CF Industries Holdings, Inc.
Form 10-Q
November 05, 2010

Use these links to rapidly review the document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from _______ to _______

Commission file number: **001-32597**

CF INDUSTRIES HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware (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 ý No o

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 ý No o

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 ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

71,128,739 shares of the registrant's common stock, $0.01 par value per share, were outstanding at October 29, 2010.

CF INDUSTRIES HOLDINGS, INC.

TABLE OF CONTENTS

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
	(in millions, except per share amounts)			
Net sales	$ 917.1	$ 430.1	$ 2,727.4	$ 2,101.7
Cost of sales	747.3	306.1	2,031.8	1,388.4
Gross margin	169.8	124.0	695.6	713.3
Selling, general and administrative	28.8	15.1	73.3	47.0
Restructuring and integration costs	8.6		17.9	
Equity in earnings of operating affiliates	(5.7)		(7.2)	
Other operating net	1.3	19.1	150.9	57.6
Operating earnings	136.8	89.8	460.7	608.7
Interest expense	58.3	0.4	170.6	1.1
Interest income	(0.3)	(2.1)	(1.0)	(4.1)
Loss on extinguishment of debt			17.0	
Other non-operating net	(0.5)		(28.6)	(0.4)
Earnings before income taxes and equity in earnings (loss) of non-operating affiliates	79.3	91.5	302.7	612.1
Income tax provision	18.9	32.1	104.4	220.1
Equity in earnings (loss) of non-operating affiliates net of taxes	10.8	0.6	15.7	(0.8)
Net earnings	71.2	60.0	214.0	391.2
Less: Net earnings attributable to noncontrolling interest	23.0	21.5	65.1	77.0
Net earnings attributable to	$ 48.2	$ 38.5	$ 148.9	$ 314.2

common stockholders

Net earnings per share attributable to common stockholders:								
Basic	$	0.68	$	0.79	$	2.38	$	6.49
Diluted	$	0.67	$	0.78	$	2.35	$	6.38
Weighted average common shares outstanding:								
Basic		71.1		48.5		62.5		48.4
Diluted		71.9		49.3		63.2		49.2
Dividends declared per common share	$	0.10	$	0.10	$	0.30	$	0.30

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	**2009**	**2010**	**2009**
	(in millions)			
Net earnings	$ 71.2	$ 60.0	$ 214.0	$ 391.2
Other comprehensive income (loss):				
Foreign currency translation adjustment	50.8	4.1	20.2	6.4
Unrealized gain (loss) on securities net of taxes	(1.3)	(0.6)	(14.5)	6.4
Defined benefit plans net of taxes	0.5	0.2	2.0	1.0
	50.0	3.7	7.7	13.8
Comprehensive income	121.2	63.7	221.7	405.0
Less: Comprehensive income attributable to the noncontrolling interest	23.8	23.4	65.7	79.9
Comprehensive income attributable to common stockholders	$ 97.4	$ 40.3	$ 156.0	$ 325.1

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2010	December 31, 2009
	(in millions, except share and per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	$ 648.4	$ 697.1
Short-term investments		185.0
Accounts receivable	228.8	167.4
Inventories net	271.1	207.8
Prepaid income taxes	28.6	14.7
Other	22.1	11.1
Total current assets	1,199.0	1,283.1
Property, plant and equipment, net of accumulated depreciation, depletion and amortization of $2,108.0 and $1,927.3	3,928.8	793.8
Asset retirement obligation escrow account	40.2	36.5
Investments in and advances to affiliates	988.5	45.6
Investments in auction rate securities	122.4	133.9
Investment in marketable equity securities		160.2
Goodwill	2,096.4	0.9
Other assets	242.2	40.9
Total assets	$ 8,617.5	$ 2,494.9
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 329.5	$ 172.5
Customer advances	321.1	159.5
Deferred income taxes	43.5	52.6
Distributions payable to noncontrolling interest		92.1
Other	31.2	3.1
Total current liabilities	725.3	479.8
Notes payable	4.8	4.7
Long-term debt	2,250.8	
Deferred income taxes	1,031.6	68.3
Other noncurrent liabilities	303.1	197.2
Contingencies (Note 24)		
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, 2010 71,120,587 and 2009 48,569,985 shares issued and outstanding	0.7	0.5
Paid-in capital	2,721.5	723.5
Retained earnings	1,177.6	1,048.1
Accumulated other comprehensive loss	(36.1)	(43.2)
Total stockholders' equity	3,863.7	1,728.9
Noncontrolling interest	438.2	16.0
Total equity	4,301.9	1,744.9
Total liabilities and equity	$ 8,617.5	$ 2,494.9

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**	**Noncontrolling Interest**	**Total Equity**
					(in millions)			
Balance at December 31, 2008	$ 0.5	$	$ 709.4	$ 703.4	$ (75.2)	$ 1,338.1	$ 12.6	$ 1,350.7
Net earnings				314.2		314.2	77.0	391.2
Other comprehensive income								
Foreign currency translation adjustment					3.5	3.5	2.9	6.4
Unrealized gain on securities net of taxes					6.4	6.4		6.4
Defined benefit plan net of taxes					1.0	1.0		1.0
Comprehensive income						325.1	79.9	405.0
Acquisition of treasury stock under employee stock plans		(1.8)				(1.8)		(1.8)
Issuance of $0.01 par value common stock under employee stock plans		1.8	2.6	(1.5)		2.9		2.9
Stock-based compensation expense			4.7			4.7		4.7
Excess tax benefit from stock-based compensation			4.4			4.4		4.4
Cash dividends ($0.30 per share)				(14.5)		(14.5)		(14.5)
Effect of exchange rates changes							7.9	7.9
Balance at September 30, 2009	$ 0.5	$	$ 721.1	$ 1,001.6	$ (64.3)	$ 1,658.9	$ 100.4	$ 1,759.3
Balance at December 31, 2009	$ 0.5	$	$ 723.5	$ 1,048.1	$ (43.2)	$ 1,728.9	$ 16.0	$ 1,744.9
Net earnings				148.9		148.9	65.1	214.0
Other comprehensive income (loss)								
Foreign currency translation adjustment					19.6	19.6	0.6	20.2
Unrealized loss on securities net of taxes					(14.5)	(14.5)		(14.5)
Defined benefit plan net of taxes					2.0	2.0		2.0
Comprehensive income						156.0	65.7	221.7
Acquisition of Terra Industries Inc.							373.0	373.0
Issuance of $0.01 par value common stock in connection with acquisition of Terra	0.1		881.9			882.0		882.0

Industries Inc.								
Issuance of $0.01 par value common stock in connection with an equity offering, net of costs of $41.3 million	0.1		1,108.5			1,108.6		1,108.6
Acquistion of treasury stock under employee stock plans		(0.7)				(0.7)		(0.7)
Issuance of $0.01 par value common stock under employee stock plans		0.7	0.8	(0.3)		1.2		1.2
Stock-based compensation expense			5.6			5.6		5.6
Excess tax benefit from stock-based compensation			1.2			1.2		1.2
Cash dividends ($0.30 per share)				(19.1)		(19.1)		(19.1)
Declaration of distribution payable							(16.7)	(16.7)
Effect of exchange rates changes							0.2	0.2
Balance at September 30, 2010	$ 0.7	$	$ 2,721.5	$ 1,177.6	$ (36.1)	$ 3,863.7	$ 438.2	$ 4,301.9

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30, 2010	2009
	(in millions)	
Operating Activities:		
Net earnings	$ 214.0	$ 391.2
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	288.5	73.3
Deferred income (benefit) taxes	41.5	49.6
Stock compensation expense	5.8	4.7
Excess tax benefit from stock-based compensation	(1.2)	(4.4)
Unrealized loss (gain) on derivatives	20.9	(84.8)
Inventory valuation allowance	0.4	(57.0)
Loss on extinguishment of debt	17.0	
Gain on sale of marketable equity securities	(28.3)	
Loss (gain) on disposal of property, plant and equipment	(0.1)	0.4
Undistributed (earnings) loss of affiliates net	(31.1)	0.8
Changes in (net of effects of acquisition):		
Accounts receivable	77.6	43.0
Inventories	76.3	427.3
Accrued income taxes	(31.3)	26.6
Accounts payable and accrued expenses	(67.0)	(67.4)
Customer advances net	54.7	(224.5)
Other net	(3.7)	(8.3)
Net cash provided by operating activities	634.0	570.5
Investing Activities:		
Additions to property, plant and equipment	(188.5)	(181.4)
Proceeds from the sale of property, plant and equipment	12.7	8.9
Purchases of short-term securities	(25.5)	(254.9)
Sales and maturities of short-term and auction rate securities	219.5	103.3
Purchase of marketable equity securities		(247.2)
Sale of marketable equity securities	167.1	
Deposit to asset retirement obligation escrow account	(3.7)	(7.5)
Purchase of Terra Industries Inc. net of cash acquired	(3,177.8)	
Other net	31.0	(2.5)
Net cash used in investing activities	(2,965.2)	(581.3)
Financing Activities:		
Proceeds from long-term borrowings	5,197.2	
Payments of long-term debt	(3,708.7)	
Financing fees	(209.1)	
Dividends paid on common stock	(39.1)	(14.5)
Distributions to noncontrolling interests	(110.5)	(112.3)
Issuance of common stock	1,150.0	
Issuances of common stock under employee stock plans	1.2	2.9

Excess tax benefit from stock-based compensation		1.2		4.4
Net cash provided by (used in) financing activities		2,282.2		(119.5)
Effect of exchange rate changes on cash and cash equivalents		0.3		2.8
Decrease in cash and cash equivalents		(48.7)		(127.5)
Cash and cash equivalents at beginning of period		697.1		625.0
Cash and cash equivalents at end of period	$	648.4	$	497.5

See Accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Background and Basis of Presentation

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

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 products in the nitrogen segment are ammonia, urea, urea ammonium nitrate solution, or UAN, and ammonium nitrate, or AN. Our other nitrogen products include diesel exhaust fluid, or DEF, and aqua ammonia, which are sold primarily to our environmental and industrial customers. Our principal 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 U.S. grain-producing states and other major agricultural areas of the United States and Canada. We also export nitrogen fertilizer products from our Donaldsonville, Louisiana manufacturing facilities and phosphate fertilizer products from our Florida phosphate operations through our Tampa port facility. In addition, we hold joint-venture investments in production facilities in the Republic of Trinidad and Tobago and the United Kingdom and a fertilizer trading company near Zurich, Switzerland.

The principal customers for both our nitrogen and phosphate fertilizers are cooperatives and independent fertilizer distributors.

On April 5, 2010, we acquired a controlling interest in Terra Industries Inc. (Terra). On April 15, 2010, pursuant to the March 12, 2010 Agreement and Plan of Merger, Composite Merger Corporation (Composite), an indirect wholly-owned subsidiary of the Company, merged with and into Terra, with Terra continuing as the surviving corporation and becoming an indirect wholly-owned subsidiary of the Company (See Note 4 Terra Acquisition). Accordingly, the results of Terra are included in the Company's consolidated financial statements since April 5, 2010.

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, 2009, 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 annual consolidated financial statements and related notes included in our Current Report on Form 8-K filed with the SEC on April 15, 2010.

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.

2. Summary of Significant Accounting Policies

For a complete discussion of the Company's significant accounting policies, refer to the notes to our audited consolidated financial statements included in our Current Report on Form 8-K, filed with the SEC on April 15, 2010.

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's (FASB) Accounting Standards Codification (ASC) that was effective for periods ending after September 15, 2009, and related Accounting Standards Updates (ASU).

Recently Adopted Pronouncements

In June 2009, the FASB issued an accounting standard that revises the rules for consolidating variable interest entities (ASU No. 2009-17). This standard changes how a reporting entity determines when to consolidate an entity that is insufficiently capitalized or is not controlled through voting (or similar) rights. The determination is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The standard also requires a company to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. We adopted this standard as of January 1, 2010. The adoption of this standard did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued a standard that amends the requirements for transfers of financial assets (ASU No. 2009-16). This standard removes the concept of a qualifying special-purpose entity and removes the exception from applying these rules to qualifying special purpose entities. It also changes the requirements for de-recognizing financial assets and requires additional disclosures about a transferor's continuing involvement in financial assets. We adopted this standard as of January 1, 2010. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2010, the FASB issued a standard pertaining to fair value disclosures (ASU No. 2010-6) that requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2, to describe the reasons for the transfers, and to disclose separately certain additional information about purchases, sales, issuances, and settlements of Level 3 items. This standard also requires an entity to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 and Level 3 items. The standard is effective for interim and annual reporting periods beginning after December 15, 2009, except for the Level 3 disclosure of activity, which is effective for fiscal years beginning after December 15, 2010. We adopted the effective portions of this standard as of March 31,

2010. The adoption of the effective portions of this standard did not have a material impact on our consolidated financial statements.

In February 2010, the FASB issued a standard that removed the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements (ASU No. 2010-09). Generally, this standard was effective immediately upon issuance. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recently Issued Pronouncements

In April 2010, the FASB issued a standard that pertains to stock compensation (ASU No. 2010-13) which clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity shares trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The standard is effective for fiscal years beginning on or after December 15, 2010, and the impact is to be applied by recording a cumulative effect adjustment to beginning retained earnings. We do not expect the adoption of this standard to have a significant impact on our consolidated financial statements.

In July 2010, the FASB issued a standard to improve the disclosures that an entity provides about the credit quality of its receivables used to support financing and the related allowance for credit losses (ASU No. 2010-20). The standard requires an entity to provide greater information about the nature of credit risk inherent in the entity's portfolio of financing receivables, how the risk is analyzed and assessed in arriving at the allowance for credit losses and the changes and reasons for those changes in the allowance for credit losses. As a result, both new and previous disclosures must be disaggregated by portfolio segment or class based on how a company develops its allowance for credit losses and how it manages its credit exposure. This standard is effective for interim and annual reporting periods ending on or after December 15, 2010. We do not expect the adoption of this standard to have a significant impact on our consolidated financial statements.

4. Terra Acquisition

In April of 2010, we completed the acquisition of Terra through the merger of Composite with and into Terra pursuant to the Agreement and Plan of Merger dated as of March 12, 2010 among CF Holdings, Composite and Terra (the Merger Agreement). As a result of the merger, Terra became an indirect wholly-owned subsidiary of the Company. The acquisition of Terra has made the Company a global leader in the nitrogen fertilizer industry, diversifies our asset base and increases our geographic reach and operational efficiency, and significantly increases our scale and capital market presence.

