CF Industries Holdings, Inc.
Form 10-Q
August 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

OR

o 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	**20-2697511**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Salem Lake Drive Long Grove, Illinois	**60047**
(Address of principal executive offices)	(Zip Code)

(847) 438-9500

(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 x No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

55,050,001 shares of the registrant s common stock, $0.01 par value per share, were outstanding at July 31, 2006.

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CF INDUSTRIES HOLDINGS, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30, 2006	2005	Six months ended June 30, 2006	2005
	(in millions, except per share amounts)			
Net sales	$ 664.8	$ 626.7	$ 1,065.3	$ 1,086.0
Cost of sales	563.6	531.1	986.8	935.1
Gross margin	101.2	95.6	78.5	150.9
Selling, general and administrative	14.3	14.3	27.3	25.3
Other operating net	1.6	1.7	3.1	2.5
Operating earnings	85.3	79.6	48.1	123.1
Interest expense	1.5	5.2	2.0	10.5
Interest income	(2.8)	(4.2)	(5.5)	(7.7)
Minority interest	16.4	7.5	22.3	12.4
Other non-operating net	(0.1)	(0.1)	(0.2)	(0.1)
Earnings before income taxes	70.3	71.2	29.5	108.0
Income tax provision	27.7	28.3	11.5	42.8
Net earnings	$ 42.6	$ 42.9	$ 18.0	$ 65.2
Basic and diluted weighted average common shares outstanding	55.0		55.0	
Basic and diluted net earnings per share	$ 0.77		$ 0.33	

See Accompanying Notes to Unaudited Consolidated Financial Statements.

CF INDUSTRIES HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(in millions)			
Net earnings	$ 42.6	$ 42.9	$ 18.0	$ 65.2
Other comprehensive income (loss):				
Foreign currency translation adjustment no tax effect	1.1	(0.4)	1.0	(0.3)
Unrealized gain (loss) on hedging derivatives net of taxes	(1.3)	(2.5)	(3.4)	0.9
Unrealized gain (loss) on securities net of taxes	(0.1)		0.1	
	(0.3)	(2.9)	(2.3)	0.6
Comprehensive income	$ 42.3	$ 40.0	$ 15.7	$ 65.8

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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CF INDUSTRIES HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2006	December 31, 2005
	(in millions, except share and per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	$ 24.7	$ 37.4
Short-term investments	203.3	179.3
Accounts receivable	85.0	52.8
Income taxes receivable		1.1
Inventories	202.6	251.1
Other	25.2	54.4
Total current assets	540.8	576.1
Property, plant and equipment net	608.4	630.1
Goodwill	0.9	0.9
Asset retirement obligation escrow account	11.2	
Other assets	20.7	21.0
Total assets	$ 1,182.0	$ 1,228.1
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 148.1	$ 171.6
Income taxes payable	4.2	
Customer advances	70.1	131.6
Deferred income taxes	9.1	5.8
Distributions payable to minority interest	3.9	18.7
Other	18.4	13.4
Total current liabilities	253.8	341.1
Notes payable	4.4	4.2
Deferred income taxes	7.3	8.4
Other noncurrent liabilities	106.1	104.9
Minority interest	37.4	13.6
Stockholders equity:		
Preferred stock $0.01 par value, 50,000,000 shares authorized		
Common stock $0.01 par value, 500,000,000 shares authorized, 55,050,001 and 55,027,723 shares outstanding	0.6	0.6
Paid-in capital	746.6	743.0
Retained earnings	35.5	19.7
Accumulated other comprehensive loss	(9.7)	(7.4)
Total stockholders equity	773.0	755.9
Total liabilities and stockholders equity	$ 1,182.0	$ 1,228.1

See Accompanying Notes to Unaudited Consolidated Financial Statements.

CF INDUSTRIES HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30, 2006	2005
	(in millions)	
Operating Activities:		
Net earnings	$ 18.0	$ 65.2
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Minority interest	22.3	12.4
Depreciation, depletion and amortization	47.4	53.2
Deferred income taxes	4.6	33.5
Stock compensation expense	3.6	
Unrealized loss on derivatives	8.3	
Equity in earnings of unconsolidated subsidiaries		(0.1)
Changes in:		
Accounts receivable	(28.9)	(48.8)
Margin deposits	9.7	21.9
Inventories	49.5	100.8
Accounts payable and accrued expenses	(22.8)	(16.5)
Product exchanges net	11.7	(8.9)
Customer advances net	(61.5)	(81.5)
Other net	1.0	1.8
Net cash provided by operating activities	62.9	133.0
Investing Activities:		
Additions to property, plant and equipment net	(23.2)	(33.2)
Purchases of short-term investments	(323.9)	(320.7)
Sales and maturities of short-term investments	299.9	259.1
Deposit to asset retirement obligation escrow account	(11.1)	
Net cash used in investing activities	(58.3)	(94.8)
Financing Activities:		
Payments of long-term debt		(8.5)
Distributions to minority interest	(15.1)	
Dividends paid on common stock	(2.2)	
Net cash used in financing activities	(17.3)	(8.5)
Effect of exchange rate changes on cash and cash equivalents		(0.3)
Increase (decrease) in cash and cash equivalents	(12.7)	29.4
Cash and cash equivalents at beginning of period	37.4	50.0
Cash and cash equivalents at end of period	$ 24.7	$ 79.4

See Accompanying Notes to Unaudited Consolidated Financial Statements.

