

CF Industries Holdings, Inc.
Form 10-Q
May 04, 2012

**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 March 31, 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

65,637,938 shares of the registrant's common stock, \$0.01 par value per share, were outstanding at April 30, 2012.

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CF INDUSTRIES HOLDINGS, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,	
	2012	2011
	(in millions, except per share amounts)	
Net sales	\$ 1,527.6	\$ 1,174.0
Cost of sales	815.8	649.0
Gross margin	711.8	525.0
Selling, general and administrative expenses	33.8	31.0
Restructuring and integration costs		2.1
Other operating net	22.3	(31.0)
Total other operating costs and expenses	56.1	2.1
Equity in earnings of operating affiliates	15.5	11.5
Operating earnings	671.2	534.4
Interest expense	30.9	52.1
Interest income	(0.4)	(0.3)
Other non-operating net	(0.1)	(0.3)
Earnings before income taxes and equity in earnings (loss) of non-operating affiliates	640.8	482.9
Income tax provision	206.8	158.8
Equity in earnings (loss) of non-operating affiliates-net of taxes	(2.3)	8.5
Net earnings	431.7	332.6
Less: Net earnings attributable to noncontrolling interest	63.3	50.6
Net earnings attributable to common stockholders	\$ 368.4	\$ 282.0
Net earnings per share attributable to common stockholders:		
Basic	\$ 5.62	\$ 3.95
Diluted	\$ 5.54	\$ 3.91
Weighted average common shares outstanding:		
Basic	65.5	71.3
Diluted	66.5	72.1
Dividends declared per common share	\$ 0.40	\$ 0.10

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See Accompanying Notes to Unaudited Consolidated Financial Statements.

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CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended	
	March 31,	
	2012	2011
	(in millions)	
Net earnings	\$ 431.7	\$ 332.6
Other comprehensive income:		
Foreign currency translation adjustment net of taxes	26.1	25.2
Unrealized gain on securities net of taxes	0.7	1.2
Defined benefit plans net of taxes	1.0	0.8
	27.8	27.2
Comprehensive income	459.5	359.8
Less: Comprehensive income attributable to the noncontrolling interest	63.8	51.3
Comprehensive income attributable to common stockholders	\$ 395.7	\$ 308.5

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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CF INDUSTRIES HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2012	December 31, 2011
	(in millions, except share and per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,713.3	\$ 1,207.0
Accounts receivable net	464.9	269.4
Inventories net	265.5	304.2
Other	14.7	18.0
Total current assets	2,458.4	1,798.6
Property, plant and equipment, net of accumulated depreciation, depletion and amortization of \$2,534.4 and \$2,447.5	3,712.5	3,736.0
Asset retirement obligation funds	147.6	145.4
Investments in and advances to affiliates	934.7	928.6
Investments in auction rate securities	71.1	70.9
Goodwill	2,064.5	2,064.5
Other assets	228.1	230.5
Total assets	\$ 9,616.9	\$ 8,974.5
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 319.3	\$ 327.7
Income taxes payable	139.7	128.5
Customer advances	399.9	257.2
Deferred income taxes	106.7	90.1
Distributions payable to noncontrolling interest	153.1	149.7
Other	131.8	78.0
Total current liabilities	1,250.5	1,031.2
Notes payable	4.9	4.8
Long-term debt	1,613.0	1,613.0
Deferred income taxes	948.2	956.8
Other noncurrent liabilities	439.4	435.8
Contingencies (Note 21)		
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 72,101,077 and 2011 71,935,838 shares issued	0.7	0.7
Paid-in capital	2,820.2	2,804.8
Retained earnings	3,183.2	2,841.0
Treasury stock at cost, 2012 and 2011 6,515,251 shares	(1,000.2)	(1,000.2)
Accumulated other comprehensive loss	(72.0)	(99.3)
Total stockholders' equity	4,931.9	4,547.0
Noncontrolling interest	429.0	385.9

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Total equity	5,360.9	4,932.9
Total liabilities and equity	\$ 9,616.9	\$ 8,974.5

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Common Stockholders							
	\$0.01 Par Value Common Stock	Treasury Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non- controlling Interest	Total 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				282.0		282.0	50.6	332.6
Other comprehensive income								
Foreign currency translation adjustment net of taxes					24.5	24.5	0.7	25.2
Unrealized gain on securities net of taxes					1.2	1.2		1.2
Defined benefit plan net of taxes					0.8	0.8		0.8
Comprehensive income						308.5	51.3	359.8
Issuance of \$0.01 par value common stock under employee stock plans				2.9		2.9		2.9
Stock-based compensation expense				2.4		2.4		2.4
Excess tax benefit from stock-based compensation				6.0		6.0		6.0
Cash dividends (\$0.10 per share)				(7.1)		(7.1)		(7.1)
Declaration of distribution payable							(6.3)	(6.3)
Effect of exchange rates changes							0.5	0.5
Balance at March 31, 2011	\$ 0.7	\$	\$ 2,743.5	\$ 1,645.7	\$ (26.8)	\$ 4,363.1	\$ 428.5	\$ 4,791.6
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				368.4		368.4	63.3	431.7
Other comprehensive income								
Foreign currency translation adjustment net of taxes					25.6	25.6	0.5	26.1
Unrealized gain on securities net of taxes					0.7	0.7		0.7
Defined benefit plan net of taxes					1.0	1.0		1.0
Comprehensive income						395.7	63.8	459.5
Issuance of \$0.01 par value common stock under employee stock plans				3.5		3.5		3.5
Stock-based compensation expense				2.5		2.5		2.5
Excess tax benefit from stock-based compensation				9.4		9.4		9.4
Cash dividends (\$0.40 per share)				(26.2)		(26.2)		(26.2)
Declaration of distribution payable							(20.9)	(20.9)
Effect of exchange rates changes							0.2	0.2
Balance at March 31, 2012	\$ 0.7	\$ (1,000.2)	\$ 2,820.2	\$ 3,183.2	\$ (72.0)	\$ 4,931.9	\$ 429.0	\$ 5,360.9

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended March 31,	
	2012	2011
	(in millions)	
Operating Activities:		
Net earnings	\$ 431.7	\$ 332.6
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	103.1	118.5
Deferred income taxes	(6.3)	16.6
Stock compensation expense	3.2	2.4
Excess tax benefit from stock-based compensation	(9.4)	(6.0)
Unrealized loss (gain) on derivatives	55.9	(0.7)
Loss (gain) on disposal of property, plant and equipment and non-core assets	3.9	(32.7)
Undistributed earnings of affiliates net	(1.8)	(24.9)
Changes in:		
Accounts receivable net	(191.7)	(18.3)
Margin deposits	0.8	2.7
Inventories net	43.5	(123.4)
Accrued income taxes	20.8	71.2
Accounts payable and accrued expenses	(9.3)	14.2
Customer advances	142.5	315.7
Other net	16.3	3.3
Net cash provided by operating activities	603.2	671.2
Investing Activities:		
Additions to property, plant and equipment	(64.3)	(54.9)
Proceeds from the sale of property, plant and equipment and non-core assets	3.9	39.2
Sales and maturities of short-term and auction rate securities		0.5
Deposits to asset retirement obligation funds	(2.2)	
Other net		31.3
Net cash (used in) provided by investing activities	(62.6)	16.1
Financing Activities:		
Payments of long-term debt		(346.0)
Dividends paid on common stock	(26.2)	(7.1)
Distributions to noncontrolling interests	(20.9)	(6.3)
Issuances of common stock under employee stock plans	3.5	2.9
Excess tax benefit from stock-based compensation	9.4	6.0
Net cash used in financing activities	(34.2)	(350.5)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.4)
Increase in cash and cash equivalents	506.3	336.4
Cash and cash equivalents at beginning of period	1,207.0	797.7
Cash and cash equivalents at end of period	\$ 1,713.3	\$ 1,134.1

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 annual and interim 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 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 months ended March 31, 2012 and 2011 were \$180.4 million and \$155.0 million, respectively. CFL's assets and liabilities at March 31, 2012 were \$670.3 million and \$620.2 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 three months ended March 31, 2012 and 2011, were \$51.8 million and \$51.9 million, respectively.