Pursuant to the terms and conditions of the Merger Agreement, each outstanding share of Terra common stock was converted into the right to receive $37.15 in cash and 0.0953 of a share of CF Holdings common stock pursuant to an exchange offer (the Exchange Offer) and second-step merger (the Merger). All restricted stock under Terra's stock option plans and all other Terra equity- based compensation awards, whether vested or unvested as of April 5, 2010, became fully vested and converted into the right to receive cash of $45.93 per share. On April 5, 2010, following the initial expiration of the Exchange Offer, we acquired approximately 79% of Terra's outstanding common stock and commenced a subsequent offering period to acquire the remaining shares of Terra common stock. The subsequent offering period expired April 14, 2010, and on April 15, 2010, we completed the Merger in which Composite merged with and into Terra and Terra became an indirect, wholly-owned subsidiary of CF Holdings. In the Exchange Offer and Merger, CF Holdings issued an aggregate of

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

9.5 million shares of its common stock with a fair value of $882 million and paid an aggregate of $3.2 billion in cash, net of cash acquired, for 100% of Terra's common stock.

Acquisition financing and subsequent equity and debt offerings

We funded the cash requirements of the acquisition with cash on hand and with $1.75 billion of borrowings under a senior secured bridge facility and approximately $1.9 billion of borrowings under a senior secured term loan facility that provided for up to $2.0 billion of borrowings in connection with the Terra acquisition.

On April 21, 2010, CF Holdings completed a public offering of approximately 12.9 million shares of common stock at $89.00 per share. The proceeds of $1.1 billion, net of underwriting discounts and customary fees, were used to repay a portion of the senior secured bridge facility.

On April 23, 2010, CF Industries, Inc. completed a public offering of senior notes in an aggregate principle amount of $1.6 billion. Approximately $645.2 million of the net proceeds of the offering were used to repay in full the remaining outstanding borrowings under the $1.75 billion senior secured bridge facility. We used the remaining proceeds from the offering to repay approximately $864.2 million of the senior secured term loan facility.

In May 2010, we redeemed Terra's 7.75% senior notes due 2019 for $744.5 million and recognized a $17 million loss on the early extinguishment of that debt.

See Note 19 Financing Agreements, for further information regarding these financing arrangements.

Terra Results of Operations

Following are the amounts of net sales and earnings from the acquired Terra businesses included in the Company's results since April 5, 2010. The results of the acquired Terra business are included in the Nitrogen Segment.

	April 5, 2010 through September 30, 2010 (in millions)
Net sales	$ 926.3
Net earnings attributable to Terra Industries Inc.	$ 80.0

Included in the results from the acquired Terra business was a one-time increase in cost of sales of $19.4 million related to the revaluation of Terra's fertilizer inventories as of April 5, 2010 that were sold in the second quarter of 2010. Also included in the results above is additional depreciation and amortization resulting from the increased basis of the depreciable assets and from the recognition of identified finite lived intangible assets resulting from the purchase price allocation.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Supplemental pro forma information

In accordance with ASC 805 *Business Combinations*, presented below are supplemental pro forma results of operations for the three and nine months ended September 30, 2010 and 2009, as if Terra had been acquired on January 1, 2009.

	Pro Forma Three months ended September 30,		Pro Forma Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions, except per share amounts)			
Net sales	$ 917.1	$ 777.1	$ 3,136.3	$ 3,322.0
Net earnings attributable to common stockholders	$ 56.2	$ 35.7	$ 350.3	$ 119.1
Net earnings per share attributable to common stockholders diluted	$ 0.78	$ 0.50	$ 4.88	$ 1.66

The unaudited supplemental pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense resulting from the revaluation of the assets acquired, the impact of adjusting acquired inventory to fair value and the impact of acquisition financing. All transactions costs, including the $123 million termination fee we paid, on behalf of Terra, to Yara International ASA (see Note 11 Other Operating Net for further details) have been reflected as an adjustment in the pro forma results as of January 1, 2009. The pro forma results do not include any anticipated synergies or other effects of the integration of Terra. Adjustments to conform certain accounting policies have not been reflected in the supplemental pro forma results due to the impracticability of estimating such impacts. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the date indicated.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Purchase price and fair values of assets acquired and liabilities assumed

The following table summarizes the calculation of the total purchase price and the preliminary allocation of the purchase price to the assets acquired and liabilities assumed from Terra on April 5, 2010. The purchase price allocation and related valuation process is not complete. Final determination of the fair values may result in further adjustments to the amounts presented below.

(in millions, except per share data)		
Calculation of purchase price		
Total shares of Terra common stock acquired	100.2	
Exchange ratio	0.0953	
Number of shares of CF Holdings common stock issued in exchange offer	9.5	
Closing price of CF Holdings common stock, as of April 5, 2010	$ 92.41	
Fair value of consideration of CF Holdings common stock		$ 882.0
Total Terra shares acquired	100.2	
Cash consideration per share of Terra common stock	$ 37.15	
Cash consideration paid		$ 3,721.3
Total purchase price		$ 4,603.3
Assets acquired and liabilities assumed		
Current assets		$ 966.8
Property, plant and equipment, net		3,095.9
Investments in unconsolidated affiliates		921.5
Goodwill		2,095.5
Other assets		85.2
Total assets acquired		$ 7,164.9
Current liabilities		424.5
Long-term debt		740.5
Deferred tax liabilities noncurrent		928.2
Other liabilities		95.2
Noncontrolling interests		373.2
Total liabilities and noncontrolling interests assumed		$ 2,561.6
Total net assets acquired		$ 4,603.3

Current assets acquired included net cash of $544 million and inventory of $225 million. The acquired property, plant and equipment will be amortized consistent with our existing fixed assets depreciation policy.

The acquisition resulted in the recognition of $2.1 billion of goodwill, which is not deductible for income tax purposes. See Note 6 Goodwill and Other Intangible Assets, for further information on goodwill and the acquired intangibles. Goodwill consists of the excess of the purchase price over the fair value of the acquired assets and represents both the expected synergies that will be generated by the acquisition and the estimated economic value attributable to future opportunities that will arise from the acquisition. Synergies are anticipated in the following areas: overhead reduction through headquarters consolidation and other centralization, logistics optimization including reductions in transportation spending by reducing shipping distances and the size of our transportation fleet,

optimization of sales mix, procurement improvements, distribution facility optimization and other operating process improvements in areas such as inventory management, production efficiency, turnaround management, capital spending and spare parts management.

5. Restructuring and Integration Costs

During the three and nine months ended September 30, 2010, we incurred $8.6 million and $17.9 million, respectively, of restructuring and integration costs related to our acquisition of Terra. The restructuring costs relate to employee termination benefits. The integration costs relate to our incremental costs such as consulting and other professional fees directly related to integrating Terra.

Our restructuring and integration costs consist of the following:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	(in millions)	
Integration	$ 4.9	$ 13.1
Restructuring	3.7	4.8
Total	$ 8.6	$ 17.9

In connection with the acquisition of Terra, our management approved a restructuring plan which includes the consolidation of our corporate headquarters, including the eventual closure of our Sioux City, IA offices. The total expected cost of the plan is approximately $10 million, which includes employee termination costs associated with the elimination of approximately 125 positions. As of September 30, 2010, we had notified 103 employees that their positions have been or will be eliminated and have recognized a total of $4.8 million of related expenses. We expect to record the remaining employee termination costs by the end of 2011 based on the timing of planned terminations.

The following table summarizes our restructuring activity for the three months ended September 30, 2010:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	(in millions)	
Reserve balance beginning	$ 1.1	$
Employee termination expense	3.7	4.8
Cash payments	(3.1)	(3.1)
Reserve balance ending	$ 1.7	$ 1.7

6. Goodwill and Other Intangible Assets

The following table shows the carrying amount of goodwill by business segment:

	Nitrogen Segment	Phosphate Segment	Total
		(in millions)	
Balance at December 31, 2009	$	$ 0.9	$ 0.9
Goodwill related to acquisition of Terra	2,095.5		2,095.5
Balance at September 30, 2010	$ 2,095.5	$ 0.9	$ 2,096.4

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

The April 2010 acquisition of Terra (see Note 4 Terra Acquisition) resulted in goodwill of $2.1 billion, which is not deductible for income tax purposes. Intangible assets identified with the acquisition of Terra amounted to $60.0 million.

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

	At September 30, 2010			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted-average Amortization Period (years)
	(in millions)			
Intangible assets:				
Customer relationships	$ 50.0	$ (1.4)	$ 48.6	18
TerraCair Brand	10.0	(0.5)	9.5	10
Total intangible assets	$ 60.0	$ (1.9)	$ 58.1	

The following table provides information regarding amortization expense of our identifiable intangibles:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	(in millions)	
Amortization expense	$ 0.9	$ 1.9

Total estimated amortization expense for 2010 and the five succeeding fiscal years is as follows:

	Estimated Amortization Expense
	(in millions)
2010	$ 2.8
2011	3.8
2012	3.8
2013	3.8
2014	3.8
2015	3.8
	$ 21.8

7. Noncontrolling Interest

Canadian Fertilizers Limited (CFL)

CFL is a variable interest entity that 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

CF INDUSTRIES HOLDINGS, INC.

urea. CFL's net sales for the three and nine months ended September 30, 2010 were $103.6 million and $323.1 million, respectively, and for the three and nine months ended September 30, 2009 were $93.7 million and $366.3 million, respectively. CFL's assets and liabilities at September 30, 2010 were $234.2 million and $185.6 million, respectively, and at December 31, 2009 were $356.6 million and $309.0 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. receives at least 66% of the economic risks and rewards of CFL.

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 statement of operations represent Viterra's 34% interest in the distributed and undistributed earnings of CFL. A portion of the amounts reported as noncontrolling interest on our consolidated balance sheet 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. Through our acquisition of Terra in April 2010, we own an aggregate 75.3% of TNCLP through general and limited partnership interests. Outside investors own 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

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

statements. The noncontrolling interest represents the noncontrolling unitholders' interest in the equity of TNCLP.

TNCLP makes cash distributions to the general and limited partners based upon formulas defined within the Agreement of Limited Partnership. Cash available for distribution is defined in the agreement generally as all cash receipts less all cash disbursements, adjusted for changes in certain reserves established as the general partner determines in its reasonable discretion to be necessary. 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 2010, the minimum quarterly distributions were satisfied, which entitled us to receive increased earnings as provided for in the Agreement of Limited Partnership. The earnings attributed to our general partnership interest in excess of the threshold levels were $32.9 million for the nine months ended September 30, 2010.

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

	Nine months ended September 30,			
	2010			2009
	CFL	TNCLP	Total	CFL
	(in millions)			
Noncontrolling interest:				
Beginning balance	$ 16.0	$	$ 16.0	$ 12.6
Terra acquistion		373.0	373.0	
Earnings attributable to noncontrolling interest	48.4	16.7	65.1	77.0
Declaration of distribution payable		(16.7)	(16.7)	
Effect of exchange rate changes	0.8		0.8	10.8
Ending balance	$ 65.2	$ 373.0	$ 438.2	$ 100.4
Distributions payable to noncontrolling interest:				
Beginning balance	$ 92.1	$	$ 92.1	$ 106.0
Declaration of distributions payable		16.7	16.7	
Distributions to noncontrolling interest	(93.8)	(16.7)	(110.5)	(112.3)
Effect of exchange rate changes	1.7		1.7	6.3
Ending balance	$	$	$	$

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

8. Fair Value Measurements

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

	September 30, 2010				December 31, 2009			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in millions)							
Cash	$ 46.4	$	$	$ 46.4	$ 17.0	$	$	$ 17.0
U.S. federal government obligations	592.9			592.9	658.2			658.2
Other debt securities	9.1			9.1	21.9			21.9
Total cash and cash equivalents	$ 648.4	$	$	$ 648.4	$ 697.1	$	$	$ 697.1
Short-term investments					185.0			185.0
Investment in marketable equity securities					138.8	21.4		160.2
Investments in auction rate securities	129.1		(6.7)	122.4	138.4		(4.5)	133.9
Asset retirement obligation escrow account	40.2			40.2	36.5			36.5
Nonqualified employee benefit trusts	20.4		(1.1)	19.3	9.8		(1.2)	8.6

Under our short-term investment policy, we may invest our cash balances in several types of securities, including notes and bonds issued by governmental entities or corporations, and money market funds. Securities issued by governmental 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.

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 September 30, 2010 and December 31, 2009 that are recognized at fair value on a recurring basis, and indicates the fair value hierarchy utilized to determine such fair value.

	Balance as of September 30, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Cash and cash equivalents	$ 648.4	$ 648.4	$	$
Unrealized gains on natural gas derivatives	0.4		0.4	
Asset retirement obligation escrow account	40.2	40.2		
Investments in auction rate securities	122.4			122.4
Nonqualified employee benefit trusts	19.3	19.3		
Total assets at fair value	$ 830.7	$ 707.9	$ 0.4	$ 122.4
Unrealized losses on natural gas derivatives	$ 27.6	$	$ 27.6	$
Total liabilities at fair value	$ 27.6	$	$ 27.6	$

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

	Balance as of December 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in millions)		
Cash and cash equivalents	$ 697.1	$ 697.1	$	$
Available-for-sale short-term investments	185.0	185.0		
Unrealized gains on natural gas derivatives	3.8		3.8	
Asset retirement obligation escrow account	36.5	36.5		
Investments in auction rate securities	133.9			133.9
Investment in marketable equity securities	160.2	160.2		
Nonqualified employee benefit trust	8.6	8.6		
Total assets at fair value	$ 1,225.1	$ 1,087.4	$ 3.8	$ 133.9
Unrealized losses on natural gas derivatives	$ 0.9	$	$ 0.9	$
Total liabilities at fair value	$ 0.9	$	$ 0.9	$

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

Cash and Cash Equivalents

At September 30, 2010 and December 31, 2009, our cash and cash equivalents consisted primarily of U.S. Treasury Bills with original maturities of three months or less and money market mutual funds that invest in U.S. government obligations.

Short-term Investments

At December 31, 2009, our short-term investments consisted of U.S. Treasury Bills with original maturities between three and nine months. These investments are accounted for as available-for-sale securities. The fair value of our short-term investments is based upon the daily quoted market prices for each of our investments.

Natural Gas Derivatives

The derivative instruments that we currently use are primarily natural gas swaps and options. These contracts settle using primarily NYMEX futures price indexes, which represent the basis for fair value at any given time. The contracts are traded in months forward and settlements are scheduled to coincide with anticipated gas purchases during those future periods. Quoted market prices are observable inputs used to determine the fair value of these instruments. See Note 21 Derivative Financial Instruments for additional information.

Asset Retirement Obligation Escrow Account

We place funds in an escrow account to meet our financial assurance requirements associated with certain asset retirement obligations in Florida. The investments in this escrow account are accounted for as available-for-sale securities. The fair value of the escrow account is based upon daily quoted prices representing the Net Asset Value (NAV) of the investments. See Note 18 Asset Retirement Obligations for additional information. The fair value of this account approximates its cost basis.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Investments in Auction Rate Securities

Auction rate securities 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 auction rate securities has failed since early 2008 the securities are illiquid. During the third quarter of 2010, $0.9 million of our securities were either sold or redeemed at par value outside of the auction process. The investments in auction rate securities held at September 30, 2010 are supported by student loans that were originated primarily under the Federal Family Education Loan Program (FFELP) and are guaranteed by entities affiliated with governmental entities. However, we will not be able to access the remaining funds until such time as an auction for these securities is successful, buyers are found outside the auction process, and/or the securities are redeemed by the issuer.