CF INDUSTRIES HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts and disclosures applicable to June 30, 2006 and 2005 are unaudited)

1. Background and Basis of Presentation

We are one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in North America. Our operations are organized into two business segments: the nitrogen fertilizer business and the phosphate fertilizer business. Our principal products in the nitrogen fertilizer business are ammonia, urea and urea ammonium nitrate solution (UAN). Our principal products in the phosphate fertilizer business are diammonium phosphate (DAP) and monoammonium phosphate (MAP). Our core market and distribution facilities are concentrated in the midwestern U.S. grain-producing states. Our principal customers are cooperatives and independent fertilizer distributors.

Our principal assets include:

- the largest nitrogen fertilizer complex in North America (Donaldsonville, Louisiana);
- 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 (Plant City, Florida);
- the most-recently constructed phosphate rock mine and associated beneficiation plant in the United States (Hardee County, Florida); and
- an extensive system of terminals, warehouses and associated transportation equipment located primarily in the midwestern United States.

All references to CF Holdings, the Company, we, us and our refer to CF Industries Holdings, Inc. and its subsidiaries, including CF Industries, Inc. after the reorganization transaction described below, except where the context makes clear that the reference is only to CF Holdings itself and not its subsidiaries. All references to CF Industries refer to CF Industries, Inc. and its subsidiaries, except where the context makes clear that the reference is only to CF Industries itself and not its subsidiaries.

CF Holdings was formed in April 2005 to hold the existing business of CF Industries. Prior to August 17, 2005, CF Industries operated as a cooperative and was owned by eight regional agricultural cooperatives. On August 16, 2005, we completed our initial public offering of common stock (IPO). We sold 47,437,500 shares of our common stock in the IPO and received net proceeds, after deducting underwriting discounts and commissions, of approximately $715.4 million. In connection with the IPO, we consummated a reorganization transaction in which CF Industries ceased to be a cooperative and became our wholly-owned subsidiary. In the reorganization transaction, all of the equity interests in CF Industries were cancelled in exchange for all of the proceeds of the IPO and 7,562,499 shares of our common stock. We did not retain any of the proceeds from the IPO. The reorganization transaction did not result in a new basis of accounting for the Company.

The accompanying unaudited interim financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2005 and 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. These statements should be read in conjunction with our audited financial statements and related disclosures in our Form 10-K filed with the United States Securities and Exchange Commission (SEC) on March 20, 2006. Operating results for any period presented apply to that period only and are not necessarily indicative of results for any future period.

Certain prior-year amounts have been reclassified to conform to the current year s presentation.

On the consolidated balance sheet as of December 31, 2004, amounts owed to and due from product exchange counterparties were reclassified from a net amount in inventory to current assets and current liabilities. On the unaudited consolidated statement of cash flows for the six months ended June 30, 2005, corresponding adjustments have been made to inventory and product exchanges net. These reclassifications had no impact on previously reported net income (loss) or cash flow from operations.

2. Summary of Significant Accounting Policies

For a discussion of the Company s significant accounting policies, refer to our Form 10-K filed with the SEC on March 20, 2006.

3. New Accounting Standards

Following are summaries of recently issued accounting pronouncements that are either currently applicable or may become applicable to our consolidated financial statements.

- Emerging Issues Task Force (EITF) Issue No. 04-13 *Accounting for Purchases and Sales of Inventory with the Same Counterparty*. This EITF Issue addresses exchanges of inventory with a counterparty in the same line of business and examines the conditions under which such transactions should be viewed as a single nonmonetary transaction and whether such transactions should be recognized at fair value or recorded amounts. The Issue is effective for new arrangements entered into in reporting periods beginning after March 15, 2006. The adoption of EITF Issue No. 04-13 did not impact our financial statements.

- EITF Issue No. 06-03 *How Sales Tax Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That is, Gross versus Net Presentation)*. This EITF Issue clarifies that the presentation of taxes collected from customers and remitted to governmental authorities on a gross (included in revenues and costs) or net (excluded from revenues) basis is an accounting policy decision that should be disclosed pursuant to Accounting Principles Board (APB) Opinion No. 22 *Disclosure of Accounting Policies*. The Issue is effective for reporting periods beginning after December 15, 2006. We have not yet determined the impact of this Issue on our consolidated financial statements.

- Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48 *Accounting for Uncertainty in Income Taxes.* This Interpretation clarifies the accounting for uncertainty in income taxes recognized in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Interpretation is effective for fiscal years beginning after December 15, 2006. We have not yet determined the impact of this Interpretation on our consolidated financial statements.

- SFAS No. 155 *Accounting for Certain Hybrid Financial Instruments*. This standard amends the guidance in SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments*

of Liabilities. This statement allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) as long as the entire instrument is valued on a fair value basis. This statement also clarifies other specific SFAS No. 133 and SFAS No. 140 related issues. This statement will generally be effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. We have not yet determined the impact of this statement on our consolidated financial statements.

- SFAS No. 156 *Accounting for Servicing of Financial Assets An Amendment of FASB Statement No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations. This statement is effective as of the beginning of the first fiscal year that begins after September 15, 2006. We have not yet determined the impact of this statement on our consolidated financial statements.

4. Net Earnings Per Share

Prior to the consummation of our August 2005 IPO, CF Holdings did not have any activities or operations. Therefore, with the exception of stockholders equity and per share amounts, management believes that the current financial statements of CF Holdings are comparable to the historical financial statements of CF Industries. The weighted average shares outstanding and net earnings per share information is presented on an actual and pro forma basis giving effect to the IPO and related reorganization transaction assuming that they had occurred as of December 31, 2004.