At March 31, 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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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.

	Three months ended March 31,					
	2012			2011		
	CFL	TNCLP	Total	CFL	TNCLP	Total
	(in millions)					
Noncontrolling interest:						
Beginning balance	\$ 16.7	\$ 369.2	\$ 385.9	\$ 17.4	\$ 365.6	\$ 383.0
Earnings attributable to noncontrolling interest	47.6	15.7	63.3	32.3	18.3	50.6
Declaration of distribution payable		(20.9)	(20.9)		(6.3)	(6.3)
Effect of exchange rate changes	0.7		0.7	1.2		1.2
Ending balance	\$ 65.0	\$ 364.0	\$ 429.0	\$ 50.9	\$ 377.6	\$ 428.5
Distributions payable to noncontrolling interest:						
Beginning balance	\$ 149.7	\$	\$ 149.7	\$ 78.0	\$	\$ 78.0
Declaration of distributions payable		20.9	20.9		6.3	6.3
Distributions to noncontrolling interest		(20.9)	(20.9)		(6.3)	(6.3)
Effect of exchange rate changes	3.4		3.4	2.2		2.2
Ending balance	\$ 153.1	\$	\$ 153.1	\$ 80.2	\$	\$ 80.2

5. Fair Value Measurements

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

	March 31, 2012				December 31, 2011			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in millions)							
Cash	\$ 115.7	\$	\$	\$ 115.7	\$ 99.8	\$	\$	\$ 99.8
U.S. federal government obligations	1,545.8			1,545.8	515.0			515.0
Other debt securities	51.8			51.8	592.2			592.2
Total cash and cash equivalents	\$ 1,713.3	\$	\$	\$ 1,713.3	\$ 1,207.0	\$	\$	\$ 1,207.0
Investments in auction rate securities	75.6		(4.5)	71.1	75.6		(4.7)	70.9
Asset retirement obligation funds	147.6			147.6	145.4			145.4
Nonqualified employee benefit trusts	20.9	0.8		21.7	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 March 31, 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:

	March 31, 2012			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in millions)				
Cash and cash equivalents	\$ 1,713.3	\$ 1,713.3	\$	\$
Unrealized gains on natural gas derivatives	0.2		0.2	
Asset retirement obligation funds	147.6	147.6		
Investments in auction rate securities	71.1			71.1
Nonqualified employee benefit trusts	21.7	21.7		
Total assets at fair value	\$ 1,953.9	\$ 1,882.6	\$ 0.2	\$ 71.1
Unrealized losses on natural gas derivatives	\$ 130.3		\$ 130.3	
Total liabilities at fair value	\$ 130.3		\$ 130.3	

	December 31, 2011			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(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		
Total assets at fair value	\$ 1,444.0	\$ 1,372.6	\$ 0.5	\$ 70.9
Unrealized losses on natural gas derivatives	\$ 74.7		\$ 74.7	
Total liabilities at fair value	\$ 74.7		\$ 74.7	

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 March 31, 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.

Natural Gas Derivatives

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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

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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 Consent Decree entered in 2010 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 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 first three months of 2012, none of our ARS were redeemed.

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 36 years. As of March 31, 2012, the carrying values by range of maturity are as follows:

	(in millions)
Less than 1 year	\$
1 year up to 20 years	4.8
20 years up to 30 years	51.8
30 years up to 36 years	14.5
	\$ 71.1

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).

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,

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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.

	Investments in auction rate securities (in millions)
Fair value, January 1, 2012	\$ 70.9
Unrealized gain included in other comprehensive loss	0.2
Fair value, March 31, 2012	\$ 71.1

6. Net Earnings Per Share

Net earnings per share were computed as follows:

	Three months ended March 31,	
	2012	2011
	(in millions, except per share amounts)	
Net earnings attributable to common stockholders	\$ 368.4	\$ 282.0
Basic earnings per common share:		
Weighted average common shares outstanding	65.5	71.3
Net earnings attributable to common stockholders	\$ 5.62	\$ 3.95
Diluted earnings per common share:		
Weighted average common shares outstanding	65.5	71.3
Dilutive common shares stock options	1.0	0.8
Diluted weighted average shares outstanding	66.5	72.1
Net earnings attributable to common stockholders	\$ 5.54	\$ 3.91

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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 months ended March 31, 2012 and 2011, anti-dilutive stock options were insignificant.

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.

Net periodic benefit cost included the following components:

	Three months ended	
	March 31,	
	2012	2011
	(in millions)	
Pension Plans		
Service cost for benefits earned during the period	\$ 3.2	\$ 3.0
Interest cost on projected benefit obligation	8.6	9.1
Expected return on plan assets	(8.6)	(8.7)
Amortization of actuarial loss	2.6	1.5
Net periodic benefit cost	\$ 5.8	\$ 4.9
Retiree Medical		
Service cost for benefits earned during the period	\$ 0.8	\$ 0.7
Interest cost on projected benefit obligation	1.0	1.0
Amortization of transition obligation	0.1	0.1
Amortization of actuarial loss	0.3	0.2
Net periodic benefit cost	\$ 2.2	\$ 2.0

Our 2012 consolidated pension funding contributions are estimated to be approximately \$20.0 million, of which approximately \$1.2 million was funded in the first three 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 months ended March 31, 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. For three months ended March 31, 2012 and 2011 we contributed \$3.3 million and \$2.8 million, respectively, to the plans.

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Details of other operating costs are as follows:

	Three months ended March 31,	
	2012	2011
	(in millions)	
Loss (gain) on disposal of property, plant and equipment and non-core assets net	\$ 4.0	\$ (32.7)
Engineering studies	6.4	
Bartow costs	0.8	0.8
Other	11.1	0.9
	\$ 22.3	\$ (31.0)

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.

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.

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 March 31, 2012 are summarized below:

	(in millions)
Obligation at December 31, 2011	\$ 131.6
Accretion expense	2.4
Liabilities incurred	0.4
Expenditures	(2.0)
Obligation at March 31, 2012	\$ 132.4

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.

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

	March 31, 2012	December 31, 2011
	(in millions)	
Current portion	\$ 16.2	\$ 13.8
Noncurrent portion	116.2	117.8
	\$ 132.4	\$ 131.6

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 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 March 31, 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:

	Three months ended March 31,	
	2012	2011
	(in millions)	
Interest on borrowings	\$ 28.0	\$ 29.8
Fees on financing agreements	5.1	24.9
Interest capitalized and other	(2.2)	(2.6)
	\$ 30.9	\$ 52.1

The fees on financing agreements for the three months ended March 31, 2011 includes \$19.9 million of accelerated amortization of debt issuance costs recognized upon repayment in full of the senior secured term loan. Refer to Note 17 Financing Agreements, for additional information.

