.2</b> | <b>\$ 7,270.7</b> | <b>\$ 8,118.2</b>     | <b>\$ (10,961.6)</b>                     | <b>\$ 8,974.5</b> |
| <b>Liabilities and Equity</b>                       |                   |                   |                       |  |                   |
| Current liabilities:                                |                   |                   |                       |  |                   |
| Accounts and notes payable and<br>accrued expenses  | \$ 0.1            | \$ 516.3          | \$ 132.9              | \$ (321.6)                               | \$ 327.7          |
| Income taxes payable                                |                   |                   | 417.9                 | (289.4)                                  | 128.5             |
| Customer advances                                   |                   | 184.3             | 72.9                  |  | 257.2             |
| Deferred income taxes                               |                   | 90.1              |                       |  | 90.1              |
| Distributions payable to noncontrolling<br>interest |                   |                   | 441.7                 | (292.0)                                  | 149.7             |
| Other   |                   | 66.0              | 12.0                  |  | 78.0              |
| <b>Total current liabilities</b>                    | <b>0.1</b>        | <b>856.7</b>      | <b>1,077.4</b>        | <b>(903.0)</b>                           | <b>1,031.2</b>    |
| Notes payable                                       |                   |                   | 14.2                  | (9.4)                                    | 4.8               |
| Long-term debt                                      |                   | 1,600.0           | 13.0                  |  | 1,613.0           |
| Deferred income taxes                               |                   |                   | 983.0                 | (26.2)                                   | 956.8             |
| Due to affiliates                                   |                   | 1,014.8           |                       | (1,014.8)                                |                   |
| Other noncurrent liabilities                        |                   | 265.8             | 170.0                 |  | 435.8             |
| <b>Equity:</b>                                      |                   |                   |                       |  |                   |
| Stockholders' equity:                               |                   |                   |                       |  |                   |
| Preferred stock                                     |                   |                   | 65.3                  | (65.3)                                   |                   |
| Common stock  | 0.7               |                   | 153.9                 | (153.9)                                  | 0.7               |
| Paid-in capital                                     | 2,804.8           | 739.9             | 4,493.6               | (5,233.5)                                | 2,804.8           |
| Retained earnings                                   | 2,841.0           | 2,892.7           | 805.2                 | (3,697.9)                                | 2,841.0           |
| Treasury stock                                      | (1,000.2)         |                   |                       |  | (1,000.2)         |
| Accumulated other comprehensive income<br>(loss)    | (99.2)            | (99.2)            | (26.5)                | 125.6                                    | (99.3)            |



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|                              |            |            |            |               |            |
|------------------------------|------------|------------|------------|---------------|------------|
| Total stockholders' equity   | 4,547.1    | 3,533.4    | 5,491.5    | (9,025.0)     | 4,547.0    |
| Noncontrolling interest      |            |            | 369.2      | 16.7          | 385.9      |
| Total equity                 | 4,547.1    | 3,533.4    | 5,860.7    | (9,008.3)     | 4,932.9    |
| Total liabilities and equity | \$ 4,547.2 | \$ 7,270.7 | \$ 8,118.3 | \$ (10,961.7) | \$ 8,974.5 |

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Cash Flows**

|  | Six months ended June 30, 2012 |          |                       |              |              |
|--|--------------------------------|----------|-----------------------|--------------|--------------|
|  | Parent                         | CFI      | Other<br>Subsidiaries | Eliminations | Consolidated |
|  | (in millions)                  |          |                       |              |              |
| <b>Operating Activities:</b>   |                                |          |                       |              |              |
| Net earnings   | \$ 974.7                       | \$ 975.8 | \$ 743.2              | \$ (1,583.7) | \$ 1,110.0   |
| Adjustments to reconcile net earnings to net cash provided by operating activities |                                |          |                       |              |              |
| Depreciation, depletion and amortization   |                                | 69.1     | 149.9                 |              | 219.0        |
| Deferred income taxes  |                                | 7.7      | 5.5                   |              | 13.2         |
| Stock compensation expense   | 5.1                            |          | 0.5                   |              | 5.6          |
| Excess tax benefit from stock-based compensation                                   | (15.4)                         |          |                       |              | (15.4)       |
| Unrealized loss (gain) on derivatives  |                                | (19.6)   | (2.1)                 |              | (21.7)       |
| (Gain) loss on disposal of property, plant and equipment and non-core assets       |                                | 0.9      | 2.7                   |              | 3.6          |
| Undistributed (earnings) of affiliates net   | (975.8)                        | (609.3)  | (20.6)                | 1,583.7      | (22.0)       |
| Due to/from affiliates net   | 490.2                          | (489.8)  | (0.4)                 |              |              |
| Changes in:  |                                |          |                       |              |              |
| Accounts and notes receivable net  |                                | (188.7)  | (501.4)               | 600.5        | (89.6)       |
| Margin deposits  |                                | 0.8      | 0.1                   |              | 0.9          |
| Inventories net  |                                | 58.3     | 18.1                  |              | 76.4         |
| Accrued income taxes   |                                | (292.7)  | 181.9                 |              | (110.8)      |
| Accounts and notes payable and accrued expenses                                    | 0.4                            | 608.0    | (1.6)                 | (600.5)      | 6.3          |
| Customer advances  |                                | (89.9)   | (46.3)                |              | (136.2)      |
| Other net  |                                | (2.5)    | 11.9                  |              | 9.4          |
| Net cash provided by operating activities  | 479.2                          | 28.1     | 541.4                 |              | 1,048.7      |
| <b>Investing Activities:</b>   |                                |          |                       |              |              |
| Additions to property, plant and equipment   |                                | (96.2)   | (61.6)                |              | (157.8)      |
| Proceeds from sale of property, plant and equipment and non-core assets            |                                | 7.2      |                       |              | 7.2          |
| Sales and maturities of short-term and auction rate securities                     |                                | 16.0     |                       |              | 16.0         |
| Deposit to asset retirement funds  |                                | (2.2)    |                       |              | (2.2)        |
| Net cash used in investing activities  |                                | (75.2)   | (61.6)                |              | (136.8)      |
| <b>Financing Activities:</b>   |                                |          |                       |              |              |
| Payments of long-term debt   |                                |          | (13.0)                |              | (13.0)       |
| Financing fees   |                                |          |                       |              |              |
| Dividends paid on common stock   | (52.3)                         |          |                       |              | (52.3)       |
| Dividends to/from affiliates   | 52.3                           | (52.3)   |                       |              |              |
| Distributions to/from noncontrolling interest                                      |                                | 300.5    | (493.8)               |              | (193.3)      |
| Purchase of treasury stock   | (500.0)                        |          |                       |              | (500.0)      |
| Issuances of common stock under employee stock plans                               | 5.4                            |          |                       |              | 5.4          |
| Excess tax benefit from stock-based compensation                                   | 15.4                           |          |                       |              | 15.4         |
| Other net  |                                |          |                       |              |              |
| Net cash (used in) provided by financing activities                                | (479.2)                        | 248.2    | (506.8)               |              | (737.8)      |
| Effect of exchange rate changes on cash and cash equivalents                       |                                | (6.0)    | 7.9                   |              | 1.9          |

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|   |                 |                   |                   |
|---|-----------------|-------------------|-------------------|
| Increase in cash and cash equivalents             | 195.1           | (19.1)            | 176.0             |
| Cash and cash equivalents at beginning of period  | 98.7            | 1,108.3           | 1,207.0           |
| <b>Cash and cash equivalents at end of period</b> | <b>\$ 293.8</b> | <b>\$ 1,089.2</b> | <b>\$ 1,383.0</b> |

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Cash Flows**

|  | Six months ended June 30, 2011 |                 |                       |              |                   |
|--|--------------------------------|-----------------|-----------------------|--------------|-------------------|
|  | Parent                         | CFI             | Other<br>Subsidiaries | Eliminations | Consolidated      |
|  | (in millions)                  |                 |                       |              |                   |
| <b>Operating Activities:</b>   |                                |                 |                       |              |                   |
| Net earnings   | \$ 769.4                       | \$ 770.4        | \$ 580.2              | \$ (1,243.6) | \$ 876.4          |
| Adjustments to reconcile net earnings to net cash provided by operating activities |                                |                 |                       |              |                   |
| Depreciation, depletion and amortization   |                                | 73.9            | 139.4                 |              | 213.3             |
| Deferred income taxes  | 2.2                            | 10.8            | 12.8                  |              | 25.8              |
| Stock compensation expense   | 4.7                            |                 | 0.4                   |              | 5.1               |
| Excess tax benefit from stock-based compensation                                   | (18.6)                         |                 |                       |              | (18.6)            |
| Unrealized (gain) loss on derivatives  |                                | 11.3            | 2.2                   |              | 13.5              |
| (Gain) on disposal of property, plant and equipment                                |                                | (33.3)          | 3.9                   |              | (29.4)            |
| Undistributed (earnings) loss of affiliates net                                    | (770.4)                        | (479.2)         | (46.6)                | 1,243.6      | (52.6)            |
| Due to/from affiliates net   | (14.5)                         | 17.5            | (3.0)                 |              |                   |
| Changes in:  |                                |                 |                       |              |                   |
| Accounts and notes receivable net  |                                | 235.2           | (216.0)               | (197.9)      | (178.7)           |
| Margin deposits  |                                | 2.6             | 1.7                   |              | 4.3               |
| Inventories net  |                                | (3.7)           | (0.2)                 | 0.0          | (3.9)             |
| Accrued income taxes   |                                | (72.7)          | 149.5                 |              | 76.8              |
| Accounts and notes payable and accrued expenses                                    |                                | 32.4            | (207.8)               | 197.9        | 22.5              |
| Customer advances  |                                | (18.4)          | (12.0)                |              | (30.4)            |
| Other net  |                                | 1.4             | (3.4)                 |              | (2.0)             |
| Net cash (used in) provided by operating activities                                | (27.2)                         | 548.2           | 401.1                 |              | 922.1             |
| <b>Investing Activities:</b>   |                                |                 |                       |              |                   |
| Additions to property, plant and equipment   |                                | (57.8)          | (47.7)                |              | (105.5)           |
| Proceeds from sale of property, plant and equipment and non-core assets            |                                | 45.1            | 2.4                   |              | 47.5              |
| Sales and maturities of short-term and auction rate securities                     |                                | 24.6            |                       |              | 24.6              |
| Other net  |                                |                 | 31.3                  |              | 31.3              |
| Net cash provided by (used in) investing activities                                |                                | 11.9            | (14.0)                |              | (2.1)             |
| <b>Financing Activities:</b>   |                                |                 |                       |              |                   |
| Payments of long-term debt   |                                | (346.0)         |                       |              | (346.0)           |
| Dividends paid on common stock   | (14.3)                         |                 |                       |              | (14.3)            |
| Dividends to/from affiliates   | 14.3                           | (14.3)          |                       |              |                   |
| Distributions to noncontrolling interest   |                                |                 | (28.6)                |              | (28.6)            |
| Issuances of common stock under employee stock plans                               | 8.6                            |                 |                       |              | 8.6               |
| Excess tax benefit from stock-based compensation                                   | 18.6                           |                 |                       |              | 18.6              |
| Net cash provided by (used in) financing activities                                | 27.2                           | (360.3)         | (28.6)                |              | (361.7)           |
| Effect of exchange rate changes on cash and cash equivalents                       |                                | (7.8)           | 7.4                   |              | (0.4)             |
| Increase in cash and cash equivalents  |                                | 192.0           | 365.9                 |              | 557.9             |
| Cash and cash equivalents at beginning of period                                   |                                | 136.2           | 661.5                 |              | 797.7             |
| <b>Cash and cash equivalents at end of period</b>                                  | <b>\$</b>                      | <b>\$ 328.2</b> | <b>\$ 1,027.4</b>     | <b>\$</b>    | <b>\$ 1,355.6</b> |



Table of Contents

**CF INDUSTRIES HOLDINGS, INC.**

*Condensed Consolidating Financial Information Relating to Shelf Registration Statement*

Presented below are condensed consolidating statements of operations for Parent, CFI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries for the three and six months ended June 30, 2012 and 2011, statements of cash flows for Parent, CFI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries for the six months ended June 30, 2012 and 2011 and condensed consolidating balance sheets for the Parent, CFI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries as of June 30, 2012, and December 31, 2011. The condensed consolidating financial information presented below is not necessarily indicative of the financial position, results of operations or cash flows of Parent, CFI, the Guarantor Subsidiaries or the Non-Guarantor Subsidiaries on a stand-alone basis.

[Table of Contents](#)**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Operations**

|   | Parent   | CFI          | Three months ended June 30, 2012 |                            | Eliminations   | Consolidated   |
|---|----------|--------------|----------------------------------|----------------------------|----------------|----------------|
|   |          |              | Guarantor Subsidiaries           | Non-Guarantor Subsidiaries |                |                |
| (in millions)   |          |              |                                  |                            |                |                |
| Net sales   | \$       | \$ 1,055.7   | \$ 510.0                         | \$ 511.1                   | \$ (341.2)     | \$ 1,735.6     |
| Cost of sales   |          | 436.2        | 343.4                            | 145.6                      | (232.9)        | 692.3          |
| <b>Gross margin</b>   |          | <b>619.5</b> | <b>166.6</b>                     | <b>365.5</b>               | <b>(108.3)</b> | <b>1,043.3</b> |
| Selling, general and administrative expenses                                    | 1.0      | 34.9         | 1.4                              | 4.0                        |                | 41.3           |
| Other operating net   |          | 8.6          | (0.3)                            | 2.5                        |                | 10.8           |
| Total other operating costs and expenses  | 1.0      | 43.5         | 1.1                              | 6.5                        |                | 52.1           |
| Equity in earnings of operating affiliates                                      |          | (3.3)        | 2.1                              | 15.0                       |                | 13.8           |
| Operating earnings (loss)   | (1.0)    | 572.7        | 167.6                            | 374.0                      | (108.3)        | 1,005.0        |
| Interest expense  |          | 42.8         | 2.2                              | 0.6                        | (0.3)          | 45.3           |
| Interest income   |          | (0.2)        | 4.4                              | (4.5)                      | 0.3            |                |
| Net earnings of wholly-owned subsidiaries                                       | (607.0)  | (261.5)      | (230.8)                          |                            | 1,099.3        |                |
| Other non-operating net   |          |              | (0.6)                            |                            |                | (0.6)          |
| Earnings before income taxes and equity in earnings of non-operating affiliates | 606.0    | 791.6        | 392.4                            | 377.9                      | (1,207.6)      | 960.3          |
| Income tax provision (benefit)  | (0.3)    | 184.5        | 110.6                            | 14.4                       |                | 309.2          |
| Equity in earnings (loss) of non-operating affiliates net of taxes              |          | (0.1)        |                                  | 27.3                       |                | 27.2           |
| Net earnings  | 606.3    | 607.0        | 281.8                            | 390.8                      | (1,207.6)      | 678.3          |
| Less: Net earnings attributable to noncontrolling interest                      |          |              | 19.5                             | 160.8                      | (108.3)        | 72.0           |
| Net earnings attributable to common stockholders                                | \$ 606.3 | \$ 607.0     | \$ 262.3                         | \$ 230.0                   | \$ (1,099.3)   | \$ 606.3       |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | Parent   | CFI      | Three months ended June 30, 2012 |                            | Eliminations | Consolidated |
|--|----------|----------|----------------------------------|----------------------------|--------------|--------------|
|  |          |          | Guarantor Subsidiaries           | Non-Guarantor Subsidiaries |              |              |
| (in millions)  |          |          |                                  |                            |              |              |
| Net earnings   | \$ 606.3 | \$ 607.0 | \$ 281.8                         | \$ 390.8                   | \$ (1,207.6) | \$ 678.3     |
| Other comprehensive loss   | (3.2)    | (3.2)    | (4.2)                            | (42.1)                     | 49.1         | (3.6)        |
| Comprehensive income   | 603.1    | 603.8    | 277.6                            | 348.7                      | (1,158.5)    | 674.7        |
| Less: Comprehensive income attributable to the noncontrolling interest |          |          | 19.5                             | 160.8                      | (108.7)      | 71.6         |
| Comprehensive income attributable to common stockholders               | \$ 603.1 | \$ 603.8 | \$ 258.1                         | \$ 187.9                   | \$ (1,049.8) | \$ 603.1     |





Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Operations**

|  | Parent   | CFI        | Six months ended June 30, 2012 |                            | Eliminations | Consolidated |
|--|----------|------------|--------------------------------|----------------------------|--------------|--------------|
|  |          |            | Guarantor Subsidiaries         | Non-Guarantor Subsidiaries |              |              |
| (in millions)  |          |            |                                |                            |              |              |
| Net sales  | \$       | \$ 1,971.6 | \$ 983.7                       | \$ 964.2                   | \$ (656.3)   | \$ 3,263.2   |
| Cost of sales  |          | 956.9      | 696.5                          | 316.1                      | (461.4)      | 1,508.1      |
| Gross margin   |          | 1,014.7    | 287.2                          | 648.1                      | (194.9)      | 1,755.1      |
| Selling, general and administrative expenses   | 1.5      | 61.7       | 2.4                            | 9.5                        |              | 75.1         |
| Other operating net  |          | 15.8       | 2.7                            | 14.6                       |              | 33.1         |
| Total other operating costs and expenses   | 1.5      | 77.5       | 5.1                            | 24.1                       |              | 108.2        |
| Equity in earnings of operating affiliates   |          | 1.1        | 5.1                            | 23.1                       |              | 29.3         |
| Operating earnings (loss)  | (1.5)    | 938.3      | 287.2                          | 647.1                      | (194.9)      | 1,676.2      |
| Interest expense   |          | 71.0       | 4.4                            | 1.2                        | (0.4)        | 76.2         |
| Interest income  |          | (0.4)      | 8.4                            | (8.8)                      | 0.4          | (0.4)        |
| Net earnings of wholly-owned subsidiaries  | (975.8)  | (413.0)    | (364.7)                        |                            | 1,753.5      |              |
| Other non-operating net  |          | 0.2        | (0.9)                          |                            |              | (0.7)        |
| Earnings before income taxes and equity in earnings (loss) of non-operating affiliates | 974.3    | 1,280.5    | 640.0                          | 654.7                      | (1,948.4)    | 1,601.1      |
| Income tax provision (benefit)   | (0.4)    | 304.6      | 191.8                          | 20.0                       |              | 516.0        |
| Equity in earnings (loss) of non-operating affiliates net of taxes                     |          | (0.1)      |                                | 25.0                       |              | 24.9         |
| Net earnings   | 974.7    | 975.8      | 448.2                          | 659.7                      | (1,948.4)    | 1,110.0      |
| Less: Net earnings attributable to noncontrolling interest                             |          |            | 35.2                           | 295.0                      | (194.9)      | 135.3        |
| Net earnings attributable to common stockholders                                       | \$ 974.7 | \$ 975.8   | \$ 413.0                       | \$ 364.7                   | \$ (1,753.5) | \$ 974.7     |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | Parent   | CFI      | Six months ended June 30, 2012 |                            | Eliminations | Consolidated |
|--|----------|----------|--------------------------------|----------------------------|--------------|--------------|
|  |          |          | Guarantor Subsidiaries         | Non-Guarantor Subsidiaries |              |              |
| (in millions)  |          |          |                                |                            |              |              |
| Net earnings   | \$ 974.7 | \$ 975.8 | \$ 448.2                       | \$ 659.7                   | \$ (1,948.4) | \$ 1,110.0   |
| Other comprehensive income   | 24.0     | 24.0     | 20.2                           | (8.5)                      | (35.5)       | 24.2         |
| Comprehensive income   | 998.7    | 999.8    | 468.4                          | 651.2                      | (1,983.9)    | 1,134.2      |
| Less: Comprehensive income attributable to the noncontrolling interest |          |          | 35.2                           | 295.0                      | (194.8)      | 135.4        |
| Comprehensive income attributable to common stockholders               | \$ 998.7 | \$ 999.8 | \$ 433.2                       | \$ 356.2                   | \$ (1,789.1) | \$ 998.8     |



Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Operations**

|   | <b>Three months ended June 30, 2011</b> |                 |                         |                 |                   |                 |
|---|---|-----------------|-------------------------|-----------------|-------------------|-----------------|
|   | Parent                                  | CFI             | Guarantor Non-Guarantor |                 | Eliminations      | Consolidated    |
|   |   |                 | Subsidiaries            | Subsidiaries    |                   |                 |
| (in millions)   |   |                 |                         |                 |                   |                 |
| Net sales   | \$                                      | \$ 1,104.5      | \$ 544.5                | \$ 491.0        | \$ (338.3)        | \$ 1,801.7      |
| Cost of sales   |   | 574.5           | 411.2                   | 207.4           | (258.8)           | 934.3           |
| <b>Gross margin</b>   |   | <b>530.0</b>    | <b>133.3</b>            | <b>283.6</b>    | <b>(79.5)</b>     | <b>867.4</b>    |
| Selling, general and administrative   | 1.0                                     | 26.5            | 0.1                     | 4.1             |                   | 31.7            |
| Restructuring and integration costs   |   | 0.9             | 0.4                     |                 |                   | 1.3             |
| Other operating net   |   | 1.3             | 2.3                     | 0.3             |                   | 3.9             |
| <b>Total other operating costs and expenses</b>                                 | <b>1.0</b>                              | <b>28.7</b>     | <b>2.8</b>              | <b>4.4</b>      |                   | <b>36.9</b>     |
| Equity in earnings of operating affiliates                                      |   | 2.8             | 0.6                     | 10.8            |                   | 14.2            |
| <b>Operating earnings (loss)</b>  | <b>(1.0)</b>                            | <b>504.1</b>    | <b>131.1</b>            | <b>290.0</b>    | <b>(79.5)</b>     | <b>844.7</b>    |
| Interest expense  |   | 28.8            | 1.4                     | 0.7             | (0.1)             | 30.8            |
| Interest income   |   | (0.2)           | 4.3                     | (5.1)           | 0.1               | (0.9)           |
| Net earnings of wholly-owned subsidiaries                                       | (488.0)                                 | (188.9)         | (173.8)                 |                 | 850.7             |                 |
| Other non-operating net   |   |                 | (0.1)                   | (0.1)           |                   | (0.2)           |
| Earnings before income taxes and equity in earnings of non-operating affiliates | 487.0                                   | 664.4           | 299.3                   | 294.5           | (930.2)           | 815.0           |
| Income tax provision (benefit)  | (0.4)                                   | 176.4           | 97.5                    | 7.5             |                   | 281.0           |
| Equity in earnings of non-operating affiliates net of taxes                     |   |                 |                         | 9.8             |                   | 9.8             |
| <b>Net earnings</b>   | <b>487.4</b>                            | <b>488.0</b>    | <b>201.8</b>            | <b>296.8</b>    | <b>(930.2)</b>    | <b>543.8</b>    |
| Less: Net earnings attributable to noncontrolling interest                      |   |                 | 16.8                    | 119.1           | (79.5)            | 56.4            |
| <b>Net earnings attributable to common stockholders</b>                         | <b>\$ 487.4</b>                         | <b>\$ 488.0</b> | <b>\$ 185.0</b>         | <b>\$ 177.7</b> | <b>\$ (850.7)</b> | <b>\$ 487.4</b> |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | <b>Three months ended June 30, 2011</b> |                 |                         |                 |                   |                 |
|--|---|-----------------|-------------------------|-----------------|-------------------|-----------------|
|  | Parent                                  | CFI             | Guarantor Non-Guarantor |                 | Eliminations      | Consolidated    |
|  |   |                 | Subsidiaries            | Subsidiaries    |                   |                 |
| (in millions)  |   |                 |                         |                 |                   |                 |
| Net earnings   | \$ 487.4                                | \$ 488.0        | \$ 201.8                | \$ 296.8        | \$ (930.2)        | \$ 543.8        |
| Other comprehensive income   | 4.6                                     | 4.6             | 1.4                     | 4.1             | (9.9)             | 4.8             |
| <b>Comprehensive income</b>  | <b>492.0</b>                            | <b>492.6</b>    | <b>203.2</b>            | <b>300.9</b>    | <b>(940.1)</b>    | <b>548.6</b>    |
| Less: Comprehensive income attributable to the noncontrolling interest |   |                 | 16.8                    | 119.1           | (79.3)            | 56.6            |
| <b>Comprehensive income attributable to common stockholders</b>        | <b>\$ 492.0</b>                         | <b>\$ 492.6</b> | <b>\$ 186.4</b>         | <b>\$ 181.8</b> | <b>\$ (860.8)</b> | <b>\$ 492.0</b> |



Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Operations**

|   | Parent          | CFI             | Six months ended June 30, 2011 |                            | Eliminations        | Consolidated    |
|---|-----------------|-----------------|--------------------------------|----------------------------|---------------------|-----------------|
|   |                 |                 | Guarantor Subsidiaries         | Non-Guarantor Subsidiaries |                     |                 |
| (in millions)   |                 |                 |                                |                            |                     |                 |
| Net sales   | \$              | \$ 1,735.7      | \$ 986.6                       | \$ 899.5                   | \$ (646.1)          | \$ 2,975.7      |
| Cost of sales   |                 | 934.0           | 759.1                          | 396.5                      | (506.3)             | 1,583.3         |
| <b>Gross margin</b>   |                 | <b>801.7</b>    | <b>227.5</b>                   | <b>503.0</b>               | <b>(139.8)</b>      | <b>1,392.4</b>  |
| Selling, general and administrative   | 1.5             | 48.8            | 3.6                            | 8.8                        |                     | 62.7            |
| Restructuring and integration costs   |                 | 2.0             | 1.4                            |                            |                     | 3.4             |
| Other operating net   |                 | (29.7)          | 2.3                            | 0.3                        |                     | (27.1)          |
| <b>Total other operating costs and expenses</b>                                 | <b>1.5</b>      | <b>21.1</b>     | <b>7.3</b>                     | <b>9.1</b>                 |                     | <b>39.0</b>     |
| Equity in earnings of operating affiliates                                      |                 | 2.4             | 1.6                            | 21.7                       |                     | 25.7            |
| <b>Operating earnings (loss)</b>  | <b>(1.5)</b>    | <b>783.0</b>    | <b>221.8</b>                   | <b>515.6</b>               | <b>(139.8)</b>      | <b>1,379.1</b>  |
| Interest expense  |                 | 80.0            | 1.8                            | 1.3                        | (0.2)               | 82.9            |
| Interest income   |                 | (0.5)           | 8.7                            | (9.6)                      | 0.2                 | (1.2)           |
| Net (earnings) of wholly-owned subsidiaries                                     | (770.4)         | (333.4)         | (316.9)                        |                            | 1,420.7             |                 |
| Other non-operating net   |                 |                 | (0.4)                          | (0.1)                      |                     | (0.5)           |
| Earnings before income taxes and equity in earnings of non-operating affiliates | 768.9           | 1,036.9         | 528.6                          | 524.0                      | (1,560.5)           | 1,297.9         |
| Income tax provision (benefit)  | (0.5)           | 266.5           | 164.6                          | 9.2                        |                     | 439.8           |
| Equity in earnings of non-operating affiliates net of taxes                     |                 |                 |                                | 18.3                       |                     | 18.3            |
| <b>Net earnings</b>   | <b>769.4</b>    | <b>770.4</b>    | <b>364.0</b>                   | <b>533.1</b>               | <b>(1,560.5)</b>    | <b>876.4</b>    |
| Less: Net earnings attributable to noncontrolling interest                      |                 |                 | 35.0                           | 211.8                      | (139.8)             | 107.0           |
| <b>Net earnings attributable to common stockholders</b>                         | <b>\$ 769.4</b> | <b>\$ 770.4</b> | <b>\$ 329.0</b>                | <b>\$ 321.3</b>            | <b>\$ (1,420.7)</b> | <b>\$ 769.4</b> |

**Condensed, Consolidating Statement of Comprehensive Income**

|  | Parent          | CFI             | Six months ended June 30, 2011 |                            | Eliminations        | Consolidated    |
|--|-----------------|-----------------|--------------------------------|----------------------------|---------------------|-----------------|
|  |                 |                 | Guarantor Subsidiaries         | Non-Guarantor Subsidiaries |                     |                 |
| (in millions)  |                 |                 |                                |                            |                     |                 |
| Net earnings   | \$ 769.4        | \$ 770.4        | \$ 364.0                       | \$ 533.1                   | \$ (1,560.5)        | \$ 876.4        |
| Other comprehensive income   | 31.1            | 31.1            | 25.0                           | 34.5                       | (89.7)              | 32.0            |
| <b>Comprehensive income</b>  | <b>800.5</b>    | <b>801.5</b>    | <b>389.0</b>                   | <b>567.6</b>               | <b>(1,650.2)</b>    | <b>908.4</b>    |
| Less: Comprehensive income attributable to the noncontrolling interest |                 |                 | 35.0                           | 211.8                      | (138.9)             | 107.9           |
| <b>Comprehensive income attributable to common stockholders</b>        | <b>\$ 800.5</b> | <b>\$ 801.5</b> | <b>\$ 354.0</b>                | <b>\$ 355.8</b>            | <b>\$ (1,511.3)</b> | <b>\$ 800.5</b> |



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**CF INDUSTRIES HOLDINGS, INC.**