The net earnings per share and pro forma net earnings per share were computed as follows:

	Three months ended June 30,		Six months ended June 30,	
	Actual 2006	Pro forma 2005	Actual 2006	Pro forma 2005
	(in millions, except per share amounts)			
Net earnings available to common shareholders	$ 42.6	$ 42.9	$ 18.0	$ 65.2
Basic and diluted weighted average common shares outstanding	55.0	55.0	55.0	55.0
Basic and diluted net earnings per common share	$ 0.77	$ 0.78	$ 0.33	$ 1.18

5. Pension and Other Postretirement Benefits

CF Industries and its Canadian subsidiary both maintain noncontributory, defined-benefit pension plans. The U.S. pension plan is a closed plan. We also provide group insurance to our retirees. Until age 65, retirees are eligible to continue to receive the same Company-subsidized medical coverage provided to active employees. When a retiree reaches age 65, medical coverage ceases.

Net pension/retiree medical expense included the following components:

	Pension Plans Three Months Ended June 30,		Six Months Ended June 30,		Retiree Medical Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005	2006	2005	2006	2005
	(in millions)							
Service cost for benefits earned during the period	$ 1.8	$ 1.9	$ 3.5	$ 3.3	$ 0.3	$ 0.3	$ 0.6	$0.6
Interest cost on projected benefit obligation	3.2	3.1	6.3	6.0	0.3	0.4	0.8	0.9
Expected return on plan assets	(3.5)	(3.5)	(6.9)	(6.9)				
Amortization of transition obligation					0.1	0.1	0.2	0.2
Amortization of prior service cost	0.1	0.1	0.1	0.1				
Actuarial loss	0.7	0.6	1.3	0.8	0.1	0.1	0.2	0.2
Net expense	$ 2.3	$ 2.2	$ 4.3	$ 3.3	$ 0.8	$ 0.9	$ 1.8	$ 1.9

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 and a closed plan in which no current employees are eligible to participate. We recognized expense for these plans of $0.5 million and $0.1 million, respectively, for the three months ended June 30, 2006 and 2005, and $0.7 million and $0.2 million, respectively, for the six months ended June 30, 2006 and 2005.

6. Income Taxes

The income tax provisions recorded for the three and six months ended June 30, 2006 were determined in accordance with the requirements of APB Opinion No. 28 *Interim Financial Reporting* and FASB Interpretation No. 18 *Accounting for Income Taxes in Interim Periods*.

7. Inventories

Inventories consist of the following:

	June 30, 2006	December 31, 2005
	(in millions)	
Fertilizer	$ 143.6	$ 196.1
Spare parts, raw materials and supplies	59.0	55.0
	$ 202.6	$ 251.1

8. Asset Retirement Obligations

We account for asset retirement obligations (AROs) in accordance with SFAS No. 143 *Accounting for Asset Retirement Obligations*. An ARO is a legal obligation associated with the retirement of long-lived assets that results from the acquisition, construction, development or normal operation of such assets.

In 2005, FASB Interpretation (FIN) No. 47 *Accounting for Conditional Asset Retirement Obligations* (conditional AROs) was issued. FIN No. 47 provided guidance regarding when an entity would have sufficient information to reasonably estimate the fair value of an ARO. In the fourth quarter of 2005, we adopted FIN No. 47 and recorded a $4.6 million ($2.8 million, after taxes) cumulative effect of a change in accounting principle.

The AROs related to our phosphogypsum stack systems in Florida are subject to financial assurance requirements. The purpose of these requirements is to assure the State of Florida that sufficient funds will be available for the ultimate closure and post-closure care requirements for these AROs.

In March 2006, we established an escrow account for the benefit of the Florida Department of Environmental Protection as a means of taking advantage of a safe harbor provision in a 2005 amendment to Florida s regulations pertaining to financial assurance requirements for closure of phosphogypsum stacks, and contributed $11.1 million to this account. The balance in this account is reported at fair value on our consolidated balance sheet.

Over the next ten years, we expect to contribute to the escrow account between $2 million and $8 million annually based upon the required funding formula, the present value of our estimated liability as defined in the regulations and an assumed rate of return of 4% on invested funds. The amount that will have accumulated in the account by the end of the ten-year period, including investment earnings, is currently expected to be approximately $85 million. After the initial ten years, contributions to the account are expected to average approximately $0.4 million annually for the following 17 years. The balance in the account is projected to be approximately $170 million by 2032. The annual contributions to the account are based on predetermined funding requirements as prescribed by the State of Florida; therefore, contributions to the account will differ from amounts recognized as expense in our financial statements. Ultimately, the cash in the escrow account will be used to complete settlement of the AROs related to our phosphogypsum stack systems.

9. Credit Agreement

Our senior secured revolving credit facility (the credit facility) with JPMorgan Chase provides up to $250 million, subject to a borrowing base, for working capital and general corporate purposes, including up to $50 million for the issuance of letters of credit. As of June 30, 2006, there was $164.5 million of available credit, based on the borrowing base, and there were no loans or letters of credit outstanding under the credit facility.

The credit facility is guaranteed by CF Holdings and certain of the domestic subsidiaries of CF Industries (the Loan Parties). The credit facility is secured by substantially all of the personal property and assets, both tangible and intangible, of the Loan Parties, 100% of the equity interests of each Loan Party s direct and indirect domestic subsidiaries other than immaterial subsidiaries, 65% of the equity interests of each Loan Party s first-tier foreign subsidiaries and the real property located in Donaldsonville, Louisiana.

10. Derivative Financial Instruments

We use natural gas in the manufacture of nitrogen fertilizer products. Because natural gas prices are volatile, our Natural Gas Acquisition Policy includes the objective of providing protection against significant adverse natural gas price movements. We manage the risk of changes in 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 currently use are primarily swaps. These contracts reference primarily NYMEX futures contract prices, which represent 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. We use derivative instruments primarily to lock in a substantial portion of our margin on sales under the forward pricing program. We also establish natural gas derivative positions that are associated with anticipated natural gas requirements unrelated to our forward pricing program.