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 have classified these investments as noncurrent assets on our consolidated balance sheets. These auction rate securities have maturities that range up to 37 years. As of September 30, 2010, the carrying values by range of maturity are as follows:

	(in millions)
Less than 1 year	$
1 year up to 20 years	11.9
20 years up to 30 years	66.1
30 years up to 40 years	44.4
	$ 122.4

We currently intend to hold our auction rate securities 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.

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

Investment in Marketable Equity Securities

At December 31, 2009, our investment in marketable equity securities consisted of approximately 5.0 million shares of Terra Industries Inc. common stock, which we acquired through open market purchases in the third quarter of 2009. These shares were classified as noncurrent available-for-sale securities. The fair value of the securities was based on the daily quoted market price. See Note 12 Other Non-Operating-Net for additional information.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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.

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 auction rate securities. 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 or liability. 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, 2010	$ 133.9
Sales and redemptions	(9.3)
Unrealized loss included in other comprehensive income	(2.2)
Fair value, September 30, 2010	$ 122.4

9. Net Earnings Per Share

Net earnings per share were computed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions, except per share amounts)			
Net earnings attributable to common stockholders	$ 48.2	$ 38.5	$ 148.9	$ 314.2
Basic earnings per common share:				
Weighted average common shares outstanding	71.1	48.5	62.5	48.4
Net earnings attributable to common stockholders	$ 0.68	$ 0.79	$ 2.38	$ 6.49
Diluted earnings per common share:				
Weighted average common shares outstanding	71.1	48.5	62.5	48.4
Dilutive common shares stock options	0.8	0.8	0.7	0.8
Diluted weighted average shares outstanding	71.9	49.3	63.2	49.2
Net earnings attributable to common stockholders	$ 0.67	$ 0.78	$ 2.35	$ 6.38

In the computation of diluted net earnings per common share for the three and nine months ended September 30, 2010, approximately 0.4 million and 0.3 million, respectively, potentially dilutive stock options were excluded because the effect of their inclusion would have been anti-dilutive.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

10. Pension and Other Postretirement Benefits

CF Industries, Inc. and certain of its subsidiaries maintain noncontributory, defined benefit pension plans. Certain U.S. and Canadian pension plans are closed plans. We also provide group insurance to certain retirees. The benefits and eligibility requirements vary depending on the specific plan provisions.

Net periodic benefit cost included the following components:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Pension Plans				
Service cost for benefits earned during the period	$ 2.6	$ 1.6	$ 7.0	$ 4.7
Interest cost on projected benefit obligation	8.9	4.0	22.0	12.0
Expected return on plan assets	(9.1)	(4.0)	(22.5)	(12.0)
Amortization of prior service cost		0.1		0.1
Amortization of actuarial loss	1.0	0.3	2.9	1.0
Net periodic benefit cost	$ 3.4	$ 2.0	$ 9.4	$ 5.8
Retiree Medical				
Service cost for benefits earned during the period	$ 0.6	$ 0.5	$ 1.6	$ 1.4
Interest cost on projected benefit obligation	0.6	0.7	1.9	1.9
Amortization of transition obligation	0.1		0.3	0.2
Amortization of actuarial loss	0.1	0.1	0.3	0.2
Net periodic benefit cost	$ 1.4	$ 1.3	$ 4.1	$ 3.7

Our 2010 consolidated pension funding contributions are estimated to be approximately $13 million, of which approximately $5.6 million was funded in the first nine months of 2010.

In addition to our qualified defined benefit pension plans, we also maintain nonqualified supplemental pension plans for highly compensated employees as defined under federal law. The expense recognized for these plans for the three and nine months ended September 30, 2010 and 2009 was insignificant.

11. Other Operating Net

Details of other operating costs are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Business combination costs	$ (0.5)	$ 3.2	$ 144.6	$ 27.4
Peru project development costs	0.8	15.5	5.4	25.7
Bartow costs	1.4	0.5	3.2	2.4
Fixed asset disposals	(0.5)	(0.3)	(0.6)	0.5

Other		0.1		0.2		(1.7)		1.6
	$	1.3	$	19.1	$	150.9	$	57.6

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Business combination costs include expenses associated with the Terra acquisition including the $123 million termination fee that was paid on behalf of Terra to Yara International ASA. See Note 4 Terra Acquisition for additional discussion of these events.

Bartow costs consist of provisions for asset retirement obligations (ARO) and site maintenance costs at this closed facility. The AROs involve costs of closure and post-closure maintenance and monitoring for the phosphogypsum stack and cooling pond, and water treatment costs.

12. Interest Expense

Interest expense consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Interest on borrowings	$ 38.4	$	$ 81.1	$ 0.1
Fees on financing agreements	22.1	0.4	93.7	0.9
Interest capitalized and other	(2.2)		(4.2)	0.1
	$ 58.3	$ 0.4	$ 170.6	$ 1.1

The fees on financing agreements for the three and nine months ended September 30, 2010, includes $14.7 million and $73.7 million, respectively, of accelerated amortization of debt issuance costs recognized upon repayment of the senior secured bridge loan and partial repayment of the senior secured term loan. Refer to Note 19 Financing Agreements, for additional information.

13. Other Non-Operating Net

Details of other non-operating costs are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Gain on sale of marketable equity securities	$	$	$ (28.3)	$
Other income	(0.5)		(0.3)	(0.4)
	$ (0.5)	$	$ (28.6)	$ (0.4)

In January 2010, we sold approximately 5.0 million shares of Terra common stock. As a result of these sales, we reported a pre-tax gain of $28.3 million.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

14. Income Taxes

In connection with our initial public offering (IPO) in August 2005, CF Industries, Inc. (CFI) ceased to be a non-exempt cooperative for income tax purposes, and we entered into a net operating loss agreement (NOL Agreement) with CFI's pre-IPO owners relating to the future utilization of the pre-IPO net operating loss carryforwards (NOLs). Under the NOL Agreement, if it is finally determined that the NOLs can be utilized to offset applicable post-IPO taxable income, we will pay the pre-IPO owners amounts equal to the resulting federal and state income taxes actually saved.

In the first quarter of 2010, we took tax return positions utilizing a portion of the NOLs. As the result of these return positions, our unrecognized tax benefits increased by $4.5 million from $89.1 million at December 31, 2009 to $93.6 million at March 31, 2010. In the second quarter of 2010, as a result of our acquisition of Terra, our unrecognized tax benefits increased by $34.7 million for tax return positions previously taken by Terra, bringing our unrecognized tax benefits at September 30, 2010 to $128.3 million. The amount of unrecognized tax benefits at September 30, 2010 which, if recognized, would affect our effective tax rate is $53 million. In general, filed tax returns remain subject to examination by United States tax jurisdictions for tax years 2000 and thereafter and by non-U.S. tax jurisdictions for tax years 2003 and thereafter.

The effective tax rate for the current quarter based on reported pre-tax income of $79.3 million was 23.8%, compared to 35.1% in the prior year's quarter. The effective tax rate based on pre-tax income exclusive of earnings attributable to noncontrolling interests was 33.6% compared to 45.9% in the prior year's quarter. The effective tax rate exclusive of earnings attributable to noncontrolling interests was higher than the United States statutory tax rate of 35% in both periods due to the impact of non-deductible costs associated with our acquisition of Terra and the Peru project. The effective tax rate for the 2010 period was reduced by the impact of recording the cumulative effect of a reduction in the expected annual effective tax rate which resulted from a revision in projected results for the year.

For additional information concerning the income tax matters noted above, see Note 14 Income Taxes, to our audited consolidated financial statements included in our Current Report on Form 8-K filed with the SEC on April 15, 2010.

In conjunction with the allocation of the purchase price of the Terra acquisition (see Note 4 Terra Acquisition), the Company is evaluating its position with respect to United States income taxation of the earnings of the acquired international subsidiaries and affiliated corporate joint ventures. Subsequent to the acquisition, the Company has not altered Terra's previous position that the earnings of these entities were permanently reinvested under the provisions of ASC Topic 740 *Income Taxes*, and no U.S. income taxes have been provided with respect to their current period or accumulated earnings. The Company's review of this matter will entail an evaluation of its worldwide investment and funding requirements and other considerations. Completion of the review may result in a change in the Company's position related to these entities regarding earnings reinvestment, related financial statement impacts, and possible earnings repatriations.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

15. Inventories

Inventories consist of the following:

	September 30, 2010	December 31, 2009
	(in millions)	
Fertilizer	$ 210.3	$ 157.3
Raw materials, spare parts and supplies	60.8	50.5
	$ 271.1	$ 207.8

16. 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 nine months ended September 30, 2010 and 2009:

	Nine months ended September 30, 2010	2009
	(in millions)	
Net capitalized turnaround costs:		
Beginning balance	$ 57.4	$ 40.6
Additions	26.1	34.1
Depreciation	(20.2)	(19.2)
Effect of exchange rate changes	0.6	1.3
Ending balance	$ 63.9	$ 56.8

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 catalyst 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. Capitalized turnaround costs have been applied consistently in the periods presented. Internal employee costs and overhead are not considered turnaround costs and are not capitalized.

17. Equity Method Investments

Equity method investments consist of the following:

	September 30, 2010	December 31, 2009
	(in millions)	
Operating equity method investments	$ 416.4	$
Non-operating equity method investments	572.1	45.6
	$ 988.5	$ 45.6

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Operating Equity Method Investments

As a result of our April 2010 acquisition of Terra, we have investments accounted for under the equity method for which results are included in operating earnings. These consist of the following: (1) 50% ownership interest in Point Lisas Nitrogen Limited (PLNL), which operates an ammonia production facility in the Republic of Trinidad and Tobago and (2) 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 since April 2010, are summarized below:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Condensed income statement information:				
Net sales	$ 57.0	$	$ 93.4	$
Net earnings	$ 18.5	$	$ 24.7	$
Equity in earnings of operating affiliates	$ 5.7	$	$ 7.2	$

	September 30, 2010	December 31, 2009
	(in millions)	
Condensed balance sheet information:		
Current assets	$ 84.2	$
Long-term assets	148.9	
Total assets	$ 233.1	$
Current liabilities	$ 28.9	$
Long-term liabilities	19.7	
Equity	184.5	
Total liabilities and equity	$ 233.1	$

The carrying value of these investments at September 30, 2010 was $416.4 million, which was $324.1 million more than our share of the affiliates' book value. The excess is primarily attributable to the revaluation of fixed assets, the value of an exclusive natural gas contract and goodwill. The increased bases for fixed assets and the gas contract are being depreciated over a period of approximately 23 years and 13 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.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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. Since the date of our merger with Terra, we have purchased approximately $44.5 million worth of ammonia from PLNL.

We received $1.7 million in distributions from our operating equity method investments since the date of our merger with Terra. At September 30, 2010, the amount of our consolidated retained earnings that represents our undistributed earnings of operating equity method investments was not significant.

Non-Operating Equity Method Investments

Our non-operating equity method investments consist of the following: (1) 50% ownership of KEYTRADE AG (Keytrade), a fertilizer trading company headquartered near Zurich, Switzerland and (2) through the acquisition of Terra, a 50% ownership in 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 (as successor to Terra) and Yara International ASA (Yara). In conjunction with the formation of GrowHow in 2007, the joint venture commenced closure of its Severnside, U.K. facility. Pursuant to the 2007 agreement with Yara, we are responsible for the remediation costs required to prepare the Severnside site for disposal. We estimate that $1 to $2 million of remediation costs remain that will be incurred during the remainder of 2010.

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Condensed income statement information:				
Net sales	$ 534.4	$ 178.2	$ 1,138.3	$ 617.1
Net earnings	$ 27.8	$ 4.0	$ 45.8	$ 2.3
Equity in earnings (loss) of non-operating affiliates	$ 10.8	$ 0.6	$ 15.7	$ (0.8)

	September 30, 2010	December 31, 2009
	(in millions)	
Condensed balance sheet information:		
Current assets	$ 392.7	$ 93.8
Long-term assets	275.6	0.5
Total assets	$ 668.3	$ 94.3
Current liabilities	$ 312.3	$ 42.7
Long-term liabilities	127.8	17.3
Equity	228.2	34.3
Total liabilities and equity	$ 668.3	$ 94.3

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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 both September 30, 2010 and December 31, 2009, the amount of the outstanding advances to Keytrade on our consolidated balance sheet was $12.4 million. For the nine months ended September 30, 2010 and 2009, we recognized interest income on advances to Keytrade of $0.1 million and $0.2 million, respectively. 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 September 30, 2010 was $559.7 million, which was $445.6 million more than our share of the affiliates' book value. The excess is attributable to the impact of our acquisition of Terra and reflects primarily the revaluation of fixed assets, identifiable intangibles and goodwill. The increased basis for fixed assets and identifiable intangibles are being depreciated over periods ranging from 3 to 15 years. Our equity in earnings of non-operating affiliates is different than our ownership interest in their net earnings due to the amortization of basis differences.

At September 30, 2010, the amount of our consolidated retained earnings that represents our undistributed earnings of non-operating equity method investments is $20.2 million.

18. Asset Retirement Obligations

Asset retirement obligations (AROs) 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, 2009 to September 30, 2010 are summarized below:

	(in millions)
Obligation at December 31, 2009	$ 103.7
Accretion expense	6.0
Liabilities incurred	1.2
Expenditures	(5.9)
Changes in estimate	8.9
Obligation at September 30, 2010	$ 113.9

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 Plant City 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.

The $8.9 million change in estimate in 2010 relates primarily to a change in the mining plan at our Hardee County, FL phosphate rock mine. Of this amount, $6.9 million was recorded as an increase in property, plant and equipment and $2.0 million was charged to earnings, primarily cost of sales.

CF INDUSTRIES HOLDINGS, INC.

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

	September 30, 2010	December 31, 2009
	(in millions)	
Current portion	$ 9.0	$ 11.1
Noncurrent portion	104.9	92.6
	$ 113.9	$ 103.7

Florida regulations require phosphate fertilizer companies to demonstrate financial assurance for the closure of phosphogypsum stack systems, for mine reclamation activities, and for wetland and other surface water mitigation measures. In the first quarters of 2010 and 2009, we made annual contributions of $3.7 million and $7.5 million, respectively, to an escrow account established for the benefit of the Florida Department of Environmental Protection (FDEP) as a means of complying with Florida's regulations governing financial assurance related to the closure and maintenance of phosphogypsum stack systems.