**Condensed, Consolidating Balance Sheet**

|  | <b>June 30, 2012</b> |            |                                   |                                       |   |                     |
|--|----------------------|------------|-----------------------------------|---------------------------------------|---|---------------------|
|  | <b>Parent</b>        | <b>CFI</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations<br/>and<br/>Reclassifications</b> | <b>Consolidated</b> |
|  | <b>(in millions)</b> |            |                                   |                                       |   |                     |
| <b>Assets</b>                                    |                      |            |                                   |                                       |   |                     |
| Current assets:                                  |                      |            |                                   |                                       |   |                     |
| Cash and cash equivalents                        | \$                   | \$ 293.8   | \$ 190.9                          | \$ 898.3                              | \$  | \$ 1,383.0          |
| Accounts and notes receivable net                |                      | 161.5      | 1,008.4                           | 301.4                                 | (1,111.1)   | 360.2               |
| Inventories net                                  |                      | 155.3      | 51.1                              | 23.2                                  |   | 229.6               |
| Prepaid income taxes                             |                      | 598.6      |                                   |                                       | (598.6)   |                     |
| Other  |                      | 11.1       | 8.6                               | 4.2                                   |   | 23.9                |
| Total current assets                             |                      | 1,220.3    | 1,259.0                           | 1,227.1                               | (1,709.7)   | 1,996.7             |
| Property, plant and equipment net                |                      | 805.6      | 1,553.7                           | 1,341.5                               |   | 3,700.8             |
| Asset retirement obligation funds                |                      | 147.6      |                                   |                                       |   | 147.6               |
| Investments in and advances to affiliates        | 4,480.8              | 5,918.6    | 3,189.7                           | 933.4                                 | (13,578.2)  | 944.3               |
| Investments in auction rate securities           |                      | 55.5       |                                   |                                       |   | 55.5                |
| Due from affiliates                              | 539.0                |            |                                   | 349.7                                 | (888.7)   |                     |
| Goodwill   |                      | 0.9        | 2,063.6                           |                                       |   | 2,064.5             |
| Other assets                                     |                      | 75.3       | 107.7                             | 26.5                                  |   | 209.5               |
| Total assets                                     | \$ 5,019.8           | \$ 8,223.8 | \$ 8,173.7                        | \$ 3,878.2                            | \$ (16,176.6)                                     | \$ 9,118.9          |
| <b>Liabilities and Equity</b>                    |                      |            |                                   |                                       |   |                     |
| Current liabilities:                             |                      |            |                                   |                                       |   |                     |
| Accounts and notes payable and accrued expenses  | \$ 0.4               | \$ 1,120.4 | \$ 83.1                           | \$ 49.2                               | \$ (918.7)  | \$ 334.4            |
| Income taxes payable                             |                      |            | 573.6                             | 26.3                                  | (598.6)   | 1.3                 |
| Customer advances                                |                      | 94.3       | 26.1                              | 0.6                                   |   | 121.0               |
| Deferred income taxes                            |                      | 45.7       |                                   |                                       |   | 45.7                |
| Distributions payable to noncontrolling interest |                      |            |                                   | 291.3                                 | (291.3)   |                     |
| Other  |                      | 43.4       |                                   | 9.5                                   |   | 52.9                |
| Total current liabilities                        | 0.4                  | 1,303.8    | 682.8                             | 376.9                                 | (1,808.6)   | 555.3               |
| Notes payable                                    |                      |            |                                   | 14.2                                  | (9.4)   | 4.8                 |
| Long-term debt                                   |                      | 1,600.0    |                                   |                                       |   | 1,600.0             |
| Deferred income taxes                            |                      | 29.0       | 823.4                             | 164.9                                 |   | 1,017.3             |
| Due to affiliates                                |                      | 540.5      | 348.2                             |                                       | (888.7)   |                     |
| Other noncurrent liabilities                     |                      | 269.7      | 135.7                             | 35.9                                  |   | 441.3               |
| Equity:  |                      |            |                                   |                                       |   |                     |
| Stockholders' equity:                            |                      |            |                                   |                                       |   |                     |
| Preferred stock                                  |                      |            |                                   | 65.3                                  | (65.3)  |                     |
| Common stock                                     | 0.6                  |            | 153.1                             | 4.5                                   | (157.6)   | 0.6                 |
| Paid-in capital                                  | 2,456.5              | 739.9      | 4,450.2                           | 2,893.1                               | (8,083.2)   | 2,456.5             |
| Retained earnings                                | 2,637.5              | 3,816.1    | 1,208.2                           | 348.2                                 | (5,372.5)   | 2,637.5             |
| Accumulated other comprehensive income (loss)    | (75.2)               | (75.2)     | 7.1                               | (24.8)                                | 92.9  | (75.2)              |
| Total stockholders' equity                       | 5,019.4              | 4,480.8    | 5,818.6                           | 3,286.3                               | (13,585.7)  | 5,019.4             |
| Noncontrolling interest                          |                      |            | 365.0                             |                                       | 115.8   | 480.8               |
| Total equity                                     | 5,019.4              | 4,480.8    | 6,183.6                           | 3,286.3                               | (13,469.9)  | 5,500.2             |
| Total liabilities and equity                     | \$ 5,019.8           | \$ 8,223.8 | \$ 8,173.7                        | \$ 3,878.2                            | \$ (16,176.6)                                     | \$ 9,118.9          |





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|  | December 31, 2011 |                   |                           |                               |                      | Eliminations<br>and<br>Reclassifications | Consolidated |
|--|-------------------|-------------------|---------------------------|-------------------------------|----------------------|--|--------------|
|  | Parent            | CFI               | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | (in millions)        |  |              |
| <b>Assets</b>                                    |                   |                   |                           |                               |                      |  |              |
| Current assets:                                  |                   |                   |                           |                               |                      |  |              |
| Cash and cash equivalents                        | \$                | \$ 98.7           | \$ 300.2                  | \$ 808.1                      | \$                   | \$ 1,207.0                               |              |
| Accounts and notes receivable                    |                   | 76.9              | 367.4                     | 439.0                         | (613.9)              | 269.4                                    |              |
| Inventories net                                  |                   | 212.6             | 62.9                      | 28.7                          |                      | 304.2                                    |              |
| Prepaid income taxes                             |                   | 289.4             |                           |                               | (289.4)              |  |              |
| Other  |                   | 6.0               | 6.6                       | 5.4                           |                      | 18.0                                     |              |
| Total current assets                             |                   | 683.6             | 737.1                     | 1,281.2                       | (903.3)              | 1,798.6                                  |              |
| Property, plant and equipment net                |                   | 767.7             | 1,592.4                   | 1,375.9                       |                      | 3,736.0                                  |              |
| Deferred income taxes                            |                   | 26.1              |                           |                               | (26.1)               |  |              |
| Asset retirement obligation funds                |                   | 145.4             |                           |                               |                      | 145.4                                    |              |
| Investments in and advances to affiliates        | 3,533.4           | 5,484.7           | 1,346.1                   | 919.4                         | (10,355.0)           | 928.6                                    |              |
| Investments in auction rate securities           |                   | 70.9              |                           |                               |                      | 70.9                                     |              |
| Due from affiliates                              | 1,013.8           |                   | 1,398.3                   |                               | (2,412.1)            |  |              |
| Goodwill   |                   | 0.9               | 2,063.6                   |                               |                      | 2,064.5                                  |              |
| Other assets                                     |                   | 91.4              | 113.8                     | 25.3                          |                      | 230.5                                    |              |
| <b>Total assets</b>                              | <b>\$ 4,547.2</b> | <b>\$ 7,270.7</b> | <b>\$ 7,251.3</b>         | <b>\$ 3,601.8</b>             | <b>\$ (13,696.5)</b> | <b>\$ 8,974.5</b>                        |              |
| <b>Liabilities and Equity</b>                    |                   |                   |                           |                               |                      |  |              |
| Current liabilities:                             |                   |                   |                           |                               |                      |  |              |
| Accounts and notes payable and accrued expenses  | \$ 0.1            | \$ 516.3          | \$ 74.7                   | \$ 58.4                       | \$ (321.8)           | \$ 327.7                                 |              |
| Income taxes payable                             |                   |                   | 396.9                     | 21.0                          | (289.4)              | 128.5                                    |              |
| Customer advances                                |                   | 184.3             | 65.1                      | 7.8                           |                      | 257.2                                    |              |
| Deferred income taxes                            |                   | 90.1              |                           |                               |                      | 90.1                                     |              |
| Distributions payable to noncontrolling interest |                   |                   |                           | 441.7                         | (292.0)              | 149.7                                    |              |
| Other  |                   | 66.0              |                           | 12.0                          |                      | 78.0                                     |              |
| Total current liabilities                        | 0.1               | 856.7             | 536.7                     | 540.9                         | (903.2)              | 1,031.2                                  |              |
| Notes payable                                    |                   |                   |                           | 14.2                          | (9.4)                | 4.8                                      |              |
| Long-term debt                                   |                   | 1,600.0           | 13.0                      |                               |                      | 1,613.0                                  |              |
| Deferred income taxes                            |                   |                   | 811.9                     | 171.0                         | (26.1)               | 956.8                                    |              |
| Due to affiliates                                |                   | 1,014.8           |                           | 1,397.3                       | (2,412.1)            |  |              |
| Other noncurrent liabilities                     |                   | 265.8             | 135.1                     | 34.9                          |                      | 435.8                                    |              |
| Equity:  |                   |                   |                           |                               |                      |  |              |
| Stockholders' equity:                            |                   |                   |                           |                               |                      |  |              |
| Preferred stock                                  |                   |                   |                           | 65.3                          | (65.3)               |  |              |
| Common stock                                     | 0.7               |                   | 153.1                     | 33.2                          | (186.3)              | 0.7                                      |              |
| Paid-in capital                                  | 2,804.8           | 739.9             | 4,450.2                   | 1,098.0                       | (6,288.1)            | 2,804.8                                  |              |
| Retained earnings                                | 2,841.0           | 2,892.7           | 795.2                     | 263.3                         | (3,951.2)            | 2,841.0                                  |              |
| Treasury stock                                   | (1,000.2)         |                   |                           |                               |                      | (1,000.2)                                |              |
| Accumulated other comprehensive income (loss)    | (99.2)            | (99.2)            | (13.1)                    | (16.3)                        | 128.5                | (99.3)                                   |              |
| Total stockholders' equity                       | 4,547.1           | 3,533.4           | 5,385.4                   | 1,443.5                       | (10,362.4)           | 4,547.0                                  |              |
| Noncontrolling interest                          |                   |                   | 369.2                     |                               | 16.7                 | 385.9                                    |              |

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|                              |            |            |            |            |               |            |
|------------------------------|------------|------------|------------|------------|---------------|------------|
| Total equity                 | 4,547.1    | 3,533.4    | 5,754.6    | 1,443.5    | (10,345.7)    | 4,932.9    |
| Total liabilities and equity | \$ 4,547.2 | \$ 7,270.7 | \$ 7,251.3 | \$ 3,601.8 | \$ (13,696.5) | \$ 8,974.5 |

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Cash Flows**

|  | Six months ended June 30, 2012 |                 |                        |                            |              |                   |
|--|--------------------------------|-----------------|------------------------|----------------------------|--------------|-------------------|
|  | Parent                         | CFI             | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated      |
| (in millions)  |                                |                 |                        |                            |              |                   |
| <b>Operating Activities:</b>   |                                |                 |                        |                            |              |                   |
| Net earnings   | \$ 974.7                       | \$ 975.8        | \$ 448.2               | \$ 659.7                   | \$ (1,948.4) | \$ 1,110.0        |
| Adjustments to reconcile net earnings to net cash provided by operating activities |                                |                 |                        |                            |              |                   |
| Depreciation, depletion and amortization   |                                | 69.1            | 76.5                   | 73.4                       |              | 219.0             |
| Deferred income taxes  |                                | 7.7             | 12.8                   | (7.3)                      |              | 13.2              |
| Stock compensation expense   | 5.1                            |                 |                        | 0.5                        |              | 5.6               |
| Excess tax benefit from stock-based compensation                                   | (15.4)                         |                 |                        |                            |              | (15.4)            |
| Unrealized loss (gain) on derivatives  |                                | (19.6)          |                        | (2.1)                      |              | (21.7)            |
| (Gain) loss on disposal of property, plant and equipment and non-core assets       |                                | 0.9             | 2.7                    |                            |              | 3.6               |
| Undistributed (earnings) of affiliates net   | (975.8)                        | (609.3)         | (366.8)                | (18.5)                     | 1,948.4      | (22.0)            |
| Due to/from affiliates net   | 490.2                          | (489.8)         | 257.0                  | (257.4)                    |              |                   |
| Changes in:  |                                |                 |                        |                            |              |                   |
| Accounts and notes receivable net  |                                | (188.7)         | (640.9)                | 139.5                      | 600.5        | (89.6)            |
| Margin deposits  |                                | 0.8             |                        | 0.1                        |              | 0.9               |
| Inventories net  |                                | 58.3            | 11.6                   | 6.5                        |              | 76.4              |
| Accrued income taxes   |                                | (292.7)         | 176.7                  | 5.2                        |              | (110.8)           |
| Accounts and notes payable and accrued expenses                                    | 0.4                            | 608.0           | 8.6                    | (10.2)                     | (600.5)      | 6.3               |
| Customer advances  |                                | (89.9)          | (39.0)                 | (7.3)                      |              | (136.2)           |
| Other net  |                                | (2.5)           | 33.9                   | (22.0)                     |              | 9.4               |
| Net cash provided by (used in) operating activities                                | 479.2                          | 28.1            | (18.7)                 | 560.1                      |              | 1,048.7           |
| <b>Investing Activities:</b>   |                                |                 |                        |                            |              |                   |
| Additions to property, plant and equipment   |                                | (96.2)          | (38.3)                 | (23.3)                     |              | (157.8)           |
| Proceeds from sale of property, plant and equipment and non-core assets            |                                | 7.2             |                        |                            |              | 7.2               |
| Sales and maturities of short-term and auction rate securities                     |                                | 16.0            |                        |                            |              | 16.0              |
| Deposit to asset retirement funds  |                                | (2.2)           |                        |                            |              | (2.2)             |
| Other net  |                                |                 |                        |                            |              |                   |
| Net cash (used in) investing activities  |                                | (75.2)          | (38.3)                 | (23.3)                     |              | (136.8)           |
| <b>Financing Activities:</b>   |                                |                 |                        |                            |              |                   |
| Payments of long-term debt   |                                |                 | (13.0)                 |                            |              | (13.0)            |
| Financing fees   |                                |                 |                        |                            |              |                   |
| Dividends paid on common stock   | (52.3)                         |                 |                        |                            |              | (52.3)            |
| Dividends to/from affiliates   | 52.3                           | (52.3)          |                        |                            |              |                   |
| Distributions to/from noncontrolling interest                                      |                                | 300.5           | (39.3)                 | (454.5)                    |              | (193.3)           |
| Purchase of treasury stock   | (500.0)                        |                 |                        |                            |              | (500.0)           |
| Issuances of common stock under employee stock plans                               | 5.4                            |                 |                        |                            |              | 5.4               |
| Excess tax benefit from stock-based compensation                                   | 15.4                           |                 |                        |                            |              | 15.4              |
| Other net  |                                |                 |                        |                            |              |                   |
| Net cash (used in) provided by financing activities                                | (479.2)                        | 248.2           | (52.3)                 | (454.5)                    |              | (737.8)           |
| Effect of exchange rate changes on cash and cash equivalents                       |                                | (6.0)           |                        | 7.9                        |              | 1.9               |
| Increase (decrease) in cash and cash equivalents                                   |                                | 195.1           | (109.3)                | 90.2                       |              | 176.0             |
| Cash and cash equivalents at beginning of period                                   |                                | 98.7            | 300.2                  | 808.1                      |              | 1,207.0           |
| <b>Cash and cash equivalents at end of period</b>                                  | <b>\$</b>                      | <b>\$ 293.8</b> | <b>\$ 190.9</b>        | <b>\$ 898.3</b>            | <b>\$</b>    | <b>\$ 1,383.0</b> |