Until the fourth quarter of 2005, we designated our gas derivatives as cash flow hedges, whereby the derivatives were recorded at fair value on the balance sheet as assets and liabilities with any changes in fair

value recorded initially in other comprehensive income (OCI). Unrealized gains or losses on effective cash flow hedges were deferred in OCI until the inventory manufactured with the hedged natural gas was sold and released to cost of sales.

During the second half of 2005, volatility in the natural gas environment increased our uncertainty regarding future operating rates and required that we increase our flexibility in product sourcing decisions. This increased flexibility in sourcing reduced our ability to predict future natural gas requirements with a high degree of probability and led us to discontinue hedge accounting beginning in the fourth quarter of 2005. Changes in the fair value of the derivatives not designated as hedges are recorded in cost of sales as the changes occur. We continue to use natural gas derivatives primarily as an economic hedge of gas price risk, but without the application of hedge accounting for financial reporting purposes.

For the three months ended June 30, 2006, we recorded directly to cost of sales net derivative losses of $14.3 million, consisting of $26.0 million in realized losses partially offset by $11.7 million of unrealized mark-to-market gains. For the six months ended June 30, 2006, we recorded directly to cost of sales derivative losses of $55.6 million, consisting of $47.3 million in realized losses and $8.3 million of unrealized mark-to-market losses. Cash flows related to natural gas derivatives are reported as cash flows from operating activities.

At June 30, 2006 we had unrealized losses on open positions of $13.6 million on 19.5 million MMBtus of gas, primarily in swaps contracts. At December 31, 2005, we had unrealized losses of $0.5 million on 14.1 million MMBtus of gas, primarily in swaps.

11. Other Comprehensive Income (Loss)

Stockholders equity includes accumulated other comprehensive loss, which consists of the following components:

	Foreign Currency Translation Adjustment (in millions)	**Unrealized Gain on Securities**	**Unrealized Gain (Loss) on Derivatives**	**Minimum Pension Liability Adjustment**	**Accumulated Other Comprehensive Loss**
Balance at December 31, 2005	$ (2.9)	$ 0.1	$ 4.7	$ (9.3)	$ (7.4)
Net change	1.0	0.1	(3.4)		(2.3)
Balance at June 30, 2006	$ (1.9)	$ 0.2	$ 1.3	$ (9.3)	$ (9.7)

The unrealized gain or loss on derivatives is related to natural gas derivatives prior to the time that hedge accounting was discontinued in the fourth quarter of 2005. The amount shown as net change in OCI was reclassified into earnings in the first half of 2006. The balance at June 30, 2006 is expected to be reclassified into earnings during 2006. See Note 10 for additional information on derivatives.

12. 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.

Environmental

In December 2004 and January 2005, the United States Environmental Protection Agency (EPA) inspected our Plant City, Florida phosphate fertilizer complex to evaluate the facility s compliance with the

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Resource Conservation and Recovery Act (RCRA), the federal statute that governs the generation, transportation, treatment, storage and disposal of hazardous wastes. This inspection was undertaken as a part of a broad enforcement initiative commenced by the EPA to evaluate whether mineral processing and mining facilities, including, in particular, all wet process phosphoric acid production facilities, are in compliance with RCRA, and the extent to which such facilities waste management practices have impacted the environment.

By letter dated September 27, 2005, EPA Region 4 issued to the Company a Notice of Violation (NOV) and Compliance Evaluation Inspection Report. The NOV and Compliance Evaluation Inspection Report alleged a number of violations of RCRA, including violations relating to recordkeeping, the failure to properly make hazardous waste determinations as required by RCRA, and alleged treatment of sulfuric acid waste without a permit. The most significant allegation in the NOV is that the Plant City facility s reuse of phosphoric acid process water (which is otherwise exempt from regulation as a hazardous waste) in the production of ammoniated phosphate fertilizer, and the return of this process water to the facility s process water recirculating system, have resulted in the disposal of hazardous waste into the system without a permit. The Compliance Evaluation Inspection Report indicates that as a result, the entire process water system, including all pipes, ditches, cooling ponds and gypsum stacks, could be regulated as hazardous waste management units under RCRA.

Several of our competitors have received NOVs making this same allegation. This particular recycling of process water is common in the industry and, the Company believes, was authorized by the EPA in 1990. The Company also believes that this allegation is inconsistent with recent case law governing the scope of the EPA s regulatory authority under RCRA. If the EPA s position is eventually upheld, the Company could incur material expenditures in order to modify its practices, or it may be required to comply with regulations applicable to hazardous waste treatment, storage or disposal facilities. If the Company is required to comply with such obligations, it could incur material capital and operating expenditures or may be required to cease operation of the water recirculating system if it is determined that it does not meet RCRA standards. This would cause a significant disruption of the operations of the Plant City facility.

The NOV indicated that the Company is liable for penalties up to the statutory maximum (for example, the statutory maximum per day of noncompliance for each violation that occurred after March 15, 2004 is $32,500 per day). Although penalties of this magnitude are rarely, if ever, imposed, the Company is at risk of incurring substantial civil penalties with respect to these allegations. In order to obtain an order or judgment for civil penalties, the EPA will have to bring a civil or administrative enforcement proceeding against the Company. The EPA has referred this matter to the United States Department of Justice (DOJ) for enforcement. The Company has entered into discussions with the DOJ; however, the Company does not know if this matter will be resolved prior to the commencement of litigation by the United States.