As described in Note 24 Contingencies, in the third quarter of 2010 we entered into a Consent Decree with the U.S. EPA and the FDEP with respect to our Plant City, Florida phosphate fertilizer complex and its compliance with the Resource Conservation and Recovery Act (RCRA). The Consent Decree became effective on September 28, 2010. In addition to requirements to pay certain penalties, modify certain operating practices, and undertake certain capital improvement projects, the Consent Decree requires the Company to provide financial assurance with respect to its ability to fund the closure, long-term maintenance, and monitoring costs for the Plant City phosphogypsum stack, as well as any costs incurred to manage the water contained in the stack system upon closure. Initially we will provide financial assurance beyond the Company's current obligations under Florida law by funding a trust, although the required funding may be reduced if the Company meets certain financial metrics in the future. On October 20, 2010, we deposited approximately $54.8 million into the trust and transferred approximately $26.9 million from our existing escrow account described above, resulting in a total deposit into the trust of approximately $81.7 million. This sum is fifty percent (50%) of the currently estimated closure and long term care cost for the phosphogypsum stack system as estimated under the Consent Decree. We must fund the remaining 50% of the estimated closure and long term care costs in 2011 and 2012. Additional funding may be required in the future if the estimate of total closure and maintenance costs increases.

Prior to the Consent Decree, the Company's financial assurance requirements for the closure, long-term maintenance, and monitoring costs for the Plant City phosphogypsum stack system were determined solely by Florida regulations which would have required funding of the escrow account over a period of years. With the entry of the Consent Decree described above, the Company effectively is required to fund the greater of the requirements under the Consent Decree or Florida law, which may vary over time.

With respect to the Bartow Phosphate Complex, we are required under Florida law to maintain the existing Florida escrow account for the closure, long-term maintenance, and monitoring costs for its phosphogypsum stack system.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

19. Financing Agreements

Long-term debt consisted of the following:

	September 30, 2010	December 31, 2009
	(in millions)	
Term loan	$ 637.8	$
Unsecured senior notes:		
6.875% due 2018	800.0	
7.125% due 2020	800.0	
7.0% due 2017	13.0	
	$ 2,250.8	$
Less: Current portion		
Net long-term debt	$ 2,250.8	$

Bridge Loan Agreement

On April 5, 2010, CF Industries Holdings, Inc. (the Company or CF Holdings), as a guarantor, and CF Industries, Inc. (CF Industries), as borrower, entered into a senior bridge loan agreement (the Bridge Loan Agreement) with Morgan Stanley Senior Funding, Inc. (MSSF) and certain other lenders, which provided for multiple-draw bridge loans (Bridge Loans) of up to $1.75 billion. CF Industries drew Bridge Loan borrowings of $1.75 billion to finance, in part, the acquisition of Terra, including the exchange offer (the Exchange Offer) and the merger (the Merger) described in Note 4 Terra Acquisition; to refinance certain existing indebtedness of Terra and its subsidiaries; and to pay associated fees and expenses. The Bridge Loans were repaid in full with proceeds from the issuance of our common stock described in Note 23 Stockholders Equity and the issuance of CF Industries senior notes described in this Note 19 under "Senior Notes due 2018 and 2020," and we terminated the Bridge Loan Agreement on April 23, 2010.

Credit Agreement

On April 5, 2010, the Company, as a guarantor, and CF Industries, as borrower, entered into a $2.3 billion senior Credit Agreement, with certain lenders, including MSSF, and MSSF as agent for such lenders and as collateral agent (the Credit Agreement), which provided for multiple-draw term loans (Term Loans) of up to $2.0 billion (collectively, the Term Facility) through the date of the Merger and provides for a revolving credit facility of up to $500 million (the Revolving Credit Facility). All loans outstanding under the Credit Agreement bear interest at a variable rate based on an applicable margin over LIBOR or a base rate and must be repaid by April 5, 2015. CF Industries is required to make minimum quarterly scheduled amortization payments of the Term Loans prior to the maturity of the Term Facility in an amount equal to 0.25% of the principal amount of the Term Loans borrowed.

Borrowings under the Revolving Credit Facility may be used for working capital and general corporate purposes of the Company and its subsidiaries (subject to certain limitations). At September 30, 2010, there was $482.9 million of available credit under the Revolving Credit Facility (net of outstanding letters of credit), and there were no borrowings outstanding.

CF Industries borrowed approximately $1.9 billion in the form of Term Loans to finance, in part, the acquisition of Terra, including the Exchange Offer and the Merger; to refinance certain existing indebtedness of Terra and its subsidiaries; and to pay fees and expenses in connection with the foregoing. In the second quarter of 2010, we repaid approximately $864.2 million of the Term Loan

Table of Contents

borrowings with proceeds from the issuance of the CF Industries senior notes described in this Note 19 under "Senior Notes due 2018 and 2020." In the third quarter of 2010, we repaid an additional $350 million of the Term Loan borrowings with cash from operations. At September 30, 2010, the carrying value of the outstanding Term Loans was $637.8 million and the fair value was approximately $653.3 million.

The Company may make repayments of the term loan from time to time without premium or penalty, and must apply to repayments any net cash proceeds from the issuance of equity securities, from the issuance of certain indebtedness, from the disposition of assets, or from certain cash casualty insurance proceeds and condemnation awards, with certain exceptions. CF Industries is also required to repay Term Loans annually to the extent of 50% of the excess cash flow of the Company and its subsidiaries (which percentage may be reduced based on the achievement of certain total leverage ratio targets).

The Credit Agreement requires that the Company maintain a minimum interest coverage ratio and a maximum leverage ratio and includes other customary terms and conditions, including negative covenants and events of default.

The obligations of CF Industries under the Credit Agreement are 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 Credit Agreement are secured by senior liens on substantially all of the assets of CF Industries and the Guarantors, subject to certain exceptions.

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), which are guaranteed by the Company and certain wholly-owned subsidiaries of the Company other than CF Industries.

The 2018 Notes bear interest at a rate of 6.875% per annum, payable semiannually on May 1 and November 1 beginning on November 1, 2010, 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 beginning on November 1, 2010, 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 and that require CF Industries, in the event of specified changes of control involving the Company or CF Industries, to offer to repurchase the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

At September 30, 2010, the carrying value of the 2018 Notes and 2020 Notes was $1.6 billion and the fair value was approximately $1.738 billion.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Terra Industries Senior Notes

In October 2009, Terra issued $600 million of 7.75% Senior Notes due 2019 (2019 Notes). On April 15, 2010, the 2019 Notes were called for redemption in accordance with their terms, and the indenture governing the notes was satisfied and discharged. As a result of redeeming the 2019 Notes, we recorded a $17.0 million loss on extinguishment of debt.

In February 2007, Terra issued $330 million of 7% Senior Notes due 2017 (2017 Notes). In October 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 September 30, 2010, the carrying value of the 2017 Notes that remain outstanding was $13 million and the fair value was approximately $12.4 million.

TNCLP Credit Agreement

Terra Nitrogen Company L.P. (TNCLP) and Terra Nitrogen, Limited Partnership (TNLP), which as of April 5, 2010 became consolidated subsidiaries of ours (see Note 4 Terra Acquisition), terminated a $50 million revolving credit facility, subject to a borrowing base, effective September 28, 2010. At September 28, 2010, there were no amounts outstanding under the facility.

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, 2011 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.

20. Leases

At September 30, 2010 our future minimum remaining payments under noncancelable operating leases, barge charters, and terminal and warehouse storage agreements are as follows:

	Operating Lease Payments (in millions)
2010	$ 18.3
2011	55.8
2012	45.3
2013	26.2
2014	19.9
Thereafter	65.5
	$ 231.0

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

21. 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 not exceeding three years. We use natural gas derivative instruments primarily to lock in a substantial portion of our margin on sales under the 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 swaps and options. These contracts settle using primarily NYMEX futures price indexes, which represent 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 in the consolidated balance sheets at fair value with changes in their fair value recognized immediately in earnings, unless the normal purchase and sale exemption applies. We use natural gas derivatives primarily as an economic hedge of gas price risk, but without the application of hedge accounting. Accordingly, changes in the fair value of the derivatives are recorded in cost of sales as the changes occur. Cash flows related to natural gas derivatives are reported as operating activities.

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Realized losses	$ (8.3)	$ (6.3)	$ (23.2)	$ (114.4)
Unrealized mark-to-market gains (losses)	(25.7)	1.9	(21.8)	84.8
Net derivative losses	$ (34.0)	$ (4.4)	$ (45.0)	$ (29.6)

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 8 Fair Value Measurements.

	September 30, 2010	December 31, 2009
	(in millions)	
Unrealized gains in other current assets	$ 0.4	$ 3.8
Unrealized losses in other current liabilities	(27.6)	(0.9)
Net unrealized derivative gains (losses)	$ (27.2)	$ 2.9

As of September 30, 2010 and December 31, 2009, we had open derivative contracts for 72.6 million MMBtus and 11.0 million MMBtus, respectively, of natural gas. For the nine months ended September 30, 2010, we used derivatives to cover approximately 47.5% 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 September 30, 2010, we had $3.6 million of cash collateral on deposit with counterparties for derivative contracts. We had no cash collateral on deposit with counterparties for derivative contracts at December 31, 2009.

As of September 30, 2010, the aggregate fair value of the derivative instruments with credit risk related contingent features in a net liability position was $27.2 million, and the amount of collateral that we could have been required to post with derivative counterparties if we had failed to meet all credit risk contingent thresholds at that date could have been up to $27.1 million. As of December 31, 2009, we were not in a net liability position with any derivative counterparty.

For derivatives that are in net asset positions, we are exposed to credit loss from nonperformance by the counterparties. We control our credit risk through the use of multiple counterparties, individual credit limits, monitoring procedures, cash collateral requirements and master netting arrangements. As of September 30, 2010 we had no derivative contracts that were in a net asset position, and as of December 31, 2009, our exposure to credit loss from nonperformance by counterparties to derivative instruments was insignificant.

The master netting arrangements with respect to certain of 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.

22. Stock-Based Compensation

We grant stock-based compensation awards under the CF Industries Holdings, Inc. 2009 Equity and Incentive Plan (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 through September 30, 2010 is presented below:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2010	1,742,278	$ 30.88	$ 107.7
Granted	221,400	79.10	
Exercised	(41,201)	28.94	
Forfeited	(30,716)	84.93	
Outstanding at September 30, 2010	1,891,761	35.69	115.8
Exercisable at September 30, 2010	1,569,516	25.85	111.2

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

A summary of restricted stock activity under the Plan through September 30, 2010 is presented below:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2010	95,106	$ 77.38
Granted	68,352	76.33
Restrictions lapsed (vested)	(39,676)	53.08
Forfeited	(13,380)	86.63
Outstanding at September 30, 2010	110,402	84.34

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 resulting from the Plan for the three and nine months ended September 30, 2010 and 2009.

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(in millions)			
Stock-based compensation expense	$ 1.8	$ 1.7	$ 5.6	$ 4.7
Income tax benefit	(0.7)	(0.6)	(2.1)	(1.7)
Stock-based compensation expense, net of income taxes	$ 1.1	$ 1.1	$ 3.5	$ 3.0

Unrecognized compensation cost as of September 30, 2010 is as follows:

	Stock Options	Restricted Stock
Pre-tax unrecognized compensation cost, net of estimated forfeitures (in millions)	$ 11.0	$ 6.0
Weighted-average period over which expense will be recognized	2.3 years	2.4 years

An excess tax benefit is generated when the realized tax benefit from the vesting of restricted stock, or a stock option exercise, exceeds the previously recognized deferred tax asset. Excess tax benefits are required to be reported as a financing cash inflow rather than as a reduction of taxes paid. Excess tax benefits for the three and nine months ended September 30, 2010 were $0.8 million and $1.2 million, respectively.

23. Stockholders' Equity

Common Stock

In April 2010, we issued approximately 9.5 million shares of common stock in connection with our acquisition of Terra. For additional information regarding the Terra acquisition, see Note 4 Terra Acquisition. Also in April 2010, we completed a public offering of approximately 12.9 million shares of common stock at a price of $89.00 per share resulting in net proceeds of $1.1 billion.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Changes in common shares issued and outstanding are as follows:

	Shares
Outstanding at January 1, 2010	48,569,985
Exercise of stock options	41,201
Issuance of restricted stock	58,075
Forteiture of restricted stock	(13,380)
Issuance for Terra acquisition	9,543,356
Issuance for equity offering	12,921,350
Ending balance at September 30, 2010	71,120,587

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, 2008	$ (4.4)	$ (14.0)	$ (56.8)	$ (75.2)
Unrealized holding gain on securities		10.6		10.6
Reclassification to earnings		(0.2)	1.4	1.2
Effect of exchange rate changes and deferred taxes	3.5	(4.0)	(0.4)	(0.9)
Balance at September 30, 2009	$ (0.9)	$ (7.6)	$ (55.8)	$ (64.3)
Balance at December 31, 2009	$ (0.4)	$ 9.7	$ (52.5)	$ (43.2)
Unrealized holding loss on securities		(2.2)		(2.2)
Reclassification to earnings		(21.3)	3.3	(18.0)
Effect of exchange rate changes and deferred taxes	19.6	9.0	(1.3)	27.3
Balance at September 30, 2010	$ 19.2	$ (4.8)	$ (50.5)	$ (36.1)

The reclassification to earnings of $21.3 million during the nine months ended September 30, 2010 reflects primarily the portion of the $28.3 million pre-tax gain realized in January 2010 on the sale of our investment in marketable equity securities that was unrealized at December 31, 2009. The pre-tax unrealized holding gain on securities of $10.6 million during the nine months ended September 30, 2009 relates primarily to our investments in auction rate securities. For additional information on our investments in auction rate securities and investment in marketable equity securities, see Note 8 Fair Value Measurements.

24. 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

RCRA Enforcement Initiative. In December 2004 and January 2005, the United States Environmental Protection Agency (EPA) inspected our Plant City, Florida phosphate fertilizer complex to evaluate the facility's compliance with the Resource Conservation and Recovery Act (RCRA), the federal statute that governs the generation, transportation, treatment, storage and disposal of hazardous wastes. This inspection was undertaken as a part of a broad enforcement initiative commenced by the EPA to evaluate whether mineral processing and mining facilities, including, in particular, all wet process phosphoric acid production facilities, are in compliance with RCRA, and the extent to which such facilities' waste management practices have impacted the environment.

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

In August 2010, we reached an agreement with the U.S. EPA and the Florida Department of Environmental Protection (FDEP) on the terms of a Consent Decree with respect to the Company's Florida phosphate fertilizer complex and its compliance with RCRA. The Consent Decree was entered by the United States District Court for the Middle District of Florida, and became effective, on September 28, 2010. The Consent Decree requires the Company to pay a penalty of approximately $700,000, to modify certain operating practices, and to undertake certain capital improvement projects (including a modification to replace process water as a scrubbing medium at the ammonium phosphate fertilizer plants). The cost of the capital improvement projects associated with the Consent Decree is estimated to be approximately $25 million, and we expect to incur these expenditures over the next two years.