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**CF INDUSTRIES HOLDINGS, INC.**  
**Condensed, Consolidating Statement of Cash Flows**

|  | Six months ended June 30, 2011 |                 |                           |                               |              |                   |
|--|--------------------------------|-----------------|---------------------------|-------------------------------|--------------|-------------------|
|  | Parent                         | CFI             | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated      |
|  | (in millions)                  |                 |                           |                               |              |                   |
| <b>Operating Activities:</b>   |                                |                 |                           |                               |              |                   |
| Net earnings   | \$ 769.4                       | \$ 770.4        | \$ 364.0                  | \$ 533.1                      | \$ (1,560.5) | \$ 876.4          |
| Adjustments to reconcile net earnings to net cash provided by operating activities |                                |                 |                           |                               |              |                   |
| Depreciation, depletion and amortization   |                                | 73.9            | 69.4                      | 70.0                          |              | 213.3             |
| Deferred income taxes  | 2.2                            | 10.8            | 19.0                      | (6.2)                         |              | 25.8              |
| Stock compensation expense   | 4.7                            |                 |                           | 0.4                           |              | 5.1               |
| Excess tax benefit from stock-based compensation                                   | (18.6)                         |                 |                           |                               |              | (18.6)            |
| Unrealized (gain) loss on derivatives  |                                | 11.3            | 0.4                       | 1.8                           |              | 13.5              |
| (Gain) loss on disposal of property, plant and equipment and non-core assets       |                                | (33.3)          | 2.4                       | 1.5                           |              | (29.4)            |
| Undistributed (earnings) loss of affiliates net                                    | (770.4)                        | (479.2)         | (317.4)                   | (46.1)                        | 1,560.5      | (52.6)            |
| Due to/from affiliates net   | (14.5)                         | 17.5            | 230.7                     | (233.7)                       |              |                   |
| Changes in (net of effects of acquisition):  |                                |                 |                           |                               |              |                   |
| Accounts and notes receivable net  |                                | 235.2           | (26.4)                    | (189.6)                       | (197.9)      | (178.7)           |
| Margin deposits  |                                | 2.6             |                           | 1.7                           |              | 4.3               |
| Inventories net  |                                | (3.7)           | (10.6)                    | 10.4                          |              | (3.9)             |
| Accrued income taxes   |                                | (72.7)          | 134.6                     | 14.9                          |              | 76.8              |
| Accounts and notes payable and accrued expenses                                    |                                | 32.4            | (206.1)                   | (1.7)                         | 197.9        | 22.5              |
| Customer advances  |                                | (18.4)          | 45.3                      | (57.3)                        |              | (30.4)            |
| Other net  |                                | 1.4             | (5.0)                     | 1.6                           |              | (2.0)             |
| Net cash (used in) provided by operating activities                                | (27.2)                         | 548.2           | 300.3                     | 100.8                         |              | 922.1             |
| <b>Investing Activities:</b>   |                                |                 |                           |                               |              |                   |
| Additions to property, plant and equipment   |                                | (57.8)          | (37.9)                    | (9.8)                         |              | (105.5)           |
| Proceeds from sale of property, plant and equipment and non-core assets            |                                | 45.1            | 2.4                       |                               |              | 47.5              |
| Sales and maturities of short-term and auction rate securities                     |                                | 24.6            |                           |                               |              | 24.6              |
| Other net  |                                |                 |                           | 31.3                          |              | 31.3              |
| Net cash provided by (used in) investing activities                                |                                | 11.9            | (35.5)                    | 21.5                          |              | (2.1)             |
| <b>Financing Activities:</b>   |                                |                 |                           |                               |              |                   |
| Payments of long-term debt   |                                | (346.0)         |                           |                               |              | (346.0)           |
| Dividends paid on common stock   | (14.3)                         |                 |                           |                               |              | (14.3)            |
| Dividends to/from affiliates   | 14.3                           | (14.3)          |                           |                               |              |                   |
| Distributions to noncontrolling interest   |                                |                 | (28.6)                    |                               |              | (28.6)            |
| Issuances of common stock under employee stock plans                               | 8.6                            |                 |                           |                               |              | 8.6               |
| Excess tax benefit from stock-based compensation                                   | 18.6                           |                 |                           |                               |              | 18.6              |
| Net cash provided by (used in) financing activities                                | 27.2                           | (360.3)         | (28.6)                    |                               |              | (361.7)           |
| Effect of exchange rate changes on cash and cash equivalents                       |                                | (7.8)           |                           | 7.4                           |              | (0.4)             |
| Increase in cash and cash equivalents  |                                | 192.0           | 236.2                     | 129.7                         |              | 557.9             |
| Cash and cash equivalents at beginning of period                                   |                                | 136.2           | 164.0                     | 497.5                         |              | 797.7             |
| <b>Cash and cash equivalents at end of period</b>                                  | <b>\$</b>                      | <b>\$ 328.2</b> | <b>\$ 400.2</b>           | <b>\$ 627.2</b>               | <b>\$</b>    | <b>\$ 1,355.6</b> |

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**CF INDUSTRIES HOLDINGS, INC.**

**25. Subsequent Events**

On August 2, 2012, we entered into a definitive agreement with Glencore International plc (Glencore) to acquire the interests in CFL currently owned by Viterro for total cash consideration of C\$915 million subject to certain adjustments. Pursuant to the agreement between CF Industries and Glencore, the interests in CFL being acquired by CF Industries consist of 34% of CFL's outstanding preferred and common stock and a product purchase agreement. As a result of the transaction and subject to the product purchase agreements with CFL, CF Industries will be entitled to purchase 100% of CFL's ammonia and urea production. CFL's results are currently included in our financial statements as a consolidated variable interest entity. The completion of the transaction is subject to the closing of Glencore's acquisition of Viterro, receipt of regulatory approvals in Canada and other terms and conditions in the definitive purchase agreement.

On August 6, 2012, we announced that our Board of Directors authorized the repurchase of up to \$3.0 billion of CF Holdings common stock through December 31, 2016. Purchases under the repurchase program may be made from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing, and amount of any purchases will be determined by our management based on evaluation of market conditions, stock price, and other factors.

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**CF INDUSTRIES HOLDINGS, INC.**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*You should read the following discussion and analysis in conjunction with our annual consolidated financial statements and related notes, which were included in our 2011 Annual Report on Form 10-K filed with the SEC on February 27, 2012, as well as Item 1, Financial Statements, in this Form 10-Q. All references to "CF Holdings," "we," "us" and "our" refer to CF Industries Holdings, Inc. and its subsidiaries, including CF Industries, Inc., except where the context makes clear that the reference is only to CF Industries Holdings, Inc. itself and not its subsidiaries. The following is an outline of the discussion and analysis included herein:*

*Overview of CF Holdings*

*Our Company*

*Financial Executive Summary*

*Results of Consolidated Operations*

*Second Quarter of 2012 Compared to the Second Quarter of 2011*

*Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011*

*Operating Results by Business Segment*

*Liquidity and Capital Resources*

*Off-Balance Sheet Arrangements*

*Critical Accounting Policies and Estimates*

*Recent Accounting Pronouncements*

*Forward Looking Statements*

**Overview of CF Holdings**

***Our Company***

We are one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in the world. Our operations are organized into two business segments—the nitrogen segment and the phosphate segment. Our principal customers are cooperatives and independent fertilizer distributors. Our principal fertilizer products in the nitrogen segment are ammonia, granular urea, urea ammonium nitrate solution, or UAN, and ammonium nitrate, or AN. Our other nitrogen products include urea liquor, diesel exhaust fluid, or DEF, and aqua ammonia, which are sold primarily to our industrial customers. Our principal fertilizer products in the phosphate segment are diammonium phosphate, or DAP, and monoammonium phosphate, or MAP.

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Our core market and distribution facilities are concentrated in the midwestern United States and other major agricultural areas of the U.S. and Canada. We also export nitrogen fertilizer products from our Donaldsonville, Louisiana manufacturing facilities and phosphate fertilizer products from our Florida phosphate operations.

Our principal assets include:

five nitrogen fertilizer manufacturing facilities in Port Neal, Iowa, Courtright, Ontario, Yazoo City, Mississippi, Woodward, Oklahoma, and the largest nitrogen fertilizer complex in North America, located in Donaldsonville, Louisiana;



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**CF INDUSTRIES HOLDINGS, INC.**

a 75% interest in Terra Nitrogen Company, L.P. (TNCLP), a publicly traded limited partnership of which we are the sole general partner and the majority limited partner and which, through its subsidiary Terra Nitrogen, Limited Partnership (TNLP), operates a nitrogen fertilizer manufacturing facility in Verdigris, Oklahoma;

a 66% economic interest in the largest nitrogen fertilizer complex in Canada (which we operate in Medicine Hat, Alberta through Canadian Fertilizers Limited (CFL), a consolidated variable interest entity);

one of the largest integrated ammonium phosphate fertilizer complexes in the United States in Plant City, Florida;

the most-recently constructed phosphate rock mine and associated beneficiation plant in the United States in Hardee County, Florida;

an extensive system of terminals and associated transportation equipment located primarily in the midwestern United States; and

joint venture investments that we account for under the equity method, which consist of:

a 50% interest in GrowHow UK Limited (GrowHow), a nitrogen products production joint venture located in the United Kingdom and serving the British agricultural and industrial markets;

a 50% interest in Point Lisas Nitrogen Limited (PLNL), an ammonia production joint venture located in the Republic of Trinidad and Tobago; and

a 50% interest in KEYTRADE AG (Keytrade), a global fertilizer trading company headquartered near Zurich, Switzerland.

***Financial Executive Summary***

We reported net earnings attributable to common stockholders of \$606.3 million in the second quarter of 2012 compared to net earnings of \$487.4 million in the same quarter of 2011. Our results for the second quarter of 2012 included a net \$77.6 million pre-tax unrealized mark-to-market gain (\$48.2 million after tax) on natural gas derivatives and a \$15.2 million charge (\$9.4 million after tax) for the accelerated amortization of deferred loan fees associated with the termination of our former senior secured credit agreement (the 2010 Credit Agreement) which was replaced by a new unsecured credit agreement dated May 1, 2012 (the 2012 Credit Agreement).

The net earnings attributable to common stockholders of \$487.4 million in the second quarter of 2011 included a net \$14.2 million pre-tax unrealized mark-to-market loss (\$8.7 million after tax) on natural gas derivatives and a \$2.0 million (\$1.3 million after tax) gain on the sale of a non-core transportation business that was acquired in the Terra acquisition.

Our gross margin increased \$175.9 million to \$1,043.3 million in the second quarter of 2012 from \$867.4 million in the same quarter of 2011 due primarily to higher nitrogen segment results driven by higher average selling prices, lower realized natural gas costs and unrealized mark-to-market gains partially offset by lower sales volume. The increase in the nitrogen segment was partially offset by a decrease in the phosphate segment gross margin, driven primarily by lower average selling prices.

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Our net sales decreased \$66.1 million, or 4%, to \$1.7 billion in the second quarter of 2012 from \$1.8 billion in the second quarter of the prior year. The decrease in net sales was due primarily

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**CF INDUSTRIES HOLDINGS, INC.**

to lower nitrogen and phosphate fertilizer sales volumes and lower average phosphate segment selling prices, partially offset by higher average nitrogen segment selling prices. Total sales volume (measured in short tons) in the second quarter of 2012 decreased 7% from the prior year period due to decreases in both nitrogen and phosphate segment sales volumes.

Cash flow from operations in the first six months of 2012 increased \$126.6 million to \$1.0 billion compared to the same period of 2011, due primarily to improved net earnings, partially offset by the impact of increased cash invested in working capital.

During the second quarter of 2012, we repurchased 3.1 million shares of our common stock for \$500.0 million. These purchases completed the \$1.5 billion share repurchase program authorized by our Board of Directors in August 2011.

We paid cash dividends of \$52.3 million and \$14.3 million in the first six months of 2012 and 2011, respectively. The increase is due primarily to an increase in the quarterly dividend to \$0.40 per common share from \$0.10 per common share, which occurred in the third quarter of 2011.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Results of Consolidated Operations**

The following tables present our consolidated results of operations:

|   | Three months ended June 30     |            |              |          | Six months ended June 30, |            |              |          |
|---|--------------------------------|------------|--------------|----------|---------------------------|------------|--------------|----------|
|   | 2012                           | 2011       | 2012 v. 2011 |          | 2012                      | 2011       | 2012 v. 2011 |          |
|   | (in millions, except as noted) |            |              |          |                           |            |              |          |
| Net sales   | \$ 1,735.6                     | \$ 1,801.7 | \$ (66.1)    | (3.7)%   | \$ 3,263.2                | \$ 2,975.7 | \$ 287.5     | 9.7%     |
| Cost of sales   | 692.3                          | 934.3      | (242.0)      | (25.9)%  | 1,508.1                   | 1,583.3    | (75.2)       | (4.7)%   |
| Gross margin  | 1,043.3                        | 867.4      | 175.9        | 20.3%    | 1,755.1                   | 1,392.4    | 362.7        | 26.0%    |
| Selling, general and administrative expenses                                    | 41.3                           | 31.7       | 9.6          | 30.3%    | 75.1                      | 62.7       | 12.4         | 19.8%    |
| Restructuring and integration costs   |                                | 1.3        | (1.3)        | (100.0)% |                           | 3.4        | (3.4)        | (100.0)% |
| Other operating net   | 10.8                           | 3.9        | 6.9          | 176.9%   | 33.1                      | (27.1)     | 60.2         | (222.1)% |
| Total other operating costs and expenses  | 52.1                           | 36.9       | 15.2         | 41.2%    | 108.2                     | 39.0       | 69.2         | 177.4%   |
| Equity in earnings of operating affiliates                                      | 13.8                           | 14.2       | (0.4)        | (2.8)%   | 29.3                      | 25.7       | 3.6          | 14.0%    |
| Operating earnings  | 1,005.0                        | 844.7      | 160.3        | 19.0%    | 1,676.2                   | 1,379.1    | 297.1        | 21.5%    |
| Interest expense  | 45.3                           | 30.8       | 14.5         | 47.1%    | 76.2                      | 82.9       | (6.7)        | (8.1)%   |
| Interest income   |                                | (0.9)      | 0.9          | (100.0)% | (0.4)                     | (1.2)      | 0.8          | (66.7)%  |
| Other non-operating net   | (0.6)                          | (0.2)      | (0.4)        | 200.0%   | (0.7)                     | (0.5)      | (0.2)        | 40.0%    |
| Earnings before income taxes and equity in earnings of non-operating affiliates | 960.3                          | 815.0      | 145.3        | 17.8%    | 1,601.1                   | 1,297.9    | 303.2        | 23.4%    |
| Income tax provision  | 309.2                          | 281.0      | 28.2         | 10.0%    | 516.0                     | 439.8      | 76.2         | 17.3%    |
| Equity in earnings of non-operating affiliates net of taxes                     | 27.2                           | 9.8        | 17.4         | 177.6%   | 24.9                      | 18.3       | 6.6          | 36.1%    |
| Net earnings  | 678.3                          | 543.8      | 134.5        | 24.7%    | 1,110.0                   | 876.4      | 233.6        | 26.7%    |
| Less: Net earnings attributable to noncontrolling interest                      | 72.0                           | 56.4       | 15.6         | 27.7%    | 135.3                     | 107.0      | 28.3         | 26.4%    |
| Net earnings attributable to common stockholders                                | \$ 606.3                       | \$ 487.4   | \$ 118.9     | 24.4%    | \$ 974.7                  | \$ 769.4   | \$ 205.3     | 26.7%    |
| Diluted net earnings per share attributable to common stockholders              | \$ 9.31                        | \$ 6.75    | \$ 2.56      |          | \$ 14.81                  | \$ 10.66   | \$ 4.15      |          |
| Diluted weighted average common shares outstanding                              | 65.2                           | 72.2       | (7.0)        |          | 65.8                      | 72.2       | (6.4)        |          |
| Dividends declared per common share   | \$ 0.40                        | \$ 0.10    | \$ 0.30      |          | \$ 0.80                   | \$ 0.20    | \$ 0.60      |          |

**Second Quarter of 2012 Compared to the Second Quarter of 2011***Consolidated Operating Results*

Our total gross margin increased \$175.9 million to \$1,043.3 million in the second quarter of 2012 from \$867.4 million in the same quarter of 2011 due primarily to an increase in gross margin in the nitrogen segment, partially offset by a decrease in gross margin in the phosphate segment. In the nitrogen segment, the gross margin increased by \$210.3 million, or 27%, to \$992.9 million in the second quarter of 2012 compared to \$782.6 million in the same quarter of the prior year due primarily to higher average nitrogen fertilizer selling prices, unrealized mark-to-market gains on natural gas derivatives in the current year quarter compared to unrealized losses in the prior year quarter and lower realized natural gas costs, partially offset by lower sales volume. In the phosphate segment, gross margin decreased by \$34.4 million to \$50.4 million in the second quarter of 2012 compared to \$84.8 million in the second quarter of 2011 due primarily to lower average phosphate fertilizer selling prices and lower sales volumes, partially offset by lower sulfur costs.