In connection with the RCRA enforcement initiative, the EPA collected samples of soil, groundwater and various waste streams at the Plant City facility. The analysis of the split samples collected by the Company during the EPA s inspection did not identify hazardous waste disposal issues impacting the site. The EPA s sampling results appear to be consistent with the Company s results. Pursuant to a 1992 consent order with the State of Florida, the Company captures and reuses groundwater that has been impacted as a result of the former operation of an unlined gypsum stack at the site. Although the Company believes that it has fully evaluated and is remediating the impacts resulting from its historic activities, we do not know whether the EPA will require us to undertake additional environmental investigations at this facility. In addition, we understand that the EPA may decide to inspect our Bartow, Florida property, where we formerly manufactured phosphoric acid. The EPA has requested and the Company has provided copies of existing monitoring data for this facility. Depending on the conclusions that the EPA reaches after reviewing this data, the EPA may require that an investigation of environmental conditions be undertaken at the Bartow facility.

We are subject to a variety of environmental laws and regulations in all jurisdictions in which we operate. When it is probable that environmental liabilities exist and when reasonable estimates of such liabilities can be made, we have established associated reserves. These estimated liabilities are subject to change as additional information becomes available regarding the magnitude and timing of possible cleanup costs, the relative expense and effectiveness of alternative clean-up methods, and other possible liabilities associated with such situations. However, based on the information available as of the date of this filing, we believe that any additional costs that may be incurred as more information becomes available will not have a material adverse effect on the Company s financial position, although such costs could have a material effect on the Company s results of operations or cash flows in a particular period.

13. Segment Disclosures

We are organized and managed based on two segments, which are differentiated primarily by their products, the markets they serve and the regulatory environments in which they operate. The two segments are the nitrogen and phosphate fertilizer businesses.

Segment data for sales, cost of sales and gross margin for the three and six months ended June 30, 2006 and 2005, and assets at June 30, 2006 and December 31, 2005 are as follows. Other assets include amounts attributable to the corporate headquarters and unallocated corporate assets.

	Nitrogen (in millions)	Phosphate	Consolidated
Operating Results			
Three Months Ended June 30, 2006			
Net sales			
Anhydrous ammonia	$ 216.9	$	$ 216.9
Granular urea	196.9		196.9
UAN solutions	119.3		119.3
DAP		104.9	104.9
MAP		23.7	23.7
Other	3.1		3.1
	536.2	128.6	664.8
Cost of sales	446.2	117.4	563.6
Gross margin	$ 90.0	$ 11.2	$ 101.2
Three Months Ended June 30, 2005			
Net sales			
Anhydrous ammonia	$ 185.8	$	$ 185.8
Granular urea	168.7		168.7
UAN solutions	138.9		138.9
DAP		105.7	105.7
MAP		25.0	25.0
Other	2.6		2.6
	496.0	130.7	626.7
Cost of sales	408.4	122.7	531.1
Gross margin	$ 87.6	$ 8.0	$ 95.6

	Nitrogen (in millions)	Phosphate	Consolidated
Operating Results			
Six Months Ended June 30, 2006			
Net sales			
Anhydrous ammonia	$ 263.9	$	$ 263.9
Granular urea	355.3		355.3
UAN solutions	199.4		199.4
DAP		200.7	200.7
MAP		42.6	42.6
Other	3.4		3.4
	822.0	243.3	1,065.3
Cost of sales	764.9	221.9	986.8
Gross margin	$ 57.1	$ 21.4	$ 78.5
Six Months Ended June 30, 2005			
Net sales			
Anhydrous ammonia	$ 274.7	$	$ 274.7
Granular urea	345.3		345.3
UAN solutions	230.3		230.3
DAP		186.5	186.5
MAP		46.2	46.2
Other	3.0		3.0
	853.3	232.7	1,086.0
Cost of sales	718.9	216.2	935.1
Gross margin	$ 134.4	$ 16.5	$ 150.9

	Nitrogen (in millions)	Phosphate	Other	Consolidated
Assets				
June 30, 2006	$ 435.6	$ 401.6	$ 344.8	$ 1,182.0
December 31, 2005	$ 515.6	$ 398.0	$ 314.5	$ 1,228.1

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 the consolidated financial statements and related notes included in Item 8, Financial Statements and Supplementary Data, of our 2005 Annual Report on Form 10-K 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 Holdings itself and not its subsidiaries.

Overview

We are one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in North America. Our operations are organized into two business segments: the nitrogen fertilizer business and the phosphate fertilizer business. Our principal products in the nitrogen fertilizer business are ammonia, urea and urea ammonium nitrate solution, or UAN. Our principal products in the phosphate fertilizer business are diammonium phosphate, or DAP, and monoammonium phosphate, or MAP. Our core market and distribution facilities are concentrated in the midwestern U.S. grain-producing states. Our principal customers are cooperatives and independent fertilizer distributors.

Our principal assets include:

- the largest nitrogen fertilizer complex in North America (Donaldsonville, Louisiana);
- 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 (Plant City, Florida);
- the most-recently constructed phosphate rock mine and associated beneficiation plant in the United States (Hardee County, Florida); and
- an extensive system of terminals, warehouses and associated transportation equipment located primarily in the midwestern United States.

CF Holdings was formed in 2005 to hold the existing business of CF Industries, Inc. Prior to the consummation of our initial public offering in August 2005, CF Industries, Inc. operated as a cooperative and was owned by eight regional agricultural cooperatives.

Executive Summary

We reported net earnings of $42.6 million in the second quarter of 2006 compared to net earnings of $42.9 million in the second quarter of 2005. Our results for the second quarter of 2006 included a favorable $11.7 million net mark-to-market adjustment on natural gas derivatives.

Our gross margin increased $5.6 million to $101.2 million in the second quarter of 2006 compared to $95.6 million in the second quarter of 2005. The improvement in gross margin resulted from higher average selling prices and favorable mark-to-market adjustments on natural gas derivatives, partially offset by increases in raw material costs (primarily natural gas), higher nitrogen purchased product costs and lower fertilizer sales volume.