The Consent Decree also requires the Company to provide financial assurance beyond the Company's current obligations under Florida law with respect to its ability to fund closure, long-term maintenance, and monitoring costs for the Plant City phosphogypsum stack, as well as any costs incurred to manage the water contained in the stack system upon closure. Initially we will provide financial assurance by funding a trust, although the required funding may be reduced if the Company meets certain financial metrics in the future. On October 20, 2010, we deposited approximately $54.8 million into the trust, and transferred approximately $26.9 million from our existing asset retirement obligation escrow account for the benefit of the FDEP (see Note 18 Asset Retirement Obligations), resulting in a total deposit into the trust of approximately $81.7 million. This sum is fifty percent (50%) of the currently estimated closure and long term care cost for the phosphogypsum stack system as estimated under the Consent Decree. We must fund the remaining 50% of the estimated closure and long term care costs in 2011 and 2012. Additional funding may be required in the future if the estimate of total closure and maintenance costs increases. Should the funding requirements for Plant City under the Consent Decree be less than those required by Florida law, we will be obligated to maintain the greater of the two amounts.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

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

The Company received a 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 has 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 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, Inc., 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 has 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.

Louisiana Environmental Matters

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

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

In 2006, the 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.

The EPA has not yet proposed new regulations to address the Section 185 fee issue and there remains uncertainty as to the implementation of this provision, including the timing of any assessments; whether the EPA will authorize states to adopt plans to implement Section 185 by means other than the assessment of a fee; and whether major sources located in areas that would have achieved compliance with the 8-hour ozone standard, but continued to be in non-compliance with the 1-hour ozone standard, will continue to be subject to the Section 185 fee. Regardless of the approach 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 Federal Clean Air 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. It is not known at this time whether the EPA will initiate enforcement with respect to the Donaldsonville facility.

Terra Environmental Matters

In October 2007, a request for information was received from the EPA pursuant to Section 114 of the Clean Air Act with respect to the nitric acid plant at Port Neal, Iowa. Subsequently, a proposal was made to the EPA to resolve a number of potential Clean Air Act violations associated with prior modifications at Terra's other nitric acid plants. Negotiations with the EPA have been ongoing since May 2008 with respect to a proposed consent decree that, if finalized, will require the Company to achieve compliance with significantly lower nitrogen oxide emission standards. The Company projects that compliance with these emission limits will require new or upgraded selective catalytic reduction systems and continuous emission monitors. Although agreement in principle has been reached with the EPA with respect to the standards and modifications, we are continuing to negotiate the final terms of the consent decree to resolve 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

Table of Contents

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 signed a Consent Judgment with the Idaho Department of Environmental Quality (IDEQ) for cleanup of the processing portion of the site and has submitted a Draft Remedial Action Plan that is under review by the IDEQ and related agencies. The current owner may 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 may be brought. We are not able to estimate at this time our potential liability, if any, with respect to the remediation of this property. 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.

Other Matters

Purported shareholders of Terra commenced putative class actions against Terra and its directors in the Circuit Court for Baltimore City, Maryland. The Maryland court consolidated these into a single action, In re Terra Industries, Inc. Shareholder Litigation. On March 30, 2010, the plaintiffs filed a consolidated putative class action complaint, as well as a motion for partial summary judgment as to liability. The consolidated complaint generally alleged that the director defendants breached their fiduciary duties by, among other things, approving the merger agreement with Yara International ASA (Yara) without engaging in an adequate process to determine that such agreement was the best available transaction. The complaint sought monetary damages based on the $123 million termination fee that CF Industries paid to Yara, on Terra's behalf, in connection with the termination by Terra of the Yara merger agreement. The defendants filed a motion to dismiss or, in the alternative, for summary judgment, as well as an opposition to the plaintiffs' motion for partial summary judgment. On July 14, 2010, the Maryland Court denied the plaintiffs' motion for partial summary judgment and granted the defendants' motion to dismiss. The case remained open to allow counsel for the plaintiffs to file an application for attorneys' fees, and to allow the plaintiffs to file an appeal. Plaintiffs' counsel subsequently agreed to a settlement in connection with their fee application, the Court dismissed the case with prejudice on September 27, 2010, and no plaintiff filed an appeal.

Purported Terra shareholders filed a second putative shareholder class action, also captioned In re Terra Industries, Inc. Shareholder Litigation, in the Iowa District Court for Woodbury County. The plaintiffs filed a consolidated putative class action complaint against Terra and its directors on April 14, 2010. Like the putative action in Maryland, the consolidated complaint in Iowa generally alleged that the director defendants breached their fiduciary duties by, among other things, approving the Yara merger agreement without engaging in an adequate process to determine that such agreement was the best available transaction. The complaint sought monetary damages based on the $123 million termination fee that CF Industries paid to Yara, on Terra's behalf, in connection with the termination by Terra of the Yara merger agreement. On July 23, 2010, the defendants moved to dismiss in light of the decision by the Circuit Court for Baltimore, Maryland, dismissing the virtually identical action in Maryland. Although we continue to believe that the lawsuit was without merit, in order to eliminate the burden and expense of further litigation, we reached a settlement agreement with the plaintiffs to settle this action. We do not expect the settlement to have a material impact on our results of operations or cash flows.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

25. Segment Disclosures

We are organized and managed based on two segments, which are differentiated primarily by their products, the markets they serve and the regulatory environments in which they operate. The two segments are the nitrogen segment and the phosphate segment. The Company's management uses gross margin to evaluate segment performance and allocate resources. Selling, general and administrative expenses; other operating and non-operating expenses; interest; as well as income tax expense, are managed centrally 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 and nine months ended September 30, 2010 and 2009 follows.

	Nitrogen	Phosphate	Consolidated
		(in millions)	
Three months ended September 30, 2010			
Net sales			
Ammonia	$ 201.9	$	$ 201.9
Urea	187.2		187.2
UAN	269.3		269.3
AN	53.2		53.2
DAP		133.0	133.0
MAP		49.0	49.0
Other	23.5		23.5
	735.1	182.0	917.1
Cost of sales	593.8	153.5	747.3
Gross margin	$ 141.3	$ 28.5	$ 169.8
Three months ended September 30, 2009			
Net sales			
Ammonia	$ 58.2	$	$ 58.2
Urea	128.6		128.6
UAN	88.6		88.6
DAP		93.4	93.4
MAP		30.3	30.3
Potash		30.3	30.3
Other	0.7		0.7
	276.1	154.0	430.1
Cost of sales	174.2	131.9	306.1
Gross margin	$ 101.9	$ 22.1	$ 124.0

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

	Nitrogen	Phosphate	Consolidated
		(in millions)	
Nine months ended September 30, 2010			
Net sales			
Ammonia	$ 714.7	$	$ 714.7
Urea	618.6		618.6
UAN	695.9		695.9
AN	109.3		109.3
DAP		410.0	410.0
MAP		132.5	132.5
Other	46.4		46.4
	2,184.9	542.5	2,727.4
Cost of sales	1,578.8	453.0	2,031.8
Gross margin	$ 606.1	$ 89.5	$ 695.6
Nine months ended September 30, 2009			
Net sales			
Ammonia	$ 463.5	$	$ 463.5
Urea	607.1		607.1
UAN	412.3		412.3
DAP		421.8	421.8
MAP		102.8	102.8
Potash		89.8	89.8
Other	4.4		4.4
	1,487.3	614.4	2,101.7
Cost of sales	812.8	575.6	1,388.4
Gross margin	$ 674.5	$ 38.8	$ 713.3

Assets at September 30, 2010 and December 31, 2009, are presented below.

	Nitrogen	Phosphate	Other	Consolidated
		(in millions)		
Assets				
September 30, 2010	$ 6,146.7	$ 566.5	$ 1,904.3	$ 8,617.5
December 31, 2009	$ 689.9	$ 541.3	$ 1,263.7	$ 2,494.9

The Other category of assets in the table above includes amounts attributable to the corporate headquarters and unallocated corporate assets such as our cash and cash equivalents, short-term investments, equity method investments and other investments. As a result of the acquisition of Terra, the Company has equity method investments which are reported in the Other category. In the segment assets reported as of December 31, 2009, such investments have been reclassified to conform to the current year's presentation.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

26. 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 full and unconditional 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 and nine months ended September 30, 2010 and 2009 and condensed consolidating balance sheets for the Parent, CFI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries as of September 30, 2010 and December 31, 2009. 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 operation or cash flow 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 September 30, 2010					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$	$ 481.9	$ 242.7	$ 261.0	$ (68.5)	$ 917.1
Cost of sales		379.9	195.9	208.2	(36.7)	747.3
Gross margin		102.0	46.8	52.8	(31.8)	169.8
Selling, general and administrative	0.5	16.0	8.5	3.8		28.8
Restructuring and integration costs		4.6	4.0			8.6
Equity in earnings of operating affiliates		1.0	(0.3)	(6.4)		(5.7)
Other operating net		1.1		0.2		1.3
Operating earnings (loss)	(0.5)	79.3	34.6	55.2	(31.8)	136.8
Interest expense		57.3	0.7	0.4	(0.1)	58.3
Interest income		(0.3)	4.5	(4.6)	0.1	(0.3)
Loss on extinguishment of debt						
Net (earnings) loss of wholly-owned subsidiaries	(52.6)	(28.0)	(27.9)		108.5	
Other non-operating net		(0.1)	(0.4)			(0.5)
Earnings before income taxes and equity in loss of non-operating affiliates	52.1	50.4	57.7	59.4	(140.3)	79.3
Income tax provision (benefit)	3.5	(2.2)	24.6	(7.0)		18.9
Equity in earnings of non-operating affiliates net of taxes				10.8		10.8
Net earnings (loss)	48.6	52.6	33.1	77.2	(140.3)	71.2
Less: Net earnings attributable to the noncontrolling interest			6.4	48.4	(31.8)	23.0
Net earnings (loss) attributable to common stockholders	$ 48.6	$ 52.6	$ 26.7	$ 28.8	$ (108.5)	$ 48.2

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Statement of Operations

	Nine months ended September 30, 2010					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$	$ 1,695.8	$ 553.3	$ 696.1	$ (217.8)	$ 2,727.4
Cost of sales		1,241.2	427.7	487.6	(124.7)	2,031.8
Gross margin		454.6	125.6	208.5	(93.1)	695.6
Selling, general and administrative	2.1	49.4	14.5	7.3		73.3
Restructuring and integration costs		11.3	6.6			17.9
Equity in earnings of operating affiliates		1.0	(0.8)	(7.4)		(7.2)
Other operating net	118.7	32.0		0.2		150.9
Operating earnings (loss)	(120.8)	360.9	105.3	208.4	(93.1)	460.7
Interest expense		163.4	6.8	0.6	(0.2)	170.6
Interest income		(0.9)	10.4	(10.7)	0.2	(1.0)
Loss on extinguishment of debt			17.0			17.0
Net (earnings) loss of wholly-owned subsidiaries	(216.5)	(83.4)	(94.3)		394.2	
Other non-operating net		(28.2)	(0.4)			(28.6)
Earnings before income taxes and equity in loss of non-operating affiliates	95.7	310.0	165.8	218.5	(487.3)	302.7
Income tax provision (benefit)	(53.2)	93.4	68.9	(4.7)		104.4
Equity in earnings (loss) of non-operating affiliates net of taxes		(0.1)	(0.1)	15.9		15.7
Net earnings (loss)	148.9	216.5	96.8	239.1	(487.3)	214.0
Less: Net earnings attributable to the noncontrolling interest			16.7	141.5	(93.1)	65.1
Net earnings (loss) attributable to common stockholders	$ 148.9	$ 216.5	$ 80.1	$ 97.6	$ (394.2)	$ 148.9

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Balance Sheet

			September 30, 2010			
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in millions)			
Assets						
Current assets:						
Cash and cash equivalents	$ 0.1	$ 117.2	$ 87.7	$ 443.4	$	$ 648.4
Accounts receivable		675.6	75.4	170.1	(692.3)	228.8
Inventories net		190.7	53.8	26.7	(0.1)	271.1
Prepaid income taxes		88.4	12.7	16.9	(89.4)	28.6
Deferred income taxes	2.2		21.1	3.9	(27.2)	
Other		13.7	4.8	3.6		22.1
Total current assets	2.3	1,085.6	255.5	664.6	(809.0)	1,199.0
Property, plant and equipment net		742.8	1,695.8	1,490.2		3,928.8
Deferred income taxes						
Asset retirement obligation escrow account		40.2				40.2
Investments in and advances to unconsolidated affiliates	1,876.8	4,797.5	1,155.3	979.2	(7,820.3)	988.5
Investments in auction rate securities		122.4				122.4
Investment in marketable equity securities						
Deferred income taxes			99.1	0.4	(99.5)	
Due from affiliates	1,984.6		1,479.4		(3,464.0)	
Goodwill		0.9	2,095.5			2,096.4
Other assets		124.0	95.5	22.7		242.2
Total assets	$ 3,863.7	$ 6,913.4	$ 6,876.1	$ 3,157.1	$ (12,192.8)	$ 8,617.5
Liabilities and Equity						
Current liabilities:						
Accounts payable and accrued expenses	$	$ 189.0	$ 81.0	$ 70.4	$ (10.9)	$ 329.5
Income taxes payable		0.1	71.9	1.6	(73.6)	
Customer advances		262.4	23.5	35.2		321.1
Notes payable			587.9		(587.9)	
Deferred income taxes		50.7	18.9		(26.1)	43.5
Distributions payable to noncontrolling interest				142.2	(142.2)	
Other		18.9	3.6	8.7		31.2
Total current liabilities		521.1	786.8	258.1	(840.7)	725.3
Notes payable				14.1	(9.3)	4.8
Long-term debt		2,237.8	13.0			2,250.8
Deferred income taxes		87.4	913.8	146.7	(116.3)	1,031.6
Due to affiliates		1,985.7		1,478.3	(3,464.0)	
Other noncurrent liabilities		204.5	86.4	12.2		303.1
Equity:						
Stockholders' equity:						
Preferred stock				65.3	(65.3)	
Common stock	0.7		153.1	32.6	(185.7)	0.7
Paid-in capital	2,721.5	739.9	4,450.9	1,044.5	(6,235.3)	2,721.5
Retained earnings (Accumulated deficit)	1,177.6	1,173.1	80.1	92.5	(1,345.7)	1,177.6
Accumulated other comprehensive income	(36.1)	(36.1)	18.9	12.8	4.4	(36.1)

(loss)						
Total stockholders' equity	3,863.7	1,876.9	4,703.0	1,247.7	(7,827.6)	3,863.7
Noncontrolling interest			373.1		65.1	438.2
Total equity	3,863.7	1,876.9	5,076.1	1,247.7	(7,762.5)	4,301.9
Total liabilities and equity	$ 3,863.7	$ 6,913.4	$ 6,876.1	$ 3,157.1	$ (12,192.8)	$ 8,617.5