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Our income tax provision for the three months ended March 31, 2012 was \$206.8 million on pre-tax income of \$640.8 million, or an effective tax rate of 32.3%, compared to an income tax provision of \$158.8 million on pre-tax income of \$482.9 million, or an effective tax rate of 32.9%, for the three months ended March 31, 2011. The effective tax rate for the first quarter of 2012 based on pre-tax income exclusive of earnings attributable to noncontrolling interest was 35.8% compared to 36.7% in the first 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 due to the impact of tax rate increases which were effective in the prior year quarter. 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 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 in the three months ended March 31, 2012. During the three months ended March 31, 2011, we incurred \$2.1 million of restructuring and integration costs related to our 2010 acquisition of Terra Industries Inc. (Terra). 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 three months ended March 31, 2012 and 2011:

	Three months ended March 31,	
	2012	2011
	(in millions)	
Reserve balance beginning	\$ 2.0	\$ 2.9
Employee termination expense		1.1
Cash payments	(0.9)	(1.6)
Reserve balance ending	\$ 1.1	\$ 2.4

13. Inventories Net

Inventories net consist of the following:

	March 31, 2012	December 31, 2011
	(in millions)	
Fertilizer	\$ 203.8	\$ 245.2
Raw materials, spare parts and supplies	61.7	59.0
	\$ 265.5	\$ 304.2

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Equity method investments consist of the following:

	March 31, 2012	December 31, 2011
	(in millions)	
Operating equity method investments	\$ 407.9	\$ 413.1
Non-operating equity method investments	526.8	515.5
Investments in and advances to affiliates	\$ 934.7	\$ 928.6

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 March 31,	
	2012	2011
	(in millions)	
Condensed statement of operations information:		
Net sales	\$ 77.5	\$ 79.8
Net earnings	\$ 24.5	\$ 27.5
Equity in earnings of operating affiliates	\$ 15.5	\$ 11.5

	March 31, 2012	December 31, 2011
	(in millions)	
Condensed balance sheet information:		
Current assets	\$ 105.1	\$ 126.6
Long-term assets	147.4	147.2
Total assets	\$ 252.5	\$ 273.8
Current liabilities	\$ 30.5	\$ 41.1
Long-term liabilities	20.0	24.2
Equity	202.0	208.5
Total liabilities and equity	\$ 252.5	\$ 273.8

The carrying value of these investments at March 31, 2012 was \$407.9 million, which was \$306.9 million more than our share of the affiliates' book value. The excess is primarily attributable to the impact of our acquisition of Terra and reflects primarily the revaluation of property, plant and equipment, the value of an exclusive natural gas contract and goodwill. The increased basis for

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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 approximately \$38.5 million and \$36.0 million of ammonia from PLNL for the three months ended March 31, 2012 and 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. GrowHow is a joint venture between us and Yara International ASA.

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

	Three months ended	
	March 31,	
	2012	2011
	(in millions)	
Condensed statement of operations information:		
Net sales	\$ 638.4	\$ 530.3
Net earnings	\$ 2.0	\$ 23.2
Equity in (losses) earnings of non-operating affiliates net of taxes	\$ (2.3)	\$ 8.5

	March 31,	December 31,
	2012	2011
	(in millions)	
Condensed balance sheet information:		
Current assets	\$ 519.1	\$ 504.2
Long-term assets	295.7	293.4
Total assets	\$ 814.8	\$ 797.6
Current liabilities	\$ 349.7	\$ 339.5
Long-term liabilities	148.5	149.4
Equity	316.6	308.7
Total liabilities and equity	\$ 814.8	\$ 797.6

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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 March 31, 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 three month periods ended March 31, 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.

Excluding the advances to Keytrade, the carrying value of our non-operating equity method investments at March 31, 2012 was \$514.4 million, which was \$356.1 million more than our share of the affiliates' book value. The excess is primarily attributable to the impact of our acquisition of Terra 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 March 31, 2012, the amount of our consolidated retained earnings that represents our undistributed earnings of non-operating equity method investments is \$16.5 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 three months ended March 31, 2012 and 2011:

	Three months ended March 31,	
	2012	2011
	(in millions)	
Net capitalized turnaround costs:		
Beginning balance	\$ 54.8	\$ 66.8
Additions	5.6	1.2
Depreciation	(8.0)	(7.3)
Effect of exchange rate changes	0.9	0.4
Ending balance	\$ 53.3	\$ 61.1

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 March 31, 2012 and December 31, 2011:

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

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

	At March 31, 2012			At December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
(in millions)						
Intangible assets:						
Customer Relationships	\$ 50.0	\$ (5.5)	\$ 44.5	\$ 50.0	\$ (4.9)	\$ 45.1
TerraCair Brand	10.0	(2.0)	8.0	10.0	(1.7)	8.3
Total intangible assets	\$ 60.0	\$ (7.5)	\$ 52.5	\$ 60.0	\$ (6.6)	\$ 53.4

Amortization expense of our identifiable intangibles was \$0.9 million and \$0.9 million for the three months ended March 31, 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	\$ 2.9
2013	3.8
2014	3.8
2015	3.8
2016	3.8
2017	3.8
	\$ 21.9

17. Financing Agreements

Long-term debt consisted of the following:

	March 31, 2012	December 31, 2011
(in millions)		
Unsecured senior notes:		
6.875% due 2018	\$ 800.0	\$ 800.0
7.125% due 2020	800.0	800.0
7.0% due 2017	13.0	13.0
	\$ 1,613.0	\$ 1,613.0
Less: Current portion		
Net long-term debt	\$ 1,613.0	\$ 1,613.0

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Credit Agreement

As of March 31, 2012, we maintained a senior secured revolving credit facility (the 2010 Revolving Credit Facility) under an agreement, dated April 5, 2010 and amended and restated August 3, 2011 (the 2010 Credit Agreement), that provided up to \$500 million in borrowings, bore interest at a variable rate based on an applicable margin over LIBOR or a base rate, and was scheduled to expire in 2016. Borrowings under the Revolving Credit Facility could be used for working capital and general corporate purposes of the Company and its subsidiaries (subject to certain limitations). At March 31, 2012, there was \$491.2 million of available credit under the 2010 Revolving Credit Facility (net of outstanding letters of credit), and there were no borrowings outstanding. The Credit Agreement required that the Company maintain a minimum interest coverage ratio and a maximum leverage ratio and included other customary terms and conditions, including negative covenants and events of default.

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.

As described in Note 24 Subsequent Event, the 2010 Credit Agreement was terminated by us on May 1, 2012 and then the Company, as guarantor, and CF Industries, as borrower, entered into a new senior credit agreement. The new senior credit agreement is unsecured and the Company is currently the only guarantor of CF Industries' obligations under the new senior credit agreement.

Senior Notes due 2018 and 2020

On April 23, 2010, CF Industries issued \$800 million aggregate principal amount of 6.875% senior notes due 2018 (the 2018 Notes) and \$800 million aggregate principal amount of 7.125% senior notes due 2020 (the 2020 Notes and, together with the 2018 Notes, the Notes).

The 2018 Notes bear interest at a rate of 6.875% per annum, payable semiannually on May 1 and November 1, mature on May 1, 2018 and are redeemable at CF Industries' option, in whole at any time or in part from time to time, at a specified make-whole redemption price. The 2020 Notes bear interest at a rate of 7.125% per annum, payable semiannually on May 1 and November 1, mature on May 1, 2020 and are redeemable at CF Industries' option, in whole at any time or in part from time to time, at a specified make-whole redemption price.

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. Any such guarantees will be released with respect to a series of Notes upon satisfaction of the indenture requirements for legal defeasance with respect to the notes of such series or satisfaction and discharge of the indenture with respect to such series. In addition, under the supplemental indentures governing the Notes, the guarantee of a subsidiary guarantor will be automatically released with respect to a series of notes upon the release, discharge or termination of such guarantor's guarantee of the 2010 Credit Agreement, or any renewal, replacement or refinancing

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thereof. As described in Note 24, as a result of 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.