We reported net earnings attributable to common stockholders of \$606.3 million in the second quarter of 2012 compared to net earnings of \$487.4 million in the same quarter of 2011. Our results for



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the second quarter of 2012 included a net \$77.6 million pre-tax unrealized mark-to-market gain (\$48.2 million after tax) on natural gas derivatives and a \$15.2 million charge (\$9.4 million after tax) for the accelerated amortization of deferred loan fees associated with the termination of the 2010 Credit Agreement as it was replaced with the 2012 Credit Agreement.

Net earnings attributable to common stockholders of \$487.4 million for the three months ended June 30, 2011 included a net \$14.2 million pre-tax unrealized mark-to-market loss (\$8.7 million after tax) on natural gas derivatives and a \$2.0 million (\$1.3 million after tax) gain on the sale of a non-core transportation business that was acquired in the Terra acquisition.

*Net Sales*

Our net sales decreased \$66.1 million, or 4%, to \$1.7 billion in the second quarter of 2012 from \$1.8 billion in the second quarter of 2011. This decrease was due primarily to a decline in the phosphate segment. Net sales in the phosphate segment declined by \$65.1 million in the second quarter of 2012 from the combination of an 8% decline in volume and a 15% decline in average selling prices. The volume decline was due primarily to the start-up of production of a new MAP product during the quarter and the positioning of it in inventory for sale in future periods, while the selling price decline was due to lower global demand. In the nitrogen segment, net sales declined by \$1.0 million as a 6% decline in volume was almost entirely offset by a 7% increase in average selling prices. The decline in volume in the second quarter of 2012 is due primarily to the increase in volume in the first quarter 2012 as the unusually early arrival of spring allowed farmers to take delivery and start application of ammonia in the first quarter of 2012, while significant deliveries and application didn't start until later in the second quarter of 2011.

*Cost of Sales*

Total cost of sales in our nitrogen segment averaged approximately \$145 per ton in the second quarter of 2012 compared to \$191 per ton in the same quarter of 2011. The 24% period-over-period decrease in cost of sales per ton was due primarily to unrealized mark-to-market gains on natural gas derivatives in the current quarter compared to unrealized losses in the second quarter of 2011 and lower realized natural gas costs. Phosphate segment cost of sales averaged \$367 per ton in the second quarter of 2012 compared to \$394 per ton in the prior year period. This 7% decrease was due primarily to lower sulfur costs.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased \$9.6 million to \$41.3 million in the second quarter of 2012 from \$31.7 million in the second quarter of 2011 due primarily to higher corporate office expenses, including higher professional service fees associated with the design and implementation of a new enterprise resource planning (ERP) software system, higher legal costs associated with corporate activities and higher incentive compensation and pension costs.

*Other Operating Net*

Net other operating expense increased \$6.9 million to \$10.8 million in the second quarter of 2012 as compared to \$3.9 million in the second quarter of 2011 due primarily to costs associated with engineering studies for proposed capital projects at certain nitrogen complexes, environmental remediation costs associated with a closed facility and foreign exchange costs.

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*Equity in Earnings of Operating Affiliates*

Equity in earnings of operating affiliates consists of our 50% share of the operating results of PLNL and our 50% interest in an ammonia storage joint venture located in Houston, Texas.

*Interest Net*

Net interest expense was \$45.3 million in the second quarter of 2012 compared to \$29.9 million in the same quarter of 2011. The increase in net interest expense was due primarily to \$15.2 million of accelerated amortization of deferred loan fees on the 2010 Credit Agreement that was terminated in May 2012.

*Income Taxes*

Our income tax provision for the second quarter of 2012 was \$309.2 million on pre-tax income of \$960.3 million, or an effective tax rate of 32.2%, compared to an income tax provision of \$281.0 million on pre-tax income of \$815.0 million, or an effective tax rate of 34.5%, for the same quarter of 2011. The effective tax rate for the second quarter of 2012 based on pre-tax income exclusive of earnings attributable to noncontrolling interest was 34.8% compared to 37.0% in the second quarter of 2011. The decline in the effective tax rate exclusive of earnings attributable to noncontrolling interest was driven primarily by higher state taxes in the prior year. The effective tax rate based on pre-tax income differs from our effective tax rate based on pre-tax income exclusive of earnings attributable to noncontrolling interest, as our consolidated income tax provision does not include tax provisions on the earnings attributable to noncontrolling interests in TNCLP and CFL, which record no income tax provisions. See Note 13 Income Taxes, to our audited consolidated financial statements included in our 2011 Annual Report on Form 10-K filed with the SEC on February 27, 2012 for additional information on income taxes.

*Equity in Earnings of Non-Operating Affiliates Net of Taxes*

Equity in earnings of non-operating affiliates net of taxes consists of our share of the operating results of unconsolidated joint venture interests in GrowHow and Keytrade. We recorded \$27.2 million of earnings in the second quarter of 2012 compared to \$9.8 million of earnings in the same quarter of 2011. The increase was due primarily to higher earnings from GrowHow due to an \$11.1 million insurance settlement related to a fire that occurred in 2011 and improved operating results.

*Net Earnings Attributable to Noncontrolling Interest*

Net earnings attributable to noncontrolling interest include the interest of the 34% holder of CFL's common and preferred shares and the net earnings attributable to the 24.7% interest of the publicly held common units of TNCLP. The \$15.6 million increase in net earnings attributable to the noncontrolling interest is due primarily to improved operating results for CFL during the quarter ended June 30, 2012 compared to the same period of 2011. During the second quarters of both 2012 and 2011, the TNCLP minimum quarterly distribution was exceeded, which entitled us to receive increased distributions on our general partner interests as provided for in the TNCLP Agreement of Limited Partnership. For additional information, see Note 4 to our unaudited interim consolidated financial statements included in Part 1 of this report.

*Diluted Net Earnings Per Share Attributable to Common Stockholders*

Diluted net earnings per share attributable to common stockholders increased to \$9.31 in the second quarter of 2012 from \$6.75 in the second quarter of 2011 due to the increase in net earnings

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attributable to common stockholders and a decrease in the weighted average shares outstanding due to repurchasing 6.5 million shares of our common stock in the second half of 2011 and an additional 3.1 million shares in the second quarter of 2012 under our share repurchase program.

***Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011***

*Consolidated Operating Results*

Our total gross margin increased \$362.7 million to \$1.8 billion for the six months ended June 30, 2012 from \$1.4 billion for the comparable period of 2011 due to an increase in the gross margin in the nitrogen segment partially offset by a decrease in gross margin in the phosphate segment. In the nitrogen segment, the gross margin increased by \$429.9 million to \$1.7 billion in the first six months of 2012 compared to \$1.2 billion in the same six months of 2011. The nitrogen segment gross margin increased due to higher average nitrogen fertilizer selling prices, lower realized natural gas costs, higher sales volume and unrealized mark-to-market gains on natural gas derivatives in the current year period compared to unrealized losses in the prior year. In the phosphate segment, gross margin decreased by \$67.2 million to \$100.1 million in the first six months of 2012 compared to \$167.3 million in the comparable period of 2011, due primarily to 13% lower average phosphate fertilizer selling prices, partially offset by a 3% increase in volume.

Net earnings attributable to common stockholders of \$974.7 million for the six months ended June 30, 2012 included a net \$21.7 million pre-tax unrealized mark-to-market gain (\$13.5 million after tax) on natural gas derivatives and a \$15.2 million charge (\$9.4 million after tax) for the accelerated amortization of deferred loan fees on our 2010 Credit Agreement that we replaced in May 2012.

Net earnings attributable to common stockholders of \$769.4 million for the six months ended June 30, 2011 included a \$32.5 million (\$20.0 million after tax) gain on the sale of four dry product warehouses, \$19.9 million (\$12.3 million after tax) of accelerated amortization of debt issuance costs recognized upon repayment of the remaining balance of the senior secured term loan in the first quarter of 2011, a net \$13.5 million pre-tax unrealized mark-to-market loss (\$8.3 million after tax) on natural gas derivatives, \$3.4 million (\$2.1 million after tax) of restructuring and integration costs associated with the acquisition of Terra, and a \$2.0 million (\$1.3 million after tax) gain on the sale of a non-core transportation business.

*Net Sales*

Our net sales increased \$287.5 million, or 10%, to \$3.3 billion in the six months ended June 30, 2012 from \$3.0 billion in the same period of 2011. This increase was due primarily to an increase in the nitrogen segment, partially offset by a decline in the phosphate segment. In the nitrogen segment, net sales increased by \$344.8 million due to both a 12% increase in average selling prices and 2% increase in volumes as higher planted acres for the 2012 growing season led to higher demand for nitrogen fertilizer products. In the phosphate segment, net sales declined \$57.3 million due primarily to a 13% decline in average selling prices, partially offset by a 3% increase in volume. The decline in phosphate selling prices was due primarily to lower global demand.

*Cost of Sales*

Total cost of sales in our nitrogen segment averaged approximately \$166 per ton in the first six months of 2012 compared to \$182 per ton in the same period of 2011. This 9% decrease was due primarily to lower realized natural gas cost and a net \$21.7 million unrealized mark-to-market gain on natural gas derivatives in the current year compared to a net \$13.5 million unrealized loss in the prior



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year. Phosphate segment cost of sales averaged \$384 per ton in the first six months of 2012 compared to \$386 per ton in the prior year period.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased \$12.4 million to \$75.1 million in the first six months of 2012 from \$62.7 million in the same period of 2011 due primarily to higher corporate office expenses including higher professional service fees associated with the design and implementation of a new enterprise resource planning (ERP) software system, higher legal costs associated with corporate activities and higher incentive compensation and pension costs.

*Other Operating Net*

Other operating-net was an expense of \$33.1 million in the first six months of 2012 compared to income of \$27.1 million in the same period of 2011. The expense recorded in the first six months of 2012 consists primarily of costs associated with engineering studies for proposed capital projects at certain nitrogen complexes, foreign exchange costs, environmental remediation costs associated with a closed facility and losses on the disposal of property, plant and equipment. The income recorded in the first half of 2011 consists primarily of the \$32.5 million gain that was recognized on the sale of four dry-product warehouses and the \$2.0 million gain on the sale of a non-core transportation business.

*Equity in Earnings of Operating Affiliates*

Equity in earnings of operating affiliates consists of our 50% share of the operating results of PLNL and our 50% interest in an ammonia storage joint venture located in Houston, Texas. The \$3.6 million increase in the first six months of 2012 is due to improved Houston Ammonia Terminal operating results.

*Interest Net*

Net interest expense was \$75.8 million in the six months ended June 30, 2012 compared to \$81.7 million in the same period of 2011. The decrease in expense was due primarily to accelerated loan fee amortization. In the first half of 2012, we terminated the 2010 Credit Agreement and recognized \$15.2 million of accelerated loan fee amortization. In the first half of 2011, we repaid the remaining balance of our senior secured term loan and recognized \$19.9 million of accelerated loan fee amortization.

*Income Taxes*

Our income tax provision for the six months ended June 30, 2012 was \$516.0 million on pre-tax income of \$1.6 billion, or an effective tax rate of 32.2%, compared to an income tax provision of \$439.8 million on a pre-tax income of \$1.3 billion and an effective tax rate of 33.9% in the same period of 2011. The effective tax rate for the six months ended June 30, 2012 based upon pre-tax income exclusive of earnings attributable to noncontrolling interest was 35.2% compared to 36.9% in the prior year. The decline in the effective tax rate exclusive of earnings attributable to noncontrolling interests was driven primarily by higher state taxes in the prior year. The effective tax rate based on pre-tax income differs from our effective tax rate based on pre-tax income exclusive of earnings attributable to noncontrolling interest, as our consolidated income tax provision does not include tax provisions on the earnings attributable to noncontrolling interests in TNCLP and CFL, which record no income tax provisions. See Note 13 to our audited consolidated financial statements included in our 2011 Annual

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Report on Form 10-K filed with the SEC on February 27, 2012 for additional information on income taxes.

*Equity in Earnings of Non-Operating Affiliates Net of Taxes*

Equity in earnings of non-operating affiliates net of taxes for the first six months of 2012 consists of our share of the operating results of unconsolidated joint venture interests in GrowHow and Keytrade. The \$6.6 million increase in the first six months of 2012 compared to the same period of 2011 was due primarily to higher net earnings at GrowHow due to an \$11.1 million insurance settlement resulting from a fire that occurred in 2011, partially offset by higher maintenance costs.

*Net Earnings Attributable to Noncontrolling Interest*

Net earnings attributable to noncontrolling interest include the interest of the 34% holder of CFL's common and preferred shares and the net earnings attributable to the 24.7% interest of the publicly held common units of TNCLP. The \$28.3 million increase in net earnings attributable to noncontrolling interest is due primarily to improved operating results for CFL in the first six months of 2012. During each of the first two quarters of 2012 and 2011, the TNCLP minimum quarterly distribution was exceeded, which entitled us to receive increased distributions on our general partner interests as provided for in the TNCLP Agreement of Limited Partnership. For additional information, see Note 4 to our unaudited interim consolidated financial statements included in Part 1 of this report.