Our net sales increased 6% to $664.8 million in the second quarter of 2006 compared to $626.7 million in the second quarter of 2005. The increase reflected higher average selling prices that were partially offset by lower fertilizer sales volume. A 155,000 ton decrease in fertilizer sold during the second quarter of 2006

resulted in total sales volume of 2.6 million tons in the second quarter of 2006 compared to 2.7 million tons in the second quarter of 2005.

We paid cash dividends of $1.1 million in the second quarter of 2006.

Net earnings of $18.0 million for the six months ended June 30, 2006 were $47.2 million less than the $65.2 million of net earnings for the comparable period of 2005. The decline in net earnings was primarily due to historically high natural gas prices and weaker conditions for nitrogen fertilizers, both impacting mainly the first quarter of 2006.

The following significant items affected our reported results for the six months ended June 30, 2006 and our financial position as of June 30, 2006:

Hurricane activity in the Gulf of Mexico region during the latter portion of 2005 significantly affected the domestic fertilizer industry. These hurricanes caused substantial damage to the natural gas production and distribution facilities in the region, affecting the supply and price of natural gas, the primary raw material used to produce nitrogen fertilizers. By the end of the first quarter of 2006, natural gas prices had moderated, returning to approximately pre-hurricane levels. These storms also affected the availability of barges used to transport urea and DAP/MAP on the Mississippi River and adversely affected sulfur supplies by causing refinery closures and transportation disruptions.

In the fourth quarter of 2005, we ceased classifying natural gas derivatives as cash flow hedges as defined in SFAS No. 133 *Accounting for Derivatives and Hedging Activities*. As a result, realized and unrealized gains or losses related to our derivatives are now recognized in operations as they occur. Cash flow hedges existing at the time we discontinued hedge accounting were de-designated as cash flow hedges. As of December 31, 2005, there was a remaining unrealized gain of $7.9 million ($4.7 million, net of taxes) in other comprehensive income relating to gains on cash flow hedges occurring prior to de-designation of these hedges. Approximately $2.2 million ($1.3 million, net of taxes) of the total $7.9 million unrealized gain was recognized in cost of sales during the second quarter of 2006 as the related transactions were recognized in the statement of operations. We recognized a favorable $11.7 million net mark-to-market adjustment on natural gas derivatives in cost of sales (including the $2.2 million gain previously discussed). Despite our change in accounting treatment, the execution and attendant economic consequences of our hedging activities have not changed, in that derivatives are still being used to lock in a substantial portion of our margin on forward pricing program (FPP) sales. We also establish natural gas derivative positions that are associated with anticipated natural gas requirements unrelated to our FPP. However, because of our change in accounting treatment, gains or losses on natural gas hedges may not be realized in the same period as the FPP sale to which they relate. See Note 10 to our unaudited consolidated financial statements included in this Form 10-Q for further discussion of derivative financial instruments.

Results of Operations

The following table presents our consolidated results of operations:

	Three months ended June 30,			Six months ended June 30,		
	2006	2005	2006 v. 2005	2006	2005	2006 v. 2005
	(in millions, except per share amounts)					
Net sales	$ 664.8	$ 626.7	$ 38.1	$ 1,065.3	$ 1,086.0	$ (20.7)
Cost of sales	563.6	531.1	32.5	986.8	935.1	51.7
Gross margin	101.2	95.6	5.6	78.5	150.9	(72.4)
Selling, general and administrative	14.3	14.3		27.3	25.3	2.0
Other operating net	1.6	1.7	(0.1)	3.1	2.5	0.6
Operating earnings	85.3	79.6	5.7	48.1	123.1	(75.0)
Interest expense	1.5	5.2	(3.7)	2.0	10.5	(8.5)
Interest income	(2.8)	(4.2)	1.4	(5.5)	(7.7)	2.2
Minority interest	16.4	7.5	8.9	22.3	12.4	9.9
Other non-operating net	(0.1)	(0.1)		(0.2)	(0.1)	(0.1)
Earnings before income taxes	70.3	71.2	(0.9)	29.5	108.0	(78.5)
Income tax provision	27.7	28.3	(0.6)	11.5	42.8	(31.3)
Net earnings	$ 42.6	$ 42.9	$ (0.3)	$ 18.0	$ 65.2	$ (47.2)
Net Earnings Per Share						
Basic and diluted weighted average common shares outstanding	55.0	55.0 (1)		55.0	55.0 (1)	
Basic and diluted net earnings per share	$ 0.77	$ 0.78 (1)	$ (0.01)	$ 0.33	$ 1.18 (1)	$ (0.85)

(1) Represents the pro forma basic and diluted net earnings per share calculations as if the weighted average number of common shares issued in our initial public offering were outstanding as of December 31, 2004. See Note 4 of our unaudited consolidated financial statements in this Form 10-Q for further information regarding pro forma net earnings per share.

Second Quarter of 2006 Compared to the Second Quarter of 2005

Consolidated Operating Results

During the second quarter of 2006, the domestic nitrogen fertilizer industry benefited from a firm international market. Our phosphate fertilizer business continued to benefit from relatively balanced industry supply/demand conditions during the second quarter of 2006, as the impact of lower demand was offset by domestic production cutbacks. Our total gross margin increased by approximately $5.6 million, or 6%, to $101.2 million for the second quarter of 2006 compared to $95.6 million for the same period in 2005, due largely to higher average selling prices for nitrogen fertilizers, partially offset by increases in raw material costs (primarily natural gas), higher purchased nitrogen product costs and lower fertilizer sales volume. The net earnings of $42.6 million for the second quarter of 2006 included a favorable pre-tax net mark-to-market adjustment of $11.7 million on natural gas derivatives. There were no mark-to-market adjustments recorded directly to cost of sales in the prior period as hedge accounting was still being applied.