At March 31, 2012, the carrying value of the 2018 Notes and 2020 Notes was \$1.6 billion and the fair value was approximately \$1.9 billion.

Terra Senior Notes

In 2007, Terra issued \$330 million of 7% Senior Notes due 2017 (2017 Notes). In 2009, Terra repurchased approximately \$317.5 million aggregate principal amount of the 2017 Notes in a tender offer and consent solicitation, and as a result, substantially all of the restrictive covenants in the indenture governing the 2017 Notes were eliminated. At March 31, 2012, the carrying value of the 2017 Notes that remain outstanding was \$13.0 million, which approximates fair value.

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.

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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	
	March 31,	
	2012	2011
	(in millions)	
Realized losses	\$ (48.2)	\$ (9.6)
Unrealized mark-to-market (losses) gains	(55.9)	0.7
Net derivative losses	\$ (104.1)	\$ (8.9)

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.

	March 31,	December 31,
	2012	2011
	(in millions)	
Unrealized gains in other current assets	\$ 0.2	\$ 0.5
Unrealized losses in other current liabilities	(130.2)	(74.7)
Unrealized losses in noncurrent liabilities	(0.1)	
Net unrealized derivative losses	\$ (130.1)	\$ (74.2)

As of March 31, 2012 and December 31, 2011, we had open financial derivative contracts for 112.4 million MMBtus and 156.3 million MMBtus, respectively, of natural gas. For the three months ended March 31, 2012, we used derivatives to cover approximately 79% 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 March 31, 2012 and December 31, 2011, we had no cash collateral on deposit with counterparties for derivative contracts.

As of March 31, 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 \$130.3 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 March 31, 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.

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

A summary of stock option activity under the Plan at March 31, 2012 is presented below:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2012	1,215,083	\$ 53.95	\$ 111.4
Granted	1,130	182.30	
Exercised	(165,239)	21.10	26.1
Forfeited	(1,924)	113.00	
Outstanding at March 31, 2012	1,049,050	59.16	129.6
Exercisable at March 31, 2012	744,313	38.70	107.2

Cash received from stock option exercises for the three months ended March 31, 2012 was \$3.5 million.

A summary of restricted stock activity under the Plan at March 31, 2012 is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2012	112,571	\$ 100.83
Granted	380	182.30
Outstanding at March 31, 2012	112,951	101.11

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 31,	
	2012	2011
	(in millions)	
Stock-based compensation expense	\$ 2.5	\$ 2.4
Income tax benefit	(1.0)	(0.9)
Stock-based compensation expense, net of income taxes	\$ 1.5	\$ 1.5

As of March 31, 2012, pre-tax unrecognized compensation cost, net of estimated forfeitures, was \$9.3 million for stock options, which will be recognized over a weighted average period of 1.9 years, and \$5.0 million for restricted stock, which will be recognized over a weighted average period of 1.9 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

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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 months ended March 31, 2012 and 2011 was \$9.4 million and \$6.0 million, respectively.

In addition to the foregoing, we recognized stock-based compensation expense for TNCLP phantom units provided to non-employee directors of TNGP of \$0.7 million for the three months ended March 31, 2012.

20. Accumulated Other Comprehensive Loss

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

	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Securities	Defined Benefit Plans	Accumulated Other Comprehensive Income (Loss)
	(in millions)			
Balance at December 31, 2010	\$ 22.4	\$ (4.9)	\$ (70.8)	\$ (53.3)
Unrealized holding gain on securities		2.0		2.0
Reclassification to net earnings		(0.1)	1.9	1.8
Effect of exchange rate changes and deferred taxes	24.5	(0.7)	(1.1)	22.7
Balance at March 31, 2011	\$ 46.9	\$ (3.7)	\$ (70.0)	\$ (26.8)
Balance at December 31, 2011	\$ 15.4	\$ (3.0)	\$ (111.7)	\$ (99.3)
Unrealized holding gain on securities		1.1		1.1
Reclassification to net earnings			3.2	3.2
Effect of exchange rate changes and deferred taxes	25.6	(0.4)	(2.2)	23.0
Balance at March 31, 2012	\$ 41.0	\$ (2.3)	\$ (110.7)	\$ (72.0)

21. 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***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.

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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.

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 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

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seeking an extension of such time period pursuant to the terms of the 2009 consent decree). 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.

The federal criteria for lakes and inland flowing waters (excluding the criteria found arbitrary and capricious by the Court) will become effective on July 6, 2012, subject to the development of numeric nutrient criteria 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. A ruling from the administrative law judge is anticipated in the second quarter of 2012. If the state numeric criteria are promulgated and approved subsequently by the EPA, the state criteria would result in EPA withdrawing the federal numeric criteria.

The 2009 consent decree also requires the EPA to develop numeric nutrient criteria for Florida coastal and estuarine waters. The development of such criteria has been delayed. The EPA has announced its intention to issue proposed numeric nutrient criteria for these water bodies by May 21, 2012 and a final rule by January 7, 2013. It is unclear the extent to which the February 18, 2012 decision will impact this proposed rule. The numeric criteria proposed by the State of Florida, discussed above, include criteria for coastal and estuarine waters and if finally promulgated by the State and approved by the EPA, would also supplant federal standards for such water bodies.

The numeric nutrient criteria regulation is not yet final. However, 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 and results of operations.

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

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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 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.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****22. 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. Our two 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.

Segment data for sales, cost of sales and gross margin for the three months ended March 31, 2012 and 2011 are presented in the table below.

	Nitrogen	Phosphate	Consolidated
	(in millions)		
Three months ended March 31, 2012			
Net sales			
Ammonia	\$ 401.7	\$	\$ 401.7
Granular urea	349.4		349.4
UAN	423.7		423.7
AN	63.8		63.8
DAP		209.3	209.3
MAP		46.6	46.6
Other	33.1		33.1
	1,271.7	255.9	1,527.6
Cost of sales	609.6	206.2	815.8
Gross margin	\$ 662.1	\$ 49.7	\$ 711.8
Total other operating costs and expenses			56.1
Equity in earnings of operating affiliates			15.5
Operating earnings			\$ 671.2
Three months ended March 31, 2011			
Net sales			
Ammonia	\$ 202.5	\$	\$ 202.5
Granular urea	224.3		224.3
UAN	402.3		402.3
AN	61.3		61.3
DAP		186.0	186.0
MAP		62.1	62.1
Other	35.5		35.5
	925.9	248.1	1,174.0
Cost of sales	483.4	165.6	649.0
Gross margin	\$ 442.5	\$ 82.5	\$ 525.0
Total other operating costs and expenses			2.1
Equity in earnings of operating affiliates			11.5
Operating earnings			\$ 534.4

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

	Nitrogen	Phosphate	Other	Consolidated
	(in millions)			
Assets				
March 31, 2012	\$ 6,105.6	\$ 694.2	\$ 2,817.1	\$ 9,616.9
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.

23. 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*, in connection with the debt securities issued by CF Industries, Inc. (CFI) and the guarantees of such debt securities by CF Industries Holdings, Inc. (Parent) and certain 100%-owned domestic subsidiaries of CF Industries Holdings, Inc. (the Guarantor Subsidiaries). The guarantees are joint and several. The subsidiaries of the Parent other than CFI and the Guarantor Subsidiaries are referred to below as "Non-Guarantor Subsidiaries."