*Diluted Net Earnings Per Share Attributable to Common Stockholders*

Diluted net earnings per share attributable to common stockholders increased to \$14.81 in the first six months of 2012 from \$10.66 in the comparable period of 2011 due primarily to the increase in net earnings attributable to common stockholders and a decrease in the weighted average shares outstanding due to repurchasing 6.5 million shares of our common stock in the second half of 2011 and an additional 3.1 million shares in the second quarter of 2012 under our share repurchase program.

*Operating Results by Business Segment*

Our business is organized and managed internally based on two segments, the nitrogen segment and the phosphate segment, which are differentiated primarily by their products, the markets they serve and the regulatory environments in which they operate.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.***Nitrogen Segment*

The following table presents summary operating data for our nitrogen segment:

|   | Three months ended June 30     |            |              |         | Six months ended June 30, |            |              |         |
|---|--------------------------------|------------|--------------|---------|---------------------------|------------|--------------|---------|
|   | 2012                           | 2011       | 2012 v. 2011 |         | 2012                      | 2011       | 2012 v. 2011 |         |
|   | (in millions, except as noted) |            |              |         |                           |            |              |         |
| Net sales   | \$ 1,504.1                     | \$ 1,505.1 | \$ (1.0)     | (0.1)%  | \$ 2,775.8                | \$ 2,431.0 | \$ 344.8     | 14.2%   |
| Cost of sales   | 511.2                          | 722.5      | (211.3)      | (29.2)% | 1,120.8                   | 1,205.9    | (85.1)       | (7.1)%  |
| Gross margin  | \$ 992.9                       | \$ 782.6   | \$ 210.3     | 26.9%   | \$ 1,655.0                | \$ 1,225.1 | \$ 429.9     | 35.1%   |
| Gross margin percentage   | 66.0%                          | 52.0%      |              |         | 59.6%                     | 50.4%      |              |         |
| Tons of product sold (000s)   | 3,532                          | 3,774      | (242)        | (6.4)%  | 6,733                     | 6,615      | 118          | 1.8%    |
| Sales volume by product (000s)  |                                |            |              |         |                           |            |              |         |
| Ammonia   | 793                            | 981        | (188)        | (19.2)% | 1,465                     | 1,391      | 74           | 5.3%    |
| Granular urea   | 694                            | 727        | (33)         | (4.5)%  | 1,452                     | 1,331      | 121          | 9.1%    |
| UAN   | 1,627                          | 1,649      | (22)         | (1.3)%  | 3,028                     | 3,103      | (75)         | (2.4)%  |
| AN  | 249                            | 268        | (19)         | (7.1)%  | 496                       | 512        | (16)         | (3.1)%  |
| Other nitrogen products   | 169                            | 149        | 20           | 13.4%   | 292                       | 278        | 14           | 5.0%    |
| Average selling price per ton by product                                    |                                |            |              |         |                           |            |              |         |
| Ammonia   | \$ 635                         | \$ 596     | \$ 39        | 6.5%    | \$ 618                    | \$ 566     | \$ 52        | 9.2%    |
| Granular urea   | 522                            | 389        | 133          | 34.2%   | 490                       | 381        | 109          | 28.6%   |
| UAN   | 324                            | 323        | 1            | 0.3%    | 314                       | 301        | 13           | 4.3%    |
| AN  | 257                            | 260        | (3)          | (1.2)%  | 258                       | 256        | 2            | 0.8%    |
| Cost of natural gas (per MMBtu) <sup>(1)</sup>                              | \$ 3.13                        | \$ 4.32    | \$ (1.19)    | (27.5)% | \$ 3.31                   | \$ 4.32    | \$ (1.01)    | (23.4)% |
| Average daily market price of natural gas (per MMBtu) Henry Hub (Louisiana) | \$ 2.27                        | \$ 4.35    | \$ (2.08)    | (47.8)% | \$ 2.37                   | \$ 4.26    | \$ (1.89)    | (44.4)% |
| Depreciation and amortization   | \$ 84.4                        | \$ 78.6    | \$ 5.8       | 7.4%    | \$ 166.9                  | \$ 156.9   | \$ 10.0      | 6.4%    |
| Capital expenditures  | \$ 72.8                        | \$ 22.3    | \$ 50.5      | 226.5%  | \$ 108.9                  | \$ 68.1    | \$ 40.8      | 59.9%   |
| Production volume by product (000s)   |                                |            |              |         |                           |            |              |         |
| Ammonia <sup>(2)</sup>  | 1,719                          | 1,837      | (118)        | (6.4)%  | 3,554                     | 3,684      | (130)        | (3.5)%  |
| Granular urea   | 656                            | 632        | 24           | 3.8%    | 1,361                     | 1,283      | 78           | 6.1%    |
| UAN (32%)   | 1,484                          | 1,534      | (50)         | (3.3)%  | 2,957                     | 3,108      | (151)        | (4.9)%  |
| AN  | 241                            | 252        | (11)         | (4.4)%  | 483                       | 510        | (27)         | (5.3)%  |

(1) Includes the cost of natural gas purchases and realized gains and losses on natural gas derivatives.

(2) Gross ammonia production, including amounts subsequently upgraded on-site into urea, UAN or AN.

*Second Quarter of 2012 Compared to the Second Quarter of 2011*

**Net Sales.** Nitrogen segment net sales of \$1.5 billion in the second quarter of 2012 approximated the level achieved in the second quarter of 2011 as higher average selling prices almost entirely offset lower sales volume. Average nitrogen fertilizer selling prices increased to \$426 per ton in the second quarter of 2012 from \$399 per ton in the same quarter of 2011 due primarily to increases of 34% and 7% in urea and ammonia per ton selling prices, respectively. The favorable nitrogen fertilizer pricing environment resulted from tight industry-wide supply due to increased demand caused by the higher level of planted acres in 2012. Nitrogen segment sales volume in the second quarter of 2012 was 6% lower than in the second quarter of last year due primarily to 19% lower ammonia sales. The decline in ammonia volume in the second quarter of 2012 is due primarily to the increase in volume in the first quarter 2012 as the unusually early arrival of spring allowed farmers to take delivery and start application of ammonia in the first quarter of 2012, while significant deliveries and application didn't start until later in the second quarter of 2011.

**Cost of Sales.** Total cost of sales in the nitrogen segment averaged approximately \$145 per ton in the second quarter of 2012 compared to \$191 per ton in the second quarter of 2011. The decrease in



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cost of sales per ton is due primarily to lower realized natural gas costs and net \$77.6 million in unrealized mark-to-market gains on natural gas derivatives in the second quarter of 2012 compared to net losses of \$14.2 million in the second quarter of 2011.

*Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011*

*Net Sales.* Nitrogen segment net sales increased \$344.8 million to \$2.8 billion in the six months ended June 30, 2012 compared to \$2.4 billion in the same period of last year, due to both higher average selling prices and a 2% increase in sales volume. Average nitrogen fertilizer selling prices increased to \$412 per ton in the first six months of 2012 from \$367 per ton in the first six months of 2011 with increases mainly in ammonia and urea. Higher ammonia and urea average selling prices resulted from tight industry-wide supply due to increased demand caused by the higher level of planted acres in 2012.

*Cost of Sales.* Total cost of sales in the nitrogen segment averaged approximately \$166 per ton in the six months ended June 30, 2012 compared to \$182 per ton in the same period of 2011. The decrease is due primarily to lower realized natural gas costs and \$21.7 million in net unrealized mark-to-market gains on natural gas derivatives in the first six months of 2012 compared to net losses of \$13.5 million in the 2011 period.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.***Phosphate Segment*

The following table presents summary operating data for our phosphate segment:

|   | Three months ended June 30     |          |              |         | Six months ended June 30, |          |              |         |
|---|--------------------------------|----------|--------------|---------|---------------------------|----------|--------------|---------|
|   | 2012                           | 2011     | 2012 v. 2011 |         | 2012                      | 2011     | 2012 v. 2011 |         |
|   | (in millions, except as noted) |          |              |         |                           |          |              |         |
| Net sales   | \$ 231.5                       | \$ 296.6 | \$ (65.1)    | (21.9)% | \$ 487.4                  | \$ 544.7 | \$ (57.3)    | (10.5)% |
| Cost of sales   | 181.1                          | 211.8    | (30.7)       | (14.5)% | 387.3                     | 377.4    | 9.9          | 2.6%    |
| Gross margin  | \$ 50.4                        | \$ 84.8  | \$ (34.4)    | (40.6)% | \$ 100.1                  | \$ 167.3 | \$ (67.2)    | (40.2)% |
| Gross margin percentage   | 21.8%                          | 28.6%    |              |         | 20.5%                     | 30.7%    |              |         |
| Tons of product sold (000s)                                     | 493                            | 538      | (45)         | (8.4)%  | 1,009                     | 978      | 31           | 3.2%    |
| Sales volume by product (000s)                                  |                                |          |              |         |                           |          |              |         |
| DAP   | 368                            | 382      | (14)         | (3.7)%  | 792                       | 713      | 79           | 11.1%   |
| MAP   | 125                            | 156      | (31)         | (19.9)% | 217                       | 265      | (48)         | (18.1)% |
| Domestic vs. export sales (000s)                                |                                |          |              |         |                           |          |              |         |
| Domestic  | 202                            | 298      | (96)         | (32.2)% | 527                       | 692      | (165)        | (23.8)% |
| Export  | 291                            | 240      | 51           | 21.3%   | 482                       | 286      | 196          | 68.5%   |
| Average selling price per ton by product                        |                                |          |              |         |                           |          |              |         |
| DAP   | \$ 472                         | \$ 555   | \$ (83)      | (15.0)% | \$ 483                    | \$ 558   | \$ (75)      | (13.4)% |
| MAP   | 464                            | 544      | (80)         | (14.7)% | 482                       | 554      | (72)         | (13.0)% |
| Depreciation, depletion and amortization                        | \$ 9.1                         | \$ 10.0  | \$ (0.9)     | (9.0)%  | \$ 22.5                   | \$ 21.7  | \$ 0.8       | 3.7%    |
| Capital expenditures  | \$ 13.3                        | \$ 24.7  | \$ (11.4)    | (46.2)% | \$ 35.0                   | \$ 29.2  | \$ 5.8       | 19.9%   |
| Production volume by product (000s)                             |                                |          |              |         |                           |          |              |         |
| Phosphate rock  | 809                            | 784      | 25           | 3.2%    | 1,747                     | 1,637    | 110          | 6.7%    |
| Sulfuric acid   | 653                            | 615      | 38           | 6.2%    | 1,236                     | 1,282    | (46)         | (3.6)%  |
| Phosphoric acid as P <sub>2</sub> O <sub>5</sub> <sup>(1)</sup> | 254                            | 232      | 22           | 9.5%    | 480                       | 494      | (14)         | (2.8)%  |
| DAP/MAP   | 514                            | 460      | 54           | 11.7%   | 964                       | 979      | (15)         | (1.5)%  |

(1) P<sub>2</sub>O<sub>5</sub> is the basic measure of the nutrient content in phosphate fertilizer products.

*Second Quarter of 2012 Compared to the Second Quarter of 2011*

**Net Sales.** Phosphate segment net sales decreased \$65.1 million, or 22%, to \$231.5 million in the second quarter of 2012 compared to \$296.6 million in the second quarter of 2011 due to both lower average selling prices and lower sales volume. Our total phosphate sales volume of 493,000 tons in the second quarter of 2012 was 8% lower than the second quarter of 2011 due primarily to the start-up of production of a new MAP product during the quarter and the positioning of it in inventory for sale in future periods. Lower global demand resulted in lower selling prices as phosphate segment average selling prices declined by 15% as compared to the prior year. In response to better margins available in the international marketplace, we exported 291,000 tons in the second quarter of 2012 compared to 240,000 tons in the same quarter of the prior year.

**Cost of Sales.** Phosphate segment cost of sales averaged \$367 per ton in the second quarter of 2012 compared to \$394 per ton in the prior year period. The 7% decrease was due primarily to lower sulfur costs.

*Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011*

**Net Sales.** Phosphate segment net sales decreased \$57.3 million to \$487.4 million in the first six months of 2012 compared to \$544.7 million in the first six months of 2011 due to lower average selling prices, partially offset by higher volume. Average selling prices for the six months ended June 30, 2012 decreased by 13% compared to the prior year reflecting lower global demand. Our total volume of phosphate fertilizer sales of 1.0 million tons in the first six months of 2012 was 3% higher than in the



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same period of 2011 due primarily to higher export sales volume in response to low domestic demand and favorable margins in the international marketplace.

*Cost of Sales.* Average phosphate segment cost of sales of \$384 per ton in the first six months of 2012 were slightly lower than the \$386 per ton in the prior year period.

**Liquidity and Capital Resources**

Generally, our primary source of cash is cash from operations, which includes cash generated by customer advances. Our primary uses of cash are generally for operating costs, working capital, capital expenditures, debt service, investments, taxes, share repurchases and dividends. Our working capital requirements are affected by several factors, including demand for our products, selling prices, raw material costs, freight costs and seasonal factors inherent in the business.

Under our short-term investment policy, we may invest our excess cash balances in several types of securities including notes and bonds issued by governmental entities or corporations, and money market funds. Securities issued by governmental agencies include those issued directly by the U.S. and Canadian federal governments; those issued by state, local or other governmental entities; and those guaranteed by entities affiliated with governmental entities.

***Cash Balances***

We had cash and cash equivalents of \$1.4 billion and \$1.2 billion as of June 30, 2012, and December 31, 2011, respectively.

***Share Repurchase Program***

On August 4, 2011, our Board of Directors authorized a program to repurchase up to \$1.5 billion of our common stock. Repurchases under this program were authorized to be made from time to time in the open market, in privately negotiated transactions, or otherwise. During the second half of 2011, we repurchased 6.5 million shares under this program for \$1.0 billion. In the second quarter of 2012, we repurchased an additional 3.1 million shares for \$500.0 million. The repurchases total 9.6 million shares, completing the \$1.5 billion authorization under the program. In June 2012, our Board of Directors approved a resolution to retire all 9.6 million shares of the repurchased stock, and as of June 30, 2012, all repurchased shares had been retired. In the balance sheet, the retirement of these shares eliminated the recorded treasury stock and reduced retained earnings and paid in capital by \$1,125.9 million and \$374.2 million, respectively, as of June 30, 2012.

***Investments in Auction Rate Securities***

As of June 30, 2012, our investments in auction rate securities were reported at their fair value of \$55.5 million, after reflecting a \$4.1 million unrealized holding loss against a par value of \$59.6 million. At December 31, 2011, our investments in auction rate securities totaled \$70.9 million, after reflecting a \$4.7 million unrealized holding loss against a par value of \$75.6 million. During the first six months of 2012, \$16.0 million of our auction rate securities were redeemed at par value.

Because the traditional auction process for auction rate securities generally has failed since early 2008, these securities are illiquid and we are not able to access the remaining funds until such time as auctions for these securities are successful, buyers are found outside the auction process, or the securities are redeemed by the issuers. In accordance with our policies, we review the underlying securities and assess the creditworthiness of these securities as part of our investment process.