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Statement of Cash Flows

	Nine months ended September 30, 2010					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Operating Activities:						
Net earnings	$ 148.9	$ 216.5	$ 96.8	$ 239.1	$ (487.3)	$ 214.0
Adjustments to reconcile net earnings to net cash provided by operating activities						
Depreciation, depletion and amortization		161.5	63.2	63.8		288.5
Deferred income (benefit) taxes		21.1	29.1	(8.7)		41.5
Stock compensation expense	5.6			0.2		5.8
Excess tax benefit from stock-based compensation	(1.2)					(1.2)
Unrealized (gain) loss on derivatives		17.9	(1.5)	4.5		20.9
Inventory valuation allowance		0.2	0.2			0.4
Loss on extinguishment of debt			17.0			17.0
(Gain) on sale of marketable equity securities		(28.3)				(28.3)
Loss (gain) on disposal of property, plant and equipment		(0.8)	0.7			(0.1)
Undistributed (earnings) loss of affiliates net	(216.5)	(179.2)	(94.2)	(28.5)	487.3	(31.1)
Due to / from affiliates net	(1,047.0)	1,049.7	(1,126.7)	1,124.0		
Changes in (net of effects of acquisition):						
Accounts receivable		(659.9)	9.1	140.0	588.4	77.6
Inventories		(3.3)	42.0	37.6		76.3
Accrued income taxes		(71.4)	49.3	(9.2)		(31.3)
Accounts payable and accrued expenses		30.2	491.4	(0.2)	(588.4)	(67.0)
Customer advances net		102.9	(19.9)	(28.3)		54.7
Other net	(0.8)	(1.0)	1,196.1	(1,198.0)		(3.7)
Net cash provided by (used in) operating activities	(1,111.0)	656.1	752.6	336.3		634.0
Investing Activities:						
Additions to property, plant and equipment		(75.1)	(72.6)	(40.8)		(188.5)
Proceeds from sale of property, plant and equipment		12.7				12.7
Purchases of short-term securities		(25.5)				(25.5)
Sales and maturities of short-term and auction rate securities		219.5				219.5
Sale of marketable equity securities		167.1				167.1
Deposit to asset retirement obligation escrow account		(3.7)				(3.7)
Purchase of Terra Industries Inc.		(3,721.4)			543.6	(3,177.8)
Other net		0.3		30.7		31.0
Net cash provided by (used in) investing activities		(3,426.1)	(72.6)	(10.1)	543.6	(2,965.2)
Financing Activities:						
Proceeds from long-term borrowings		5,197.2				5,197.2
Payments of long-term debt		(2,964.2)	(744.5)			(3,708.7)
Financing fees	(41.3)	(167.8)				(209.1)
Dividends paid on common stock	(19.1)		(20.0)			(39.1)
Dividends to / from affiliates	19.1	(19.1)				

Distributions to noncontrolling interest		182.3	(16.6)	(276.2)		(110.5)
Issuance of common stock	1,150.0					1,150.0
Issuances of common stock under employee stock plans	1.2					1.2
Excess tax benefit from stock-based compensation	1.2					1.2
Other net			0.7	(0.7)		
Net cash provided by (used in) financing activities	1,111.1	2,228.4	(780.4)	(276.9)		2,282.2
Effect of exchange rate changes on cash and cash equivalents		(4.2)		4.5		0.3
Increase (decrease) in cash and cash equivalents	0.1	(545.8)	(100.4)	53.8	543.6	(48.7)
Cash and cash equivalents at beginning of period		663.0	188.1	389.6	(543.6)	697.1
Cash and cash equivalents at end of period	$ 0.1	$ 117.2	$ 87.7	$ 443.4	$	$ 648.4

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Statement of Operations

	Three months ended September 30, 2009					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$	$ 394.8	$	$ 93.7	$ (58.4)	$ 430.1
Cost of sales		293.0		36.2	(23.1)	306.1
Gross margin		101.8		57.5	(35.3)	124.0
Selling, general and administrative	0.4	14.4		0.3		15.1
Other operating net	3.4	15.7				19.1
Operating earnings (loss)	(3.8)	71.7		57.2	(35.3)	89.8
Interest expense		0.3		0.1		0.4
Interest income		(0.6)		(1.5)		(2.1)
Net (earnings) loss of wholly-owned subsidiaries	(41.4)	(4.4)			45.8	
Other non-operating net						
Earnings before income taxes and equity in earnings of unconsolidated affiliates	37.6	76.4		58.6	(81.1)	91.5
Income tax provision (benefit)	(0.9)	35.0		(2.0)		32.1
Equity in earnings of unconsolidated affiliates net of taxes				0.6		0.6
Net earnings	38.5	41.4		61.2	(81.1)	60.0
Less: Net earnings attributable to the noncontrolling interest				56.8	(35.3)	21.5
Net earnings attributable to common stockholders	$ 38.5	$ 41.4	$	$ 4.4	$ (45.8)	$ 38.5

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Statement of Operations

	Nine months ended September 30, 2009					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Net sales	$	$ 1,978.6	$	$ 366.3	$ (243.2)	$ 2,101.7
Cost of sales		1,342.6		137.9	(92.1)	1,388.4
Gross margin		636.0		228.4	(151.1)	713.3
Selling, general and administrative	1.5	44.8		0.7		47.0
Other operating net	27.4	30.2				57.6
Operating earnings (loss)	(28.9)	561.0		227.7	(151.1)	608.7
Interest expense		1.0		0.3	(0.2)	1.1
Interest income		(2.4)		(1.9)	0.2	(4.1)
Net (earnings) loss of wholly-owned subsidiaries	(335.2)	(2.6)			337.8	
Other non-operating net		(0.4)				(0.4)
Earnings before income taxes and equity in earnings (loss) of non-operating affiliates	306.3	565.4		229.3	(488.9)	612.1
Income tax provision (benefit)	(7.9)	230.2		(2.2)		220.1
Equity in loss of non-operating affiliates net of taxes				(0.8)		(0.8)
Net earnings	314.2	335.2		230.7	(488.9)	391.2
Less: Net earnings attributable to the noncontrolling interest				228.1	(151.1)	77.0
Net earnings attributable to common stockholders	$ 314.2	$ 335.2	$	$ 2.6	$ (337.8)	$ 314.2

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Balance Sheet

	December 31, 2009					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Assets						
Current assets:						
Cash and cash equivalents	$	$ 663.0	$	$ 34.1	$	$ 697.1
Short-term investments		185.0				185.0
Accounts receivable		93.2		256.0	(181.8)	167.4
Inventories net		188.6		19.2		207.8
Prepaid income taxes		14.7				14.7
Deferred income taxes	2.2				(2.2)	
Other		9.5		1.6		11.1
Total current assets	2.2	1,154.0		310.9	(184.0)	1,283.1
Property, plant and equipment net		745.2		48.6		793.8
Asset retirement obligation escrow account		36.5				36.5
Investments in and advances to unconsolidated affiliates	1,672.2	90.6		44.5	(1,761.7)	45.6
Investments in auction rate securities		133.9				133.9
Investment in marketable equity securities		160.2				160.2
Due from affiliates	54.5			1.0	(55.5)	
Goodwill		0.9				0.9
Other assets		35.1		5.8		40.9
Total assets	$ 1,728.9	$ 2,356.4	$	$ 410.8	$ (2,001.2)	$ 2,494.9
Liabilities and Equity						
Current liabilities:						
Accounts payable and accrued expenses	$	$ 151.2	$	$ 24.2	$ (2.9)	$ 172.5
Customer advances		159.5				159.5
Deferred income taxes		53.7			(1.1)	52.6
Distributions payable to noncontrolling interest				271.0	(178.9)	92.1
Other		3.1				3.1
Total current liabilities		367.5		295.2	(182.9)	479.8
Notes payable				13.8	(9.1)	4.7
Deferred income taxes		70.2		(0.9)	(1.0)	68.3
Due to affiliates		55.5			(55.5)	
Other noncurrent liabilities		191.0		6.3	(0.1)	197.2
Equity:						
Stockholders' equity:						
Preferred stock				65.3	(65.3)	
Common stock	0.5			0.1	(0.1)	0.5
Paid-in capital	723.5	739.8		43.7	(783.5)	723.5
Retained earnings (Accumulated deficit)	1,048.1	975.6		(5.1)	(970.5)	1,048.1
Accumulated other comprehensive income (loss)	(43.2)	(43.2)		(7.6)	50.8	(43.2)

Total stockholders' equity	1,728.9	1,672.2		96.4	(1,768.6)	1,728.9
Noncontrolling interest					16.0	16.0
Total equity	1,728.9	1,672.2		96.4	(1,752.6)	1,744.9
Total liabilities and equity	$ 1,728.9	$ 2,356.4	$	$ 410.8	$ (2,001.2)	$ 2,494.9

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Condensed, Consolidating Statement of Cash Flows

	Nine months ended September 30, 2009					
	Parent	CFI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)					
Operating Activities:						
Net earnings	$ 314.2	$ 335.2	$	$ 230.7	$ (488.9)	$ 391.2
Adjustments to reconcile net earnings to net cash provided by operating activities						
Depreciation, depletion and amortization		63.9		9.4		73.3
Deferred income (benefit) taxes		49.9		(0.3)		49.6
Stock compensation expense	4.7					4.7
Excess tax benefit from stock-based compensation	(4.4)					(4.4)
Unrealized (gain) loss on derivatives		(84.8)				(84.8)
Inventory valuation allowance		(57.0)				(57.0)
Loss (gain) on disposal of property, plant and equipment		0.4				0.4
Undistributed (earnings) loss of affiliates net of taxes	(335.2)	(153.6)		0.7	488.9	0.8
Due to / from affiliates net	15.1	(15.4)		0.3		
Changes in:						
Accounts receivable		(1.9)		44.9		43.0
Inventories		418.3		9.0		427.3
Accrued income taxes		26.6				26.6
Accounts payable and accrued expenses		(56.1)		(11.3)		(67.4)
Customer advances net		(224.5)				(224.5)
Other net	(1.8)	(7.5)		1.0		(8.3)
Net cash provided by (used in) operating activities	(7.4)	293.5		284.4		570.5
Investing Activities:						
Additions to property, plant and equipment		(166.7)		(14.7)		(181.4)
Proceeds from sale of property, plant and equipment		8.9				8.9
Purchases of short-term and auction rate securities		(254.9)				(254.9)
Sales and maturities of short-term and auction rate securities		103.3				103.3
Purchases of marketable equity securities		(247.2)				(247.2)
Deposit to asset retirement obligation escrow account		(7.5)				(7.5)
Other net		(2.5)				(2.5)
Net cash provided by (used in) investing activities		(566.6)		(14.7)		(581.3)
Financing Activities:						
Dividends paid on common stock	(14.4)	(0.1)				(14.5)
Dividends to / from affiliates	14.5	(14.5)				
Distributions to noncontrolling interest		204.6		(316.9)		(112.3)
Issuances of common stock under employee stock plans	2.9					2.9
Excess tax benefit from stock-based compensation	4.4					4.4
Net cash provided by (used in) financing activities	7.4	190.0		(316.9)		(119.5)
Effect of exchange rate changes on cash and cash equivalents		(27.6)		30.4		2.8

Increase (decrease) in cash and cash equivalents	(110.7)	(16.8)	(127.5)
Cash and cash equivalents at beginning of period	578.5	46.5	625.0
Cash and cash equivalents at end of period	$ 467.8	$ 29.7	$ 497.5

Table of Contents

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 Current Report on Form 8-K filed with the SEC on April 15, 2010, as well as Item 1, Financial Statements, in this Form 10-Q. All references to "CF Holdings," "we," "us" and "our" refer to CF Industries Holdings, Inc. and its subsidiaries, including CF Industries, Inc., except where the context makes clear that the reference is only to CF Holdings itself and not its subsidiaries. The following is an outline of the discussion and analysis included herein:

Overview of CF Industries Holdings, Inc.

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 products in the nitrogen segment are ammonia, urea, urea ammonium nitrate solution, or UAN, and ammonium nitrate, or AN. Our other nitrogen products include diesel exhaust fluid, or DEF, and aqua ammonia, which are sold primarily to our environmental and industrial customers. Our principal 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 U.S. grain-producing states and other major agricultural areas of the United States and Canada. We also serve off-shore markets from our joint-venture production facilities in the Republic of Trinidad and Tobago and the United Kingdom, as well as through exports of nitrogen fertilizer products from our Donaldsonville, Louisiana manufacturing facilities and phosphate fertilizer products from our Florida phosphate operations through our Tampa port facility.

The principal customers for both our nitrogen and phosphate fertilizers are cooperatives and independent fertilizer distributors.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

In April 2010, we completed the acquisition of Terra Industries Inc. (Terra), a leading North American producer and marketer of nitrogen fertilizer products. Prior to the acquisition of Terra, our principal assets included:

- the largest nitrogen fertilizer complex in North America (Donaldsonville, Louisiana);
- a 66% economic interest in the largest nitrogen fertilizer complex in Canada (which we operate in Medicine Hat, Alberta through Canadian Fertilizers Limited (CFL), a consolidated variable interest entity);
- one of the largest integrated ammonium phosphate fertilizer complexes in the United States (Plant City, Florida);
- the most-recently constructed phosphate rock mine and associated beneficiation plant in the United States (Hardee County, Florida);
- an extensive system of terminals, warehouses and associated transportation equipment located primarily in the midwestern United States; and
- a 50% interest in KEYTRADE AG (Keytrade), a global fertilizer trading company headquartered near Zurich, Switzerland, which we account for as an equity method investment.

Terra's financial results have been included in our consolidated financial results since the acquisition date of April 5, 2010. The operating results of the former Terra operations are included in the nitrogen segment. The total purchase price was $4.6 billion and we acquired the following assets:

- five nitrogen fertilizer manufacturing facilities located in Port Neal, Iowa; Courtright, Ontario; Yazoo City, Mississippi; Woodward, Oklahoma; and Donaldsonville, Louisiana, adjacent to our Donaldsonville facility;
- a 75% interest in Terra Nitrogen Company, L.P., or TNCLP, a publicly traded limited partnership of which we are the sole general partner and the majority limited partner and which, through its subsidiary Terra Nitrogen, Limited Partnership, or TNLP, operates a nitrogen fertilizer manufacturing facility in Verdigris, Oklahoma;
- a 50% interest in Point Lisas Nitrogen Limited (PLNL), an ammonia production joint venture located in the Republic of Trinidad and Tobago serving international nitrogen markets, and a 50% interest in an ammonia storage joint venture located in Houston, Texas; and
- 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.

Further information regarding the acquisition of Terra, including the related issuance of long-term debt and the public offering of common shares of CF Holdings can be found in Notes 4 and 19 to our unaudited consolidated financial statements and in the section titled "Acquisition of Terra Industries Inc." later in this discussion and analysis.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Financial Executive Summary

We reported net earnings attributable to common stockholders of $48.2 million in the third quarter of 2010 compared to net earnings of $38.5 million in the same quarter of 2009. Our results for the third quarter of 2010 included:

- a net $25.7 million pre-tax unrealized mark-to-market loss ($15.9 million after tax) on natural gas derivatives;
- $14.7 million ($9.1 million after tax) of accelerated amortization of debt issuance costs recognized upon partial repayment of the senior secured term loan; and
- $8.6 million ($5.3 million after tax) of restructuring and integration costs associated with the acquisition of Terra and $0.4 million ($0.7 million after tax) of additional business combination related expenses and project development costs for our proposed nitrogen complex in Peru.