Net Sales

Our net sales increased 6% to $664.8 million in the second quarter of 2006 compared to $626.7 million in the second quarter of 2005, due to higher average selling prices for nitrogen and phosphate fertilizers that were partially offset by a decrease in nitrogen and phosphate fertilizer sales volumes. Nitrogen and phosphate fertilizer prices for the second quarter of 2006 averaged 13% and 9% higher, respectively, than the prices for similar products in the comparable period of 2005. Our total sales volume decreased 6% to 2.6 million tons in the second quarter of 2006 versus 2.7 million tons in the second quarter of 2005. Nitrogen fertilizer sales volume decreased 93,000 tons, or 4%, to 2.0 million tons in the second quarter of 2006 compared to 2.1 million tons in the comparable period of 2005, due primarily to lower UAN sales. Our total level of phosphate fertilizer sales of 554,000 tons in the second quarter of 2006 was 62,000 tons, or 10%, lower compared to the 616,000 tons sold during the same period in 2005, primarily due to reduced export demand.

Cost of Sales

Total cost of sales of our nitrogen fertilizers averaged $220 per ton in the second quarter of 2006 compared to $193 per ton in the second quarter of 2005, an increase of 14%, primarily due to higher natural gas prices and higher purchased product costs, partially offset by a favorable mark-to-market adjustment on natural gas derivatives. Phosphate fertilizer cost of sales averaged $212 per ton in the second quarter of 2006 compared to $199 per ton in the second quarter of the prior year, an increase of 7%, mainly due to higher ammonia and sulfur costs.

During the second quarter of 2006, we sold approximately 1.0 million tons of fertilizer under our forward pricing program, representing approximately 41% of our total fertilizer sales volume for the quarter. In the comparable period of 2005, we sold approximately 1.6 million tons of fertilizer under this program, representing approximately 58% of our total fertilizer sales volume for the period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of $14.3 million for the second quarter of 2006 approximated the level in the corresponding quarter of the prior year. Selling, general and administrative expenses increased in the second quarter of 2006 related to increased compensation expense associated with our share-based awards. On a year-over-year basis, this increase was offset by the absence in 2006 of expense recorded in the second quarter of 2005 associated with our initial public offering and expenses related to investigating an investment opportunity in the Republic of Trinidad and Tobago. There was no expense for share-based awards in the prior period.

Other Operating Net

Other operating net decreased to $1.6 million in the second quarter of 2006 from $1.7 million in the same period of 2005. The decrease was due primarily to higher litigation expense recorded in 2005, partially offset by a $0.3 million adjustment in the second quarter of 2006 to the asset retirement obligations (AROs) at our closed Bartow facility. For a detailed explanation of the accounting for AROs at Bartow, please refer to Note 9 to our audited consolidated financial statements included in our 2005 Annual Report on Form 10-K.

Interest Net

Interest net swung to $1.3 million of net interest income in the second quarter of 2006 from $1.0 million of net interest expense in the second quarter of 2005. Interest expense decreased 71% to $1.5 million in 2006 from $5.2 million in 2005, due to the full repayment of our term notes, out of our cash and short-term investments, in the third quarter of 2005. This decrease was partially offset by the

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recording, in the second quarter of 2006, of $1.0 million of interest expense related to a Canadian tax matter. Interest income decreased to $2.8 million in 2006 from $4.2 million in 2005, as higher average rates of investment return were more than offset by lower average balances of invested cash.

Minority Interest

Amounts reported as minority interest represent the interest of the 34% minority holder of CFL s common and preferred shares. The increase in the second quarter of 2006 was due to improved CFL operating results, reflecting stronger market conditions for nitrogen fertilizers.

Income Taxes

The income tax provision for the second quarter of 2006 was recorded based upon our estimated annual effective tax rate, which includes applicable federal, foreign and state taxes. Our estimated effective tax rate decreased to 39.4% for the second quarter of 2006 from 39.7% in the comparable period in 2005. The net decrease was primarily due to the impact of lower state income taxes, partially offset by higher net non-deductible expenses.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Consolidated Operating Results

For the six months ended June 30, 2006, the domestic nitrogen fertilizer industry was impacted negatively by high natural gas prices during the first quarter of the year, but benefited from a firm international market and declining natural gas prices during the second quarter. Our phosphate fertilizer business was affected positively during the first six months of 2006 by relatively balanced industry supply/demand conditions. Our total gross margin decreased by approximately $72.4 million, or 48%, with a gross margin of $78.5 million for the six months ended June 30, 2006 compared to a gross margin of $150.9 million for the same period in 2005, due largely to weaker market conditions for nitrogen fertilizers, caused by increased costs due to higher gas prices experienced in the first quarter of 2006. The net earnings of $18.0 million for the six months ended June 30, 2006 included a pre-tax charge of $8.3 million for unrealized mark-to-market losses on natural gas derivatives. There were no mark-to-market adjustments recorded directly to cost of sales in the prior period as hedge accounting was still being applied.