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**CF INDUSTRIES HOLDINGS, INC.**

We determined the fair value of these investments at June 30, 2012 using a mark-to-model approach that relies on discounted cash flows, market data and inputs derived from similar instruments. The unrealized holding loss has been reported in other comprehensive income as the impairment is deemed to be temporary based on the requirements set forth in ASC Topic 320 *Investments Debt and Equity Securities*. See Note 5 to our unaudited interim consolidated financial statements included in Part 1 of this report for additional information regarding our investments in auction rate securities.

The model we use to value our auction rate securities uses discounted cash flow calculations as one of the significant inputs to the ultimate determination of fair value. The base interest rates assumed for the required rates of return are key components of the calculation of discounted cash flows. If the required rate of return we used in the calculation model was 100 basis points higher, the resulting holding loss would have been approximately \$3.3 million greater. We may need to recognize either additional holding gains or losses in other comprehensive income or holding losses in net earnings should changes occur in the conditions in the credit markets, the credit worthiness of the issuers, or in the variables considered in our valuation model.

We believe ultimately we will recover the historical cost for these instruments as we presently intend to hold these securities until market liquidity returns either through resumption of auctions or otherwise. We do not believe the ongoing market liquidity issues regarding these securities present any operating liquidity issues for us. We believe our cash, cash equivalents, operating cash flow, and credit available under our 2012 Credit Agreement are adequate to fund our cash requirements for the foreseeable future.

***Debt***

As of June 30, 2012 and December 31, 2011, we had \$1.6 billion of outstanding senior notes that were issued in two series of \$800 million each. The first series carries an interest rate of 6.875% and is due in the aggregate in 2018. The second series carries an interest rate of 7.125% and is due in the aggregate in 2020. At December 31, 2011 we also had \$13.0 million of Terra 7% senior notes due 2017, which were redeemed in the second quarter of 2012.

Notes payable, representing amounts owed by CFL to its noncontrolling interest holder with respect to advances, were \$4.8 million as of both June 30, 2012 and December 31, 2011.

As of June 30, 2012 and December 31, 2011, \$491.2 million was available for borrowing under our applicable credit agreements, reflecting \$8.8 million of outstanding letters of credit and no outstanding borrowings thereunder. Beginning on April 5, 2010, the 2010 Credit Agreement was in place. This agreement provided for \$500 million of borrowings outstanding at any time for working capital requirements and for general corporate purposes. On May 1, 2012, we terminated the 2010 Credit Agreement and entered into the 2012 Credit Agreement. The 2012 Credit Agreement provides for \$500 million of borrowings outstanding at any time for working capital, capital expenditures, acquisitions, share repurchases and other general purposes. The obligations under the 2010 Credit Agreement were guaranteed by CF Industries Holdings, Inc. and certain direct and indirect wholly-owned subsidiaries. Upon the termination of the 2010 Credit Agreement, the guarantees and all of the liens on the assets were released. Obligations under the 2012 Credit Agreement are unsecured and currently CF Industries Holdings, Inc. is the only guarantor.

The 2012 Credit Agreement includes representations, warranties, covenants and events of default, including requirements that we maintain a minimum interest coverage ratio and not exceed a maximum total leverage ratio, as well as other customary covenants and events of default. Our senior notes indentures also include certain covenants and events of default. As of June 30, 2012, we were in compliance with all covenants under the 2012 Credit Agreement and the senior notes indentures.

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**CF INDUSTRIES HOLDINGS, INC.**

See Note 17 to our unaudited interim consolidated financial statements included in Part 1 of this report for additional information regarding our outstanding indebtedness and our credit facility.

***Capital Spending***

Capital expenditures of \$157.8 million were made in the first half of 2012 to sustain our asset base, to increase our production capacity, to improve plant efficiency and to comply with various environmental, health and safety requirements. We expect to spend approximately \$400 million on capital expenditures in total for 2012 as compared to \$247.2 million in 2011. The anticipated increase is due primarily to an increase in scheduled turnarounds in 2012, higher spending on environmental, health and safety projects and the announced projects to increase production and efficiency at our Donaldsonville nitrogen complex.

***Forward Sales and Customer Advances***

We offer our customers the opportunity to purchase product on a forward basis, including under our Forward Pricing Program (FPP) at prices and on delivery dates we propose. As our customers enter into forward nitrogen fertilizer purchase contracts with us, we generally lock in a substantial portion of the margin on these sales mainly by using natural gas derivative instruments and fixed price purchase contracts to hedge against price changes for natural gas that will be purchased in the future. Natural gas is the largest and most volatile component of our manufacturing cost for nitrogen-based fertilizers. As a result of using derivative instruments to hedge against movements of future prices of natural gas, volatility in reported quarterly earnings can result from the unrealized mark-to-market adjustments in the fair value of the derivatives. Our reported selling prices and margins may differ from spot market prices and margins available at the time of shipment. Unlike nitrogen fertilizer products sold under forward sales contracts for which we effectively fix the cost of natural gas, we typically are unable to fix the cost of phosphate fertilizer raw materials, principally sulfur and ammonia, which are among the largest components of our phosphate fertilizer manufacturing costs. As a result, we typically are exposed to margin risk on phosphate fertilizer products sold on a forward basis.

Customer advances, which typically represent a portion of the contract's sales value, are received shortly after the contract is executed, with any remaining unpaid amount generally being collected by the time the product is shipped, thereby reducing or eliminating the accounts receivable related to such sales. Any cash payments received in advance from customers in connection with forward sales contracts are reflected on our consolidated balance sheets as a current liability until the related orders are shipped, which may be several months after the order is placed. As is the case for all of our sale transactions, revenue is recognized when title and risk of loss transfers upon shipment or delivery of the product to customers. As of June 30, 2012 and December 31, 2011, we had approximately \$121.0 million and \$257.2 million, respectively, in customer advances on our consolidated balance sheets.

While customer advances are a significant source of liquidity, the level of forward sales contracts is affected by many factors including current market conditions and our customers' outlook of future market fundamentals. The level of forward orders at any point in time may reflect our customers' views of the current fertilizer pricing environment and expectations regarding future pricing and availability of supply.

Under the FPP, a customer may delay delivery of an order due to weather conditions or other factors. These delays generally subject the customer to potential charges for storage or may be grounds for termination of the contract by us. Such a delay in scheduled shipment or termination of an FPP contract due to a customer's inability or unwillingness to perform may negatively impact our reported

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**CF INDUSTRIES HOLDINGS, INC.**

sales. We also may be subject to certain charges under these arrangements should we be unable to deliver product at the specified time. If the level of forward sales were to decrease in the future, our cash received from customer advances would likely decrease and our accounts receivable balances would likely increase. Also, borrowing under our credit facility could become necessary. Due to the volatility inherent in our business and changing customer expectations, we cannot estimate the amount of future forward sales activity.

***Natural Gas Derivatives***

We use natural gas derivative instruments primarily to lock in a substantial portion of our margin on forward sales contracts. Our natural gas acquisition policy also allows us to establish derivative positions that are associated with anticipated natural gas requirements unrelated to our forward sales.

Natural gas derivatives involve the risk of dealing with counterparties and their ability to meet the terms of the contracts. The counterparties to our natural gas derivatives are either large oil and gas companies or large financial institutions. Cash collateral is deposited with or received from counterparties when predetermined unrealized loss or gain thresholds are exceeded. For derivatives that are in net asset positions, we are exposed to credit loss from nonperformance by the counterparties. We control our credit risk through the use of multiple counterparties, individual credit limits, monitoring procedures, cash collateral requirements and master netting arrangements.

The master netting arrangements to our derivative instruments also contain credit-risk-related contingent features that require us to maintain minimum net worth levels and certain financial ratios. If we fail to meet these minimum requirements, the counterparties to derivative instruments for which we are in net liability positions could require daily cash settlement of unrealized losses or some other form of credit support.

As of June 30, 2012 and December 31, 2011, the aggregate fair value of the derivative instruments with credit-risk-related contingent features in a net liability position was \$52.6 million and \$74.7 million, respectively, for which we have no cash collateral on deposit with these counterparties.

***Financial Assurance Requirements***

In addition to various operational and environmental regulations related to our phosphate segment, we are also subject to financial assurance requirements related to the closure and maintenance of our phosphogypsum stack systems at both our Plant City, Florida phosphate fertilizer complex and our closed Bartow, Florida phosphate fertilizer complex. The financial assurance requirements pertaining to our operations are outlined in two separate regulations. First, in 2010, we entered into a consent decree with the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) with respect to our compliance with the Resource Conservation and Recovery Act (RCRA) at our Plant City, Florida complex (the Plant City Consent Decree). Second, the State of Florida financial assurance regulations (Florida Financial Assurance) apply to both our Plant City and Bartow complexes. Both of these regulations allow the use of a funding mechanism as a means of complying with the financial assurance requirements associated with the closure, long-term maintenance, and monitoring costs for the phosphogypsum stacks, as well as costs incurred to manage the water contained in the stack system upon closure. We have established a trust account for the benefit of the EPA and FDEP and an escrow account for the benefit of the FDEP to meet these financial assurance requirements. On our consolidated balance sheet, these are collectively referred to as "Asset retirement obligation funds" (ARO funds). We expect to deposit approximately \$50.0 million in the fourth quarter of 2012 which will fully fund the trust account for the Plant City Consent Decree and we expect to fund the remaining \$2.0 million in the State of Florida

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**CF INDUSTRIES HOLDINGS, INC.**

Financial Assurance escrow account by 2016. Both financial assurance funding obligations require estimates of future expenditures that could be impacted by the timing of activities, refinements in scope, technological developments, cost inflation, discount rates and changes in regulations. Additional funding will be required in the future if increases in cost estimates exceed investment earnings in the trust or escrow accounts. At June 30, 2012 and December 31, 2011, the balance in the ARO funds was \$147.6 million and \$145.4 million, respectively.

The amounts recognized as expense in operations pertaining to our phosphogypsum stack system closure and land reclamation are determined and accounted for on an accrual basis as described in Note 9 to our unaudited interim consolidated financial statements included in Part 1 of this report. These expense amounts are expected to differ from the anticipated contributions to the trust and escrow accounts, which are based on the guidelines set forth in the Plant City Consent Decree and Florida Financial Assurance. Ultimately, the funds in these accounts will be used to fund the closure and maintenance of the phosphogypsum stack systems.

Florida regulations require mining companies to demonstrate financial responsibility for reclamation, wetland and other surface water mitigation measures in advance of any mining activities. We will also be required to demonstrate financial responsibility for reclamation and for wetland and other surface water mitigation measures, if and when we are able to expand our Hardee mining activities to areas not currently permitted. The demonstration of financial responsibility by mining companies in Florida may be provided by passing a financial test or by establishing a trust fund agreement or escrow account. Based on these current regulations, we will have the option to demonstrate financial responsibility in Florida utilizing any of these methods.

***Other Liquidity Requirements***

We are subject to federal, state and local laws and rules concerning surface and underground waters. Such rules evolve through various stages of proposal or development and the ultimate outcome of such rulemaking activities often cannot be predicted prior to enactment. At the present time, rules in the State of Florida are being developed to limit nutrient content in water discharges, including certain specific rules pertaining to water bodies near our Florida operations. We are monitoring the evolution of these rules. Potential costs associated with compliance cannot be determined currently and we cannot reasonably estimate the impact on our financial position, results of operations or cash flows.

We contributed approximately \$4.7 million to our pension plans in the six months ended June 30, 2012. We expect to contribute approximately \$15.3 million to our pension plans over the remaining six months of 2012.

***Cash Flows***

***Operating Activities***

Net cash generated from operating activities during the six months ended June 30, 2012 was \$1,048.7 million as compared to \$922.1 million in the same period of 2011. The \$126.6 million increase in cash flow from operations was due primarily to the \$233.6 million increase in net earnings, partially offset by an increase in cash invested in working capital during the first half of 2012 as compared to the first half of 2011. The increase in the amount of cash invested in working capital in the first half of 2012 was due primarily to a decrease in cash received from customers for advances on forward sales and an increase in income tax payments.

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**CF INDUSTRIES HOLDINGS, INC.**

*Investing Activities*

Net cash used in investing activities was \$136.8 million in the first half of 2012 compared to \$2.1 million in the six months ended June 30, 2011. The cash used in investing activities in the first six months of 2012 was primarily for \$157.8 million of capital expenditures. Net cash used in investing activities in the first half of 2011 included \$105.5 million in capital expenditures partially offset by \$47.5 million in proceeds from the sale of property, plant and equipment, including the sale of four dry-product warehouses and a non-core transportation business and \$24.6 million on sales and maturities of short-term and auction rate securities.

*Financing Activities*

Net cash used in financing activities was \$737.8 million in the first half of 2012 compared to \$361.7 million in the same period of 2011. In the first six months of 2012, we repurchased \$500.0 million of our common stock; there were no comparable repurchases in the same period of 2011, and distributed \$193.3 million to the noncontrolling interests in the first half of 2012 compared with \$28.6 million in the first half of 2011. In the first six months of 2012, \$13.0 million was used for the repayment of long term debt compared to \$346.0 million in the first six months of 2011. Dividends paid on common stock increased to \$52.3 million in the first six months of 2012 from \$14.3 million in the first half of 2011 due primarily to the increase in the common dividend to \$0.40 per share in the third quarter of 2011.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.*****Obligations******Contractual Obligations***

The following is a summary of our contractual obligations as of June 30, 2012:

|  | <b>Remainder<br/>of 2012</b> | <b>2013</b>     | <b>2014</b>     | <b>2015</b>     | <b>2016</b>     | <b>After 2016</b> | <b>Total</b>      |
|--|------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|
|  | <b>(in millions)</b>         |                 |                 |                 |                 |                   |                   |
| <b><i>Contractual Obligations</i></b>                                |                              |                 |                 |                 |                 |                   |                   |
| <b>Debt</b>  |                              |                 |                 |                 |                 |                   |                   |
| Long-term debt <sup>(1)</sup>  | \$                           | \$              | \$              | \$              | \$              | \$ 1,600.0        | \$ 1,600.0        |
| Notes payable <sup>(2)</sup>   |                              | 4.8             |                 |                 |                 |                   | 4.8               |
| Interest payments on long-term debt and notes payable <sup>(1)</sup> | 58.1                         | 116.2           | 116.0           | 113.0           | 112.0           | 282.0             | 797.3             |
| <b>Other Obligations</b>   |                              |                 |                 |                 |                 |                   |                   |
| Operating leases   | 40.5                         | 66.4            | 41.6            | 24.6            | 22.3            | 54.8              | 250.2             |
| Equipment purchases and plant improvements                           | 121.8                        | 51.9            | 8.6             |                 |                 |                   | 182.3             |
| Transportation <sup>(3)</sup>  | 44.1                         | 29.0            | 17.1            | 15.5            | 16.0            | 146.5             | 268.2             |
| Purchase obligations <sup>(4)(5)</sup>                               | 249.5                        | 322.1           | 206.1           | 190.1           | 182.1           | 361.7             | 1,511.6           |
| Contributions to Pension Plans <sup>(6)</sup>                        | 15.3                         |                 |                 |                 |                 |                   | 15.3              |
| <b>Total<sup>(7)</sup></b>   | <b>\$ 529.3</b>              | <b>\$ 590.4</b> | <b>\$ 389.4</b> | <b>\$ 343.2</b> | <b>\$ 332.4</b> | <b>\$ 2,445.0</b> | <b>\$ 4,629.7</b> |

- (1) Based on debt balances and interest rates as of June 30, 2012.
- (2) Represents notes payable to the CFL noncontrolling interest holder. While the entire principal amount is due December 31, 2013, CFL may prepay all or a portion of the principal at its sole option.
- (3) Includes anticipated expenditures under certain contracts to transport raw materials and finished product between our facilities. Certain of these arrangements allow for reductions in usage based on our actual operating rates. Amounts set forth above are based on projected normal operating rates and contracted or current spot prices, where applicable, as of June 30, 2012 and actual operating rates and prices may differ.
- (4) Includes minimum commitments to purchase natural gas that are valued based on prevailing market-based forward prices at June 30, 2012. Purchase obligations do not include any amounts related to our financial hedges (i.e., swaps) associated with natural gas purchases.
- (5) Includes a commitment to purchase ammonia from PLNL at market-based prices under an agreement that expires in 2018. Based on market prices at June 30, 2012, the commitment for the remainder of 2012 is \$87.4 million, the annual commitment is \$180.7 million and the total remaining commitment is \$1,171.7 million.
- (6) Represents the contributions we expect to make to our pension plans during the remainder of 2012. Our pension funding policy is to contribute amounts sufficient to meet minimum legal funding requirements plus discretionary amounts that we may deem to be appropriate.
- (7) Excludes \$ 76.3 million of unrecognized tax benefits due to the uncertainty in the timing of payments, if any, on these items. See Note 11 Income Taxes, to our unaudited interim consolidated financial statements included in Part I of this report and Note 13 Income Taxes, to our audited consolidated financial statements included in our 2011 Annual Report on Form 10-K for further discussion of these unrecognized tax benefits.