Presented below are condensed consolidating statements of operations and statements of cash flows for the Parent, CFI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries for the three months ended March 31, 2012 and 2011 and condensed consolidating balance sheets for the Parent, CFI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries as of March 31, 2012, and December 31, 2011. The investments in subsidiaries in these consolidating financial statements are presented on the equity method. Under this method, 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. 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. The condensed financial information presented below is not necessarily indicative of the financial position, results of operations or cash flows of the Parent, CFI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a stand-alone basis.

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

	Three months ended March 31, 2012					
	Parent	CFI	Guarantor Non-Guarantor		Eliminations	Consolidated
			Subsidiaries	Subsidiaries		
	(in millions)					
Net sales	\$	\$ 915.9	\$ 473.7	\$ 453.1	\$ (315.1)	\$ 1,527.6
Cost of sales		520.7	353.1	170.5	(228.5)	815.8
Gross margin		395.2	120.6	282.6	(86.6)	711.8
Selling, general and administrative expenses		0.5	26.8	1.0	5.5	33.8
Other operating net			7.2	3.0	12.1	22.3
Total other operating costs and expenses		0.5	34.0	4.0	17.6	56.1
Equity in earnings of operating affiliates			4.4	3.0	8.1	15.5
Operating earnings (loss)		(0.5)	365.6	119.6	273.1	(86.6)
Interest expense			28.2	2.2	0.6	(0.1)
Interest income			(0.2)	4.0	(4.3)	0.1
Net (earnings) of wholly-owned subsidiaries		(368.8)	(151.5)	(133.9)		654.2
Other non-operating net			0.2	(0.3)		(0.1)
Earnings before income taxes and equity in earnings of non-operating affiliates		368.3	488.9	247.6	276.8	(740.8)
Income tax provision (benefit)		(0.1)	120.1	81.2	5.6	206.8
Equity in loss of non-operating affiliates net of taxes					(2.3)	(2.3)
Net earnings		368.4	368.8	166.4	268.9	(740.8)
Less: Net earnings attributable to noncontrolling interest				15.7	134.2	(86.6)
Net earnings attributable to common stockholders	\$	368.4	\$ 368.8	\$ 150.7	\$ 134.7	\$ (654.2)
				\$		\$ 368.4

Condensed, Consolidating Statement of Comprehensive Income

	Three months ended March 31, 2012					
	Parent	CFI	Guarantor Non-Guarantor		Eliminations	Consolidated
			Subsidiaries	Subsidiaries		
	(in millions)					
Net earnings	\$	368.4	\$ 368.8	\$ 166.4	\$ 268.9	\$ (740.8)
Other comprehensive income		27.2	27.2	24.4	33.6	(84.6)
Comprehensive income		395.6	396.0	190.8	302.5	(825.4)
Less: Comprehensive income attributable to the noncontrolling interest				15.7	134.2	(86.1)
Comprehensive income attributable to common stockholders	\$	395.6	\$ 396.0	\$ 175.1	\$ 168.3	\$ (739.3)
				\$		\$ 395.7

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

	Three months ended March 31, 2011					
	Parent	CFI	Guarantor Non-Guarantor		Eliminations	Consolidated
			Subsidiaries	Subsidiaries		
	(in millions)					
Net sales	\$	\$ 631.2	\$ 442.1	\$ 408.5	\$ (307.8)	\$ 1,174.0
Cost of sales		359.5	347.9	189.1	(247.5)	649.0
Gross margin		271.7	94.2	219.4	(60.3)	525.0
Selling, general and administrative expenses	0.5	22.3	3.5	4.7		31.0
Restructuring and integration costs		1.1	1.0			2.1
Other operating net		(31.0)				(31.0)
Total other operating costs and expenses	0.5	(7.6)	4.5	4.7		2.1
Equity in earnings of operating affiliates		(0.4)	1.0	10.9		11.5
Operating earnings (loss)	(0.5)	278.9	90.7	225.6	(60.3)	534.4
Interest expense		51.2	0.4	0.6	(0.1)	52.1
Interest income		(0.3)	4.4	(4.5)	0.1	(0.3)
Net (earnings) of wholly-owned subsidiaries	(282.4)	(144.5)	(143.1)		570.0	
Other non-operating net			(0.3)			(0.3)
Earnings before income taxes and equity in earnings of non-operating affiliates	281.9	372.5	229.3	229.5	(630.3)	482.9
Income tax provision (benefit)	(0.1)	90.1	67.1	1.7		158.8
Equity in earnings of non-operating affiliates net of taxes				8.5		8.5
Net earnings	282.0	282.4	162.2	236.3	(630.3)	332.6
Less: Net earnings attributable to noncontrolling interest			18.2	92.7	(60.3)	50.6
Net earnings attributable to common stockholders	\$ 282.0	\$ 282.4	\$ 144.0	\$ 143.6	\$ (570.0)	\$ 282.0

Condensed, Consolidating Statement of Comprehensive Income

	Three months ended March 31, 2011					
	Parent	CFI	Guarantor Non-Guarantor		Eliminations	Consolidated
			Subsidiaries	Subsidiaries		
	(in millions)					
Net earnings	\$ 282.0	\$ 282.4	\$ 162.2	\$ 236.3	\$ (630.3)	\$ 332.6
Other comprehensive income	26.5	26.5	23.6	30.4	(79.8)	27.2
Comprehensive income	308.5	308.9	185.8	266.7	(710.1)	359.8
Less: Comprehensive income attributable to the noncontrolling interest			18.2	92.7	(59.6)	51.3
Comprehensive income attributable to common stockholders	\$ 308.5	\$ 308.9	\$ 167.6	\$ 174.0	\$ (650.5)	\$ 308.5

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

	March 31, 2012					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	Consolidated
	(in millions)					
Assets						
Current assets:						
Cash and cash equivalents	\$	\$ 306.2	\$ 573.7	\$ 833.4	\$	\$ 1,713.3
Accounts receivable net		197.0	409.0	566.7	(707.8)	464.9
Inventories net		184.5	51.7	29.3		265.5
Prepaid income taxes		348.1			(348.1)	
Other		4.0	5.5	5.2		14.7
Total current assets		1,039.8	1,039.9	1,434.6	(1,055.9)	2,458.4
Property, plant and equipment net		777.9	1,563.2	1,371.4		3,712.5
Asset retirement obligation funds		147.6				147.6
Investments in and advances to unconsolidated affiliates	3,903.0	5,661.6	1,224.7	923.8	(10,778.4)	934.7
Investments in auction rate securities		71.1				71.1
Due from affiliates	1,029.1		1,523.0		(2,552.1)	
Goodwill		0.9	2,063.6			2,064.5
Deferred income taxes		44.6			(44.6)	
Other assets		89.8	111.5	26.8		228.1
Total assets	\$ 4,932.1	\$ 7,833.3	\$ 7,525.9	\$ 3,756.6	\$ (14,431.0)	\$ 9,616.9
Liabilities and Equity						
Current liabilities:						
Accounts payable and accrued expenses	\$ 0.1	\$ 226.8	\$ 67.3	\$ 47.3	\$ (22.2)	\$ 319.3
Income taxes payable			479.2	8.6	(348.1)	139.7
Customer advances		290.5	87.3	22.1		399.9
Notes payable		300.0			(300.0)	
Deferred income taxes		106.7				106.7
Distributions payable to noncontrolling interest				586.3	(433.2)	153.1
Other		108.5		23.3		131.8
Total current liabilities	0.1	1,032.5	633.8	687.6	(1,103.5)	1,250.5
Notes payable				14.5	(9.6)	4.9
Long-term debt		1,600.0	13.0			1,613.0
Deferred income taxes			819.0	173.8	(44.6)	948.2
Due to affiliates		1,030.4		1,521.7	(2,552.1)	
Other noncurrent liabilities		267.4	135.4	36.6		439.4
Equity:						
Stockholders' equity:						
Preferred stock				65.3	(65.3)	
Common stock	0.7		153.1	4.3	(157.4)	0.7
Paid-in capital	2,820.3	739.8	4,450.2	987.2	(6,177.3)	2,820.2
Retained earnings	3,183.2	3,235.2	946.1	248.3	(4,429.6)	3,183.2
Treasury stock	(1,000.2)					(1,000.2)
Accumulated other comprehensive income (loss)	(72.0)	(72.0)	11.3	17.3	43.4	(72.0)
Total stockholders' equity	4,932.0	3,903.0	5,560.7	1,322.4	(10,786.2)	4,931.9
Noncontrolling interest			364.0		65.0	429.0