Net earnings attributable to common stockholders of $38.5 million for the third quarter of 2009 included a net $1.9 million pre-tax unrealized mark-to-market gain ($1.1 million after tax) on natural gas derivatives, and $18.7 million ($10.1 million after tax) of business combination related expense associated with our acquisition of Terra, costs associated with responding to Agrium Inc.'s (Agrium) proposed acquisition of CF Holdings and development costs of our proposed nitrogen complex in Peru.

Our gross margin increased $45.8 million, or 37%, to $169.8 million in the third quarter of 2010 from $124.0 million in the same quarter of 2009. Gross margin increased by $50.8 million due to the acquisition of Terra. The impacts of Terra, higher average nitrogen and phosphate fertilizer selling prices, and higher nitrogen fertilizer sales volumes were partially offset by higher realized natural gas costs, unrealized mark-to-market losses on natural gas derivatives in the current year compared to unrealized gains in the prior year and higher raw material costs.

Our net sales increased $487.0 million, or 113%, to $917.1 million in the third quarter of 2010 from $430.1 million in the third quarter of last year. The increase in net sales was due primarily to the inclusion of $400.0 million of Terra net sales, higher average nitrogen and phosphate fertilizer selling prices and higher nitrogen fertilizer sales volume, partially offset by lower phosphate segment sales volumes. Total sales volume increased 1.7 million tons, or 98%, in the third quarter of 2010 to 3.4 million tons as compared to the third quarter of 2009, due primarily to the acquisition of Terra, which added 1.6 million tons to sales volume.

Cash flow from operating activities increased $63.5 million, or 11%, to $634.0 million during the first nine months of 2010 compared to the same period of 2009 due to cash generated by operations, partially offset by less cash generated by working capital changes.

We paid cash dividends of $39.1 million and $14.5 million in the first nine months of 2010 and 2009, respectively. The increase in cash dividends was due primarily to cash dividends of $20.1 million declared by Terra prior to the April 5, 2010 acquisition that were paid subsequent to the acquisition date and an increase in the number of common shares outstanding during the nine months ended September 30, 2010 compared to 2009. In April 2010, we issued 9.5 million shares of our common stock in conjunction with the Terra acquisition and 12.9 million shares in the subsequent public offering.

Net earnings attributable to common stockholders of $148.9 million for the nine months ended September 30, 2010 were $165.3 million less than net earnings attributable to common

CF INDUSTRIES HOLDINGS, INC.

stockholders in the comparable period of 2009. Our results for the nine months ended September 30, 2010 included:

- $150.0 million ($148.4 million after tax) of business combination related expenses and project development costs for our proposed nitrogen complex in Peru;

- $73.7 million ($45.5 million after tax) of accelerated amortization of debt issuance costs recognized upon repayment of the senior secured bridge loan and partial repayment of the senior secured term loan;

- a $28.3 million ($17.5 million after tax) gain on the sale of 5.0 million shares of Terra Industries Inc. common stock;

- a net $21.8 million pre-tax unrealized mark-to-market loss ($13.5 million after tax) on natural gas derivatives;

- a $19.4 million ($12.0 million after tax) non-cash charge in cost of sales recognized upon the sale of Terra's product inventory due to revaluing it to fair value under purchase accounting;

- $17.9 million ($11.1 million after tax) of restructuring and integration costs associated with the acquisition of Terra; and

- a loss of $17.0 million ($10.5 million after tax) on the early retirement of Terra's 2019 Notes.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Results of Consolidated Operations

The following table presents our consolidated results of operations:

	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	2010 v. 2009	2010 v. 2009	2010	2009	2010 v. 2009	2010 v. 2009
	(in millions, except per share amounts)							
Net sales	$ 917.1	$ 430.1	$ 487.0	113.2%	$ 2,727.4	$ 2,101.7	$ 625.7	29.8%
Cost of sales	747.3	306.1	441.2	144.1%	2,031.8	1,388.4	643.4	46.3%
Gross margin	169.8	124.0	45.8	36.9%	695.6	713.3	(17.7)	(2.5)%
Selling, general and administrative	28.8	15.1	13.7	90.7%	73.3	47.0	26.3	56.0%
Restructuring and integration costs	8.6		8.6	N/M	17.9		17.9	N/M
Equity in earnings of operating affiliates	(5.7)		(5.7)	N/M	(7.2)		(7.2)	N/M
Other operating net	1.3	19.1	(17.8)	(93.2)%	150.9	57.6	93.3	162.0%
Operating earnings	136.8	89.8	47.0	52.3%	460.7	608.7	(148.0)	(24.3)%
Interest expense	58.3	0.4	57.9	N/M	170.6	1.1	169.5	N/M
Interest income	(0.3)	(2.1)	1.8	(85.7)%	(1.0)	(4.1)	3.1	(75.6)%
Loss on extinguishment of debt					17.0		17.0	
Other non-operating net	(0.5)		(0.5)	N/M	(28.6)	(0.4)	(28.2)	N/M
Earnings before income taxes and equity in earnings (loss) of non-operating affiliates	79.3	91.5	(12.2)	(13.3)%	302.7	612.1	(309.4)	(50.5)%
Income tax provision	18.9	32.1	(13.2)	(41.1)%	104.4	220.1	(115.7)	(52.6)%
Equity in earnings (loss) of non-operating affiliates net of taxes	10.8	0.6	10.2	N/M	15.7	(0.8)	16.5	N/M
Net earnings	71.2	60.0	11.2	18.7%	214.0	391.2	(177.2)	(45.3)%
Less: Net earnings attributable to noncontrolling interest	23.0	21.5	1.5	7.0%	65.1	77.0	(11.9)	(15.5)%
Net earnings attributable to common stockholders	$ 48.2	$ 38.5	$ 9.7	25.2%	$ 148.9	$ 314.2	$ (165.3)	(52.6)%
Diluted net earnings per share attributable to common stockholders	$ 0.67	$ 0.78	$ (0.11)		$ 2.35	$ 6.38	$ (4.03)	
Diluted weighted average common shares outstanding	71.9	49.3	22.6		63.2	49.2	14.0	
Dividends declared per common share	$ 0.10	$ 0.10	$		$ 0.30	$ 0.30	$	

N/M Not Meaningful

Third Quarter of 2010 Compared to the Third Quarter of 2009

Consolidated Operating Results

Our total gross margin increased by $45.8 million to $169.8 million for the third quarter of 2010 from $124.0 million for the comparable period of 2009 due primarily to improved results in the nitrogen segment. In the nitrogen segment, the gross margin increased by $39.4 million to $141.3 million for the third quarter of 2010 compared to $101.9 million in the same quarter of 2009. Gross margin increased by $50.8 million due to the acquisition of Terra. The impacts of Terra, higher average nitrogen fertilizer selling prices and higher nitrogen sales volumes were partially offset by higher realized natural gas costs and unrealized mark-to-market losses on natural gas derivatives in the third quarter of 2010 compared to unrealized mark-to-market gains in the third quarter of 2009. In the phosphate segment, gross margin increased by $6.4 million to $28.5 million for the third quarter of 2010 from $22.1 million for the comparable period of 2009 due primarily to higher average phosphate fertilizer selling prices, partially offset by higher raw material costs. The net earnings attributable to common stockholders of $48.2 million for the third quarter of 2010 included a net $25.7 million pre-tax unrealized mark-to-market loss ($15.9 million after tax) on natural gas derivatives, $14.7 million ($9.1 million after tax) of accelerated amortization of debt issuance costs recognized upon partial repayment of the senior secured term loan, $8.6 million ($5.3 million after tax) of restructuring and integration costs associated with the acquisition of Terra and $0.4 million ($0.7 million after tax) of additional business combination related expenses and project development costs for our proposed nitrogen complex in Peru.

Net earnings attributable to common stockholders of $38.5 million for the third quarter of 2009 included a net $1.9 million pre-tax unrealized mark-to-market gain ($1.1 million after tax) on natural gas derivatives, and $18.7 million ($10.1 million after tax) of expense associated with our acquisition of Terra, costs associated with responding to Agrium's proposed acquisition of CF Holdings and development costs of our proposed nitrogen complex in Peru.

Net Sales

Our net sales more than doubled to $917.1 million in the third quarter of 2010 from $430.1 million in the comparable quarter of 2009. The increase in net sales was due primarily to the inclusion of $400.0 million of Terra net sales, higher average nitrogen and phosphate fertilizer selling prices and higher nitrogen fertilizer sales volume, partially offset by lower phosphate segment sales volumes. Total sales volume increased 1.7 million tons, or 98%, in the third quarter of 2010 to 3.4 million tons compared to 1.7 million tons in the same quarter of 2009. This increase was due primarily to the acquisition of Terra, which contributed an additional 1.6 million tons of sales in the third quarter. In the nitrogen segment, net sales increased $459.0 million, or 166%, to $735.1 million in the third quarter of 2010 compared to $276.1 million in the same quarter last year due primarily to the acquisition of Terra, higher average nitrogen fertilizer selling prices across all products and higher sales volumes. Average nitrogen fertilizer selling prices increased from $223 per ton in the third quarter of 2009 to $247 per ton in the third quarter of 2010. Nitrogen segment sales volumes increased 141%, or 1.7 million tons from the third quarter of 2009 due primarily to the acquisition of Terra. In the phosphate segment, net sales increased 18% to $182.0 million in the third quarter of 2010 compared to $154.0 million in the third quarter of 2009 due to higher average phosphate fertilizer selling prices, partially offset by lower phosphate segment sales volume. Phosphate segment sales volume in the third quarter of 2010 decreased by 46,000 tons, or 9%, from the same period in 2009 as no potash sales were made during 2010. We sold approximately 58,000 tons of potash during the third quarter of 2009.

Cost of Sales

Total cost of sales in our nitrogen segment averaged approximately $199 per ton in the third quarter of 2010 compared to $141 per ton in the same quarter of 2009, or an increase of 41%, due primarily to higher realized natural gas costs, unrealized mark-to-market losses on natural gas derivatives compared to unrealized gains in the prior year quarter and higher depreciation and amortization associated with revaluing acquired assets to fair value under purchase accounting. Phosphate segment cost of sales averaged $340 per ton in the third quarter of 2010 compared to $265 per ton in the third quarter of the prior year, an increase of 28%, due primarily to higher raw material costs.

CF INDUSTRIES HOLDINGS, INC.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $13.7 million to $28.8 million in the third quarter of 2010 from $15.1 million in the same quarter of 2009 due primarily to the acquisition of Terra.

Restructuring and Integration Costs

Restructuring and integration costs consist of $8.6 million of expenses incurred during the third quarter of 2010 to integrate the operations of Terra and CF Industries. A summary of our restructuring actions and associated charges is included in Note 5 to our unaudited consolidated financial statements.

Equity in Earnings of Operating Affiliates

Equity in earnings of operating affiliates in the third quarter of 2010 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, both of which were acquired as part of the acquisition of Terra.

Other Operating Net

Net other operating expenses decreased $17.8 million to $1.3 million in the third quarter of 2010 compared to $19.1 million in the third quarter of 2009. This decrease was due primarily to lower project development costs related to our proposed nitrogen complex in Peru.

Interest Net

Net interest expense was $58.0 million in the third quarter of 2010 compared to $1.7 million of net interest income in the same quarter of 2009. The increase was due primarily to interest expense and amortization of debt issuance costs and original issue discount associated with our senior secured term facility and senior notes. Interest expense includes $14.7 million of accelerated amortization of debt fees and original issue discount recognized upon partial repayment of the senior secured term loan.

Income Taxes

Our income tax provision for the three months ended September 30, 2010 was $18.9 million compared to $32.1 million for the same period in 2009. The effective tax rate for the three months ended September 30, 2010 based on the reported tax provision of $18.9 million and reported pre-tax income of $79.3 million was 23.8%. This compares to 35.1% in the prior year. The effective tax rate for the three months ended September 30, 2010 based on pre-tax income exclusive of the noncontrolling interest was 33.6%. This compares to 45.9% in the prior year. The decrease in the quarterly effective tax rate based on pre-tax income exclusive of noncontrolling interest is due primarily to the impact of recording the cumulative effect of a reduction in the expected annual effective tax rate in the quarter. See Note 14 to our unaudited consolidated financial statements 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 in the third quarter of 2010 consists of our share of the operating results of our unconsolidated joint venture interests including Keytrade and GrowHow.

CF INDUSTRIES HOLDINGS, INC.

Net Earnings Attributable to Noncontrolling Interest

Amounts reported as net earnings attributable to noncontrolling interests include the interest of the 34% holder of CFL's common and preferred shares and net earnings attributable to the interest of the publicly held common units of TNCLP. The TNCLP Agreement of Limited Partnership allows the General Partner to receive Incentive Distribution Rights (IDRs) once a minimum threshold has been met. During the third quarter of 2010, the Minimum Quarterly Distribution was met which entitled us to receive increased income allocations as provided for in the TNCLP Agreement of Limited Partnership.

Diluted Net Earnings Per Share Attributable to Common Stockholders

Diluted net earnings per share attributable to common stockholders declined to $0.67 in the third quarter of 2010 from $0.78 per share in the comparable quarter of 2009 due primarily to the increase in the diluted weighted average common shares outstanding, partially offset by the increase in net earnings attributable to common stockholders. In April 2010, we issued 9.5 million shares of our common stock in conjunction with the Terra acquisition and 12.9 million shares in the subsequent public offering.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Consolidated Operating Results

Our total gross margin decreased $17.7 million, or 2%, to $695.6 million for the nine months ended September 30, 2010 from $713.3 million for the comparable period of 2009 due to reduced gross margin in the nitrogen segment, partially offset by improved results in the phosphate segment. In the nitrogen segment, the gross margin decreased by $68.4 million to $606.1 million for the first nine months of 2010 compared to $674.5 million in the same period of 2009. Nitrogen segment gross margin increased $190.8 million due to the Terra acquisition. The impacts of Terra, lower realized natural gas costs and higher sales volume increased the nitrogen segment gross margin. This increase was more than offset by lower average nitrogen selling prices and the negative effect of a $106.6 million change in the unrealized mark-to-market adjustment on natural gas derivatives. In the phosphate segment, gross margin increased by $50.7 million to $89.5 million for the nine months ended September 30, 2010 compared to $38.8 million for the nine months ended September 30, 2009, due primarily to higher average phosphate fertilizer selling prices in the third quarter of 2010 and losses on potash sold during the first nine months of 2009. The net earnings attributable to common stockholders of $148.9 million for the nine months ended September 30, 2010 included $150.0 million ($148.4 million after tax) of business combination related expenses and project development costs for our proposed nitrogen complex in Peru, $73.7 million ($45.5 million after tax) of accelerated amortization of debt issuance costs and original issue discount recognized upon repayment of the senior secured bridge loan and partial repayment of the senior secured term loan, a $28.3 million ($17.5 million after tax) gain on the sale of 5.0 million shares of Terra Industries Inc. common stock, a net $21.8 million pre-tax unrealized mark-to-market loss ($13.5 million after tax) on natural gas derivatives, a $19.4 million ($12.0 million after tax) non-cash charge in cost of sales recognized upon the sale of Terra's product inventory due to revaluing it to fair value under purchase accounting, $17.9 million ($11.1 million after tax) of restructuring and integration costs associated with the acquisition of Terra, and a loss of $17.0 million ($10.5 million after tax) on the early retirement of Terra's 2019 Notes.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Net Sales

Our net sales increased 30% to $2.7 billion in the nine months ended September 30, 2010 from $2.1 billion in the first nine months of 2009. This $625.7 million increase was due primarily to the inclusion of net sales of $926.3 million related to our acquisition of Terra, higher nitrogen sales volume and higher average phosphate fertilizer selling prices, partially offset by lower average nitrogen fertilizer selling prices and phosphate segment sales volume. Total sales volume increased 3.4 million tons, or 56%, in the first nine months of 2010 to 9.5 million tons, compared to 6.1 million tons in the first nine months of 2009. This increase was due primarily to the Terra acquisition which contributed 3.5 million tons. In the nitrogen segment, net sales increased $697.6 million, or 47%, to $2.2 billion in the nine months ended September 30, 2010 compared to $1.5 billion in the nine months ended September 30, 2009, due primarily to the acquisition of Terra and higher nitrogen fertilizer sales volume, partially offset by lower average nitrogen fertilizer selling prices. Average nitrogen fertilizer selling prices decreased from $339 per ton in the nine months ended September 30, 2009 to $269 per ton in the nine months ended September 30, 2010. Nitrogen segment sales volume in the nine months ended September 30, 2010 increased 85%, or 3.7 million tons, from the nine months ended September 30, 2009 due to the acquisition of Terra. In the phosphate segment, net sales decreased 12% to $542.5 million in the nine months ended September 30, 2010 compared to $614.4 million in the first nine months of 2009 due to lower sales volumes, partially offset by higher phosphate fertilizer selling prices which increased by 14%. Phosphate segment sales volume in the nine months ended September 30, 2010 decreased by 18% from the same period in 2009 as no potash sales were made during 2010 and export sales volume declined. We sold approximately 164,000 tons of potash during the first nine months of 2009.