***Subsequent Events***

On August 2, 2012, we entered into a definitive agreement with Glencore International plc (Glencore) to acquire the interests in CFL currently owned by Viterro for total cash consideration of C\$915 million subject to certain adjustments. Pursuant to the agreement between CF Industries and Glencore, the interests in CFL being acquired by CF Industries consist of 34% of CFL's outstanding preferred and common

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stock and a product purchase agreement. As a result of the transaction and subject to the product purchase agreements with CFL, CF Industries will be entitled to purchase 100% of CFL's ammonia and urea production. CFL's results are currently included in our financial statements as a consolidated variable interest entity. The completion of the transaction is subject to the closing of Glencore's acquisition of Viterra, receipt of regulatory approvals in Canada and other terms and conditions in the definitive purchase agreement.

On August 6, 2012, we announced that our Board of Directors authorized the repurchase of up to \$3.0 billion of CF Holdings common stock through December 31, 2016. Purchases under the repurchase program may be made from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing, and amount of any purchases will be determined by our management based on evaluation of market conditions, stock price, and other factors.

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**CF INDUSTRIES HOLDINGS, INC.**

**Off-Balance Sheet Arrangements**

We have operating leases for certain property and equipment under various noncancelable agreements, the most significant of which are rail car leases and barge tow charters for the transportation of fertilizer, and terminal leases. The rail car leases currently have minimum terms ranging from one to ten years and the barge charter commitments currently have terms ranging from one to four years. We also have terminal and warehouse storage agreements at several of our distribution locations, some of which contain minimum throughput requirements. The storage agreements contain minimum terms ranging from one to three years and commonly contain automatic annual renewal provisions thereafter unless canceled by either party.

Our operating lease agreements do not contain significant contingent rents, leasehold incentives, rent holidays, scheduled rent increases, concessions or unusual provisions. See Note 26 to our consolidated financial statements included in our 2011 Annual Report on Form 10-K for additional information concerning leases.

We do not have any other off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Critical Accounting Policies and Estimates**

There were no changes to our significant accounting policies or estimates during the first six months of 2012.

**Recent Accounting Pronouncements**

See Note 3 to our unaudited interim consolidated financial statements included in Part 1 of this report for a discussion of recent accounting pronouncements.



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**CF INDUSTRIES HOLDINGS, INC.**

**FORWARD LOOKING STATEMENTS**

From time to time, in this Quarterly Report on Form 10-Q as well as in other written reports and oral statements, we make forward-looking statements that are not statements of historical fact and may involve a number of risks and uncertainties. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, developments and business strategies. We have used the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," and similar terms and phrases, including references to assumptions, to identify forward-looking statements in this Form 10-Q. These forward-looking statements are made based on currently available competitive, financial and economic data, our current expectations, estimates, forecasts and projections about the industries and markets in which we operate and management's beliefs and assumptions concerning future events affecting us. These statements are not guarantees of future performance and are subject to risks, uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Therefore, our actual results may differ materially from what is expressed in or implied by any forward-looking statements. We want to caution you not to place undue reliance on any forward-looking statements. We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this document. Additionally, we do not undertake any responsibility to provide updates regarding the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this report.

Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" in Item 1A in our Form 10-K, filed with the SEC on February 27, 2012. Such factors include, among others:

the volatility of natural gas prices in North America;

the cyclical nature of our business and the agricultural sector;

the global commodity nature of our fertilizer products, the impact of global supply and demand on our selling prices, and the intense global competition in the markets in which we operate;

conditions in the U.S. agricultural industry;

reliance on third party providers of transportation services and equipment;

our ability to implement a new enterprise resource planning system and complete other system integration activities;

weather conditions;

risks associated with expansion of our business, including unanticipated adverse consequences and the significant resources that could be required;

potential liabilities and expenditures related to environmental and health and safety laws and regulations;

our potential inability to obtain or maintain required permits and governmental approvals or to meet financial assurance requirements;

future regulatory restrictions and requirements related to greenhouse gas emissions and climate change;

the seasonality of the fertilizer business;

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**CF INDUSTRIES HOLDINGS, INC.**

the impact of changing market conditions on our forward sales programs;

risks involving derivatives and the effectiveness of our risk measurement and hedging activities;

the significant risks and hazards involved in producing and handling our products against which we may not be fully insured;

our reliance on a limited number of key facilities;

risks associated with joint ventures;

acts of terrorism and regulations to combat terrorism;

difficulties in securing the supply and delivery of raw materials we use and increases in their costs;

risks associated with international operations;

losses on our investments in securities;

deterioration of global market and economic conditions;

our ability to manage our indebtedness; and

loss of key members of management and professional staff.

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**CF INDUSTRIES HOLDINGS, INC.**

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are exposed to the impact of changes in commodity prices, the valuation of our investments, interest rates and foreign currency exchange rates.

*Commodity Prices*

Our net sales, cash flows and estimates of future cash flows related to fertilizer sales are sensitive to changes in fertilizer prices as well as changes in the prices of natural gas and other raw materials unless these costs have been fixed or hedged. A \$1.00 per MMBtu change in the price of natural gas would change the cost to produce a ton of ammonia, granular urea and UAN (32%) by approximately \$33, \$22 and \$13, respectively.

We use natural gas in the manufacture of our nitrogen products. Natural gas prices are volatile. We manage the risk of changes in natural gas prices through the use of physical gas supply contracts and derivative financial instruments covering periods not exceeding three years.

The derivative instruments that we use currently are natural gas swap contracts. These contracts settle using NYMEX futures price indexes, which represent fair value at any given time. The contracts are traded in months forward and settlements are scheduled to coincide with anticipated natural gas purchases during those future periods.

We account for derivatives under ASC 815 *Derivatives and Hedging*. Under this section, derivatives are recognized on the consolidated balance sheet at fair value and changes in their fair value are recognized immediately in earnings, unless the normal purchase and sale exemption applies. We use natural gas derivatives primarily as an economic hedge of gas price risk, but without the application of hedge accounting under ASC 815. Accordingly, changes in the fair value of the derivatives are recorded in cost of sales as the changes occur. Cash flows related to natural gas derivatives are reported as operating activities.

As of June 30, 2012 and December 31, 2011, we had open derivative contracts for 74.4 million MMBtus and 156.3 million MMBtus, respectively, of natural gas. For the six months ended June 30, 2012, we used derivatives to cover approximately 71% of our natural gas consumption. An overall \$1.00 per MMBtu change in the forward curve prices of natural gas would change the pre-tax unrealized mark-to-market gain/loss on these derivative positions by \$74.4 million.

We purchase ammonia and sulfur for use as raw materials in the production of DAP and MAP. There can be no guarantee that significant increases in input prices can always be recovered through increases in selling prices. We enter into raw material purchase contracts to procure ammonia and sulfur at market prices. A \$10 per ton change in the related cost of a ton of ammonia or a long ton of sulfur would change DAP production cost by \$2.10 per ton and \$3.80 per ton, respectively. We also may, from time to time, purchase ammonia, granular urea, UAN, DAP and MAP to augment or replace production at our facilities.

*Investments in Auction Rate Securities*

As of June 30, 2012, we had \$55.5 million of investments in auction rate securities consisting of available-for-sale tax exempt auction rate securities that were all supported by student loans that were originated primarily under the Federal Family Education Loan Program. Due to the illiquidity in the credit markets, auctions for these securities have generally failed. As a result, we do not consider these investments to be liquid investments and we will not be able to access these funds until such time as auctions for these securities are successful, buyers are found outside of the auction process, or the securities are redeemed by the issuer. Further details regarding these securities are included in Note 5

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**CF INDUSTRIES HOLDINGS, INC.**

to our unaudited interim consolidated financial statements included in Part 1 and in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital resources, both in this Form 10-Q.

The valuation of these securities utilizes a mark-to-model approach that relies on discounted cash flows, market data and inputs that are derived from similar instruments. Based on this valuation, the unrealized holding loss against the cost basis in the investments at June 30, 2012 was \$4.1 million. The unrealized holding loss has been reported in other comprehensive income and the impact of the unrealized holding loss is recorded in the net \$55.5 million investment balance in auction rate securities. If the required rate of return we used in the calculation model was 100 basis points higher, the resulting holding loss would have been approximately \$3.3 million higher. We may need to recognize either additional holding gains or losses in other comprehensive income or holding losses in net earnings should changes occur in either the conditions in the credit markets, the credit quality of the issuers, or in the variables considered in our valuation model.

Upon a failed auction, the instrument carries an interest rate based upon certain predefined formulas. A 100 basis point change in the average rate of interest earned on these investments would result in a \$0.6 million change in pre-tax income on an annual basis.

*Interest Rate Fluctuations*

As of June 30, 2012, we had \$800.0 million of senior notes outstanding with an original maturity date of May 1, 2018 and \$800.0 million of senior notes outstanding with an original maturity date of May 1, 2020. The senior notes have fixed interest rates. The fair value of our senior notes outstanding at June 30, 2012 was approximately \$1.9 billion. Borrowings under our 2012 Credit Agreement bear a current market rate of interest and we are subject to interest rate risk on such borrowings. However, in 2012, there were no borrowings under that agreement.

*Foreign Currency Exchange Rates*

We are directly exposed to changes in the value of the Canadian dollar, the British pound and the Swiss franc. At the present time, we do not maintain any exchange rate derivatives or hedges related to foreign currencies.

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**CF INDUSTRIES HOLDINGS, INC.**

**ITEM 4. CONTROLS AND PROCEDURES.**

(a) *Disclosure Controls and Procedures.* The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in (i) recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and (ii) ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting.* Except as noted below, there have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In April 2010, CF completed its acquisition of Terra. We continue to integrate policies, processes, technology and operations for the combined company and will continue to evaluate our internal control over financial reporting as we complete our integration activities. Until the companies are fully integrated, we will maintain the operational integrity of each company's legacy internal controls over financial reporting.

The Company is in the process of replacing various business information systems with an enterprise resource planning system from SAP. Implementation will occur over several years in phases. This activity involves the migration of multiple legacy systems and users to a common SAP information platform.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****PART II OTHER INFORMATION****ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

The following table sets forth stock repurchases for each of the three months of the quarter ended June 30, 2012.

| Period           | Issuer Purchases of Equity Securities                |   |  | Maximum Number<br>(or<br>Approximate Dollar<br>Value) of Shares (or<br>Units) that May Yet<br>Be<br>Purchased Under the<br>Plans or Programs<br>(in thousands) |
|------------------|--|---|--|--|
|                  | Total Number<br>of Shares<br>(or Units)<br>Purchased | Average<br>Price Paid<br>per Share<br>(or Unit) | Total Number of<br>Shares (or Units)<br>Purchased as Part<br>of<br>Publicly Announced<br>Plans or Programs |  |
| 4/1/12 - 4/30/12 |  | \$  |  | \$ 500,000   |
| 5/1/12 - 5/31/12 | 3,050,902 <sup>(1)</sup>                             | 163.89 <sup>(2)</sup>                           | 9,566,153  |  |
| 6/1/12 - 6/30/12 | 441 <sup>(3)</sup>                                   | 170.52  |  |  |
| Total            | 3,051,343  | 163.89  | 9,566,153  |  |

(1) On August 4, 2011, our Board of Directors authorized management to repurchase common stock for a total expenditure of up to \$1.5 billion through December 31, 2013, subject to market conditions (the 2011 Stock Repurchase Program), as discussed in Note 20 Treasury Stock, in the notes to the unaudited financial statements included in Part 1.

(2) Average price paid per share of common stock repurchased under the 2011 Stock Repurchase Program is the execution price, excluding commissions paid to brokers.

(3) Repurchases consist of shares withheld to pay employee tax obligations upon the vesting of restricted stock awards.

**ITEM 4. MINE SAFETY DISCLOSURES.**

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-Q.

**ITEM 6. EXHIBITS.**

A list of exhibits filed with this report on Form 10-Q (or incorporated by reference to exhibits previously filed or furnished) is provided in the Exhibit Index on page 80 of this report.

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**CF INDUSTRIES HOLDINGS, INC.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CF Industries Holdings, Inc.

Date: August 7, 2012

By: /s/ STEPHEN R. WILSON

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Stephen R. Wilson  
*President and Chief Executive Officer,  
Chairman of the Board (Principal Executive Officer)*

Date: August 7, 2012

By: /s/ DENNIS P. KELLEHER

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Dennis P. Kelleher  
*Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)*



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**CF INDUSTRIES HOLDINGS, INC.**

**EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 10.1               | Credit Agreement, dated as of May 1, 2012, among CF Industries Holdings, Inc., CF Industries, Inc., the lenders party thereto, Morgan Stanley Bank, N.A., as Issuing Bank, and Morgan Stanley Senior Funding, Inc., as Administrative Agent (incorporated by reference to Exhibit 10.1 to CF Industries Holdings, Inc.'s Current Report on Form 8-K filed with the SEC on May 1, 2012, File No. 001-32597)   |
| 31.1               | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 31.2               | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 32.1               | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2               | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 95                 | Mine Safety Disclosures  |
| 101                | The following financial information from CF Industries Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed with the SEC on August 7, 2012, formatted in XBRL (Extensible Business Reporting Language) includes: (1) Consolidated Statements of Operations, (2) Consolidated Statements of Comprehensive Income, (3) Consolidated Balance Sheets, (4) Consolidated Statements of Cash Flows, (5) Consolidated Statements of Equity and (6) the Notes to Unaudited Consolidated Financial Statements |