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Total equity	4,932.0	3,903.0	5,924.7	1,322.4	(10,721.2)	5,360.9
Total liabilities and equity	\$ 4,932.1	\$ 7,833.3	\$ 7,525.9	\$ 3,756.6	\$ (14,431.0)	\$ 9,616.9

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

	December 31, 2011					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations and Reclassifications	Consolidated
	(in millions)					
Assets						
Current assets:						
Cash and cash equivalents	\$	\$ 98.7	\$ 300.2	\$ 808.1	\$	\$ 1,207.0
Accounts 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 unconsolidated 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
Total assets	\$ 4,547.2	\$ 7,270.7	\$ 7,251.3	\$ 3,601.8	\$ (13,696.5)	\$ 8,974.5
Liabilities and Equity						
Current liabilities:						
Accounts payable and accrued expenses	\$ 0.1	\$ 216.3	\$ 74.7	\$ 58.4	\$ (21.8)	\$ 327.7
Income taxes payable			396.9	21.0	(289.4)	128.5
Customer advances		184.3	65.1	7.8		257.2
Notes payable		300.0			(300.0)	
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
Total equity	4,547.1	3,533.4	5,754.6	1,443.5	(10,345.7)	4,932.9

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Total liabilities and equity	\$ 4,547.2	\$ 7,270.7	\$ 7,251.3	\$ 3,601.8	\$ (13,696.5)	\$ 8,974.5
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Table of Contents**CF INDUSTRIES HOLDINGS, INC.****Condensed, Consolidating Statement of Cash Flows**

	Three months ended March 31, 2012					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Operating Activities:						
Net earnings	\$ 368.4	\$ 368.8	\$ 166.4	\$ 268.9	\$ (740.8)	\$ 431.7
Adjustments to reconcile net earnings to net cash provided by operating activities						
Depreciation, depletion and amortization		29.4	38.3	35.4		103.1
Deferred income taxes		(3.7)	(1.4)	(1.2)		(6.3)
Stock compensation expense	2.6			0.6		3.2
Excess tax benefit from stock-based compensation	(9.4)					(9.4)
Unrealized loss (gain) on derivatives		44.4		11.5		55.9
(Gain) loss on disposal of property, plant and equipment and non-core assets		0.9	3.0			3.9
Undistributed (earnings) of affiliates net	(368.8)	(242.7)	(135.8)	4.7	740.8	(1.8)
Due to/from affiliates net	(5.9)	6.2	130.9	(131.2)		
Changes in:						
Accounts receivable		(24.9)	(41.6)	(123.7)	(1.5)	(191.7)
Margin deposits		0.8				0.8
Inventories		32.5	15.5	(4.5)		43.5
Accrued income taxes		(48.6)	82.3	(12.9)		20.8
Accounts payable and accrued expenses	0.2	8.4	(7.2)	(12.2)	1.5	(9.3)
Customer advances net		106.2	22.2	14.1		142.5
Other net		3.9	33.6	(21.2)		16.3
Net cash provided by (used in) operating activities	(12.9)	281.6	306.2	28.3		603.2
Investing Activities:						
Additions to property, plant and equipment		(42.3)	(11.8)	(10.2)		(64.3)
Proceeds from sale of property, plant and equipment and non-core assets		3.9				3.9
Sales and maturities of short-term and auction rate securities						
Deposit to asset retirement funds		(2.2)				(2.2)
Other net						
Net cash (used in) provided by investing activities		(40.6)	(11.8)	(10.2)		(62.6)
Financing Activities:						
Payments of long-term debt						
Dividends paid on common stock	(26.2)					(26.2)
Dividends to/from affiliates	26.2	(26.2)				
Distributions to/from noncontrolling interest			(20.9)			(20.9)
Issuances of common stock under employee stock plans	3.5					3.5
Excess tax benefit from stock-based compensation	9.4					9.4
Other net						
Net cash (used in) provided by financing activities	12.9	(26.2)	(20.9)			(34.2)
Effect of exchange rate changes on cash and cash equivalents		(7.3)		7.2		(0.1)
Increase in cash and cash equivalents		207.5	273.5	25.3		506.3
Cash and cash equivalents at beginning of period		98.7	300.2	808.1		1,207.0
Cash and cash equivalents at end of period	\$	\$ 306.2	\$ 573.7	\$ 833.4	\$	\$ 1,713.3

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

	Three months ended March 31, 2011					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Operating Activities:						
Net earnings	\$ 282.0	\$ 282.4	\$ 162.2	\$ 236.3	\$ (630.3)	\$ 332.6
Adjustments to reconcile net earnings to net cash provided by operating activities						
Depreciation, depletion and amortization		49.5	33.6	35.4		118.5
Deferred income taxes	2.2	9.0	10.2	(4.8)		16.6
Stock compensation expense	2.4					2.4
Excess tax benefit from stock-based compensation	(6.0)					(6.0)
Unrealized (gain) loss on derivatives		1.1	(0.4)	(1.4)		(0.7)
(Gain) on disposal of property, plant and equipment		(32.7)				(32.7)
Undistributed (earnings) loss of affiliates net	(282.4)	(205.0)	(144.1)	(23.7)	630.3	(24.9)
Due to/from affiliates net	(7.1)	7.4	55.9	(56.2)		
Changes in (net of effects of acquisition):						
Accounts receivable		228.9	(15.4)	(66.5)	(165.3)	(18.3)
Margin deposits		2.7				2.7
Inventories		(99.2)	(24.7)	0.5		(123.4)
Accrued income taxes		15.1	49.5	6.6		71.2
Accounts payable and accrued expenses		33.2	(177.0)	(7.3)	165.3	14.2
Customer advances net		218.4	116.8	(19.5)		315.7
Other net		(2.2)	(3.6)	9.1		3.3
Net cash provided by (used in) operating activities	(8.9)	508.6	63.0	108.5		671.2
Investing Activities:						
Additions to property, plant and equipment		(25.8)	(24.0)	(5.1)		(54.9)
Proceeds from sale of property, plant and equipment and non-core assets		39.2				39.2
Sales and maturities of short-term and auction rate securities		0.5				0.5
Other net				31.3		31.3
Net cash provided by (used in) investing activities		13.9	(24.0)	26.2		16.1
Financing Activities:						
Proceeds from long-term borrowings						
Payments of long-term debt		(346.0)				(346.0)
Dividends paid on common stock	(7.1)					(7.1)
Dividends to/from affiliates	7.1	(7.1)				
Distributions to noncontrolling interest			(6.3)			(6.3)
Issuances of common stock under employee stock plans	2.9					2.9
Excess tax benefit from stock-based compensation	6.0					6.0
Net cash provided by (used in) financing activities	8.9	(353.1)	(6.3)			(350.5)
Effect of exchange rate changes on cash and cash equivalents		(5.8)		5.4		(0.4)
Increase (decrease) in cash and cash equivalents		163.6	32.7	140.1		336.4
Cash and cash equivalents at beginning of period		136.2	164.0	497.5		797.7
Cash and cash equivalents at end of period	\$	\$ 299.8	\$ 196.7	\$ 637.6	\$	\$ 1,134.1

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CF INDUSTRIES HOLDINGS, INC.