Net Sales

Our net sales for the six months ended June 30, 2006 of $1.1 billion was 2%, or $20.7 million lower than sales for the six months ended June 30, 2005, due to a decrease in fertilizer sales volume that was partially offset by higher average selling prices for nitrogen and phosphate fertilizers. Our total sales volume decreased 13% to 4.2 million tons for the six months ended June 30, 2006 versus 4.9 million tons for the six months ended June 30, 2005, primarily due to lower nitrogen fertilizer sales volume. Nitrogen fertilizer sales volume decreased 596,000 tons, or 16%, to 3.2 million tons for the six months ended June 30, 2006 compared to 3.8 million tons in the comparable period of 2005, due primarily to less favorable market conditions than were experienced in the prior period. Our total level of phosphate fertilizer sales of 1.0 million tons for the six months ended June 30, 2006 was 5%, or 60,000 tons lower than the amount sold in the same period of 2005 primarily due to lower export demand. Nitrogen and phosphate fertilizer prices for the six months ended June 30, 2006 averaged 14% and 10% higher, respectively, than the prices for similar products in the comparable period of 2005.

Cost of Sales

Total cost of sales of our nitrogen fertilizers averaged $240 per ton for the six months ended June 30, 2006 compared to $190 per ton in a comparable period of 2005, an increase of 26%, primarily due to higher natural gas prices, higher purchased product costs and unrealized mark-to-market losses on natural gas derivatives. Phosphate fertilizer cost of sales averaged $213 per ton for the six months ended June 30, 2006 compared to $196 per ton in the comparable period of the prior year, an increase of 9%, mainly due to higher ammonia and sulfur costs.

During the first six months of 2006, we sold approximately 1.8 million tons of fertilizer under our forward pricing program, representing approximately 42% of our total fertilizer sales volume for the period. In the comparable period of 2005, we sold approximately 2.9 million tons of fertilizer under this program, representing approximately 59% of our total fertilizer sales volume for the period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 8% to $27.3 million for the six months ended June 30, 2006 compared to $25.3 million in the comparable period of 2005. For 2006, the increase was largely due to additional administrative expenses associated with being a publicly held company. A year-over-year increase in expense for the six months ended June 30, 2006 related to share-based compensation was offset by expenses recorded in the comparable period of 2005 related to our initial public offering and expenses related to investigating an investment opportunity in the Republic of Trinidad and Tobago. There was no expense for share-based awards in the prior period.

Other Operating Net

Other operating net increased to $3.1 million for the six months ended June 30, 2006 from $2.5 million in the same period of 2005. The increase was due primarily to $1.0 million of adjustments to the asset retirement obligations (AROs) at our closed Bartow facility recorded in the first six months of 2006, partially offset by a favorable variance in adjustments to our litigation reserve. For a detailed explanation of the accounting for AROs at Bartow, please refer to Note 9 to our audited consolidated financial statements included in our 2005 Annual Report on Form 10-K.

Interest Net

Interest net swung to $3.5 million of net interest income for the six months ended June 30, 2006 from $2.8 million of net interest expense in the same period of 2005. Interest expense decreased 81% to $2.0 million in 2006 from $10.5 million in 2005, due to the full repayment of our term notes, out of our cash and short-term investments, in the third quarter of 2005. This decrease was partially offset by the recording of $1.0 million of interest expense in the second quarter of 2006 related to a Canadian tax matter. Interest income decreased to $5.5 million in 2006 from $7.7 million in 2005 as higher average rates of return were more than offset by lower average balances of invested cash.

Minority Interest

Amounts reported as minority interest represent the interest of the 34% minority holder of CFL s common and preferred shares. The increase for the six months ended June 30, 2006 was due to CFL operating results. The improvement in CFL operating results reflects stronger market conditions for nitrogen fertilizers primarily in the second quarter of 2006.

Income Taxes

The income tax provision for the six months ended June 30, 2006 was recorded based upon our estimated annual effective tax rate, which includes applicable federal, foreign and state taxes. Our

estimated effective tax rate decreased to 39.0% for the six months ended June 30, 2006 from 39.6% in the comparable period in 2005. The net decrease was primarily due to the impact of lower state income taxes, partially offset by higher net non-deductible expenses.

Segment Review

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

Nitrogen Fertilizer Business

The following table presents summary operating data for our nitrogen fertilizer business:

	Three months ended June 30,			**Six months ended June 30,**		
	2006	**2005**	**2006 v. 2005**	**2006**	**2005**	**2006 v. 2005**
	(in millions, except as noted)					
Net sales	$ 536.2	$ 496.0	$ 40.2	$ 822.0	$ 853.3	$ (31.3)
Cost of sales	446.2	408.4	37.8	764.9	718.9	46.0
Gross margin	$ 90.0	$ 87.6	$ 2.4	$ 57.1	$ 134.4	$ (77.3)
Gross margin percentage	16.8 %	17.7 %		6.9 %	15.8 %	
Tons of product sold (000s)	2,028	2,121	(93)	3,185	3,781	(596)
Sales volume by product (000s)						
Ammonia	516	571	(55)	646	887	(241)
Urea	780	679	101	1,362	1,428	(66)
UAN	700	841	(141)	1,142	1,431	(289)
Other nitrogen products	32	30	2	35	35	
Average selling price per ton by product						
Ammonia	$ 420	$ 326	$ 94	$ 408	$ 310	$ 98
Urea	252	248	4	261	242	19
UAN	170	165	5	175	161	14
Cost of natural gas (per MMBtu)(1)						
Donaldsonville	$ 7.12	$ 6.77	$ 0.35	$ 7.82	$ 6.89	$ 0.93
Medicine Hat	6.98	5.76	1.22	7.22	5.84	1.38
Average daily market price of natural gas (per MMBtu)						
Henry Hub (Louisiana)	$ 6.52	$ 6.94	$ (0.42)	$ 7.14	$ 6.67	$ 0.47
AECO (Alberta)	5.36	5.93	(0.57)	5.97	5.76	0.21
Depreciation and amortization	$ 16.0	$ 18.1	$ (2.1)	$ 28.9	$ 36.6	$ (7.7)
Capital expenditures	$ 4.2	$ 11.8	$ (7.6)	$		