Cost of Sales

Total cost of sales in our nitrogen segment averaged approximately $195 per ton in the first nine months of 2010 compared to $186 per ton in the same period of 2009. This 5% increase was due primarily to a $21.8 million unrealized mark-to-market loss on natural gas derivatives in the first nine months of 2010 compared to an $84.8 million gain in the prior year period and higher depreciation and amortization associated with revaluing acquired assets to fair value under purchase accounting, partially offset by lower realized natural gas costs. Phosphate segment cost of sales averaged $326 per ton in the first nine months of 2010 compared to $339 per ton in the first nine months of the prior year, a decrease of 4%, due primarily to the inclusion of higher cost purchased potash in the phosphate segment in 2009.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $26.3 million to $73.3 million in the nine months ended September 30, 2010 from $47.0 million in the same period of 2009 due primarily to the acquisition of Terra.

Restructuring and Integration Costs

Restructuring and integration costs consist of $17.9 million incurred during the second and third quarters of 2010 to integrate the operations of Terra and CF Industries. A summary of our restructuring actions and associated charges is included in Note 5 to our unaudited consolidated financial statements.

CF INDUSTRIES HOLDINGS, INC.

Equity in Earnings of Operating Affiliates

Equity in earnings of operating affiliates in the first nine months of 2010 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, both of which were acquired as part of the Terra acquisition.

Other Operating Net

Net other operating expenses increased $93.3 million to $150.9 million in the nine months ended September 30, 2010 compared to $57.6 million in the same period of 2009. This increase was due primarily to $150.0 million of costs associated with our acquisition of Terra, including a $123.0 million termination fee paid to Yara International ASA, the cost of responding to Agrium's proposed acquisition of CF Holdings, and project development costs related to our proposed nitrogen complex in Peru.

Interest Net

Net interest expense was $169.6 million in the nine months ended September 30, 2010 compared to $3.0 million of net interest income in the same period of 2009. The change was due primarily to interest expense and amortization of debt issuance costs associated with our senior secured bridge facility, senior secured term facility and senior notes. Interest expense includes $73.7 million of accelerated amortization of debt fees recognized upon repayment of the senior secured bridge loan and partial repayment of the senior secured term loan.

Loss on Extinguishment of Debt

Loss on extinguishment of debt consists of the $17.0 million loss on the early retirement of Terra's 2019 Notes. This amount represents the difference between the amount paid to settle the debt of $744.5 million and the fair value of the notes on April 5, 2010 of $727.5 million as the notes were recognized at fair value under purchase accounting.

Income Taxes

Our income tax provision for the nine months ended September 30, 2010 was $104.4 million compared to $220.1 million for the same period in 2009. The effective tax rate for the nine months ended September 30, 2010 based on the reported tax provision of $104.4 million and reported pre-tax income of $302.7 million was 34.5%. This compares to 36.0% in the prior year. The effective tax rate for the nine months ended September 30, 2010 based on pre-tax income exclusive of the noncontrolling interest was 43.9%. This compares to 41.1% in the prior year. The increase in the effective tax rate based on pre-tax income exclusive of noncontrolling interest resulted primarily from an increase in non-deductible costs associated with our acquisition of Terra and Peru project development activities. See Note 14 to our unaudited consolidated financial statements 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 for the first nine months of 2010 consists of our share of the operating results of unconsolidated joint venture interests in Keytrade and GrowHow since the acquisition of Terra.

Table of Contents

Net Earnings Attributable to Noncontrolling Interest

Amounts reported as net earnings attributable to noncontrolling interests include the interest of the 34% holder of CFL's common and preferred shares and the net earnings attributable to the interest of the publicly held common units of TNCLP. The TNCLP Agreement of Limited Partnership allows the General Partner to receive Incentive Distribution Rights (IDRs) once a minimum threshold has been met. During the second and third quarters of 2010, the Minimum Quarterly Distribution was met which entitled us to receive increased income allocations as provided for in the TNCLP Agreement of Limited Partnership.

Diluted Net Earnings Per Share Attributable to Common Stockholders

Diluted net earnings per share attributable to common stockholders declined to $2.35 in the first nine months of 2010 from $6.38 per share in the comparable period of 2009 due primarily to the decrease in net earnings attributable to common stockholders and the increase in diluted weighted average shares outstanding. In April 2010, we issued 9.5 million shares of our common stock in conjunction with the Terra acquisition and 12.9 million shares in the subsequent public offering.

Operating Results by Business Segment

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

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Nitrogen Segment

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

	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	2010 v. 2009	2010 v. 2009	2010	2009	2010 v. 2009	2010 v. 2009
	(in millions, except as noted)							
Net sales	$ 735.1	$ 276.1	$ 459.0	166.2%	$ 2,184.9	$ 1,487.3	$ 697.6	46.9%
Cost of sales	593.8	174.2	419.6	240.9%	1,578.8	812.8	766.0	94.2%
Gross margin	$ 141.3	$ 101.9	$ 39.4	38.7%	$ 606.1	$ 674.5	$ (68.4)	(10.1)%
Gross margin percentage	19.2%	36.9%			27.7%	45.4%		
Tons of product sold (000s)	2,981	1,238	1,743	140.8%	8,111	4,381	3,730	85.1%
Sales volume by product (000s)								
Ammonia[1]	513	164	349	212.8%	1,892	778	1,114	143.2%
Urea[2]	713	495	218	44.0%	2,162	1,942	220	11.3%
UAN[3]	1,430	570	860	150.8%	3,396	1,618	1,778	109.9%
AN	262		262	N/M	525		525	N/M
Other nitrogen products	63	9	54	N/M	136	43	93	217.3%
Average selling price per ton by product								
Ammonia	$ 394	$ 355	$ 39	11.0%	$ 378	$ 596	$ (218)	(36.6)%
Urea	263	260	3	1.2%	286	313	(27)	(8.6)%
UAN	188	155	33	21.3%	205	255	(50)	(19.6)%
AN	203		203	N/M	208		208	N/M
Cost of natural gas (per MMBtu)[4]	$ 4.37	$ 3.29	$ 1.08	32.8%	$ 4.54	$ 5.01	$ (0.47)	(9.4)%
Average daily market price of natural gas (per MMBtu)								
Henry Hub (Louisiana)	$ 4.29	$ 3.15	$ 1.14	36.2%	$ 4.58	$ 3.80	$ 0.78	20.5%
Depreciation and amortization	$ 70.9	$ 14.9	$ 56.0	N/M	$ 154.8	$ 43.2	$ 111.6	N/M
Capital expenditures	$ 74.9	$ 40.4	$ 34.5	85.4%	$ 151.9	$ 127.6	$ 24.3	19.0%
Production volume by product (000s)								
Ammonia[5]	1,662	818	844	103.2%	4,250	2,294	1,956	85.3%
Granular urea	595	514	81	15.8%	1,837	1,736	101	5.8%
UAN (32%)	1,233	547	686	125.4%	3,098	1,492	1,606	107.6%
AN	263		263	N/M	521		521	N/M

N/M Not Meaningful

(1) Includes export sales of 23,000 tons for the nine months ended September 30, 2010. There were no export sales in the third quarter of 2010 or in the nine months ended September 30, 2009.

(2)

Includes export sales of 41,000 tons for the three and nine months ended September 30, 2010, respectively. Export sales for the three and nine months ended September 30, 2009 were 12,000 and 36,000, respectively.

(3) Includes export sales of 192,000 and 257,000 tons for the three and nine months ended September 30, 2010, respectively. Export sales for the three and nine months ended September 30, 2009 were 120,000 and 275,000, respectively.

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

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

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Third Quarter of 2010 Compared to the Third Quarter of 2009

Net Sales. Nitrogen segment net sales increased $459.0 million, or 166%, to $735.1 million in the third quarter of 2010 compared to $276.1 million in the same quarter of last year due primarily to the acquisition of Terra, which increased net sales by $400.0 million, higher average nitrogen fertilizer selling prices and higher sales volume. Average selling prices across all nitrogen products increased in the third quarter of 2010 from the same quarter of 2009 due to strengthening demand from a strong agricultural market and low downstream inventories. Nitrogen fertilizer sales volume in the third quarter of 2010 increased 1.7 million tons from the corresponding period of 2009 due primarily to the acquisition of Terra. Expectations of a strong fall application season in the case of ammonia and efforts by customers to restock inventory in the face of increasing prices and tightness in supply availability in the case of urea led to strong product movement in the quarter.

Cost of Sales. Total cost of sales in the nitrogen segment averaged approximately $199 per ton in the third quarter of 2010 compared to $141 per ton in the third quarter of 2009 due to higher realized natural gas prices, the impact of unrealized mark-to-market losses on natural gas derivatives, and higher depreciation and amortization associated with revaluing assets to fair value under purchase accounting. The overall weighted-average cost of natural gas supplied to our nitrogen facilities, including realized gains and losses on derivatives, increased by 33% in the third quarter of 2010 versus the comparable period of 2009. We recognized a net $25.7 million unrealized mark-to-market loss on natural gas derivatives in the third quarter of 2010 compared to a net $1.9 million unrealized mark-to-market gain in the same period of 2009.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Net Sales. Nitrogen segment net sales increased $697.6 million, or 47%, to $2.2 billion in the nine months ended September 30, 2010 compared to $1.5 billion in the same period of last year due primarily to the acquisition of Terra, which increased net sales by $926.3 million. This increase was partially offset by lower average selling prices across all nitrogen products. During the nine months ended September 30, 2009, we benefited from substantial sales volume that had been contracted under our FPP at earlier dates and higher prices. Nitrogen fertilizer sales volume in the first nine months of 2010 increased 3.7 million tons from the corresponding period of 2009 due primarily to the acquisition of Terra. Ammonia sales volume increased significantly during the first nine months of 2010 compared to the first nine months of 2009 due primarily to the Terra acquisition, strong spring applications due to favorable weather and soil conditions, and strong third quarter sales due to the anticipation of a robust fall application season. Urea and UAN sales volume increased in the first nine months of 2010 as compared to the same period in 2009 due primarily to the acquisition of Terra.

Cost of Sales. Total cost of sales in the nitrogen segment averaged approximately $195 per ton in the nine months ended September 30, 2010 compared to $186 per ton in the same period of 2009. The 5% increase was due primarily to a $21.8 million unrealized mark-to-market loss on natural gas derivatives in the first nine months of 2010 compared to an $84.8 million gain in the prior year period, partially offset by lower realized natural gas costs. We also recognized higher depreciation and amortization associated with revaluing acquired assets to fair value under purchase accounting.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

Phosphate Segment

The phosphate segment results, as shown in the following table, include results for our DAP and MAP phosphate products. We sold potash in 2009 and included those sales in the phosphate segment, as shown separately below. Within the following segment discussion, the term phosphate fertilizer is used to delineate the results of our DAP and MAP products within the segment's results.

	Three months ended September 30,				Nine months ended September 30,			
	2010	2009	2010 v. 2009	2010 v. 2009	2010	2009	2010 v. 2009	2010 v. 2009
	(in millions, except as noted)							
Net sales	$ 182.0	$ 154.0	$ 28.0	18.2%	$ 542.5	$ 614.4	$ (71.9)	(11.7)%
Cost of sales	153.5	131.9	21.6	16.4%	453.0	575.6	(122.6)	(21.3)%
Gross margin	$ 28.5	$ 22.1	$ 6.4	29.0%	$ 89.5	$ 38.8	$ 50.7	130.7%
Gross margin percentage	15.6%	14.4%			16.5%	6.3%		
Gross margin by product								
DAP/MAP	28.5	21.3	7.2	33.8%	89.5	72.8	16.7	22.9%
Potash		0.8	(0.8)	N/M		(34.0)	34.0	N/M
Gross margin percentage by product								
DAP/MAP	15.6%	17.2%			16.5%	13.9%		
Potash		2.6%				(37.9)%		
Tons of product sold (000s)	451	497	(46)	(9.3)%	1,390	1,698	(308)	(18.1)%
Sales volume by product (000s)								
DAP	329	332	(3)	(0.9)%	1,058	1,246	(188)	(15.1)%
MAP	122	107	15	14.0%	332	288	44	15.3%
Potash		58	(58)	N/M		164	(164)	N/M
Domestic vs. export sales (000s)								
Domestic	260	342	(82)	(24.0)%	866	997	(131)	(13.1)%
Export	191	155	36	23.2%	524	701	(177)	(25.2)%
Average selling price per ton by product								
DAP	$ 403	$ 281	$ 122	43.4%	$ 387	$ 338	$ 49	14.5%
MAP	404	283	121	42.8%	399	357	42	11.8%
Potash		527	(527)			548	(548)	
Depreciation, depletion and amortization	$ 13.5	$ 11.5	$ 2.0	17.4%	$ 38.2	$ 28.4	$ 9.8	34.5%
Capital expenditures	$ 9.2	$ 13.9	$ (4.7)	(33.8)%	$ 36.0	$ 53.4	$ (17.4)	(32.6)%
Production volume by product (000s)								