24. Subsequent Event

On May 1, 2012, the Company terminated the 2010 Credit Agreement described in Note 17 Financing Agreements, and all of the guarantees and all of the liens on the assets of the Company and its subsidiaries securing 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 (the 2012 Revolving Credit Facility) of up to \$500 million with a maturity of five years. On May 1, 2012, the letters of credit outstanding under the 2010 Credit Agreement became letters of credit under the 2012 Credit Agreement. As a result, as of May 1, 2012, there was \$491.2 million of available credit under the 2012 Revolving Credit Facility (net of the outstanding letters of credit), and there were no borrowings outstanding.

Borrowings under the 2012 Credit Agreement will bear interest at a variable rate based on an applicable margin over LIBOR or a base rate. Borrowings under the 2012 Revolving Credit Facility 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 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 guarantees 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.

Under the supplemental indentures governing the Notes described in Note 17, the Notes are to be guaranteed by the Company and each of its 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 release by the Company and its subsidiaries of their guarantees under the 2010 Credit Agreement, those 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, it would be required to become a guarantor of the Notes.

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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

First Quarter of 2012 Compared to the First Quarter of 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.

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.

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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;

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

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CF INDUSTRIES HOLDINGS, INC.

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 \$368.4 million in the first quarter of 2012 compared to net earnings of \$282.0 million in the same quarter of 2011. Our results for the first quarter of 2012 included a \$55.9 million pre-tax unrealized mark-to-market loss (\$34.7 million after tax) on natural gas derivatives.

The net earnings attributable to common stockholders of \$282.0 million in the first quarter of 2011 included \$19.9 million (\$12.3 million after tax) of accelerated amortization of debt issuance costs recognized in interest expense upon repayment of the senior secured term loan related to the Terra acquisition, a \$32.5 million (\$20.0 million after tax) gain on the sale of four dry-product warehouses, \$2.1 million (\$1.3 million after tax) of restructuring and integration costs associated with the Terra acquisition and a \$0.7 million pre-tax unrealized mark-to-market gain (\$0.4 million after tax) on natural gas derivatives.

Our gross margin increased \$186.8 million to \$711.8 million in the first quarter of 2012 from \$525.0 million in the same quarter of 2011 due primarily to higher average selling prices and sales volume in the nitrogen segment, partially offset by a decrease in gross margin, driven primarily by lower average selling prices and higher sulfur and ammonia costs in the phosphate segment.

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Our net sales increased \$353.6 million, or 30%, to \$1,527.6 million in the first quarter of 2012 from \$1,174.0 million in the first quarter of the prior year. The increase in net sales was due primarily to higher nitrogen and phosphate fertilizer sales volumes and higher average nitrogen fertilizer selling prices, partially offset by lower average phosphate fertilizer selling prices. Total sales volume (measured in short tons) in the first quarter of 2012 increased 13% from the prior year period as increases in ammonia, granular urea and phosphate fertilizer sales volumes were partially offset by a decrease in UAN sales volume.

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CF INDUSTRIES HOLDINGS, INC.

Cash flow from operations in the first three months of 2012 compared to the same period of 2011 decreased \$68.0 million to \$603.2 million, due primarily to greater cash investments in working capital, which offset the impact of improved net earnings.

We paid cash dividends of \$26.2 million and \$7.1 million in the first three 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.

Results of Consolidated Operations

The following tables present our consolidated results of operations:

	Three Months Ended March 31			
	2012	2011	2012 v. 2011	
	(in millions, except per share amounts)			
Net sales	\$ 1,527.6	\$ 1,174.0	\$ 353.6	30.1%
Cost of sales	815.8	649.0	166.8	25.7%
Gross margin	711.8	525.0	186.8	35.6%
Selling, general and administrative expenses	33.8	31.0	2.8	9.0%
Restructuring and integration costs		2.1	(2.1)	(100.0)%
Other operating net	22.3	(31.0)	53.3	(171.9)%
Total other operating costs and expenses	56.1	2.1	54.0	N/M
Equity in earnings of operating affiliates	15.5	11.5	4.0	34.8%
Operating earnings	671.2	534.4	136.8	25.6%
Interest expense	30.9	52.1	(21.2)	(40.7)%
Interest income	(0.4)	(0.3)	(0.1)	33.3%
Other non-operating net	(0.1)	(0.3)	0.2	(66.7)%
Earnings before income taxes and equity in earnings of non-operating affiliates	640.8	482.9	157.9	32.7%
Income tax provision	206.8	158.8	48.0	30.2%
Equity in earnings (loss) of non-operating affiliates net of taxes	(2.3)	8.5	(10.8)	(127.1)%
Net earnings	431.7	332.6	99.1	29.8%
Less: Net earnings attributable to noncontrolling interest	63.3	50.6	12.7	25.1%
Net earnings attributable to common stockholders	\$ 368.4	\$ 282.0	\$ 86.4	30.6%
Diluted net earnings per share attributable to common stockholders	\$ 5.54	\$ 3.91	\$ 1.63	
Diluted weighted average common shares outstanding	66.5	72.1	(5.6)	
Dividends declared per common share	\$ 0.40	\$ 0.10	\$ 0.30	

N/M Not Meaningful

First Quarter of 2012 Compared to the First Quarter of 2011

Consolidated Operating Results

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Our total gross margin increased \$186.8 million to \$711.8 million in the first quarter of 2012 from \$525.0 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 \$219.6 million to \$662.1 million in the first quarter of 2012 compared to \$442.5 million in the same quarter of the prior year due primarily to higher sales volumes and average nitrogen fertilizer selling prices, partially offset by unrealized mark-to-market losses on natural gas derivatives in the current year quarter compared to unrealized gains in the prior year quarter. In the phosphate segment, gross margin decreased by \$32.8 million to \$49.7 million in the first quarter of 2012 compared to \$82.5 million in the first quarter of 2011 due primarily to lower average phosphate fertilizer selling prices and higher sulfur and ammonia costs, partially offset by higher sales volumes.

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CF INDUSTRIES HOLDINGS, INC.

We reported net earnings attributable to common stockholders of \$368.4 million in the first quarter of 2012 compared to net earnings of \$282.0 million in the same quarter of 2011. Our results for the first quarter of 2012 included a \$55.9 million pre-tax unrealized mark-to-market loss (\$34.7 million after tax) on natural gas derivatives.

The net earnings attributable to common stockholders of \$282.0 million in the first quarter of 2011 included \$19.9 million (\$12.3 million after tax) of accelerated amortization of debt issuance costs recognized in interest expense upon repayment of the senior secured term loan related to the Terra acquisition, a \$32.5 million (\$20.0 million after tax) gain on the sale of four dry-product warehouses, \$2.1 million (\$1.3 million after tax) of restructuring and integration costs associated with the Terra acquisition and a \$0.7 million pre-tax unrealized mark-to-market gain (\$0.4 million after tax) on natural gas derivatives.

Net Sales

Our net sales increased \$353.6 million to \$1,527.6 million in the first quarter of 2012 from \$1,174.0 million in the first quarter of 2011. This increase was due primarily to a 22% increase in average nitrogen fertilizer selling prices and higher nitrogen and phosphate fertilizer sales volumes, partially offset by 12% lower phosphate fertilizer average selling prices. Total sales volume in the first quarter of 2012 increased 13% from the prior year period as increases in ammonia, granular urea and phosphate fertilizer sales volumes were partially offset by a decrease in UAN sales volume.

Cost of Sales

Total cost of sales in our nitrogen segment averaged approximately \$190 per ton in the first quarter of 2012 compared to \$170 per ton in the same quarter of 2011. The 12% period-over-period increase in cost of sales per ton was due primarily to unrealized mark-to-market losses on natural gas derivatives in the current year quarter compared to unrealized gains in the prior year quarter. Phosphate segment cost of sales averaged \$400 per ton in the first quarter of 2012 compared to \$376 per ton in the prior year period. This 6% increase was due primarily to higher sulfur and ammonia costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$2.8 million to \$33.8 million in the first quarter of 2012 from \$31.0 million in the first quarter of 2011 due primarily to higher professional service fees, including costs associated with the design and implementation of a new enterprise resource planning (ERP) software system, and higher performance-based incentive compensation.

Other Operating Net

Net other operating expense increased \$53.3 million to \$22.3 million in the first quarter of 2012 as compared to income of \$31.0 million in the first quarter of 2011. The expense recorded in the first three months of 2012 includes costs associated with engineering studies for proposed capital projects at certain nitrogen complexes, losses on the disposal of property, plant and equipment and foreign exchange costs. The income recorded in the first quarter of 2011 consists primarily of a \$32.5 million gain on the sale of four dry-product warehouses.

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CF INDUSTRIES HOLDINGS, INC.

Equity in Earnings of Operating Affiliates

Equity in earnings of operating affiliates in the first quarter of 2012 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 \$4.0 million increase in the first quarter of 2012 is due to improved PLNL operating results.

Interest Net

Net interest expense was \$30.5 million in the first quarter of 2012 compared to \$51.8 million in the same quarter of 2011. The decrease in net interest expense reflected the absence of \$19.9 million of accelerated amortization of debt fees recognized in 2011 upon repayment of the senior secured term loan. Our remaining debt outstanding as of March 31, 2012 consists primarily of our two \$800.0 million series of senior notes due in 2018 and 2020, respectively.

Income Taxes

Our income tax provision for the quarter ended March 31, 2012 was \$206.8 million on pre-tax income of \$640.8 million, or an effective tax rate of 32.3%, compared to an income tax provision of \$158.8 million on pre-tax income of \$482.9 million, or an effective tax rate of 32.9%, in the prior year's first quarter. The effective tax rate for the first quarter of 2012 based upon pre-tax income exclusive of earnings attributable to noncontrolling interests was 35.8% compared to 36.7% in the prior year's first quarter. 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 due to the impact of tax rate increases which were effective in the prior year quarter. 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 Report on Form 10-K for additional information on income taxes.

Equity in Earnings (Loss) of Non-Operating Affiliates Net of Taxes

Equity in earnings (loss) of non-operating affiliates net of taxes consists of our share of the operating results of unconsolidated joint venture interests in GrowHow and Keytrade. The \$2.3 million loss in the first quarter of 2012 compared to \$8.5 million of earnings in the same quarter of 2011 was due primarily to the net loss reported by GrowHow reflecting repairs and maintenance resulting from a fire that occurred in 2011.

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 \$12.7 million increase in net earnings attributable to the noncontrolling interest is due primarily to improved operating results for CFL during the three months ended March 31, 2012 compared to the same period of 2011. During the first quarter of 2012, 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.

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CF INDUSTRIES HOLDINGS, INC.

Diluted Net Earnings Per Share Attributable to Common Stockholders

Diluted net earnings per share attributable to common stockholders increased to \$5.54 in the first quarter of 2012 from \$3.91 in the first quarter 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 during 2011 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.

Nitrogen Segment

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

	Three Months Ended March 31			
	2012	2011		
	2012 v. 2011			
	(in millions, except as noted)			
Net sales	\$ 1,271.7	\$ 925.9	\$ 345.8	37.3%
Cost of sales	609.6	483.4	126.2	26.1%
Gross margin	\$ 662.1	\$ 442.5	\$ 219.6	49.6%
Gross margin percentage	52.1%	47.8%		
Tons of product sold (000s)	3,201	2,841	360	12.7%
Sales volume by product (000s)				
Ammonia	672	410	262	63.9%
Granular urea	758	604	154	25.5%
UAN	1,401	1,454	(53)	(3.6)%
AN	247	244	3	1.2%
Other nitrogen products	123	129	(6)	(4.7)%
Average selling price per ton by product				
Ammonia	\$ 598	\$ 494	\$ 104	21.1%
Granular urea	461	371	90	24.3%
UAN	302	277	25	9.0%
AN	259	251	8	3.2%
Cost of natural gas (per MMBtu) ⁽¹⁾	\$ 3.48	\$ 4.32	\$ (0.84)	(19.4)%
Average daily market price of natural gas (per MMBtu) Henry Hub (Louisiana)	\$ 2.46	\$ 4.16	\$ (1.70)	(40.9)%
Depreciation and amortization	\$ 82.5	\$ 78.3	\$ 4.2	5.4%
Capital expenditures	\$ 36.1	\$ 45.8	\$ (9.7)	(21.2)%
Production volume by product (000s)				
Ammonia ⁽²⁾	1,835	1,847	(12)	(0.6)%
Granular urea	705	651	54	8.3%
UAN (32%)	1,473	1,574	(101)	(6.4)%
AN	242	258	(16)	(6.2)%

(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.

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First Quarter of 2012 Compared to the First Quarter of 2011

Net Sales. Nitrogen segment net sales increased \$345.8 million to \$1,271.7 million in the first quarter of 2012 compared to \$925.9 million in the first quarter of 2011 due primarily to higher average nitrogen fertilizer selling prices and ammonia and granular urea sales volume partially offset by lower UAN sales volume. Average nitrogen fertilizer selling prices increased to \$397 per ton in the first quarter of 2012 from \$326 per ton in the same quarter of 2011 with increases across all products. The favorable nitrogen fertilizer pricing environment resulted from tight industry-wide supply due to increased demand caused by an early start to the North American spring application season, and the anticipation of a high level of planted acres in 2012. Nitrogen segment sales volume in the first quarter of 2012 was 13% higher than in the first quarter of last year due primarily to higher ammonia and granular urea sales volumes partially offset by lower UAN sales volume. The increase in ammonia and granular urea sales volumes was due primarily to an early start to the spring application season. UAN sales volume decreased 4% in the first quarter of 2012 compared to the first quarter of 2011. This decrease reflected our decision to reduce our emphasis on UAN sales given the pricing levels in the marketplace.

Cost of Sales. Total cost of sales in the nitrogen segment averaged approximately \$190 per ton in the first quarter of 2012 compared to \$170 per ton in the first quarter of 2011. The increase in cost of sales per ton is due primarily to unrealized mark-to-market losses on natural gas derivatives of \$55.9 million in the first quarter of 2012 compared to \$0.7 million of unrealized mark-to-market gains in the first quarter of 2011.

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Phosphate Segment

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

	Three Months Ended March 31			
	2012	2011	2012 v. 2011	
	(in millions, except as noted)			
Net sales	\$ 255.9	\$ 248.1	\$ 7.8	3.1%
Cost of sales	206.2	165.6	40.6	24.5%
Gross margin	\$ 49.7	\$ 82.5	\$ (32.8)	(39.8)%
Gross margin percentage	19.4%	33.3%		
Tons of product sold (000s)	516	440	76	17.3%
Sales volume by product (000s)				
DAP	424	331	93	28.1%